

J. Michael Locke

Musings

#189: Musing
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Sorry I took last weekend off. Congrats to our nephew Chip and his new bride Sam.

Avoid management by anecdote. I hate it when an executive describes one or two interactions with a client, prospect or employee as the basis for a decision or recommendation. Manage from the numbers. It is much more impactful to say x% of our clients have expressed dissatisfaction with this or that. For example, how is client retention and scores in the last client satisfaction survey? Same with employee retention and metrics on engagement. You have to operate systematically in order to scale.

This doesn't mean it is nothing but reports. The successful baseball manager who brought World Series wins to Boston and Chicago (Theo Epstein) famously trained sitting between the data/analytics people and the old school talent scouts. Personal interaction with customers, prospects and employees are critical and provide potential nuggets of valuable information but those nuggets then should drive analytics on a particular topic which is where decisions should be made.

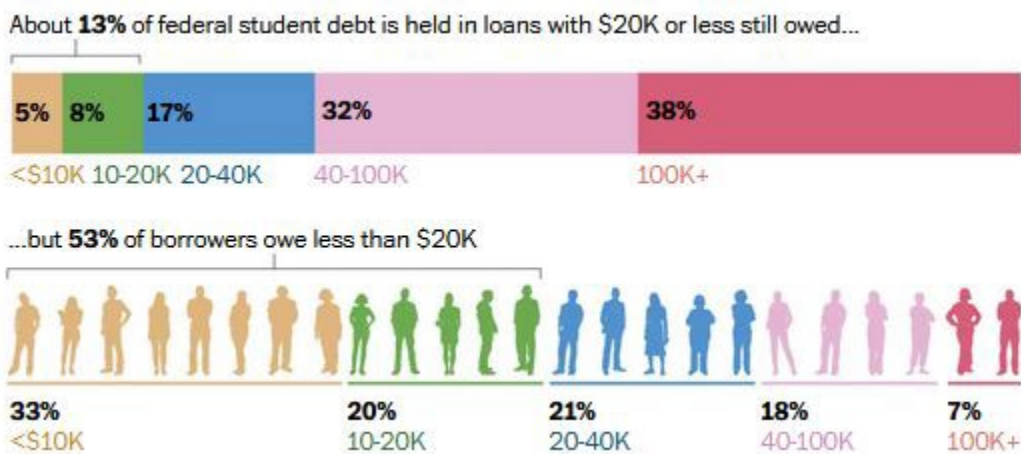
I think market returns will be structurally lower "forever." We have an excess of capital compared to history. Technology has allowed companies to operate for more efficiently (ex. real time inventory rather than sitting on excess). Starting a technology company does not require the same capital as starting a manufacturing business. Society is also getting more efficient. Lots of capital was historically tied up in houses, parking lots, and cars which sat unused much of the time. Businesses like Airbnb, SpotHero, and Zipcar are now exploiting that "unused capacity." Autonomous taxis are not that far away and will reduce car purchases. We are even getting to the point where you can rent clothes or buy them second hand at lower rates with retailers at H&M piloting the concept of a store as a service center for used clothes ([h-m-aims-to-reduce-emissions-and-grow-salesall](#)). Capital simply is not needed like it was historically so as demand goes down, so will returns. I heard an individual planning on 7-9% equity returns over the long run — I would say plan on 4-5%.

Consider investing in water if you want to juice your returns. Climate change is reducing water supplies and the southwest is in trouble. Lake Mead is 175 below where it was in 2000 and the states which depend on the Colorado river are fighting about who gets what amount of water. [colorado-river-lake-mead-water-drought](#). The Salt Lake is 25% of where it was in 1987 and releasing arsenic.[salt-lake-city-climate-disaster](#) TBoone Pickens was way ahead on this one calling "water the new oil" over a decade ago. [t-boone-pickens-a-water-baron-for-the-21st-](#)

[century/](#). Go long Minnesota and lake country Wisconsin real estate.

Heard a new term -- “Tattleware” – software that some companies are using to track what employees are doing on their computers (especially now with most working from home.)

Our student loan system is broken. There are 40mm borrowers who owe \$1.75 trillion. Experts say only about half of those borrowers are “current” and paying down their principal. Over 25% are in delinquency or default. This debt is never going to get paid back and is an issue delaying household formation and adults having children. Something needs to be done. Here are some interesting stats from the Washington Post:



That said, I am not sure that it was Biden’s decision. I often write about decision rights. I don’t understand how a President has the unilateral authority to wipe out \$300 billion in student debt (I guess he is invoking some kind of emergency powers.) Whether you like it or not, seems to me it should be a congressional decision.

I don’t think it will be inflationary as payments are not being made right now but tough precedent to just wipe it away and stick the taxpayers with it. I would hate to be someone who ate Ramen and scraped by to pay off their debt (or chose not to go to college to avoid debt) only to watch others just have it wiped away. I would have been for aggressive restructuring.

From the “are you kidding me?”: Andreessen Horowitz VC is investing in a startup led by disgraced WeWork CEO Adam Neumann? The guy blew through \$12billion with a drug and alcohol frat-boy culture. Wtf?

Maybe I am a bad parent but I love the fall when school resumes and life gets some structure back. #yearroundschool.

jml