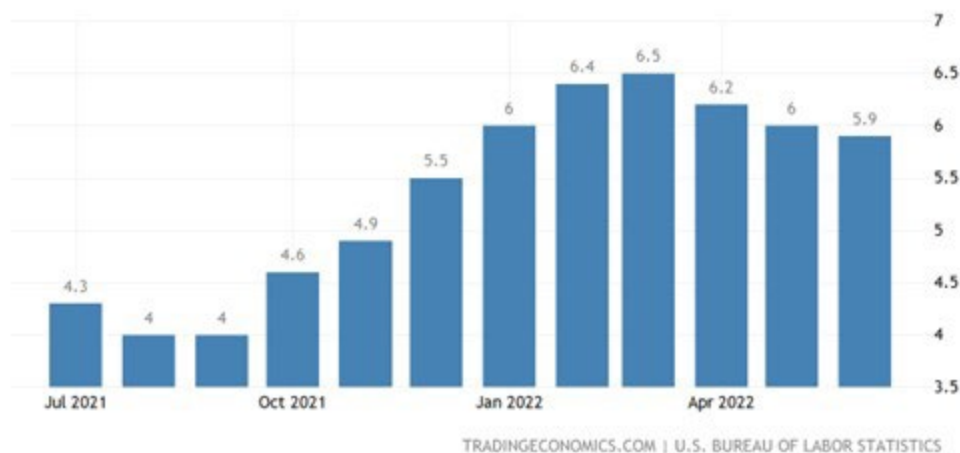


J. Michael Locke

Musings

#185: Musing July 16, 2022

You can make a lot of money in the markets if you can figure out where inflation and the economy are going. 9.1% CPI growth over last year was crazy high in June. If you look at details, gas up 59.9% and airline fares up 34.1%. However, core inflation (no food or energy) up 5.9% which is the third month of a decelerating growth rate:



“Consumers are flush but glum” or “welcome to the full-employment recession” says WSJ. Pretty confusing what is going on right now.

The largest expense at most businesses is personnel costs. The low labor participation rate, aging workforce and reduced immigration is putting real stress on the labor market and driving up wages. To increase profits, businesses have to manage, an ideally reduce, labor expenses. A big part of this is business process. Any time you ask an executive to reduce headcount, the immediate general reaction is that s/he cannot because those people are needed but that generally assumes no change in business process. More leaders need to engage in business process mapping and redesign. This will likely allow you to “replace a person dependency with a process dependency” (to quote a CEO I was recently interacting with).

Is there a generational divide on helping strangers? Any time I pause when concerned that someone might need help, our kids tell me to leave them alone. In their world, I am infringing on someone’s privacy. In my world, I am being helpful. I worry this is just another data point on our societal move away from community and towards isolation. Doordash delivers to your house so you don’t even have to get into a car. If you do get into a car, more than 70% of orders at fast food or Starbucks is now drive-thru or takeout. Text is the preferred communication method over an actual phone call. Finally, if Mark Zuckerberg has his way, we will just all put on our headsets and enjoy the virtual world. IMO, human

beings need connection and personal interaction. All of the aforementioned trends are not positive for societal cohesion and mental health.

This all applies to the workplace as well. Too much done by email. My CEO friend Pete Ruppert once lamented how he would walk around headquarters and see all of his talented executives sitting in front of a computer screen. I implemented “email amnesty days” in an effort to force people out of their office to interact with others. The new remote world post-covid is going to make this harder. Leaders will need to hit the road and visit their employees. CEOs may have to live the life of the commercial truck driver if they want to really know what is going on.

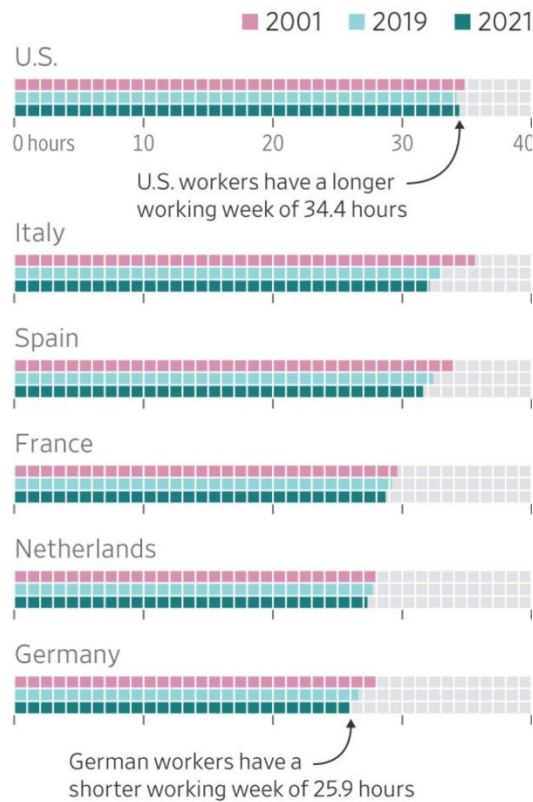
Hospitals and physicians are no exception to the isolation prevalent in today’s work. Good article (thanks Pat Wilson) on how the physician’s lounge has become a ghost town as doctors spend more time on administrative tasks, inputting into electronic medical records systems and basically not interacting with other physicians. *“One of the most powerful antidotes to burnout is engagement, and it actually doesn’t take a lot of engagement to mitigate burnout,” said Penn Medicine’s Dr. Bellini.* [hospital-physician-relationships/physician-lounges-are-dying-how-hospitals-now-foster-connection](https://www.hospital-physician-relationships.com/physician-lounges-are-dying-how-hospitals-now-foster-connection)

