

COMMERCE Magazine

“The Evolution of a Niche Practice”

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The ultimate success of any business hinges on its ability to identify sustainable trends and create a product or service that meets a marketplace need. With the passage of the Sarbanes-Oxley Act of 2002 (SOX) in July 2002, there was significant opportunity to enter into a new practice area to fill a market need in SOX consulting. However, the decision to enter into a niche service requires strong leadership, a solid marketing and execution strategy and detailed planning to be successful. Despite the risks, many firms decided to jump into the practice immediately, mostly by using their existing staff, sometimes with little or no training. At **WithumSmith+Brown**, a strategic decision was made to delay fully entering this niche practice until we obtained the right group of people with the requisite knowledge to deliver a high quality product. This was a difficult decision because the revenue potential and early market opportunity were enticing reasons to push ahead. As a result, we elected to not participate in assisting accelerated filers comply with Section 404 of SOX (scheduled for 2004), but began a search to acquire the needed resources in time to help the non-accelerated filers (scheduled for 2006). Another factor in our decision was that as a regional middle market accounting and consulting firm, the non-accelerated filers (smaller public companies) were the primary prospective clients of the firm.

After an extensive search, we found the right leadership and experienced staff and started **WithumSmith+Brown Global Assurance** on July 1, 2005. As with any successful startup company, a great deal of planning was done long before we opened our doors. There were certain strategic objectives we established as we outlined our goals:

- 1. We wanted an independent group of consultants that were experienced in delivering Section 404 compliance services, who would be dedicated to the niche practice.** Early on, we knew that we did not want to utilize existing audit staff as a main source of staffing due to the significant growth of the firm and potential blackout periods for audit and tax work. Our knowledge of the middle market indicated that these companies would need detailed guidance that required dedication to service and experienced consultants.

2. **We needed to create a scalable and flexible methodology that takes into account the limited resources and budgets of middle market companies.** A checklist approach would not work and an unlimited budget was not going to be tolerated. We needed to create a database of best practices that could be used by the middle market companies as a guide for developing their own policies and procedures framework.
3. **We needed to create an efficient delivery system for our services.** We understood that the process of delivering Section 404 SOX services to middle market companies would be different from delivering those services to billion dollar companies. Companies felt that given their limited staff and any prior SOX experience, the projects would likely not be a steady stream of time, but more of a start-and-stop process. So we rolled out subject matter experts (for specific business process areas) that could be sent to the client at the appropriate time. The seamless approach with these experts would be more efficient due to obtaining experience and knowledge in fewer areas and by keeping on top of trends in their areas.
4. **We needed to have a sustainable business model that would be viable beyond the SOX initiatives.** We recruited people with multiple talents who had previous experience as internal auditors and/or as public accounts with major firms. Beyond the SOX experience, we also wanted specialized talents in IT and auditing. As the practice expands, we are developing products and programs that can be delivered to WithumSmith+Brown clients and to other complimentary firms' clients as a second supplier.
5. **We wanted to establish an area where we could be considered the best.** It would be an unrealistic goal to try to be the best provider of Section 404 services given the number of quality firms already in the marketplace. We could narrow the area (such as being the best provider of Section 404 services to middle market companies) but that would be difficult to measure. We decided to set our goals on a relatively untapped area of the practice – private equity portfolio companies. We selected a group within our staff and opened a division dedicated to delivering SOX-like products to private companies. We also created applications (**SOX¹²³**) and a product line (**PEP** – Private Equity Portfolio management) to realize our goals.

The establishment of these 5 objectives formed the basis of our niche practice and we achieved these objectives within our first year of operation. Our success in creating a niche practice has been independently recognized as an innovative service as WithumSmith+Brown Global Assurance was given the *PRACTICAL ACCOUNTANT'S* 2006 Practice Innovation Award.