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# A Network of Services

Deloitte Central Europe has a strategic plan in place to become the region's leading firm for professional services.

Images by Joseph Weigart

**W**ith its extensive range of services in auditing, tax, consulting, finance, and legal, Deloitte Central Europe has breadth and influence right across the region. Its solutions help companies in a variety of industries, ranging from manufacturing and real estate to technology and health care, to achieve the best possible outcomes for their business. Deloitte Central Europe is part of Deloitte Touche Tohmatsu's global network of member firms, and has more than 4,700 staff working from 37 offices in 18 countries.

Alastair Teare has been with Deloitte for more than 25 years, of which 22 years have been in Central Europe, and he has held a variety of roles over that period. He has built an impressive record

of success, gaining ample experience in leadership and client service to ultimately lead the company forward as CEO of Central Europe. Appointed in 2012 and based in Hungary, Alastair today looks after all of the countries across the region, which includes Poland, the Czech Republic, Slovakia, and Romania. His key focuses are on growth and strategic rejuvenation.

"We want to become the leading firm," Alastair explains. "When I took over, I felt that we had become very stale, we had lost impetus and we had become very defensive after the recession. I didn't see any reason why we shouldn't, first of all, be the same size as our competitors, and then ultimately become significantly larger.

"I believe the reason I was appointed was because I was able

to present a vision around a number of things. Basically, the most challenging thing we do is to act as a regional firm, not just as individual countries, so taking the whole breadth of the firm and using our best bits of expertise wherever we can across the region has been my focus. That is quite difficult to do because these markets are actually very localised.

"We were stuck in a structure of four geographical clusters that was not fit for purpose. We also had our financial advisory business riding on the top of that as an independent regional structure and it didn't work. There was no substance behind most of the clusters. There was no way of logically and easily putting the partners together and allowing them to share their expertise; in fact, what I felt it did was just add unnecessary management layers. If >



the cluster head wasn't in their country, partners often felt alienated and they weren't super-energised.

"We moved to 10 geographical units, moved financial advisory back to being aligned with the country, or mini-cluster strategies. Our senior partners also believed that we needed to bring in more people. We felt that we needed to start refreshing our skill base and therefore we identified gaps that we had and we started hiring people. We brought on a lot of people in the first year, both at a partner and below partner level. That was really the key."

Following on from that, Alastair made it a priority to use the skills across each of the markets in Central Europe to create a platform, which Deloitte refers to as 'As One', and to set about creating a focused leadership and high-performance culture.

"Leadership is the easy one to explain," Alastair says. "I always hold the position that you have to develop your leaders. I expect all of my partners to be leaders, and I expect that their influence will increasingly trickle down to the directors and managers. I have the view that they are the ones that really have the close relationships with our clients. They talk to them about what they are doing, they deliver value, and they generate revenue."

"People usually talk about leadership in their own context. I am very keen on leadership becoming truly embedded not just with the partners, but also throughout the organisation. I think that is key, and that builds networks, builds trust, and empowers people—meaning that there is constant communication about what to expect."

"High-performance culture is much more difficult to explain and, in fact, we haven't really tried to over-define it. I don't think you need to. Some people are performing higher and getting rewarded for it. You can take that very narrow view. I think it is

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actually about enabling people to perform much better than they expect by using, building and creating coherent teams that perform much better than the sum of individuals."

Over the next three to five years, Deloitte hopes to see an 11- to 12-per-cent growth across most of its Central European country firms. To achieve this vision, Alastair has put several strategic pillars in place. The first is to build up the strategies for market; looking at what the individual market trends are, what the major clients are doing, and what the different sectors are focusing on. "I think people often look at these markets in too broad a brush," Alastair notes. "You really need to understand and differentiate market segments."

The second pillar is to strengthen the weaker areas of business such as technology. "This is an area where there is room to develop and where we think we have scope.

We have a huge opportunity in technology. We have individual pockets that are very good, but to build a consistent technology-based platform on the advisory side is something that we really need to do. In summary, I think it is leadership and basically an acknowledgement of high performance which really drives this firm."

Deloitte Central Europe is on track to achieving its goals. The business achieved 10-per-cent growth last year, and 7 per cent the year before that. "We are gradually ratcheting up our growth as we are building up our resources," Alastair says. "What we are finding is we have about a nine-month lag behind our business plans."

"Most businesses, whether they are an industry, advisory, or financial service, are unable to resist going through a 2020 strategy process. We are going through that at the moment and we are deliberately not over-defining exactly what we



want to come out of it with. I think to have a strategy that gives you a hard goal, for example, we want to be 'X' in 2020, is pretty meaningless because if you miss it by a few percentage points then people assume you've failed. But people can't resist it. What we are doing now is looking for a compound growth rate of 11 to 12 per cent for the next five years. We think that if we achieve that, then it will give us about 30 per cent of the big four addressable markets."

