Believe it: Why trust may be the new driver of enterprise value

Organizations traditionally cultivate trust over time, earning it from different stakeholders as a byproduct of their consistency and transparency. But, in repositioning themselves to adapt to a shifting economic environment, companies may discover the need to embed trust as part of their core foundation, which means fostering, deepening, and monitoring it as they would any other driver of enterprise value.

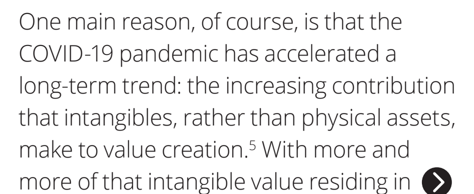
Demystifying trust as an asset—rather than linking it with such subjective concepts as integrity—often begins with quantifying the company's current trust level and assessing its trajectory. How much is trust worth? Such calculations are often reached only once trust has been breached.

A Deloitte LLP* 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, or a total of $70 billion, when they breached their stakeholders' trust.[1]

In the current environment, however, trust has never been more valuable—or elusive. In one study, fewer than 20% of respondents said they trust the current economic system.[2] Meanwhile, trust in institutions has been dropping for many years.[3] And the 21st annual Edelman Trust Barometer, which drew responses from upwards of 33,000 global respondents, tracked a precipitous drop in trust between May 2020 and January 2021.[4] Among institutions, government took the steepest fall; trust in business, however, dropped less than in other studied institutions.

The findings suggest that companies may have reached an inflection point where investing in trust may pay off, yielding increased credibility with—and commitment from—stakeholders. And as leaders, and primary financial spokespersons, for their companies, CFOs have a vital role to play in creating trust both internally and externally.

One main reason, of course, is that the COVID-19 pandemic has accelerated a long-term trend: the increasing contribution that intangibles, rather than physical assets, make to value creation.[5] With more and more of that intangible value residing in



how stakeholders feel about a business or product, trust can be a key ingredient binding consumers and employees to a brand.

The CFO's role in building trust, however, is compounded by the number of stakeholders they have to balance. As Sandra Sucher, professor of management practice and the Joseph L. Rice III Faculty Fellow at Harvard Business School, notes: "Trusted companies know how to balance the trust of all their stakeholders. They act in favor of one group while still serving the interests of others."[6] And in this issue of *CFO Insights*, we'll not only detail ways CFOs can help pinpoint trust gaps and establish a culture of trust, but also zero in on what companies can do to help fortify the bonds of trust with three specific stakeholder groups: customers, employees, and investors.

Economics of trustworthiness

As suspect as such a calculation may sound, trust builds value—assuming it is authentic. That means, in any ongoing exchange between two parties, it requires that both sides risk vulnerability. Moreover, as a kind of currency, trust has very little intrinsic value when it is banked. But when invested by leaders in relationships with stakeholders, it enables activities and responses that can help build, or rebuild, organizations. It is, as one leader put it, the invisible bond in every relationship.[7]

As such, trust is a key ingredient in binding consumers and employees to a brand. A study of Canadian consumers found that 85% were more likely to sever their existing relationship with a company as a result of a negative trust event.[8] In "The chemistry of trust", a wide-ranging study into how executives build and sustain trust among their stakeholders, interviews with executives revealed that many of them "appreciated the importance of trust in navigating complexity during times of change." The executives also pinpointed "the need to build or rebuild trust with… their employees, suppliers, regulators, and the communities in which they operate."[9]

For their part, CFOs may not own trust, but they can play a critical role in building and maintaining it. Their meticulousness and solid judgment likely helped elevate them to the CFO seat, after all. The reliability of their function's output, such as financial statements, depends on their diligence and objectivity. And they are natural advocates for transparency and accountability. Having built a trust-based relationship with the CEO, they can also do so with, and among, employees. The goal: an environment where everybody feels like they own trust. For example, by exuding authenticity in their interactions with everyone from job candidates to investors, CFOs contribute to shaping the company's reputation. That reputation, in turn, adds to the company's valuation. In fact, the return on trust may be reflected in a number of indicators, ranging from increased innovation to improved collaboration.

As companies emerge from the Covid-19 pandemic and recession, building and maintaining trust may be reflected in more immediate areas. Take safety, for example. In a global survey of 9,000 executives and employees across industries, 46% of responding employees said they don't believe that their company will take the necessary steps to ensure their safety in the workplace.[10] For those that do, however, the benefits may be reflected in both the short- and long-term, as trust is needed not only to get the workforce back into the workplace, but also to serve as a strong driver of workplace motivation and productivity.[11]

Going forward, the list of trust factors promises to only get longer. Beyond product quality and profitable growth, building trust with stakeholders these days often requires organizations to serve a higher purpose—one that may align with the Business Roundtable's 2019 Statement of Purpose (which urges companies to replace shareholder primacy with a broader commitment to all stakeholders).[12] And for CFOs, that increasingly means companies are being judged on their commitments to environmental, social, and governance efforts (ESG), as well as diversity, equity, and inclusion (DE&I). The result? Many are having to address stakeholders with an almost unbridled openness, answering questions about everything from the size of the company's carbon footprint to its focus on DE&I programs (see sidebar on Deloitte's TrustIQ™).

