

Enhancing Employability & Employment

Executive Summary

Change is a ubiquitous phenomenon which has become prominent and pervasive in most of the organizations. The study will deal with the existing issues faced by Ernst & Young at different stages and their impact on the society. The author of the study has also proposed various theoretical models to curb down these issues. The theoretical models provided would not only remove the barriers but also act as a catalyst in the improvement in the productivity of the organizations. The utilization of the exploratory research methods has been helpful in understanding the current accounting and taxation practices within Ernst & Young. The derived information from the exploratory research suggests that compliance with legal requirement and accounting standards not only improves the existing system within Ernst & Young but also helps them in devising strategies meant for community and societal development. The main aim of the hard and soft system models as solutions for Ernst & Young would help in the removal of the existing functional and non-functional barriers for the improvement and efficiency in the accounting system and also the achievement of the goals and objectives. Covert, overt dimensions, hard and soft systems would help in identification of taxation and accounting errors and also the delay causing the timely delivery of projects. On the other hand, the Weisbord Six Box Model would facilitate both the running the existing system, design of constructive organizational structure and enhancing the work climate.

Table of Contents

Executive Summary	2
Introduction.....	4
Outline of Research used for Ernst & Young	4
Diagnosis of Internal Issues Faced by Ernst & Young	5
Diagnosis of External Issues Faced by Ernst & Young	8
SWOT Analysis	10
Analysis of Issues faced by Ernst & Young	11
Recommendations of Change Management Strategy	12
Overt Dimension of Organizational change	13
Covert Dimension of Organizational change.....	13
Hard and Soft Systems.....	13
Justification of Change Management Intervention Techniques.....	14
Reference List	16

Introduction

Ernst & Young, a multinational professional service provider with its headquarters in London, United Kingdom, is regarded as the world's third largest professional service provider. It is also one of the largest accounting firms in the present scenario. The company operates in more than one-fifty countries with more than seven hundred offices in the world and employs more than one hundred and seventy-five thousands employees (Ernst & Young, 2013a). The prime objective of the organization revolves around providing audit, tax, legal and advisory services to the leading organizations. The company caters to advisory, tax, assurance and information related to financial and accounting transactions. The research was conducted on this organization to help the users to understand the functionality of this firm which aims and does excel in their accounting and professional services. The management concepts along with the issues related to the organization will be highlighted. Presently, the external and internal strategic issues faced by Ernst & Young along with the appropriate solutions would be provided by the author in the following study. Finally, the study would conclude with recommendations which can help in curbing down the current strategic issues faced by Ernst & Young and aid the betterment of the existing systems.

Outline of Research used for Ernst & Young

Exploratory research is conducted for identification of a problem that has not been clearly identified and recognized. It is regarded as one of the research data collection methods based on secondary data available through print, media, articles and interview with the respondents. The entire purpose of explorative research would be to precede a formal research through the

availability of large and small data. It also helps the researcher to provide information through conducted surveys and experimental methods (Appelbaum et al., 2012).

This is used to develop possible list of causes and help in uncovering possible avenues and assisting decision maker in reaching the goals and objectives. It involves the use of focus group method. This method helps in identification of key variable and issues and the outcome is used for better system of measurement for a particular variable. It also helps in providing an accurate description of the observations of the phenomenon. However, the method has several limitations like it is a very expensive method which requires researcher to spend money on several data instruments. Without these instruments the researcher would not be able to address the question of the research in tactful and accurate manner (Armenakis and Bedeian, 1999). The quantitative data used in this approach would be generalized and the calculation of the margin would be inherent. This would make the entire approach similar to casual research methods. In this context, exploratory research method was used to determine the process variable in the auditing process functions of the Ernst & Young and how the researcher would use identify and understand the casual errors.

