An Outcome-Based Perspective Of Leadership: Investigating The Direct Effects Of Corporate Leaders On The Firm's Financial Outcome

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ABSTRACT

Current leadership theories appear to have not kept up with modern theories of the firm and modern financial approaches. Now there appears to be a major disconnect between leadership measures and the firm's financial performance. This situation can be seen through the general practice of closely identifying leaders with their firms, and yet, relying on organizational/market/industry variables to investigate the financial results of the firm in empirical business studies which directly points toward the need for an outcome-based perspective of leadership theory. This can be achieved by the assessment of their resource utilization and value-adding propensity in the course of performing their 'stewardship' and 'agency' roles. This paper proposes a framework for a leadership perspective, based on organizational results, using the financial signature concept. A sample from Fortune 500 companies was used in the study. The results show that leaders, by playing a dual roles of agent and steward, not only have a strong influence on their firm's financial outcome, but also exhibit specific level of propensity to conserving or spending resources that is a direct reflection of their ability to govern in relation to their stakeholders expectations. This finding has many implications in understanding corporate behavior and public perception. It could also provide important elements to studying ethical and finance behavioral issues that affect many modern corporations in recent years.

Keywords: Leadership theory, financial leadership, outcome-based leadership

1. INTRODUCTION

The business world, in recent memory, hasn't been as focused as ever on business leaders' pattern of spending. This can be explained by the recent economic downturn but also as direct results of the recent debacles from top executives misconduct and mismanagement of their firm's asset. Between 2002 and 2007, the popular business media reported on several ethics breaches on the part of CEOs and top executives of large firms on almost regular basis. But as firms are trying to correct those executives transgression, they are also facing another dilemma in hiring their replacement and making sure that previous mistakes won't be repeated. As a result, legislations and policies are being drafted, daily decisions are being scrutinized, and lessons are being drawn. Given the extension of such problems in the industry, one cannot stop from asking whether it was not preventable and that companies can catch the problem before it becomes a major issue. The structure of many public firms do allow for an oversight of executive offense through board activism for instance, but a more poignant question is about the possibility of turning toward simpler leadership approach where it would be possible to anticipate the outcome of leaders attitude towards achieving profitable results. The management literature does offer some insight into this age old problem through agency theory (Donaldson, 1990) and stewardship theory (Donaldson and Davis, 1991). In all, the underlying principle of those theories is that business leaders were entrusted as caretaker of the organization, and are allowed to make the calls on the use of firms' resources to their best judgment.

They are given allowance for personal judgment in their decision making, which theoretically should always be in line with the benefit of the company. The operational word here is: 'personal judgment'. As such, leaders' behavior is therefore guided by their interpretation of 'personal judgment' which can be traced through the (monetary) results of their activities and the costs of such effort. Some leaders believe that 'it takes money to make money', while some strongly consider a more conservative approach, thinking that the responsibility entrusted to them by the shareholders requires them to adopt a careful spending and use of company resources. The latter approach is often guided by a desire to align their personal judgment to shareholders expectations (i.e., maximizing profit).

The following research questions are addressed in this paper:

- Can individual leaders have their own distinguishable financial signature, which in turn is traceable through the firm's financial results?
- Will it be possible to use the financial signature as a framework to control executives' behavior, and eventually use it as part of the firm's strategy formulation?

The paper starts with a review of the leadership theories and the proposed concept of outcome-based leadership. A description of the procedures used in the study will then follow. A discussion of the results and an assessment of the proposed framework are finally presented.

2. LITERATURE REVIEW

A great deal of work in management research have been focused on leadership, with special attention to the assumption that leadership is a solution to the problem of collective effort in the corporate world, which attributed a special importance to leaders and their influence on the fate of their organizations. A review of the current leadership theories (trait, behavioral, participative, situational, contingency, transactional, and transformational theories) reveals such deficiency, which directly points toward the need for an outcome-based perspective of leadership theory. This study argues that the absence of performance-based view of leadership comes from an 'agency' outlook on corporate leaders, which views top managers in the modern firms as agents whose interests may diverge from those of their principals -- the shareholders -- where both parties are utility maximizers. In another words, the current perspective on leadership often fail to add the 'stewardship' roles of corporate leaders, in which their motives should be aligned with the objectives of their principals. This tension between agency and stewardship is nothing new in the management literature, yet it could be one of critical elements of Leadership. The value creation responsibility of a corporate leaders lies between the preservation of the firms' assets and profit maximization, which are both entrusted to top managers. The addition of 'stewardship' role of leaders lead to the explanation of direct influence that they have on their firm's financial results, which can be used as one of their leadership measure. This can be achieved by the assessment of their resource utilization and value-adding propensity in the course of performing their 'stewardship' and 'agency' roles.

