

EYU

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our people

ENGAGEMENT MANAGEMENT LIFECYCLE

Leading Practices



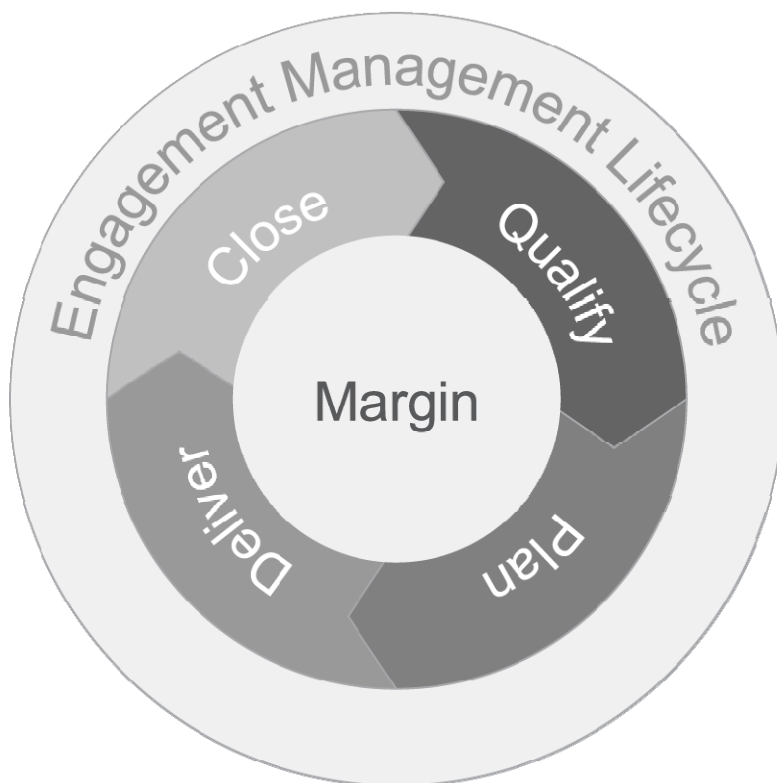
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Engagement Management Lifecycle

The Engagement Management Lifecycle is a multi-phased, full economic management process that enables EY engagement teams to optimize and protect margin and build stronger client relationships through a flexible and disciplined approach to service quality. This process results in fair and transparent fees for all of EY’s engagements. To achieve these objectives, engagement teams should actively manage all aspects of the engagement, including engagement economics. The phases of this management approach are Qualify, Plan, Deliver and Close and are relevant to all EY engagements. These four phases are supported by specific stages (process and leading practice activities). Engagement executives are responsible for the implementation of these stages and leading practice activities based upon the unique circumstances of each engagement.

The degree to which each stage will be implemented or used on any particular engagement will

depend upon several factors, which may influence an engagement team’s ability to achieve fair and transparent engagement economics. Some of these factors are the flexibility of the engagement’s pricing structure, complexity, level of effort and duration.



To the extent that these factors create risks the engagement’s goals may not be achieved, then it is recommended that the activities be closely followed. In a situation where an engagement executive feels a high level of confidence that engagement results will be achieved without a full implementation of the stages, then the executive may be more

selective in the implementation of the stages. For example, a large, more complex engagement lasting several months would most certainly call for implementing the stages in order to achieve the engagement objectives. On the other hand, an engagement that materializes on very short notice, includes a small engagement team and lasts just a few days may be able to achieve the engagement objectives without implementing all the stages.



On the following pages, stages and sub-stages denoted with this icon pertain specifically to engagement economics.

Phase 1: Qualify

During the Qualify phase, the partner negotiates the terms of the agreement.

Stage 1: Confirm alignment to EY strategy

1.1.1 Consult with local and global leadership

- ▶ Maintain awareness of EY strategy
- ▶ Be familiar with the EY Service Framework allowed services and EY SORT
- ▶ Consult with local and global service-line leadership, as necessary

Stage 2: Perform client acceptance

1.2.1 Conduct and document client acceptance procedures

- ▶ Perform client acceptance for new clients
- ▶ As required by trigger events, perform client continuance

Note: Consider Area/Region/country-specific guidance.

Stage 3: Perform engagement acceptance

1.3.1 Conduct and document engagement acceptance procedures

- ▶ Perform engagement acceptance for new engagements
- ▶ As required by trigger events, perform engagement continuance

Note: Consider Area/Region/country-specific guidance.