The challenges of remote work are becoming more apparent. Good Atlantic article: *“First, remote work is worse for new workers. Many inexperienced employees joining a virtual company realize that they haven’t joined much of a company at all. They’ve logged into a virtual room that calls itself a company but is basically a group chat.... Second, remote is worse at building new teams to take on new tasks... Third, and relatedly, remote work is worse at generating disruptive new ideas... Why might the quality of ideas degrade when people collaborate remotely? My favorite explanation is that collaboration requires trust, and trust implies a kind of intimacy, and it’s hard to build true intimacy via Zoom and chat. One of the most profound things that I’ve heard in my two years reporting on remote work is the idea that digital communications can be a minefield for trust.”* [remote-work-wfh-debate-management](https://www.theatlantic.com/remote-work-wfh-debate-management)

“Trust, not technology, is the issue of the decade” ...Tom Peters. It is hard to establish trust without a real, personal relationship built through in person interactions, dining together, meeting each other's families.

I think everyone needs to work a little harder. I was stunned by this:

Average weekly hours worked



Note: Weekly hours calculated from annual data.

Source: Organization for Economic Cooperation and Development

Lots of bad reporting on the Twitter deal. Buying a company is like buying a house. You sign a contract with closing later (usually) with conditions to closing. The Twitter purchase agreement did not contain a financing contingency nor a diligence contingency which was very “seller friendly.” Musk is arguing Twitter breached its covenant to provide information and operate in ordinary course and it’s representation that it’s SEC filings were accurate. He argues this has created a “material adverse event” which is a standard provision which allows buyer to walk away. Neither side is going to want to spend the next year litigating this so it will be settled somewhere between the \$1 billion break-up fee and the \$16 billion difference between the merger price and current trading value. I bet \$5 billion in next 30 days give or take.

Interesting quote from successful Silicon Valley venture capitalist Roger McNamee: *“I view Elon Musk as being the figurehead for a business culture that has just gone completely off the rails. We’ve gotten into this mode in Silicon Valley that we use technology to exploit human weakness rather than empower people, and we’ve supported a management culture that is so self-centered it has no respect for the people who are touched by the product, has no respect for the rules. And in the long run, that’s bad for investors, bad for the economy, and bad for the country.”*

A new National Suicide Prevention Lifeline has been rolled out analogous to 911 for emergencies. It is 988.

It is expensive to have a baby. *“Women who give birth via cesarean section spend an average of \$26,280 more on health care than those who do not give birth, including an average of \$3,214 out of pocket. Those with a vaginal delivery spend an average of \$14,768 more, including \$2,655 out of pocket.”* [women-who-give-birth-incur-nearly-19000](#) If we want to get the fertility rate up to feed population growth, we need to make it more affordable to have kids starting with birth.

Interesting commentary from veteran CEO and happiness guru Doug Smith: *“You can break intelligence into two types – “vertical intelligence” and “horizontal intelligence,” or as some psychologists refer to it, “fluid intelligence” and “crystallized intelligence.” In our younger years, we are great at vertical/fluid intelligence. It is the stuff of remembering facts, events, etc. It is about the ability to accumulate and recall knowledge. And yes, this type of intelligence declines as we pass midlife. By the time we are 50, we probably carry around enough facts and experiences to fill your local library. So if we meet up with someone we haven’t seen in some time and can’t remember his name, we send off our “librarian” to find out who the hell he is. Our librarian moves a little more slowly, is more easily distracted, and has to search through dozens of stacks and several floors. By the time our librarian comes back with the desired information – “his name is Mike” – Mike is long gone and we are on to something else. And of course, we punish ourselves for not remembering Mike’s name and wonder if it is a sign of dementia. It probably isn’t, it is just a normal process of aging. But interestingly, another type of intelligence begins to grow as we age. Horizontal/crystallized intelligence begins to blossom as the vertical/fluid intelligence declines. Horizontal/crystallized intelligence is the ability to understand and use concepts, to connect things that we might previously have seen as unrelated, and to make connections with people at perhaps a deeper level. We get better at interpreting ideas and expressing them to others. Put most simply, in our youth we have the knowledge and the ability to recall that knowledge quickly and fluidly. But as we age, what comes to us is perhaps most easily expressed as wisdom. Hence the adage “with age comes wisdom” – although I have noticed at times age comes alone!”*

#nopolitics

jml