Center for Ethical Organizational Cultures
Auburn University
http://harbert.auburn.edu

Debate

CFOs Take a Bigger Bite Out of Ethics

ISSUE: Should the CFO be the key leader to deal with ethical risks?

In many public companies, the chief financial officer (CFO) is the leader in assessing risks. Many ethical risks relate to the financial area. The Sarbanes–Oxley Act requires the CFO to abide by a code of ethics. The top concerns of CFOs are the ability to maintain margins, costs (especially healthcare), and forecasts of results, as well as working capital management. Therefore, some firms put the CFO as the key leader in managing risks.

However, CFOs may not define ethical risks the right way. For instance, they tend to focus on insurance coverage, regulatory compliance, and operational risks. Another viewpoint is based on a consulting firm's findings that more shareholder value is lost through strategic and ethical risks. Therefore, ethical leadership should be company-wide rather than left to one person. The entire senior leadership team should self-assess their divisions of the business and report their top risks. According to this argument, risk management becomes a part of the organizational culture, and ethics is woven through all key decisions.

There are two sides to every issue:

1. *To prevent financial misconduct and operational risks, the CFO should be the key leader.*
2. *Company-wide ethical risk management is the best approach to manage financial and operational risks.*

Sources: S. K. Collins and K. S. Collins, "Micromanagement—A Costly Management Style," Radiology Management 24, 6 (2002): 32–35.