

**The 3 Financial Styles of Very Successful Leaders
Strategic Approaches to Identifying the Growth Drivers of Every Company**

Book Summary by Frumi Rachel Barr, MBA, PhD

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Publisher: McGraw Hill

Copyright year: 2005

ISBN: 0-07-145429-2

Author's bio: E. Ted Prince is the founder of the Perth Leadership Institute, a cutting edge leadership research and consulting firm based in Gainesville, Florida. He served as the CEO of both Public and private companies for nearly two decades in New York, Boston, and the United Kingdom. He has served on the boards of more than twenty companies.

Author's Big Thought: This book introduces the breakthrough concept of the “financial signature,” a set of innate financial traits that inform every leader’s decision making.

Notes:

Introduction:

- ◆ The premise of this book is that leaders have widely different approaches in how they deal with money and how they approach the building of value. Top executives have characteristic financial traits, just as they have other traits, such as aggression, drive, and execution.
- ◆ The author observed that these financial behaviors were linked to company outcome and to the company’s street or market value. This work led to the proprietary Perth Leadership Outcome Model which was developed and is used by the Perth Leadership Institute in its CEO coaching work.
- ◆ The personal financial traits of a leader are referred to as his *financial signature*. This signature drives leader behaviors in ways that we may have not expected, and it has the potential to explain the financial decisions of a company.
- ◆ Leaders leave an indelible mark on their companies. They leave it through their actions, especially their financial strategies.
- ◆ Different types of enterprises have different financial requirements for their leaders, as do enterprises at different stages of their evolution. Enterprises in different markets also have different financial signature needs.
- ◆ It would be valuable to know about the financial signature of a leader before hiring. This would enable the company to adjust its strategies to his particular financial signature to achieve the

best possible outcome. By understanding leaders' financial signature and style, we can potentially avoid many mistakes and provide them a more supportive environment.

- ◆ The concepts in this book are based on extensive fieldwork including:
 - Work with CEOs
 - Databases of CEOs
 - Pilot and validation studies for leadership assessments
 - Data from online leadership assessments

Part 1: What is a Financial Signature?

Chapter 1: The Link between Financial Traits and Organizational Value

- ◆ Two characteristics of financial style help delineate a person's leadership approach; *resource utilization* and *value adding*. Resource utilization is a measure of how the leader spends money and uses resources, while value adding indicates to what degree he/she aims to add value to the company's products and services. Both are critical factors in the financial performance of the enterprises lead.
- ◆ The term financial signature represents the fact that these approaches to financial management are reflected in all of the leader's decisions and business strategies. The stamp of the leader's financial signature is evident in everything he does as well as in the financial metrics of the enterprise he leads.
- ◆ A person's financial signature is innate. Most leaders are unaware of their financial signature, causing disparities between company needs and their decisions. A leader's financial signature will be reflected in all of his or her financial strategies and decisions. In many cases, this lack of awareness leads to leadership failure.
- ◆ Different financial signatures will lead to different levels of financial performance and market value, depending on the leader.
- ◆ Knowledge of a leader's financial signature can help improve the performance of his enterprise as well as increase the organization's market value.
- ◆ Research in this area is limited however recently an article from the MIT Sloan School of Management, "Managing with Style: The Effect of Managers on Firm Policies," has shed new light on the link between the personal profile of the leader and the company's outcome. This research supports that of the Perth Institute.
- ◆ The financial signature provides a new tool, a novel approach to executive and leader selection, and it establishes innovative benchmarks for more effective company performance. It allows organizations to establish more successful support programs for leaders. It illuminates new paths in the building of and predicting company value.

Chapter 2: How Financial Signature Affects a Leader's Performance

- ◆ The financial style of a leader is the expression of two financial traits. These are:
 - The propensity to add value to products and services
 - The propensity to use more or less resources
- ◆ A leader's financial signature leads to characteristic financial outcomes for the enterprise he or she runs.

- ◆ Research shows that a leader’s financial style has a greater effect on an organization’s success or failure than other corporate or external factors.
- ◆ Not all leaders and top executives are high or low on both the value-adding and the resource utilization drivers. Some are high on one and low on the other. In fact, most are somewhere in between. Leaders can and do have myriad of financial styles that are defined by where they are situated on the resource utilization and value-adding continuum.
- ◆ The Perth Institute’s research on leaders has identified four fundamental financial traits, based on the two financial drivers:
- ◆ Resource utilization
 - Frugal (Low) – leaders are forever finding ways to cut costs. This is the type of leader who expects employees to share hotel rooms when they travel.
 - Extravagant (High) – these leaders have high expenses in every category and argue that “one must spend money to make money.”
- ◆ Value Adding
 - Bare bones (Low) - To these leaders the job is all about revenue and cash flow in the short term. They are not interested in enriching the product; any money spent on the product is not available for other purposes, such as benefiting the shareholders and improving the balance sheet.
 - Rich (High) – this leader is interested in the product and often gets heavily involved in the details of development. This leader often has a vision of the product and is passionate about it.
- ◆ Knowing a leader’s financial signature, or innate approach to financial management, provides a tool with which he can predict his company’s financial performance.
- ◆ Perth Institute research has shown that the financial signature can be measured by employing just two simple metrics. First, turn to existing and historical financial performance.
- ◆ There is one aspect of earnings that we can use to assess a leader’s effect on the company’s financial health: the *gross margin*. An organization’s gross margin is the difference between revenues and the direct costs of gaining those revenues. In effect, it is a measure of earnings potential. The higher the gross margin, the higher the level of value the company possesses.
- ◆ Not only can we find data on gross margins for most enterprises, but we can also find it for whole industries. This gives us a basis for comparing leaders not only among organizations but also among markets on the concept of value adding.
- ◆ There is also a metric, although not quite so clear-cut to measure a leader’s resource utilization: company expenses as a proportion of revenue.

