



KPMG's Focus

An Interview with Timothy P. Flynn,
Chairman, KPMG

EDITORS' NOTE Tim Flynn was elected Chairman and CEO of KPMG LLP in June 2005, and in October 2007, he assumed the additional role of Chairman of KPMG International. A 29-year veteran of the U.S. firm, Flynn started his career in Minneapolis and has held a number of key leadership positions. From 2002 until 2005, he served as Vice Chair of Audit and Risk Advisory Services, and from 1997 to 2001, he served as Global Managing Partner for Human Resources. Flynn, based in New York, is a member of the Advisory Committee on the Auditing Profession established by Treasury Secretary Henry M. Paulson Jr. and serves on several boards, including the advisory board of Major League Baseball's youth outreach program – Reviving Baseball in Inner Cities (RBI), and the Committee Encouraging Corporate Philanthropy (CECP).



Timothy P. Flynn

COMPANY BRIEF KPMG (www.kpmg.com) is a global network of professional firms providing audit, tax, and advisory services, operating in 145 countries with 123,000 people working in member firms around the world. KPMG LLP (www.us.kpmg.com) is the U.S. member firm of KPMG International.

How has KPMG weathered today's stormy economic climate?

Pretty well. In 2007, our year-over-year revenues grew in the low double digits, and this year we'll grow in the high single digits. There is no question we are in a tough economic environment, but we have a broad array of services that allow us to weather tough times.

How has globalization impacted KPMG's business?

Undeniably, there has been a fundamental shift. Markets are economically interdependent, global, and borderless. Capital is flowing freely around the world into and out of emerging markets and mature economies at unprecedented levels. Our challenge, and our opportunity, is to make sure we align our resources in markets where our network of firms is experiencing tremendous growth around the world such as in Russia, Turkey, Brazil, and China.

How do you position KPMG in the market so that it stands apart from its competitors?

Certainly, our people are our strength, but there are talented people throughout the profession. We must provide our clients with a high-quality consistent experience globally. Because of the complexity and rapid pace of change today, we focus on communicating with our clients, making issues transparent, providing straight talk about challenges, helping them make tough decisions, and demonstrating competency in emerging markets. So it's about providing the right experience and insight, listening and understanding, and above all, acting with integrity.

How has the business changed over the past 20 years or so?

Sitting here today, it is hard for me to believe that there could have been a more challenging environment than we are facing today. I am sure previous generations of leaders felt they faced environments just as challenging or that seemed just as complex as it does to this generation. But right now, it feels pretty unique. I think the scope and complexity of business today has been increased by enabling technologies, such as the speed of communication that allows you to do business around the world 24/7, and just by the sheer scale of organizations. By definition, you do business differently than you did 20 years ago.

Have legislators finally struck the proper balance when it comes to the regulation of the corporate world?

Some of the regulations that have been put into place, such as Sarbanes-Oxley, have been very effective, but have also had unintended consequences. But we have a better sense of equilibrium today than we did in 2003 and 2004. The current financial and credit crises will almost certainly inspire new types of regulation. Once again, it will be important to find the right balance.

Does KPMG serve mostly global, highly recognizable clients?

KPMG has a great mix of clients with global icons such as Apple, Citi, Credit Suisse, GE, HSBC, Pepsi, and Pfizer, and clients like these really define our brand. But the majority of our client base is composed of strong national brand companies and smaller entrepreneurial companies. In addition, we do extensive work for governmental agencies. In the United States,

for example, we audit 8 of the 15 cabinet-level federal agencies. This diverse set of clients provides tremendous learning opportunities for our people and allows us to bring insight across our client base.

In serving such a diverse group of clients, is it important to employ a diverse group of people?

Yes. I truly believe that a group of diverse people produces better thinking about any issue. Our people and prospective employees, the market, and the need for complex thinking in our global world, make the need for diversity in experience, thinking, gender, ethnicity, and lifestyles critical to the long-term success of our firm. A firm without a diverse workforce is unprepared for a diverse marketplace. At KPMG, diversity is a business imperative and a long-term commitment. We have focused on developing women in leadership positions and now, at more than 18 percent, we have the highest percentage of women partners of the Big Four. We also actively support programs to attract and support minorities in the profession. We have six very active diversity networks within KPMG. We're really proud of what's happening here.

How has the relationship between the private and public sectors in New York impacted the city?

In a city as large and diverse as New York, I've been amazed by how focused the business community is on giving back and developing a partnership with the public sector. The Mayor's influence and leadership have played a role, and the business leaders are pushing and pulling too. This vast partnership has made New York a unique and better place for everyone.

Is New York still the financial capital of the world?

New York is always going to be a huge player on the world stage. The city has a resilient economy and one of the most talented workforces, in terms of the financial sector. And New York has heart. Competition is important, because it raises everyone's game. The challenges brought on by London, Moscow, and other markets around the world will require us to raise the bar in terms of our capital markets. I'm an optimist at heart, and I think we can do it, but I don't think we can get complacent. We all have the responsibility to think beyond our borders and beyond today. We can't lose our competitive edge in the future. ●