Moreover, there is a universal attitude and assumption that corporate leaders are the embodiment of their corporation, with the implication that their firm's performance is in direct relation with the personal behavior of such leaders. While there has always been an ongoing debate between the purposeful (Pfeffer & Salancik, 1978) and hapless (Hannan & Freeman, 1977) organization, the unchanging common trait of those two types of organizational archetype has always been leadership influence. The latter has always perceived as having social influence and goal setting role (Bass, 1990; Zaccaro and Klimoski, 2001), which should have been used as a basis for evaluating organizations as the resultant of leaders work. The explanations in the field however diverge from the leadership theories: economic factors are used to explain organizational decisions (Porter, 1980; 2009); and explanations that appear to be independent from the individuals involved in the work are often used to investigate corporate financial outcomes. Yet, everyday conversations and popular business press always closely associate every decision to the leaders' personal traits. In this work, the focus will be on the importance of the imprint that corporate leaders have on their organizations and how does it affect the outcome of the firm. A measure of such unique imprint will be ultimately proposed in this study.

Corporate leaders, specifically CEOs, in their executive role are perceived as not having personal marks on their organization. The general assumption in the management field is that they are acting as the main executor of the firms' strategy and that they can be shaped by the organization, i.e., they can adapt to the corporate strategy as they move from one firm to another. Analyses of decision trends of individual CEOs however can point to the fact that CEOs have partiality towards certain financial management style, which will affect the performance of their firm (Hambrick and Mason, 1984). Such preference may be traceable, and therefore measureable, in the organizational outcomes. This is not anything new despite its apparent absence in many organizational behavior and leadership theories. Cyert & March (1963) already argued that decision outcomes such as those that are done at the level of CEOs are the product of behavioral factors rather than "mechanical quest for optimization". Bounded rationality, coupled with multiple and conflicting goals that reflect multiple options, and varying economic motivations, all conspire to fail any techno-economic approach to the process of leading an organization. Behavioral components always stand in the way of the CEOs decision process, leaving the opportunity for her to use personal management styles in performing her leadership role. This has been observed very early on by Scott and Mitchel (1972) that the leader's values can directly affect their perceptions: it is very possible that a decision maker can arrive at a set of perceptions that suggest a certain choice but discarded that choice on the basis of values.

3. METHODOLOGY

The following section outline the procedures employed in this research and the sources of data. A two step approach was used in this work:

- A classification work to improve the framework that was developed in the literature review, which generated a better typology of leaders, in conformance to Prince's finding (2005).
- Data Analysis, using two types of financial measures: (a) resource utilization, which determines the pattern of expenses and investments by the firm and (b) value adding capacity, which determines the financial results as outcome of the leader's decision.

3.1. Classification steps for estimating Financial Signature

A review of the role of corporate leaders points to two main characteristics that are at the heart of their leadership approach: *resource utilization* and *value adding*. While resource utilization is the measure of how she uses resources and spends money, value adding is an indication of the degrees at which she makes an effort at improving the company's products and services towards higher profits. In this work, these two characteristics will be used as a concrete measure of the leader's performance. It is assumed that most decisions that the corporate leader make involve either of those two factors. Prince (2004) indicates that the leader's *financial signature* is determined by their attitude towards resources utilization and propensity for value adding activities, which will always be reflected in their behavior. Indeed, the combination of those two factors will drastically affect the firm's performance as indicated by Figure 1.

