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The impact of Enterprise Trust

An exploration among Communications Executives

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Foreword

Trust is the main theme on the agenda of leaders: how do we maintain trust and societal support for our strategy in times of significant change? Enterprise Trust forms the foundation of a valuable connection between organisations and internal and external stakeholders, making it a prerequisite for creating long-term value and the successful continuity of an organisation.

In a world where internal and external developments and events are increasingly impacting trust in organisations and their leadership, we see an increasing role for and ever higher expectations from the communications function. Effectively navigating and anticipating an ever more complex reality is a European trend, as evidenced by the European Communications Monitor 2023. Deloitte has engaged in conversations with several Communication Executives across various sectors about this topic, in order to understand the impact of trust on their work, now and in the understanding, building, and maintaining trust and support among (in)direct stakeholders for strategic business decisions and underlying motives are at the core of their responsibilities. Moreover, more than anyone else in their roles, they are best-informed about what is happening in- and outside their organisation and/or with its leadership. This allows them to respond promptly to developments that may have an impact.

It's unsurprising that this exploration reveals the substantial and indispensable strategic importance Communication Executives place on Enterprise Trust. Simultaneously, these discussions highlight that steering, realizing, and maintaining trust is yet to become common practice. Interestingly, organisations that prioritize building trust as a strategic imperative during peacetime tangibly outperform their peers financially, gaining competitive advantage in their industry. The Communication Executives we spoke with emphasized the absence of integrated, organisation-wide measurement tools that make trust in the organisation qualitatively and quantitatively visible. Additionally, there seems to be a single focus on external factors that influence trust, while (lack of) internal performance more often causes trust issues among stakeholders. Last but not least, due to the increasing complexity in which organisations operate, combined with the extensive set of tasks and responsibilities within communication functions, there often lacks the opportunity to shift from a reacting stance to a proactive steering approach.

Organisations and their leadership teams that successfully attain data-driven insights into the factors and extent to which stakeholders trust them, position themselves in the best possible way to sustainably strengthen the connection with these stakeholders, mitigate vulnerabilities, and, consequently exert more control over the successful realization of business goals.

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The impact of Enterprise Trust

The three main findings of the exploration



Having Communications Executives properly aligned with the business is crucial to assess the impact of developments and strategic decisions on trust to estimate.



Communication Executives need to make the impact of trust and concrete management information measurable for effective use in the boardroom.



The communication function is well positioned as a driver for strengthening trust. While strategic embedding requires focus and attention, the everyday humdrum and the wide range of tasks encumber this much-needed focus.

Playing field

The position of Communication Executives makes them the eyes and ears of the organisation. To give strategic communication advice, they must be well informed about what is going on inside and outside the organisation. This is what enables them to timely assess the impact of various developments in their own organisation and adapt the communication strategy to a constantly changing world.

Given the numerous internal and external developments that can influence trustworthiness and consequently the survival of organizations, the importance of this role has never been more crucial. Internally, this might involve product recalls, fraud and integrity issues, workplace accidents, or remuneration discussions, but also compliance with European laws and regulations on digitalisation, resilience and sustainability. Externally, on the other hand, from geopolitical unrest and migration, to natural disasters caused by climate change, increasing stakeholder activism, misinformation, the emergence of breakthrough technologies such as generative AI and the Metaverse, the energy transition and energy security, tightness in the housing market, and increasing social and political polarisation.

According to the European Communications Monitor of 2023, this growing complexity in which Communication Executives must navigate is observed to be a common European trend. The survey shows that two issues will continue to be of great importance in the coming years:

1. Building and maintaining trust
2. Linking organisation strategy and communication

As a result of the uncertainty and turmoil these developments bring, trust comes under high pressure, trust in companies' strategic choices, trustworthiness of information, trust in government competence, trust in science. Meanwhile, trust from internal and external stakeholders is a prerequisite for the successful survival of an organisation, driving business performance.

Research shows that trusted companies outperform their peers by up to 400 percent. Other benefits of high trust are increased customer loyalty, (of customers who highly trust a brand, 88% is a returning customer) and greater workforce engagement. The level of trust is also crucial when an organisation finds itself in dire straits. In times of business criticality, stakeholder trust contributes to the organisation's resilience and ability to recover well and quickly. Trust can take a beating, and, unlike reputation, it does not instantly vaporise in the face of resistance or opposition.


