



Leadership Solutions

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'Linking Leadership With the Bottom Line'

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Dr. E. Ted Prince, CEO



Dear Top Executive

A few more ideas from the Perth Leadership Institute that might just improve your performance as an executive, makes you and your employees happier, and your company more

valuable.

Why is General Motors in such a world of hurt? Come to think of it, why are so many large companies with apparently huge brainpower performing so badly? Why is so difficult to avoid the gravitational black hole of near-bankruptcy when a company like this has so much talent and hard, cold cash? We address that issue in this newsletter.

Our book **The Three Financial Styles of Very Successful Leaders**, published by McGraw Hill provides another perspective on the issue as you will see below. You can order from Amazon at

http://www.amazon.com/exec/obidos/tg/detail/-/0071454292/qid=1107024294/sr=8-1/ref=sr_8_xs_ap_i1_xgl14/103-8250033-2772658?v=glance&s=books&n=507846

and blog us on your reactions, positive, negative and the rest at <http://blog.perthleadership.org>

Any ideas or suggestions? Email us at newsletter@perthleadership.org or call at (352) 333 3768 or (516) 223 1286. Suggestions and ideas always welcome.

Ted Prince

Practical advice for CEOs and top executives to help improve their performance and their organization's business impact

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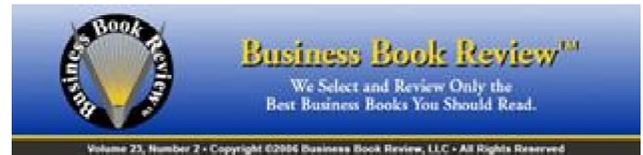
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REVIEWS

Click on the logos to see the reviews!!



Now Available

[The Three Financial Styles of Very Successful Leaders](#)

When Bad things Happen to Good – but Aging - Companies

So much going on with General Motors, that we had to make our own contribution. What does a company do when it is in a mature market and it is itself a “mature” company?

It’s a problem every company will probably face at a later stage of its lifecycle. Ford, the telecoms, the senior airlines, to mention a few. When its stock price and valuation are falling heavily against its competitors and the market is starting to have serious doubts, or just abandoning it altogether.

There are a lot of great and very highly paid minds focused on this issue. Not just in the companies themselves but their investors, funds, stockholders and, not least of all, their customers.

But usually that doesn’t make much difference.

Capital Assets

Unfortunately the reason often given that company maturity is inevitable is simply not true. Just look at the Japanese automakers, the VOIP vendors in the telecom market, and the airline upstarts. What is the difference between successful and unsuccessful mature companies in a mature market?

In a word, the answer is human capital, in its most literal sense. We each have a behavioral propensity to create or to consume capital. That is what we in Perth call the “financial signature™”

Our financial signature will drive our financial decisions and the financial performance of organizations over which we have some control. It’s a crucial but unrecognized driver of corporate behavior and market evolution.

While our financial signature is fixed, we can change our financial mission. To do that we have to know and understand the impact of our financial signature.

Financial signatures explain why successful and unsuccessful companies differ. The financial signatures of managers and executives in these two types of companies are very different. That is why, no matter how brilliant a strategy might be, in practice, it will not succeed if the leaders – and staff generally – of the company do not have the right and appropriate financial signatures.

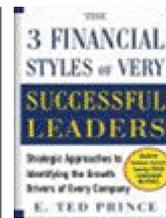
Deep Dives

Industries get started with leaders who possess either a Venture Capital or a Buccaneer financial signature (as we point out in “*The Three financial Styles of Very Successful Leaders*”). From there onwards things change, and often not for the better.

As competitors enter their markets, their products become less differentiated and their product value therefore declines. Simultaneously their sales and marketing expenses rise.

So their financial signatures start favoring leaders with a higher tolerance for expenses and lower comfort with high value products. As this process strengthens, later stage companies start to become predominantly staffed with executives with Deficit styles – relatively high expense and relatively less value-adding financial missions.

