

The three biggest risks you face

What will cost CFOs' the most sleep in the second half of the year? Risk experts say corruption abroad, information security and government regulation are most likely to keep you awake.

The US isn't the only country cracking down on bribery and other forms of corporate corruption in foreign markets. Consider the UK, where a new law takes effect later this year. Like the Foreign Corrupt Practices Act of the US, it applies to any company doing business in the country, but the UK law is broader and easier to trigger, experts say.

In fact, it may punish what many companies may view as normal travel and entertainment expenses, says Mark Snyderman, senior knowledge leader with LRN, which helps companies build ethical cultures. For example, wooing a potential new customer by entertaining him or her elaborately could violate the UK rules about gifts, according to Snyderman.

"All you have to do is 'intend to influence' someone to perform some function and that could be illegal," he warns.

In the US, experts say enforcement of the FCPA is an especially acute concern for the drug industry because its business abroad depends heavily on both government officials for regulatory purposes and outsiders for such critical tasks as R&D and marketing.

"The pharmaceutical and life sciences industries in particular are under increased scrutiny," notes Gary Fingerhut, vice president and general manager for Axentis, a division of ARC Logics, the business unit of Wolters Kluwer Financial and Compliance Services.

The potential for corrupt entanglements is heightened during the current period of economic weakness, adds Barbara Porco, director of program development for Fordham University's School of Business Administration and specialist in ethics and financial markets. Porco says the current climate increases all three elements of what she calls "the Fraud Triangle"--opportunity, rationalization and pressure.

The rough economy is also posing a greater internal threat to companies' information systems, says Philip Lieberman, CEO of Lieberman Software. High turnover naturally increases the risk that employees on their way out the door will download sensitive information with the intention of offering it to a new employer, Lieberman warns.

CFOs can also expect no let-up in the number of government regulations going into effect as a result of the financial crisis and other corporate breakdowns, experts say. "Companies tell us they cannot afford to ignore the growing number of regulations affecting their business operations - their reputations and bottom lines depend on it," says Kristin Muhlnher, CEO of RollStream, a services company.