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RAYTHEON LECTURESHIP IN BUSINESS ETHICS

September 25, 2007

TRUST —
AN ESSENTIAL ASSET:
CREATING INDIVIDUAL
AND CORPORATE VALUE

James H. Quigley
Chief Executive Officer
Deloitte Touche Tohmatsu

BENTLEY

www.bentley.edu

BENTLEY is a leader in business education. Centered on education and research in business and related professions, Bentley blends the breadth and technological strength of a university with the values and student focus of a small college. Our undergraduate curriculum combines business study with a strong foundation in the arts and sciences. A broad array of offerings at the McCallum Graduate School emphasize the impact of technology on business practice, including MBA and Master of Science programs, PhD programs in accountancy and in business, and selected executive programs. Enrolling approximately 4,000 full-time undergraduate, 250 adult part-time undergraduate, 1,400 graduate, and 20 doctoral students, Bentley is located in Waltham, Mass., minutes west of Boston.

The Center for Business Ethics at Bentley College is a nonprofit educational and consulting organization whose vision is a world in which all businesses contribute positively to society through their ethically sound and responsible operations. The center's mission is to provide leadership in the creation of organizational cultures that align effective business performance with ethical business conduct. It endeavors to do so by the application of expertise, research, education and a collaborative approach to disseminating best practices. With a vast network of practitioners and scholars and an extensive multimedia library, the center offers an international forum for benchmarking and research in business ethics.

Through educational programming such as the Raytheon Lectureship in Business Ethics, the center helps corporations and other organizations to strengthen their ethical culture.



It was a pleasure and an honor to have Jim Quigley deliver the ninth Raytheon Lectureship in Business Ethics. In focusing on trust, Mr. Quigley provided valuable insights into what is an essential component of ethical leadership as well as a vibrant corporate culture. What impressed me about Mr. Quigley's analysis was the way in which he demonstrated the importance of trust on a variety of levels from the macroeconomic

performance of nations to the individual's ability to succeed as a team player in business. As a leader of one of the largest and most successful professional services companies in the world, Mr. Quigley can speak with an authority matched by few others. We all know that modern corporations seek greater efficiency. What Mr. Quigley's address made clear is that a lack of trustworthiness leads to great inefficiencies and ultimately can contribute to the destruction of what would otherwise be a strong company. In this way, he cast an insightful light on a dimension of business ethics that is both fundamental and yet inadequately appreciated.

A commitment to ethics and social responsibility — in our scholarship, in the classroom, in student life, and in the way we do business — is central to Bentley's mission. We believe it is possible to teach ethics, but only if it becomes a way of life on campus. Our students and faculty live and breathe these issues through a host of pioneering programs, sponsored by a campus-wide Alliance, comprising the Center for Business Ethics (CBE), the Women's Leadership Institute, the CyberLaw Center, the Bentley Service-Learning Center, and the Bentley Diversity Initiative.

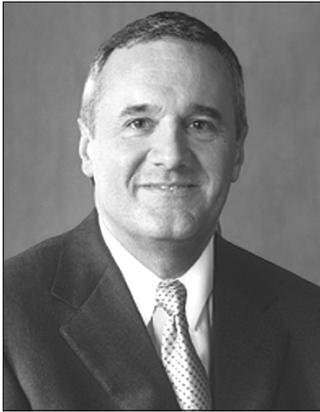
Having recently celebrated CBE's 31th anniversary, I can't help but reflect on how far the business ethics movement has come, while recognizing there is more to do. Ethics may now have entered the mainstream of business, but not yet the bloodstream in many cases. Infusing Bentley students with the kind of ethical consciousness and commitment that will distinguish and inspire them as future business leaders is a critical part of our mission. The Raytheon Lectureship in Business Ethics series, founded and organized by CBE, is a hallmark of this Bentley-wide effort. With Raytheon's valued support, I am confident that our students and faculty will continue to draw inspiration, understanding and new insight from the dialogue created by the lectures.

W. Michael Hoffman

*Executive Director, Center for Business Ethics
and Hieken Professor of Business and Professional Ethics
Bentley College*

THE RAYTHEON LECTURESHIP IN BUSINESS ETHICS AT BENTLEY COLLEGE is made possible through the generous support of the Raytheon Company. Raytheon is an industry leader in defense and government electronics, space, information technology, technical services, business aviation and special mission aircraft, with annual revenues of \$20.3 billion. The company employs 73,000 people world-wide. Raytheon aspires to be the most admired defense and aerospace systems supplier, through its world-class people and technology. It has built a reputation for adhering to the highest ethical standards in the industry. The lectureship series aims to illuminate and promote ethical values and conduct in business, highlighting best practices in corporations throughout the United States.

