EY 2018 Technology Analyst Summit Showcases Progress in Leveraging Digital Technologies to Achieve Business Benefits

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: EY's 2018 Technology Analyst Summit

This Market Perspective summarizes IDC analysts' views of EY's 2018 Technology Analyst Summit, held in Toronto, Canada. It is organized into four key sections: an overview of EY's technology practices and recent changes (with a special section on the company's wavespace capabilities), key technology alliances (SAP and Microsoft), the main client case study at the event (Velon), and an update on the EY's Canadian business, which had a greater focus at the event considering the location.

Key Takeaways

- EY understands and is responding to fundamental changes in the way consulting is staffed, sold, and delivered based upon digital transformation (DX).

- EY's focus on industrialized platforms and client-facing tools is bang on the target; there's no other way to provide innovation at the speed and the cost that clients expect today.

- wavespace, too, is a powerful and necessary tool for EY. IDC spoke with EY clients with wavespace facilities, and they were pleased with the output. Wavespace looks like a powerful tool for EY's clients, albeit one that in today's climate EY simply has to have in its portfolio.

Recommended Actions

- Beyond having a single strategy session similar to other consulting firms, consider investing in a dedicated onsite "wavespace" that EY delivers as a service. EY believes the problem in achieving DX in any organization is not the ideation phase but getting them to work in various parts of the organization.

- Let EY be the trusted advisor in helping you reach net-new customers through previously untapped digital channels by leveraging its asset-based consulting platform. This platform allows you to get an MVP up and running in days, at a much lower cost than with traditional projects.

- Look to EY for joint product development and marketing alliances with SAP and Microsoft, though understand EY is restricted to pure off-the-shelf implementation of technology from Oracle, Salesforce, and Workday due to being their audit client.

Source: IDC, 2018

NEW MARKET DEVELOPMENTS AND DYNAMICS

IDC analysts had the opportunity to attend EY's 2018 Technology Analyst Summit in Toronto, which highlighted the various ways the firm is helping its clients leverage digital technologies to achieve significant business benefits. EY began the event by discussing the ways that technology consulting has changed recently:

- The first shift EY highlighted was how its clients' views on digital transformation (DX) projects have shifted. Previously, clients would often start digital transformation projects with a small team of people with strong skills in key digital technologies, separated (often physically) from the mainstream organization, and gave them the freedom to innovate where they saw fit – the classic "skunk works" model. While this was a great way to get prototypes created quickly, many clients have found it difficult to integrate initiatives created this way into the mainstream organization. EY found its clients asking for help to bring innovation and digital transformation across this gap and into the overall organization.

- The second change EY highlighted was around its clients' expectations for speed and agility. In the past, EY was often brought in to solve business and/or technology problems, the model being that EY brought in bright, skilled resources to start the project with a blank slate. Too often, however, that led to reinvention of wheels that slowed the innovation process. EY's clients now expect it to show up with data, assets, and "ready-baked tools" that can accelerate the innovation process.

- EY also highlighted how clients' problems have changed. The biggest question mark of its clients is how to compete with digital-native enterprises moving into their space – or creating whole new markets. And beyond their overarching strategic challenges, EY's clients are also facing fundamental changes to their capital allocation strategy. Clients are no longer simply concerned about how they can take IT costs out, but how they can fund their next digital transformation project that is needed to stay competitive with new entrants.

In response to these changes, EY highlighted the core ways it has changed its own technology consulting practice:

- **M&A**: EY has made a series of investments in the recent past, including 50+ tech-specific acquisitions bringing in $2 billion of accelerated revenue in the past four years. Key capabilities gained from these acquisitions were around SAP, cyber, digital and cloud architecture, DevOps, and CX.

- **IT realignment**: EY has transformed its own IT function to make it more agile. IT is now split into three key themes, "Grow" (focused on transforming the client's technology), "Enable" (focused on enterprise workplace technology), and "Protect" (focused on security). With a combined strength of over 30,000 technologists in its client serving and internal IT organizations, EY spans the full technology delivery stack.

- **Workforce reskilling**: EY has also transformed its training and talent strategy, creating a virtual "technology academy" using MOOC methods, with badges and multiple achievements layers (bronze to platinum). In just over six months since its establishment, the academy is one of EY's most popular internal websites and has seen more than 7,000 employees enrolled in training for badges, organized into 75 categories around emerging and established technologies. By encouraging continuous learning and experimentation with leading-edge technologies, the program has "changed not just skills, but mindsets," as one executive said.

