



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, you and your employees happier, and make your company more valuable.

Current preoccupations:

- Is HR a force to be reckoned with in corporations, or otherwise?
- Does emotional intelligence work?

Our book **The Three Financial Styles of Very Successful Leaders**, published by McGraw Hill is in bookstores now. We believe it will revolutionize approaches to executive and leadership assessment and training. You can order from [Amazon: The Three Financial Styles of Very Successful Leaders](#)

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

HR Irrelevant?

We recently read an article from **Fast Company** (Keith Hammonds, "Why we hate HR.", August 2005, pp 40-47) on human resources departments in corporations. **Fast Company** aims for the cutting edge. On this one it's simply cutting. Unfortunately the criticisms ring true. The author's criticisms are:

- "HR people aren't the sharpest tacks in the box"
- HR pursues efficiency in lieu of value
- HR isn't working for you
- The corner office doesn't get HR (and vice versa)

Remember, we didn't say that, he did.

Hammonds points out that HR is probably being positioned for a fall in Corporate America. After all, what distinguishes HR people is their focus on administrative detail such as compensation and employment laws and

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

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PLI Events

To purchase on Amazon click here:
[The Three Financial Styles of Very Successful Leaders](#)
by E. Ted Prince

October 14-15
Gainesville, FL

[Valuation Alignment Program:
Experiential Training \(Tier 2\)](#)

Event Information:
Events@PerthLeadership.org

Corporate America. After all, what distinguishes HR people is their focus on administrative detail such as compensation and employment laws and regulations. They just aren't part of the business equation. And there is an increasing trend to outsource these mechanical details. So unless HR embraces real change, it's probably in for the high jump, as they say over the pond.

The article reports a particularly telling survey done amongst HR professionals. They were asked what were the worthwhile academic courses for a successful career in HR. Interpersonal communication skills topped the list at 83% followed by employment law and ethics at 71%. Change management was 35% and strategic management 32%. How did finance rate? 2%. That says it all, according to the author.

Our impression is that there are many honorable exceptions in HR. Many senior HR executives understand that their discipline is in crisis. But HR generally has to shore up its knowledge in the core areas of running a corporation. It needs to become more involved in strategy, finance and marketing. It needs to link leadership and talent management with finance and the increasing of shareholder value.

Even more importantly, the top levels of corporations have to become involved in where HR is going. If HR is in crisis, it is because the organizations that host HR divisions are allowing this to happen.

Outsourcing is not the answer. This may offload the administrative details but it still doesn't confront the issues of talent acquisition and management that any organization needs in order to be able to beat the competition. What Fast Company sees as being a crisis in HR, we see as being a crisis in organizations generally in which their leaders are avoiding taking responsibility for a key area of the organization.

Our take: Hating HR is avoiding the real issue. Instead hate the leadership that leads to HR being hated.

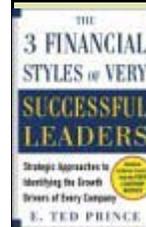
Hints and Recommendations

- Corporate leadership needs to do more to make HR relevant.
- HR itself needs to become more focused on business issues.
- It needs to focus much more on linking talent management directly with finance and shareholder value
- Buy a copy of the "The Three Financial Styles of Very Successful Leaders" to guide you on how to do this.

Emotional Intelligence: Is it Useful?

Heretical question no doubt, but one worth asking anyway, just so that we don't get too rusty...I was reminded of this when browsing through **Leadership and Organizational Development** and saw an article by a couple of Aussie academics (being from Oz myself, am always inclined to some nationalistically-inspired reviewing). Their article (Rosete, D. and Ciarrochi, J., "Emotional intelligence and its relationship to workplace outcomes of leadership effectiveness" *Leadership and Organization Development Journal*, vol. 26, no. 5, 2005, pp. 388-399. ([Emotional Intelligence Article](#)) makes the claim that EI is strongly correlated with leadership effectiveness. That got my

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 will be published by McGraw Hill in July 2005.

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.

attention, since real-world utility has always been the issue with EI.

The article is based on formal measurement of EI and leadership effectiveness and finds that they are strongly linked. However there are some problems. First it was conducted in a civil service organization, so there is no link with financial outcome, which we think is critical. Second, leadership effectiveness is simply rated via an assessment by a superior of an individual's performance, scaled 1 to 5. Not terribly convincing if you are in the real world.

Of course, this doesn't mean that there is no link. The authors cite the research that shows a link between high EI and high leadership competence, as seen through the prism of high transformational leadership capabilities.

But for us, this reaches to an even deeper problem. Is being high on the transformational leadership scale a measure of being highly effective in a real-world setting?

Another heretical question, maybe even more so. We can think of leaders who would probably be rated highly as transformational leaders, who almost destroyed the market value of their companies. Jurgen Schrempp, the outgoing CEO of Daimler/Chrysler is one, Bernie Ebbers is another.

We would hazard the informed guess that both of these CEOs were high as measured by EI and both would be regarded (or would have been before their fall) as transformational leaders. Yet both led to massive destruction of shareholder value. In our book, increasing the market value of the organization is the only true criterion of leadership impact, at least in private sector organizations.

It would be nice to think that leaders with high EI are the ones that produce the highest shareholder returns, but our research casts a lot of doubt on that proposition.

We can think of several leaders who produced outsized shareholder returns, who, at first glance, would not normally be seen as high EI types, Sandy Weill of Citigroup and Bill gates of Microsoft being two examples. I would think that, in the common view, neither would be regarded as particularly high in EI. Rapacious, yes, empathetic, not really.

It may be that what high EI reflects is not truly outstanding leadership impact, but what we would like outstanding leadership impact to be accompanied by in its holders. It would be nice if all successful leaders were highly transformational and empathetic, and the reverse was true. Unfortunately that is not what our research shows, and not, it would appear, tends to happen generally in the real world.

Hints and Recommendations

- EI can be a useful tool, if used correctly
- If applied to leadership effectiveness, make sure you use another instrument that is closer to real world measures of effectiveness.
- The Financial Outcome Assessment from Perth is such an instrument.

Perth Leadership Institute News

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

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/

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.

The Last Word

“You will fail at 100% of the things you don’t try.”

Unknown

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.

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

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www.perthleadership.org/CalendarOfEvents.htm

Emotional Intelligence Article:
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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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