



## A TIME FOR LEADERSHIP

Incoming FEI Chairman Ridge Braunschweig is actively planning for his term by thinking broadly about FEI and our profession. One important goal that he's set for our upcoming fiscal year is for the organization to:

*Encourage and motivate our membership to take active leadership in their organizations in promoting a proper and consistent ethical tone at the top.*

Previously, in this space, we've discussed FEI's ethical code of conduct and our members' duties under that code. That code is printed on the next page as a reminder of those obligations. Today's lingering sense of uncertainty, with the post-Enron fallout continuing and investor confidence in the capital markets wavering, leads me to the topic of leadership.

Tumultuous times not only demand that we lead in our organizations. They offer great opportunities for up-and-coming leaders to step forward and establish themselves. Such is the state and opportunity that financial officers are currently presented. Famous leadership scholars Max Weber and Howard Gardner assert that many high-profile leaders appear in times of trouble, and that their followers exhibit a "devotion born of distress."

The state of mind of the followers is a powerful ingredient in the leader's emergence. In other words, your financial organization, your board and your fellow executives may very well be either openly or quietly in significant need of your leadership. Seize the opportunity. Think of Winston Churchill, a "has been" late in life who rallied Britain for the long and terrible fight in World War II.

Financial executives, in particular, often act as the con-

science of their organizations. Perhaps the CEO and the board have become enamored of some program or product line whose cost structure just doesn't make sense. Its revenue targets may look wildly inflated, or its costs have been

dramatically underestimated. That's the time when it's incumbent on the CFO "leader" to make his or her voice heard and try to bring the rest of management to its senses.

In a recent presentation to an FEI Virtual Chapter meeting, prominent executive recruiters talked about the characteristics they are looking for in high-ranking finance officers. Strong moral values will be important, they said, and there will be more scrutiny of executives' backgrounds — what did they do when they were confronted with a potential ethical problem, for instance? "Ethics and integrity aren't just buzzwords any more," said Chuck Wardell, a managing director with Korn/Ferry International.

Another key aspect of corporate leadership is constantly reaffirming the company's values. Reinforcement and consistency of the actions of the few at the top either build up or tear down these values. Generations tear down then renew societal values, as we've seen throughout modern history. The same thing happens inside the corporation.

People change, reporting relationships change, but we keep coming back to the organization's long-held values. If we don't, the institution ceases to thrive, folds or is sold.

Think about the values of your organization and how the current situation may be a time to recommit to those values and renewal processes. ■

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**fei**

financial executives  
international

Philip B. Livingston  
President and CEO

## Ethical Financial Management *More Valuable Than Ever*

June 2002

An Open Letter to Chief Financial Officers,  
Finance Directors, Controllers and Treasurers:

Our profession today stands challenged as never before in our history. Recent corporate failures point to certain systemic issues and the need for significant reform. FEI supports a clear and coordinated look at all areas of possible improvement, and has developed a set of observations and recommendations to facilitate that effort. You can access these recommendations on our website at [www.fei.org/download/taskforce.pdf](http://www.fei.org/download/taskforce.pdf).

Paramount among our responsibilities as the corporate front line is to restate our commitment to ethical conduct. FEI's recommendations include the strong suggestion that all senior financial professionals adhere to a specialized ethical code of conduct. Members of FEI sign such a code when they join our association, thus committing to its principles. We have recently updated the Code to include a call for all financial executives to acknowledge their affirmative duty to proactively promote ethical conduct in their organizations. The complete revised Code is printed on the right.

We recommend that all senior financial officers — whether or not they are members of FEI — annually sign a code containing all the elements of the FEI Code of Ethics. I encourage you to take the proactive step of reviewing the Code and discussing its content and intent with your financial management leadership team. Ask each of them to sign it, and sign it personally. Then deliver it to your board of directors.

It is incumbent upon us as leaders of corporate finance to reclaim the high ground. Please join me in reaffirming our professional commitments

*Philip B. Livingston*

## Code of Ethics of Financial Executives International

FEI's mission includes significant efforts to promote ethical conduct in the practice of financial management throughout the world. Senior financial officers hold an important and elevated role in corporate governance. While members of the management team, they are uniquely capable and empowered to ensure that all stakeholders' interests are appropriately balanced, protected and preserved. This Code provides principles to which members are expected to adhere and advocate. They embody rules regarding individual and peer responsibilities, as well as responsibilities to employers, the public and other stakeholders. Violations of FEI's Code of Ethics may subject the member to censure, suspension or expulsion under procedural rules adopted by FEI's Board of Directors.

### All members of FEI will:

- Act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships.
- Provide constituents with information that is accurate, complete, objective, relevant, timely and understandable.
- Comply with rules and regulations of federal, state, provincial and local governments, and other appropriate private and public regulatory agencies.
- Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing one's independent judgment to be subordinated.
- Respect the confidentiality of information acquired in the course of one's work except when authorized or otherwise legally obligated to disclose. Confidential information acquired in the course of one's work will not be used for personal advantage.
- Share knowledge and maintain skills important and relevant to constituents' needs.
- Proactively promote ethical behavior as a responsible partner among peers, in the work environment and the community.
- Achieve responsible use of, and control over, all assets and resources employed or entrusted.