Chapter 3: Financial Signatures and the Nine Financial Missions

- ◆ The author has identified nine basic financial signatures which are representative of the fundamental financial strategies that leaders follow. They provide us with a tool to link a leader’s financial signature, his or her company’s performance, and the company’s financial outcomes.
- ◆ The nine types of financial signatures possessed by business are deeply ingrained habits. While leaders may take a course of action different from that prescribed by their financial signature, it may become so uncomfortable that they will tend to revert to their innate financial drivers.

- ◆ Each of the financial signatures therefore represents a financial preference- a *financial mission*. The financial mission indicates the particular way leaders' personal financial traits will drive them to create value for their enterprises It expresses their built-in calculators for achieving profitability.
- ◆ A financial signature is fixed. A financial mission is hot. A financial signature expresses itself in behavior. That behavior constitutes your financial mission.
- ◆ You cannot change your financial signature, but you can change your financial mission and behavior, adjusting them as your experience dictates.
- ◆ The author calls compensating for your financial signature by changing your financial mission the *correction process*.

Chapter 4: The Three Financial Styles

- ◆ The nine different financial missions a company's leader can follow can further be reduced to three major financial styles which are *Surplus*, *Deficit*, and *Puzzler*. All three can be successful in the short term but provide varying results in the long term.
- ◆ Leaders who have a Surplus style are consistently profitable in the long term. Deficit leaders are consistently unprofitable in the long term by virtue of their financial signature and mission. Puzzler leaders generate zero earnings over the long term, although their short term results can be all over the board, including being profitable.
- ◆ The term *profitability* refers to the profitability of an enterprise relative to others in its industry, based on its gross margin and expenses. Comparing with an industry helps negate the chance that the financial signature is affected by market fluctuations or the periodic fluctuation of earnings.
- ◆ A leader's financial signature leads to characteristic patterns of financial performance because, over the long term, a leader will shift the company in the direction of his particular financial signature. The company will thereby reflect the leader's innate preferences in the areas of value adding and resource utilization.
- ◆ A company's financial performance is determined by the gap between its leader's value-adding and resource utilization styles – the *earnings gap*. Where the earnings gap is positive, there will be a potential for earnings, and conversely, where it is negative, there will be a tendency to losses.
- ◆ Each financial mission falls into one of three groups of long-term financial performance. Each of the nine financial missions has a characteristic pattern of profitability associated with it: over the long term, three are intrinsically profitable and three are intrinsically unprofitable, and three generate no earnings on average.
- ◆ The earnings gap reflects the *capital engine*, which is the ability of a company to generate cash. The sustained creation of cash allows an enterprise to build capital; the more capital, the higher its ability to invest in sales and products to create company value.
- ◆ The earnings gap provides the fuel for the capital engine. Once we know the financial signature of the leader, we know the earnings gap and the gear the capital engine is in.

Part 2: Financial Signature's Significance to Organizations

Chapter 5: The Financial Mission's Effect on an Organization

- ◆ Even in the short term, the financial signature of a leader will improve or weaken the three basic functions within any company – sales, products or services, and operations.
- ◆ A leader’s financial mission affects the sales growth of a company through the value-added driver – higher value leads to increased customer demand and, thus, sales.
 - *Buccaneers*: Usually have high sales growth. They use a high level of value adding to put their company in a strong competitive position. A well differentiated product or service with few substitutes leads to high customer demand and corresponding high sales growth.
 - *Venture Capitalists*: Like the Buccaneer, this leader drives high sales growth with products or services that have a high level of value added. The main difference between the two is that the Venture Capitalist has high resource utilization, strengthening sales growth through major investments in marketing, while the Buccaneer has self-sustaining demand even with relatively low resource utilization. As long as the Venture Capitalist funds sales and marketing at a high level, demand and sales growth will follow. The Buccaneer, on the other hand, doesn’t need to utilize this high level of resources to generate sales.
 - The *Mercantilist* is the polar opposite of the Buccaneer, having a tendency toward low value adding and high resource utilization. On the face of it, high resource utilization should lead to a higher investment in sales and marketing and, consequently, high sales growth. Value adding is low, however, which leads to low competitiveness and low demand because the customer perceives little value in the company’s products and services. This situation frequently occurs in mature industries, where high advertising and sales expenses leave the company stymied, and no amount of sales or advertising will persuade customers to expand their purchases.
 - The *Discounter* is the polar opposite of the Venture Capitalist. With the Discounter, there is little or no hope for any sales growth or value adds to spur customer demand, nor resources available to compensate for low value adding. The result is a zero-sum game among the players, often in a mature industry, where no company is experiencing sales growth
- ◆ A leader’s financial mission has characteristic effects on the products and services of a company: on its competitiveness, product quality, and customer satisfaction.
 - *Buccaneer*: The high growth rate of this type of leader’s enterprise frequently results in product and service snags and poor customer support. As growth climbs, quality worsens. The Buccaneer’s predilection for high growth rarely allows him to slow down and correct product quality issues. The Buccaneer’s focus on performance can lead to customers who dislike the company even though they cannot do without it.
 - The *Mercantilist* has products and service that are considered commodities. But in the area of quality, the Mercantilist shines. Because the company’s product or service is usually in a mature market, the Mercantilist’s high level of resource utilization facilitates investment in quality, even when it is not cost effective. The company culture is so invested in its product and the customer experience that it will continue to invest in quality initiatives even when it doesn’t make financial sense. This results in strong customer satisfaction. High resource utilization leads to significant expenses and investment in the area of customer support.

