

Smoother sailing

By Amy Binder

For many public companies, 2004 was a mad dash to “check all the boxes” in order to validate the integrity of their financial reporting process, as required by the Sarbanes-Oxley Act. It was the first year that annual reports, under Section 404 of the legislation, would have to include a thorough assessment of internal control systems. Even more daunting, top executives would be personally responsible for the effectiveness of the systems and the veracity of the disclosures.



Sarbanes-Oxley, also referred to as “SOX,” radically changed the rules of corporate governance and financial reporting when it was enacted in 2002. It imposed far-reaching mandates that touch every corporate function and location, even extending to external partners—from the board of directors to auditors and consulting firms.

But while the immediate concern has been to meet SOX compliance deadlines, there are greater benefits to reap by employing a solid technology strategy to do so. These range from becoming more efficient and cost-effective in meeting not just SOX requirements but myriad other regulations, to gaining greater insights into the business and transforming organizational processes.

One example is Remedy Intelligent Staffing, a division of Aliso Viejo, Calif.-based RemedyTemp Inc., a national \$500 million staffing company. Remedy Intelligent Staffing streamlined its compliance efforts, saving time and money on internal and external audits while eliminating an open staff position that was no longer needed. And at Paramus, N.J.-based Movado Group Inc., the \$330 million luxury watchmaker set in motion real cultural change by decentralizing ownership of controls and empowering process owners to manage their own controls.

To meet first-year deadlines, most firms threw resources—employees, consultants, and millions of dollars—at the “problem” in an effort to capture and document the required data that was dispersed throughout their organizations. It was a labor-intensive, manual task for most, as they combed through a maze of nonintegrated accounting and business intelligence (BI) systems, disconnected spreadsheets extracted from transaction processing systems, and custom add-ons linked to application databases.

Stanching compliance costs

“The process of complying was not without a lot of stress and cost,” says Hal Houser, managing director of the World Class Finance practice for BearingPoint Inc., the global consulting and systems integration firm based in McLean, Va. “Most companies managed to stagger through 2004, and the cost of compliance was high—an estimated \$8 million for companies with revenues over \$5 billion—because they were starting from scratch,” says Houser. “This year, one of the key focal points will be: ‘How do I do this again and not spend all that money?’ ”

Another question should be: How do organizations leverage their compliance efforts to increase business value?

BearingPoint has teamed with Microsoft to help companies do just that, using technology to automate data collection, manage workflow, reduce costs, improve analysis and predictive abilities, and gain greater financial and operational transparency into the business. Their approach builds on a BearingPoint-created Business Performance Management framework and the Microsoft Office Solution Showcase, an integrated set of software components, templates, and architectural guidance that helps companies with SOX compliance through enhanced visibility of financial processes and internal controls. Because the SOX technology is built on the familiar Microsoft Office System already in place, it is easy to integrate into the workplace and rapidly deploy, with minimal disruption and training costs.

"We see companies going through progressive stages in their compliance efforts," says Houser. "First, they just want to get it done. Then they want to get it done cheaper and faster. Next, they begin to think about leveraging the information gained to improve or transform their business. The reality is these things don't happen quickly, so it might be 2007 or so before companies begin to gain real business value from the compliance process."

Looking for ROI

Jens Rassloff, BearingPoint's head of solution development for enterprise content management and compliance, says there is no return on investment from focusing strictly on compliance. He argues that firms that build a compliance infrastructure rather than silo applications can manage enterprise content for both compliance and business improvement. "As you're streamlining and automating processes, you are gaining insights and transparencies that can be used to improve the business," he says.

"Right now, customers are focused on compliance, but soon they'll be able to build on the work that's been done to better run their business," says Ted Dinsmore, president of Conchango New York. Conchango, an international business technology consultancy, has created its own product based on the Microsoft SOX tool that it says makes that first step of compliance easy for its customers. "With our technology platform, information can be quickly disseminated in a way that allows for proper tracking, auditing, and reporting. We see a lot of interest because everything is part of a common Microsoft Office platform. The CFO is happy because the information is in a structured database, yet the monthly SOX reports can be in familiar Excel spreadsheets."

With the right technology foundation, firms of any size can leverage their compliance efforts. Microsoft Business Solutions are designed to help small and midsize organizations automate processes, make more profitable decisions, and accelerate growth. Many of the Business Solutions management tools support the kinds of process controls demanded by SOX, while the Solution Showcase for SOX directly addresses compliance initiatives.

"There's no getting around the fact that compliance with Sarbanes-Oxley is a major challenge," says Jeff Young, general manager for Microsoft Great Plains. This past March, his group rolled out Microsoft Business Solutions—Great Plains 8.0. It adds several BI components that support SOX compliance while providing capabilities for deeper financial analysis and more comprehensive tracking of information flow throughout the company.

Adds Young, "The responsibility for putting the right processes and controls in place, and for managing and monitoring them, is largely in the hands of two critical functions: finance, as the business process owner; and IT, as the process enabler through technology support. Only by working together can companies begin to deliver improved corporate governance, while reducing the time, cost, and effort involved in compliance."

It's too soon to tell whether SOX will be the silver bullet for preventing corporate malfeasance, but experts agree it can be the catalyst for a beneficial business transformation when the right technology tools are part of the compliance strategy.

Amy Binder is a freelance writer based in Media, Pa.

Illustration by Alex Nabaum