

Sarb-Ox Boosts MA Firm

By [Curt Nickisch](#)

SOUTH DEERFIELD, Mass. - June 25, 2007 - On Tuesday, the US House Financial Services Committee is reviewing some proposed changes to Sarbanes-Oxley. That's the rigorous corporate accounting law passed after the financial scandals at Enron and WorldCom.

There's been a lot of talk lately about how complying with the law is tedious and costly. But WBUR's Business and Technology Reporter Curt Nickisch has the story of a South Deerfield company that's leveraging this so-called burden into a financial boon.

TEXT OF STORY

SOUND OF OFFICE MEETING: "Okay, good morning everyone. Good morning"

CURT NICKISCH: It's 7:30 in the morning, and Bruce Besanko is meeting with his auditing team. He's the Chief Financial Officer, or CFO, of Yankee Candle Company. Besanko wants to know how his staff is keeping up with the strict financial reporting schedule of Sarbanes-Oxley:

SOUND OF MEETING: Dennis, anything new? No. Dave? Key priority from my perspective is to get that 404 scoping document finalized.

NICKISCH: Sarbanes-Oxley, or SOX, was designed to restore investor confidence in the stock market. A lot of CFOs said, 'Thanks a lot, Enron. Look at all the extra work we have to do now.'

But at Yankee Candle, Besanko jumped at the chance to use SOX to his advantage. Perhaps one of the biggest benefits came from having to detail every little step in the accounting process. Now Besanko says it's easier for new hires to fit right in.

BESANKO: Talk about a competitive advantage: we have a competitive advantage in some sense in the ability to move people around into these different jobs and to progress from a career perspective that might otherwise not be the case.

NICKISCH: And Yankee was also able to get rid of a lot of inefficiencies in its accounting. Even basic things like having to get far too many signatures for trivial stuff. And it gave the company a better sense of its cash flow and expenses... information that helped it do a better job of setting priorities.

So you might be thinking - why wasn't Yankee Candle doing this before SOX? Well, because most companies put money into tangible things.

SOUND OF GLASS RATTLING

NICKISCH: Take Yankee's production plant up the road from Besanko's office. Glass jars rattle down a conveyor belt to be filled with fresh-smelling forest green wax. Companies invest in automated systems like this because it's easy to see the cost-cutting at work. Practically, that's not the case with less tangible things like accounting. Yankee CFO Bruce Besanko credits SOX for bringing the financials into focus.

BESANKO: It would have been very difficult to have provided those resources to get that done in the absence of a regulatory requirement. No question.

RYAN LAFOND: If you have better internal controls, you're gonna have better information.

NICKISCH: Ryan LaFond is an MIT professor.

LAFOND: And one of the fundamental inputs to an investment decision, to an operating decision is information.

NICKISCH: LaFond and other researchers showed that companies that follow SOX lower their so-called cost of capital. Basically, that means investors feel more confident about these companies; LaFond says they're rewarding better reporting by putting their money into them.

LAFOND: Maybe it's just my impression, but I think you definitely see this: Oh, we gotta roll back SOX and oh SOX has been so bad for the competitiveness of the US capital market. And I just don't see where the evidence for that is coming from.

NICKISCH: Certainly not from Yankee Candle. The company paid three hundred thousand dollars up front to comply with SOX, and now pays about an extra two hundred thousand a year just to keep up with reporting. But CFO Bruce Besanko says Yankee's saved much more through better accounting and earning investor confidence.

BESANKO: We're competing and we want to win. And we looked at and continue to look at these compliance issues as ways to win in the competitive marketplace.

NICKISCH: For WBUR, I'm Curt Nickisch.