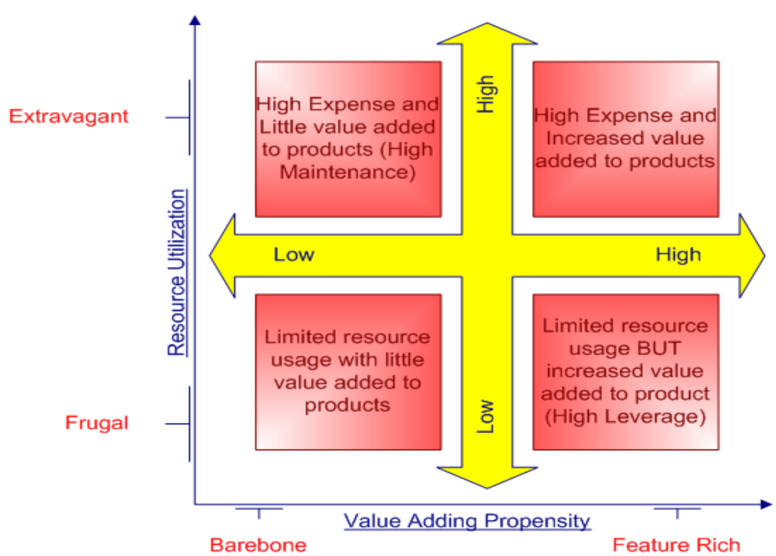

Figure 1. Resource Utilization vs. Value Adding

A close analysis of these two factors provides an indication of the efficiency of the managerial style that the leader is using (see Figure 1). Specifically, the types of *resource utilization*/*value adding* preferred by the leaders show the following outcome:

- High/High: when the leader believes that one has to spend money to make money, by supporting sales, marketing, research and development, or even the CEOs personal expenses; while at the same time no expenses were spared in improving the company products. Often, this approach favors products that have achieved high market penetration that will ultimately lead to very profitable product. Unfortunately, the organization's survival is at stake if this strategy does not work. The personal style of such leader can be characterized as extravagant, with very high expenses that failed CEOs are often entangled into misconduct due to the pressure for high expense as was the case for the CEO of Tyco in the early 2000s.
- Low/Low: at the opposite of the previous strategy is a leader that favors very lowest value in utilizing resources and designing products. Such approach often results in very limited investments for building bare bone products that meet customers' expectations, and restricting therefore the potential for returns. These types of leader often end up running underperforming company that is lagging behind its competitors. Often, the CEOs in this category is focused on short term revenue and with no concern for future development.
- High/Low: these are the leaders with very strong vision for their products. These types of leaders often are very passionate about their products that they are personally involved in the development of the product. It is often possible that such leaders are willing to forgo short-term benefits for what is perceived to be the much larger profit in the longer term, justifying therefore the high resource utilization.
- Low/High: these are the CEOs that are low on resource utilization. They grudgingly spend money and will forever find ways to cut costs. Extreme cost controls are often the main concern of such leaders.

In sum, approaches to using resources available to the CEOs, coupled with their propensity to add value to products not only determine the performance of the firm, but also reflect the financial signature of such leaders. Figure 1 shows the relationship between value adding and resource utilization, which is the basis for identifying and measuring such signature.

Using corporate historical data gives the opportunity of using a simpler way to characterize the financial signature. Simple financial metrics from such source would reduce the potential complexity of operationalizing the financial signature concept. We decided therefore to use the *gross margin*, or the difference between revenues and direct costs of gaining those revenues, as a measure of earning potential for the firm. It can safely be used as an estimate of the leader's ability to add value, especially if the leader's tenure is long enough to affect the company's strategies. Resource utilization can be estimated from the company *expenses as a proportion of revenue*. These two values (i.e., gross margin and resource utilizations) were used to estimate the financial signature of the company leader by locating the firm in the framework developed in Figure 1.

3.2. Sample Selection

A random sample of companies (n=57) from the Fortune500 database was created in this study, based on their CEO tenure and the completeness of the financial information availability between 1990 and 2005. The names of some of the organizations may have changed during that period. However we are using the most recent company name as indicated in Table 1.

Financial results for each company in the sample were computed to obtain the resulting information in Table 2