Stage 4: Initiate quality assurance program

1.4.1 Determine quality assurance roles

- ▶ Refer to service-line guidance to determine appropriate quality assurance roles

1.4.2 Define Service Quality for the pursuit/engagement

- ▶ Define Service Quality for the pursuit/engagement

1.4.3 Complete initial quality assurance procedures

- ▶ Refer to service-line guidance to determine appropriate quality assurance procedures

Stage 5: Perform planning



1.5.1 Confirm client issues, engagement objective/scope and expectations

- ▶ Meet with the client to confirm understanding gained to date
- ▶ Discuss known limitations on scope
- ▶ Confirm the engagement scope, approach and work products based on the client's requirements in the Engagement Agreement
- ▶ Scoping of an engagement is performed during the engagement pursuit, prior to the delivery of an engagement proposal or engagement agreement to the client. Defining the engagement scope is one of the most important activities to be performed during the planning stage of an engagement as it:
 - ▶ Identifies the work the engagement team plans to perform

- ▶ Clearly identifies client requirements regarding the nature of the work, roles and responsibilities; aspects of the engagement that are within our contracted services (and any specific exclusions); and the final work product (for example, a written report)
- ▶ Establishes criteria against which both the client and Ernst & Young can clearly assess when the engagement is complete
- ▶ Enables the team to determine the appropriate service toolkit(s) to be used
- ▶ Confirm and document the scope of the engagement considering the following:
 - ▶ Regulatory requirements
 - ▶ Professional standards
 - ▶ Client business processes, organization structure and operating locations
 - ▶ Duration of the engagement or estimated time planned for fieldwork
 - ▶ Work products to be delivered to the client
 - ▶ Administrative and travel costs

1.5.2 Understand stakeholder requirements

- ▶ Interview key engagement stakeholders to further understand their requirements and expectations, in terms of:
 - ▶ Communication protocols (approach, frequency, reporting of measures/benefits, etc.)
 - ▶ Obtaining information
 - ▶ Resolving issues
 - ▶ Protocols for client review and approval of work products
 - ▶ Client and engagement team roles and responsibilities
- ▶ Factor stakeholder requirements into communications plan (refer to Define communications protocols)

1.5.3 Define service delivery approach and work products/reports

- ▶ Confirm with the client the nature and timing of work products/reports defined in the engagement agreement
- ▶ Consider how each work product/report should be categorized, reviewed and documented

Note: Refer to Service Delivery Approach or applicable service toolkit(s) for additional guidance.

1.5.4 Define change management strategy

- ▶ Consider:
 - ▶ Business case for change in the client's environment
 - ▶ Impact of the proposed change on the client's business
 - ▶ Timescales, key milestones and communication requirements
 - ▶ Measures to monitor the effective implementation of change

1.5.5 Define anticipated benefits, including preliminary business case

- ▶ Define anticipated benefits, including preliminary business case, if applicable
- ▶ Define anticipated benefits, quantitative and/or qualitative, as applicable
- ▶ Record the anticipated benefits, and measures of success, in the client engagement charter (or equivalent) and/or benefit delivery plan
- ▶ Develop a preliminary business case, as appropriate

1.5.6 Identify EY and client team

- ▶ Confirm team is appropriately skilled
- ▶ Update engagement resource plan



- ▶ Agree on client resources to support engagement
- ▶ Agree on team member roles and responsibilities
- ▶ Refer to service toolkits for service-specific engagement plan considerations and templates

The engagement executive is required to identify and assign resources with appropriate competence, technical skill and knowledge needed for each engagement. The required competence may be sourced from another Area/Region, service line or through a contractor, but if the required skill sets cannot be found, Ernst & Young does not propose on or perform the engagement for the client.

1.5.7 Establish engagement risk management process

- ▶ Define process to identify and manage engagement risks from both internal and client perspectives, including our ability to deliver defined Exceptional Client Service
- ▶ Document the risk management process

1.5.8 Define communications protocols

- ▶ Define form, content and timing of internal EY team and external client communications

1.5.9 Develop timeline

- ▶ Determine the sequence of work in an order that will allow the engagement team to meet the engagement's objectives, using the scope, approach and supporting details as inputs
- ▶ Refer to service toolkits for service-specific engagement plan considerations and templates

1.5.10 Define engagement economics



- ▶ Define financial management approach
- ▶ Refer to service toolkits for service-specific engagement plan considerations and templates

Note: Refer to applicable service line and/or Area/Region/country-specific guidance.

