A FULL BREADTH OF SERVICES TO TACKLE FUNDAMENTAL CAPITAL DEPLOYMENT QUESTIONS

Setting the stage for EY’s shift from Transaction Advisory Services to Strategy and Transactions, Nadine Mirchandani, deputy global vice chair of Strategy and Transactions at EY, and team noted that as COVID-19 has served as an accelerant to disruptive trends across technology, macroeconomics and even geopolitics, enterprises still struggle with fundamental questions around deploying capital, from acquisitions and mergers to corporate finance and core strategy. While EY has an established track record for working with clients on these issues, the newly formed Strategy and Transactions practice will help the firm build capabilities at scale, allowing EY to better address the full range of facets impacting clients and provide them long-term value, according to Mirchandani. Under the umbrella of Connected Capital Solutions, the firm has developed five distinct service offerings around Strategy, Corporate Finance, Buy and Integrate, Sell and Separate, and Reshaping Results, intended to be both stand-alone offerings and gateways to the rest of the firm’s service lines, such as Tax and Consulting, including technology transformation. In TBR’s view, explicitly delineating between the various challenges of capital deployment, such as separating acquisitions and integration from divestitures, provides clients with clear insight into the breadth of EY’s offerings without diluting the firm’s depth of expertise.

Filling out the new organizational structure, Julie Hood, EY Strategy and Transactions leader for Europe Middle East, India and Africa, and Tony Qui, Global Innovation Leader who is responsible for innovation strategic direction within the Strategy and Transactions practice, explained that Strategy & Transactions includes three newly created sub-service lines — Transactions & Corporate Finance; EY-Parthenon; and International Tax and Transaction Services (ITTS) — and provided a few details on each:

- Transaction Diligence, within Transactions & Corporate Finance, is, according to Hood, the “cornerstone” of EY’s practice and where the firm has established the longest and most substantial client relationships.
• EY-Parthenon, which offers services around strategy consulting, transaction strategy & execution, and turnaround & restructuring strategy, intends to compete directly with EY’s Big Four peers and the leading strategy-centric consultancies, such as McKinsey & Co., Bain & Co. and Boston Consulting Group (BCG). Jim Hsu said EY-Parthenon combines on-the-ground staff — who have multiple touch points with clients locally — with resources across the entire firm such as tax and risk. Hsu added that EY’s clients seek a “holistic approach” to their capital deployment issues, which plays to EY’s strengths in working both globally and across the entire firm.

• Transfer Pricing, by its inclusion as a component of ITTS, illustrates the firm’s commitment to bringing both industry expertise and technical craft to engagements.

Layered underneath all the sub-practices, EY has built a set of platforms intended to collect, analyze and utilize client and EY data (see further details below). Deployed as assets complementing consulting or managed services engagements, these Microsoft Azure-based platforms help clients “visualize an ecosystem, including new entrants and new products,” “see through the noise,” and “execute on transactions,” according to Qui. They also help clients answer questions around technology disruptions within an industry and more rapidly gain insights around capital deployment. Hood noted that the platforms also substantially change the nature of corporate finance, due diligence and analytical work by automating data collection and cleansing and applying AI to complex and massive data sets. That change, Hood remarked, also serves as a recruiting tool as EY seeks to attract talent into the S&T practice by illustrating the firm’s ability to apply leading-edge technology tools.

**EXPANDING AND CAPITALIZING ON THE EY-PARTHENON BRAND**

While EY typically avoids marketing through sub-brands, the firm moved the stand-alone EY-Parthenon under the S&T umbrella, providing a broader set of expertise to align with client needs. Creating, leveraging and using a sub-brand is similar to strategies other management consulting firms, such as BCG, have implemented to house certain expertise and offerings, which creates opportunity for firms to deepen the content areas and drive additional value for clients. EY views the inclusion of EY-Parthenon in S&T as a twofold opportunity, internally and externally. Internally, the use of the sub-brand will enable EY to more effectively market and communicate the platforms’ capabilities and to incorporate and message changes. Externally, EY is creating a separate marketplace to facilitate conversations with the C-Suite. Additionally, EY can retain assets and IP, creating avenues to buy, sell and/or recapitalize, which strengthens EY’s value position to promote these areas within its S&T practice.

