

J. Michael Locke

Musings

#149: Musing October 22, 2021

Welcome to supply chain hell. Our world has become so globally connected that our daily existence depends on containers coming on ships across oceans from lower cost labor markets to major ports on the coast to the back of semi-truck or train to an intermodal facility and then to our local store. There are as many as 500,000 containers sitting on ships outside of Long Beach Port and LA right now. When they get unloaded, there are not enough truck drivers to get them where they need to go. This won't be cleared up for years. Higher inflation here for a while. P&G raising prices on your toothpaste. [half-a-million-shipping-containers-waiting-ports-la-long-beach](#)

Don't underestimate the value of a little "cushion." While it wouldn't have prevented the Long Beach crisis, it is simply a good management philosophy to not depend on perfection. Leave yourself some room on your cash flow forecasts to make your debt payments. Leave yourself some room by flying in the night before a key meeting in the morning in case there is bad weather. In today's labor market, I would make sure you are "overstaffed" in critical roles in case you lose a key person. Give yourself some cushion by diversifying your supply chain dependencies.

Who has the real power in the world of technology-based distribution of content? Last week I wrote about the vast sums of money being made by streamers on Twitch etc. Some refer to it as "the Creators' economy" and point to people like Shonda Rhimes or Chance the Rapper who didn't sign with a label (distributor) but instead went on free services like SoundCloud and built his fan base. However, Squid Game points the other way. It is now Netflix's largest series ever topping 111 million viewers globally. From CNBC: *"Netflix revealed in its shareholder letter Tuesday that 142 million of its subscribers have seen at least two minutes of the wildly popular South Korean drama. That's exactly two-thirds of the company's 213 million global customers."* The creator of Squid Game wrote it years ago and couldn't get anyone to pick it up. Give credit to someone at Netflix who saw the potential. Joe Exotic is nowhere without the power of Netflix. I think that (and the algorithm within it) is the real power in the value chain. To me the key is who "controls" the consumer. Netflix has great data on user preferences and then can source the right content. We are starting to see this play out with Apple who is cutting off some of the information historically used by application companies like Snap. Apple "controls" the end user and the new privacy rules have less data being shared. From the WSJ: *"This shows the Achilles' heel in Snap's model," said Truist Securities analyst Youssef Squali. "That is effectively a lack of massive first-party data, which is what you need to be successful in this business."* Call it a "Distributors' economy."

Chicago Mayor Lori Lightfoot clearly has not read my musings on getting the hearts and minds of your team and to be careful with specific words and nomenclature to frame a discussion. Last week, she lectured the police in the media speaking of "obeying a direct order" and not doing so would be "insubordination." Moral indignation and statements about positional authority are not a way to win support. An effective boss never has to say s/he is the boss.

A new workplace and school topic coming out of the pandemic will be air quality. From CNBC: *“Amazon chief health officer Vin Gupta says the biggest health challenge for public and work spaces this century will be ventilation and air quality. This is not because of Covid alone, but the current pandemic should reinforce and elevate what existing public health research has shown: air quality at work is directly correlated to brain function and productivity. Air quality researchers estimate we spend 90% of our lives, or 72 years of an 80-year life, indoors.”*

Excel can be really dangerous. Obviously not dangerous in Squid Game-style but because it leads you to assume the numbers are right. A good habit is to get out your old calculator and check some of them. If you really want to understand a set of numbers, don't just accept the excel spreadsheet but rather work through some of the calculations yourself. You might be surprised how often formulas are wrong.

Interesting fact: standard YouTube model pays the creator of the video 55% of any advertising revenue which runs before it while YouTube retains 45%.

Another interesting fact: 22% of existing home sales in August were cash buyers.

One more fact: “Alternative” investments now comprise 24% of public pension fund portfolios. Harvard's endowment has 34% just in private equity and grew 33.6% to \$53.2 billion! Think about the size of that number. Basically, Harvard is a huge hedge fund with a small school operating entity on the side. [endowment-big-but-lagging](#)

Amherst has ended the practice of giving preference in admissions to legacies. Will be interesting to see if this gains traction broadly.

RIP Colin Powell. American hero. I included his leadership rules in an earlier musing but repeat them here in his honor. We need more people emulating him versus some of our society's current leaders:

1. It ain't as bad as you think. It will look better in the morning.
2. Get mad, then get over it.
3. Avoid having your ego so close to your position that when your position falls, your ego goes with it.
4. It can be done!
5. Be careful what you choose.
6. Don't let adverse facts stand in the way of a good decision.
7. You can't make someone else's choices.
8. Check small things.
9. Share credit.
10. Remain calm. Be kind.
11. Have a vision. Be demanding.
12. Don't take counsel of your fears or naysayers.
13. Perpetual optimism is a force multiplier.

jml