Building and maintaining trust is a long-term process. Organisations should constantly, and especially in good times, invest in both the competence and intent of their operations and organisational strategy. Trust is defined by doing the right thing, even when no one is looking.

"As a public organisation, we increasingly face societal distrust"

Discussing the strategic significance of trust and how to strengthen and maintain it, Deloitte sat down with Communication Executives from leading Dutch companies and government institutions. Most of them report directly to the CEO, a quarter are part of the board and/or participate structurally in boardroom meetings. We spoke to them about the developments that particularly impact their responsibilities, their department's priorities, the competences needed to strategically embed trust management and their vision for the future.

Responsibilities

To understand more about the role and impact of communication, we asked about the most important responsibilities of the communication function, team or department that Communication Executives lead (figure 1).



Top 5 key responsibilities according to Communication Executives:

1. Reputation Management
2. External communication
3. Internal communication
4. Execution of strategy
5. Crisis communication

Figure 1

The broad spectrum of focus areas and responsibilities exposes the fact that Communication Executives not only have to navigate between a growing number of challenges (internal and external), but that the full portfolio of the department is a challenge in and of itself.

For Communication Executives, the trick is to identify, from a strategic perspective, where the focus of communication deployment lies so that it leads to the greatest impact.

The communication strategy should contribute to achieving the business objectives. Impactful and effective communication is key to strengthening and maintaining an organisation's reputation and trust. By doing so, an organisation increases stakeholders' intention to purchase products and services, invest in the organisation, collaborate with it, recommend the organisation to others and position the organisation as an attractive employer. This in turn lays the foundation for long-term sustainable growth.

"Our communications department helps the organisation achieve its goals and core tasks. We hold up a mirror to the company and contribute to societal trust"

The challenge at hand is to translate the strategic goals of the organization into a coherent and consistent communication strategy that caters to both internal and external stakeholders, while considering the diverse needs and anticipations of various stakeholders. Communication Executives are the eyes and ears of the organisation: they monitor public and political sentiment, identify issues, risks and emerging trends to act appropriately when these issues may have a negative or positive impact on an organisation's reputation, credibility and trustworthiness. The signalling function that communication performs ensures that the organisation remains flexible and proactive in realising the strategy. It enables the organisation to respond energetically to shifts in the market, address dilemmas and seize opportunities as soon as they arise.

How does the boardroom view the role of communications?

The Communication Executives we spoke to indicated that directors acknowledge and recognise the value of the above-mentioned responsibilities. Importantly, activities that focus on external positioning, reputation and profiling, and relations with external stakeholders (including media) were, according to the Communication Executives, by far the highest rated by the boardroom. In a shared second place are internal communication activities and acting as a strategic advisor by bringing innovative perspectives to the table, asking critical questions and looking at things from different angles. What was less frequently mentioned were making reputation measurable, crisis communications expertise, contributing to revenue and activities that support thought leadership.

"Trust has been a big part of our growth; it is our 'licence to grow'."

We recognise that the focus on external stakeholders and developments in society demand a lot of Communication Executives' time. The increased visibility of organisations, thanks to the speed and ferocity with which news and fake news is spread, is partly to blame. Nonetheless, establishing a connection with the internal organization and listening to the internal dynamics is equally crucial. This is the area where often potential trustrelated issues, or the absence of trust, may be concealed. It is precisely at the intersection of the external and internal environments that Communication Executives can make a difference by connecting these two 'worlds'.



Trust is inextricably linked to the trust from an organisation's stakeholders and their mutual relationship. These are the organisation's own employees as the main ambassadors, customers, regulators, collaborative partners, societal agents and suppliers. In building and maintaining trust, an organisation's long-term right to exist is central.

Deloitte sees enterprise trust as going beyond reputation and brand value. Organisations continuously invest a lot of time and money in their products and services, and expect trust to

follow naturally from that. This is an illusion. Trust is not established simply by way of a successful transaction or by delivering a quality product or good service. At the same time, not every reputational issue directly affects stakeholder trust.