- The Venture Capitalist's products typically are high value adding and well differentiated. However, because the products and services are often new introductions, frequently quality issues and other problems arise that need to be worked out. The Venture Capitalist has a high level of resource utilization that directs funds more toward product innovation than toward quality. The Venture Capitalist leader's tendency to innovate to the detriment of supporting existing products and services only adds to customer dissatisfaction.
- The Discounter ranks low in the area of competitiveness because this style has low value adding and resource utilization. The product is undifferentiated, often in a pure commodity market, and the only way to succeed is by keeping costs to an absolute minimum. What may be a surprise is the typically high quality of the Discounter's product. Customer satisfaction with the Discounter is often higher too. Because the product is mature, it generally reflects the product features customers want. The low price of the product boosts customer satisfaction as well.
- ◆ An inverse relationship exists between competitiveness and product quality/customer satisfaction for the four financial missions. High competitiveness is associated with low quality and customer satisfaction, while low competitiveness is correlated with high quality and customer satisfaction.
- ◆ A leader's financial mission has characteristic effects on the leaders' capability to execute – lower levels of resource utilization can actually drive higher levels of execution, while established enterprises in mature industries with high levels of resource utilization have a reduced ability to execute.
- ◆ *Execution* refers to leaders' ability to develop, deliver, and maintain the company's products while simultaneously ensuring the company's financial ability.
 - The Buccaneer fares very well as this leader's strong determination to keep expenses low results in a high level of creativity to develop efficient processes that reduce execution costs.
 - The Mercantilist is poor in execution. After many years of experience in a mature market with the same products and customers, the Mercantilist resists change. Instead of improving execution, the Mercantilist's many years of experience actually hamper his ability to become more efficient. High levels of resource utilization also perpetuate the inefficient ways of doing things. The Mercantilist's financial signature leads to poor and ever-deteriorating performance in execution.
 - The Venture Capitalist is also low in the area of execution – but for the opposite reasons of the Mercantilist. The leader is far more interested in issues of innovation and market acceptance than in execution.
 - In contrast, the Discounter is strong on the execution front. His low resource utilization and low value adding prove to be an incentive, spurring creativity in execution just as it does for the Buccaneer. In both case, the determination to keep costs low results in a high level of creativity in finding new ways to execute.

Chapter 6: Aligning Financial Mission with an Organization

- ◆ For a leader to succeed, his or her financial signature must be congruent with the organization's culture. If it is not, there will be conflicts over how to achieve ongoing positive financial

performance. Unless resolved, this disparity will likely lead to the organization's down fall, in both profit and operational performance.

- ◆ The financial signature requirements of an organization differ depending on the stage of the market in which it operates.
- ◆ If the market is early stage, the enterprise needs a high level of value adding to succeed and, to achieve earnings early on, a low level of resource utilization – in other words, a Buccaneer. Often, in early stage companies backed by Venture Capitalists who decide that they need a very experienced executive and recruit a leader who has spent most of their working life in a large company. Too often this strategy will result in failure for the organization – and the investors.
- ◆ As the market consolidates, organizational requirements shift. With competitors appearing, the company needs a high or medium level of value adding and a medium to low level of resource utilization – a profiteer or an Arbitrageur.
- ◆ Finally, as the market matures, an enterprise requires a leader with a medium level of value adding and a low level of resource utilization – an Arbitrageur.
- ◆ The selection committee of an enterprise often has a hard time deciding on any leader, let alone a leader whose selection would be dependent on the stage of market evolution. Getting a consensus on what the company's stage of evolution is can also be difficult. But if the organization does not make either of these decisions, it risks hiring a leader whose financial signature is simply going to harm it through lack of alignment and an inappropriate financial style.
- ◆ Just as with a company, a product requires leaders with different financial signatures and missions as it matures. In the early stages of product development, an organization requires a leader with a high propensity for value adding. While expenses need to be relatively high to undertake this development, it cannot be so high as to imperil company survival.
- ◆ Once the product is developed, the organization's needs change. The company now requires a leader who focuses less on value adding and more on reducing expenses – an Arbitrageur financial mission.
- ◆ As the product reaches maturity, the enterprise also needs a leader with an Arbitrageur financial style.
- ◆ As an enterprise undergoes its standard life cycle, it needs leaders with different types of financial missions. Mostly it will need Surplus styles. There are three Surplus types. At the early stages of an enterprise, a Buccaneer is clearly the best choice. As the enterprise hits its stride, more issues will surface, usually making the Profiteer a smart choice. At the later stages, the Arbitrageur is the best option for most enterprises.
- ◆ Success in an organization over the long term is also dependent on the leader's having a Surplus style. If a leader does not have a Surplus style, he should learn how to acquire one.
- ◆ A leader with a deficit in an organization with a Deficit culture, or a leader with a Puzzler culture, despite their aligned styles, will not achieve much. The organization will likely fail or under perform because of the combination of financial style and culture.