Diagnosis of Internal Issues Faced by Ernst & Young

Being an internal auditor, it is compulsory to study the existing global environment and track the situation through different innovative techniques and diversified talented workforce. The service provider often needs to monitor the performance of the companies by examining the internal and external financial environment (Beer and Nohria, 2000). Presently, leading organizations are highly dependent on the audit companies like Ernst & Young, KPMG etc. The companies have

been performing various functions which demands intensive monitoring and a thorough research of the professional service provider, who would guide the management of the organization to achieve the goals and objectives. However, the firm faces several problems in conducting the research on internal tax and audit function for other leading organizations. The different kinds of problems faced by the organization would be as follows:

Organizational Culture: The organizational culture largely encompasses the employee behaviour and attitude which originates from their respective role and designation (French, 2005). In Ernst & Young, the organizational culture largely depends upon the responsibilities of the employees from different departments (Garvin and Roberto, 2005). As per the latest annual report of Ernst & Young the company has proposed to the supervisory board including member of politicians, organizational community, regulators and other stakeholders to separate its audit and advisory sections (Ernst & Young, 2013c). As per the management this would create high audit rotation facilities and would also help in preparation of high transparency report. This again makes it difficult for the employees to achieve the overall organizational goals and objectives which are set for them. In departments of tax and internal audit, the goals and targets are different enough to affect the achievement of the overall organizational goals and objectives. The overall organizational goals aim at improving the quality of the work from the employees. This is almost impossible because the goals, policies and work atmosphere differ widely in each of the departments (Huy, 2001). This affects the organization culture to a large extent where some of the employees from varying departments may have different work system to abide by. This naturally may affect the output produced by the organization (Beer, Eisenstat and Spector, 1990).

Auditing Process: In March 2013, Ernst & Young decided to pay the government tax amount of \$123 million for unethical conduct in accounting practices during the tenure 1999 to 2004. The company was accused for not complying with the accounting standards developed by International Financial Reporting Standard (IFRS) and International Accounting Standard Board (IASB) and eventually in performing accounting activities for Enron and Lehman Brothers. This is because the company failed to adhere to the accounting standards and develop a strong financial framework within the system (Paton and McCalman, 2008). Presently, the accounting process is challenged due to its accounting discrepancies and the company has lost several of its important clients from the oil and gas sector (Ernst & Young, 2013c). This is mainly due to the fact that the image of the company has tarnished to a large extent. The risk register of the company is yet to be updated by the risk forum. Presently, the major clients of the company form the popular companies of the Small and Medium Enterprise Section. There have been several instances when the accounting, auditing and tax process has been challenged. This occurs in case of a major mismatch in the auditing, tendering and audit rotation activities. Such instances also occur due to mismatches between the audits conducted by the internal and external auditor. These are also known as the gaps in the accounting activities. Most of the time the internal auditor conducts the auditing functions with certain specificities with relevance to the internal and external department users (Ready, Conger and Hill, 2010). This boosts both employee and user confidence. The percentage maintained in Ernst & Young has always been 46 to 48 percent (Ready, Conger and Hill, 2010). These discrepancies found by the external auditor leads to re-tendering of the process and also a detailed financial report to the management for their

overview. Thus, even a leading auditing firm like Ernst & Young requires balance of judgment, transparency and regulation.

Ethical Program & Culture: Sustainment of ethical program and culture in Ernst & Young is extremely difficult for the employees of the company because of the differing policies in each and every ethical housing program. This ethical housing program is a four year process which is almost synonymous to the American Ethical Program (Redmond, 2010). There are two issues that Ernst & Young faces within its system regarding the ethical programs. Firstly, the management of the company keeps on modifying the core ethical policies of the programs which form the basis of the ethical programs. This not only leads to confusion among managerial decision making but also leads to confusion among the existing and novice employees. Secondly, the ethical values differ from employee to employee. The management does not understand that the attitude towards executing the accounting and taxation activities cannot be generalized. This has created ethical dilemma within the organization (Staniforth, 1996).