  Linked to this, EY has created new families of technology-oriented career paths such as data scientist. Not surprisingly for a Big 4 firm with a strong training heritage, EY says the academy

and badges are already popular with employees: "the dopamine hit from a promotion lasts six months, but badges keep people continually incentivized," as one executive put it.

- **Asset-based consulting**: Just as significantly, EY showcased a series of measures it has taken to approach client engagements with industrial-grade intellectual assets. Its new client technology platform is a part of its effort to bring more productized professional services to its engagements. Further:

  - The platform is essentially a framework of tools, standardized on containers, microservices, and automated provisioning, that allows clients to get a minimum viable product (MVP) up and running in days at a much lower cost than with traditional projects. This also allows EY to take intellectual assets developed for one client and more easily reuse them with others, as the assets are built on the same core platform. EY has worked to become better at identifying IP created in client engagements that has reuse potential and then industrializing these and driving them across the firms' network of territories, "we're able to do things faster at a lower cost – and globally," as one executive put it. Conversations about the ownership of IP now happen earlier in engagements – if necessary, EY can reverse engineer functionality codeveloped with clients, but it would rather share the risks and rewards in a predetermined manner.

  - Separately, EY has a range of fully fledged software products that it implements, supports and, sometimes, runs as a managed service for clients – for example, the "IPO" (Intelligent Process Optimization) tool for the oil and gas industry, which helps clients to monitor production and reduce wastage levels.

  - The shift to a more asset-based consulting model obviously has implications for EY's recruitment and talent management strategy. Supplementing the traditional focus on recruiting and developing consultants, EY is now bringing in certified product managers from the software and cloud services sectors to develop and manage these assets "in a software way," representing – along with the new career paths – an important increase in the sophistication of the company's workforce.

- **GigNow platform:** EY also highlighted its "GigNow" platform, which allows its clients to hire in-demand skills in time periods as small as a single hour.

To tackle the skunk works "innovation gap" that some of its clients were suffering, EY has been rolling out more of its wavespace innovation centers, embedding the centers with clients' organizations (for details, see the section that follows). It's key to note that wavespace is one of the most significant changes to EY's engagement model in recent years, but EY has not stood still and has been helping clients to use the wavespace facilities more intelligently. For example, with a major airline client, EY creates a client-hosted wavespace but ensures that the airline rotates its employees into and out of the center regularly (with new arrivals every two weeks) – ensuring regular rotations within a client-dedicated wavespace (for details, see the section that follows) should help to ensure that the innovation and ideas created in the center move more easily into the everyday business.

EY also highlighted its close ties to many start-up environments in Silicon Valley, as well as other tech hubs like Tel Aviv, Israel. Having relationships with these start-ups allows many of EY's clients to look at upcoming technology that they can buy versus build and ultimately integrate into their overall digital transformation strategies.

Last, EY highlighted its industry thought leadership conferences, where it brings together multiple stakeholders in a single industry to develop a view on how technology will reshape their industry. The company provided a case study of its "future of health" event, held in the Netherlands in early 2018 as

an example, with plans for a "future of trade" event, in hopes that these events will be a launchpad for new consulting opportunities.

wavespace: Bringing the Creative Workshop Model to Clients

wavespace, EY's network of digital labs continues to evolve. EY now has 18 wavespaces globally, organized into three tiers (flagships, satellites, and pop-ups), each of which is composed of up to five different activities/capabilities (design studio, showcase, facilitated workshop, lab/incubator, and competence center). A flagship – such as the new IoT center in Warsaw, Poland – is the biggest type of wavespace and might have up to 250 employees at any time, around half of whom might work in the competence center. Each flagship has a core focus for its competence center – for example, Madrid focuses on analytics, New York on fintech, and London on UX and design thinking.

But interestingly, wavespace is not just an "EY thing" – the firm is "bringing this as a service" to key clients by helping them to establish their own internal wavespace operations, managed as a service by EY at the client's premises, to drive innovation within client's organizations. EY's view is that clients can relatively easily come up with good ideas, but clients too often fail when they try to take the idea – maybe as a prototype – into the business; the ideas "hit quicksand" sometimes because they were developed outside the mainstream organization, which takes a suspicious view of potentially disruptive new ideas. By physically bringing together and aligning stakeholders, processes like wavespace can help some clients to avoid this "quicksand" and develop new ideas that are better placed to find acceptance and scale across the organization.

