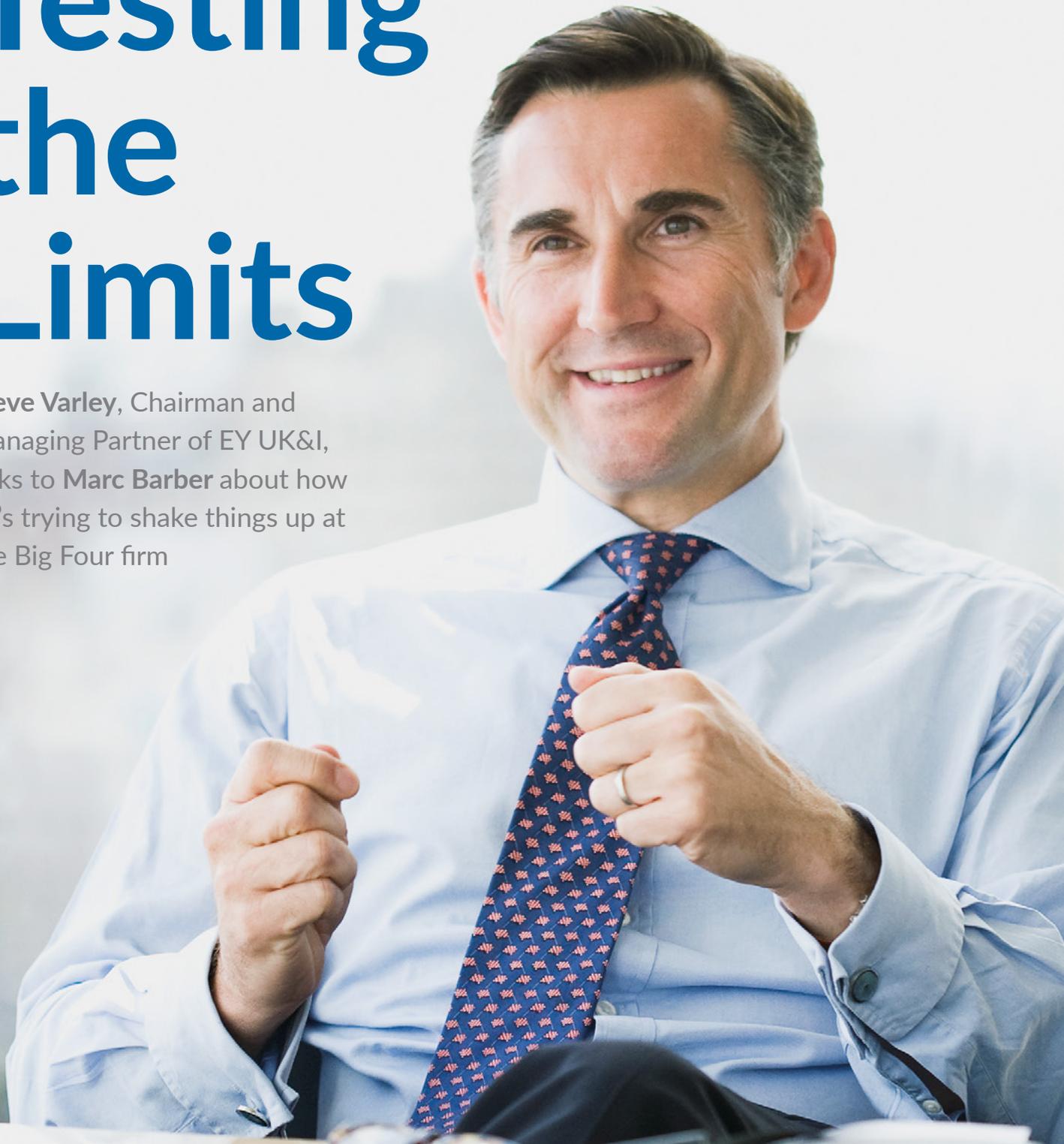


Testing the Limits

Steve Varley, Chairman and
Managing Partner of EY UK&I,
talks to **Marc Barber** about how
he's trying to shake things up at
the Big Four firm





Some might relax and bask in the glory of completing an ironman distance triathlon. Not **Steve Varley**, Chairman and Managing Partner for the UK&I at professional services firm EY.

After competing in the ultimate endurance test for triathletes, which entails swimming for 2.4 miles, riding a bike for 112 miles and then running a marathon, Steve went to work on the Monday morning and celebrated only by ordering a steak for lunch. "I didn't actually have anything else, just a steak, as my body needed the protein," he recalls.

The 47-year old Yorkshireman is equally measured when discussing the firm's strong performance. "We'll keep looking to grow our existing services in a balanced portfolio but will expand through new services too," he says from an office in EY's glass-walled HQ by London Bridge.

He could be forgiven for getting carried away. The UK division of the global firm posted a strong set of results for its most recent year end, seeing overall revenue grow by 8 per cent to exceed £2 billion.

“We’ve seen a record number of audit tenders”

Transaction advisory services rose by 12.1 per cent to £324 million and tax also saw double-digit growth of 10 per cent to £517 million. Assurance services climbed 6.4 per cent to £585 million (see chart), driven in part by some significant audit wins, including The Co-operative Bank, BBC and the London Stock Exchange.

Further growth is expected next year from the recent wins of Royal Dutch Shell and RBS, among others. The advisory side of the firm also rose 4.5 per cent to £584 million.

