



IMPACT REPORT

EY Advisory takes 'suits+jeans' approach to consulting

MAY 2 2017
BY KATY RING (/ANALYST-TEAM/ANALYST/KATY+RING)

EY is working toward its Vision 2020 purpose of building a better working world with a 'suits+jeans' approach to consulting. By combining the experience of its global tax, accounting, advisory and transactions professionals (the suits) with startup thinking (the jeans), EY is positioning for the digital future. It recently held a global analyst and adviser event to report on its own progress in both undergoing and providing purpose-driven transformation. Like the rest of the Big Four management consultancies, it is not a global corporation, but unlike them, it is run by a global board and one CEO, which creates a more coherent and consistent market approach. It has chosen not to create a separate digital business, preferring to weave digital capabilities into all practice areas.

The 451 Take

In the growing market for consultancy around digital transformation, EY Advisory has a good auditing brand to build upon to help clients with digital governance, advising on the rules and processes to put in place to manage risk, for example. However, EY has gone further and has made progress in changing its operational consulting model to suit the digital age. During the past two years, it has harvested (from its existing customer projects) asset-based services that can be replicated and managed, and is moving to a discipline of creating product teams for these services. In this way, EY is developing modern business process services, delivering business as a service for process areas where its brand gives it permission to play.

Context

EY Advisory is nine years old as a business within the broader EY firm. It employs 54,000 staff across 152 countries, and with revenue of \$8.1bn, says it is on target to reach revenue of \$15bn in 2020.

EY's core business consulting services sit within its Advisory organization, and include risk, finance, supply chain, customer, people advisory services (PAS), program management and strategy consulting – all enabled by EY's technology practice. Through these services, EY is able to support businesses in transformation, innovation, managing risk, analytics, cyber security and digital.

Strategy

Over the past couple of years, EY Advisory has been transforming its service-delivery model to connect all the different areas of its operation while moving away from the traditional transactional consultancy model of hiring consultants in anticipation of work. To undertake this transformation, EY is focusing on driving client service to deliver a better digital client experience based on EY's granular business understanding of particular sectors and organizations. It no longer keeps its risk services separate from its performance improvement services, and – cognizant of the impact of automation on aspects of its portfolio – is applying technology to disrupt its current business processes – for example, exploring the impact of blockchain on audit.

EY Advisory is infusing its entire business with six core capabilities: technology, strategy, digital, cybersecurity, analytics and change management. As the operating model for consulting changes, managed services are becoming a big opportunity for the firm. It now has over 50 asset-based services that it operates for clients. The creation of 20 global alliances, with partners such as Adobe, GE Digital, IBM, Microsoft and SAP, to support this asset-based approach has become critical. Indeed, this structured pursuit of alliances forms an adjustment to EY's original Vision 2020, where it did not feature.

The service-delivery model is very important for changed consulting operations, since firms such as EY need to grow without linear headcount growth. Two years ago, EY appointed its first global head of innovation, Jeff Wong, who joined from eBay to lead its newly formed global innovation team. This team focuses on disruption, and one of the areas it has been addressing is how to manage onshore, offshore and contingent workers alongside bots or software agents. As part of its work in this area, EY is about to launch its GigNow global resourcing platform to support the firm's evolution into a modern consultancy.

Innovation services

EY Wavespace

As the nature of consultancy changes, clients are seeking a different type of advice and need access to multi-disciplinary teams, including enterprise architects, software developers, user-experience designers and strategic consultants. To help clients catch a new business wave and get a smooth ride, EY has been building a number of spatial collaboration areas with pods of three to four people to create prototypes and software assets. Branded EY Wavespace, these include digital and technology labs, experience design studios and specialty centers. For example, Madrid houses the firm's AI center of excellence, London specializes in digital journeys and customer experience, while New York focuses on fintech. EY has set up 15 sites globally, and will be adding a further eight over the next year. It is also providing pop-up innovation centers at technology partner shows, as well as for clients.