Even if some of the executives possess a Surplus financial signature, there will still be a net negative change to a Deficit



by E. Ted Prince
Published by McGraw Hill

The research being conducted by the Institute over the past few years has led to a book. Its title is: **The Three Financial Styles of Very Successful Leaders:**

Strategic Approaches to Identifying the Growth Drivers of Every Company.

This book incorporates a new theory of leadership based on a unique approach. This book develops the concept of a Financial Signature™ possessed by all leaders that drives the outcome, the market value and ultimately the valuation, of the organization they lead.

This book shows that the personal financial traits of leaders impact their organizations through a predictable financial performance. This issue is one that is being researched extensively by the Perth Leadership Institute. It opens up a totally new perspective on leadership. It shows that organizations run by certain types of leaders will have a distinctive valuation trajectory and outcome.

We call the personal financial traits of leaders, the Financial Signature™. This has been a focus of much of our research. The underlying model behind the Financial Signature™ can be operationalized and measured. Our research shows that the Financial Signature does indeed correlate with the financial performance and the valuation outcome of companies and enterprises.

The Financial Signature™ of leaders has wide-ranging ramifications. In effect it links organizational psychology with the theory of the firm. To date, leadership theory has been either based on a clinical psychology approach or a competency based approach. The Holy Grail of leadership theory links these with company outcomes and company valuation. In effect this is a theory that belongs to the emerging field of behavioral economics. Our research into the Financial Signature™ of leaders promises to be a new contribution to this linkage.

Our approach to Financial Signature™ has some practical consequences and implications in real life. Coupled with our leadership assessments (specifically the Financial Outcome Assessment) it enables us to predict the valuation consequences for a company of their particular leader. Armed with this knowledge we can show how strategies can be modified to increase company valuation. This is a new and unique service that is possessed by no other company in the financial analysis or leadership areas.

Perth Leadership Institute News

The [Three Financial Styles of Very Successful Leaders](#) has been reviewed by the [Harvard Business School “Working Knowledge” Journal](#), as well as being featured by two large international associations: [International Association for Contract and Commercial Management](#) and [International Facility Management Association](#)

Our book, [The Three Financial Styles of Very Successful](#)

signature, they will usually unconsciously change to a Deficit financial mission so that they are better aligned with the financial culture of their company.

It's at this stage that things get interesting.

Planned Senescence?

Companies are really just giant people filters. Buccaneer companies tend to filter out people who are not Buccaneers. Venture Capital companies filter out those who are not Venture Capitalists. And so on with any and all of the financial signatures and missions.

As a company moves inexorably towards a Deficit style (Conglomerator, Trader and Mercantilist), it tends to filter out executives with a Surplus style or to select only those who, although they have a Surplus style, will align themselves with the prevailing Deficit style. This accelerates the tendency to move down-market and towards a declining valuation.

At this stage the financial signatures of the leaders make it increasingly difficult to move out of this valuation black hole. That's why break-out strategies in mature companies in mature industries rarely work. The strategy is right. The humans to execute it do not possess, in general, the right financial mission for the company to regain its glory..

Getting the Drift

We call this phenomenon *financial signature drift*. Most companies are subject to it unless they have a deliberate and formal policy to the contrary. Most companies don't. Generally they are not even aware of the phenomenon except at the level of folklore or intuition, and most rarely act on that intuition anyway.

So what do you have to do to escape the dreaded financial signature drift if you are a late-stage company (or for that matter, even in the earlier stages of the company life-cycle)?

First you have to recognize and acknowledge what's really going on. Then you need to build a formal strategy to counteract it.

Finally you need focused talent management and organizational development programs to move yourself out of this situation. The organization must adopt strategies to help its people develop the right financial behaviors. Crucially it must adopt processes to sustain them, once in place.

That's going to involve considerable effort in development programs to transition executives and staff to the appropriate financial mission for the company.

