

Mastering the FISO Factor[®]

Fit In, Stand Out

The Key to Leadership Effectiveness in Business and Life

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by Blythe McGarvie

A FISO View of the Economy

News about the economy these days is filled with talk of an impending recession. Experts fret about a slow-growing economy, rising unemployment rates, tighter credit squeeze, and the contraction of home building. However, a recent article in *Markets and the Economy* suggests that something about the recession scare seems off-the-mark. Typically, a recession follows conditions in which there is too much inventory, too much business investment, and various cost pressures. Yet, these factors remain out of the equation. Furthermore, the stock market, a recession indicator, remains strong with public companies reporting record earnings. The news indicates a depreciation of consumer confidence, not corporate weakness. However, if domestic consumers are not driving demand, where do the profits come from? The answer: the global market.

LIF's Lessons

The only real voyage of discovery consists
not in seeing new landscapes, but in having
new eyes, in seeing the universe with the
eyes of another, of hundreds of others.

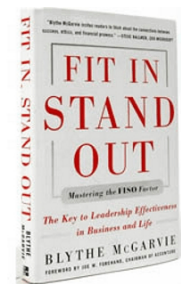
— Marcel Proust

Although the domestic market seems to be at a standstill, the worldwide market continues to expand around 5% annually. Thus, market profitability in the U.S., and those of other developed nations, rests on foreign investment in growing economies that rely on foreign investors to fuel their rapid expansion. Further, the need for funds makes developing economies open to foreign investors.

Global citizens have the ability to look at the big picture, and incorporate international opportunities into their business solutions. Businesspeople who think on a global level understand the demands of a broader population, see a larger market, and have knowledge of products in the global community. This global understanding often leads to a calmer and more thoughtful reaction to changing economics and ultimately, a sustainable longer-term economic gain. Operating on



McGarvie with Altaf Merchant, ODU Marketing professor, who analyzed the FISO model.



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an international level changes businesses—a necessity for getting an edge on competition and standing out. The possibilities for foreign investment are as broad as you make them, but here are a few that have taken off.

CHINA

The Economist sees China as the country to keep the global economy running strong should the United States sneeze, which seems possible given China's sustained rate of growth over the last three decades. According to *The Economist*, in the first and second quarters of 2007 alone, the country's economy grew at 11.9%. **For the first time, China contributes more to global GDP growth, at market exchange rates, than the U.S.** China also remains stable, prepared to handle domestic and global economic crisis, such as U.S. economic recession, or falling stock prices. Despite a weaker banking system, China has large foreign-exchange systems in reserve, and a government with enough money to write off any bad loans. Also, its budget finances outstrip those of any other big economy.

Of course, China's economy will inevitably slow, but long-term prospects remain strong. China's success rests on high savings, openness to trade, good education, and productivity, which provides foreign nations with a solid foundation for investment. FISO leaders can learn from this example.

INDIA

India currently retains the second largest population in the world, which fuels business and the demand for goods. For their fiscal year, beginning April 1, 2006 until March 31, 2007, foreign direct investment reached \$15 billion, a 270% increase over last year. Indian companies often look abroad to fund large projects, such as Air India's attempt to raise \$1.5 billion from global markets to fund a new fleet expansion. The metro railway authority of New Delhi also recently placed a record order for subway coaches from Bombardier Transportation, Montreal. They ordered 340 new coaches with expenses totaling \$590 million.

However, a FISO leader should be alert for nuances in any investment opportunity. Although India thrives on foreign investment and possesses a low external debt, federal and state deficits are high. According to *Emerging Markets Monitor*, India runs an account deficit of 7.1% of GDP. In contrast, *Market Watch* reports the U.S. deficit dropped to 5.5% of GDP or \$190.8 billion during the second quarter of 2007.

The bottom line? Although there are realistic concerns about America's domestic economy, the global economy, of which the U.S. is a part, offers many opportunities to individuals and corporations that wish to pursue them.

LIF's Lessons

Opportunities? They are all around us....
There is power lying latent everywhere
waiting for the observant eye to discover it.
— Orison Swett Marden



Hewlett-Packard's CFO Cathie Lesjak deals with the worldwide economy.

Items of Note

In the **CFO Project**, Blythe McGarvie discusses **A Personal Perspective on Business Performance Management**, describing anecdotally where BPM has come from and where it's going.

Laura Martin of **Capital Knowledge** releases updated media company research reports on **Time Warner Cable** and **Comcast**.



The **FISO Factor**®
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The *Mastering the FISO Factor Newsletter* targets leaders who recognize the critical importance of financial acumen and global perspective to achieve outstanding, sustainable results for their businesses. FISO means *Fit In, Stand Out*. Developing the FISO Factor is the key to leadership effectiveness in business and life. URLs: www.fisofactor.com and www.LIFgroup.com