Chapter 7: How a Financial Mission Evolves

- ◆ The difference between average and successful leaders is how well they compensate for a financially under-performing style. The self-awareness that allows correction is the main difference between successful and failing leaders.
- ◆ A business leader should aim to achieve a corrected outcome, that is, to compensate for his or her financial signature.
- ◆ A business leader who succeeds either has a financial signature that is congruent with enterprise and market conditions or has been able to compensate for the adverse effects of his or her financial signature.
- ◆ A business leader tends to correct with age and previous business leadership experience. Being in partnership has a significantly positive effect on his or her ability to correct.
- ◆ A leader can correct any financial mission, even a Surplus financial style.
- ◆ Evolution of the financial missions is subject to the five mission bands.
- ◆ If a leader transitions within a band, he or she may appear to have changed, but the transition will not actually result in the enterprise's long-term profitability.
- ◆ To achieve a true change in an enterprise's profit quality, a leader needs to transition between bands, toward the Surplus styles – not within them.
- ◆ The greater the transition required, up or down the value-adding or the resource utilization scale, the less likely it is that a leader will succeed.
- ◆ Even a Surplus leader will have difficulty moving from her or his natural financial mission to another.
- ◆ A leader with a Deficit financial mission can correct and improve his profits as long as he follows a road map that is appropriate to his particular financial signature and psychological circumstances.
- ◆ The five mission bands hold three major lessons for leaders at all levels:
- ◆ The bands show the paths of change that are theoretically feasible for a leader's personal characteristics and thus be pursued.
- ◆ The bands show paths of change that may not yield improved financial performance and should be generally avoided unless there is a specific reason to take them.
- ◆ The bands show the paths of change that are unrealistic and should never be attempted. This last lesson may be the most important. By showing a leader what is unrealistic in terms of change, we can save him wasted effort and put his particular psychological assets to the most efficient and effective use.

Chapter 8: Assessing Your Financial Signature

- ◆ A person's early behavior in dealing with money and business may tell us much about his or her financial signature. Ask your parents – the behavior you exhibit as a child is often more revealing of your natural and innate self than what you do when you're older.
- ◆ There are six reasons to discover your financial signature:
 1. You are already in a leadership position and want to improve the performance of your organization.
 2. You are starting a new enterprise or a new organization within your existing enterprise. Understanding your financial signature will give you some insight as to how your financial style

will likely affect the financial performance of your company as well as insight regarding what strategies you need to compensate for your financial signature.

3. You wish to be promoted into a general management or even a CEO position.
 4. You wish to align yourself with the financial signature of your enterprise. Understanding misalignment can make you much more effective.
 5. You are buying into a company and will understand your potential better.
 6. Plain old curiosity.
- ◆ You can conduct a self-assessment or ask outside observers to rate you on the same scales to discover your financial signature. Methods you can use include: friends, mentors, work performance appraisals and 360- degree performance reviews.
 - ◆ Of the two components of the financial signature, resource utilization is the easier one to determine because you can look at your spending and saving patterns on both a professional and personal level.
 - ◆ You can use the quick organizational alignment self-assessment in the book's Appendix or use the more formal assessment of your financial signature from perthleadership.org.

Chapter 9: Improving Performance

- ◆ The improvement of financial performance is dependant on the following factors:
 - Assessing the financial mission of the leader and the leadership team
 - Differentiating between the different types of development programs that are needed by the leader, based on his or her financial mission
 - Personalizing the intervention based on the precise financial mission of the leader and identifying the most effective and feasible choices for him or her regarding his or her ideal financial mission
 - Synchronizing the financial missions of the leaders and his team
 - Matching the financial mission of the leadership team with the enterprise's strategy and external circumstances
 - Personalizing strategies to the particular leader implementing them
- ◆ See pages 158-160 for value-adding strategies, resource efficiency strategies and composite strategies as well as optimization strategies.
- ◆ *The golden rule* – that resource utilization and value adding need to be appropriate to the circumstances – will help a leader find their best strategy to optimize the company's performance.

Part 3: Financial Signature and Street Value

Chapter 10: Street Cred: The Nine Market Value Trajectories

- ◆ Market value is really the only objective measure for assessing a company's financial performance.
- ◆ A leader's financial signature leads to a characteristic financial mission. Each financial mission, in turn, leads to a characteristic market value direction – improving or declining.
- ◆ Market value is not a static concept. It will change in the short run due to cyclical factors, and it will change in the long run due to fundamental factors.

- ◆ The stage of a company's evolution is important. Each enterprise has a series of valuation trajectories or pathways, and each of these pathways will be linked to an identifiable phase that the enterprise occupies.
- ◆ Classifying market value trajectories gives us a way to assess the effect of leaders with different financial signatures.
- ◆ A company's market value should be assessed relative to other companies in its industry.
- ◆ There are three basic market value patterns – the growth, decline, and growth – and- decline patterns.
- ◆ There are nine market value trajectories, which can be used to categorize an enterprise's market value outcomes for the purposes of linking them with the leader's financial signature.
- ◆ These pathways can also occur in different sequences for different enterprises at different stages of evolution.

Chapter 11: Financial Mission and Value Trajectory

- ◆ The market value trajectory of each of the nine financial missions is determined by the earnings gap and the capital engine. A positive earnings gap indicates a potential for earnings, while a negative earnings gap indicates a tendency towards losses.
- ◆ When the earnings gap is positive, the value trajectory will be one of the Growth types. Conversely, when it is negative, the trajectory will be one of the Decline types. And when it is zero, it will be one of the Growth-and-decline types.
- ◆ Each of the nine financial missions corresponds with one of the nine market value trajectories.

