A. Bloom & Co. Executive Brief: Governance Theater vs. Engineered Control

Block Case Analysis

DOCTRINE

The market rewarded a narrative of proactive AI transformation.

THE ACTION

On February 27, 2026, Block cut 4,000 employees—nearly half its workforce. Leadership attributed the decision strictly to advances in AI, specifically citing their internal agentic coding tool, Goose.

THE JUSTIFICATION

CFO Amrita Ahuja reported a 40%-plus increase in code shipped per engineer since September 2025. Jack Dorsey framed the cuts as a visionary leap, stating he would rather get there hone than be forced reactively.

Wall Street validated the maneuver with immediate capital.

27%
Spike in Block's stock price immediately following the announcement.

$10.36B
Gross profit hit in 2025, representing a 17% year-over-year increase.

The business case appeared unassailable. Dorsey successfully argued that a smaller, AI-augmented team could produce more output, establishing a dangerous precedent for corporate restructuring.
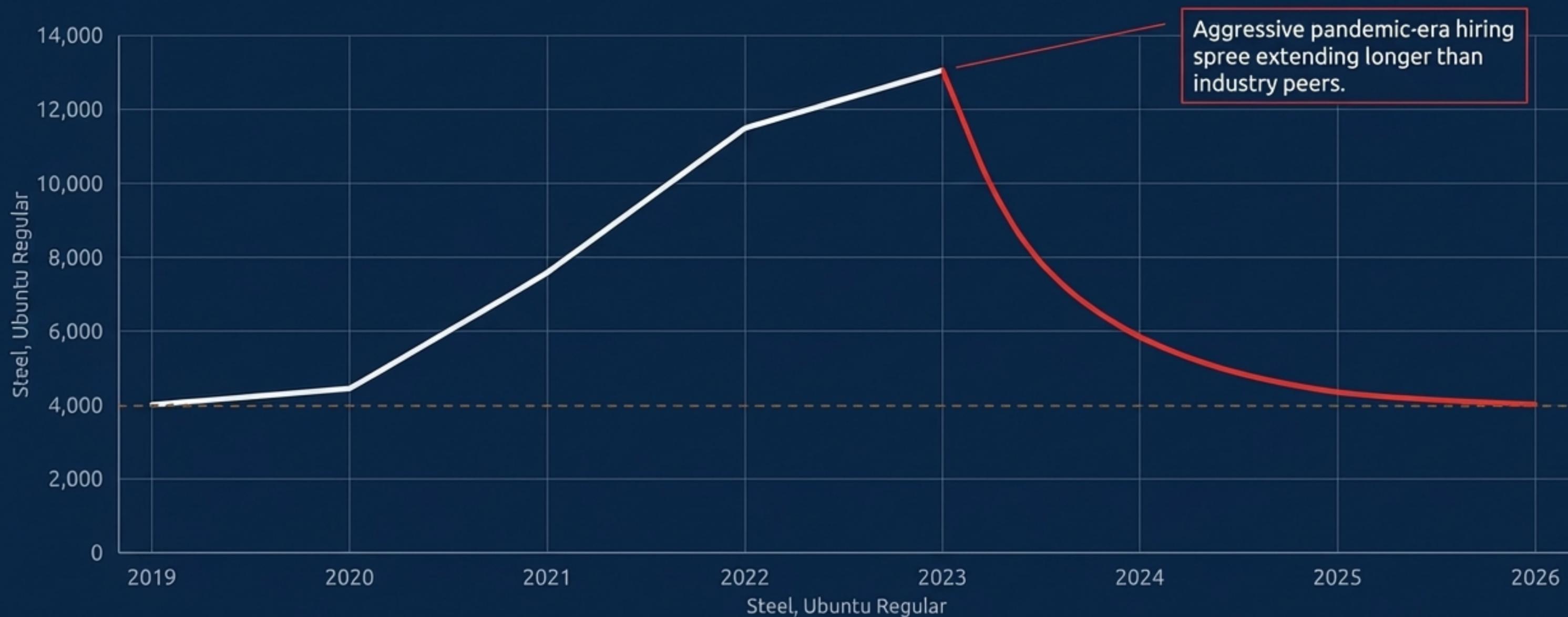
> "I'd rather get there honestly and on our own terms than be forced into it reactively."

