

J. Michael Locke

Musings

#199: Musing November 20, 2022

The tug-of-war between companies and employees continues. The softening of the economy and major technology layoffs are leading some companies to start demanding more “in office” hours. I think employees have fallen in love with the hybrid / “work from home” flexibility and would caution employers on demanding too much in office time. I am not saying this is what is best for productivity or our overall society but view it simply as what is doable with younger workers. Good WSJ editorial by Andy Kessler on the declining work ethic of many younger professionals. [whats-work-worth-unions-profit-value-life-balance-human-capital](#). Like this quote from Mike Rowe (the dirty jobs guy): “*Stop looking for the ‘right’ career, and start looking for a job. Any job. Forget about what you like. Focus on what’s available. Get yourself hired. Show up early. Stay late. Volunteer for the scut work. Become indispensable.*” Especially important for younger professionals to get into the office where mentorship and learning happens in unstructured ways not replicated on zoom calls.

The layoff barrage continues. Too many executives got over their skis with their cost structures. Target, Amazon, Facebook, Carvana, Twitter etc. Always fascinating to see how “good” a company is at handling this negative event. The best practices are: 1) just do it once. Go deeper than you think you need to. Have to avoid multiple rounds of layoffs which creates permanent anxiety; 2) be organized and systematic with implementation. Don’t have news dribble out. Be candid and transparent (Zuckerberg did well on this with his video taking full responsibility); and 3) provide generous severance if you can. Vary it with tenure. Ideally continue help with healthcare benefits which is a difficult issue for unemployed.

Elon Musk is showing how not to handle human capital. I don’t know what in the world he is doing. After his layoff of 50% of employees, he then forced more out the door with an ultimatum by email. Here is excerpt:

From: Elon Musk

To: Team [at Twitter]

Subj. A Fork in the Road

Date: Nov. 16, 2022 [time stamp removed]

Going forward, to build a breakthrough Twitter 2.0 and succeed in an increasingly competitive

world, we will need to be extremely hardcore. This will mean working long hours at high intensity. Only exceptional performance will constitute a passing grade.

Twitter will also be much more engineering-driven. Design and product management will still be very important and report to me, but those writing great code will constitute the majority of our team and have the greatest sway.

At its heart, Twitter is a software and servers company, so I think this makes sense.

If you are sure that you want to be part of the new Twitter, please click yes on the link below:

[Link removed]

Anyone who has not done so by 5pm ET tomorrow (Thursday) will receive three months of severance.

Whatever decision you make, thank you for your efforts to make Twitter successful.

Elon

I am always amazed how “smart money” can be so stupid. By “smart money,” I mean the professional investors like venture capital firms. They repeatedly get “caught up” in the hope of a young charismatic visionary with no real track record. Last week, it was crypto king Sam Bankman-Fried at FTX where he was taking client money and transferring it to another firm he controls to trade. He was a 30 year old running a company based in the Bahamas, had no real board of directors and lived with a bunch of other young people in an MTV type house. Before that we had Travis Milton at Nikola, Adam Neumann at WeWork, and Elizabeth Holmes at Theranos. The professional investor class gave millions and sometimes billions to unproven young operators. Amazing.

An undercovered story is Biden’s continuation of a National Emergency related to Covid. Trump first declared it in March 2020 and it has been extended multiple times. It is important because it has legal implications related to government programs (e.g. Medicaid, Cobra, landlord rights etc.) and sometimes corporate contracts contain clauses related to emergency conditions. Time to get back to normal operations.

As we return to normal operations, some folks are going to be upside down on their expenses as they have been using “artificial government support” to temporarily prop up revenue or hide expenses. An example is the PPP loan program where companies were not bearing the full cost of their payroll. Well run companies keep two sets of numbers and watched results without temporary government programs.

Glad I am not in the moving business. The rapid rise in mortgage rates is bringing a halt to transactions in the home market and I think will drastically reduce mobility for a while. Existing

home sales are down 32% from January. If you have a 2-3% mortgage, it is hard to sell and buy something new with a 6-7% mortgage. Owners will stay put (thanks John McWeeny).

RIP the tie. I recently attended an investor meeting in downtown Chicago of a traditional firm so even I put on a tie. The great majority of men did not have one on even in this most traditional of settings. I think the tie is dead. Don't know when I will ever wear one again.

jml