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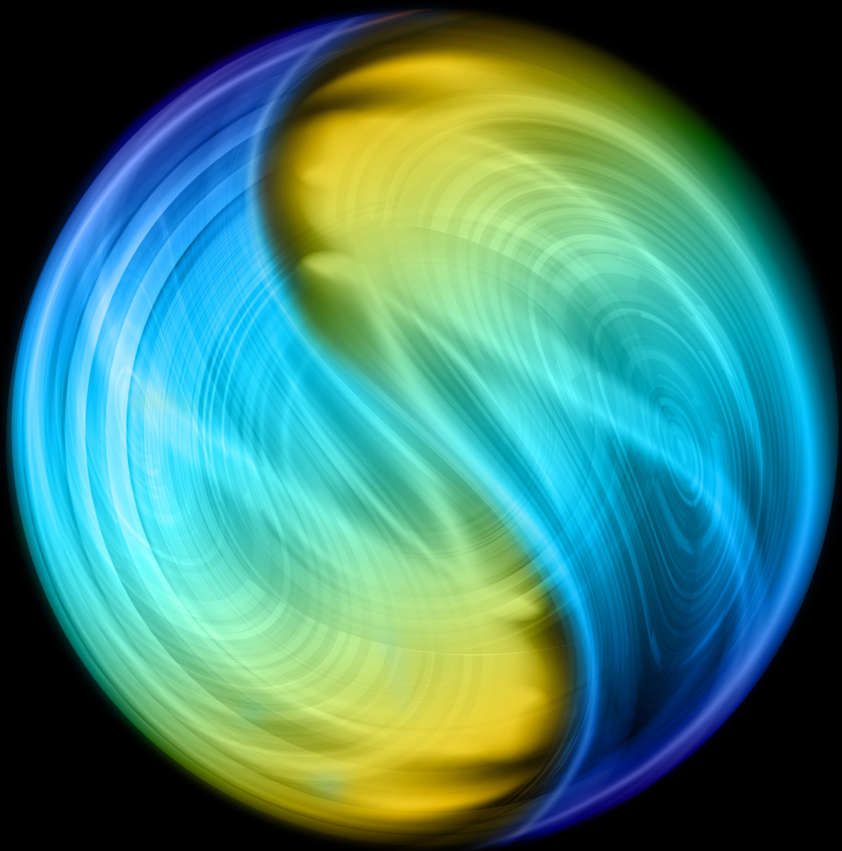

The future of trust
A new measure for enterprise performance

MAKING AN IMPACT THAT MATTERS since 1845

Understanding the future of trust requires a recognition of its present state. Trust has always been at the core of interpersonal relationships, but only recently has business started to recognize the impact that trust has on organizational outcomes. In essence, we've entered the trust age: a time where (mis)information is omnipresent, individual perceptions reign supreme, and digital security and data privacy are constantly threatened. In short, today, a myriad of stakeholders are holding organizations accountable for being trustworthy and, thus, trust must evolve from merely a chance outcome to a strategic priority.

But why does trust matter? Simply put, trust drives enterprise performance, and does so on a wide variety of fronts. When stakeholders trust an organization, their behaviours will reflect that trust can affect more traditional key performance indicators (KPIs) which directly affect financial performance. trust, however, needs to extend beyond shareholders and customers to include the larger spectrum of influence-wielding groups, from the workforce, board, alliance partners, and vendors to regulators, constituents, the media, and the community at large. Every stakeholder counts.

Trust builds shareholder confidence, which influences stock prices. It elevates customer and brand loyalty, which leads to revenue. It enhances levels of workforce engagement, which results in increased productivity and retention. For non-governmental organizations, demonstrating a high degree of financial integrity and compliance gives regulators and communities confidence in the stability of their interactions with an enterprise.

Now more than ever, stakeholders expect organizations to do the right things and do them well. These expectations range from entrusting an organization to safeguard one's private data to requiring a company to have a strong stance on environmental, social, and corporate governance (ESG) issues, and from demanding safe working conditions to expecting a government agency to be transparent with how its budgets are allocated.