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Ethics in business is about so much more than just following rules. Fundamentally, it is a matter of creating the right culture in our organizations, so that people have the ability and support to make decisions that are not only effective, but consistent with the values and principles we hold dear. Raytheon has worked very hard in establishing an ethical business culture that is accepted by our employees and woven into the fabric of the ways in which we work. Our continued growth and profitability depend on it.

Raytheon has supported the Center for Business Ethics at Bentley College for many years, and our sponsorship of its Lectureship in Business Ethics is an important commitment for the company. We recognize the enormous value of the leadership given by the center for over 30 years, to promote ethical business practices and cultures in the United States and around the world. And ethical leadership — illuminating and inspiring conduct that is instinctively ethical — is what the Raytheon Lectureship in Business Ethics is about. I'm proud that Raytheon can play a part in bringing to the Bentley campus highly respected leaders of companies that have a manifest and deep-rooted commitment to doing business in the right way. Their insights contribute much to an important discourse on how the business community can and should achieve ethical excellence.

William H. Swanson

*Chairman and Chief Executive Officer
Raytheon Corporation*

DELOITTE TOUCHE TOHMATSU is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in over 140 countries. With access to the deep intellectual capital of approximately 150,000 people worldwide, Deloitte delivers services in four professional areas — audit, tax, consulting, and financial advisory services — and serves more than 80 percent of the world's largest companies, as well as large national enterprises, public institutions, locally important clients and successful, fast-growing global growth companies.



(From left) William K. Bacic, New England managing partner, Deloitte Touche; James H. Quigley, chief executive officer, Deloitte Touche Tohmatsu; and W. Michael Hoffman, founding executive director of the Center for Business Ethics and Hieken professor of business and professional ethics at Bentley.



JAMES H. QUIGLEY was named Chief Executive Officer of Deloitte Touche Tohmatsu in June 2007, after having served as U.S. CEO since June 2003. He has a distinguished track record of more than 30 years of service to many of the U.S. firm's leading clients.

Jim serves on the board of trustees of Catalyst, the Financial Accounting Foundation, The U.S. Chamber of Commerce, Partnership for New York City, and the National Advisory Committee of Brigham Young University. He is also a member of the Council on Competitiveness.

Jim is a member of the board of the Center for Audit Quality and has served on numerous committees of the American Institute of Certified Public Accountants, including the Environmental Issues Task Force, the Committee on Structure and Governance, the Future Issues Committee, and the Strategic Planning Committee.

He has also been a member of the boards of the Southwestern Area Commerce and Industry Association of Connecticut, and Junior Achievement of New York City. He has chaired the audit committee and served as treasurer for the National Council for the Better Business Bureau in Washington, D.C. He is actively involved with the Boy Scouts of America, and he has been a member of the task force on the role and mission for the Tri-State United Way. He is also a member of the Economic Club of New York.

Jim received his Bachelor of Science degree from Utah State University and was awarded an honorary degree of Doctor of Commercial Science from Bentley College.

Trust — An Essential Asset: Creating Individual and Corporate Value

THE RAYTHEON LECTURESHIP IN BUSINESS ETHICS
AT BENTLEY COLLEGE

September 25, 2007

James H. Quigley

Chief Executive Officer, Deloitte Touche Tohmatsu

Dr. Hoffman, thank you very much for that kind introduction. It certainly is an honor for me to be able to meet the founder of the Center for Business Ethics; and I am delighted to be back here on campus at Bentley. It was a great privilege for me — one of the real honors that I have had in my career — when I received an honorary degree here, a couple of years ago, and I had a chance to be the speaker at your commencement exercises. This is a special place for me. I am delighted that some of my partners have joined me today, including Bill Bacic, who leads our practice here in New England. So I return as a proud alumnus; and I proudly display my honorary degree from Bentley.

Another reason I am happy to be back is that Bentley is very important to Deloitte. Last year we hired 80 Bentley graduates from this campus. I am delighted that some of your colleagues demonstrated great judgment by joining Deloitte, and I am hoping we might see some more evidence of that judgment from this group.

As Dr. Hoffman referenced, we were very proud to be sitting in the number-one seat as one of the best places to launch a career in the recent edition of *BusinessWeek* magazine. It was a little amusing to me the way that *BusinessWeek* portrayed us. While providing an explanation of why my profession offers such great opportunity and has become an attractive career option; it stated that accountants were formerly known as “bean counters.” It then went on to describe “bean counters” as “dutiful, middle-aged, gray-suited men with considerable analytical expertise but little charisma.” The article continued that now “accountants (have) become sexy.” Well, I don’t know — I will let you be the judge. But I am

delighted to see Deloitte in that number-one seat. I am also pleased as a member of a profession to see my competitors also ranked very high in that survey, as the accounting profession is a wonderful place to launch a career, to learn, to experience and to grow.

