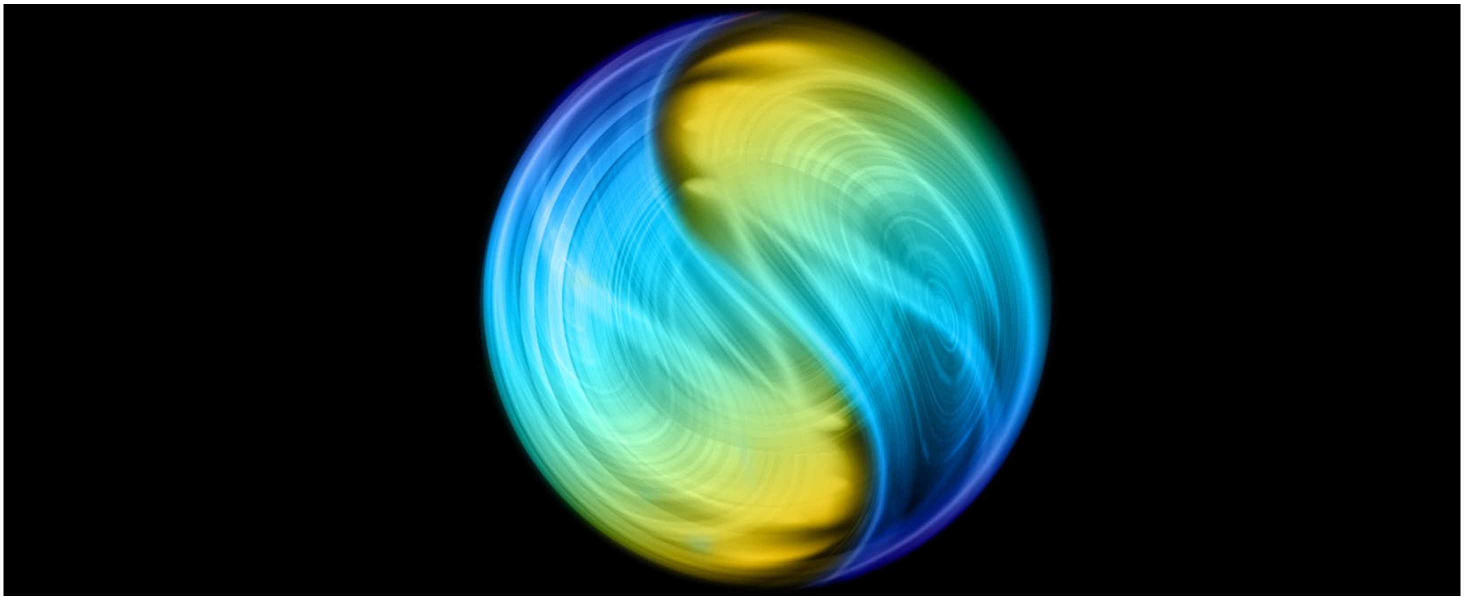


Making trust a strategic objective

Why C-suite executives should fill the trust gap—by actively managing it

Trust in an organization is an ongoing relationship between an entity and its various stakeholders—and is earned through that entity's actions. Those actions, however, cannot be strictly embodied in a crisis response strategy to address a trust breach. Instead, by investing in trust proactively, organizations can build "trust equity"—a reserve of trust that can not only improve performance and generate value on an ongoing basis, but also allow the organization to be more resilient when a crisis inevitably hits. Managing these trust-based relationships starts at the very top and requires the focus and attention of the C-suite.

The disruptive events of the past year have shined a bright light on the power of trust, revealing the central roles of transparency and consistency in cultivating it in organizations. (Think vaccine efficacy, for example.) Global and societal challenges have also reinforced how intangibles, rather than physical assets, often lead to value creation. In other words, the stronger the relationships organizations have with their stakeholders, the more *trust* is generated.

Trust is a key asset in connecting a company and its purpose to its stakeholders. By building trust, C-suite executives enable their organization to achieve its aspirations, improve performance, and generate value.

Still, the social contract between many organizations and their stakeholders remains frayed. In fact, the 21st annual Edelman Trust Barometer, which drew responses from more than 30,000 global respondents, tracked a precipitous drop in trust between May 2020 and January 2021. Among institutions, government took the biggest hit. Trust in business, however, dropped less than in other studied organizations—a finding that suggests companies may have reached a critical juncture where investing in trust may pay off in increased credibility with stakeholders.

