

CONVERSATIONS WITH MIKE MILKEN



Carmine Di Sibio

Global Chairman and CEO, EY

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Mike Milken: Carmine, thank you for joining us this morning.

Carmine DiSibio: Great to be here, Mike. It's always great to talk to you.

So, I think I'd like to start that you're a company with 300,000 employees throughout the world, including 25,000 in China. The health of your own employees is essential, like any company. Take us back to China at the beginning of this year and how you managed your company and their people during that period of time.

So, you're absolutely right. We have close to 300,000 people worldwide, and we have 25,000 people in China. About 5,000 of those are in Hong Kong, and then they're all in the big cities in China.

We only had 200 people in Wuhan. You know, as soon as the virus broke out, Wuhan and the government in China cordoned off Wuhan. Prior to it being cordoned off, we did have one person from our Shanghai office actually travel to Wuhan and then travel back

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to Shanghai, and he actually contracted the COVID-19 and then he went into quarantine. He's doing fine.

We've had a couple of other cases since then, but for the most part, our people in China and even our 200 people in Wuhan have not gotten the virus. And I think the government did a good job in terms of cordoning off Wuhan, which helped us. And then we obviously went very quickly to work-from-home in China.

And we also, from an overall perspective, put travel restrictions coming in and out of China very early, in the beginning of March. We expanded the travel restrictions to Japan and then to Italy. We have 300,000 people and their very mobile. They work with companies all over the world. We spend over a billion dollars in travel, in air travel, every year as an organization. It's actually almost closer to two. And we basically started curtailing travel very early. Some of our clients, our hotel clients and our airlines, were not happy with us because we did move very early on some of those policies. But we thought, again, our number one priority was to make sure that we protected our people in China and overall.

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You had one or two or maybe three people out of 25,000 in Hong Kong and China get the virus. But let's turn to Europe – Spain, Italy and other countries in Europe.

I always view EY as a little microcosm of the world, Mike, and some of this data from an EY perspective really does mirror the rest of the world. Some doesn't because we had particular hotspots ourselves.

In Spain, we've had about seven or eight cases in each one of the big cities. And in Italy, we had nine cases I believe in Rome and like 10 cases in Milan. Still very few cases versus our overall populations in those.

Now for us, we actually had 27 cases in Stuttgart, Germany, which is unlike the rest of Germany who's done very well. And that's because early on there we had a hotspot in terms of a few people got it on one team, they were asymptomatic and created more of a hotspot as well. So again, we very quickly went to work-from-home. We've been equipped to be able to work from home for several years now. Our technology, we've invested a lot over the last 10 years actually on making sure that we had the right technology to work from home. And that's been kind of the story in Europe. Germany was an outlier for us. The rest of the countries that pretty much mirrored the overall situation with COVID.

What has happened with the seriousness of the virus with the people that have been diagnosed with the virus, whether it's Italy, Spain, Germany, or other parts of Europe.

Most of our people that were diagnosed have recovered. Some are still recovering around the world, including in the U.S. We've had family members of EY people that have succumb to the virus. We had a father of one of our people in Singapore who was 70 years old, succumb to the virus. And then we did have the husband of one of our people in Stamford, Connecticut was in perfect health. He was 54 years old, caught the virus while they were at home. Didn't feel well, went to the doctor and he went straight to the hospital, and did succumb to the virus about a week and a half ago.

So, in many ways you're reflecting the human tragedy that's unfolding throughout the world today in your own EY family. What about the interaction with your hundreds of thousands or millions of clients? How have you focused on serving them and their needs?

We've stressed to all our people and in particular our partners around the world that now is the time they really needed to be close with their clients, help them in any way they can, whether large clients, small clients and so forth, including doing work pro bono to make sure that they're surviving longer term.

We've had a great reaction from all our teams, helping them even in areas on how to work from home and how to set up technology, how to project manage their situation, their supply chains. We have a whole area that advises companies around motivating people in the health of their people. So we're doing a lot of work with our clients around that.

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And then we're also doing a lot of work in terms of, you know, what you would think is more traditional for us around projections, financial projections, liquidity, balance sheet type work. And that's something that we've been asked by many of our clients for help in that area. It's been easier in a way to be closer with clients in this situation sometimes than in the normal situations because people do want help. They are sitting at home, they're looking to talk to someone and to really strategize with someone in terms of what they need to do for their businesses. So that's been very, very good. The interactions we've had with our clients and frankly our teams have been fantastic in terms of staying in daily, hourly contact with clients.

People are constantly innovating today in order to figure out the best way to work and operate. Are you then taking those best practices and trying to spread them around the world as to how companies are coping?