EY needs to work with its alliance partners to deliver digital processes, and Wavespace provides the physical location to bring in these alliance partners, working with EY advisers to stitch the solution together. Advisers orchestrate these alliances for clients by building IP on top of third-party platforms or building an IP asset on the technology provided by partners. For example, EY has developed SAP EY Business Integrity Platform for GRC using SAP HANA, as well as Microsoft 3D Spend Analytics and digital grid services for fraud detection – both based on Azure and its manufacturing energy management system based on GE Predix.

EY is aware that Wavespace is not a big differentiator, since many competitors also have physical collaboration spaces. However, the firm claims that it has a fast-follower advantage in the sense that its competitors have their digital collaboration spaces rooted in Silicon Valley showcases for innovation, analytics and AI. The suits+jeans phrase attempts to capture the EY difference in bringing together traditional EY strategists, tax specialists and auditors, who work with designers and ethnographers, in Wavespace locations. In this way, EY is leveraging its existing partner network and then popping up a specialty overlay in a particular location to create multi-disciplinary working centers, which EY can also build specifically for clients and colocate with them. For example, EY is co-investing in Wavespaces with its customer Royal Caribbean by providing a major IoT overlay that can be demonstrated to its executives.

Digital infusion

EY's digital infusion strategy requires an internal champion at the client's business who is eager to transform the business and has a mandate to do so; the conversation normally begins with EY partners and the COO, CFO or CEO, sometimes with the CMO, but rarely with the CIO. With its digital infusion strategy, EY uses robotic engagements to reduce costs in a process area, releasing capital to fund innovation. Then it can begin working on the new strategy piece and the creation of the first prototype. The starting point with digital infusion is usually the creation of the business case to invest in technology.

During the past two years, enterprises have set up internal digital garages and labs, but have found that the challenge with this type of approach is that you cannot get business traction for great ideas from a garage – to do so requires the availability of the daily operational staff that will have to take advantage of those ideas. In other words, human resource change management programs are critical for the successful adoption of transformational ideas. This is a competency area for EY and a big opportunity.

For many of EY's clients, digital transformation is a balance between digitizing existing processes and creating new operational and business models. This underscores the strong growth EY has seen in some of its heritage technology practices, such as SAP, alongside the rapid ramp-up of newer disruptive technology skills, such as RPA, blockchain and AI. As market expectations and EY's technology strategy dictate, EY is teaming with ecosystem partners that include systems integrators such as Cognizant and TCS, in order to provide cost-effective delivery models and services.

Competition

EY Advisory has a wide range of competitors. There are the strategic consultancies, such as McKinsey & Co, Bain & Co and Boston Consulting Group, which have strength in transformational consultancy but do not have EY's operational expertise in managing risk. Then there are the rest of the Big Four – Deloitte, KPMG and PwC – which have IT advisory arms and digital businesses. Against these competitors, EY would argue that it is unique in that it has integrated its firm by forming single management units in its Americas, EMEA and Asia-Pacific regions to make serving clients globally more effective. It would argue that this means it offers a more integrated approach to its services, and is why it has no separate digital business.

Finally, there are the IT service 'business generalists,' such as Accenture, IBM and Capgemini. Against these competitors, EY has no legacy application services or IT outsourcing business to defend, and it is happy to partner with a client's preferred systems integrator providers to deliver its services. It also has deeper business domain knowledge than the generalists, and this ability to lead with business-change requirements based on solid experience is cited by customers 451 Research has spoken with as a key reason for selecting EY for digital transformation projects.

SWOT Analysis

Strengths

EY has made a great deal of progress in changing its operational model to suit the digital age. The ability to draw on its own actuarial data, manage risk and apply advanced technology to customer projects is proving a successful strategy.

Weaknesses

There is a potential weakness in the taxonomy that EY is using in the market around managed services. In truth, EY is developing modern BPS, delivering business as a service for process areas where its brand gives it permission to play. It might be less confusing for EY's positioning if this is more clearly called out.