For C-suite leaders, this juncture presents an opportunity to fill the trust gap—by actively managing it. To start, leaders and their organizations can build and maintain trust by acting with competence and intent. *Competence* refers to an organization's ability to execute and deliver consistently on its promise of the provision of goods and services; equally important is the *intent* behind those actions—making decisions from a place of genuine empathy and care for the wants and needs of stakeholders. When leaders commit to embedding these tenets into their organization's culture, purpose, and operations, companies can outperform their competitors.

Setting a tone of trust

Many C-suite executives whose companies have weathered the pandemic successfully recognize the importance of trust. In the 2021 Deloitte Global Resilience Report, based on a survey of 2,260 C-level executives and senior public sector leaders, trustworthiness was one of five key characteristics of resilient organizations, enabling businesses to bounce back from unexpected challenges. The study also examined three key areas where trust can be improved, finding that leaders were making progress in some areas, while needing to make improvements in others:

- High confidence in workplace safety: During the pandemic, many organizations grappled with concerns about the safety of employees and customers, a vital component of trust and one that is central to any reentry strategy. More than three-quarters (77%) of C-suite executives were confident they had done a good job in "keeping employees safe." Similarly, 74% of C-suite executives felt their organizations had done a good job keeping their customers or clients physically secure. That leaves about one-quarter of C-suite executives who felt their organizations could have done more to protect their people and external stakeholders.

- Gaps in well-being: Stress and anxiety, characteristic in certain factions of the workforce even before the pandemic, were exacerbated by it. Some 40% of surveyed C-suite executives felt that the mental health or stress resources they provided to employees were either not adequate or simply adequate, and 37% felt they didn't do a great job maintaining employee morale. By fostering emotional well-being, C-suite executives can build trust within the workforce and yield dividends in increased organizational resilience.

- Some progress in cybersecurity: The pivot to virtual raised the specter of increased cyberthreats. In the report, just over one-half (55%) of surveyed C-suite executives felt their organizations had done well or very well in managing cyberthreat detection, remediation, and prevention. Of those who said they did well managing cyberthreats, 72% said they were weathering the events of 2020 well compared to their counterparts.

Protecting against cyberthreats also means promoting an unwavering commitment to such things as protecting stakeholder data and preventing fraud. Along with the physical and emotional dimensions, it is crucial to get the digital component right.

Proof of values

Across all of these dimensions, there is much at stake in cultivating trust. A Deloitte Canada* analysis, for example, found that three large global companies, each with a market cap of more than $10 billion, lost from 20% to 56% of their value when they breached stakeholders' trust.

To avoid such negative outcomes, leaders should make corporate trust an action item on their strategic agenda, monitoring their organizational capabilities and performance gaps that affect trust and taking steps to build and rebuild trust over time. The following steps are a good place to start:

1. **Explore trust within the organization**. Assess what trust means to the organization within the context of its industry and sector. Determine the groups of stakeholders with whom trusted relationships must be built and maintained; develop an initial sense of what trust expectations exist in the eyes of these various stakeholders.

2. **Diagnose and measure trust**. Either through surveys or other measurement tools, assess the actions and capabilities that drive stakeholder trust in specific operating areas, such as customer experience, cybersecurity, the company's ethics program, or overall culture[1]. Such a diagnostic can determine how well the organization is performing against the trust-building actions that are most crucial to key stakeholders. The results can then be used to determine which factors the company should proactively prioritize to improve stakeholder trust.

3. **Prioritize trust drivers**. Once the organization is equipped with the relevant data and able to diagnose where trust gaps may exist, develop a set of prioritized actions. It will be impossible to effectively make progress on all drivers of trust simultaneously, so leaders should prioritize which actions to take by considering what is most relevant to the business given its sector and the implications of a given trust driver relative to the strategic priorities of the organization.