EY's Key Technology Alliances

Like its key competitors, EY today navigates a far more complex and faster-changing technology and services ecosystem than was the case just five years ago. In EY's case, however, as a global tier 1 accounting auditor with an extensive list of technology clients, this ecosystem is constrained somewhat by conflicts of interest that prevent it jointly innovating and going to market with some tier 1 global software vendors including Oracle, Salesforce, and Workday. The company is allowed to implement technology from these software makers and to have practices dedicated to them (IDC reckons that EY's Oracle and Salesforce practices both have revenue of around $100 million), but it is not allowed to conduct joint development and/or marketing alliances with them. If recent proposals for mandatory rotation of auditors turn into reality, this might change – but then that could make things even more complex if the audit practices of EY and its Big 4 competitors more frequently win and lose technology clients. However, for now, tier 1 software houses, SAP and Microsoft, are not audit clients, and EY says its advisory and implementation business with both is growing fast.

SAP Alliance — Aiming to Profit from the Migration to S/4HANA

EY has some 7,000 SAP professionals globally (a number that is "growing fast" according to the firm), helping generate SAP-related revenue of about $1 billion, which EY wants to triple in the next five years. EY claims to be SAP's fastest-growing global partner, with over 28% annual revenue growth last year, and growth "will be better this year," according to one EY executive. The company has 45 offerings in place or in the pipeline, such as the Ops Chain supply chain product originally developed for a large global chemical producer.

A major driver of SAP-related growth in the near future will be the growing pressure on SAP's thousands of ERP customers to move from ECC6 to S/4HANA, the software maker's next-generation ERP suite built on in-memory computing technology. This pressure to migrate to S/4HANA – coming from both financial incentives and SAP's progressive defocus on current ERP, eventually culminating

with withdrawal of support – represents a big opportunity for EY, assuming it can craft good business reasons to migrate, and it can support clients with cost-efficient tools and services to manage the migration.

So EY is creating business case and migration assets to help justify the transition, with automation of migration seen as a "game changer." All this assumes, of course, that the client is transforming and improving its business processes and operating model (or even its business model) before it migrates – something EY can, of course, also help with.

Microsoft — Smaller Alliance, But with Blisteringly Fast Growth

The other tier 1 software major that EY is free to go to market with is Microsoft, and EY has a small but fast-growing alliance with Microsoft. IDC estimates that EY's Microsoft practice has revenue of around $200 million, far smaller than SAP but growing at nearly twice the pace – EY executives said the Microsoft business has booked a 50% CAGR over the past five years, and the growth rate shows no signs of trailing off.

EY is particularly interested in the platform-as-a-service (PaaS) layer of Microsoft's offerings. It uses Microsoft's Azure PaaS platform, the PaaS capabilities of Dynamics 365 and the Power BI and PowerApps development tools to create industry-specific or function-specific "repeatable enterprise solutions" – essentially, technology proven at one client and then rolled out to others. Further:

- For example, EY is developing Microsoft-based digital farming algorithms that it will sell as a service to agricultural equipment and seed suppliers and financial services companies targeting the farming sectors.
- Another example of EY using Microsoft technology as its application platform is the EY matchmaker digital selling offering, based on the Sonoma Partners acquisition in January 2018. The tool mashes data from LinkedIn and third-party sources to give B2B companies more B2C-like selling experience, using Microsoft's Dynamics-based PowerApps offering as its development tool.

In EY's view, Dynamics is becoming a robust application development platform, and the firm expects it will "see more and more apps created on Dynamics" in the near future. Recent moves by Microsoft to strengthen the platform and marketplace capabilities of Dynamics suggest that this is indeed the case, and that EY is on the right track here.

IoT

EY's work with Velon, a consortium of cycling teams, showcased its capabilities in IoT, analytics, and customer/fan experience. Graham Bartlett, CEO of Velon, described the historical fan experience in cycling as somewhat static in that a fan watched from one position as the cyclists went by and that was essentially the end of their race experience. Velon wanted to create a platform for fan engagement that allowed fans to follow not only the race but also their favorite players before, during, and after the race. EY's solution relied on sensors on riders' bicycles that transmitted performance data in real time. The data was analyzed and presented in a compelling way to "embed the fan into the race." Velon felt EY brought significant resources and expertise to bear from both a technical and business perspective. The company sees three monetization models including sale of the platform to race organizers and broadcasters, selling sponsorships for the teams and platform, and in the future, engaging a larger community of fans to whom ads within the app could be seen.

This contrasted nicely with EY's more industrial IoT work where EY is building significant assets and expertise. Projects and assets developed in the oil and gas industry, shipping, and manufacturing highlight EY's technical, business process, and industry expertise. For example, it developed a tool for Intelligent Process Optimization useful in production systems. By leveraging soft sensors and a digital twin, EY can predict quality parameters within 95% accuracy. Its clients have seen 5-10% reduction in waste, which translates into millions of dollars per year for midsize or large refineries.