I'd also note that in addition to having new hires from Bentley, many of the leaders of our organization are proud Bentley graduates, including a very dear friend of mine, Bill Freda. Bill and I had the privilege of leading our Northeast region for four years, and he is a member of your board of trustees.

Trust: An Essential Asset

I have a healthy respect for the importance of our educational system and the college campus as a place of learning — not just of knowledge but also values. In this regard, special congratulations are in order to the Center for Business Ethics on passing its 30th anniversary. You have demonstrated extraordinary vision.

Surveys over the last five years by the Aspen Institute indicate that many schools have come to understand what you at the Center for Business Ethics knew three decades ago, as more and more MBA schools are requiring students to take ethics courses: from about a third (34 percent) in 2001 to 45 percent in 2003 to more than half (54 percent) in 2005. And here's a scoop: the most recent 2007 survey that will be announced next month indicates further growth with nearly two-thirds (63 percent) of MBA schools acknowledging the benefits of mandatory learning of ethics. Certainly, when the Center of Business Ethics was established in 1976, you were truly pioneers. Again, my congratulations to everyone associated with this field of study in your education here at Bentley.

In coming up with the title for my remarks today, I decided to build it around the notion of "Trust — An Essential Asset." My goal is to demonstrate that trust and value are very tightly linked. Without trust, markets will not function, and value is destroyed. Since words like "trust" can mean different things to different people, perhaps it makes sense to offer a definition upfront. Going to the old standard, *Webster's Dictionary* defines trust as "assured reliance on character, ability, strength or truth of someone or something." Bowing to the power of the Internet, I also went to *dictionary.com* and what I found was prominent mention of the word "confidence," and that trust creates an "expectation" implying that accountability is attached to the person who holds a position of trust.

Moving from the dictionary definitions to business wisdom, I like what Stephen Covey says about trust in his book *The 8th Habit*: “Trust is the fruit of trustworthiness of both people and organizations.” And, “trustworthiness comes from character and competence.” What does trust mean within our society? Covey states: “Trust is the glue of life”... the “glue that holds organizations, cultures and relationships together.”

Junior Achievement: “Excellence through Ethics”

At Deloitte we care deeply about ethics and integrity, which are necessary for trust. We have invested millions of dollars and many volunteer hours to support “Excellence through Ethics” — a teaching program we created with Junior Achievement. As part of our collaboration with Junior Achievement, we conduct an annual survey among teenagers as a gauge of their ethical readiness for the workplace. Here are some findings from our 2006 survey. First of all, from an ethics standpoint, a substantial number of teens don’t have a positive feeling about the world around them — or more specifically, about business leaders.

When asked “Do you think that people who practice good business ethics are more or less successful than those who don’t?” only half of the teens responded “more successful.”

When asked “Do you think the majority of business leaders behave ethically?” only a third (33 percent) responded in the affirmative. No less discouraging, only 30 percent thought the majority of high school students act ethically.

Another series of responses indicates the magnitude of the pressure teens feel, and the expectation that it is more likely to increase rather than go down when they enter the workforce. Specifically, when asked, “How would you characterize the pressure on you to succeed no matter what the cost?” 44 percent responded “a lot” or an “overwhelming” amount of pressure. Of those who felt an overwhelming amount of pressure, over 80 percent said they expected to experience the same or more pressure when they enter the workforce.

Finally, when asked, “Would you act unethically to get ahead if you knew you would not be caught?” over a third (36 percent) responded “yes” or “maybe.”

In my view, these results underscore the importance of educating and preparing our next generation to make ethical decisions. The business community has seen how ignoring ethical responsibility can lead to devastating results. It is imperative that business leaders teach, model and champion ethical standards.

College Student Expectations

The challenge implied by the high school survey endures into college. Over the last four years during my term as CEO of Deloitte USA, some of the moments that have meant the most to me were spent talking to business students across the country — from New York University to Ohio State University to Utah State University and many others. I am excited about the intelligence and eagerness to learn and grow that is so evident among our next generation of leaders, but I am troubled by some of the views expressed on what it takes to get ahead. It has been observed that a “cheating culture” exists within our society — one that believes that success is only obtained by cutting corners and taking every unfair advantage. According to a study by Rutgers’ professor Donald McCabe announced last fall, 56 percent of MBA students surveyed admitted to cheating or bending the rules.