Jack Dorsey, February 2026

Dorsey's framing relies on the assumption that the 4,000 cuts were an inevitable consequence of AI capability. Operational history tells a different story.

The mathematics of a legacy hiring correction.

Chart showing "Steel, Ubuntu Regular" on the y-axis (0 to 14,000) and years 2019–2026 on the x-axis. A white line rises from about 4,000 in 2019 to roughly 13,000 in 2023, then a red line declines sharply back toward 4,000 by 2026.

Annotation: Aggressive pandemic-era hiring spree extending longer than industry peers.

Block conducted multiple layoff rounds in 2024 and 2025 before the Goose tool was ever cited as the primary operational driver.

Unmasking organizational bloat wearing an AI costume.

Former head of communications Aaron Zamost noted in the New York Times that the layoffs read strictly as standard prioritization and cost management, lacking the markers of an AI-driven reinvention.

Mizuho analyst Dan Dolev stated directly that the vast majority of the cuts were not driven by artificial intelligence capabilities.

Former employee Jason Karsh articulated the core structural truth: "This isn't an AI story. It's organizational bloat wearing an AI costume."

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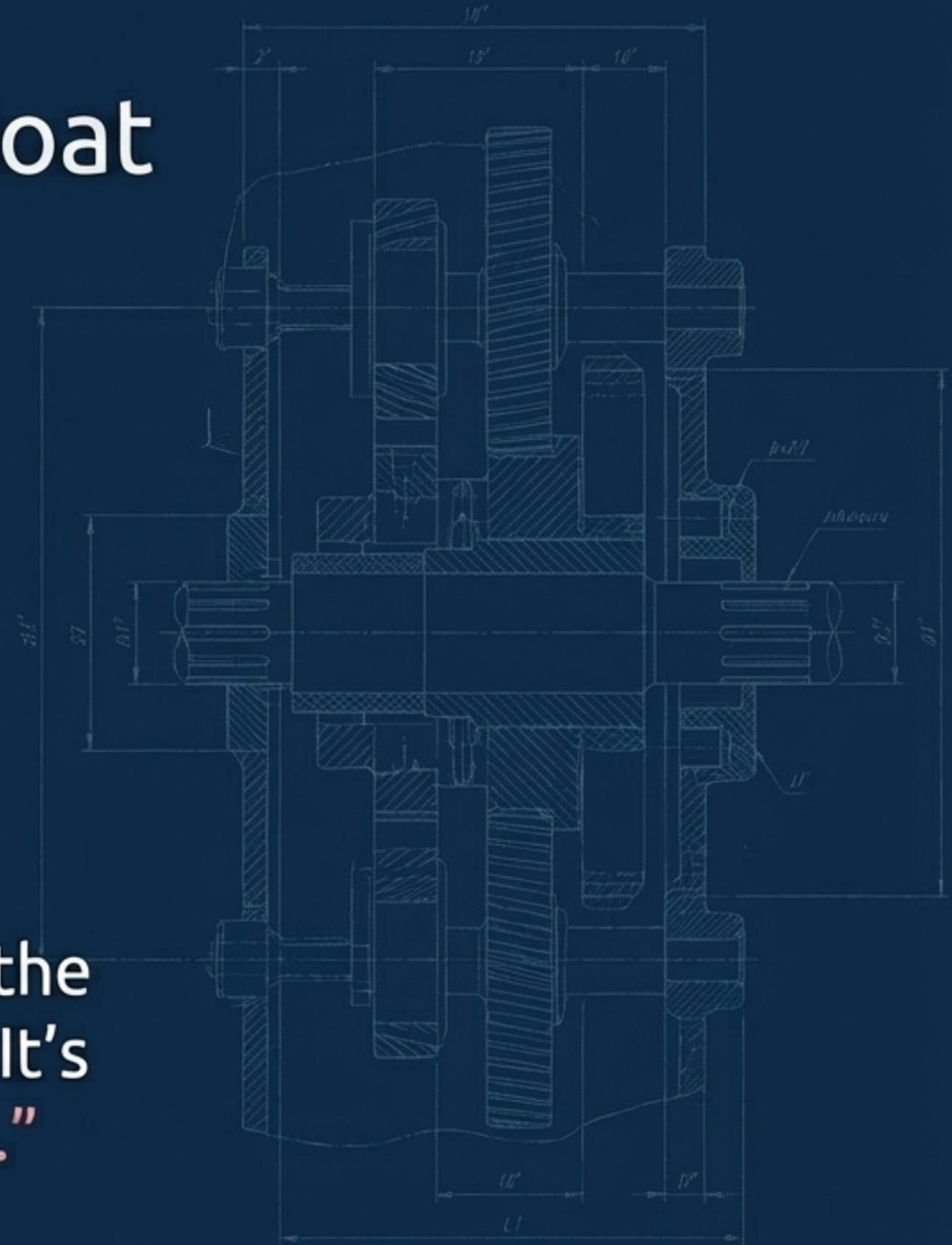
KEY PRINCIPLE

