

J. Michael Locke

Musings

#200: Musing **November 23, 2022**

Happy Thanksgiving! Thought I might get this out early to give you some cocktail topics with the family if you needed them.

This is #200. Every now and then I think about quitting but I get enough positive feedback to keep this going. Remember you can just email me to “unsubscribe” or to add someone. This is not exclusive. Happy to send to anybody.

Watch Carvana go bankrupt. The bad business model is being undressed. They actually lose money on buying and selling cars. That activity created a financing need and they were making money on the cost of their capital and what they could charge consumers in loans. Rising interest rates and their deteriorating finances have raised their cost of capital and now they are upside down on financing as well. There is no business there.

Pretty wild ride for Disney CEO Bob Chapek who got fired by the Board last weekend after just having his contract extended in June. Disney had bad earnings this past quarter with too much build-up of expenses but seemed like a rushed exit for Chapek. Turns out the bigger issue is he was losing the faith of his team and employees. The CFO reportedly complained directly to the Board in an “Et Tu Brute” fashion. Success in management is about leading the employees. Culture is increasingly the key. I think you are going to see a drastic increase in the number of women running organizations. I realize it is sexist to say, but I believe women have higher EQs, are more empathetic and simply better at understanding (and thus motivating) people. The Jack Welch authoritarian model is no longer effective.

Remember to manage your intermediaries / advisors / brokers. Too many executives take an outsourced “that is their job” approach to healthcare brokers, investment bankers or search firms. While they have expertise that you don’t, you need to stay engaged, teach them the specifics of your business and help them craft your story.

Watch the economic headwinds from the wind down of all of the extra government money which has been flowing to individuals during Covid (not having to pay student loans, earned childhood tax credit, expanded Medicaid eligibility). These are starting to come to an end and you see it in the declining savings rate and increase in consumer debt. Biden understands this and is moving to extend the pause in student debt payments and the childhood tax credit despite their inflationary effect. Retailers will need to be careful and look for strength around “value” offerings to the consumer.

We are in the midst of college admissions decisions. Glad I am not a VP of enrollment at a university trying to decide what to do with test scores. Unclear what they mean anymore. Most schools are test optional so the only students sending them in are high test scores (artificially inflated by “super scoring” where you can take the test multiple times and they pick your best result from each section.) More schools focused on how “engaged” the prospect is during the process so they can allocate their financial aid awards to those most likely to come. Good article by Jeff Selingo in New York magazine. [what-does-an-sat-score-mean-in-a-test-optional-world](#). *“Before it became the subject of editorial pages and Twitter spars between college deans, the SAT was seen as a purely egalitarian tool. In the 1930s, the then-president of Harvard University, James Bryant Conant, persuaded his fellow elite-college presidents to adopt the exam so they could expand their student bodies beyond pedigreed young men from East Coast boarding schools. As the number of teenagers going to college swelled in the second half of the 20th century, colleges used the SAT and later the ACT to quickly sort through applicants. By the late 1980s, U.S. News & World Report had started using scores as a metric in its college rankings; as a result, colleges felt obligated to report high scores to move up in the rankings. But at the turn of this century, colleges increasingly began to see the tests as an unnecessary barrier, particularly for low-income and minority students.”*

I encourage high school seniors to focus on fit and not how to maximize their chances of getting into the “best” school. Twenty years from now few people will know where you went to college. It is about what you accomplish in the workplace so focus on schools where you feel comfortable, can get involved in leadership opportunities, maybe play a sport or instrument. US News rankings are irrelevant and I am glad to the growing momentum against them (Harvard and other elite law schools said they would no longer participate last week.)

Watch the elite school “mafia” come under pressure in light of FTX collapse. Turns out Sam Bankman-Fried’s parents are both well-known professors at Stanford. Sounds a little like how Elizabeth Holmes of Theranos got credibility by being endorsed by Professor Channing Robinson at Stanford.

Never underestimate the power of good marketing. I recently learned that Chilean Sea Bass has no connection to Chile nor is it bass. It is actually Patagonian toothfish and was considered a cheap, nothing fish until the 1970s when an entrepreneurial marketer named Lee Latnz rebranded it and pitched it to chefs as versatile and good for creativity because it was bland. Now it is wildly popular and expensive. [chilean-sea-bass-a-marketing-miracle](#)

In a similar vein, InBev repositioned Stella Artois when they brought it to the US. In England, it is sometimes called “wife beater” because its higher alcohol content made it a favorite of that ugly criminal crowd. InBev rolled out the fancy glasses, put it on tap where Budweiser used to be (after they bought Anheuser Busch) and now Stella is a fancy beer. [why-was-stella-artois-known-as-wife-beater-in-britain](#)

I hope everyone has a good Thanksgiving. Really a great holiday with its centrality around family, gathering and giving thanks. Need more of that year round. Go USA soccer.

jml