Who owns trust? The entire C-suite

For now, the trust journey includes assessing initiatives that affect stakeholder relations across the organization, then developing tailored strategies that can be monitored periodically. Leaders may find it necessary to regularly question if their actions are aligned with their intent, and whether the business has the required competencies to deliver on that intent. But overall, building trust starts with modeling the expressed values and purpose of the company. That process can begin with these steps:

Step 1: Analyze key trust drivers for the organization. These drivers can range from leading by example and setting the tone to amplifying core values by forming a culture and purpose that acts ethically, cares about society, and fosters diversity, equity, and inclusion. Such drivers enable the organization to deliver with excellence and nurture great customer experiences and reliable digital engagement, which can result in superior product and service quality. If employees believe in the

brand promise, for example, they will likely perform with distinction, operating with integrity and bolstering innovation. At the same time, it behooves companies to secure the foundation. That means promoting an unwavering commitment to such things as the protection of stakeholder data, management of cyber threats, and prevention of fraud, as well as embedding trust in decision-making throughout the company.

The exercise should also include evaluating stakeholder perceptions of those drivers and assessing how effectively executives define and operationalize trust. This can be done using a combination of ethnographic and market research. Typically, the CEO and the chief ethics officer, if the organization has one, are deeply involved in this effort. But it also requires a broader group of executives, including the CFO, to help influence and shape trust.

Step 2: Conduct a trust "health check." Such a diagnostic can ascertain how well the organization is performing against the trust drivers most crucial to its customers and other key stakeholders (i.e., leading by example, amplifying core values, delivering with distinction, and securing the foundation). The results can be used to determine which factors the company can influence to improve stakeholder trust. It's important to note that trust fluctuates, and so conducting the health check biannually can help capture shifts in the trust framework and stay current on key initiatives.

Step 3: Prove it—Reconcile stakeholders' trust perceptions with the organization's performance. Using the insights gained in steps one and two, CFOs and other leaders can identify the key priorities, actions, and investments that can help launch the organization on its journey toward institutionalizing trust. A scorecard customized to an organization's trust drivers can be developed to track progress, while also serving as a valuable governance tool for the board.

As part of the exercise, leaders should ensure that the decisions made consider both the opportunities and implications for either strengthening or eroding trust. Consider the four dimensions of human trust—physical, emotional, financial, and digital—as the lens through which to view how those decisions can impact stakeholders' trust (see Figure 1).

Managing trust: Customers, employees, investors

A company that does not actively build trusted relationships is likely exposed to risk. What follows are some of the strategies CFOs can utilize to help instill trust with three important stakeholder groups:

Customers: *Can I trust that the company will do right by me?*

- **Demonstrate competence.** Many consumers perceive an organization that fulfills its brand promise—defined as overall competence in the production and delivery of its offerings—as the most important factor in building trust. In the Deloitte Inc. survey of 1000 Canadian consumers, 84% judged quality as of highest importance, while 80% chose availability as their top priority.[13]

- **Exhibit ethics, honesty, and transparency.** Consumers trust organizations similarly to how they trust people, valuing ethics and integrity above all. In the Deloitte Inc. survey, 81% of respondents stated that such qualities are important for building trust.

- **Treat employees like brand ambassadors.** Consumers have access to information over which a business has no control: product reviews, news articles, social media posts. Up against that deluge, the carefully crafted corporate narrative hardly stands a chance. By investing in hiring and ongoing training, companies can build a reputation that fosters goodwill; overall, 77% of respondents to the Deloitte Inc. survey agreed that awareness of a positive employee experience was essential to building trust, making it the third most important factor.

Figure 1: Dimensions of trust: physical, digital, emotional, financial

Source: Deloitte analysis.

Employees: *Can I trust that I will be empowered to manage my work?*

- **Set realistic expectations.** Even as they worry about lagging productivity, CFOs and other leaders need to take into account that employees have been adjusting to working remotely and balancing their own concerns regarding the virus. Ignoring those realities may force employees to be secretive about any difficulties they are facing, eroding trust.

- **Build a culture of trust.** Maintaining trust with remote workers may require a distinct strategy, emphasizing support by addressing the ongoing need for resources. As simple as it may sound, it's crucial for managers to check and recheck that employees have the tools and technology they need to meet expectations.

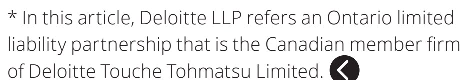
- **Connect through communication.** The Deloitte Inc. survey found a superstore-sized gap between the trust consumers have in physical retailers versus that which they have in their online counterparts. The former ranked as the most-trusted category, earning top marks from 60% of respondents; the latter garnered just 26% (see Figure 2). Customer interactions, whether conducted online or in-store, can make a difference in perceptions of trustworthiness.

Investors: *Can I trust that the CFO is communicating transparently with me?*

- **Build a relationship with investors.** Whether participating in earnings calls, providing guidance, or meeting one-on-one, CFOs should continue to enhance strategies for using digital channels to educate investors about the company's unique investment thesis and viewpoint. Such an undertaking also involves listening to investors' goals.