TBR expects EY will leverage the EY-Parthenon brand to add a differentiating element to its S&T practice, providing the firm with the resources to take a more “holistic approach,” collecting and analyzing a broader set of data and risk factors to measure clients’ business success. This shift will enable EY to pursue outcome-based engagements as it can deliver comprehensive insights on business environments.

**IP AUTOMATION AS CUSTOMER STICKINESS RATHER THAN SERVICES CANNIBALIZATION**

As part of the discussion, EY outlined the multiple components of its data platform that are accessible to clients through the My EY Portal. Sitting on top of Microsoft Azure, the portal curates existing EY IP enriched with third-party data around industry and company financials, startups, social media and news feeds, macroeconomic forecasts, and benchmarks, among other traditional and nontraditional data sources. EY does not intend to offer access under a SaaS subscription model but rather as an ongoing service for clients in good standing who can manipulate the data on their own and potentially reach out to EY for additional assistance and micro engagements on evolving issues.

TBR will follow the ongoing positioning of management consulting IP repositories with considerable interest as the challenge of managing IP automation against erosion in traditional, labor-based engagement models continues.
Through its reorganization, EY is repositioning its strategy and advisory services to enable client interaction with the EY data repository, eliminating, to some degree, more labor-intensive and mundane discovery work. This additionally provides EY market distinction with new customers when seeking to displace the incumbent strategy adviser within accounts and provides a platform from which the specific domain experts can explain the power and benefits of what EY S&T can do for clients on an ongoing basis, which is then constantly enriched for EY by its active clients.

**NOT JUST MOVING DECK CHAIRS, BUT CONTINUING TO BUILD A WHOLE NEW SHIP**

“**TBR believes EY has substantially changed its approach to technology consulting, from enabled to embedded and scalable, which will increasingly expand the firm’s opportunities with global clients.**”

_TBR special report, EY and Technology: Embedding AI and Moving Beyond Trust, April 2020_

In TBR’s _Spring 2020 EY Management Consulting Profile: EY_, we noted, “The firm will need to carefully balance its investments in technology while maintaining its legacy domain expertise.” EY’s renaming and restructuring of its S&T practice will help the firm retain its heritage and avoid large-scale brand shifts in the market while providing a services refresh that will align the firm with client needs around strategy transformation using data, industry expertise and IP assets. EY will be able to invest in and develop new technology areas by fostering client relationships and delivering services that support clients’ progression within the digital space, without discrediting core service areas.

In _June_ TBR noted that “EY has significantly enhanced its ability to deliver innovation at scale … evident in their work with clients on workforce readiness and transformation, the firm is keeping humans at the center.” As a larger story, the firm’s sustained evolution, perhaps accelerated by COVID-19, continues to draw attention from clients, technology partners and competitors. These structural changes around strategy consulting and transaction advisory services are not, in TBR’s view, merely cosmetic, but rather representative of the wholesale change of EY from a standard white-shoe audit, tax and consulting firm to a full-service technology-enabled transformation agent for its clients. Continued evolution and success will depend on exceptional leadership, sustained execution on clients’ needs, and vision to find those areas of the market — in a competitive field teeming with digital transformation advisory aspirants — where EY can excel. In TBR’s view, S&T should be a substantial part of EY’s success in 2021 and beyond.

TBR’s coverage of EY includes a detailed semiannual profile in the _Management Consulting Benchmark_. EY has also been featured recently in the Digital Transformation portfolio, in a report on SAP (NYSE: SAP) and its partners that published in March. All of these reports and historical data on EY can be found on TBR’s [website](https://www.tbri.com).

Note: TBR’s analysis of COVID-19 has included multiple special reports on the Big Four firms, leading IT services vendors and other technology players. In addition, TBR’s ongoing coverage of these consultancies and IT services vendors includes quarterly reports on publicly traded companies, like Accenture (NYSE: ACN) and IBM (NYSE: IBM), as well as semiannual reports on EY, Deloitte, PwC, KPMG, McKinsey & Co., Bain & Co. and Boston Consulting Group.