



Philequity Corner (March 19, 2018)

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Just fasten your seatbelts

Bumpy rides in planes, like a volatile stock market, do not always require bailing out or doing something unexpected (like screaming). Sometimes, it means just staying put, and listening to the stewardess: fasten your seatbelts. It's just air pockets, mam/sir.

Do reactions speak louder than words?

An energetic executive is often admired as a “man of action” ready to confront any disaster lurking around the corner. He is more favorably regarded than the meditative type that sees the big picture, refusing to be stampeded into action of any kind. He quotes Marcus Aurelius in normal conversation—eat a live toad for breakfast, and the rest of your day will be great. (I'm not making this up.) Meditations of any sort are dismissed as “analysis paralysis.”

“Proactive” is a word that consultants love to drop, as it justifies their high fees even when there is no crisis to address. The word refers to anticipating disruptions without waiting for them to happen. Worst case scenarios are conjured up. (What if the union leader in the picket line gets interviewed in your own network?) Before the hammer strikes the knee, the leg needs to jerk up.

Reacting too early, say to a pending trade war after the tariff on steel and aluminum, rather than waiting for the situation to clear up and define itself (there are many exceptions) is the preferred course of action for the impatient leader—we can't just sit on our hands and take short breaths. We need to do something! (The exclamation point denotes the high-pitched voice in which this command is given.)

But can “doing something” immediately entail more risk than waiting a while longer for further developments. Hyperactivity can even trigger a real crisis, much like noise and movement unleashes an avalanche.

In terms of mobilizing for action, getting ahead of the situation can overwhelm the troops. Should you hand out umbrellas even before dark clouds gather? Holding fire for a bit may be seen as misplaced complacency. But it can also mean waiting for the right time to take action.

Even in the medical field, the doctor who too readily prescribes lab tests and invasive procedures can endanger his patient's health more than not doing anything and waiting for the symptoms to be more pronounced. The medical term “iatrogenic” (used by Nassim Taleb generously in his 2012 book “Antifragile”) refers to intervention or a wrong diagnosis by a doctor causing harm to the patient.

A high-profile company may be the subject of a blog attack from a single source. Once a CEO is informed of this pesky mosquito raid, he may feel a need to defend himself when he is called an “ecological

blight” or a “greedy capitalist” (a case of redundancy). He calls in his image consultants and asks what can be done to silence this critic or respond to his groundless tirades.

Woe to the consultant who advises to do nothing and simply wait and see: Sir, just fasten your seatbelts. This blogger is not even read by his own mother who despises him for being lazy and just staying home the whole day without a proper job.

It is often the advocates of a proactive approach that win the day. The CEO dismisses the proponent of inaction as simply out of touch. So, the guns go blazing as verbal artillery is aimed at the mosquito that glories in all the attention. Perversely, the buzz of overreaction stirs the hornet’s nest and gives greater credibility to the attacks — let’s read what the company is so exercised over.

Proactivity gives an artificial high. The adrenaline rush from late night meetings, cancelled appointments of the client (He has to see our power point presentation. This is not a function to be delegated.), and being panned by a TV camera at a press briefing, all these can be addicting.

The virtue of inaction, or delayed reaction, is too easily overlooked. Steve Jobs famously said that his role as CEO is making sure that wild proposals are set aside and binned. This allows the truly worthy few to be given the resources for success. Peter Drucker too, even decades earlier than Jobs, coined the word “posteriorities” for items that should be put last so that priorities can be given all the attention.

What behavioral economists call the “status quo bias” may not be all that bad. It’s a comfort zone for staying with the present situation and being wary of rash action. It is an antidote to panic attacks.

Still, optimists who hope for the best may be moving along in the dark, all the time mindful that the light at the end of the tunnel may be... an oncoming train.

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