Mature companies in mature markets are almost always good companies, with good products and services and with good people who care. But unless they recognize the phenomenon of financial signature drift, they are probably going to continue in decline, no matter what strategies they follow.

Financial signature provides these companies with a new tool to make the major changes they need to regain their market course and competitive position.

[Leaders: Strategic Approaches to Identifying the Growth Drivers of Every Company](#), by E. Ted Prince (McGraw Hill, New York) available in bookstores now. You can order from [Amazon](#):

[The Three Financial Styles of Very Successful Leaders](#)

We look forward to responses on the [Perth Leadership Blog](#) where you will also be able to see the responses of others who also have an interest in this area.

The Institute has now trained [25 consultants](#) in PLOM basics and its Financial Signature™ approach. Call us for details of how they can help you implement the Perth approach in your organization.

EVENTS

On March 23rd thru 25th in Gainesville, Florida, the Perth Leadership Institute will be having [Tier 1 Training](#) for the Perth Leadership Outcome Model (PLOM™).

On April 25th in Tucson, Arizona, Dr. Prince will be speaking at the Human Resource Planning Society Annual Global Conference. To view more information on this event, please go to [HRPS Annual Global Conference](#).

The Financial Signature™

The Financial Signature™ of Leaders and Company Valuation

Do leaders have personal financial traits that lead their organizations to have a characteristic financial performance?

This issue is one that is being researched extensively by the Perth Leadership Institute. It is a crucial area. If it is true, then it opens up a totally new perspective on leadership. It raises the possibility that organizations run by certain types of leaders will have a characteristic valuation trajectory and outcome. That would be a revolutionary finding.

Still, with such a new concept, is there any other research which provides some validation?

To find out more about this approach and how it can help you increase the financial and valuation performance of your company, see www.PerthLeadership.org

Link Index

Perth Leadership Website: www.perthleadership.org

Book at Amazon:

http://www.amazon.com/exec/obidos/tg/detail/-/0071454292/qid=1107024294/sr=8-1/ref=sr_8_xs_ap_i1_xgl14/103-8250033-2772658?v=glance&s=books&n=507846/

Perth Leadership Blog:

Recommendations

- Recognize financial signature drift and how it impacts your own organization
- Identify the financial signatures of your executives and staff
- Identify the valuation target of your organization
- Implement policies and strategies to align the two

The Last Word

"An idea that is not dangerous is unworthy of being called an idea at all."

~ Elbert Hubbard

About the Perth Leadership Institute

Leadership Solutions™ is a publication of the Perth Leadership Institute, www.PerthLeadership.org. Head office at 100 SW 75th St, Suite 107, Gainesville, FL 32607. Telephone (352) 333-3768. Email: leadershipinfo@perthleadership.org. Copyright Perth Leadership Institute 2005. All rights reserved. Articles may not be copied or reproduced without the permission of the Publisher.

The Perth Leadership Institute is the developer and marketer of a proprietary leadership system based on its Perth Leadership Outcome Model™. The Institute provides consulting services to organizations that wish to increase the valuation impact of its leadership and staff.

<http://biog.perthleadership.org/>

Perth Leadership Events:

www.perthleadership.org/CalendarOfEvents.htm

Harvard 's "Working Knowledge" Review:

<http://hbswk.hbs.edu/book-review.jhtml?id=5073&t=all-book-reviews>

Business Book Review™:

http://www.perthleadership.org/BusinessBookReview_3FinancialStyles.htm

Feature by IACCM (International Association for Contract and Commercial Management):

<http://www.iaccm.com/full.php?id=214>

Feature by IFMA (International Facility Management Association):

http://www.ifma.org/prod_briefs/2005/nov/11_04b.cf

Perth Leadership Institute: 100 SW 75th St, Suite 107 - Gainesville, FL - 32607 LeadershipInfo@PerthLeadership.org

Telephone: 352.333.3768 **Fax:** 407.540.9479

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