Last year I spoke on the campus of a leading business school. I was able to share my strongly held views on the importance of integrity and a value-based approach to leadership. In the cocktail setting which followed my presentation, I was approached by four students who indicated that they appreciated hearing from me that you can succeed with a values-based approach to leadership. They were convinced that to succeed in business you needed to bend the rules and be willing to step across the ethical line. And the only difference between all business people and those whose names were associated with some prominent scandals is that the convicted got caught.

And then this year, on another campus, students who had debated a case study concluded that in business on Monday through Friday, you need to be a different person than you are on Saturday and Sunday. These attitudes and beliefs are a source of great concern to me. I fear these attitudes can lead to rationalizations and ultimately disaster.

Let me be clear: I believe strongly that sustainable success in a career or in life is impossible if you act unethically.

Before moving on, I would hope that at this point in your lives, having benefited from what you have learned at Bentley, that the results of a survey of this audience would be very different than the data I have referenced. I can’t emphasize more strongly that if you believe that participating in unethical behavior is necessary to be successful, you will never achieve your career aspirations. Simply put, those who bend rules are not considered trustworthy; and without trust an individual’s value is severely diminished. Without trust and confidence, markets do not function, and value is destroyed.

The Link Between Trust and Value

Let me offer a few proof points for my hypothesis of the link between trust and value.

Proof point number one

The economic implications of trust on a country level are evident when you examine the amount of foreign direct investment (FDI) that flows into countries considered to be good places to invest.

I asked my Deloitte research team to look at gross domestic product (GDP) per capita and FDI based on the transparency international corruption ratings by country.

When grouped by the top 30 countries where there is the least amount of corruption compared to the bottom 30 where there is the most, there is a strong correlation with the amount of foreign direct investment that flows into a country's economy. Not surprising, those countries that investors trust have the highest level of foreign direct investment as well as the most robust economies. Specifically:

- The amount of FDI that flows into the countries judged to have the least amount of corruption is five times greater than those considered to be the most corrupt.
- And partly as a consequence, the GDP per capita is nine times greater in those countries, judged to be the least corrupt, when compared to the 30 countries that are judged to be the most corrupt. And so, obviously as a business leader, you are going to be loath to invest in those countries, even though there are large populations and huge markets and they could certainly benefit from the foreign direct investment. But there is a resistance to actually invest in those countries judged or considered to be very corrupt.

Proof point number two

My guess is that for most of you the Depression of the 1930s is just something you've read about in a history book. Although I have no firsthand experience, based on comments from my parents and grandparents, the Depression left a profound impact on everyone. It influenced how they thought, how they acted, how they shopped, how they behaved, how they saved, and how they dealt with leftovers after a meal. It influenced just about all of their behavior. Confidence was lost during that period of time in the banking system, and that was followed by a

run on the banks. In our nation's darkest economic period, more than 10,000 banks closed, thereby destroying the economic viability of, obviously, the banks, but also the individuals and families who had savings there.

In 1933 Congress enacted the Federal Deposit Insurance Corporation, which we all know as the FDIC, and that restored trust in the banking system by insuring bank deposits as well as identifying and addressing new and existing risks in the nation's financial system; and examining and supervising financial institutions.

Since the start of FDIC, no depositor has lost a single cent in one of these U.S. insured institutions.

Now, I know that we can think about this, and perhaps even yawn and say, "Well that was 1933, but something like that will never happen again." For those of you who are readers of the *Financial Times*, if you looked at the front page over the last two weeks, you may have seen the photos of the lines of people in the U.K., outside of the bank Northern Rock, all lining up to withdraw their money because they had lost confidence in the bank. That loss of confidence caused Northern Rock's value to fall. What happened next? Once again a third party introduced themselves to reestablish trust in an institution that had been badly shaken by the current liquidity crisis. The Bank of England stepped up and guaranteed those deposits. The queues went away, and people once again had confidence in that institution because a third party was brought in to bring that confidence back.

Proof point number three

Now instead of looking at it from an industry point of view, let's look at individual companies.

As Warren Buffett has said: "It takes 20 years to build a reputation and five minutes to ruin it." And once it's lost it can take years to rebuild.

Dramatic examples of that, which we have witnessed in our day and that have become household names are Enron and WorldCom.

What was remarkable to me as a student of business was the speed with which that happened. Once confidence and trust were lost, value was almost immediately destroyed.

In the case of Enron, a press release was issued and an SEC filing was made in October 2001 in which it was announced that the company's financial statements were being revised. Bankruptcy followed less than 60 days later.

This was an institution that had been one of the 10 largest companies in this country, and it was gone in less than 60 days once trust and confidence disappeared.