Chapter 12: How Financial Mission Drives Business Strategy

- ◆ Financial mission drives particular leaders to lead enterprises at different phases of market evolution.
- ◆ Markets come in three flavors – fragmented, consolidated, or consolidated/mature.
- ◆ Enterprises prefer leaders whose financial mission corresponds to their own financial culture.
- ◆ The convergent preference of each side is often not the best choice for either one.
- ◆ A leader's financial signature will guide him to those industries that most suit his resource utilization style. Industries differ in the level of resources they use – from heavily to lightly on a continuum.
- ◆ Enterprises prefer leaders with an apparently congruent financial mission.
- ◆ What each side believes to be a good fit may often actually be bad. Companies usually need leaders with a Surplus style, and they are not easy to find.
- ◆ Frequently, an enterprise or its board decides to change its market positioning to improve its competitiveness. Efforts by enterprises to change their market positioning are often doomed to failure because their current leader does not possess the correct financial mission to do this successfully.
- ◆ The repositioning is likely to be successful only if the company takes the leaders' financial mission into account.

Part 4: Leadership and Market Value

Chapter 13: A Team's Financial Mission

- ◆ A TMT or *top management team* is defined as the leader and the core group of managers under him.
- ◆ The organization needs to understand the composition of all such teams from the viewpoint of its composite financial mission. It can then better understand its chances of success and the team's effect on the company's overall outcome and market value.
- ◆ Partnerships are also teams, although they are generally comprised of only two or three people.
- ◆ Partnerships offer a great way to launch the study of TMTs. Once we understand partnerships and the outcome of the financial missions that comprise them, we can move on to bigger and more complex TMTs.
- ◆ Many of the most famous enterprises were initially formed as partnerships including Proctor and Gamble, Price Waterhouse, Hewlett-Packard, and many others whose names reflect their original founders.
- ◆ There are four basic types of partnerships, defined according to the partners' financial signatures.
- ◆ *Surplus* partnerships – comprise only Surplus types of financial missions. They are not very common because there are so few leaders with a Surplus financial style.
- ◆ *Deficit* partnerships comprise only deficit financial styles, but they can have combinations of the three constituents: Trader, Mercantilist, and Conglomerator. These partnerships do not last very long because they lose money so quickly they go out of existence. The partnership sinks to the financial mission of the lowest common denominator because it creates the least conflict between them.
- ◆ *Puzzler* partnerships are the most intriguing types as we never really know what the outcome of their leadership will be. Puzzler types exist between the three middle financial styles, the Discounter, the Venture Capitalist, and the Consolidator. Puzzler partnerships are by far the most common type.
- ◆ *Conflicted* partnerships are the most complex of all because they mix deficit, Surplus and Puzzler styles.
- ◆ By analyzing partnerships the author conducted a stealth analysis on teams. By extension, the author infers that these are also four types of teams.
- ◆ The aim of enterprises should be to set teams that have as their mission the achievement of particular and specific valuation trajectories. These teams should be custom designed to have this effect.
- ◆ Different teams will lead to different valuation trajectories.
- ◆ The concept of the financial mission recognizes that leadership is for a purpose – market value creation. Teams that lead are there for the same purpose, to increase company value.
- ◆ The only way to assess the value of a team is by its ultimate effect on the valuation trajectory of an organization.

Chapter 14: Uncovering a Leader's Financial Signature

- ◆ There are three major reasons to determine a leader's financial signature. The first is that you want to support the leader of your enterprise. The second is that you are interested in joining

the leader's enterprise as an employee, partner, team member, or investor. And the third is that you want to do business with the leader's company.

- ◆ Most business leaders are unaware of their financial signature.
- ◆ You should rely on actions rather than words in conducting your analysis.
- ◆ There are particular signals and clues, such as knowing a leader's background, that provide shortcuts to recognizing components of the financial signature.
- ◆ We need somewhat different techniques to investigate leaders in public and private enterprises.
- ◆ Several sources can help you discover the financial signature of the leader of a public company. These include:
 - Public filings and financial statements
 - Books and biographies
 - Media coverage
 - Internet discussion groups and chat forums
 - Analysts
 - Customers and industry partners
 - Press releases
- ◆ You can use many of the same methods to study the private-enterprise leader as for the public company leader. Although there are no company filings, there may still be books, articles and press releases. Other sources include:
 - Websites
 - Interviews
 - Employees
 - Customer support representatives
 - Social networking

