

J. Michael Locke

Musings

#116: Musing March 6, 2021

There is a lag effect which needs to be remembered in evaluating leader performance. Good and bad decisions can take a while to manifest themselves in results. For example, I am no Jeff Immelt fan but I think he inherited a bad situation from Jack Welch at GE. Welch was treated as exemplary but he laid the foundation for real issues at GE by playing games with pension accounting to manipulate earnings (there is lots of discretion around your accruals for pension expenses based on what rates of return you assume on saved up money) to turning the industrial company into a leveraged bank by focusing all investment on GE Capital. Immelt made a disastrous power acquisition but I agree with his own statement that “[He] became CEO of a company where perception didn’t equal reality.” When hiring, watch out for the serial “mover” who may change jobs every 2-3 years before their true track record is known.

Sometimes the art form is about “managing up.” There is a skill around influencing your boss to change his or her mind and see things your way. This is especially important with strong personalities at the top. Interesting article about this dynamic with Steve Jobs [persuading-the-unpersuadable](#) in Harvard Business Review. Remember to use third parties when making your case. If you and a colleague disagree on something, it is just your view vs their view. Identify unbiased third parties who you can use for your case. Send these outside reports, articles or interviews as a way to influence toward your point of view.

One thing you have to like about older executives is their candor. No time for games. Everyone knows Warren Buffett but not as many people know Charlie Munger who is his 97 year old partner of over 50 years. Munger recently discussed some of the foolishness around Robinhood and Reddit subgroups. *“I hate this luring of people into engaging in speculative orgies.....Robinhood may call it investing, but that’s all bullshit.”* Full article: [munger-renews-robinhood-criticism-likens-app-to-racetrack-betting](#) . For those in business, the annual Buffett letter came out last weekend. I consider this to be a must read every year. Link to the letter here: [berkshirehathaway.com/letters](#)

Bill Clinton once lamented the power of bond traders. According to Bob Woodward’s book, Clinton said *“You mean to tell me that the success of the program and my reelection hinges on the Federal Reserve and a bunch of ----- bond traders?”* Well the bond traders are controlling the action right now. They fear the huge amounts of fiscal stimulus are going to drive inflation. The amount of money (as measured by M2 by the Federal Reserve) in our system is up 26% which is the largest annual increase since the Great Depression. The personal savings rate has shot up to 20.5%! The government has flooded the market with money before the huge new stimulus package about to pass the Senate. Bond traders are not buying the new supply (the government issues bonds/notes/IOUs in an auction and institutional investors buy them) so economics 101 -- supply goes up with no increase in demand and prices go down. As the price of bonds go down, yields go up (price of bonds and yield move inversely). The 10 year rate has moved up from .93% to 1.5% (over a 50% increase) just in 2021 which then in turn drives things like mortgage rates. Challenging time right now because equities and bonds

are moving in correlation down due to inflation fears not based on a healthy economy (which would help stocks) but excessive government stimulus. The excessive amounts of money are also leading to inflated values in all kinds of markets from Bitcoin to SPACs to real estate and even baseball cards.

The SPAC craze might be coming to an end. Some are trading below their IPO price and some are doing unusual deals. From CNBC: *"Last month, Leisure Acquisition Corp., a SPAC that was initially targeting a leisure company as its name suggests, announced a \$200 million deal with Ensysce Biosciences, a biopharmaceutical company fighting drug overdoses. Stable Road Acquisition Corp, a cannabis SPAC, also did a major pivot and is closing a deal with space company Momentus."* [spacs-are-becoming-less-of-a-sure-thing](#). However, not everyone agrees. Hamilton taught us about the power of music to educate. Add in the new world of investing around Reddit and Robinhood and you get this youtube video on SPACs that would make Lin Manuel proud. Give it a watch. [spac rap](#)

For those who want to continue evaluating Bitcoin. This is a good article: [can-governments-stop-bitcoin/](#)

When it absolutely, positively, has to be there overnight, don't fedex it. Last week, 25% of fedex packages did not arrive on time. My recent experience is 3 out of 4 packages not getting there as promised. Tough deal when your value proposition is based on certainty and the consumer loses trust.

Google announced last week that it will stop ad sales based on individual's web browsing. Currently, you can be tracked as you move from one site to another and a profile is built to then sell targeted ads. In the name of privacy, Google is saying they will be stopping this. Not sure this is all "privacy good Samaritan" as Google will benefit as they have a "walled garden" with lots of data and goodies that only they will have. Smaller companies without their own data on their customers will see reduced ad effectiveness.

Personally, I think it is time for B2B execs to start travelling. Like Nascar under the yellow, get a jump on the green light. Hit the road now. People are starting to take meetings. Coming to visit shows you really care about your clients or really want business from new prospects. I talked to a friend who did a trip "off the books" on his own dime (company still not supporting travel) and he said the client loved it and was effusive in their gratitude for a nice work dinner.

Jml

Reprint: 4/15 Musing #22 – Choose Your Words Carefully

While politicians generally exhibit very little in the way of good leadership and management, there is one thing we can learn from them. They are very good at choosing their words carefully and creating naming conventions which might influence perception before you even dig into the topic.

Think about "illegal aliens" vs "undocumented immigrants." The latter creates a feeling of a mistake in the paperwork. The former creates a feeling of a criminal invader. How about the "Affordable Care Act"? How could someone be against that? Legislators are even getting good with acronyms. The huge stimulus bill is actually the "Coronavirus Aid, Relief, and Economic Security Act" or "CARES Act."

Leaders should choose their words and naming conventions carefully. You can frame a conversation to your advantage by how you name it. The most common approach is to just be descriptive when doing things like setting up a meeting. Instead, I recommend you name the outlook meeting invite with the outcome you want. As an example, if you are meeting with the VP of Sales to talk about how to get more traction – call the meeting “Strategies to Accelerate Bookings” rather than just “Sales Meeting.”

This is especially important when you are trying to motivate. Recently, I was involved in a business where we created a special team to explore a new area for expansion. We gave the team the project name of “Go Big.” That kind of sets the framework doesn’t it?

When building PowerPoint slides, use active titles which frame the message. Rather than saying, “Q1 Expenses” say “Gross margin expanded in Q1.” Make the takeaway point in the title of the slide. That way, the ppt flipper will get the message just by quickly reading the slide titles. You will know the message got delivered.

Let me digress on PowerPoint for a second. It is ruining management discourse. Too much time is going into the preparation of PowerPoint slides and not enough into actually thinking and discussing. Executives are becoming TV anchors reading the teleprompter when they recite their slides. Enough. Tell your team you want a 1-2 page memo and then a conversation. #killpowerpoint.

Choosing words carefully can even apply to simple things like email addresses and platform decisions. Personally, I think someone’s email address says a lot. I will never forget the younger candidate who had an email with 420 in the name. Seriously? Casual nicknames are also suboptimal. Use some form of your official name as your work email. Sorry for those who like Meg Ryan and Tom Hanks but an aol.com email shows a lack of technology sophistication. Obviously, the most digitally fluent will have their own domain. Gmail is probably the core of digital crowd. Outlook use implies a more ‘standard’ person who is probably on a Wintel machine and not Apple.

Slow down and think about your words. Colleague *not* subordinate. Partner *not* vendor. Disappointed *not* mad. We *not* I.

Be safe.

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