And the WorldCom story is not any different. Once again, fraud was discovered, the business model was challenged, and filings were made of possible restatements of previously released financial information.

What ultimately was recognized as a 10 billion dollar fraud within 30 days of its initial disclosure led to bankruptcy — the largest bankruptcy in the history of this country.

So in both of those cases, loss of confidence led to the destruction of hundreds of billions of dollars of market cap in less than 60 days.

What this Means to You

If you accept my premise that markets require confidence to function efficiently, and that a loss in confidence leads to a loss in value, what does this mean to you?

As you finish your preparations to begin your careers, I would like you to think about the market for your services today and for the balance of your career. You came to Bentley, at least in part, to obtain some marketable skills. Think about the market for your services. You want to sell those services, and you hope to find an employer who is willing to pay you a fair price for them.

You need to start by demonstrating that you can be trusted. That you will do what you say. And then, work to earn the high compliment that you are a “man or woman of your word.” If you want to build your value and have the market price of your services increase, you will need to be trustworthy. And being trustworthy starts with the integrity and character you bring to the workplace.

In my profession, we simply cannot afford to hire people who are not trustworthy. All competencies are meaningless — even counterproductive — unless they are guided by sound ethical judgment that engenders trust.

If you say what you believe, and do what you say, those that work with you will conclude you are trustworthy. And as you establish that reputation, your value is enhanced, and others will want to work with you. You will be consistently assigned to excellent projects, you will learn, you will build skills and competencies, and your value will increase.

I know the world of professional services best. If you want to progress in professional services you need those who work with you to know that you can be trusted ... that they can rely on what you say. Step across that line one time, and have someone rely on a representation you make and have that prove not to be true, and that individual will conclude that your work does not stand on its own. And if they decide they need to ask two or three other people, every time they ask for a representation or an assertion from you, then your value is going to diminish. If I have to look for a third party to validate that I can trust someone, then they are not nearly as valuable to me as they were before.

Life is, in some ways, absolutely not fair. If, based on your work, someone has a positive experience with you, that manager or supervisor may sing your praises to one or two others. If you demonstrate that you are *not* trustworthy, the same manager will tell 10 or 20 people about that, and it will be very hard to recover.

Trust is more important than ever when you deal with and depend upon people you actually may never meet. And with increased scrutiny and the immediacy of communications, mistakes are hard to hide and even harder to correct.

Mark Twain got it right when he said: “A lie is halfway around the world when the truth is just putting on its shoes.”

And the consequence of mistakes can be enduring. Recently a Thomas Friedman op-ed in the *New York Times* titled “The Whole World is Watching” commented on the book *How* by Dov Seidman, who spoke in this [Raytheon Business Ethics] series a year and a half ago. Seidman refers to “digital fingerprints” that never get erased, and emphasizes the importance of “how” we live our lives and conduct our business in our suddenly transparent world. He warns that “the persistence of memory in electronic form makes second chances harder to come by.”

Where trust does not exist, the ability to generate value is severely diminished. For the organization, “workarounds” — that is, looking for others to try to validate what you have been told and other monitoring safeguards — require longer lead times to allow for course-corrections to ensure a quality outcome.

The “workarounds” provide a semblance of security but they use up resources, limit growth and innovation, and ultimately diminish value generation. They put a band-aid on a problem that should be cured directly at the source. In short, the expense and effort to compensate for the ethical shortcomings of an individual lacking integrity are a drain on the resources of the company to a degree that the cost/benefit of employment comes into question. Trust is lost, value declines, and ultimately the market for that individual’s services goes away. When this occurs, I call them into my office, and I pull their ticket, and send them on their way, because I can’t afford to have people in my organization who lack integrity.

For the individual the consequences are dire:

- You simply won’t be given opportunities and responsibilities that are important to the organization and necessary for you to get promoted
- Others will not want you on their team and clients will not want you to serve them

But if you are trustworthy, there is no limit to your potential value. Working in a “trusting” environment will foster your personal development. At Deloitte, trust allows us to give our people opportunities for growth. Because we trust their judgment, we don’t hesitate to assign progressively higher levels of responsibility. As people demonstrate increasing trustworthiness, there are higher expectations coupled with greater rewards.

I have seen the other side of that ledger. When we are in succession planning discussions and building a short list of candidates for a significant position, if there is a question in the room, from anyone who’s around the table, about the trustworthiness of an individual candidate, the likelihood of that candidate finding their way to the top of that list is severely diminished — perhaps even “mission impossible.” And even when a second chance is given, time is required, and errant behavior that might have seemed expedient at the time becomes an enormous obstacle.