Table 1. List of Companies and CEOs

ID	CEO_Name	Entity Name
CEO01	Ayer.William.S.	Alaska Air Group Inc
CEO02	Shoen.Edward.J.	Amerco
CEO03	Pugh.David.L.	Applied Industrial Technologies Inc
CEO04	Woertz.PatriciaA.	Archer-Daniels-Midland Company
CEO05	Owens.JamesW.	Caterpillar Inc
CEO06	O'Reilly.DavidJ.	Chevron Corp.
CEO07	Joos.David.W.	CMS Energy Corp.
CEO08	Ryan,ThomasM.	CVS Caremark Corp.
CEO09	Otis.Clarence.Jr.	Darden Restaurants Inc
CEO10	Cook.William.M.	Donaldson.Company.Inc
CEO11	Liveris.AndrewN.	Dow.Chemical.Company
CEO12	Craver.Theodore.F.	Edison.International
CEO13	Rowe.John.W.	Exelon.Corp.
CEO14	Ulsh.Gordon.A.	Exide.Technologies
CEO15	Jennings.Michael.C.	Frontier.Oil.Corp.
CEO16	Scozzafava.Ralph.P.	Furniture.Brands.International.Inc
CEO17	Immelt.JeffreyR.	General.Electric.Company
CEO18	Larsen.Marshall.O.	Goodrich.Corp.
CEO19	Dorey.William.G.	Granite.Construction.Inc
CEO20	Scheible.David.W.	Graphic.Packaging.Holding.Company
CEO21	Wandell.Keith.E.	Harley-Davidson.Inc
CEO22	Lance.Howard.L.	Harris.Corp.
CEO23	Newsome.Gary.D.	Health.Management.Associates.Inc
CEO24	Bergman.Stanley.M.	Henry.Schein.Inc
CEO25	Hurd.MarkV.	Hewlett-Packard.Company
CEO26	Johnson.William.R.	HJ.Heinz.Company
CEO27	Ettinger.Jeffrey.M.	Hormel.Foods.Corp.
CEO28	Palmisano.SamuelJ.	International.Business.Machines.Corp.
CEO29	Main.Timothy.L.	Jabil.Circuit.Inc
CEO30	Weldon.WilliamC.	Johnson.&.Johnson
CEO31	Card.Wesley.R.	Jones.Apparel.Group.Inc
CEO32	Curlander.Paul.J.	Lexmark.International.Inc
CEO33	Eckert.Robert.A.	Mattel.Inc
CEO34	Pruitt.Gary.B.	McClatchy.Company
CEO35	Ballmer.StevenA.	Microsoft.Corp.
CEO36	Nuti.William.R.	NCR.Corp.
CEO37	DiMicco.Daniel.R.	Nucor.Corp.
CEO38	Gemunder.Joel.F.	Omnicare.Inc
CEO39	Papa.Joseph.C.	Perrigo.Company
CEO40	Kindler.JeffreyB.	Pfizer.Inc
CEO41	Foate.Dean.A.	Plexus.Corp.
CEO42	Miller.James.H.	PPL.Corp.
CEO43	Ivey.Susan.M.	Reynolds.American.Inc
CEO44	Sullivan.Frank.C.	RPM.International.Inc
CEO45	Nagarkatti.Jai.P.	Sigma.Aldrich.Corp.
CEO46	DeLoach.Harris.E.Jr.	Sonoco.Products.Company
CEO47	Schultz.Howard	Starbucks.Corp.
CEO48	Elsenhans.Lynn L.	Sunoco.Inc
CEO49	Steinhafel.GreggW.	Target.Corp.
CEO50	Bennett.Michael.L.	Terra.Industries.Inc
CEO51	Lafley.AlanG.	The.Procter.&.Gamble.Company
CEO52	Davis.D.Scott	United.Parcel.Service.Inc
CEO53	Glenn.Michael.B.	Universal.Forest.Products.Inc
CEO54	Bay.Mogens.C.	Valmont.Industries.Inc
CEO55	Seidenberg.IvanG.	Verizon.Communications
CEO56	DeGraffenreidt.James.H.Jr.	WGL.Holdings.Inc
CEO57	Lynch.Peter.L.	Winn-Dixie.Stores.Inc