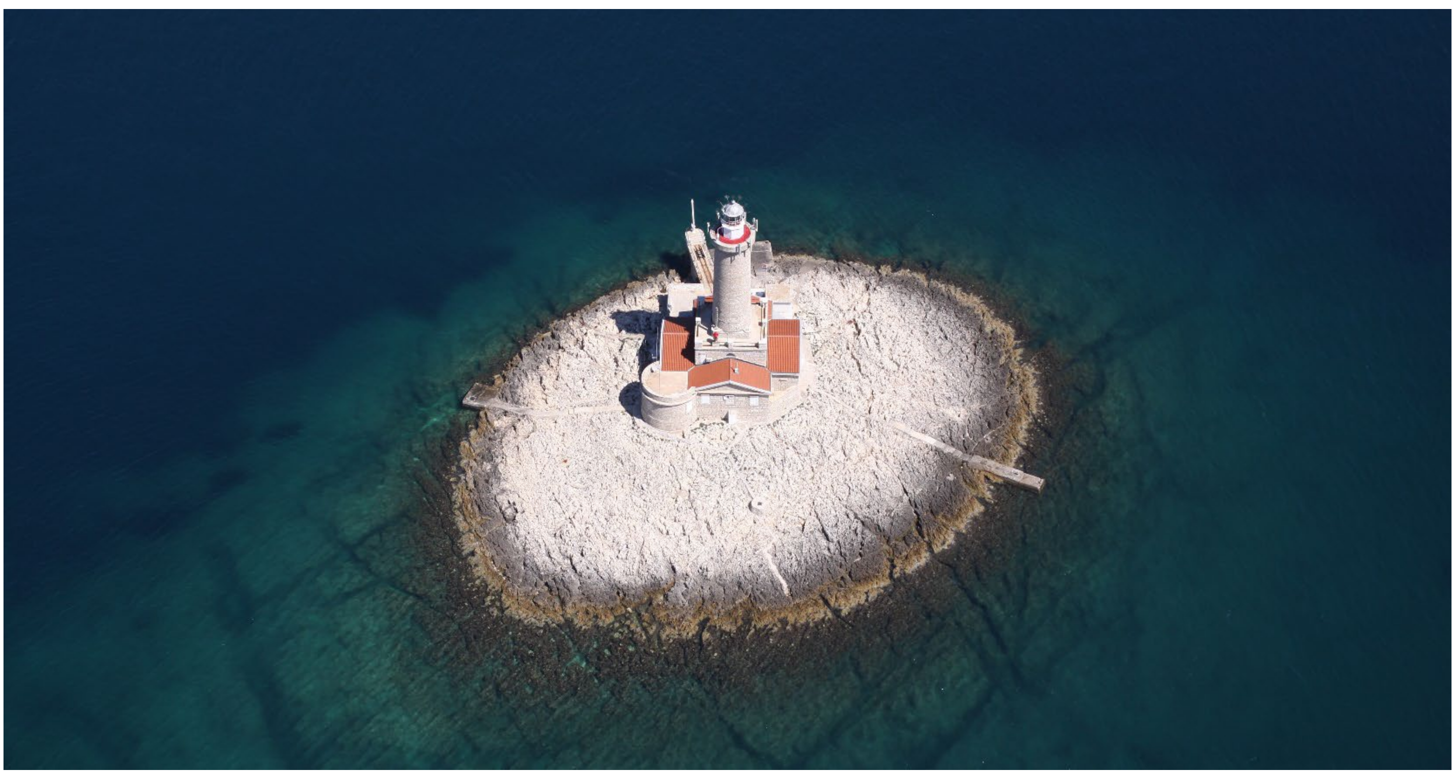
4. **Activate**. With a prioritized set of trust objectives, the organization can begin to remedy the gaps—to enhance, build, and rebuild trust. This part of the process is essential and, likely the most difficult, as it requires changing the way things get done.

Trust: An on-going journey

As strategic priorities and areas of focus change for the organization and as expectations of various stakeholders evolve, trust will rise and wane over time. Therefore, exploring, diagnosing, prioritizing, and acting on trust should be embedded within the DNA of every organization and considered an on-going journey versus a one-time exercise.

Keep in mind that regardless of whether leaders take the initiative to lead with trust, stakeholders will hold organizations accountable for breaches, and they may also publicly share evidence of certain commitments. For example, they may demand to know whether an organization is providing a safe environment for workers. Employees may question whether the company has instilled ethical principles into advanced technologies. Customers might want reassurances that the supply chain is transparent. Advocates for workplace wellness may inquire about mental health resources for employees.

Trust can be monitored and managed just like other drivers of enterprise value. The public is watching, and C-suite executives can deliver if they make corporate trust a priority on their leadership agenda. Their company's reputation, quite literally, depends on it.



[1] One such tool is Deloitte's Trust IQ™, which measures a company's trust across 17 domains, compares the level of trust against industry benchmarks and other metrics, and recommends priority areas for trust.

Contacts:

Michael Bondar
Principal
Deloitte Risk & Financial Advisory
Email: mbondar@deloitte.com

Don Fancher
Principal
Global Leader, Deloitte Forensic
Email: dfancher@deloitte.com

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