Chapter 15: Achieving the Financial Target

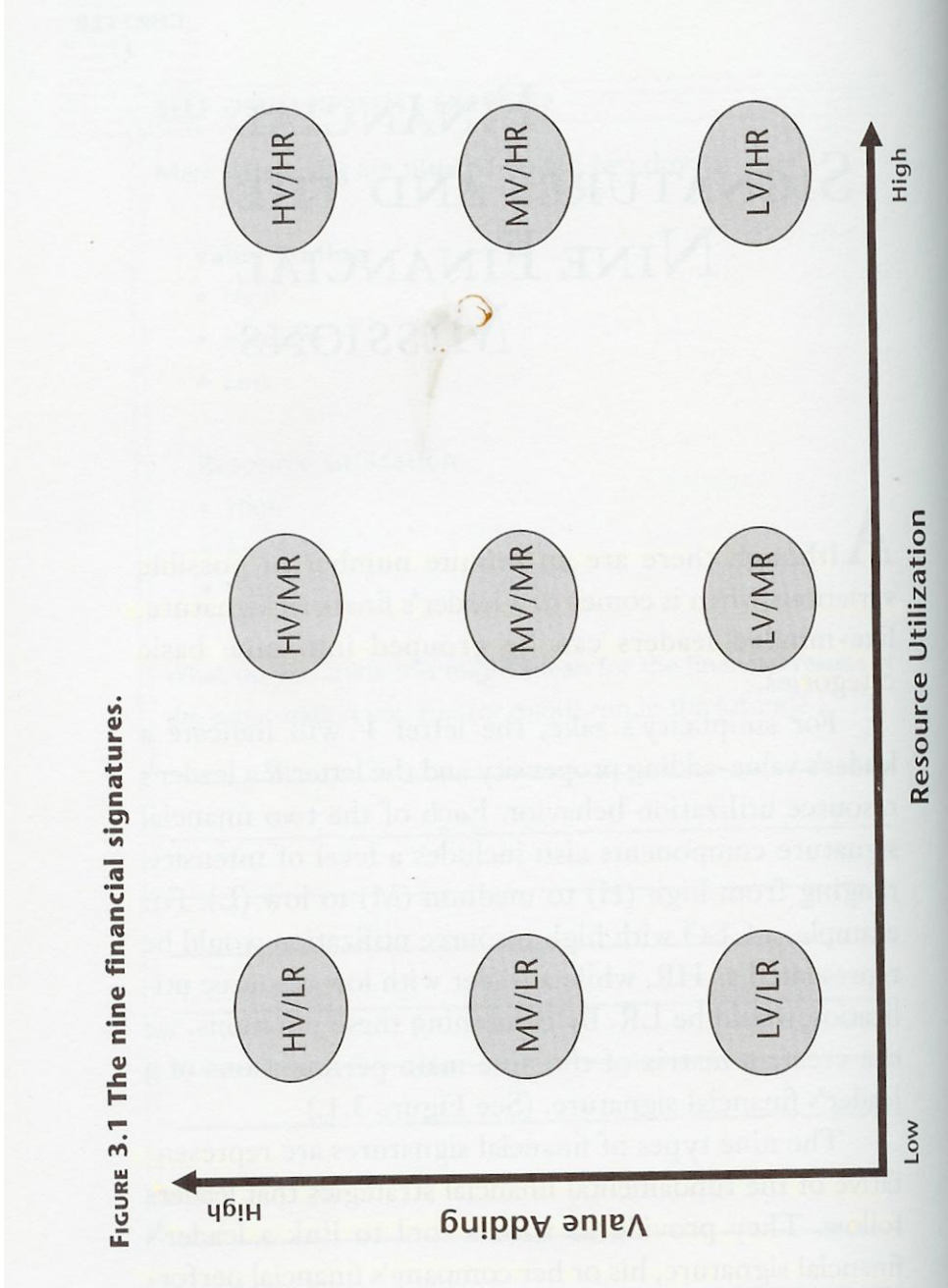
- ◆ The *market value improvement process* involves all members of the organization. It needs to be multi-faceted, covering strategy, products, and operations as well as finance. A market value improvement process should be formalized and require all of the organization to be involved in a common endeavor to improve long-term financial performance and positioning.
- ◆ The market value improvement strategy involves four steps, all of which are critical for the company to achieve the optimum market value. These are:
 1. Choosing target market value and then working backward to determine the financial mission required as well as the leaders to achieve it.
 2. Identifying trajectory and stage of the cycle you are in
 3. Implementing the market value alignment process to align the whole organization around the actions required to achieve the target market value.
 4. Implementing the human resource strategy – in large organizations in particular, human resources should play a role in setting the direction and standards for the human transition required. This includes employee assessment, recruitment, performance appraisal and

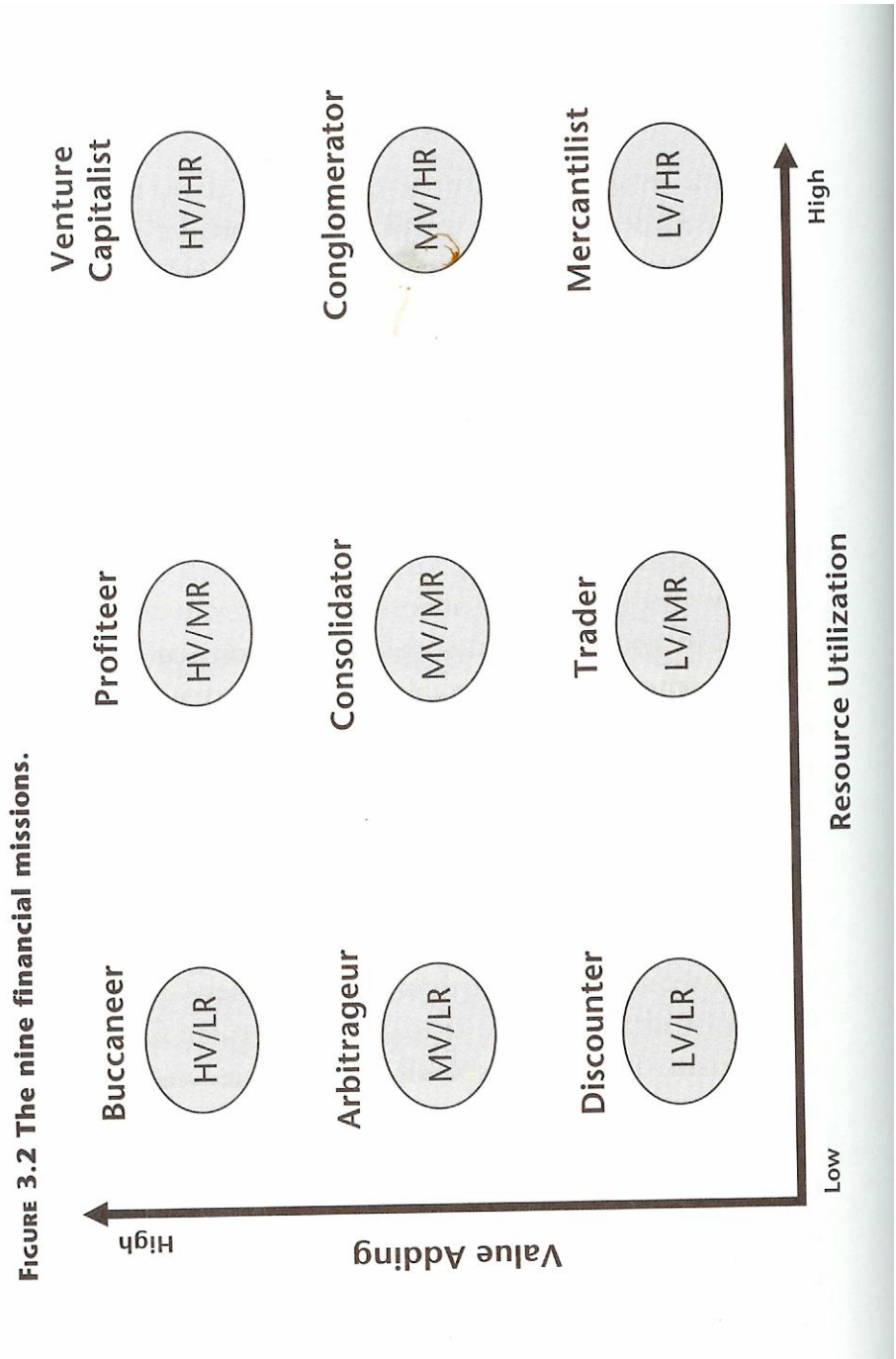
promotion as well as executive and leadership development and training. Also crucial is aligning the compensation strategy with the target market value. Both line managers and human resources should be key proponents of the market value improvement process because it is primarily a behavioral, not a financial issue.