Diagnosis of External Issues Faced by Ernst & Young

The Kotter 8 Step Change Model helps in implementing change carefully and successfully within the system. This model serves the purpose of the guide for the managers to implement minuscule and huge changes within the organizational system. The steps in the model would help Ernst & Young at different managerial stages for the enhancement in the systems.

- **To create a sense of urgency:** To identify the potential threats and also develop certain scenarios which could occur in the future. The management of Ernst & Young could use the accounting standards as a base to measure the accounting discrepancies. Different

types of scenario could be developed in Ernst & Young which would intimate the management about varied errors in the accounting, taxation process.

- **Forming Powerful Coalition:** After the management has identified several discrepancies within the accounting and taxation system and sought a strategy which has the potentiality of reduction of errors. The management needs to make strong alliance with the employees and then convince them about the upcoming change. In Ernst & Young the management needs to develop their own accounting standards which are based on the frequent occurrences of the errors occurring in the accounting process (Stebbing and Braganza, 2009).
- **Creation of Vision of Change:** The values revolving around the change would be identified and the different concepts and ideas would be selected from a pool of general ideas. A training program needs to be conducted in Ernst & Young which would highlight the required changes to be introduced in the company. A short summary of these ideas would be captured and highlighted in the course of training program.
- **Communication of Vision:** The selected changing technique would welcome several opposition and receive strong competition. The management of Ernst & Young needs to look after the advantages and disadvantages of the technique. These would also be considered while implementing the program (Armenakis and Harris, 2009).
- **Removal of Obstacles:** The feasibility of the selected changing techniques would be evaluated and the feasibility test would be conducted to understand the possibility of the success of the techniques.

- **Create Short Term Win:** A short term time frame would be developed to understand the outcome of the change within the change process. The short term time frame would include the monthly, weekly and yearly changes along with the creation of short term and long term goals.
- **Build on the Change:** This is a crucial stage where there are high chances of failed projects because the success of the projects is estimated too early. Ernst & Young should carefully decide upon the success of the time frame but not declare the success of the goals without it being accomplished.
- **Anchor the Changes within the Corporate Culture:** After the advantages and disadvantages of the selected marketing plan have been carefully sought the changes should be implemented within the system.

SWOT Analysis

The strength, weakness, opportunity and threats faced by Ernst & Young would be conducted to understand the present strategic position of the company.

Strength

- It is ranked as the 8th largest private company by Forbes in United States (Ernst & Young, 2013a).
- The company provides accounting and taxation services to companies to more than 140 countries.
- The company has a diverse workforce which is considered as one the best talent pools.

Weakness

- It faces stiff competition from leading companies like Price Water House Coopers and KPMG

Opportunity

- The demand of accounting and taxation has been increasing in the developing economies
- The company invests considerable amount of money in different initiative programs in order to improve the auditing and taxations services. Presently, the company has invested \$1.5 billion annually in the Clinton Global Initiative for the welfare of 15000 women entrepreneurs outside United States of America. The company has received several rewards from the US government for taking up several initiatives and continues to garner attention for its development of programs, policies and procedures ((Ernst &Young, 2013b).

Threats

- The present economic slowdown has affected the business of Ernst& Young to a small extent. This may have the potentiality of aggravating in the future.

Analysis of Issues faced by Ernst & Young

The management should focus on the Business Improvement Procedure (BIP) which is defined as the critical analysis of the radical redesign of the existing processes to accomplish goals and objectives of the organization. It is one of the quality management procedures which focuses on

the development of several initiatives and lays emphasis on further improvement in the existing process and systems. It refers to the issues which help the organization to adapt to the changing marketing environment and curbing down several strategic, structural and other changes related issues (Tushman and O'Reilly, 1996). The overall BPI management system would help in the development of the organizational vision and objectives like cost reduction, output quality requirement and time reduction. This procedure brings up the development and betterment of the processes at different stages to increase the whole outcome along with the improvement in the quality of the systems. This process would help the management to systematically implement the sustainability accounting techniques within a particular time frame (Waterman Jr, Peters and Phillips, 1980). Sustainability accounting techniques would help the employees of Ernst & Young to achieve the goals of the organization in an ethical manner (Tushman and O'Reilly, 1996). Sustainability accounting system ensures that along with attainment of goals the organization also focuses on the community and societal development. The implemented policies would guide the employees and help in the removal of any sort of ethical dilemma.

