



THE EQUUS REPORT

—BY BARNABY LEVIN

Leadership

November 10, 2021



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In his Quarterly Report to shareholders, Ron Baron spoke a lot about Elon Musk.¹

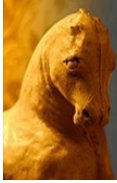
“Think how expensive it would be,” Elon once asked, “to fly from New York to London if you used a 747 once and then scrapped the plane?” But that was (essentially) what we’d been doing in our Space Program and, as a result, the last time we went to the moon was in 1972. In other words, it was for budgetary and political reasons. So, as CEO of **SpaceX** – to address **two**, critical pain points – he set about solving the problem of reusability. The first problem, again, was the high cost to Taxpayers, since our Government typically works on a Cost-Plus basis and, the larger the award, the larger the profit to the Provider. The second problem, however – **given** the high cost and red tape (and, therefore, the time it typically takes things to get approved and done in Washington) – was that it was standing in the way of mankind’s space exploration and travel. And – to make sure his company would be around long enough to see Elon’s dream of humanity becoming a multi-planetary species – SpaceX launched **Starlink**, which will soon commercialize its 40,000, low earth orbit, satellite constellation, to provide broadband to Earth’s population where, today, it’s uneconomic, either by fiber or cable. According to Jared Isaacman (Founder of Shift4 and the first, civilian, astronaut commander **ever** of an orbital space flight, on September 15, 2021) “There is no better run company than SpaceX.”

All the companies founded (or, in the case of Tesla, resuscitated) by Elon (including Tesla, SpaceX, Neuralink and the Boring Company) focus on what he calls “**First Principles**,” which means stripping away everything but what’s at the core of an issue and, then, starting over – learning, not only from our mistakes but, in the process, questioning **everything** in the **first** place, asking “**Why** does it **have** to be that way?”

During Covid, for example – when virtually every **other** “auto” company reduced vehicle production due to chip shortages – Tesla didn’t and, today, is producing EVs at an annualized rate nearly double its 2020 production. Because Elon and Team responded as **engineers** – focusing on supply chains and logistics (while building their own chips as well) – they **increased** chip orders when others were cancelling them.

In the “Blink of an Eye.” That’s what Ron Baron calls it – when one life ends in misery or (even) death while another reaches the peak of human accomplishment – because of some, seemingly random decision or action. Is it “luck”? Certainly, to **some** degree. “Circumstance”? Perhaps, to a **point**. But history is replete with examples of those who rose from nothing and went on to become “Masters of the Universe.”

¹ Barron's Quarterly Report - <https://www.baronfunds.com/sites/default/files/Quarterly-Report-9.30.21.pdf>



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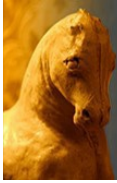
Just think how many **decisions** we make over the course of a **lifetime**. Is every one of them – if “successful” – just a matter of “luck”? I don’t think so. Perhaps there’s an element of “Agility” and being “in tune” with what’s going on around us – of being sensitive and aware of what the “universe” may be trying to tell us – and (then) a willingness to **act** on it, even if it’s in the completely **opposite** direction toward which we’d been heading. And (finally) some of it simply comes from asking “what if” and “why not”?

Throughout my life, I’ve often thought of Robert Frost’s poem, *The Road Not Taken*:

Two roads diverged in a yellow wood,
And sorry I could not travel both...
I took the one less traveled by,
And that has made all the difference.

How often are we faced with a choice or “fork in the road” and (while we may not fully appreciate it at the time) – based on whichever path we choose – our life will be totally and utterly different than if we’d made the other one? The fact is, for better or worse, we’re **constantly** faced with these choices and, **whichever** path we choose, each one **will** lead to a different outcome that will (in turn) affect virtually every other aspect of our lives, from that point forward, for the **rest** of our lives. For myself, for example, I’d planned to be a **doctor** since the time I was eight and, after completing my Pre-Med courses at Dartmouth – when I finally decided it was time to go on rounds with my father at Peninsula Hospital where, as a Surgeon, he was on staff – I fainted in the hallway after sitting in on one of his surgeries. That changed everything for me, by making me question my Assumptions and asking myself **why** I’d wanted to become a doctor, in the first place.

