



YOUR CFO FOR RENT *Gene Siciliano*

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CELEBRATING OUR  20TH ANNIVERSARY

A Management Update from Your CFO for Rent



Did Sarbanes-Oxley miss the point?

While corporate and media people debate the wisdom of Sarbanes-Oxley (“SOX”) for big companies, for small companies, and for nonprofit organizations, we wonder: *Did that dramatic piece of legislation actually miss the point?* Did Congress go after ignorance of financial affairs and absence of internal controls when they should have targeted questionable ethics instead?

As we look at the corporate collapses that made headlines over the past couple years, we all form opinions as to whether or not the CEOs involved really knew as little as they say. The financial manipulations that were supposedly engineered by their CFOs and others were so big, we may wonder: *How could they not know?*

And while we hope the upcoming courtroom disclosures will set that doubt to rest, the likelihood is that they will not. There will still be a lingering doubt about the extent to which executives successfully lied about their knowledge of events. In most cases, we will never really know for sure.

The employees of Enron trusted

their corporate managers to protect their jobs and their retirement money and they were led astray. Investors trusted those same managers with their investment capital and they too were led down the garden path. Whether or not these managers are ultimately convicted of breaking the law or not, we know without a

HONEST PEOPLE...

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doubt that they violated our trust.

You see, this is about more than simply identifying legal or illegal actions. It is about more than whether or not these CEOs and CFOs were guilty of breaking the law. It's about the way business should be conducted. It's about the way you expect people to behave when they have positions of responsibility.

It's about ethics.

Mostly, it's about ethics in business. We have a right to expect certain kinds of behavior from the managers we entrust with our confidence, whether we are working for them, buying their products and services, or investing our money in their stock. The CEO and CFO of a company have a special responsibility here, in my opinion. They make decisions that affect the financial well-being of their company, decisions that no one else is typically in a position to evaluate or second guess except to the extent the success of the company is visibly affected.

The goings-on at Enron, WorldCom and others might never have been known if these managers had succeeded in keeping the ball rolling. Their actions were not visible, only the (negative) results became visible when they lost control of the game.

Unfortunately lapses in ethical behavior can be hidden pretty easily. And we don't get a lot of help. We can't rely on the accountant's report to tell us when the managers of an audited company have behaved unethically or been dishonest because their auditors are not required to determine that or render

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an opinion on it. We can't look at a footnote or a press release to learn that because the managers who write those things, if they even know, certainly don't want us to.

That's why at the end of the day we have to rely on the basic honesty of the people in whom we entrust our jobs and our money. ***We have to believe that they'll do the right thing because that's the kind of people they are.*** We have to believe that people in positions of trust are basically honest people who have learned right from

wrong and who don't get confused when there's money on the table.

How can we tell when someone is basically "honest"? They don't wear badges or distinctive red blazers, and they don't glow in the dark. Ethical people don't trumpet their ethics.

So how can we tell? We watch for the little things.

- Is he always looking for an angle to help him win at any cost?
- Does she sometimes have trouble telling the truth?

- What does he do when the supermarket checkout clerk gives him too much change?
- How does he manage his personal financial affairs?
- How does she react in a deal negotiation when she has damaging information about the other side?

While honesty and ethics are not synonymous, honesty is for me the best indicator of an ethical person. If the company's CEO is an honest person, she will balk at unethical behavior and will not request, encourage or condone it. If the CFO is a basically honest

person, he will not propose nor initiate activities that he considers unethical. Had we been fortunate enough to have ethical people in charge at Enron and WorldCom, there would probably not have been a Sarbanes-Oxley. We wouldn't need it.

So you see, it's really about ethics. In the final analysis, we have to believe our trusted leaders and managers will behave ethically without the need for legislative oversight. Because if they don't, we may never know how much we were damaged as a result. Until it's too late.

Symantec: taking unfair advantage of market position

Don't you hate it when someone takes advantage of you just because they can?

Recently our Norton Internet Security 2005 software stopped working, without notice. Just wouldn't do anything except to present a message that dramatically announced it had not been "activated." Since it had worked for over a year without incident, this confused us a bit, so we called Symantec Technical Support (since the software would reveal nothing to unravel the mystery).

We were told by Robert, a very nice man in India, that our copy of the software had been working for over a year

(18 days over, actually), and we must upgrade to the 2006 version for it to work again. ***What?*** We asked Robert as nicely as possible:

1. When did the entire program start "expiring," as only virus definitions had previously?
2. Why were we not notified in advance by Symantec or the software itself, as it has done so many times before for those precious virus definitions?
3. Why did the company decide to require a complete upgrade as a condition of use, when our fully paid and registered 2005 version was working just fine? (*Actually,*

the answer to this one was obvious.)

Robert didn't know the answers, and seemed a little put out that I would even ask. He informed me that a single e-mail message is sent to all subscribers in advance of expiration to advise them of this new policy and the upgrade requirement. *Apparently Symantec hadn't yet heard of spam blockers that can prevent messages from being delivered. Oh, wait! They sell one, don't they?*

In my opinion someone decided that making extra money was more important than treating their customers fairly.

Symantec took advantage of us, to make a profit, just because they could. To me, that's unethical. I welcome your comments.



Your CFO for Rent

We are committed to helping business owners and corporate managers achieve for their companies greater financial success in an ever-changing economy.

Financial management consulting, executive coaching, management audits, business planning, seminars, & workshops for management teams