- **Emphasize values.** As previously mentioned, companies are increasingly being judged on their commitments to ESG and DE&I—and a growing number of institutional investors are including such commitments in their criteria for choosing where to put dollars. That means CFOs need to communicate their company's efforts in those regards.
- **Stay transparent.** As obvious as it may sound, it is important to continue to look inward, question assumptions, and be transparent.

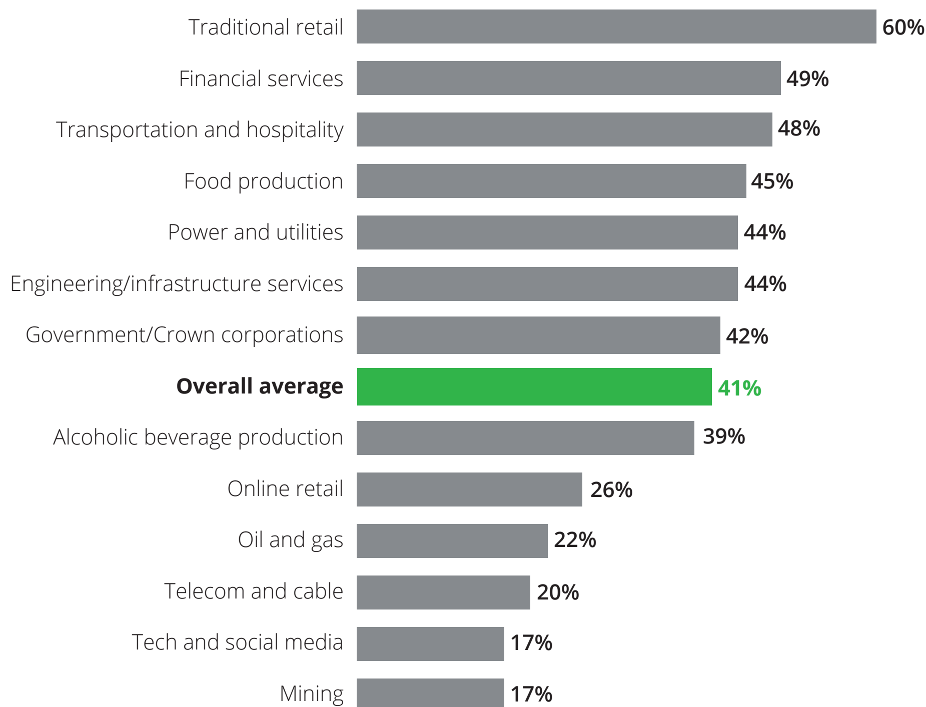
Finance executives should consider making a commitment to quantifying trust. Just as many traditional processes have likely fallen by the wayside over the past year—for good, perhaps, in some cases—it seems that treating trust as a valuable asset may help companies move beyond merely regaining their pre-pandemic footing. While coming out of a crisis in which many companies have stumbled over expectations, honesty may be the most valuable policy.



* In this article, Deloitte LLP refers an Ontario limited liability partnership that is the Canadian member firm of Deloitte Touche Tohmatsu Limited.

Figure 2: State of trust by sector

Percentage of respondents to the Deloitte Inc.* survey who completely or somewhat trust organizations operating in these industries or sectors



Source: "The chemistry of trust, Part 2: Navigating consumer trust," Deloitte Inc.,* March 2020

Keeping score of trust

Many CFOs rely on customized dashboards to proactively track emerging risks, which can range from changing exchange rates to volatile commodity prices to fluctuating levels of trust.

If the last one sounds out of place, it's because the ability to quantify and manage trust has only recently gained interest. In the wake of an uncertain economy and COVID-19, companies have developed a keen awareness of the need to consistently elevate the level of trust among stakeholders. But while executives intuitively understand the definition of trust, many struggle with "how" to build and maintain trust among the various groups.

Deloitte's Future of Trust, launched late last year, offers a suite of solutions that can help organizations measure, quantify, and enhance trust. Using comparative data and analytics, the featured tools allow companies to prioritize activities that disproportionally drive trust in the enterprise. The solutions include:

- **TrustIQ™**, a diagnostic solution that enables management to establish a baseline, quantifying the organization's existing state of trust. By assessing performance across 17 domains and measuring those scores against leading practices, TrustIQ can help illuminate a company's priority areas of focus in seeking to boost levels of trust and company performance.
- **HX TrustID™** measures trust through the lens of human experience, across four integrated signals: humanity, transparency, capability, and reliability. HX TrustID can then predictively tie the four signals to customer and employee behaviors, helping CFOs and other leaders understand what actions they can take to (re) build trust where their organization most needs it.

How leaders respond and emerge from times of crisis can set their organizations apart. However, rebuilding from challenging times requires trustworthy leaders and organizations. With the help of a new framework, supported by tools like TrustIQ and HX TrustID, leaders can build stakeholder confidence and position their strategic decisions to align with the company's core values—which can serve to guide the business through any future crisis.

End notes

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