



Jim Quigley

Protecting and creating value

June 10, 2007

Deloitte Global Forum, Rome

James H. Quigley delivered his first public speech since becoming CEO this week, at the Deloitte Global Forum. The event, hosted for the first time in Europe, with former Prime Minister of Spain José María Aznar as guest speaker, brought together 120 business leaders.

Subject to delivery

Thank you, Libero, for your warm introduction and for your leadership here in Italy. It is a pleasure to be here in Rome and participate in this fourth of our Deloitte Global Forums.

As you just heard, I took over as Deloitte global CEO a little more than a week ago. But I've always been a regular visitor to Europe. Deloitte has many clients here – and Europe is a significant focus for my new leadership team. That's because Deloitte member firm clients operate everywhere – and we want to stay ahead of our clients' needs by focusing on people, brand, and client service.

Deloitte's goal is – in essence – a simple one – to be the first choice of the world's best talent and most sought-after clients. This means understanding the local environment and what is happening in all major markets.

Today this forum is focusing on the Economic Future of Europe. Is this simple? No. Is it challenging? Yes. Is it worrisome? It shouldn't be.

Today, we also have representatives here from a full range of businesses, each with its own unique set of challenges – but each of these can also present its own set of opportunities. And opportunity is one of the best ways to create value – and, more importantly, protect it.

Corporate governance – A model for our times

For most of you here today, creating and protecting value is inextricably connected to the ever-evolving role of corporate governance. Corporate governance came to the forefront in response to an assault on value – or, in other words, a crisis of trust. There can be no value where there is no trust. To create and protect value there *must* be trust. It's that simple. But the reality is that trust was shaken across various markets. But with every downside there is always opportunity.

Case in point – regulation. In order to restore a compromised public trust, a whole host of complicated, in-depth regulations came into being. In the United States, of course there was Sarbanes-Oxley and the new oversight body, the PCAOB. Here in Europe there was the

introduction of IFRS, and the Eighth Directive will be introduced shortly. Boards and their audit committees now take on hugely enhanced roles. In my profession as well – after over a century of self-regulation – auditors became subject to unprecedented scrutiny. These are extreme changes that have revamped the governance model for our businesses and how we approach value.

Constant change

Having said that, the governance environment is also constantly changing. Convergence continues to move forward. Global financial reporting standards are being debated. Consideration is being given to changing financial reporting reconciliation, including in the United States, where the SEC recently floated the concept of allowing registrants the option to choose the standards for their reports. Furthermore, in the United States, the PCAOB, with the support of the profession, is close to reversing years of ideology – proposing that auditors use a principles-based approach to assessing internal control requirements.

Here in Europe there is still debate on how auditor rotation will affect financial reporting quality. In Italy you have always had rules governing audit firm rotation for listed companies, and recent legislation has introduced partner rotation also. There are also differing expectations as to how and to what extent standards will be harmonized at the EU level.

For your businesses, corporate boards and CFOs have seen their roles evaluated and reevaluated – each time adding a new layer of responsibility and set of demands. There is continual debate over who sits on audit committees, their experience, their remuneration and – even more important – their risk level.

Here in Italy, recent legislation is requiring companies to appoint what is effectively a CFO who can oversee internal controls. Legislation has also been introduced that redefines the relationship between the CEO, management, and the board. These are healthy developments – but represent how changing regulations affect how we protect value.

Corporate governance – Conclusions

These changes go to the very core of creating and protecting value – as well as sustaining

competitiveness. And there should never be a trade-off between competitiveness and trust.

At a macro level it is up to us to help set the tone and the standard. At a micro level, good governance can be a differentiator for companies. Various studies have shown that there is a direct link between governance and business performance. And as business leaders, we need to be attuned to investor and community expectations and manage our governance in a way that maximizes this value.

The next big challenge

This leads me to my next topic, talent – the next big challenge. Just like trust, talent is key to creating value. Where does value spring from in your organization? I know where it comes from in mine – our people. It may be a cliché to many, but to me, our people are our greatest asset. One of my chief goals as global CEO is the development of our people so our member firms can be the first choice of the most talented professionals worldwide.

Finding the right talent to help sustain economic growth is an issue countries in Europe, the Americas, and Asia are all trying to address. Talent will be the difference between success and mediocre performance for many companies and economies going forward. That is why it is incumbent upon all of us, whether we are business or political leaders, to focus on developing talent for the 21st century.

The accounting profession has also been affected by the talent shortfall, a challenge made even harder for Deloitte as a result of ongoing compliance issues for companies.

Talent retention

Finding the right talent today, however, is no longer just a matter of recruiting *outside* the organization. Managing talent for future success – whether you are in Italy, Japan, or Brazil – will require innovative thinking and a focus on people *inside* the organization.

The Deloitte experience

My new leadership team has talent management at the top of our agenda, including a new global position dedicated to this challenge.

Deloitte is also making a special effort to recruit women and people of diverse backgrounds. This makes sense in terms of widening the talent pool



– but also contributes to the overall strength of our organization. Strength from cultural diversity is one of the Deloitte shared values – it defines our culture, and it is one I plan to carry forward with every move I make as global CEO.

Other initiatives include increasing the number of people on international assignments – in FY2006 more than 1,200 people were on international assignments. We are also planning to launch a world-class leadership development program as well as a global women’s leadership development program. One measure of success is to increase the number of female partner admissions from 26 percent today to 31 percent by 2009. I have also appointed a diverse leadership team – giving our people leaders they can look up to.

I share some of the Deloitte experiences with you, as people are critical to our performance. It is only with the right talented people that Deloitte can field the right teams with the right industry expertise and business perspective that deliver measurable value to our clients around the world.

The fundamentals

But even if your company is very local, the challenges we face and the outcomes we seek are global – everything starts at home. We share many similarities, including the importance of creating and protecting value. And success requires certain fundamentals.

It is somewhat akin to skiing. I’ve been a skier for 37 years. Back when I first started, I had bear-trap bindings, I wore lace-up leather boots, and I used long, heavy skis.

When I skied in Europe this past winter, my equipment bore no resemblance to this. There were step-in bindings, four-buckled boots, and wider, shorter skis. But the fundamentals remained the same. I still needed boots, skis, and bindings, as well as a path to follow – and some sense of responsibility – to get down the mountain successfully.

The same can be said for value generation and confronting the challenges and opportunities that await us. We need to be innovative, and we have to have the best equipment to deliver, which, for Deloitte, is our people.

Be aware of what is around us and set a path ahead. We also need to rely on our ability, our fundamentals, that is, *how* to ski – bent knees, no leaning back, and, above all, acting responsibly.

Thank you for the opportunity to share my thoughts with you today and my best wishes for a successful forum.