

The Outlook: March 21, 2023

“You haven’t been around long, son, have you?”

It may be that most of us, as we collect lumps and bruises through the passing decades, begin to suspect that the only guiding principles for, well, everything in life turn out to be the most old-fashioned ones. They are the simple rules and sayings we first heard as children, and were inclined to dismiss for the next few decades . . . until the brutal teacher called “Experience” taught us otherwise. That tough teacher might have begun with the old saying named after him: “Experience *matters.*”

A lot of lumps and bruises in the investment world—and on Main Street—could be avoided if we kept in mind that “Experience matters,” and made sure to act like we believed it. Let’s glance at two Celebrity Tech companies in the news lately.



Amazon, 10 Years



We don't really need those green and red arrows to get the idea, do we? Green is the Celebrity Tech glory days—no, years—where the overwhelming impression about these two companies (and their stocks) was: “Wow! We need to get in on that. What could go wrong?”

And red, after all those lucrative years, is: “What went wrong?”

What went wrong, at bottom, was “Experience matters” . . . and the people running Facebook and Amazon had nowhere near enough of it. When a Mississippi River of cash flows through the doors at a young business—often because it invented something useful and its leaders did know enough to run with it, as fast as possible, to keep the competition from catching up—those same leaders will make all kinds of mistakes during the upward rocket ride. But nobody will care or even know about them, because just as “love covers a multitude of sins”, so “easy money covers a multitude of mistakes.” The more years and hard lumps any business leader has collected, the fewer mistakes she'll make . . . generally.

So it was with a combination of incredulity and humor that we read, last week, a talk given by Facebook's Mark Zuckerberg to his workforce. It sort of marked the occasion of his company's second round of steep layoffs in a few months. Like other Celebrity Techs, including Amazon, Mr. Zuckerberg's company hired new employees by the tens of thousands during the Lockdown years and after—as almost the whole world suddenly decided to spend money on tech products and services since they couldn't have fun in normal ways. That galactic surge in tech buying was not going to last . . . but Mr. Zuckerberg (and Mr. Bezos) thought it might, until Experience came along last year and punched him in the face, so to speak. So now it's round after round of firings, and jaw-dropping remarks like this, roughly: “We might have accumulated too many layers of management at Meta. In the future, most managers will probably need to have 8 or 10 people reporting to them (instead of 3 or 4.) We got kind of slow and bureaucratic with all those layers.”

“No! Say it ain’t so, Joe.” (Young fan to Shoeless Joe Jackson, 1919 White Sox, after the betting and cheating scandal blew up.) Sarcasm is seldom fun to hear, pardon us this time. But Mr. Zuckerberg’s comment was pretty jaw-dropping. Here’s the CEO of one of the most “Celebrity” of all the Celebrity Tech companies, sharing his wisdom with his still-galactic-scale staff, which amounts to: “We hired an ocean of new people and gave vast numbers of them titles as “managers” and salaries to match, and not much to do as managers . . . and it didn’t work out too well.” Nope.

As Outlook’s clients know, we have not touched Facebook or the other Celebrity Techs, as we waited patiently through all the “river of cash” years and “rocket ride to the moon” stock years. All by themselves, a handful of gigantic Celebrity Tech stocks often pulled the overall market to remarkable performances. It was a little bit painful to pass that up, in favor of the stodgiest of non-Celebrity companies like Caterpillar, Cummins, Freeport, Conoco, Exxon and others. Those companies, however, are run by people who define the very words “Experience! And the lumps that go with it!” Every one of them has been around for many decades and many vicious cycles. Their actions in the downcycles have been the actions of men and women with guts, determination and a whole lot of experience. It is impossible to imagine them doing what Mr. Zuckerberg or Mr. Bezos did, when the river of cash temporarily became an ocean of cash during Lockdown. If one of their own people had dared to suggest such a thing, we all know what they’d say: “You haven’t been around long, son, have you?”

One of Outlook’s golden investment rules is “People matter, and leaders really matter. And there is a vast difference between good leaders and mediocre-to-poor ones.” That difference shows itself over years; and always ends up showing itself in our investment returns.

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