

A conversation with John Connolly



John Connolly, Deloitte Senior Partner and Chief Executive, gives his view on Deloitte's performance and the market outlook.

Can you provide an overview of the year's performance?

Against a background of turbulent and complex markets, we reported strong performance for the year. Gross revenues grew by 11.5% to reach £2,010m, just exceeding the vitally important £2 billion target set two years earlier. Net revenue (revenues net of client disbursements) grew by 11.8% with good growth in each division. Profits available for distribution to partners and retired partners increased by 19.4% to £683m, with average profit per partner increasing to £970,000 (£877,000).

How did the credit crunch impact your business?

Following a continuous period of high growth, the environment for advisory services was adversely impacted for much of this year as the US sub-prime crisis and its wider consequences reduced the level of business opportunity across the firm. The significant reduction in the number and value of M&A transactions and the marked reduction in the level of real estate activity had an adverse impact on our revenues across the firm, but especially in Corporate Finance and Tax, where we have a leading position in private equity.

Given that, what has driven these high levels of growth?

You're right, I do believe our growth was excellent given the markets. Our performance reflects a continuous and relentless twin focus on our clients and our people.

We have combined an obsessive commitment to quality with a sharpened focus on clients' needs in these changing and challenging markets. We have re-emphasised our actions to retain our people, seeing the value of being fully and appropriately resourced, especially as the economic and credit environment improves in due course. Innovation, agility and speed to market have been even more important.

Achieving double digit growth in the firm and each division reflects the talent we have, the strength of the Deloitte brand, the scale and value of our client relationships in all segments, the resilience of our broad-based capabilities and particularly our efforts to identify and capture high growth opportunities which emerge in this environment.

How is the UK firm responding to the development and growth of economies elsewhere in the world, especially the developing territories?

Deloitte in the UK has very deep expertise in many of our advisory businesses. We have an opportunity and indeed a responsibility to deploy these skills, where appropriate, in some of those territories where there are special needs. This includes Russia, the Middle East, India and China.

In the Middle East, the large capital inflows and the growth in the sovereign wealth funds increase the significance of our Corporate Finance activities. We have recently established a joint venture with Deloitte in the Middle East to respond to this increasing demand.

Elsewhere, many more large Russian companies, particularly in the minerals and oil sector, are coming to London to tap into the financial markets here, so it makes sense for us to put resource into the Russian markets to help our colleagues in Russia. We are seeing many private equity businesses turn to Asia, and establish offices in Hong Kong, Beijing and Shanghai. These are large clients of Deloitte globally and again a recent development has been to second partners and managers to the Deloitte member firm in China.

What are the key priorities on the Talent agenda?

Ensuring we are appropriately resourced and that we provide the best environment for exceptional people to develop are priorities. In the past year, we have appointed 60 new partners and 1,400 new graduates will join the firm in the next few months. I am delighted to say we continue to attract very smart people at all levels in the firm. One of the reasons people are attracted to Deloitte is the platform we give them on which to build their skills and experience. The diversity of our business presents our people with a huge amount of choice about how and where to develop their careers.

Clearly, financial reward is important. We believe our people should be appropriately rewarded for the contributions they make, so this is a priority for us. I was delighted to announce recently that as a thank you for helping us achieve our "2 in 2" targets, everyone in the firm received an extra £1,000 celebratory award, and this was outside of the normal bonus system.

We have a relentless and obsessive focus with the marketplace and our clients.

We have a large number of the brightest people, making huge contributions to our clients and to the firm, and one of the things they are looking for is opportunity. What we as a firm need to do is provide them with a continuous flow of terrific opportunities. Indeed one of the reasons for us having a continued focus on the growth and development of our business is so that we can create opportunity for more and more of our people to participate at higher and higher levels in the organisation.

How is Deloitte making progress with Corporate Responsibility and making a contribution to the wider community?

Whilst clearly I have a bias, I really do believe our firm is taking a leading position in contributing to the wider community and running our business responsibly. This year we set a new benchmark in commitment, showing leadership in the business community.

In December 2007, we announced the groundbreaking sponsorship of the London 2012 Olympic Games and Paralympic Games alongside our appointment as the official provider of professional services to the London Organising Committee for the Olympic Games and Paralympic Games. Our appointment is a source of great pride to our people and reflects our longstanding commitment to the ideals of the London Games and our market-leading position in the business of sport. Our work in support of LOCOG will bring to life the depth and breadth of Deloitte's capabilities and our exceptional track record in delivering the most complex and challenging projects. We are already seeing the difference our association with the London 2012 Games is having on our graduate recruitment, and in motivating and retaining our people.

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We are also proud to have an equally exciting partnership with the British Paralympic Association and SportsAid, where our support for disability sport at the grassroots has been hailed as transformational by the Olympic Minister, the Rt Hon Tessa Jowell MP, and where our financial backing for talented young athletes means that 23 Deloitte-supported athletes will be joining the ParalympicsGB team at the Beijing Paralympics.

Alongside the London 2012 development, we also announced a five year partnership with the Royal Opera House to stage a new annual cultural festival, Deloitte Ignite, which is targeted at young professionals. The first festival will be in September this year.

Our new Green Agenda programme, now in its second year, addresses what Deloitte needs to do to develop a sustainable and environmentally-friendly business, and supports our increasingly broad portfolio of client services in the environmental and sustainability areas. Our environmental impact comes mainly from the way we serve our clients, including business travel and premises, and our focus has been on long-term investment and innovation: for example, 50% of the carbon emissions from our business travel are now offset through our Barclays corporate charge card programme, and the architectural and engineering solutions we employed in our London campus refurbishment were both practical and far-reaching, with a green wall and roofs incorporated into designs, 87% of surplus furniture recycled, and 80% of waste recycled across our London offices. These and other achievements set us well on our way towards achieving ISO14001 accreditation in 2009.

We are proud of our reputation as leaders amongst business in our commitment to Corporate Responsibility. Highlights include our selection as one of The Sunday Times 50 Best Green Companies and securing a Gold rating in the Business in the Community Corporate Responsibility Index.

As well as being the Chairman of the Global Board of Deloitte Touche Tohmatsu, I now have responsibility for leading the Global Corporate Responsibility Council which comprises senior partners from many member firms. At the global level we have raised the bar; Corporate Responsibility has been positioned as a strategic priority. The role of the Global Corporate Responsibility Council is primarily to set our policy and strategy and to encourage and support member firms' actions nationally and globally.

Looking ahead, how do you see the market's and Deloitte's position?

I can add little to the long trail of negative economic and market assessments. We are unlikely to see much growth in most business segments of the UK economy in the next year but a pick-up is likely in the latter part of 2009 or first half of 2010. Economic activity has held up in many parts of the world. I believe the US economy has the capacity to rebound more quickly than generally expected and to be a positive influence on the global recovery. For the UK the key driver of the recovery will be an improved supply of credit and lower market interest rates.

Over the last few years Deloitte has achieved market leadership largely for two reasons. First, we have a broader range of skills than any other professional services firm. We seek to anticipate the changing needs of our clients in deploying these skills and in helping our clients develop and implement pragmatic business solutions. Secondly, we are relentless in our pursuit of quality and innovation. The market and our clients increasingly recognise this.

Even in low growth markets there will be winners in every business segment. We have exceptional people and we nourish and develop their talent. I remain very optimistic that the winning business in our professional services market will be Deloitte.