A significant part of the growth in assurance, Steve explains, relates to the European Audit reforms, which come into effect from June 2016. "We've seen a record number of audit tenders. In the FTSE 50 and upwards, they're very focused on it," he says.

It's been slower among the FTSE 250 and Public Interest Entities (PIEs) but, according to Steve, activity is starting to pick up. As the deadline looms closer, boards are appreciating the realities of the EU's recommendations.

The reforms, which redefine the rules of engagement between the audit committee, auditor and other professional service providers, are also accelerating growth in EY's non-assurance service lines. "People tend to focus on the idea of mandatory auditor rotation, but an equally dramatic part of that regulatory change is the services you can no longer buy from your auditor," he explains. "A lot of our tax services derive from CFOs... now looking at different providers outside of their auditor."

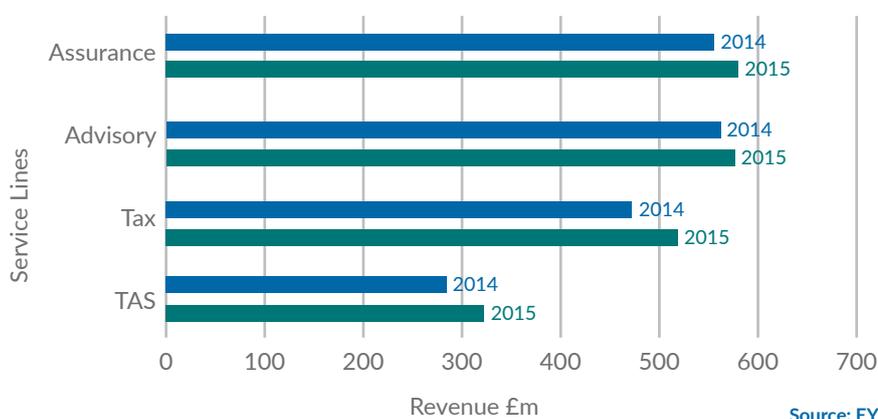
Glass Half Full

Steve took the helm at EY UK&I during the economic doldrums of 2011. He says one of the first big conversations with the board was around making the decision to invest back into the business. "It was a brave call but we knew that, if we did it right, we would be able to accelerate when the good times returned," he comments.

Without giving an exact figure (he estimates "tens of millions" of pounds), the investment in IT, offices, client-facing tools and talent, appears to be paying off. Over 4,500 people were recruited last year, bringing the total number of employees to approximately 14,000.

Of the record 95 equity partners admitted this year (2014: 68), 28 were women and ten from black and minority ethnic backgrounds. In a bid to improve diversity and move away >

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from the 'male, pale and stale' image of professional services, the firm has also decided to remove qualifications from the application criteria for 2016 graduates, undergraduate and school leaver programmes. Instead, EY will use a suite of online 'strength' assessments and numerical tests to assess the potential of applicants for 2016.

"It's too early to tell what impact it's having as the acid test will be in a few years' time, but we want to show we're expansive and encouraging social mobility," he says.

There have been acquisitions too, such as the digital consultancy Seren. It's new territory for the firm and one that Steve is keen to grow and invest in. Seren will remain in its Shoreditch offices and the two founders of the company are staying on as EY equity Partners. "It's a different business for us; I don't think it's always appropriate to slot an acquisition into your own," he comments. "I see Seren as an [opportunity] to change our culture, rather than us swamping [them]."

Steve is optimistic about the wider business environment, noting that he recently spoke at an event with Iñigo Fernández de Mesa, Secretary of state

“ We want to show we’re expansive and encouraging social mobility ”

for economic and business affairs for Spain, who said that the country now has annualised GDP of close to 4 per cent.

"Isn't that fantastic?" asks Steve. "That's great for the Euro, the Eurozone and the UK as we still have 50 per cent of our exports going into Europe. If the Eurozone starts to recover, that could further drive UK growth as well."

The strength of most corporate balance sheets is also a reason to be positive. He predicts that there will continue to be mergers and acquisitions "at all levels of the market, across all sectors", as boards look for ways to drive growth.

Steve acknowledges that a revival of economic fortunes is by no means guaranteed and businesses aren't helped

by political uncertainty, as can be seen with the EU referendum in 2017: "As the various campaign groups pick up momentum, I worry about the impact on confidence, which includes those considering investment in the UK."

From EY's perspective, one of its targets as a global firm is to be a \$50 billion business within the next five years (recent year-end figures show growth of 11.6 per cent to just over \$28 billion, see chart). According to Steve, the challenge for him and his senior leadership team in the UK&I arm lies in maintaining organic growth while identifying those all-important new services – as shown by the move into digital and the introduction of legal services.

"We can't just increase the number of people we have and grow in a straight line," he says. "It's about being innovative [with] our business model."

So far, he appears to be on track. ■



Steve Varley
Chairman & Managing Partner, UK&I
EY

Steve joined the firm in 2005 and has over 22 years of client and consulting business experience in various sectors including pharmaceuticals, oil & gas and public services. In January 2014, Steve was appointed as Business Ambassador for the professional services industry by the UK Government. He is also a member of the 30% Club and an active supporter and speaker on diversity and inclusiveness.

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www.criticaleye.com

EY Global - Growth within Geographic Areas Compared to FY 2014

