Big Four accounting firms edge back into consulting biz

SEAN SCULLY
SPECIAL TO THE BUSINESS JOURNAL

A half-dozen years after passage of the Sarbanes-Oxley Act, much of the compliance work is leveling off and large accounting firms are casting their eyes back to the consulting and midmarket audit work they previously abandoned.

"There's still a whole lot of things you can do for your audit clients that are not precluded by the Sarbanes-Oxley rules," said Anthony Conti, managing partner for the Philadelphia office of PricewaterhouseCoopers. "You obviously can't be part of management, you can't do things you're going to audit, you can't implement system, but you can certainly advise on systems."

Before Sarbanes-Oxley, the major accounting firms did a great deal of consulting on financial systems and information technology, said Geoffrey Osborn, the market leader for PWC's advisory services in the Philadelphia office.

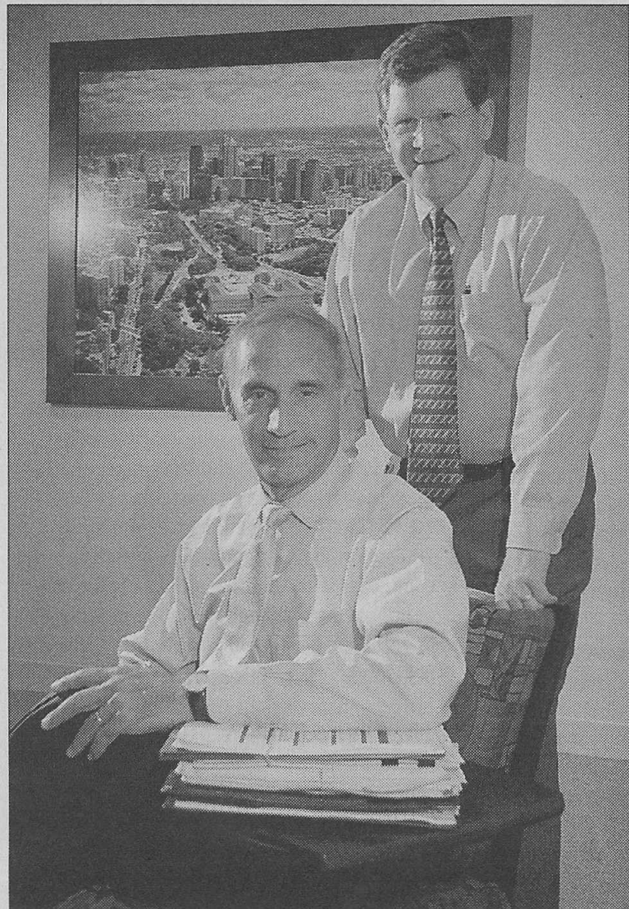
But in the intervening years, the market has changed to focus more on human capital issues: change management, human resources systems and effective ways to use data.

When new international accounting standards come into force over the next few years (see story: Page 23), Osborn said, the major accounting companies will be poised to provide extensive consulting to firms of all sorts.

"The people issues are going to be huge; a lot of training people around new standards and the effect of new standards on how they record and account for financial information," he said.

Deloitte, meanwhile, is looking to increase its consulting based on risk management, said William J. Park, audit partner in the firm's Philadelphia office.

Companies need to take a broader look at their global operations and the increasingly complex global supply chain and figure out ways to manage the risks of disaster, contamination and supply interruption, Park said.



CURT HUDSON

Tony Conti (seated) and Geoff Osborn of PricewaterhouseCoopers are looking beyond audits.

"A little bit of the leveling off of the Sarbanes-Oxley work has allowed us to focus on some other issues," he said.

There is room for growth on the audit side as well.

All the major accounting firms had to shed midsize clients after 2002 as they focused on Sarbanes-Oxley compliance for large corporate clients.

Smaller accounting firms stepped in to fill the vacuum, but the big accounting firms say they are now beginning to eye that middle market, even if they will probably never reach as deeply into it as before.

"I don't know you'll find us having a strategy to say OK, now let's go after all those firms we jettisoned, I don't think that's likely to happen," Conti said. "On the other hand, I do think the larger, more sophisticated mid-cap companies, those are companies we want to continue to serve."

Deloitte's Park agreed that there will be more competition for midsize clients now that the Big Four have resumed the search for new business.

"If we continue to have capacity, would we look at that? I think so," he said. "These are obviously the large companies of the future."

The renewed competition among accounting firms has put cost back on the table. In the early days after Sarbanes-Oxley, accountants say, companies had little choice but to fork over whatever was necessary to comply with the new rules.

"I see the competition becoming more price sensitive, which it hadn't been the last couple of years," said Howard Cohen, president of Edison, N.J.-based Amper, Politziner & Mattia and a 35-year veteran of the business. "In 2008, you're starting to hear price as a topic again. Both the clients and the firms are starting to fall back into the trap they did in the '90s — auditing is becoming a commodity and all that."

Some of the smaller accounting firms say they aren't worried about renewed competition from the Big Four.

The smaller firms can offer more personal service, they say, and may have specialty experience that is equal to or even greater than what the major accounting firms can offer. And, they point out, there are other lines of business that the big players simply can't get into anymore.

Horsham-based accounting firm Kreischer Miller, for example, has seen an explosion of interest in its executive recruiting business for large companies. The Big Four can't provide recruiting for large audit clients because of the stronger recent restrictions on conflicts of interest.

"Public company auditors aren't allowed to recruit CFOs and controllers for their clients," said Chris Meshginpoosh, director in charge of audit accounting for Kreischer Miller. "Our executive recruiting practice is one of our most rapidly growing and is becoming one of the largest elements of our firm ... it's been a great opportunity for us."

Still, the major firms say, there is plenty of work for everyone.

"If the last three or four years was around compliance [with accounting standards], I say it now is about value," Conti said. "The businesses we serve are now looking at us less in terms of compliance, but more in terms of how you help us benefit from the compliance we've already gone through."