Table 2. CEO Classification by Financial Signature

	PM	CR	Financial Signature	CEO_Name	Entity Name
CEO01	0.568	0.525	Conglomerator	Ayer.William.S.	Alaska Air Group Inc
CEO02	0.882	1.000	Venture Capitalist	Shoen.Edward.J.	Amerco
CEO03	0.037	-0.116	Trader	Pugh.David.L.	Applied Industrial Technologies Inc
CEO04	0.829	0.384	Venture Capitalist	Woertz.PatriciaA.	Archer-Daniels-Midland Company
CEO05	0.061	-0.939	Discounter	Owens.JamesW.	Caterpillar Inc
CEO06	0.560	0.388	Conglomerator	O'Reilly.DavidJ.	Chevron Corp.
CEO07	0.389	0.581	Conglomerator	Joos.David.W.	CMS Energy Corp.
CEO08	1.000	0.156	Profiteer	Ryan,ThomasM.	CVS Caremark Corp.
CEO09	0.187	0.522	Mercantilist	Otis.Clarence.Jr.	Darden Restaurants Inc
CEO10	0.200	0.465	Trader	Cook.William.M.	Donaldson Company Inc
CEO11	0.555	0.697	Conglomerator	Liveris.AndrewN.	Dow Chemical Company
CEO12	0.456	0.313	Consolidator	Craver.Theodore.F.	Edison International
CEO13	0.232	0.190	Trader	Rowe.John.W.	Exelon Corp.
CEO14	0.198	0.249	Mercantilist	Ulsh.Gordon.A.	Exide Technologies
CEO15	0.358	0.509	Conglomerator	Jennings.Michael.C.	Frontier Oil Corp.
CEO16	0.565	0.702	Conglomerator	Scozzafava.Ralph.P.	Furniture Brands International Inc
CEO17	0.332	0.629	Conglomerator	Immelt.JeffreyR.	General Electric Company
CEO18	0.879	0.206	Profiteer	Larsen.Marshall.O.	Goodrich Corp.
CEO19	0.331	0.368	Conglomerator	Dorey.William.G.	Granite Construction Inc
CEO20	0.217	-0.614	Discounter	Scheible.David.W.	Graphic Packaging Holding Company
CEO21	0.507	0.681	Conglomerator	Wandell.Keith.E.	Harley-Davidson Inc
CEO22	0.853	0.310	Profiteer	Lance.Howard.L.	Harris Corp.
CEO23	0.326	0.453	Trader	Newsome.Gary.D.	Health Management Associates Inc
CEO24	0.273	0.479	Mercantilist	Bergman.Stanley.M.	Henry Schein Inc
CEO25	0.269	0.235	Trader	Hurd.MarkV.	Hewlett-Packard Company
CEO26	0.377	0.266	Consolidator	Johnson.William.R.	HJ Heinz Company
CEO27	0.856	0.301	Profiteer	Ettinger.Jeffrey.M.	Hormel Foods Corp.
CEO28	0.206	0.307	Trader	Palmisano.SamuelJ.	International Business Machines Corp.
CEO29	0.288	0.306	Trader	Main.Timothy.L.	Jabil Circuit Inc
CEO30	0.697	0.336	Conglomerator	Weldon.WilliamC.	Johnson & Johnson
CEO31	0.107	0.262	Trader	Card.Wesley.R.	Jones Apparel Group Inc
CEO32	0.447	0.227	Consolidator	Curlander.Paul.J.	Lexmark International Inc
CEO33	0.783	0.765	Venture Capitalist	Eckert.Robert.A.	Mattel Inc
CEO34	0.317	0.130	Trader	Pruitt.Gary.B.	McClatchy Company
CEO35	0.371	0.174	Consolidator	Ballmer.StevenA.	Microsoft Corp.
CEO36	0.085	0.297	Trader	Nuti.William.R.	NCR Corp.
CEO37	0.596	0.158	Consolidator	DiMicco.Daniel.R.	Nucor Corp.
CEO38	0.162	0.174	Trader	Gemunder.Joel.F.	Omnicare Inc
CEO39	0.243	0.366	Mercantilist	Papa.Joseph.C.	Perrigo Company
CEO40	0.571	0.146	Consolidator	Kindler.JeffreyB.	Pfizer Inc
CEO41	0.270	0.214	Trader	Foate.Dean.A.	Plexus Corp.
CEO42	0.329	0.425	Conglomerator	Miller.James.H.	PPL Corp.
CEO43	0.376	-0.026	Consolidator	Ivey.Susan.M.	Reynolds American Inc
CEO44	0.354	0.083	Consolidator	Sullivan.Frank.C.	RPM International Inc
CEO45	0.485	0.135	Consolidator	Nagarkatti.Jai.P.	Sigma Aldrich Corp.
CEO46	0.384	-0.117	Consolidator	DeLoach.Harris.E..Jr.	Sonoco Products Company
CEO47	0.326	0.335	Conglomerator	Schultz.Howard	Starbucks Corp.
CEO48	0.269	0.149	Trader	Elsenhans.LynnL.	Sunoco Inc
CEO49	0.155	0.172	Trader	Steinhafel,GreggW.	Target Corp.
CEO50	0.214	0.338	Mercantilist	Bennett.Michael.L.	Terra Industries Inc
CEO51	0.329	0.353	Conglomerator	Lafley,AlanG.	The Procter & Gamble Company
CEO52	0.214	-0.038	Trader	Davis,D.Scott	United Parcel Service Inc
CEO53	0.141	0.162	Trader	Glenn.Michael.B.	Universal Forest Products Inc
CEO54	0.206	-0.050	Trader	Bay.Mogens.C.	Valmont Industries Inc
CEO55	0.020	-0.076	Trader	Seidenberg,IvanG.	Verizon Communications
CEO56	0.134	0.104	Trader	DeGraffenreidt.James.H.	WGL Holdings Inc
CEO57	-0.009	-0.162	Trader	Lynch.Peter.L.	Winn-Dixie Stores Inc