Opportunities

The innovation projects that digital transformation is opening up in the business world represent a huge opportunity. Its technology partnerships with SAP, IBM and Microsoft are also providing interesting opportunities to offer more productized services.

Threats

EY cannot jointly go to market with all the technology partnerships it might wish to because of the work that its auditing arm carries out. For example, a closer relationship with Salesforce would make strategic sense, but is not an option. This provides competitors with partnering opportunities that may enable them to grow more quickly in areas such as customer engagement.

Katy Ring (/analyst-team/analyst/Katy+Ring)

Research Director, IT Services

M&A ACTIVITY BY SECTOR

IT services & distribution / Technology & management consulting (405) (https://makb.the451group.com/results?basic_selected_sectors=261)

Cloud / Platform as a service (0) (https://makb.the451group.com/results?basic_selected_sectors=909)

M&A ACTIVITY BY ACQUIRER

Accenture Ltd. (94) (https://makb.the451group.com/results?basic_acquirers=Accenture+Ltd.)

Adobe Systems Inc. (38) (https://makb.the451group.com/results?basic_acquirers=Adobe+Systems+Inc.)

Capgemini Group (22) (https://makb.the451group.com/results?basic_acquirers=Capgemini+Group)

Deloitte Consulting LLP [Deloitte LLP] (4) ([https://makb.the451group.com/results?basic_acquirers=Deloitte+Consulting+LLP+\[Deloitte+LLP\]](https://makb.the451group.com/results?basic_acquirers=Deloitte+Consulting+LLP+[Deloitte+LLP]))

eBay Inc. (67) (https://makb.the451group.com/results?basic_acquirers=eBay+Inc.)

Ernst & Young Global Ltd. [aka EY] (8) ([https://makb.the451group.com/results?basic_acquirers=Ernst+&+Young+Global+Ltd.+\[aka+EY\]](https://makb.the451group.com/results?basic_acquirers=Ernst+&+Young+Global+Ltd.+[aka+EY]))

IBM Corporation (167) (https://makb.the451group.com/results?basic_acquirers=IBM+Corporation)

Microsoft Corporation (161) (https://makb.the451group.com/results?basic_acquirers=Microsoft+Corporation)

PricewaterhouseCoopers International Limited [dba PwC] (18) ([https://makb.the451group.com/results?basic_acquirers=PricewaterhouseCoopers+International+Limited+\[dba+PwC\]](https://makb.the451group.com/results?basic_acquirers=PricewaterhouseCoopers+International+Limited+[dba+PwC]))

salesforce.com Inc. [dba Salesforce] (52) ([https://makb.the451group.com/results?basic_acquirers=salesforce.com+Inc.+\[dba+Salesforce\]](https://makb.the451group.com/results?basic_acquirers=salesforce.com+Inc.+[dba+Salesforce]))

SAP SE [fka SAP AG] (59) ([https://makb.the451group.com/results?basic_acquirers=SAP+SE+\[fka+SAP+AG\]](https://makb.the451group.com/results?basic_acquirers=SAP+SE+[fka+SAP+AG]))

Tata Consultancy Services (8) (https://makb.the451group.com/results?basic_acquirers=Tata+Consultancy+Services)

Figures shown indicate number of transactions

COMPANY MENTIONS (PRIMARY)

EY (/search?company=EY)

COMPANY MENTIONS (OTHER)

Accenture , Adobe , Bain and Co. , Boston Consulting Group , Capgemini , Deloitte , eBay , GE Digital , IBM , KPMG , McKinsey & Co , Microsoft , PAS , PricewaterhouseCoopers , Royal Caribbean International , Salesforce , SAP , Tata Consultancy Services (/search?company=Tata+Consultancy+Services)

CHANNELS

Cloud Transformation , Service Providers (/dashboard?view=channel&channel=9)

SECTORS

All / IT services & distribution / Technology & management consulting (/search?sector=261)

All / Cloud / Platform as a service (/search?sector=909)

