

J. Michael Locke

Musings

#162: Musing January 21, 2022

Some rational behavior in the equity market at last. “Story” stocks with big valuations based on earnings way in the future have been beaten up with the rapid increase in rates. This is logical as those future earnings need to be present valued and the rate used to factor in the time value of money should go up with interest rates. Near term cash is much more valuable than long term cash in a higher interest rate environment. Pandemic favorites also adjusting to the new norm of endemic world. Peloton reducing production because of such a decline in demand. Netflix missed subscriber metric. Don’t go long cruise lines yet but rotate out of your pandemic positions.

Greg Ip from the WSJ does not share my “risk on” view of endemic Covid life. He writes: *“Covid-19 might have boosted efficiency in some industries by speeding up digitization and adoption of remote work. Goldman Sachs economists estimate this delivered a 3% to 4% boost to U.S. productivity. But some of the shift to remote operations is involuntary, and some of the rise in productivity might reflect an overworked workforce. Indeed, the pandemic [has left the labor force smaller](#), sicker and less happy. Absences due to illness among employed workers have averaged 50% higher in the last two years. In early January, nearly 12 million people weren’t working because they were sick with Covid-19, caring for someone with coronavirus, or concerned about getting or spreading the disease, according to a regular Census Bureau survey. The figure hasn’t been below 4 million since June 2020.”*

Good quote from Michael Dell: *“Our world is truly hybrid and sometimes ambiguous. We will not always be in charge of what we can do, when and where. There is no magic moment for when we return to the office or in-person events. There is a continuum of risk and reward, and that balance will move back and forth over time.”*

Remote work eliminates national borders when it comes to talent. *“According to research firm IDC, more than forty percent of the global workforce—at least 1.5 billion people—is “location independent.” The capacity for remote work has graduated from latent to actual.” [americas-brain-drain-economy](#) “From Tulum, Mexico, to Athens, Greece, to Phuket, Thailand, entire colonies have sprung up catering to mobile youth in search of sunny, low-tax hubs. Digital nomads are geographically mercenary, using websites like Expatistan and nomad-themed message boards to calculate where to find the best balance between cost of living and quality of life. And those websites are steering them towards Berlin, Prague, Tbilisi, and Bali—not New York and Los Angeles.”* Good leaders will figure out how to build culture through zoom with employees. Personally, I say don’t turn on the “picture” backdrop or blur your surroundings. Rather, let the others see what the inside of your house looks like and be more personal.

Life is a grind right now. Feels like Groundhog day with Covid. Don’t underestimate the power of humor. Laughter actually triggers chemical releases in the brain around pleasure. There is actually a class at Stanford business school on Humor and Leadership. Leaders need to bring some levity right

now. You don't have to be a comedian but be real and lighten the surrounding dark world.

Always remember to really listen. *"Listening is hard. We come into conversations with our own agendas and low attention spans, and that can be a dangerous combination. When you're doing the talking, though, it's frustrating if you're not being heard. You can build better relationships and get ahead in business if you learn how to actively listen, says Cash Nickerson, author of The Samurai Listener."* [youre-a-bad-listener-heres-how-to-remember-what-people-say](#).

Good quote for Sir Richard Branson *"Clients do not come first. Employees come first. If you take care of your employees, they will take care of your clients."* This also applies to prospective clients. Focus on your sales and marketing professionals. My friend Tom Slagle would quote the three Cs – Clarity leads to Confidence which leads to Commitment. Don't get too complex with your sales team.

Got to love government run institutions. According to one source, over the past 20 years, Chicago Public School enrollments has declined by about 25% (100,000 students) while the budget has grown over 80%.

Fun quote from Scott Galloway: *"[Theranos' founder Elizabeth] Holmes cost her investors less than a billion dollars, didn't make any real money herself, and is going to prison. Adam Neumann [WeWork founder] cost his investors \$11 billion, received a 10% commission on those losses [he took away over \$1bn], and is going to Coachella. Note: Ms. Holmes's vision progressed to the exaggeration/fabrication of contracts and clients, whereas Mr. Neumann's "only" went so far as accounting irregularities."*

Good thoughts from excellent Northwestern business school professor Mohan Sawhney:

As we fasten our seatbelts for a bumpy 2022, here are some reflections on the metaphor of life as a journey. I hope you take away some inspiration for your own journey in the new year!

- 1. Let passion be your sail, effort be your wind, humility be your anchor and values be your compass as you captain the ship of life.*
- 2. By running faster, we believe we make progress. But what if we are running in circles?*
- 3. On the road less travelled, there are no carpools.*
- 4. We celebrate birthdays as milestones. We should focus less on milestones and more on the journey. And we should celebrate every moment with gratitude that we are here. Now.*
- 5. I search the world for answers to my questions. But the answers are always within me. I am like the musk deer that spends its life searching the forest for the scent that lies deep within its body.*
- 6. You came with nothing. You will leave with nothing. Build your Karmic assets. I believe you can take these with you.*
- 7. Temporary! Temporary! Temporary! This too shall pass.*

jml