

PRWEEK

NEWS

ANALYSIS: Client Profile - Opening up the books on Ernst & Young PR. As the leading accounting firms come under closer media scrutiny, PR has become more important than ever for the traditionally tight-lipped Big Five. Craig McGuire does a PR audit

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This was partly spurred on when Ernst & Young became the first of the 'Big Five' accounting giants to shed its consultancy business in March of this year. E&Y sold the business to French IT giant Cap Gemini for dollars 11 billion, mainly to appease suspicious regulators who are constantly waving red flags over alleged conflicts of interest between their auditing and consulting practices.

In Washington, DC late last month, E&Y rivals KPMG, Arthur Andersen and Deloitte & Touche denounced an SEC proposal that would restrict the types of consulting work that firms can provide for the companies they audit.

Although the firms maintained that there are no proven cases where an audit has been compromised by other relationships with a client, the SEC wants to remove even the perception of shady behavior.

All of the Big Five (which also includes PricewaterhouseCoopers) have either sold, plan to sell or are expected to sell their consulting practices at some point. Just two weeks before E&Y announced its deal with Cap Gemini in early March, PricewaterhouseCoopers disclosed its own plans to separate its consulting arm from its audit business. KPMG is reportedly mulling a divestiture as well.

When word got out about the dollars 11 billion deal, the traditionally tight-lipped E&Y PR team had no choice but to meet the media head-on. 'I suspect that the story of this deal broke before either (E&Y or Cap Gemini) wanted it to,' says Financial Times reporter Adrian Michaels. 'So, given that they were caught by surprise, they acted very well and gave a very good rationale behind the deal.'

Defying the 'no comment' culture

The navigation of the treacherous media waters was no doubt aided by the department's retooling last year. To spearhead E&Y's PR overhaul, last June the company recruited PR industry veteran Larry Parnell as its new director of PR. Parnell says E&Y realized the importance of keeping pace with the changing times. 'Historically, firms did not comment and just took their lumps,' he says. 'But 'no comment' doesn't work anymore. What used to be a word-of-mouth referral business is now more marketing, and PR is a big part of that.'

'The story was always there,' says PepperCom managing director Steve Cody. 'They just need someone like Larry to tell it.' E&Y used PepperCom prior to Parnell's arrival, giving Cody a front-row seat in the early stages of the revamp.

E&Y's North American internal PR machine is structured like an external agency based on an account team service model. There is one senior professional responsible for each practice area - tax, audit and corporate finance - and support staff for each practice.

The support staff includes eight pros based in New York and regional PR pros planted in all major markets throughout the US and Canada. E&Y earmarks well over dollars 1 million annually to support these internal operations.

This structure, however, is not without its problems. 'Each practice area is basically a business unto itself with multiple CEOs running around,' says PepperCom's Cody. 'So now you've got multiple masters to report to, which is challenging.' Parnell calls Cody's assessment 'fair,' adding, 'It is a challenge in that you do not have the same organizational structure or 'leverage' that you have in a public company. There is a chairman, but most partners consider themselves leaders as well, and there's no stock price to protect and enhance with communications. If you are not careful, this can lead to communications inertia.'

After getting its own house in order, E&Y next turned to its external PR agencies. At the time of the sale, E&Y dismissed The Weber Group and handed its dollars 1.5 million PR account to Hill & Knowlton. Weber sibling Golin/Harris was the lead agency on the Cap Gemini deal, with assistance from Weber.

While Weber, with its strong tech and Internet expertise, will continue to work for the dollars 4 billion consulting unit under Cap Gemini, the Boston-based agency wasn't even considered for E&Y's business.

H&K now handles corporate positioning and media relations for E&Y's three core groups in North America. Parnell says H&K could eventually get the opportunity to handle some of E&Y's attractive international business as well. 'Today it's just the North American business,' says H&K senior MD Anne Wright. 'Larry Parnell takes the right approach and hasn't put an edict that (other regions) must work with H&K.'

Benchmarking

As privately held companies, the Big Five simply never really had much of an incentive to actively pursue media coverage. 'Privately held companies just do not have the culture of communicating news or the communications experts who are willing to engage the media,' says the FT's Michaels.

'But within that culture, Ernst & Young is probably the most active.'

But Ernst & Young has been more concerned with benchmarking against its rivals. 'Ernst & Young sees (Arthur) Andersen as the 800-pound gorilla from a corporate communications and media relations standpoint,' says Cody. 'Then there's also PricewaterhouseCoopers. Those are the two benchmarks they hold themselves to.'

In an effort to gauge its media outreach efforts, E&Y recently commissioned a study from Delahaye/Medialink that surveyed 33 internal clients and 34 reporters from outlets including The New York Times, USA Today, Business Week, Fortune, Forbes, Investor's Business Daily and the Associated Press.

'Interestingly enough, we were regarded very highly by the business and trade publications as one of the most responsive of the Big Five,' says Parnell. 'Internally, though, we didn't fare as well, so the standards and expectations inside are higher.'

The future (and the fraud)

Looking ahead, the biggest challenge for E&Y's PR pros is to further develop the global brand - promoting new programs such as E&Y's Online Tax Advisor service to 13 countries worldwide. Then there's the sponsorship of events. The company co-sponsors the 'Entrepreneur of the Year' awards with CNNfn, whose show Entrepreneurs Only is in turn co-financed by E&Y.

But just as important, says Parnell, is drawing public attention to the company's expertise. 'There are key issues we really want to comment on and want to be known for,' he says.

One thing E&Y pros don't want to talk about, however, is an ongoing suit with Cedant. In a court filing, Cedant contends E&Y knew of widespread fraud at CUC International, a predecessor of Cedant, by 1997, and did not act. E&Y countered it was the fault of Cedant's current CEO, Henry Silverman.

Also complicating things is news that E&Y chairman and CEO Philip Laskawy plans to step down in July 2001. Richard Bobrow, currently the firm's senior vice chairman for assurance and advisory services, corporate finance and tax, has been named as Laskawy's successor. 'We're working with his successor on identifying issues and platforms for him personally,' adds Parnell. 'The industry is changing and we're changing, which just means our PR needed to change.'

ERNST & YOUNG

PR chief: Larry Parnell, director of PR

Associate directors: Ken Kerrigan (tax), Les Zuke (audit/firmwide), Keith Hark (corporate finance/industry groups)

PR staff: 30 in North America, 30 more worldwide

PR budget: dollars 2.5 million.