"We are trying to identify what growth we think will be organic and what we think will be acquisition or non-organic. Some of it is unknown at this stage, but at the moment I would think about 60 per cent of that future growth will be organic."

Alastair's aim is to deliver efficiencies across the business and leverage synergies from outside of it, all the while encouraging partners to put revenues before costs. He has a simple three-area

operational excellence program in place which revolves around non-client service employees, real estate and IT.

Firstly, with regard to employees, Deloitte Central Europe employs a large number of back-office staff but, despite the ratio being quite high, it has chosen to freeze those costs rather than just reduce the headcount. This approach has proven successful for Alastair and his team for a number of reasons.

"We haven't increased these costs for three years," he explains. "You could say, 'Why wouldn't you be more aggressive and start cutting things out?' But the simple fact is that it is very difficult to do that. Let's just say I have 100 partners and I have 100 executive assistants who work for them. If you go up to them and you say, 'Okay, look, we have got 100 assistants for 100 partners; isn't that too many? We should reduce that to maybe 50? Most will agree until you say that theirs has to go. Then they say,

'No'. It causes a huge amount of disruption and so therefore we decided to freeze the costs and grow to fit, which is much less disruptive. Our profitability has increased quite considerably over the past three years. Maybe we could have done more by cutting that back a bit more aggressively, but we decided to take the less painful route."

The second part of the program was to look at the company's real estate efficiencies. "I simply decided that we spent too much on real estate," Alastair says. "We have now closed our central service centre office in Prague and moved it into our main building. We are renegotiating rents very aggressively as they come up across the region. Basically, we want to pay less while taking up less space. We are redesigning our offices to what we call 'office of the future' which is a lot of hot desking, and allowing more flexible work arrangements, for which we have tons of technology >



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"We are redesigning our offices to what we call 'office of the future' which is a lot of hot desking, and allowing more flexible work arrangements, for which we have tons of technology at our disposal in terms of laptops, wi-fi, smartphones, and bring-your-own devices."

- Alastair Teare



at our disposal in terms of laptops, wi-fi, smartphones, and bring-your-own devices.

"In some places we have not moved; we have just managed to cut the rents and reduce space. In one major location, we actually went to the landlord and negotiated less space at a lower cost along with a full refurbishment. The fewer offices we have are much smaller and available to use as meeting rooms. People are moving around the same building as we renovate the floors and we have a similar concept in a second major location where we are the headline tenant for a new building. That will be the same concept. We basically came to the conclusion that we didn't want to spend a lot of money on office space that isn't fully utilised and by doing this it will reduce as a percentage of our expenditure quite considerably."

The final area of focus has been the IT department. Previously, the

CIO reported to the CFO. Alastair felt that as the CEO he should have a very strong interest in the strategic development of the firm's technology because it is far too critical an area to ignore. "CEOs can no longer just say, 'I am not an IT person so I don't want to deal with this,'" he says. "We had an IT model that was based on serving or managing our business. It was not designed as a partner to the business."

"We replaced our CIO and we analysed a lot of costs. In fact, we went through a cost-optimisation exercise with our IT and we realised that a lot of costs could be reduced by rationalising servers and storage and periodically renegotiating our contracts. As part of restructuring, we are going to relocate a lot of our central services, basically IT along with finance, and other back-office functions, into an internal shared service centre which we are going to locate in south-east Poland."

Deloitte Central Europe outsources a significant amount of its IT business, which in turn reduces its internal costs and risk.

Other areas it outsources are travel and email. Alastair believes that healthy relationships with key partners and suppliers are crucial to the overall success of the company, and he has seen many benefits from these alliances.

"It has enabled us to roll out things across the region without having to build a network of people to support and service them," he says. "It has really given us reliability and consistency. That's actually probably even more important than the cost aspect. I mean, yes, cost is important, and it is more expensive than doing it yourself in terms of raw numbers, but when you look at the process and leadership time in getting things started and then maintaining them there is no way that it is more expensive. It makes pure sense."

Under the direction of Alastair, Deloitte Central Europe looks set to continue on a successful path forward in the dynamic market of professional services. The regional firm will continue to focus on leadership and high-performance culture while following a positive growth trajectory. •

*"To work with Deloitte means to have skilled, experienced partners. To have long-term mutually advantageous cooperation with people at every level of the company. Understanding needs and having strategic, clear vision about issues we are working on together." - Stefan Lyócsa, Managing Director, MHM Computer Hungary*



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