J. Michael Locke
Musings

#174: Musing
<u>April 15, 2022</u>

Most organizations I know are in the middle of "return to office" implementations (other than those who have made the leap of faith and gone all remote.) Interesting Harvard study just came out and looked at outcomes (not preferences) of various models. According to the study, *"Just one or two days in the office is the ideal setup for hybrid work, according to a new study, as it provides workers with the flexibility they crave without the isolation of going fully remote."* I am a fan of "office intentional" where the focus is on the use of the office time rather than punching the clock for a given number of days. *"The key with hybrid arrangements, though, is organizing things so that teams are in the office together on the same days, preventing the problem of workers commuting in only to spend half their day on* <u>Zoom calls</u> *with remote colleagues. You want people to try and come in together, so office time is together time…..Well-organized hybrid does seem to be the sweet spot."* <u>one-or-two-days-in-the-office-is-the-sweet-spot-of-hybrid-work</u>.

Some companies are really trying to make the office a desirable place to be by turning to alcohol. *"As businesses work to settle employees into offices, some are pulling out the stops—literally, on kegs, casks and wine bottles—in an attempt to make workplaces seem cool. Sure, executives could simply order people to return to their cubicles, and some have, but many want their workers to come back and like it."* <u>your-office-is-open-and-the-liquor-is-flowing</u> I can't say I agree with this one.

I am not a fan of cost structures which are too dominated by fixed or variable costs. You need some fixed to give you operating leverage so revenue growth turns into higher growth in profitability. For example, tough to have a labor services business like a consulting firm where you need more labor to generate every dollar of revenue. However, too much fixed costs can be difficult if you have a business stop growing and declining. For example, Fitch bond rating estimates that commercial landlords will lose 40% of their net operating income for every 10% reduction in rental income. Look for lots of defaults by commercial landlords in years to come as remote work reduces office space demand.

I have previously written about the movement to referral based purchasing by most consumers (and employees when picking at job) which will reduce the effectiveness of advertising. Great example for me this week as my dentist provided a "google review" sheet and link with discharge papers asking for me to post a positive review.

The tug of war between unmoderated social networks and controlled publishing has reached a

new height with Elon Musk's attempt to takeover Twitter. Musk is from the libertarian crowd who thinks Twitter should be wide open like a town square including opening up its source code. Others are pushing for a model with some publishing/moderated content rules. Musk has made an offer to buy Twitter for $54.20 a share (playing the marijuana 420 reference as a joke). The people who make a living betting on whether mergers will go through (merger arbitragers or "merger arbs") say it is not a real deal as the stock continues to trade around $45.

There is a corresponding "moderate or not" issue coming up within employers with the development of chat/collaboration technologies. Should an employee be able to post whatever they want on an internal chat software (obviously exempting threating/dangerous stuff) or should the public dialogue within these tools be "controlled?" Personally, I don't think any group of individuals (company or society) can operate with no filtering of the "ids" by some equivalent of the "superego" (If I remember by Freud terms right).

Interesting stat: Google, Facebook and Amazon received 64% of digital advertising revenue last year according to Insider Intelligence.

We have a national emergency with the mental health of our children and young adults IMO. Needs more open discussion. According to the National College Health Report (which came out before the pandemic), over 40% of college students are too depressed to function most days, over 65% are overwhelmingly anxious and 10% have considered suicide. BigTech and its algorithms focused on "engaging content" play to the worst in youth and adolescence.

Peggy Noonan recently referenced "Chatham House Rules" which I had never heard about. When a meeting is held under the Chatham House Rule, participants are free to use the information received, but not identify any speaker or participant.