1.5.11 Create engagement agreement and document planning

- ▶ Summarize results of planning activities for internal purposes, including key internal metrics
- ▶ Draft engagement agreement

Notes: Refer to service toolkits for service-specific engagement plan considerations and templates. Refer to service line and/or Area/Region/country-specific guidance for engagement agreements and databases for templates.

Stage 6: Prepare proposal

1.6.1 Prepare proposal aligned with Area and Region/country practice procedures, as applicable

- ▶ Develop and issue proposal to the client

Notes: This activity may not be required depending on the circumstances of the opportunity. Follow Area/Region practice procedures for proposals. Leverage service-specific materials.

Stage 7: Obtain signed engagement agreement

1.7.1 Finalize the draft engagement agreement

- ▶ Obtain required EY review and approvals on draft engagement agreement
- ▶ Submit draft to client
- ▶ Finalize negotiated terms and obtain client signature

Note: Refer to Area/Region/country-specific guidance for engagement agreements and databases for templates.

Phase 2: Plan

For many of our engagements, there may be an extended time period between negotiating the terms of an engagement and beginning the work. In those situations, engagement managers should reaffirm with the client and EY executives responsible for negotiating the engagement that the circumstances that were assumed in negotiating the engagement are still valid before beginning the work.

Stage 1: Update planning and prepare for engagement kickoff

2.1.1 Update planning

- ▶ The nature and extent of additional planning activities depends on updates required from planning conducted in the Qualify phase. This may vary depending on the nature of the engagement and is subject to the approval of the engagement executive. These stages may include:
 - ▶ Reaffirm service scope since final negotiations
 - ▶ Define issues that affect engagement terms
 - ▶ Reaffirm out-of-scope identification and communication protocols
 - ▶ Reaffirm fee and expense billing and collection information
- ▶ Refer to service toolkits for service-specific engagement plan considerations and templates

Notes: Refer to Area/Region/country-specific guidance for engagement agreements and databases for templates. Refer to area pricing tools and guidance.

2.1.2 Set up engagement economics

- ▶ Set up the engagement charge code(s) and coordinate the billing/collection schedule with the client and EY's finance organization
- ▶ Reaffirm detailed time and financial budget
 - ▶ Verify detailed time and financial budgets are consistent with service scope, objectives, approach and timing of engagement
 - ▶ Verify detailed time budget agrees with assigned engagement team

Note: Refer to Area/Region/country-specific guidance.

2.1.3 Complete client engagement charter

- ▶ Complete the client engagement charter to establish service quality requirements, including:
 - ▶ Engagement objectives, scope and approach
 - ▶ Anticipated benefits and related performance measures
 - ▶ Roles, responsibilities and key contacts
 - ▶ Communication, governance and other engagement protocols
 - ▶ Work products/reports including target delivery dates

Note: Refer to applicable service toolkit(s) for service-specific templates.

2.1.4 Orient the EY team

- ▶ Introduce the EY team to client's organization and to the engagement, including agreed-on engagement protocols, administration protocols, roles and responsibilities and performance expectations
- ▶ Create out-of-scope identification and communication protocols
- ▶ Establish expectations for charging time and expenses to the engagement

Stage 2: Conduct one or more quality assurance procedures

2.2.1 Complete QA assessment

- ▶ Refer to service-line quality assurance guidance

2.2.2 Update QA plan

- ▶ Refer to service-line quality assurance guidance

Phase 3: Deliver

In the Deliver phase, the engagement manager supervises budgeted versus actual project progress after work has begun.

Stage 1: Kick off engagement delivery

3.1.1 Launch engagement with EY team and client

- ▶ Engage with the client to launch the engagement via event/meeting and/or communication

Stage 2: Execute engagement plan and create work products

3.2.1 Execute engagement plan and create work products

- ▶ Execute the engagement in accordance with the Service Delivery Approach or applicable service toolkit(s)

Stage 3: Monitor engagement progress

3.3.1 Assess and report progress

- ▶ Assess and monitor actual versus planned progress of the engagement and forecast estimate to complete
- ▶ Identify, assess and document issues and risks and take appropriate action to mitigate
- ▶ Report progress to client and obtain agreement on status
- ▶ Address variances between planned and actual performance in terms of scope, time, financials and resources
- ▶ If corrective action requires a scope change, amend or issue a new engagement agreement and obtain client signature

Stage 4: Monitor financials

3.4.1 Periodically monitor actual time, expense to budget and expected actual time and expense and perform variance analysis

- ▶ Identify variances versus plan (budget to actual)
- ▶ Discuss reasons for variances with engagement management and the client
- ▶ Recommend corrective actions, including:
 - ▶ Changes to engagement staffing
 - ▶ Additional billings for out-of-scope services
 - ▶ Estimated realization percentage (ERP) changes
 - ▶ Establish new engagements

3.4.2 Conduct interim billings

- ▶ As required, submit invoices to client
- ▶ Manage margin and collection

Note: Refer to Area/Region/country-specific policies and practices.