Red Pill Moment Pattern-013: Legacy Playbooks Produce Activity Theater, Not Adaptation

Citing AI to justify the correction of a historical hiring mistake is a legacy playbook move. Real AI-native restructuring starts from the work design, not the headcount spreadsheet.

Part I, Chapter 2 — Why Past Playbooks Fail

Embedding a tool is not redesigning intelligence infrastructure.

The Goose tool is real, and the resulting productivity gains are measurable. Block's fundamental error lies in mistaking task-level automation for organizational transformation.

The Pilot Trap

Deploying an agentic coding tool inside a legacy workflow structure. It generates isolated productivity spikes but fails to alter how the firm governs outcomes.

The Platform Reality

Mapping to Red Pill Moment Pattern-002: Pilot-to-Platform. This requires designing the organization around the intelligence infrastructure itself, eliminating traditional operational friction.

Financial severance addresses the spreadsheet, not the structure.

COMPONENT	BLOCK'S PROVISION	STRATEGIC VALUE
Financial Support	20 weeks pay + 1 week/year tenure	High (HR Benchmark)
Healthcare	6 months continued coverage	High (HR Benchmark)
Transition Strategy	**Support announced same day as cuts**	**Theater over preparedness**

There is no public evidence of reskilling programs sequenced before the cuts, nor measurable redeployment paths. The announcement and the severance arrived simultaneously.

EVIDENCE

"The downstream effect is neuropsychological, not motivational." (40px scale)

When 4,000 people suddenly lose roles around which they have built their professional identity, the resulting organizational trauma cannot be bought off with transition stipends.

Clinical literature (Marcia, 1966; Lieberman, UCLA) identifies this as identity foreclosure. Severance heals the financial wound but leaves a permanent fracture in how the workforce trusts the operational intent of leadership. Steel Ubuntu Regular (15px scale)

The definition and friction of Governance Theater.

Dressing a hiring correction in AI framing does not produce trust—it produces skepticism.

GOVERNANCE THEATER

The act of masking reactionary cost-cutting or legacy spreadsheet corrections with advanced technology buzzwords to appease public markets.

The compartment wall between Dorsey's public vision and the internal reality of these cuts is visible to every surviving employee.

DOCTRINE

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The alternative is Engineered Control.

True operational leverage demands redesigning how the firm itself operates, rather than applying software patches to broken workflows.

Work Design

Redesigning core workflows to center on judgment, not rote execution.