The data confirms it. Trustworthy companies outperform non-trustworthy companies by 2.5 times,[1] and 88% of customers who highly trust a brand will buy again from that brand.[2] Furthermore, employees' trust in their leaders improves job performance, job satisfaction, and commitment to the organization and its mission.[3]

Despite the data, however, many leaders and organizations still view trust as an abstract concept. At Deloitte, we believe that trust should be managed proactively because when trust is prioritized and acted upon, it becomes a competitive advantage. An organization that positions trust as a strategic priority—managing, measuring, investing in, and acting upon it—will ultimately build a critical asset.

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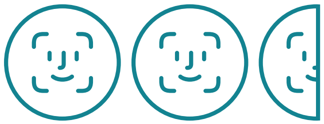
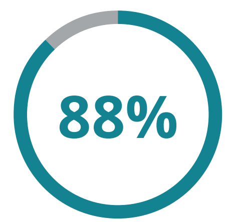




of customers who highly trust a brand will buy again from that brand.

1 Stephen M. R. Covey and Douglas R. Conant, "The Connection Between Employee Trust and Financial Performance," *Harvard Business Review*, July 18, 2016.

2 Deloitte HX TrustID™ Survey, May 2020 (n=7,500).

3 Sandra J. Sucher and Shalene Gupta, *The Power of Trust: How Companies Build It, Lose It, and Regain It* (Public Affairs Press, July 2021).

Trust is actionable

Research tells us that trust in an organization is an ongoing relationship between an entity and its stakeholders,[4] which leads to the question: what can organizations do to strengthen these relationships and earn trust?

Competence refers to an organization's ability to execute and deliver consistently on its promise of the provision of goods and services. Equally important, however, is the intent behind those promises and actions. As an example, it is no longer sufficient for a company to make a high-quality product at an affordable price point. To gain stakeholder trust in this new age, that same product should also be safe to use and be the result of a genuinely sought-after, sustainable supply chain. If both competence and intent are apparent and integrated into how that organization consistently does business, then levels of trust are more likely to be preserved and regained much more quickly[4] if a crisis occurs.

An organization's actions, performed with a high degree of competence and authentic intent, earn trust with stakeholders.

Throughout the digital age, with the faster pace of data flow and high availability of information, crisis management practices have become table stakes. While responses to trust breaches require swift and decisive actions, the trust age requires much more than reactive measures. Organizations that take a proactive stance to build trust equity across the broad spectrum of stakeholders—beyond just shareholders and customers—can strengthen their resilience and build brand loyalty with that wide range of stakeholders.

In recent history, organizations have prioritized using cutting-edge technology and innovation as a means of differentiation. While trust has intuitively been a business concern, it has lived mostly in the periphery. In today's environment, where regulation reaches into new territories, data is ever-present, everyone has a voice, and brands can potentially suffer catastrophic damage overnight, trust has become the new differentiator.

4 Sandra J. Sucher and Shalene Gupta, *The Power of Trust: How Companies Build It, Lose It, and Regain It* (Public Affairs Press, July 2021).

Trust is built from the inside out, through levers and actions that cut across the functional areas of an organization. As part of a comprehensive framework, we've identified an interconnected set of organizational actions and stakeholder groups with whom trust can either be earned or lost. To act on trust, an organization should maximize the efficacy of, and place genuine, stakeholder-focused intent behind, several key categories of trust-driving actions spanning a variety of functional areas within an organization:

Authentic leadership and strategic governance: Leaders should lead by example, demonstrating authenticity, accountability, and transparency in their actions. They should also advocate for (and drive) effective enterprise risk-monitoring strategies so the organization is continually aware of potential trust-altering events. After achieving alignment between management and the board, the focus should expand to providing transparent and actionable leadership communications.

Customer experience and product quality: Organizations should prioritize the relationship with their consumers and constituents, keeping in mind concepts such as human-centred design, digitally native operations, and service excellence. To emphasize a commitment to safety, companies should proactively manage third-party relationships and value-chain risk while also prioritizing product and service innovation and research and development.

Financial integrity and health: It is vital that organizations establish thorough financial reporting practices and exhibit a high degree of audit-readiness while striving for digitization and security. Additionally, and especially in this area, leaders should be proactive and transparent when communicating to relevant stakeholders, including investors, regulators, and customers, all of whom have different motivations and expectations.