Recommendations of Change Management Strategy

Change management technique would help the management of Ernst & Young to adapt to the changing marketing environment (Weick and Quinn, 1999). Along with these techniques, the change management strategies help in the effective marketing of goods and service and purchasing decision (Whiddet and Hollyforde, 2003). To address the complexities in the auditing process, organization culture and development of effective ethical program policies in the system, the management needs to adopt the following techniques.

Overt Dimension of Organizational change: The open process of management primarily focuses on the development of strategies which have the potentiality to curb down the risks estimated by the management, in a systematic manner. The management of Ernst & Young would use this method to develop an acceptable, reasonable and legitimate organizational framework which will help in the development of a constructive organizational structure. This strategy would help the management of Ernst & Young to develop an operational system which would check and track the project and help in systematic arrangement of the projects in the database (Tichy, Hornstein and Hornstein, 1976).

Covert Dimension of Organizational change: Covert organizational techniques lay emphasis on the development of the strategies catering to the unplanned changes which are not considered by the management while formulating the company policies and procedures. This strategy will basically direct the management of Ernst & Young to adopt new process or systems for improvement in the existing accounting systems. It would also focus on the improvement in the design of an organizational structure, creation of compensation scheme and outsourcing of functions. The covert behaviour of the Ernst & Young would concentrate on planning endeavours for the change in the marketing and political environment. This strategy would be chosen in Ernst & Young to cut down the unsystematic and unplanned financial, marketing and legal risks faced by the organization.

Hard and Soft Systems: The hard and soft system is an integral part of the organization and help in the improvement of the existing systems. The hard system includes the rigid techniques and methods which provide unambiguous technological solution along with well defined and

processed data. In Ernst & Young, this hard system would focus on the implementation of different types of technological modes which have the potential to enhance the production and operational system. An integral and well defined part of Ernst & Young is the Enterprise Resource Planning (ERP) systems which would help in the balancing of the technical system as well as the organizational culture. The ERP needs to be adjusted as per the settings for the employees to meet the targets regularly. The Standard Operating Procedure (SOP) helps in the act of imparting of effective training to all the employees. The hard and soft systems would help in the process of systematic synchronization of techniques within the organization. This strategy would ensure the timely delivery of the completed accounting and taxation projects to their respective destination and also monitoring the quality of the end results of the accounting and taxation projects.

Justification of Change Management Intervention Techniques

Weisbord Six Box Model proposed in the year 1976 laid emphasis on the six categories on the organizational life which lays emphasis on the structures, relationships, rewards, helpful mechanism and leadership skills. This would require the management of Ernst & Young to associate extrinsic and intrinsic rewards with the work of the subordinates. This would enhance the performance of the individual and the overall team and also help in the development of the relationship network which would require the multi skilled team members to work together towards a unified and shared goal. The management needs to invest certain amount of money and skills in the program and also certain ideas which would help in the fulfilment of the mission and objectives of the organization. It would be crucial in understanding the pattern of the functionality of the formal and informal systems. This model would be necessary for the

development of the formal and informal systems. Ernst & Young would require this model for the implementation of different technological solutions which would help in the development of the overall technical systems.

The Human Resource (HR) department of Ernst & Young would be endowed with the responsibility of implementing the change management techniques and also provide technical expertise for the implementation rules, policies and regulations. The strategy analysis team and HR department would conduct extensive research about the global policies which would act as a benchmark and help in the accomplishment of goals and policies. The change management techniques are of paramount importance to Ernst & Young as it will help them to comply with existing accounting standards and also develop strategies which lay equal importance to the changing marketing environment.

