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Book Review

The 3 Financial Styles of Very Successful Leaders
Ted E. Prince
New York: McGraw-Hill, 2005, USA $29.99, Canada $39.99, UK £16.99,
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Leadership theories continue to expand on the combination of individual traits, behaviours and the organizational context. Prince's new book not only addresses all these leadership dimensions, it also introduces two new variables that overlap all three dimensions: financial signature and financial mission. For practitioners of human resource development this book addresses the areas of employee selection and development by introducing two new traits that impact on an organization's bottom line.

Ted Prince is the founder of the Perth Leadership Institute and a former CEO with twenty years of experience in the public and private sector. In this book Prince introduces the construct of 'financial signature' – *a set of innate financial traits that are fundamental to a leader's style*. Prince creates a taxonomy of financial signatures in order to classify specific leaders' traits. Using case studies of successful business leaders, this book illustrates the impact that financial signature combined with the financial mission of the organization has on the success or failure of a company. An individual possesses a financial signature that can be measured on two continuous axes: value adding and resource utilization. This financial signature, argues Prince, is innate. A financial mission is an organizational quality that is also measured along these two axes and is not fixed. The author posits that it is possible to forecast a company's financial success by knowing these two variables.

All executives have two basic drives: to add value to products or services and to deploy resources with a certain amount of efficiency. The first drive can be inferred by a business's gross margin and the second by its relative indirect expenses. Together, the two numbers constitute an executive's 'financial signature' (p. 5).

There are four extreme categories of signatures and missions: (1) gross margin and expenses are both high; (2) high gross margin and low expenses; (3) low gross margin and high expenses; (4) gross margin and expenses are both low. The categories are labelled 'venture capitalist', 'buccaneer', 'mercantilist' and 'discounter', respectively, and each has a characteristic set of financial behaviours.

Certain financial signatures are best suited for particular industries. Mercantilists, for example, are ideal for commodity markets with high fixed costs. Moreover, companies might need executives with different financial signatures at various stages in their life cycle. A startup, for instance, might be better off with a venture capitalist at the helm. Later, that same firm might need to fill its executive suites with discounters. No matter how capable the leader, a mismatch between an

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organization's requirements and the actual financial signature of its CEO can lead to management problems, possibly even to company failure.

This book is a practical guide for human resource and leadership development. It includes self-assessments for leaders in determining their financial signature. This approach to leadership theory links the competency based and psychology approaches to leadership with the company. It offers an alternative approach beyond personality testing to assessing a leader's capability for providing real market results.

Prince's book directly engages the nature versus nurture debate by arguing that financial signature is innate. The author fails, however, fully to explain his position that this is an innate characteristic rather than learned behaviour based on environmental factors. It could be argued that a financial signature is not innate as an individual being right-handed or left-handed. It could instead be the result of values acquired early on in life. This distinction is important in leadership development approaches (Fulmer 2001). For human resource development, traits that are *inborn* become a question of employee selection, whereas individual traits that are *made* may be more of an employee development question. For practitioners of human resource development this is an important distinction and can determine in which programmes to invest time and money. In this book, Prince discusses the selection of leaders based on their financial style. He also raises issues of employee development and aligning training programmes with an organization's financial mission. For human resource development practitioners this book is most useful for leadership development in that it directly links an individual leadership trait to an organization's market value.

Vikkie McCarthy
University of Oklahoma, USA

Reference

Fulmer, Robert M. (2001) *The Leadership Investment* (New York: American Management Association).