

Mastering the FISO Factor

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by Blythe J. McGarvie

Frame your Work

Once you comprehend the basics of finance and can relate them to your company and career, it is time to begin speaking the language of finance. Framing your ideas and your activities around the company's financial priorities will help you fit in and stand out.

For decades, many business leaders seemed to have an almost genetic disdain for employee ideas. Before selling out Eastern Airlines from under its employees to raider Frank Lorenzo in 1986, CEO Frank Borman infamously summarized this view, saying, "I'm not going to have the monkeys running the zoo." This is, of course, a severely flawed perspective. (Lorenzo, who also had a low opinion of employee involvement, flew Eastern into bankruptcy). The roots of this attitude reach down to at least one hard truth: many employees often fail to analyze and present their ideas effectively.

LIF'S LESSONS:

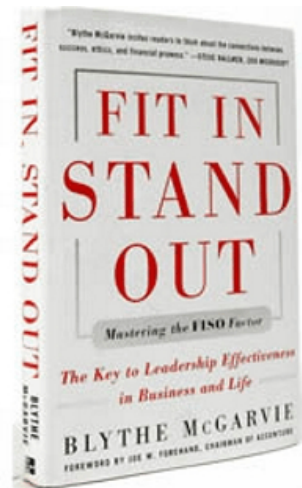
*Think twice.
Speak once.*

Enlist others outside of your department

The truth is too many of us are *functionally limited* in our ability to create sound ideas and communicate their value. In other words, our mindset and our messages are limited by the boundaries of our jobs. Sometimes, this is caused by functional tunnel vision.

For instance, the ideas of a manufacturing manager, who thinks only of increasing capacity and production output in the midst of a recession in which finished inventory is piling up, are sure to fall on unsympathetic ears.

One way to ensure that you are in sync with what needs to be done is to enlist others outside of your department. Ask them how they look at the business and what are the important concerns that need to be considered by your own department. In



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order to prepare for discussions with others, look on your company's website for information the CEO and CFO have given to the investor community. It's amazing how quickly and easily you will learn top management's goals and priorities.

Conveying your understanding of what needs to be done requires a thoughtful presentation. A good idea that is explained poorly—that is not connected to the greater needs of the company—will often

be misunderstood and treated as a bad idea.

Focus on Outcomes

Setting the context requires knowing the current situation and focusing on desired outcomes. First, we need to ensure that our work and ideas connect to the

financial needs of the company. Second, we need to articulate that connection at every opportunity. We need to frame our messages in a way that will enable others to understand them.

A good way to accomplish this is to establish the connections before you begin presenting ideas. For instance, whenever I have begun a new job, I create a list of objectives tied to specific financial metrics. I recognize, however, that these objectives are based on assumptions that may or may not be correct. So, before I set to work, I always request a meeting with my boss to confirm that my objectives are sound. This process not only refines my plan; it ensures that I spend my time as effectively as possible.

No one will be impressed with how much activity you are doing. Instead, list your accomplishments and how they relate to the 4 or 5 main objectives you and your boss agreed upon. These accomplishments should reflect the outcomes of your activity and show you moved closer to reaching the business objectives. You should include at least one of the major financial metrics when developing desired outcomes.

LIF'S LESSONS:
*Activity lists don't inspire.
Results do.*

Financial Metrics

Every company has key financial metrics that drive share price. Do you know yours? I find that usually three metrics are critical in most businesses: revenue, cash generation and return on investment.

Revenue reflects the ability to have customers want what your business offers. Sales revenue metrics will vary, depending on your business. For retailers, same-store-sales percentage change is essential. For media companies, knowing the number of additional subscribers and at what contract price is a critical revenue measure.

Long-term cash flow must be positive, otherwise the company will go out of business. Look at your business like your household: incomes must exceed expenses and investments to remain in good health.

Business has to provide a return to the person

who originally invested capital or lent funds. Return on Invested Capital (ROIC) can be measured in many ways. For a division with control over assets but not financing them, often Return on Assets will serve as a simple proxy.

Communicate briefly

In many parts of life, more is good. This is not true when presenting your ideas. Do you read the one page summary or the 100 page power point presentation sitting on your desk? If you are like me, I set aside the torrent of pages for a more condensed document. A major consumer goods company had a reputation that employees needed to express their idea in a one-page memo. The boss would not read the memo (or in today's world, the email) if it droned on beyond one or at most, two pages.

If you can condense and digest what you need on one-page, then you have mastered the ability to distill the problem and recommended solution to its essence. You become clear about what you are asking the reader to do. This does not mean to shrink your type and expand your margins so you can say more. This means that in 1000 words or less, you crystallize a position, provide key data to help the decision maker, and ask for agreement or action.

Framing your work takes practice. Remember to consider your boss's point of view and the desired financial outcomes from your work, no matter what your functional expertise may be.

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The FISO Factor™
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