4. RESULTS AND DISCUSSION

Each of the two financial signature components Resource Utilization Behavior (R), and Value-Adding Propensity (V) was evaluated at three levels of intensity, low (L) to medium (M) to high (H). This resulted in nine possible combinations or typologies of CEOs financial signatures as shown in Figure 2.

Figure 2. Typology of Financial Signature (Adapted from Prince, 2001)

Our sample CEOs are shown in Figure 3 and Figure 4 according to their financial signatures, in light of the intensity of the resource utilization behavior and resource utilization propensity. CEOs were classified into the following categories:

- *Discounter*: this is the type of leader that has a very low risk tolerance and will never speculate. She has a very low level of value adding propensity, which is offset by extreme thriftiness. Such a leader may also have a very well implanted products and services that rarely need updating or changes. Such may be the case for Caterpillar Inc. The type of CEOs in this category tends to the details and is very control oriented.
- *Arbitrageur:* this is the type of leader that seeks returns with decent returns without much risk. The main objective of such CEO is on return on investment, but not so much that she will pursue absolute minimum to pursue the opportunity. The sample in this study did not have any *arbitrageur* CEOs, as they cannot be found in mass-market retail or other commodity products: usually, she favors higher returns than these areas can bring.

- *Bucaneer:* this is the type of CEO that wants very high returns for very low expenditures. She tends to be a lone wolf, with no competitors, as she would have typically figured out how to achieve high returns on investment by means that no one has thought out before. Our sample did not include this type of leader.
- *Trader:* This type of CEO is a leader for smaller company who like to pursue ventures without much available financing. She lives to buy low-value products and selling them for a high-enough gross margin to cover costs and any deficit from her investment activities. She is on the lower end of the value adding spectrum. This type of leader must constantly speculate to ensure a continuous flow of earnings. From our samples, many of the successful CEOs leading companies that offer innovative products that requiring internal R&D investments fall into this category.
- *Consolidator:* This type of leader is a fairly cautious one. Very careful in her transaction, she shies away from cuttrhroat, low margin businesses. She will never make major investments; she invests enough to keep gross margins up. *Adding rather than developing* is the mantra for this type of leader.
- *Profiteer:* This type of leader is always seeking very high value adding but does not want to utilize too many resources. This requires her to look for a lower-risk product with high gross margins. These will be products with shorter development cycles that provide revenue in the short term. Unfortunately, this CEO may have missed the opportunity to have an even higher gross margin by adopting such attitude towards resource utilization. Many organizations favor this type of CEO as she is a reliable moneymaker with her ability to make a lot of money with high gross margin, coupled with medium levels of resource utilization.
- *Mercantilist:* this is the type of leader who likes to explore uncharted market with the generous financial backing of the company. Her specialty is to build empires and promote speculative ventures. She often requires high level of resources to support sales and marketing, or research and development, but there is not any concern about adding values to the products. This CEO is very good at increasing market share, using risky and speculative management style.
- *Conglomerator:* this type of CEO is another type of empire builder, but with a preference towards adding values, though not too much. Her style is to build a portfolio of products through internal development or acquisition. While this leader likes to speculate in developing her portfolio, she is able to generate adequate revenue growth and market share to keep her company in the black.
- *Venture Capitalist:* This is the type of CEO who believes that it takes money to make money and that it will require significant investment and patience to obtain the product that she wants. She is has a high level of tolerance for risk though. Her style is such that the majority of her investment will not result in profit, but those very few that are successful will generate very high returns.