Visual Aids:

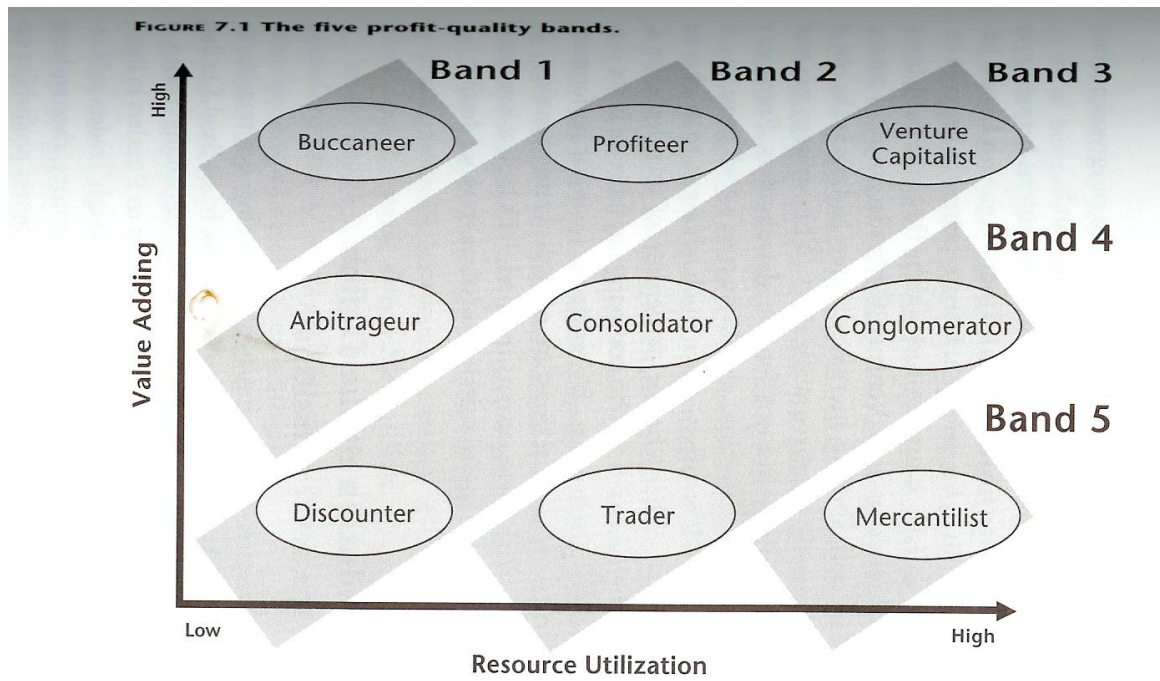
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Financial Signature