We are entering "shareholder letter" season as public companies on a December 31 fiscal year file their annual reports. The new CEO of Amazon, Andy Jassy, had some interesting comments in his letter: *"In every business we pursue, we're constantly experimenting and inventing. We're divinely discontented with customer experiences, whether they're our own or not. We believe these customer experiences can always be better, and we strive to make customers' lives better and easier every day. The beauty of this mission is that you never run out of runway; customers always want better, and our job is both to listen to their feedback and to imagine what else is possible and invent on their behalf."* Here are his recommendations on how to create a "building" organization:

1. *"**Hire the Right Builders**: We disproportionately index in hiring builders. We think of builders as people who like to invent, who look at customer experiences, dissect what doesn't work well about them, and seek to reinvent them. We want people who keep asking why can't it be done? We want people who like to experiment and tinker, and who realize launch is the starting line, not the finish line.*

2. ***Organize Builders into Teams That Are as Separable and Autonomous as Possible***: *It's hard for teams to be deep in what customers care about in multiple areas. It's also hard to spend enough time on the new initiatives when there's resource contention with the more mature businesses; the surer bets usually win out. Single-threaded teams will know their customers' needs better, spend all their waking work hours inventing for them, and develop context and tempo to keep iterating quickly.*

3. ***Give Teams the Right Tools and Permission to Move Fast***: *Speed is not pre-ordained. It's a leadership choice. It has trade-offs, but you can't wake up one day and start moving fast. It requires having the right tools to experiment and build fast (a major part of why we started AWS), allowing teams to make two-way door decisions themselves, and setting an expectation that speed matters. And, it does. Speed is disproportionally important to every business at every stage of its evolution. Those that move slower than their competitive peers fall away over time.*

4. ***You Need Blind Faith, But No False Hope***: *This is a lyric from one of my favorite Foo Fighters songs ("Congregation"). When you invent, you come up with new ideas that people will reject because they haven't been done before (that's where the blind faith comes in), but it's also important to step back and make sure you have a viable plan that'll resonate with customers (avoid false hope). We're lucky that we have builders who challenge each other, feedback loops that give us access to customer feedback, and a product development process of working backwards from the customer where having to write a Press Release (to flesh out the customer benefits) and a Frequently Asked Questions document (to detail how we'd build it) helps us have blind faith without false hope (at least usually).*

5. ***Define a Minimum Loveable Product (MLP), and Be Willing to Iterate Fast***: *Figuring out where to draw the line for launch is one of the most difficult decisions teams must make. Often, teams wait too long, and insist on too many bells and whistles, before launching. And, they miss the first mover advantage or opportunity to build mindshare in fast-moving market segments before well-executing peers get too far ahead. The launch product must be good enough that you believe it'll be loved from the get-go (why we call it a "Minimum Loveable Product" vs. a "Minimum Viable Product"), but in newer market segments, teams are often better off getting this MLP to customers and iterating quickly thereafter.*

6. ***Adopt a Long-term Orientation***: *We're sometimes criticized at Amazon for not shutting much down. It's true that we have a longer tolerance for our investments than most companies. But, we know that transformational invention takes multiple years, and if you're making big bets that you believe could substantially change customer experience (and your company), you have to be in it for the long-haul or you'll give up too quickly.*

7. ***Brace Yourself for Failure***: *If you invent a lot, you will fail more often than you wish. Nobody likes this part, but it comes with the territory. When it's clear that we've launched something that won't work, we make sure we've learned from what didn't go*

> *well, and secure great landing places for team members who delivered well—or your best people will hesitate to work on new initiatives."*

Next time instead of saying "bit off more than he could chew," you could say "he went for a Nantucket sleigh ride." From Wikipedia: *"A Nantucket sleighride is the dragging of a <u>whaleboat</u> by a <u>harpooned</u> <u>whale</u> while <u>whaling</u>. It is an <u>archaic</u> term from the <u>early days of industrial whaling</u>, when the animals were harpooned from small open boats. Once harpooned, the whale, in pain from its wound, attempts to flee, but the rope attached to the harpoon drags the whalers' boat along with it."*

Happy Easter for those celebrating it.

jml