

J. Michael Locke

Musings

#187: Musing August 7, 2022

Great July jobs report. 528,000 new jobs marking the recovery of all jobs lost during the pandemic. Unemployment at 3.5%. Basically, anyone who wants a job can get one with twice as many openings as unemployed. Only 62% of eligible individuals are actually looking to work. Have to get that up, facilitate more legal immigration and encourage adults to have more kids to have the labor supply we need for sustained growth.

I think the structural labor shortage will create an ongoing disconnect in metrics. Fed will keep raising rates until we get inflation down. Gas prices have decreased 50 days in a row and oil is back to pre-Ukrainian invasion levels so it is happening. CPI will still be high this week because it is not “real-time” but lags on many inputs like housing. Decreasing commodity prices are your leading indicator. Inflation can come down while still having strong employment market.

You really have something special in an organization if you can create a culture which assumes continual improvement. If you can get every employee to be constantly reflecting on how they can do their job better and more efficiently and how you can constantly improve the experience for your customers, you really have something. To me, this is heart of capitalism where competition creates a constant need to innovate and improve. Government funded models have no such incentive – look at the DMV or the US post office. If you go to www.relentless.com, you get redirected to Amazon as Bezos built this into the DNA of that business. Here is a great quote from his 2017 letter to shareholders: *“One thing I love about customers is that they are divinely discontent. Their expectations are never static—they go up. It’s human nature. We didn’t ascend from our hunter-gatherer days by being satisfied. People have a voracious appetite for a better way, and yesterday’s “wow” quickly becomes today’s “ordinary.” I see that cycle of improvement happening at a faster rate than ever before. It may be because customers have such easy access to more information than ever before—in only a few seconds and with a couple taps on their phones, customers can read reviews, compare prices from multiple retailers, see whether something’s in stock, find out how fast it will ship or be available for pick-up, and more. These examples are from retail, but I sense that the same customer empowerment phenomenon is happening broadly across everything we do at Amazon and most other industries as well. You cannot rest on your laurels in this world. Customers won’t have it.”*

Be careful with your P&L integrity and cost allocations. Ideally, you have an individual directly responsible (IDR) for the P&L of a certain segment of the business. For s/he to be effective, they need to control the expenses that hit that P&L and allocations can be dangerous. Central expense departments which have their costs allocated out to P&Ls tend to grow too large and lack accountability as there is no incentive to manage costs hard. I think you want a “general manager culture” where you break the business into smaller P&Ls with owners and these owners can buy their services from outside or from the central services staff function. This creates competition for the central expense department and gives the general manager true ownership. Some companies even have “intra-company” contracts

signed up.

Heard a great reference. A clumsy, poorly-managed situation called “a goat rodeo.”

I would love to see statistics on what percentage of consumers are tipping in this new world where take-out fast food has a tip “menu” as you pay with your debit card (thanks Chipotle for not doing it.) So I pay \$12 for my sub sandwich and diet coke and then the dreaded moment at Subway when the cashier watches my decision on whether to tip or not.

As we head into college decision season, some advice for parents. Don’t get caught up in the hype. College enrollments are decreasing for a variety of reasons so most schools are working to get your child and offering discounts (called institutional scholarships). I disagree with the “reach school” concept and the obsession with rankings. Figure out the school which is a good fit for your child. Certainly, there are popular and elite schools which are very hard to get into but there are over 4,000 colleges in the US. It is also easier in many places to get in as a transfer than as a freshman (colleges have fixed costs and want to keep the seats full so look to backfill dropouts). Find schools which work geographically and programmatically where your child can excel and have leadership opportunities. Sure, Harvard grads have a jump start right after college but 10 years out, I think most people don’t even know what school people went to.

Great article by Peggy Noonan connecting remote work with the polarization of society. Working together in an office forced collaboration among diverse individuals. *“The primary location of daily integration in America—the coming together of all ages, religions, ethnicities and political tendencies, all colors, classes and conditions—has been, during the past century, the office. It is where you learn to negotiate relationships with people very different from you, where you discover what people with different experiences of life really think. You discern all this in the joke, the aside, the shared confidence, the rolled eyes....Daily life in America happened in the office. If it doesn’t, where will America happen?....The end of the office will contribute to polarization. Receding from office life will become another way of self-segregating. People will be exposed to less and, in their downtime, will burrow down into their sites, their groups, their online angers. Their group-driven information and facts.”*[the-lonely-office-is-bad-for-america-work-from-home-polarization](#). Workers like the convenience of work from home but it is unclear if it is in their, or society’s, best interests.

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