An analysis of our sample data, using company return and expenses show a classification that matches the above categories as indicated in Figure 3 and Figure 4.

5. CONCLUSION

CEOs, in the process of assuming two distinctive roles of agent and steward, not only have a strong influence on their firm's financial outcome, but also exhibit specific level of propensity to conserving or spending resources that is a direct reflection of their ability to govern in relation to their stakeholders expectations. The framework presented in this study uses the financial results that were generated from the CEO's action. It shows that leaders can be evaluated by the outcome of their work, and that it is possible to implement such assessment by linking manager personality to company financial and valuation outcome. The outcome of such analysis provides insights that traditional leadership approaches do not offer, given the focus on organizational performance.

The implication of our study is that the financial signature adds a new dimension to the current leadership and organizational behavior theories and may offer more opportunities in understanding corporate misconduct and ethical issues at the CEO level. We believe that the concept of outcome-based leadership, through the financial signature, will benefit managers as it would show them the link between managerial finance impact at all levels of the company; it also provides practical ways to improve their own performance in terms of valuation and creation of shareholder value. Whereas for Board Members, it presents an opportunity to use an objective tool in the selection of a company leader, appraisal, development, and support; it can also be used as an assessment tool in leadership evaluation. Finally, the financial signature concept is also a valuable tool for shareholders and investors: stockholders can use it to predict leadership performance and assessment of the likelihood of achieving target returns, while investment bankers can add it to their collection of valuation tools.

