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Musings

#121: Musing April 10, 2021

The results of our broken college admissions process have been coming out. Many schools went “test optional” this year due to Covid and applications have surged, especially at the fancy Ivy schools with Harvard and Yale applications up 43% and 33% respectively. The historical emphasis on test scores is problematic. The SAT – which was designed to create greater access (you didn’t have to go to a private boarding school to get into Harvard anymore) – has become a perpetuator of privilege (“The Big Test” by Nicholas Leman is a good read.) There is almost a 100% correlation between SAT scores and wealth as families “work the system” by hiring tutors, doing multiple takes to facilitate super scoring, getting extra time due to doctor note etc. I think “test optional” is one of the “Covid changes” that is here to stay but evaluating the relative merits of applicants without quantitative measures is difficult. It will be interesting to see the various “portfolio approaches.” For example, Goucher College went to a two minute video and two pieces of high school work. Applicants video themselves answering this question: *“We want to know about your combination of talents and passions, and how you see those talents and passions specifically flourishing at Goucher. Let us know how you fit into our community of learners, thinkers, and doers.”* Not sure that “submit a video” approach works but movement away from the crazy system reinforced by the “industrial testing/admissions complex” is good. I believe the “system” is over-engineered and parents worry way too much about what school their kid will get into (Netflix documentary on the Aunt Becky et al. admissions scandal now out – Operation Varsity Blues.) My counsel is for everybody to relax, don’t focus on stretch schools but rather, focus on fit.

There are good values to be had at less prestigious private schools which are giving robust merit scholarships to bring down price. If you want to know the real tuition price of a school go to <https://collegescorecard.ed.gov> run by the US Dept. of Education. Each school has a scorecard which shows the “average annual cost” which is the amount after scholarships (so what people are really paying). For example, DePauw University’s average annual cost is \$23,873 while published tuition, room and board is over \$65,000.

Make sure you are training your managers on how to identify when a remote worker is struggling. From a good article -- *“We’re really advocating for what we’re calling ‘empathy-based management... Pre-pandemic, employers could see when employees were struggling. Now, it’s not so clear. When you apply this approach, it has a huge impact on trust. We must train managers to ask the right questions to learn how to be vulnerable, to take into account factors that are not just related to work but that are outside of work, too.”* Full article here: [hybrid-workers-are-stressed-out-but-empathy-based-management-could-help/](#). I don’t think mandating the vaccine (which you are allowed to do) is the right answer. Agree with this CNBC comment: *“People don’t react well to mandates. They react better to incentives and to encouragement.”*

Amazon fought off a unionization movement at their facility in Bessemer, Alabama. Private sector union membership is down to just 6.3% of workers. Unfortunately for taxpayers, the public sector membership rate is five times higher at 34.8% according to the federal government.

Jamie Dimon, the excellent CEO of JP Morgan Chase, put out his annual letter. It is increasingly rivalling Warren Buffet's as a good overall read (albeit lengthy). Full 65 page letter at this link [ceo-letters](#) . He provides a summary of his points which I have put under my initials at the end of the musing. Here are my favorite three paragraphs:

Respect and learn from your people. Managers and leaders get spread pretty thin. While they should have a wide grasp of many subjects, they could not possibly know everything their people know. Leaders should continually be learning from their people. They should go to a sales conference and ask lots of questions of their salespeople. Gather technology people in the room with branch managers and ask, "How are things working?" Taking a road trip should not be only for the purpose of showing the flag but also for learning from your employees and customers.

Have curiosity. It's important to ask questions to try to understand varying points of view. Be willing to change your mind. Read everything. Don't defend decisions of the past. Leaders should be happy when their people prove them wrong. Do not have a rigid mindset. And do not be complacent.

Skip hierarchy. If everything in a large organization must go up and down the hierarchical ladder, bureaucratic arteriosclerosis along with CYA sets in, and that company's life expectancy is substantially shortened. It should be routine that data, memos and ideas are shared – skipping hierarchies – and aren't vetted by all in the chain of command. This makes people more responsible for what they are doing, improves the dissemination of new information and new ideas, and speeds things up overall. In addition, it's good to have a few mavericks who are not afraid to shake things up. The ones who challenge authority or convention often get far more done than the ones who go along to get along. Collaboration is wonderful, but it can be overdone.