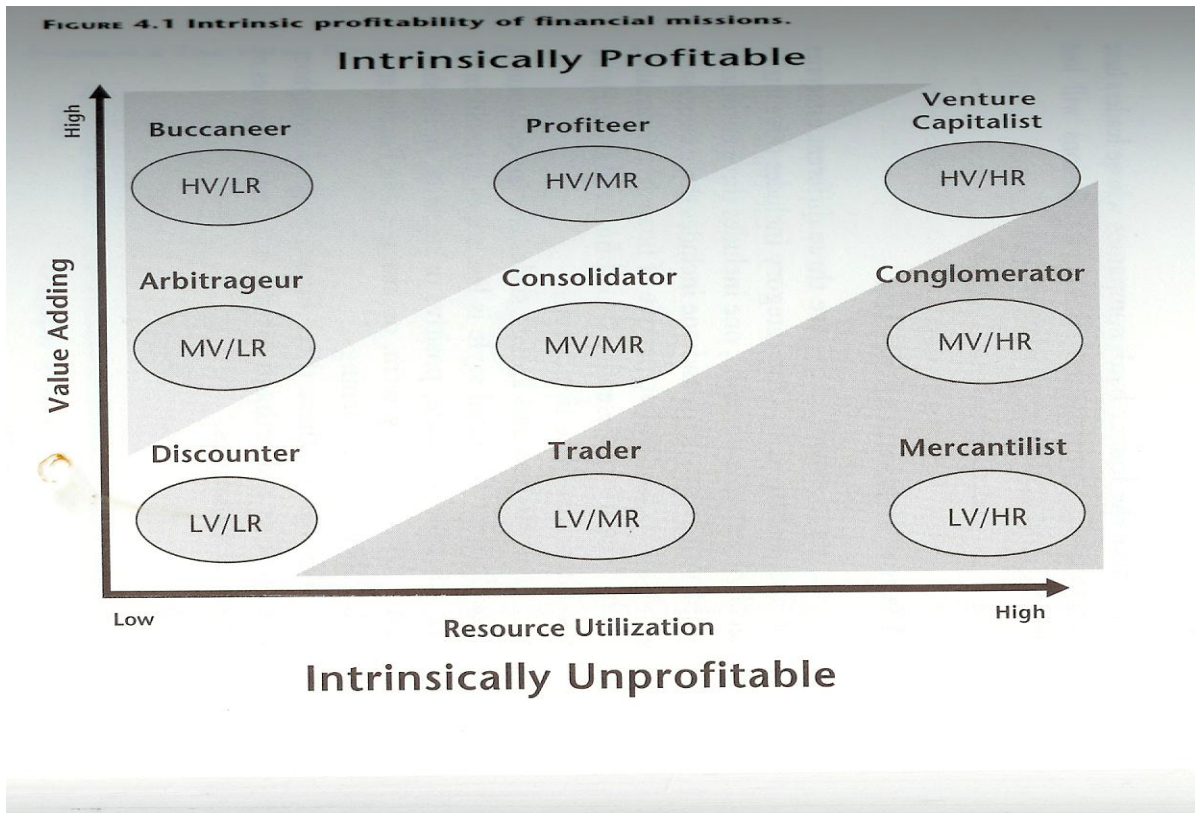




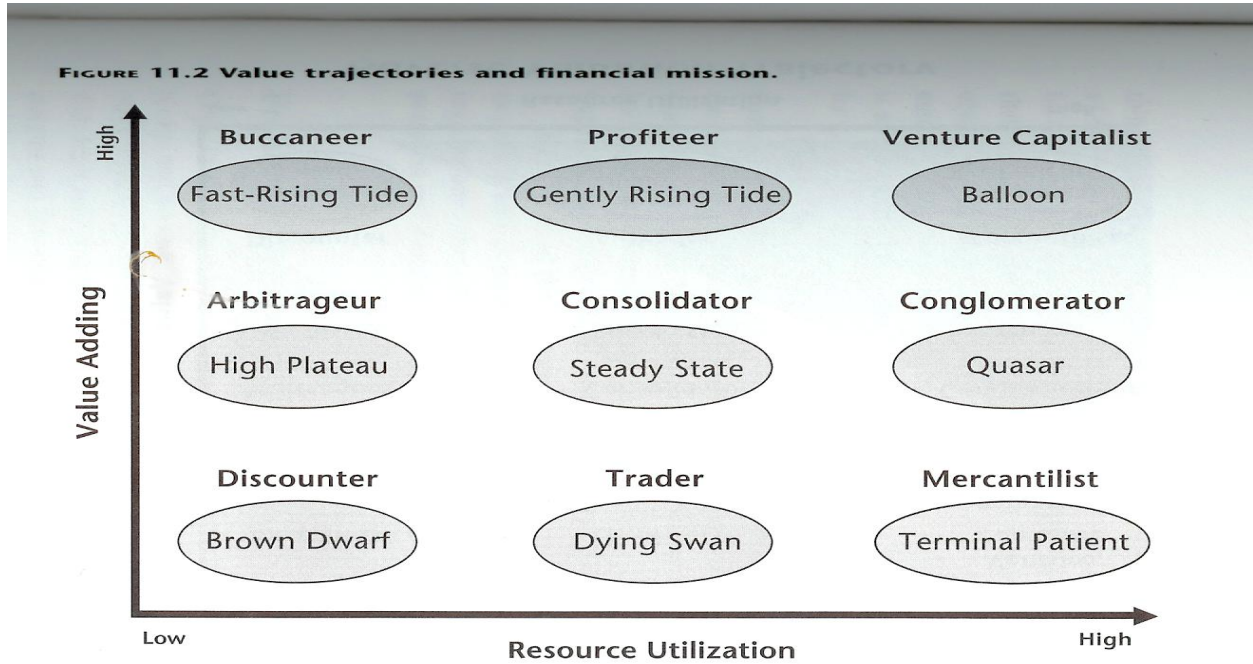
Profit Quality Bands
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Intrinsic profitability of Financial Mission
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Value Trajectories and Financial Missions:
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Recommendation: This is a tough concept and requires a look in the mirror that may not feel very good. Do you want to know your financial signature? How would it benefit you to create the business you want or the wealth you want? When you can answer those questions maybe putting your toe in the water and checking this out would be a wise adventure.

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Many CEO's find themselves asking "What now?" to sensitive situations that only an experienced former CEO can understand. Frumi is brought in to solve problems and often remains to work with you, as your confidante and secret weapon. She has an uncanny knack of getting to the heart of your corporate climate and maximizing your team's performance, profitability and sustainability.

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