

The Perfect Customer Experience

Marketing leadership for those with courage to change the customer experience

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Definition: The Perfect Customer Experience

The Cx Institute Blogkeeper: Dale Wolf

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Measuring the True Cost of Section 404 Compliance for Smaller Public Companies

Louis Columbus, [Cincom](#)

There's been much debate regarding the costs to smaller public companies of attaining compliance to SOXs' Section 404(a) and 404(b) regulations, with critics of SOX contending that these costs actually force smaller firms to go private. In fact there is excellent empirical evidence to back this up, yet the results of the study from Lord & Beniot include several interesting paradoxes worth checking out.

First, the cost of an audit for smaller publicly held companies have an average first-year cost for management assessment of \$78,474 versus the \$91,000 figure the SEC had projected.

Second, from page 5 of the report comes this paradoxical quote:

While gathering cost information for this research study we observed an unusual paradox. Because of the heightened awareness of corporate frauds, and nearly five years of delays in complying with the Sarbanes-Oxley Act of 2002, it appears that the accounting standards surrounding internal controls for NON PUBLIC companies are now stricter than those of smaller PUBLIC companies (with market cap under \$75 million).

Ironically those companies looking to escape the costs of SOX may have run right into it.

Third, the highest costs to attain 404(a) and (b) compliance are from the semiconductor industry (\$162,000) and the lowest being biotech (\$26,875), As biotech industries are in general highly regulated and audited by government agencies, this lower figure is a potential indicator of the level of efficiencies these firms have in responding to audits.

This is a short, informative report to read if you are interested in compliance in general and seeing research into the impact of 404 on smaller companies. The report is titled [The Sarbanes-Oxley Investment A Section 404 Cost Study for Smaller Public Companies](#) is worth a quick look and read.

Posted by Louis Columbus on January 09, 2008 in [Facts, Opinions & News](#) | [Permalink](#)

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- Customer Experience happens in the Contact Center

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- Shaun Smith Webinar (registration required)
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