

Pull your SOx up

What Sarbanes-Oxley really means

At a recent workshop with sales managers from various IT firms I was reviewing why deals are lost, and I heard a new reason. A salesperson had lost a deal because “the ROI fell short of the Sarbanes-Oxley requirements”. A few heads nodded sagely, agreeing that “SOx” is quite an issue now.

It was a good half hour before I'd persuaded the sales manager that his salesperson was talking utter drivel. Sarbanes-Oxley has nothing to do with ROI (at least directly) but has everything to do with either someone at the customer trying to wriggle out of an awkward conversation with a naive salesperson, or a savvy rep trying to wriggle out of an awkward conversation with a naive sales manager.

It still astounds me how little IT salespeople understand about financial matters. People who regard themselves as professionals have never bothered to spend a few hours understanding the rudiments of financial statements, and are then surprised when normal mid-level technical contacts are reluctant to allow them to meet senior business managers.

Not that SOx is a purely financial issue – see box for a brief overview – as it directly impacts technology solutions, and we are now starting to understand that it is having wider, more subtle impacts on how and why new solutions are bought.

Indeed, much of what has been written on the effects of SOx on corporate America and large organisations across the globe has been on the need for enhanced financial reporting. It is clear, however, that SOx has had, and will continue to have, an increasing impact on how people procure, and therefore how we sell, products and services, especially complex solutions into large organisations.

There are two obvious effects that SOx is having on how we sell IT:

- CIOs have been put under even more pressure, and are now personally liable (what might have got a low score on an appraisal is now a potential jail sentence).
- There are some very clear opportunities to sell more solutions, especially SOx compliant systems, security and storage.

But the major impact of SOx is in the culture that it appears to be promoting in many organisations of being even more risk averse, combined with the ever



growing influence of the finance department, which is now able to hide behind the black art of SOx as justification for spreading its power (in a similar way that health and safety is used as an excuse for people to block, delay or make subtle alterations to projects for their own personal aims).

This is making both new business acquisition and account management more difficult, especially in large organisations. Many commentators have expressed the view that SOx is making corporate America much less entrepreneurial and slow to react, through layers of bureaucracy and reporting regulations. This certainly appears to be happening and will have a growing impact on the types of propositions that are going to be successful – accelerating the trend away from “better products” to propositions focusing on relationships and solving business issues.

In Europe, the impact of SOx is very strong. Salespeople working for US corporations are already embroiled in new processes that can divert them from focusing on capturing new business. Just as finance departments are using SOx as an excuse to spread their powers, corporate headquarters are in many cases doing the same to their subsidiaries, curtailing their freedom to act independently and making them less responsive to market demands. The sales teams in US companies need to learn how to be effective in this shifting environment, while salespeople in European companies should see this as an opportunity to compete more on the basis of agility and customer responsiveness.

So the impact of SOx is being felt everywhere as large US owned businesses become more risk averse, with CIOs under more pressure and the power of the finance departments increasing, partly as a result of genuine requirements of SOx, but probably more because of ignorance of this very complicated Act, which has potentially very serious personal consequences for senior company officers.

Our response has to be sharper financial and business acumen (which is low in most IT sales teams), continued development of compelling propositions and strengthening of account plans. **SF**

Steve Hoyle is chairman of ProAct Business Development and can be contacted at steve.hoyle@proactbd.com

WHAT IS SOX? A BRIEF EXPLANATION

The Sarbanes-Oxley Act of 2002 – also known as the Public Company Accounting Reform and Investor Protection Act but usually as SOx or Sarbox (it was named after the Congressman and Senator who sponsored it) – is a federal law in the US. It was a response to a number of financial scandals such as those at Enron and WorldCom.

As one accountant who trains people in SOx told me recently, he has to advise his clients that although nobody could explain all aspects of the Act, executives have to work within it and are personally responsible for compliance. The basic elements of the act that are relevant to IT salespeople include:

- Greater transparency of all, not just financial, information.
- Personal accountability of officers of the company
- Need to store all information for a minimum of seven years, with very strict control over how information can be deleted or modified
- Stricter controls to avoid possible conflicts of interest

Although SOx only applies in the strictest sense to public (not private) companies in the US, in practice the effects of SOx are everywhere as multinationals with presence in the US believe they could at some stage be affected directly, and suppliers/partners of US firms face compliance with many parts of SOx as a condition of doing business.