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Musings

#3: Reflecting after Initial Battle

March 24, 2020

The danger of a leverage

They teach you in business school to lever to the point of “financial distress” to take advantage of tax shield of debt and minimize equity. Problem is when you have a shock and can’t pay your debt, all of sudden your business is at risk. Businesses should either not lever at all (overcapitalize with equity) or at least run “stress tests” like they did with government did with banks after 2008. This applies to personal live as well.

Surround yourself with smart advisors

In times like this, you just want to talk to a lot of smart people. Board members / friends / advisors. Gather as much info as you can. Just ask questions and see what they say. Look for patterns. You have to make the final judgment call but having lots of input helps.

Value of communication

Human beings hate ambiguity. They want community especially in times of stress. You have to over communicate. Even if you don’t have a lot to share just provide the platform.

Crisis creates opportunity

In times of turmoil, the teams that react quickly and innovate can improve the competitive position. Slow/bureaucratic/top down organizations struggle. Nimble teams with deep benches of creativity excel. According to my friend Trent Teti, “ the Kanji symbol for the word ‘crisis’ is made of two subsidiary symbols; one for the word ‘danger’ and the others from the word ‘opportunity’”

Urgency matters

You have to move to 24x7 mentality. Everything needs to happen as quickly as possible. There are no “off” hours.