Life is not as simple as “do the right thing,” with obvious choices. You will face ethical dilemmas, where the choice is not clear. In those cases consult, and seek advice from others. Work hard to make sure you have all of the facts, and then rely on the values you have been taught.

Culture of Integrity

Since most of you are students and will be entering the business world shortly, as you evaluate your career options, I urge you to find an employer with values that align with yours. I'd go further by suggesting that a key factor is not so much your starting salary but the opportunities you'll have to grow your talents and gain the experiences that will lead to the fulfillment of your personal and professional goals. Find an organization that has the right tone at the top — one where that tone filters down to the behavior of those you will be working with most closely.

What does culture have to do with trust? I believe that the only way to ensure that ethical decision-making occurs within an environment of trust is to integrate ethics and values into our everyday behavior and expectations — to make it a way of life.

A culture of integrity will provide you with the tools and direction you'll need to make good decisions and reach your career aspirations. Among its characteristics are two that I'll highlight:

- First, within an organization, with a culture of integrity, there are colleagues and processes to provide support.

For example, I want leaders at all levels of my organization to take personal responsibility for their assignments and feel a real sense of ownership in doing what is needed. But they also must be smart enough to seek consultation from their colleagues when an issue or decision is particularly challenging. I also want to make sure that my people have all of the tools and training necessary to increase their individual skills and increase their value to Deloitte and to our clients.

- Second, another characteristic of a culture of integrity is work-life balance. In a survey conducted by Harris Interactive and Deloitte last February, over 90 percent of respondents agreed that workers are more likely to behave ethically when they have good work-life balance.

Why is this so? One reason could be that where there is work-life balance, there is less stress and a more balanced perspective on things that matter. There's also a balance in that individual's life. And they have a perspective that is broader than just their place of employment, where perhaps they've become uniquely, narrowly focused, and start to naively believe that the end can justify almost any means. Another reason could be that an enlightened manager that promotes work-life balance is also likely to have a workplace with the appropriate tone at the top.

The Importance of Poise

I realize not everyone here is a sports fan, but I'm sure there are many influences in your lives that, together, have contributed to who you are and what values you have.

For me, in addition to my parents, teachers, church, and friends, much of what I am today was developed on sports teams. Many years ago, as a quarterback, I led my high school football team to the state championship game. It was on the playing field that I learned the importance of making the right decision under fire. And now, while leading my Deloitte team within a turbulent marketplace, I appreciate the qualities of poise, character and good judgment that were taught to me as a young man — many in victory and some, like that state championship game, in defeat.

Perhaps that's why I respect the legendary New England Patriots quarterback Tom Brady — he's just about as good as it gets when it comes to poise. Protected by an offensive line that he trusts, as *Sports Illustrated* put it, Brady “has the singular ability to focus on the task at hand.” Even when that pocket is collapsing around him, it's very impressive to me, how focused he remains on his ability to deliver. And Brady knows how to perform when the whole world is watching. For him it may be millions of people during the Super Bowl. For us, in the business world, it is regulators, shareholders, customers and fellow colleagues — and of course, the ever-present media eager for a big headline.

In closing, my best hope for each of you is that you will find a place to grow and develop where there is trust; and that you will conduct yourself in a way that will add to that trust and build a reputation for yourselves as being trustworthy. Only then, will you realize your full potential to contribute value to the organization, to the marketplace, and finally, for your own hopes and desires.

Now I realize that this may seem like a fundamentally simple — brutally simple — message, but I want to emphasize it by saying that I lead a large organization with about 150,000 people. We have a complex structure, with presence in more than 140 countries. And when I think about the ties that bind this organization, what I tirelessly reinforce when I speak to my partners is our culture. It is values that bind Deloitte together.

We share a brand that matters; it is valuable in the marketplace, and it helps us sell our services. But no less important are those values that we share as an organization. In our code of ethics, I proudly look at that very first bullet on honesty and integrity. When we get to the shared values the very first one we list is integrity. Then we talk about our commitment to each other, outstanding value to clients and markets, and the strength from cultural diversity. But first, we talk about integrity.

And so what I hope that you will take from me is that if you want to be successful in business, you need to be trustworthy. If you are trustworthy, the ground then has been laid, the foundation has been built, and a very bright future is available for you.

Thank you very much for giving me a few minutes today.

Below are highlights from James Quigley's question and answer session with Bentley students, faculty and guests.

How does your firm deal with clients who have lower ethical standards than those of your firm?

JAMES QUIGLEY: First of all, we don't even accept those clients. I know it may sound as if I'm being a bit too quick with my response. However, we go through a very extensive process of client acceptance.