Technology and innovation: Irrespective of industry, employing data-led intelligence practices, developing a broad understanding of emerging technologies and their implications for the core business, regularly sensing the external landscape for innovative opportunities and specific risk indicators, and encouraging the ethical usage of emerging technologies (e.g., AI, algorithms, and blockchain) are just some of the actions organizations can take to foster trust.

Compliance, safety, security, and protection: These fundamental requirements are essential to securing the foundational effectiveness of an organization. Organizations committed to building trust with stakeholders should employ effective and active enterprise-wide compliance programs, sophisticated fraud and misconduct monitoring and prevention, a highly resilient cyber posture armed with predictive threat intelligence, and systems with a high degree of data integrity.

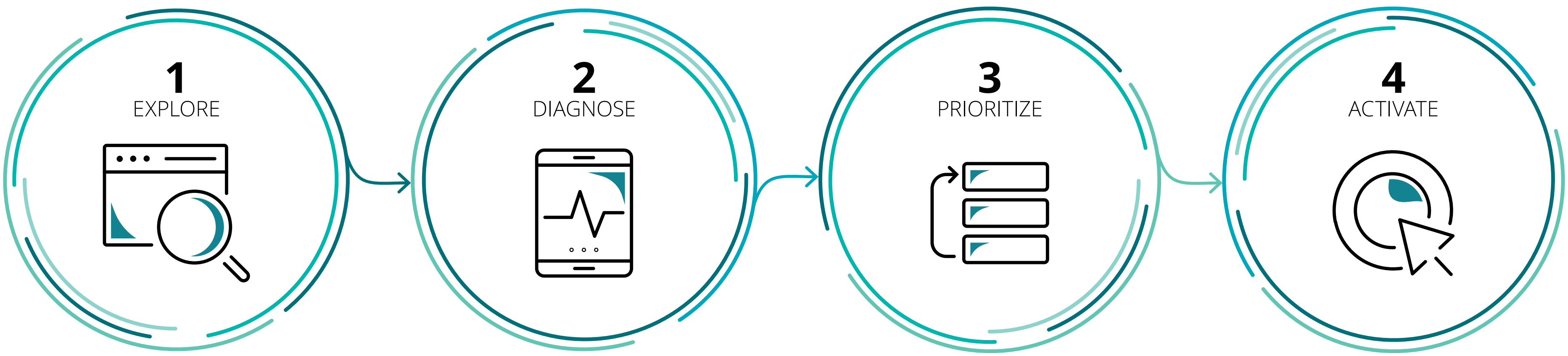
Purpose and ethics: Establishing and standing firmly behind the purpose and mission of an organization allows leaders to be confident in and execute upon the values of the organization. Taking this stance creates a culture of accountability and consistent adherence to ethical standards across the enterprise.

Culture, equity, and workforce experience: Workers who trust their employer are more likely to feel respected, engaged, and empowered. To build trusted relationships with its workforce, an organization and its leaders should focus on collaboration, transparency, and accountability with workers at all levels. This means making talent development and professional growth a priority, investing in employee safety in the workplace, ensuring access to programs and resources is available to promote employee mental and physical health, and using data and analytics to make the appropriate talent decisions.

We've used the above framework to create a structured approach for quantifying and enhancing trust, using a suite of diagnostic solutions that can effectively gauge your organization's trust score.

Managing trust proactively: How to begin to make trust a strategic priority

At Deloitte, we help our clients follow a structured approach to quantify and enhance trust, using a suite of diagnostic solutions. As the old adage goes, you can only effectively manage what you can measure. The following steps support a company's journey to becoming a trusted organization:



1. EXPLORE

The first set of steps in our approach to managing trust helps an organization better understand what trust means within the context of its industry and sector. We work with organizations to capture the initial perception of trust within their walls, then determine if and how these perceptions differ across departments, business units, and/or geographies where the organization operates. In this phase, we start to develop an understanding, and get an initial sense, of what trust expectations exist in the eyes of an organization's various stakeholders.