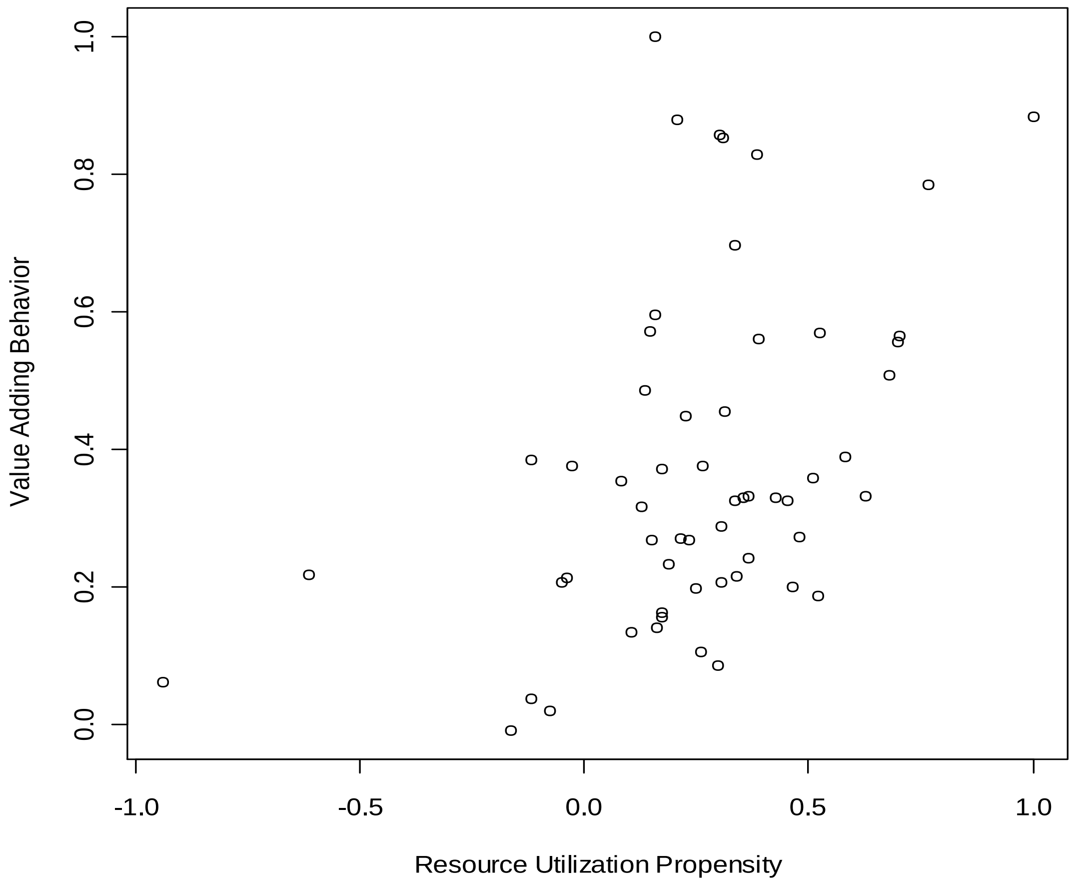

Figure 3. Financial Signature Typology from Sample CEOs

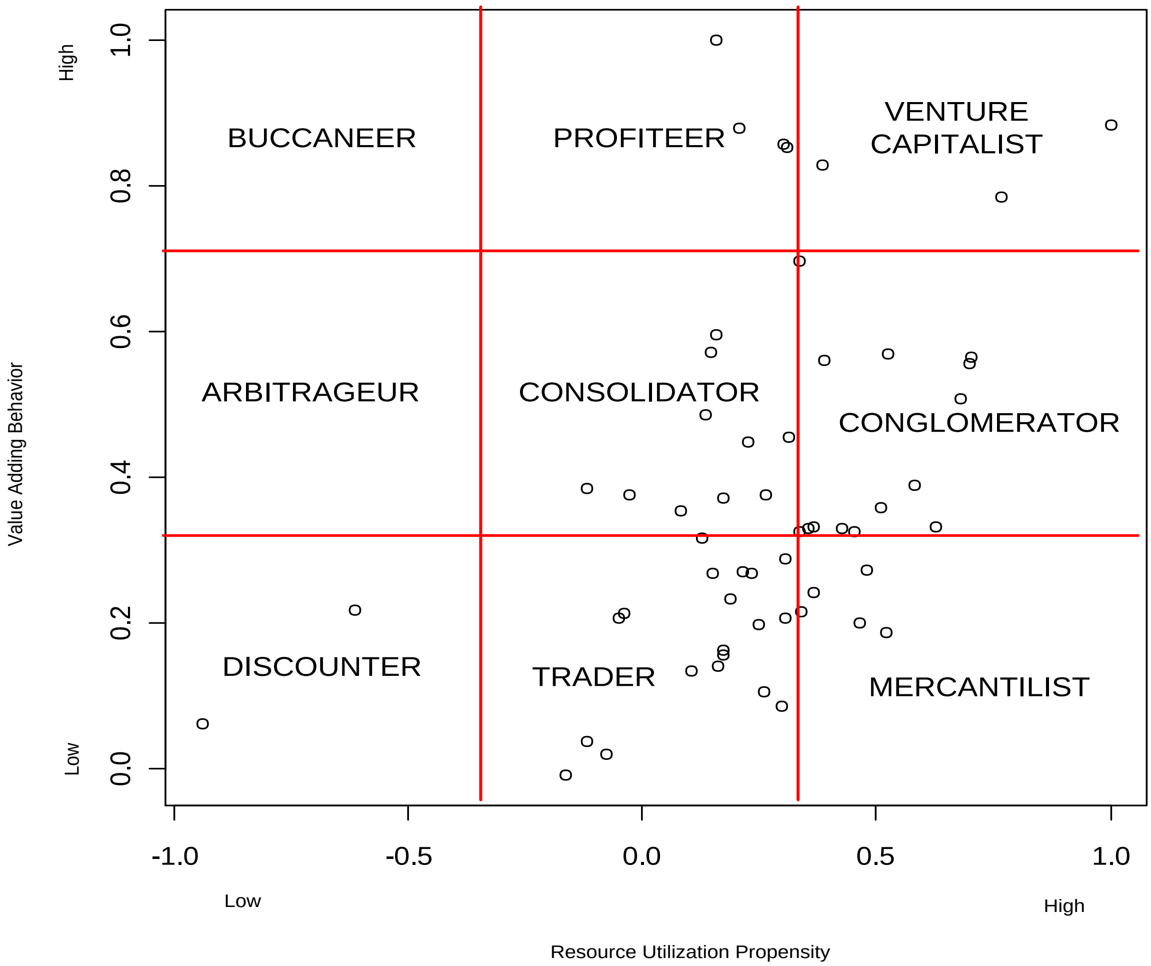

Figure 4. Financial Signature Results

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