



Leadership Solutions

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'Linking Leadership With the Bottom Line'

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Dr. E. Ted Prince, CEO



Dear Top Executive

Our current preoccupation: the innovator's dilemma. Is there more to it than what we read in the book?

Our book **The Three Financial Styles of Very Successful Leaders**, published by

McGraw Hill provides another perspective on the innovator's dilemma as you will see below. You can order from [Amazon: The Three Financial Styles of Very Successful Leaders](#)

Harvard Business School "Working Knowledge" publishes a review of **The Three Financial Styles of Very Successful Leaders**. You can see the review at: [Harvard Business School "Working Knowledge"](#)

You can also blog us on your reactions, whether positive or negative at the [Perth Leadership Blog](#)

Any ideas or suggestions? Email us at etedprince@perthleadership.org or call at (352).333.3768 or (516).223.1286. Suggestions and ideas always welcome.

Ted Prince

The Other Innovator's Dilemma

With Clayton Christensen's updating of his famed book "The Innovators' Dilemma", innovation and corporate entrepreneurship are now topics that are squarely back in fashion. The innovators dilemma can be summarized thus; "when my innovation becomes so successful that it goes mainstream, do I go mainstream with it too (and thus tarnish my talents mixing it with the plebs selling a commodity) or do I, once more, strike out to make another breakthrough, with all the likely risk that I will never get one?"

It's a good thesis and it's valid. But there is another one that doesn't get anything like this attention, if any at all. It is this.

In the vast majority of cases, innovators, both individual and corporate, don't make money. We just don't see this since journalists rarely waste ink writing about losers, it doesn't sell newspapers. So how does one innovate and make money?

This probably seems a little questionable as a thesis. Didn't Bill

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

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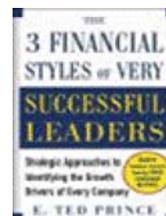
REVIEWS

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Now Available

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



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 probably seems a little questionable as a thesis. Didn't Bill Gates, a notable innovator (at least at the beginning and now a perfect example of the innovator's dilemma) make money? Isn't Apple's Steve Jobs minting money with the iPod?

In fact, the comparison of Gates and Jobs is a perfect example. Gates is an example of that rare species, a Buccaneer (see "The Three Financial Styles of Very Successful Leaders" mentioned elsewhere in this issue). Buccaneers are both creative and frugal at the same time and they invariably make money, in fact lots of it.

Steve Jobs is an example of what we call a Venture Capitalist (see also "The Three Financial Styles"). Venture Capitalists are also creative, but they are high expense types. They make money only occasionally although when they do, they tend to make a lot. Witness the losses that Jobs made in Apple Act 1, NEXT Computer, and almost, in Pixar, before it finally came good.

Here's the problem. As shown by our research Buccaneers are pretty rare, and Venture Capitalists are pretty common. Sure they're both innovative. But how are you going to distinguish between the two? How will you know that your new product manager is a Gates or a closet Steve Jobs wannabee?

This isn't an idle question. Whilst he was Chairman of Time Warner, Gerald Levin lost a huge amount of money. His acquisition of AOL was a disaster for Time Warner stockholders. Levin was a Venture Capitalist. The warning signs were there in his infamous experiments with video-on-demand in Orlando which were a huge bust. Levin's behavior remained entirely unprofitable with the AOL acquisition which was also a bust. His Venture Capitalist status was hardly academic to his shareholders (nor to him when he was dumped as CEO). Nor was it academic to his partners, amongst them CNN founder Ted Turner, who lost most of his fortune. Ironically Turner was also a Venture Capitalist.

So whether or not an executive is a Venture Capitalist or a Buccaneer counts for corporations. The same is true of real-world venture capitalists and professional investors. Venture capitalists routinely invest money into startups run by Venture Capitalists who go on to lose impressive amounts of money. So do professional investors. Just look at the huge amounts they have recently lost in Refco, where they bet with dazzling incorrectness on Phillip Bennett, its CEO.

Corporations and investors spend most of their investing lives putting good money into Venture Capitalists when they should be putting it into Buccaneers. Mostly Venture Capitalists are chosen to be the innovators and they will end up losing a lot of money.

There are occasions when you need a Venture Capitalist rather than a Buccaneer to do the innovation for you. This is when you need the executive to spend big and a frugal executive will not invest enough to get the right result. In that case the Venture Capitalist will indeed innovate. But he will still lose money. In that case you just have to resign yourself to the fact and work out what to do next.

The other's innovators dilemma is figuring how who is who and which is which. Once you do that, you have solved the problem of how to innovate and how to make money, both at the same time.

Hints and Recommendations

- In establishing new units to develop innovations, and particularly when they have P&L responsibility, distinguish between Buccaneers and Venture Capitalists

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.

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

- To do this, you need to analyze their past behavior as executives
- Find out more about how to do this from “The Three Financial Styles of Very Successful Leaders”.
- Use Perth’s Financial Outcome Assessment which will give you the answer quickly and reliably.

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 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 February 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 Last Word

“The measure of success is not whether you have a tough problem to deal with, but whether it's the same problem you had last year”

John Foster Dulles

About the Perth Leadership Institute

Leadership Solutions™ is a publication of the Perth Leadership Institute, <http://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

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Perth Leadership Website:
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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:
<http://blog.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>

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.cfm

that wish to increase the valuation impact of its leadership and staff.

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