When you speak to someone who is, for example, an executive officer of a Fortune 500 company and you inform them of the rigor involved in our acceptance process, some of them are taken aback. Then, we help them to understand that this is simply our client acceptance process, and there are no exceptions. So, decision number one is that you have to have the right clients if in fact your image and your reputation matter to you deeply. Then, decision number two is after you've established a client relationship, we make the client continuance decision no less substantive.

You have to be very careful and very selective regarding who you allow your brand to be associated with. Sometimes, the only option we have is to resign [the account] and that is, in fact, what we do.

In the late 1980s and mid-1990s, the consulting practice of most of the major accounting firms was expanding, and that brought up the issue of compatibility with the audit sections of your business. I am wondering how Deloitte has adjusted their advisory branches which still remain as non-spin off consulting businesses.

JAMES QUIGLEY: Sometimes, decisions are made politically, and sometimes, decisions are made with substance. The decision to separate consulting was in part, I believe, a political action that was taken by some of our competitors in response to some regulatory pressure. What we decided to do at Deloitte was to segment the market instead of segmenting our firm, and so for those companies that we've chosen to audit, there is a suite of services that we take to them. For the larger portion of the market that we do not audit, we actually have another suite of services.

I have spoken directly to the leaders of the SEC and others, and they are not concerned about an entity that performs audit services also having consulting capabilities. What they want is for you to have real rigor within the scope of services that you take to companies that you audit. Our consulting capability is provided on a very limited basis to companies that we audit. So, for 23 percent of the market we perform audits. For the other 77 percent of the market, we offer our fundamental consulting capabilities. We are absolutely rigorous in our compliance with Sarbanes-Oxley and the scope of services limitations associated with that.

We are uniquely positioned to deliver superior value to our clients and the best career opportunities to our people.

How is your experience as the global CEO different from that of the national CEO with respect to integrity, ethics and practice?

JAMES QUIGLEY: I believe the core Deloitte values transcend business and borders. Our values for our global organization are the same as the values set for our U.S. organization. The fundamental core values of business that I want embedded in Deloitte don't change as we move from border to border.

You mentioned earlier how workers are more likely to behave ethically when they have a good work-life balance. From your perspective, what is required for a good life balance that would have a beneficial effect on someone's ethical integrity, and what does Deloitte do to try to encourage that?

JAMES QUIGLEY: I believe that people want more than one dimension to their life, and we need to create the opportunity for them to have that. When I think about work-life balance, what I actually do myself is to blend my life. I try to have one blended life that has many dimensions to it. And so, next Friday after the French partners meeting in Nice, my wife, Bonnie, is going to be with me. We are going to get in a car and drive to Venice. My daughter, Katie, and her husband, Jim, are going to meet us in Venice and we are going to spend Saturday, Sunday and Monday with them. Bonnie is then going back to New York, and I am going to head to Toronto. We have to be able to blend our times and to integrate our lives.

What I mean by the link between work-life balance and ethical behavior is that we believe that there is a higher propensity for someone to behave ethically and actually be a trustworthy person if he or she has more than one dimension to his or her life. We are concerned that if someone only has their professional life, full stop, then when it comes time to make a choice, if that person believes that by acting unethically it will help him or her to get ahead, the propensity for them to act unethically might be higher than their colleagues with other dimensions to their lives.

The person with the more balanced life, might be more likely to pass the Warren Buffet test of “What would what I am about to engage in look like on the front page of my hometown newspaper, and what would my mother think about this if she was reading that I in fact did this?” That is what I mean by bringing those other dimensions into your value set as you are trying to make decisions. If you actually have more than one dimension to your life, the likelihood of you being a trusted individual who is very ethical in how you make decisions, I believe, goes up.

The underpinning of this view came from a survey we did of business leaders who actually affirmed that fundamental hypothesis. I haven’t made a causal link, so I may very well be making an intellectual leap. However, intuitively, I believe if there is more than one dimension to your life, you will put that into your frame of thinking when making decisions.

What does Deloitte do to encourage work-life balance?

JAMES QUIGLEY: We emphasize, from the very top of the organization, that we value and want our people to have a life as well as a career. It is difficult and challenging. If you look at the top performer list from any office, what is going to happen? There is going to be enormous demands for their services. If you are a partner in that office, who are you going to want to have on your projects? You’re going to want people out of the top quartile.

As someone who is in that quartile, you may believe that you have to say “yes” every time someone asks you to do something. Then you will soon find that you are into the 24/7 mode. The more you produce, the more you will be asked to do. So with mentoring and counselors, and also by working with scheduling people,

and monitoring how we have our workload distributed, we try to manage it. But you also have to take responsibility for that yourself. From an institutional perspective, it is hard to mandate behavior. You have to learn how to say something that is really hard — you have to learn how to say “no.”