Absolutely, Mike. We are taking best practices. We compare notes all the time. In fact, from an EY perspective, globally, we actually have a call of our risk management folks and our security folks and software geared around our people every day and the safety of our people. But then our global board also meets once a week, sometimes twice a week, and we do go through some of the best practices in terms of what clients are looking for and how to help them.

As you look at these different sectors of the economy – as you said you have airlines, hotels, restaurants – there's probably no industry in the world that you aren't servicing in some way. How do you see them getting back to work?

We really view this by sector because some sectors, our own professional services or the tech sector, are very used to working from home, can do much of what they do from home, so the urgency on getting people back in the offices is probably not as great.

Other sectors, certainly manufacturing, energy, some retail, we need people on the front lines, in offices, in factories and so forth. So in our view, we're trying to get them to be a bit more aggressive in terms of preparing for people to go back to work.

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And then I would say there are sectors that are more in between. And one of them I would say is financial services. Different areas of financial services certainly have the ability to work from home while others, really before this, didn't explore that as much as they probably could have. And so that would be an example.

I think retail is another one where online obviously was gaining more speed than physical. But I do think people in some of these sectors are figuring out innovative ways where they can be more of a hybrid in terms of physical location versus using technology. And I think looking forward, these are some of the sectors that I think there will be a bit of a new normal going forward.

You know, I do think there's a new normal in almost all of them to some extent. But some of the ones that are much more built upon manufacturing and having people on the front lines actually making things, technology will help as we go along, but obviously it will be harder for them to use a work-from-home type of format.

So I do think, by sector, as we're going through this, we're thinking through what's the new normal. I think some sectors will not be as impacted. Others will be impacted in a big way. It's something that we're going to put out some more thought leadership on over the next few weeks in terms of what to expect in a new world.

I know you hire 50,000 to 100,000 people a year. You're one of the largest training firms in the world in the sense of all these employees that you bring on board. Do you see the training of the employees going more virtual in the future?

Our online learning during this crisis is up almost 50% versus where we were. We actually just announced globally that we're offering all our people a tech MBA, an accredited MBA in technology as an upskilling of all our people and our people are very excited about that and are working at it very feverishly.

And you might say, wait, are they taking time away from client work? And the answer's no. They're utilizing a lot of that time to learn, which is fantastic. Online learning will increase and will be the future for sure as we move forward. We've done a lot within EY. As you say, we hire many people, and Mike I'm proud to say that we are honoring all our offers to our people for full time work. They usually start in

August or September. And we're also honoring all our work in terms of our interns around the world, which usually start much earlier. They'll probably start more like July this year. Some of the countries will be much more online in terms of interns, but we're honoring all these. We think it's important in terms of moving forward, important to our brand and important to frankly all the countries that the people live in.

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Sequestering has other side effects as you know, not being with other people. How important has communications internally as well as externally been to the company?

Yeah, our motto has been it's better to over-communicate at all levels. We operate in a matrix like most professional services firms. Some people would say that we have a pretty heavy matrix between businesses that we call service lines, geographies and sector. And all those leaders have been in communication with all our people really on a daily or even more than a daily basis. So there's been over-communication at EY, which we think is okay in this kind of situation. But even with that, being on a webcast with hundreds of people or on a conference call with hundreds of people is very different than having a one-on-one conversation. So we've been stressing to make sure that all our teams are working together.

As I mentioned before, we're utilizing the technology. At the beginning we actually put out a note saying to conserve on bandwidth, please only use video when you have to. And then we actually changed what we were doing based exactly on what you're bringing up on the fact that people need to see people interact with people. So then we started encouraging more use of video, even though it would take up more bandwidth. We have purchased a lot more bandwidth from our providers before the crisis and knock on wood, our technology and our bandwidth has worked very well.

But this is something that I think we have to be all be aware of. There are people that will get depressed in terms of not having interaction, being locked up in a room for 10 or 12 hours a day. We're encouraging things like Zoom social hours, things like that. So there are a lot of those things going on within our teams around the world.

We're also looking at different programs. We do some work with Thrive Global just around making sure that our people are – we're piloting that product all around our people's health from around the world. We're piloting in four or five regions. That's something that's very focused on making sure that people are healthy, getting enough sleep and so forth. So we're piloting some innovative ideas and I think, Mike, it's something that you're going to hear more about in the next months and so forth. You know, as more of that comes out from this crisis.

Well, Carmine, it's great to hear what you've done with your own employees and your interaction, and as we attempt to open the economy throughout the world, we look forward to seeing the efforts of EY and your strategies. Thank you for joining me today.

Mike. Thank you. And thank you for everything that the Milken Institute is doing. You're really changing lives for the better. You were doing that before this crisis and now you're doing it even more so. Thank you for that.