One area Dimon addresses is the remote vs office work debate (he is reducing their humongous footprint). Commercial office owners are nervous. From WSJ: *Office rents for more expensive space, including concessions, fell around 17% over the past year in New York and San Francisco and 13% nationwide, according to real-estate firm JLL.* Interesting thoughts from my friend Joe Brady who is in this market: *"The composition of space is changing from 70% individual work / 30% collaboration to something like the inverse... 70% collaboration / 30% workspace. Onsite is the new offsite. Purposeful presence will dictate if and when you travel to an office. Passive attendance (think "Office Space" and the TPS Reports) is yesterday....The next 12-24 months will be a series of tests & learns. We need to monitor & measure how employees (consumers of space) vote with their feet. That will determine the future of square feet."*

Big picture, I think Covid and the accelerated adoption of digital engagement is going to move power from the institution to the individual. From school to student, from hospital to patient, from employer to employee. Remote delivery gives the consuming individual options. They can more easily choose where to go to school, what doctor to go to and who to work for. Faculty, physicians and employers will need to move from a "supply side" model where they dictate things to a "demand side" model where the individual consumer desires are paramount. Digital transformation will be key where business processes are redesigned for the new world. There was a lot of "digitization" for Covid (ex. a class delivered synchronously by zoom) but organizations need to look at the whole experience through the digital lens. For example, do a mobile audit and see how everything works for your customer from a cell

phone. Good HBR article on this (thanks Dr. Lyle Berkowitz): [digitizing-isnt-the-same-as-digital-transformation](#)

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Jamie Dimon's summary points - "Within this letter, I discuss the following:

- I. [*The Corporate Citizen: The Purpose of a Corporation*](#)
 1. *Businesses must earn the trust of their customers and communities by acting ethically and morally.*
 2. *Being a responsible community citizen locally is critical, and it is easy to understand why.*
 3. *Being a responsible community citizen nationally, or globally, is more critical and more complex.*
- II. [*Lessons from Leadership*](#)
 1. *Enforce a good decision-making process.*
 2. *Examine raw data and focus on real numbers.*
 3. *Understand when analysis is necessary and when it impedes change.*
 4. *Before conducting an important analysis, assess all factors involved.*
 5. *Always deal with reality.*
 6. *Remain open to learning how to become a better leader.*
- III. [*Banks' Enormous Competitive Threats — from Virtually Every Angle.*](#)
 1. *Banks are playing an increasingly smaller role in the financial system.*
 2. *The growth in shadow and fintech banking calls for level playing field regulation.*
 3. *AI, the cloud and digital are transforming how we do business.*
 4. *Fintech and Big Tech are here ... big time!*
 5. *JPMorgan Chase is aggressively adapting to new challenges.*
- IV. [*Specific Issues Facing Our Company*](#)
 1. *Cyber risk remains a significant threat.*
 2. *Brexit was finally accomplished — but uncertainties linger.*
 3. *New accounting requirements affect reserve reporting but not how we run our business.*
 4. *While we disbanded Haven, we will continue to build on what we learned.*
- V. [*COVID-19 and the Economy*](#)
 1. *Bold action by the Fed and the U.S. government effectively reversed financial panic.*
 2. *Banks entered this recent crisis in great shape and were part of the solution coming out.*
 3. *The confusing interplay of monetary, fiscal and regulatory policy continues through recessions.*
 4. *The regulatory system needs to keep up with the changing world — and finish Dodd-Frank to get it right.*
 5. *The pandemic accelerated remote working capabilities, which will likely carry forward.*
- VI. [*Public Policy. American Exceptionalism, Competitiveness and Leadership: Challenged by China, COVID-19 and Our Own Competence*](#)
 1. *Laying out the problems is painful.*
 2. *Why did — and didn't — these failures happen?*
 3. *We need a comprehensive, multi-year national Marshall Plan, and we must strive for healthy growth.*
 4. *We need to take specific action steps.*
 5. *America's global role and engagement are indispensable to the health and well-being of America.*