This is a two-part question. You mentioned the importance of talking to someone if they get into an ethical dilemma. First, if an individual chooses to go to someone to discuss a problem and to get help, can it ever be considered to be a sign of weakness? Second, when you are at the top, who do you consult with?

JAMES QUIGLEY: On the first point, our first shared value is integrity and the second is commitment to each other. And part of that commitment to each other is evidenced in that we actually help each other in delivering value to a client. I have never viewed it — and I don't think in the Deloitte culture it would ever be viewed — as a sign of weakness if you chose to consult. In fact, I think the weakness is when someone actually chooses not to consult when in fact they should have.

The only way you are going to bring out the very best thinking of this organization is if you are willing to consult and network. While trite, I really do believe that it's very true that none of us individually is as smart as all of us. If you can find a way to take advantage of all of us and bring that into your work, then you're going to be better able to deliver value to your client, and you're going to be better able to bring value to Deloitte. You're going to be more successful, if you can make that consultation part of the culture. I definitely don't view it as a sign of weakness, and I don't think any of our leadership team would.

In terms of who I consult with, I think all of us who occupy these leadership seats end up creating a formal structure that is represented with lines and boxes. What also happens is that you end up creating a kitchen cabinet. There will be a small group of people with whom you consult. I think that who you consult with depends on the issue that you're dealing with. But generally I will draw on a very small team of two or three people whose judgment I respect and who I believe have traveled the relevant road that I am trying to find my way down.

How do you feel about prospective clients that are trying to re-establish their image? Would you take them on after a corporate scandal, if they “weeded out” the people involved in offensive activities?

JAMES QUIGLEY: In many of those cases, what happens is that the prior management team gets replaced and now you are working with a new management team.

I'll use one example to simply make the point — that of Tyco International. We are proud to have Tyco International on our client list. Ed Breen, who is the CEO there, is someone I have known for 15 years. One of the things they say at Tyco, which I am sure is true, is that they have been able to re-establish their image to the point where their employees are no longer embarrassed to wear their Tyco T-shirts. There was a time that the Tyco T-shirts that employees would receive at the annual picnic or the annual outing were folded up and put in the bottom of the drawer. What the Tyco employees have said to Ed Breen, Chris Coughlin, and to that entire leadership team is that they are proud to put on their Tyco T-shirts again. I would say that we at Deloitte are proud to say Tyco is one of our clients.

I could give you other examples of those large scandals where Deloitte became part of the solution in helping a new management team re-establish a culture of integrity, rebuild their approach to ethics, and rebuild the fundamental core communications that needs to be made deep into the organization. Because when the tone at the top isn't what it should be, we shouldn't be surprised when we see that the behavior in the ranks is not stellar. But corporate culture does change; a management team can change it. Go look at the corporate history, and look at what happens when there are changes in the C-suite. It is remarkable.

Because Deloitte is an international company and there are so many different cultures, how does Deloitte promote consistent understanding of ethics across different countries?

JAMES QUIGLEY: Great question, especially when you think about the communications challenge inside an organization of 150,000 people. Value number four of our shared values is strength from cultural diversity. So, one of those things that I have assembled around me is a leadership team that is very diverse. I want my people to be able to look up and see someone who looks like them.

The approach we have to communicating ethics is found in this book [*The Deloitte Code of Ethics and Professional Conduct*], which has been translated into all of the relevant languages. We also have it communicated and distributed by the country leaders in each of our member firms.

Then, we want ethics training to become a part of the fundamental core training a new employee receives at the time he or she comes on board. In our firm meetings, when we have all of our colleagues together, we make values and ethics part of what we communicate. Then we reinforce it.

One of the things that we have done in the United States that I am very proud of is an online ethics course. We drafted the ethics case studies and then had everyone go through an online training course. We got to a point where 99.9 percent of our people had completed the online training. We took those last 37 who hadn't completed the training, and sent a note to the partner to whom they reported. We said, "We've got these 37 that haven't yet completed this training" and that list went from 37 to 20. Then, we sent another note and we said "if you want to continue to have that biweekly distribution, here is something you have to think about doing." The list of noncompliance went from 20 to three. The last three didn't remain in our organization, because we decided that this matters.

We also had classroom training on ethics. We were no less rigorous in our follow through. Our chief ethics officer came to the board and he told us, "Here is the percentage of our people that have completed this. We are committed, and we are going to have this done by December 31." And you simply get it done.

Thank you.