Then, a few years later, I read an obscure book called *Replay*, by Ken Grimwood. Maybe it was the title or some review I’d read (because, back then, they didn’t **have** the “Internet”!). Of course, that **too** might have been a result of “luck” or “chance” but, given the huge decision I’d made – not to become a doctor and not really knowing what else to do instead – I was in the middle of a crisis, in my mid-twenties when, for various reasons, I was filled with regret over that and some of the other choices I’d made in my life. As we so often do, I wished I could go back and have the chance to do things over. But (as the book’s protagonist finds), **after** living life over and over, time and again, with all his memories intact – so he “remembered” what happened, those other times, and made sure he didn’t **make** the same “mistake” again – while he (of course) corrected **some** choices, his new path, on each occasion, led to **other** forks in the road and, inevitably, he made **other** mistakes.



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My point (as I so often say to Clients) is simply to make sure we do the **best** we **can**, given the information we have at the time – but to also make sure we **do**. That we do whatever research and ask as many other people as we can to make sure we've considered things from **every** angle, like the Carpenter's Motto – Measure Twice, Cut Once. Because, when it comes to feelings of "Regret" or "Acceptance," it's like my high school Wrestling Coach, Ben Parks, used to say – as long as you know you did **everything** you could **and** that you gave it everything you **had** (so that, in **my** case, they **literally** had to carry me **and** my opponent, who'd been much higher ranked than me at the time, off the mat) – whether you emerge victorious or not, you'll hold your head high and never be faced with the awful feeling of saying "I wish I hadda."

So, back to Elon Musk and Leadership. Both Tesla and SpaceX have succeeded, in part, because everyone there is constantly asking "Why does it have to be that way?" Part of it's because, as innovators working to solve **big** problems, they're able to attract **amazing** talent – people who want to make a **difference**. And, partly, it's because (as anyone who chooses to work there knows) they'll have to put it all "on the line," every day, to survive. There's a high degree of turnover at a company like Tesla – and a lot of people out there, taking potshots at him and the company, telling anyone who'll listen how they'll never make it – but, like Hydra in Marvel's **Captain America**, when you cut off one head, two more have (at least, so **far**) always seemed to grow in its place.

And last but not least – as Andy Grove so famously wrote – "Only the Paranoid Survive." Great leaders know the moment we rest on our Laurels and think we have things "all figured out," life **always** has a way of letting us know, just how wrong we are.

In my business, it always seems that "payback's" just around the corner (if we ever get "cocky") and we always have to "worry," at least to some degree – because, as Ron Baron says, it can change "in the Blink of an eye." We can never take **anything** for granted because – when we **do** get it "right" (in the words of the "Oracle of Omaha") "An investor should act as though he (or she) had a lifetime decision card with just twenty punches in it. With every investment decision, his (or her) card is punched, and he (or she) has one fewer for the rest of his (or her) life." (**C'mon**, Warren!) In **any** event, this is what I talked about in my last article, **The Pareto Principle**, and why I tend to have far more concentrated Portfolios than most others in my Profession. Because it's really **hard** to find truly **great** companies. But (again) when you **do** (again, as Buffet said), they're led by great Leaders.

Great leaders **inspire** others – like Steve Jobs at Apple and Brian Chesky at Airbnb – who (as the saying goes) know "when the going gets tough, the tough get going." These companies (and others **like** them, at some point in the course of their "growing up") found themselves on the verge of collapse and, with any lesser leader – unable or unwilling to make difficult decisions – would have failed, as so many do, and faded into oblivion, like (no offense) Nokia and AOL, both of which, at one point, were Number One in the world!



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Well, the same is true in **my** business. Over the course of my career, I've faced a number of challenges and dilemmas and, with some of the decisions I ultimately had to make – because they were so fundamentally divergent from the path I'd been on and believed in from my earliest days – it was nearly the end of me. Sometimes I lost clients as a result and (to tell you the truth) I couldn't really blame them for having made the decision **they** did. But for those who stuck with me, knowing I'd do whatever it took to figure things out – not only to get us back on track but, ultimately, leapfrog ahead, from there – I believe they'd say they've been **repaid** in full – and, for that, I will forever be humbled and grateful.

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