2. DIAGNOSE

The next step is making trust measurable. To that end, Deloitte has developed a set of trust measurement capabilities that measure both *the actions an organization can take* to elevate levels of trust and a calculation of point-in-time *levels of trust with key stakeholders*. After collecting and analyzing data from within the organization and through external sensing, the results are juxtaposed with industry and sector benchmarks, ultimately providing a detailed, quantitative assessment of trust, including gaps, strengths, and opportunities for that enterprise.

- **Evaluate an organization's actions:** Further breaking down these core trust-driving categories, we can quantify nearly 100 different drivers of trust, thus measuring an organization's ability to act with competence and intent. Gauging and quantifying perspectives from within the enterprise, as well as analyzing a million different points of relevant data from external sources, allows us to create a detailed, quantitative, objective, and multidimensional view of just how well or poorly an organization is performing through the lens of trust.
- **Measure levels of stakeholder trust:** Understanding how stakeholders feel about the trustworthiness of an enterprise provides insight into their future behaviours. When levels of trust are high, our research shows that corresponding positive behaviours are more likely to occur, such as repeat-buying behaviour from customers, productivity from employees, and faster reputational recovery from crisis events. Our measurement capabilities can enable organizations to identify and prioritize areas of focus to improve levels of trust and company performance.

3. PRIORITIZE

Once an organization is equipped with the relevant data and able to diagnose where trust gaps may exist, laying out a prioritized set of actions is essential. It is impossible to effectively make progress on all the drivers of trust simultaneously. So, in an effort to determine what to act on first, we work with organizations—leveraging our research and benchmarking studies—to prioritize the key areas of focus to enhance, protect, and rebuild trust. This includes considering what each sector and industry deem most valuable and important, as well as looking at the implications and impact of each trust driver relative to the strategic priorities of the organization.

4. ACTIVATE

Once a prioritized set of trust objectives is laid out in front of an organization, the work to remedy the gaps—to enhance, build, and rebuild trust—begins. Similar to the long list of trust drivers, this phase can take on different shapes and forms. The key is to ensure that all the measurement, analysis, and prioritization is not done in vain. This part of the process is essential and, likely, the most difficult, as it requires changing the way things get done. By focusing on the areas that are the most critical to driving trust through specific strategic initiatives, over time, organizations can see an elevation in levels of trust and the corresponding impact to stakeholder behaviour.

Strategic priorities and areas of focus change for organizations, especially over time. Similarly, different expectations arise from various stakeholders, in some cases differing by regions, industries, and sectors. As a result, trust rises and wanes over time. Therefore, exploring, diagnosing, prioritizing, and acting on trust should become part of the DNA of every organization and considered an ongoing journey vs. a one-time exercise.

Building trust equity

Companies affected by a trust-related incident see a degradation in market cap ranging from 20% to 56%.[5] Conversely, highly trusted companies outperform other companies in their sector by an average of 5%.[6]

When an organization faces and responds to a crisis event that threatens its brand, reputation, and performance, its trust equity (the amount of trust that it has accumulated with its stakeholders) will directly and significantly affect its ability to recover from the incident and the speed at which it does so.

Research shows, and personal experiences support, that it takes a long time to build and break trust; the more trust an organization builds up, the harder it is to lose when a negative trust event happens.[7] By investing in trust across the enterprise and making trust a strategic priority, an organization can, in essence, "bank" trust that will keep the organization resilient in the face of a potential crisis.

At Deloitte, we continually strive to make the world more trustworthy, resilient, and secure by helping our clients become more trusted organizations. Whether by safely and securely leveraging the power of data and technology, managing the complexity of compliance, or improving confidence in strategic transactions, we are proud to help organizations take a proactive stance to build trust equity and to protect themselves against potential trust breakdowns.

The future of trust is here—and it's no longer just at the heart of personal relationships, but also at the very core of organizational strategy across stakeholders and the enterprise. No organization should wait for a crisis to start focusing on trust. The trust age calls for organizations to build trust equity every single day.

Consider your organization's stance on trust—where is it on your list of strategic priorities? How effectively can you define, measure, and act on trust-building actions across the enterprise? Are you taking the necessary steps to build trust equity across the broad spectrum of stakeholders? We're here to help.

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