Stage 5: Conduct one or more quality assurance procedures

3.5.1 Complete QA assessment if applicable

- ▶ Refer to service-line quality assurance guidance

3.5.2 Update QA plan

- ▶ Refer to service-line quality assurance guidance

3.5.3 Meet with client to assess delivery of Exceptional Client Service

- ▶ Meet with client stakeholders to assess status of delivery of Exceptional Client Service using service-line guidance

Stage 6: Execute change management strategy

3.6.1 Actively manage change management plans

- ▶ Key aspects of managing change include:
 - ▶ Assess readiness to change
 - ▶ Monitor implementation of change against defined timescales, milestones and measures
 - ▶ Effectively communicate change to key stakeholders
 - ▶ Execute the training strategy, if appropriate

Stage 7: Track benefits

3.7.1 Refine and enhance benefits

- ▶ Identify additional benefits that were not anticipated in the Plan phase
- ▶ Update the benefits statement in the client engagement charter and business case, as applicable
- ▶ Confirm alignment with the definition of Exceptional Client Service

3.7.2 Actively monitor realization of benefits

- ▶ Track the realization of benefits based on the performance measures agreed with the client and verify alignment with the definition of Exceptional Client Service

Stage 8: Finalize work products

3.8.1 Review, approve and issue work products

- ▶ Perform applicable review(s) of draft work products
- ▶ Distribute draft work products in accordance with agreed protocols
- ▶ Meet with client to discuss work products and agree on content
- ▶ Amend draft work products and re-review, as required
- ▶ Provide final approved work products to the client

Note: Consider supplemental guidance in applicable service toolkit(s).

Phase 4: Close

The Close phase is the post-project review of the engagement to ensure goals were met and to evaluate how to improve.

Stage 1: Close out engagement

4.1.1 Finalize required engagement documentation

- ▶ Finalize engagement documentation required by policy or guidance in the Service Delivery Approach or applicable service toolkit(s)

Note: Consider supplemental guidance in the Service Delivery Approach or applicable service delivery toolkit(s).

4.1.2 Assess overall engagement performance

- ▶ Assess overall engagement performance, including a joint EY/client team debrief session to share lessons learned

Note: Consider supplemental guidance in the Service Delivery Approach or applicable service toolkit(s).

4.1.3 Conduct formal closing meeting with client and stakeholders

- ▶ Conduct formal closing meeting with client and stakeholders, as applicable

Note: Consider supplemental guidance in the applicable service toolkit(s).

Stage 2: Perform final quality assurance review

4.2.1 Complete QA assessment

- ▶ Refer to service-line quality assurance guidance

4.2.2 Meet with client to assess attainment of Exceptional Client Service

- ▶ Assess attainment of Exceptional Client Service using service-line guidance

Stage 3: Assess team members' performance

4.3.1 Assess team members' performance

- ▶ Provide formal feedback to team members. Refer to Global Performance Management and Development or Global Partner Performance Management processes

Note: Consider Area/Region/country-specific guidance.

Stage 4: Confirm knowledge submissions

4.4.1 Refer to Global Knowledge Submission Process and Area and/or Region/country procedures

- ▶ Submit knowledge through ASK Knowledge Submission Form (<http://ask.ey.net/home.aspx>)
- ▶ Confirm that knowledge submissions have been completed in alignment with service-line protocols. Documentation suitable for submission includes:
 - ▶ Completed work products
 - ▶ Proposals
 - ▶ Ernst & Young credentials
 - ▶ Thought leadership
 - ▶ Leading practices
 - ▶ Client meeting presentations

Stage 5: Retain and archive engagement documentation

4.5.1 Conduct procedures for timely archiving of engagement documentation

- ▶ Perform engagement administrative closeout procedures
- ▶ Retain and archive engagement documentation

Stage 6: Complete financial closeout



4.6.1 Complete financial closeout

- ▶ Conduct final analysis of engagement economics with the appropriate tool used in your Region, including:
 - ▶ Prepare final budget to actual analysis
 - ▶ Identify final variances
 - ▶ Develop actions to resolve variances
- ▶ Submit and collect final client invoice
- ▶ Adjust ERP, as required
- ▶ Close out with the appropriate tool used in your Region