Reference List

Appelbaum, S.H., Habashy, S., Malo, J.L. and Shafiq, H., 2012. Back to the future: Revisiting Kotter's 1996 change model. *Journal of Management Development*, 31(8), pp. 764-782.

Armenakis, A.A. and Bedeian, A.G., 1999. Organizational change: A review of theory and research in the 1990s. *Journal of Management*, 25(3), pp. 293-315.

Armenakis, A.A. and Harris, S. G., 2009. Reflections: Our journey in organizational change research and practice. *Journal of Change Management*, 9(2), pp. 127-142.

Beer, M. and Nohria, N., 2000. Reflections: Cracking the code of change. *Harvard Business Review*, pp. 133-141.

Beer, M., Eisenstat, R. A. and Spector, B., 1990. Why change programs don't produce change. *Harvard Business Review*, pp. 158-166.

Ernst &Young, 2013a. *Home*. [online] Available at: <<http://www.ey.com/IN/en/Home>> [Accessed 21 October 2013].

Ernst &Young, 2013b. *EY proudly supports groundbreaking Clinton Global Initiative commitment to develop and advance women-owned businesses*. [online] Available at: <http://www.ey.com/GL/en/Newsroom/News-releases/News_EY-proudly-supports-groundbreaking-Clinton-Global-Initiative> [Accessed 21 October 2013].

Ernst &Young, 2013c. *Annual Report 2012*. [online] Available at: <[http://www.ey.com/Publication/vwLUAssets/Jaarverslag_-_2011-2012/\\$FILE/Annual%20Review%20-%202011-2012.pdf](http://www.ey.com/Publication/vwLUAssets/Jaarverslag_-_2011-2012/$FILE/Annual%20Review%20-%202011-2012.pdf)> [Accessed 21 October 2013].

French, W., 2005. *Organization development and transformation: Managing effective change*. Noida: McGraw-Hill

Garvin, D. A. and Roberto, M. A., 2005. Change through persuasion. *Harvard Business Review* pp. 104-122.

Huy, Q. N., 2001. In praise of middle managers. *Harvard Business Review*, 79(8), pp. 72-79.

Paton, R.A. and McCalman, J., 2008. *Change Management: A Guide to Effective Implementation*. London: SAGE

Ready, A. D., Conger, A. J. and Hill, A. L., 2010. Are you a high potential? *Harvard Business Review*, 88(6), pp.78-84.

Redmond, P., 2010. *The Graduate Jobs Formula: How to land your dream career*, Richmond: Trotman.

Staniforth, D., 1996. Understanding levers for organizational change: The case of AB Ltd. *Management Decision*, 34(10), pp.50-55

Stebbing, H. and Braganza, A., 2009. Exploring continuous organizational transformation: Morphing through network interdependence. *Journal of Change Management*, 9(1), pp.27-48.

Tichy, N. M., Hornstein, H. and Nisberg, J. N., 1976. Participative organization diagnosis and intervention strategies: Developing emergent pragmatic theories of change. *Academy of Management Review*, 1(2), pp.109-120.

Tushman, M. L. and O'Reilly, C. A., 1996. Ambidextrous organizations: Managing evolutionary and revolutionary change. *California Management Review*, 38(4), pp. 8-30.

Waterman Jr, R. H., Peters, T. J. and Phillips, J. R., 1980. Structure is not organization. *Business Horizons*, 23(3), pp. 14-26.

Weick, K. E. and Quinn, R. E., 1999. Organizational change and development. *Annual Review of Psychology*, 50(1), pp. 361-386.

Whiddet, S. and Hollyforde, S., 2003. *A Practical Guide to Competencies: How to enhance individual and organisational performance*. London: CIPD