



EY AND TECHNOLOGY: EMBEDDING AI AND MOVING BEYOND TRUST

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► TAKING AI FURTHER

EY’s “six habits” study provides detailed information and assessments of digital transformation leaders’ best practices as well as “actions for the boardroom,” such as “create a culture of continuous learning” and “embed innovation with corporate governance.” In previewing the study, TBR noted that the recommendations for boards to consider when accelerating AI — “assess the current state,” “integrate AI into core” and “measure AI benefits” — perfectly mirror EY’s own consulting offerings around AI. In discussing AI further, Higgins and Little explained that the firm has been applying AI when making its own financial forecasting and HR management decisions, providing additional insights into how different solutions could be rolled out to clients. Little made explicit that the firm would “build AI into every solution we have,” laying down a clear marker of the firm’s bet on emerging technologies. The firm has been trying to move away from the historical consulting and systems integration approach of putting many people on projects and would instead be adopting more agile sprint methodologies, automation and AI. A concerted effort to embed AI both internally and in every solution built for clients echoes TBR’s *November 2019 Digital Transformation Insights Report: Emerging Technology*, which noted that, “to capitalize on the cost savings generated by AI, vendors must shift their value proposition toward navigating clients’ technical and business change management obstacles to implement solutions, a strategy requiring continued investment in consulting expertise.”

A NEW STRATEGY, BUILT ON ECOSYSTEMS AND AI

In February EY released a new study on the “six habits of digital transformation leaders,” based on a survey of global CEOs and board members. TBR spoke with Jim Little, EY’s global Microsoft Alliance lead and EY Americas Technology Strategy lead, and Dan Higgins, EY’s global Technology Consulting leader, to gain additional insights and comments on the study, as well as to understand how the firm has shifted its internal operations and strategy around technology. TBR has attended multiple EY events in the last few years, including those geared specifically toward highlighting the firm’s technology practice. Based on those events and the March 2020 discussions with Little and Higgins, 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, potentially at the expense of traditionally more technology-centric competitors, such as Accenture (NYSE: ACN) and Deloitte. Little and Higgins explained that EY fully intended to embrace a new strategy around technology, with solutions designed for reach and scale, a brand seeking to move beyond trust, and an ecosystem managed to “create real outcomes” for clients.



BUILDING BETTER ECOSYSTEMS

In discussing changes to the partnering ecosystem for all consultancies and IT services vendors, TBR has emphasized the need for re-evaluation and constant management of alliances, particularly as the technology vendors themselves change their own partnering models and go-to-market approaches. EY has stepped ahead of this change, recognizing the firm needed to evolve its traditional partner program into strategic ecosystem management. Higgins and Little noted that in these early days of changes to the firm's partnering ecosystem, they fully expect that "what we're doing now will be different in two years," as the partners within the ecosystem adjust to open architectures, emerging technologies, changing business models, and new ways of measuring the benefits of different alliance structures and commercial arrangements. They added that EY's partner ecosystems include core technology partnerships, with SAP (NYSE: SAP) and Microsoft (Nasdaq: MSFT), for example, but also nonformal alliance partners, such as academia, startups and gig workforces. Examples include the Harvard Executive Development Program for EY SAP executives; the Vector Institute, which is a new independent research facility for AI; the INSEAD Institute in France, which provides quantitative analytics; and MIT's computer science and AI Program, among others. In addition, EY supports and collaborates with startups through various initiatives and across different sectors to deliver capabilities to its clients. Higgins' and Little's comments echoed TBR's *March 2020 Digital Transformation Insights Report: Cross Vendor*, which included the following: "Partners must account for buyers' changing expectations, and aligning their own value proposition with SAP's around certified talent, new KPIs and governance of the relationship will help them navigate market dynamics. With cloud accelerating expectations in terms of performance and productivity, partners need to avoid branching out too far from their own core competencies and embrace a separation-of-power mindset to ensure quality and standardized service delivery. While industry specialization continues to provide a strong use case, especially for SAP's consulting partners, the development of prepackaged solutions will compel partners to apply a cross-industry approach and act as solution brokers to expand their addressable markets."

TBR believes EY's elevation of ecosystems to a strategic priority fits well with the prevailing trends across the consulting and IT services space. For EY, the challenge will come with implementing changes, such as offering a more holistic, 360-degree relationship assessment of each ecosystem player. To ensure success, EY, must guarantee internal stakeholders are all aligned in terms of vision, financial resources and standardized process delivery. To proactively manage its ecosystem, EY is investing leadership attention in technology partner selection as well as consistently revisiting the true total value the firm gains from its alliances. Higgins mentioned one example to show the ecosystem strategy is broader and more meaningful to EY's performance than in previous years. In December 2019, EY launched a pilot program, STEM Tribe Platform, around helping girls ages 13 to 18 build STEM careers, an effort Higgins said was both important to society and an "important exercise of ecosystem muscle." In TBR's view, fully embracing change in the partnering ecosystem, to include creative co-investing and innovation, marks a significant shift for EY as it becomes more of a technology firm and more of a player across the full consulting, IT services and digital transformation ecosystem. Additionally, EY's ecosystem will likely expand beyond the technology vendors and into service delivery. While the firm tries to build a name for itself on the managed services side, when it comes to scale and support of large transformational programs, EY will likely accelerate and deepen its relationship or even in some cases form new partnerships with vendors that have more robust offerings on the services supply side. Self-accountability and executing on mutually agreed-upon frameworks will be a must for the success of such relationships, further increasing the need for greater collaboration in the presales cycle.

EVERY ENGAGEMENT A TECHNOLOGY ENGAGEMENT

TBR has written extensively on shifts within the technology practices of the Big Four consultancies and even their biggest competitor, Accenture. We expect 2020, despite the COVID-19 pandemic and subsequent economic fallout, to



be a transition year for all of these firms and many of their technology-centric rivals as every IT services vendor and consultancy adjusts to new pressures around partnering, increased client demand for outcomes-based commercial arrangements, and the expectation that every services engagement will be a technology engagement. EY has rapidly evolved its technology consulting practice and its overall value to clients around emerging technologies and is now addressing scale, standardization of quality across the globe, and sustained investments in innovation and the ecosystem through its common global strategy and practice architecture. EY is also accelerating the growth and alignment of its global practice through multiregional growth platforms that will manage the recruitment, deployment and optimization of skills across the business. As TBR noted in our Fall 2019 Management Consulting Profile: PwC, “EY’s approach to technology within its Managed Services business aligns with the firm’s overall push into the technology domain; supports its business-first, technology-second go-to-market strategy; and helps accelerate adoption using its wavespaces.” While EY has continued to invest and expand its technology capabilities, it also respects the value of placing humans at the center of their own transformation – considering how technology and data unlocks human potential and accelerates value to clients, employees and society.

COVID-19 will present challenges around talent management, too, especially as EY tries to address opportunities at scale. TBR agrees with Higgins’ view that “talent management is like electricity on a grid,” which will help the firm carefully examine any gaps in skills, scale and service quality to come out even stronger post-COVID-19 and be better prepared to weather future storms. EY’s multidimensional hiring avenues, including the firm engaging retired executives who have lived through large-scale transformation programs as well as leveraging data science crowdsourcing platforms, provide it with access to a flexible, pre-certified, vetted workforce that can further EY’s efforts to support its technology-wrapped business discussion.

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