

# Mastering the FISO Factor

## Fit In Stand Out

The Key to Leadership Effectiveness in Business and Life

**BLYTHE MCGARVIE**

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by Blythe McGarvie

### CEO Accountability (Part 2)

I study financial fraud because it is the oldest profession in the world and gives insight into human motivation. I recently mentioned my personal interest in fraud during a speech I gave to a group of board and audit committee members from various companies. The next morning, I opened my newspaper to learn about the latest Ponzi scheme—Bernie Madoff stole roughly \$50 billion from trusting and sophisticated investors. In fact, on that morning, there were eight stories about fraud; my usual daily news alerts includes “only” 2 or 3 stories. Most items have nothing to do with CEOs, many of whom are already accountable to their employees, customers and shareholders. The purpose of this newsletter is to highlight the three rules of accountability through examples of fraud when individuals ignored them.

#### Rule #1: Paying Taxes

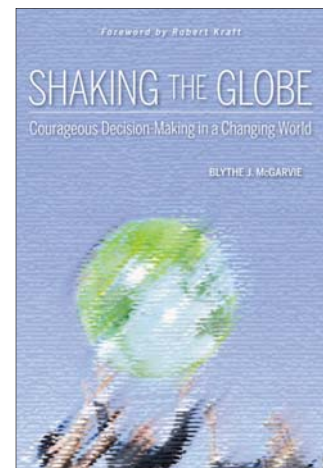
Are you a taxpayer? I was surprised to learn that only 40% of us in the U.S. pay taxes. (The 40% is derived from a working population that also includes people who don't file a tax return). When I checked the source ([www.Politifacts.com](http://www.Politifacts.com)), I also learned that 5% of us pay 59% of the country's income taxes. Accountability encompasses paying taxes. When I lived in Chicago, the Honorable Mayor Harold Washington had “forgotten” to file personal income taxes for five years. Ironically, his birthday was April 15th and he gave himself the dishonorable gift of not filing. The politician who pays no taxes is a man who bails out a sinking boat but forgets to plug the hole in its bottom.

#### Rule #2: Complying with the Law

American Indian nations have their own tribal sovereignty. When operating in territories outside of their lands, their leaders must comply with the U.S. law. According to the New York Times, “the ex-chairman, Glenn Marshall, 59, of the Mashpee, agreed to plead guilty to five counts, including making illegal campaign contributions to members of Congress, embezzling tribal money, filing false tax returns and fraudulently receiving Social Security disability benefits. He is former chairman of the Mashpee Wampanoag Tribe, which sought and received federal recognition in 2007 and had been buying land to build a casino.” There are 1,511 casinos and 746,840 slot machines in the U.S. There are more casinos in the U.S. than in any other place in the



Improved accountability for NASDAQ OMX under the auspices of Vice Chairman Michael Oxley, pictured with McGarvie.



*Shaking the Globe: Courageous Decision-Making in a Changing World*, by Blythe J. McGarvie, with a foreword by Robert Kraft, will be available from Wiley publishers in January 2009. The book is available for pre-order on Amazon.com.



world. We know gamblers believe there is a shortcut to wealth. But, the casino owners must follow the rules in order to cash their ticket to wealth. Many regulations exist so that the government can tax the wealth. See rule #1.

## LIF's Lessons

The forgotten man....  
He works, he votes, generally he prays,  
but his chief business in life is to pay.  
—William Graham Sumner

### Rule #3 Doing your Job

One of my bosses, early in my career, told me that most people judge an idea or presentation based 80% on form, 20% on substance. At the time, I improved my PowerPoint skills, but didn't really believe that substance could matter so little. I still don't. How you speak, write or present yourself allows you a seat at the table, but not the right to make informed decisions for others. You must do your job: What you say you will do, you must deliver. There were red flags in the Madoff case such as no major accounting firm audited Madoff's funds and management refused to explain how the fund made money year-after-year. When "fund-of-fund" managers—who earn their fees by investigating and knowing the investment structure of hedge and other funds—blindly invested other people's money into Madoff's funds, they showed their lack of substance. They simply did not do their job. When taped conversations from the office of Illinois Governor Rod Blagojevich suggested that he was playing for bribes, not for the citizens he represented, one could conclude that he wasn't doing his job.

## LIF's Lessons

Study nature, love nature,  
stay close to nature.  
It will never fail you.  
—Frank Lloyd Wright

As this year ends, I offer these 3 rules for personal accountability, whether you are a CEO, middle management or just starting your career. What are some of your rules for individual accountability? Since many of you responded affirmatively to my previous newsletter question asking if I should be a guest blogger on Carl Icahn's blog, I will start blogging and suggest you share your thoughts too on Blythe's Blog at [www.BlytheMcGarvie.com](http://www.BlytheMcGarvie.com).  
Happy New Year! ♦♦♦

### Items of Note

**Cathy Higgins** releases volume 5, issue 3 of the **Straight Talk Coach: The Career-Building Continuum**.

**Laura Martin** of **Capital Knowledge** releases an updated media company research report on **Yahoo** and a special report entitled **Repricing Risk: The Ascendancy of the Balance Sheet**.



### *The FISO Factor Fit In Stand Out*

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1-757-345-3595  
[bmccgarvie@LIFgroup.com](mailto:bmccgarvie@LIFgroup.com)

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](http://www.fisofactor.com) and [www.LIFgroup.com](http://www.LIFgroup.com))