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Service Provider Spotlight: EY Strategy and Transactions and their quest to deliver long-term client value

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Omdia view

Summary

In 2020, global economies were pushed to the brink as Covid19 spread rapidly causing major shutdowns. However, with the pace of vaccine roll out picking up, most economies are on the verge of re-opening in 2H21. There were many harsh lessons learnt throughout the last 12 months, but it has also served to turbocharge the digital efforts of enterprises. Digital agendas were re-drafted to repair the damage caused by the pandemic, accelerate growth, and align objectives to the new world order.

For many large organizations, the CEO is usually the persona that dictates the digital agenda. Any service provider that has strong relationships with CEOs will be at a massive advantage as it affords them a chance to play a pivotal role in their client's transformation. EY Parthenon is one such entity, with over 6500 strategists globally, its approach is to help CEOs transform their business, realign goals, and deliver long-term client value. Omdia believes that there are few who have the scale, experience, and breadth of competencies to address all key digital challenges. EY Strategy and Transactions – the EY service line responsible for strategy (consulting), corporate finance, M&A as well as corporate divestiture and reshaping results counsel and advisory -- believes it is in a very strong and competitive position to be the partner of choice around transformation. EY updated analysts on its strategy for 2021 in early March.

Below are some of the highlights and Omdia's thoughts

Extensive capabilities with access to C-Suite

There are only a handful of global consulting firms that global Fortune 1000 will turn to for business and digital transformation. Omdia believes that EY- is part of this exclusive club. Management outlined how they have invested in its people, through training, new hires, acquisitions, and upskilling, providing them with a talent base that is technology savvy with the latest knowhow. EY is also investing in technology partners, having more than 20 active strategic alliances to date.

One of its biggest competitive differentiations is its access to the C-Suite especially the CEO. Transformation usually starts and ends with the C-Suite and almost all IT service providers struggle with this and few can work intimately with them to re-shape and re-invest themselves for the future. EY's wavespace is an incubation of design-led thinking workshops that EY has set up with a methodology that brings business leaders to incubate and ideate plans to transform their respective businesses. There are about 28 wavespace (innovation) hubs globally. The focus is increasingly on leveraging disruptive technologies and allowing customers access to EY's breadth of industry experience, local insights, and technology skills. The wavespace methodology and approach also allows solutions to be customized resolving the unique challenges of every enterprise.

Triggering a larger increase spend in IT

One of the enduring challenges that all IT service providers face is how to trigger a larger increase in IT spending from enterprise customers. Omdia believes that transformation that touches on value creation usually result in a larger wallet share. This would include areas like creating new business models, launching of new services and products, reaching customers through new digital channels, hyper-personalization of offerings and radical transformation of supply chain and operations to raise margins. Essentially re-tooling

how businesses will work for the future to accelerate disruption. These are areas where EY excels and thrives. In addition, all investments must deliver long-term value, a point that EY discussed extensively throughout the event. It supports this ambition through a framework whereby the determinants of success move from shareholders to stakeholders. The framework identifies that there are four types of value levers that contribute to long-term value: consumer, human, societal and financial. It recommends a four-step process for developing metrics which companies can use to better articulate to investors how they create and measure long-term value. 1. Establish business context, purpose and strategy 2. Assess stakeholder outcomes 3. Identify strategic capabilities and value drivers 4. Develop metrics for long-term value

Omdia believes that technology and services will underpin a lot of the above-mentioned transformation. Almost all IT service providers struggle with access to C-suite personas especially CEOs and do not have the experience and capabilities to articulate a compelling transformational story for their customers. For many of them, partnering with EY has always been a long-term value strategy to allow them to be part of these transformational projects. However, the danger is that EY also has its own service delivery capabilities, although limited compared to global SIs but it allows them to execute some of these projects themselves. This can potentially sideline its ecosystem of SI partners. Secondly, EY may decide to strengthen its delivery capabilities in the near future and it already works alongside EY-Parthenon strategy consultants to run engagements from start to finish.

The M&A wave will continue

EY touched upon another theme that has massive consequences in IT spending. M&A activities reached an all-time high in 2H20. EY believes that it is in prime position to help enterprises identify candidates for acquisitions through its platforms. These candidates will help its customers fill up product gaps and move into adjacent markets and industries that fit into their long-term objectives. While M&A is not part of the capabilities of SIs, it does have repercussions. M&A always triggers off a string of integration work as multiple systems and platforms from various entities need to be brought together. It also almost always triggers a technology refresh or an opportunity to transform processes and operations through alignment of newly acquired entities. EY is also right at the heart of re-shaping corporate strategy and direction and in most cases, technology always underpins these strategies.

Enterprises will show inclination to work with their strategy partners for their IT transformation during an M&A and this could sideline existing incumbents especially if EY has the delivery capabilities. For many IT service providers competing for the same delivery projects, the challenge is to demonstrate greater value to compete effectively. EY will not always be able to fulfill all of the delivery themselves and will continue to rely on partners. For global SIs, the key is to strengthen its partnership with EY with proper governance and rules of engagement.

Digital transformation will continue unabated when economies reopen in 2H21. For IT service providers to be at the heart of this transformation, the key to success remains showing value and in EY's vision, it is long-term value that will be the key differentiation.

Appendix

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