Canadian Business

EY has been rebuilding its Canadian practice over the five years following the approaches of its global organization with targeted investments in specific practices and acquisitions of local services firms. The advisory organization is led by Linda Williams, who took over from Jad Shimaly in June 2018 after he was promoted to chairman and chief executive officer, EY, Canada. IDC believes his elevation to the top role in the Canadian organization reflects the prominence the consulting unit has in the overall organization.

EY is building out its Canadian delivery capabilities. EY has invested into three wavespace locations so far: Toronto, Montreal, and Calgary. Toronto is a flagship facility, while Montreal and Calgary have satellite facilities accommodating a wide range of use cases. EY is also investing in a Halifax-based nearshore center to cater to clients that have preferences or regulatory requirements for Canadian delivery at a lower cost. Halifax is a popular location for Canadian nearshore delivery centers due to its proximity to universities and major U.S. markets. One of the focus areas of the Halifax center is to support customers' Guidewire software needs. EY offers hosted Guidewire from the delivery center and currently has an anchor client and several prospects. EY has supported several Canadian insurers in their Guidewire implementations in both the government and the property and casualty insurance industry. Other services currently offered in the Halifax center include robotic process automation and managed services in risk and compliance.

A topic of interest at the EY technology analyst event was the ongoing trade and tariff discussions. The audience generally agreed that the effect of the tariffs is yet to be determined. IDC has explored the topic of the impact of a potential trade war on worldwide ICT spending and concluded that a technology spending crash is unlikely.

IDC'S POINT OF VIEW

EY's focus on industrialized platforms and client-facing tools is bang on the target; there's no other way to provide innovation at the speed and the cost that clients expect today. Does this push EY down the road to being packaged software or product company? No, the assets are firmly there to support the core business, not the reverse, but like many consulting competitors, EY now understands the power of well-maintained and continually evolving tools and frameworks. As one executive said, "We are retooling ourselves for more repeatable assets and services." Its clients understand this too – EY said that the spur for hiring product mangers was partly the demand from clients using its tools for an EY equivalent of the popular "customer success managers" deployed by the likes of Salesforce, SAP, and Oracle.

At some point with some of its products, EY may find that the investment and effort required to meet client expectations of functionality and performance take the firm into the standalone product business, at which point it may need to decide if the product should be spun off to avoid becoming a distraction.

wavespace, too, is a powerful and necessary tool for EY. The basic premise of wavespace is hardly unique – consultancies have offered workshop-based engagement models for years, and leading product makers offer these, too – notably Salesforce with Ignite and SAP with its Leonardo Innovation Services. But IDC spoke with EY clients with wavespace facilities, and they were pleased with the output. Wavespace looks like a powerful tool for EY's clients, albeit one that in today's climate EY simply has to have in its portfolio.

But EY has to ensure a balance with its wavespace-as-a-service offering. While it's great to get embedded with the client, at the end of the day, EY is not a corporate innovation process outsourcer – if there is such a thing – and wavespaces need to have a firmly delineated life cycle, just like other professional services engagement types.

Advice for the Technology Buyer

- Beyond having a single strategy session similar to other consulting firms, consider investing in a dedicated onsite "wavespace" that EY delivers as a service. EY believes the problem in achieving DX in any organization is not the ideation phase, but getting them to work in various parts of the organization.
- Let EY be the trusted advisor in helping you reach net-new customers through previously untapped digital channels by leveraging its asset-based consulting platform. This platform allows you to get a MVP up and running in days, at a much lower cost than with traditional projects.
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Related Research

- *Worldwide and U.S. Business Consulting Services Market Shares, 2016: Design Thinking and Innovation* (IDC #US43251717, December 2017)

Synopsis

This IDC Market Perspective summarizes IDC analyst's views of Ernst and Young's (EY's) 2018 Technology Analyst Summit, held in Toronto, Canada. It is organized into four key sections: an overview of EY's technology practices and recent changes (with a special section on the company's wavespace capabilities), key technology alliances (SAP and Microsoft), the main client case study at the event (Velon), and an update on EY's Canadian business, which had a greater focus at the event considering the location.

"EY's focus on industrialized platforms and client-facing tools is bang on the target; there's no other way to provide innovation at the speed and the cost that clients expect today," said Douglas Hayward, associate vice president at IDC in London, England.

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