Decision Rights

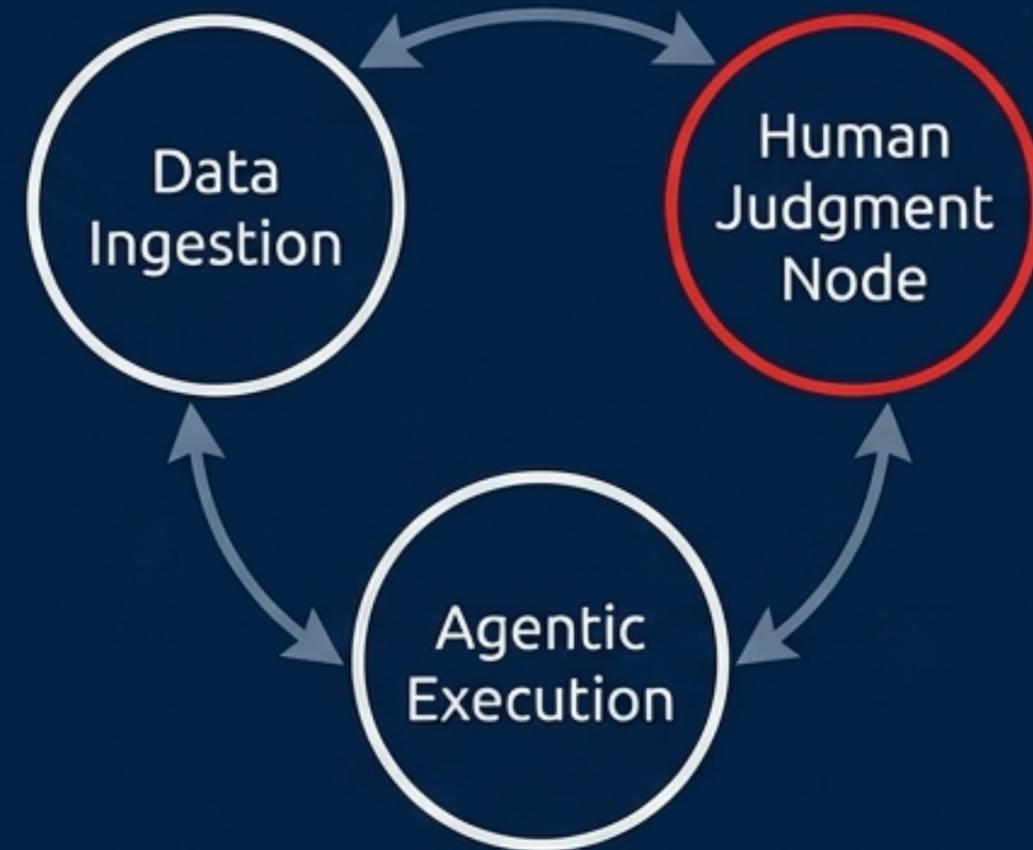Shifting governance from post-hoc review to embedded, real-time auditability.

Structural Leverage

Building capacity through intelligence infrastructure, not linear headcount expansion.

Tool deployment vs. the AI-native operational loop.

Legacy Workflow → AI Tool / Goose → Human Handoff

Linear flow with isolated productivity spikes.

Data Ingestion

Human Judgment Node

Agentic Execution

Engineered Control centered on structural leverage.

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Skepticism is a luxury the mid-market cannot afford.

Block has 6,000 surviving employees. Jack Dorsey's scale allows him to absorb the operational friction of a broken culture. A $50M mid-market company does not have that margin.

When mid-market leadership engages in Governance Theater, the alignment of the core team fractures.

Implementation relies entirely on a tight, aligned team. If the workforce believes AI is merely an excuse for historical leadership failures, structural adoption will freeze.

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The structural mandate for the $10M–$50M operator.

The mid-market core is where operational structure actively breaks under the pressure of the AI operating condition.

- You carry ultimate P&L responsibility.

- You have the authority to completely redesign organizational structure.

- You are competing against legacy giants who are relying on activity theater.

Your advantage is not out-spending Block on software. Your advantage is moving directly to Engineered Control without the burden of legacy theater.

IMPLICATIONS

Build from the work up, not the headcount down.

To achieve true operational leverage, mid-market leadership must dismantle the illusion that cutting headcount constitutes transformation.

The mandate is to map your organizational workflows, identify where intelligence acts as infrastructure, and redesign decision rights around that reality.