

J. Michael Locke

Musings

#254: Musing March 3, 2024

I failed to write down the name of the author but liked this quote about today's financial markets – *"It sometimes feels as if we are living in a cartoon version of market capitalism, where shareholders have given up trying to control companies. Money floods into shares based on memes, is shifted around by algorithms based on past patterns, or goes into vast passive index trackers sold on the basis of being virtually free."* Our corporate governance model is premised on shareholders protected their investments by paying attention to what board members are doing and replacing them if they are not overseeing CEO correctly. With the arrival of passive index investing, most of this is gone. I think there are huge opportunities for activist investors to come in and shake things up at public companies where CEOs underperform but are not held accountable by their friends on the board.

Bitcoin has been on a tear. In the last year, it has gone from \$20,000 to \$62,000 with late momentum supported by the SEC approval of an ETF. I still agree with Jamie Dimon who calls Bitcoin a "pet rock" because it does nothing.

Is Apple smartly hanging back in the pack of the AI race or are they missing it? Of all the big tech companies, Apple (which ironically was early with AI with Siri) is furthest behind the recent surge in AI. Last week, they made a chess move cancelling their project to build a car and rotating those engineers to AI. It is often best to be the second mover in a new area. From Adam Grant: *"It is much easier to improve on someone else's idea than to create something new from scratch.....It can be better to be a procrastinator than a precrastinator."* The art form is to not wait too long before jumping in like the Kentucky Derby and waiting too long to go outside and make your run. This is part of Clayton Christenson's Innovators Dilemma. Technology adoption follows an S curve where early adopters try something new and there is hype and then it slows down but then hits an inflection point and is rapidly adopted. Apple might be too late?

Increasingly it is a competitive advantage to be a larger enterprise. The introduction of technology and the resulting explosion of data has created great opportunities to analyze the data and improve all aspects of your operation. The arrival of generative AI is only accelerating things. The more data you have on your customers (both your own and data purchased from third parties), the better you can attract and serve them. It is hard for the little guy to compete and more value will accrue to larger firms.

Some good quotes I heard this past week:

"One step back from a bad direction is a step forward." Scott Galloway discussing Apple cancelling its program to build a car.

"Comparison is the thief of joy." Morning Brew

“Fair isn’t same.” Maerry Lee on parenting her younger children complaining about their older sibling.

Sir Alex Ferguson was the record setting manager of Manchester United (the guy in the Beckham series). Here were his operating principles from an HBR article:

1. Start with a Foundation. Invest in young talent
2. Dare to Rebuild Your Team. Use data to manage forward and project the decline of talent. Step up and swap them out before they descend.
3. Set High Standards and Hold Everyone to them. Recruit “bad losers” and those with a passion for winning and a willingness to work hard. No exceptions.
4. Never, Ever Cede Control. This one may not apply as well in today’s corporate world but Ferguson refused to let any player challenge his authority. In the Beckham Netflix series, interesting to see Beckham call him “the boss.”
5. Match the Message to the Moment. “Few people get better with criticism. Most respond to encouragement instead.” Criticize if needed but do it privately
6. Prepare to win. It was assumed and the team developed confidence. He was willing to take unusual risks (like the Detroit Lions coach).
7. Rely on the Power of Observation. I like coaches who sit and watch and not necessarily constantly yelling.
8. Never Stop Adapting.

I think much of Ferguson’s model applies to business in America. Building a high performing organization is about selecting, growing and managing people. It is no different than building a great sports team. You have to be a good talent scout, put people in the right positions and help each of them get better. Too many people forget this basic construct.

Good HBR article on [leaders-make-curiosity-the-core-of-your-organizational-culture](#). *“To unlock the potential of their institutions and the people within them, great leaders need to demonstrate consistent curiosity about their employees, customers, their own roles, and the changes occurring in their institutions over time.”*

From my perspective, the number one key to good leadership is to be curious and listen. You have to harness the thinking of all of your team (at all levels!) by asking questions. Often the best suggestions are those at the line level interacting with customers every day. This is why many good CEOs do these jobs when arriving at a new company (Best Buy CEO working on store....Uber CEO driving). I once made a management team all work the help desk for a couple hours fielding calls. Also, Don’t fall prey to only communicating via the chain of command. As an example, leaders should spend days calling on clients with the salesperson and not just hear things from the VP of Sales.

Studies have shown that leaders who use Firefox and Chrome browsers outperform those that use Microsoft Explorer/Edge and Apple’s Safari. The rationale suggested is that you have to push back against the system and the default browser installed (IE and Safari) and take time to switch over to Firefox/Chrome. Leaders don’t take something by default.

Good one from the new CEO of Macy’s in WSJ: *“It doesn’t take a lot of baking powder to make bread, but without it you don’t have bread.”* Details matter

If you have a friend using one of the GLP-1 drugs, suggest they get off. These are “forever drugs” as they suppress appetite while being used but once the individual stops it is back to normal. A 2022 Novo Nordisk study found that patients regained two-thirds of their weight a year after they stopped (WSJ). Insurance companies aren’t going to cover Ozempic et al. except for their on label use for diabetics or extreme obesity cases.

The Psychology profession is embracing our changing world. Telehealth has made state by state licensing of healthcare providers look antiquated. In Psychology, 26 states now are part of a pact (PSYPACT) allowing psychologists in participating jurisdictions to practice across state lines, whether via telepsychology or temporary in-person practice. Thanks Dr. Maddie Locke.

Jml