Enterprise Trust versus reputation

We asked Communication Executives about the meaning of trust in their own organisations. In the interviews, we noticed that for many organisations, trust and reputation are interchangeable or strongly linked. We interpret these different terms as follows:

Reputation is the image or opinion that another person has of you or the organisation. A reputational issue does not always lead to a breach of trust or trust risk. For instance, issues regarding working conditions and sustainability in the fashion industry can impact the reputation of certain labels, but not necessarily the buying behaviour of consumers. Just as intensifying media exposure regarding abuses at student societies, while damaging their reputation in the public eye, does nothing to reduce the number of students who apply.

Enterprise Trust is the result of an ongoing relationship between an organisation and its stakeholders. An organisation's actions, conducted with a high degree of competence and the right intention, determine the trust of its stakeholders. Lack of trust is much more fundamental than a bad reputation, as it touches on all core activities of the organisation and is indispensable for its survival. Put differently: trust is a belief, reputation is an opinion. You buy a car from the dealer because they have a good reputation (transactional), but you would not trust this person with your daughter (relational). Trust entails being willing to take risks with and for the other party.

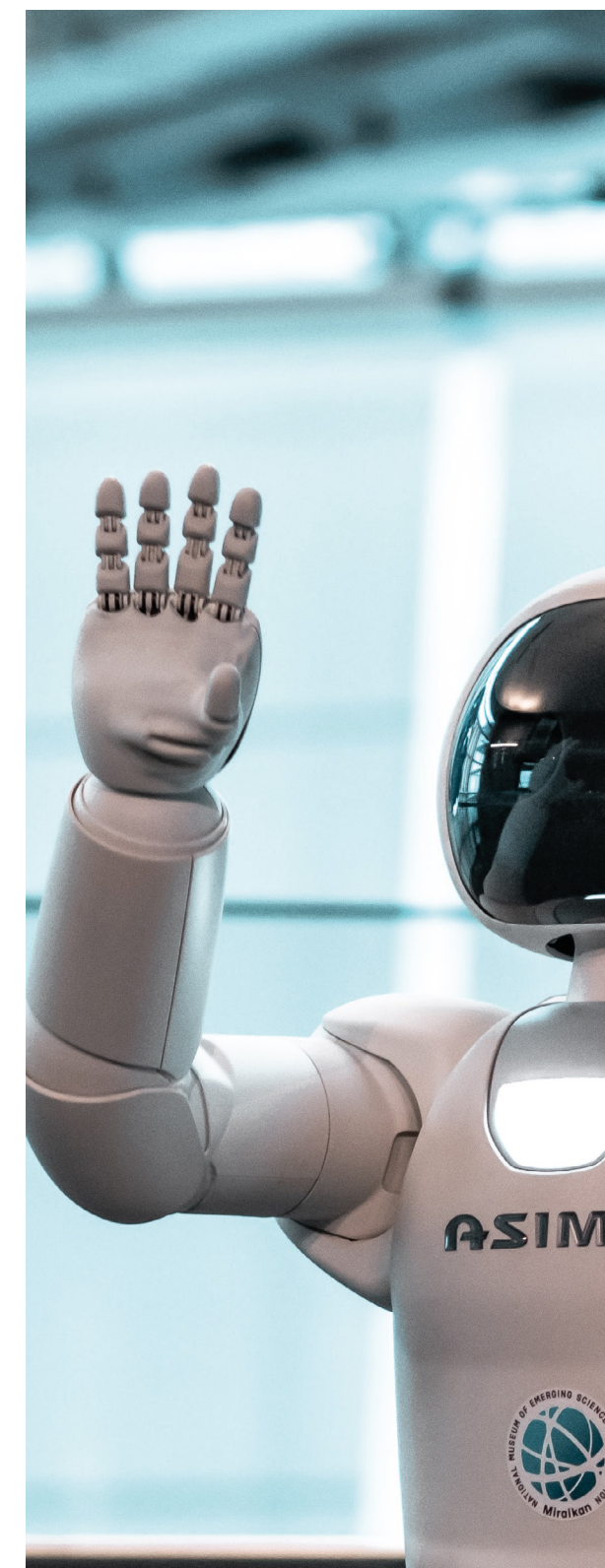


"There seems to be a difference between 'everyday trust' (reputation) and 'big trust'. Everyday trust means that an organisation is continuously able to deliver its product or service with the expected quality and be transparent towards its stakeholders. Big trust focuses more on the long term, on how an organisation fulfils its societal responsibility, such as the energy transition, ESGs or inclusion."

72.2% of Communication Executives indicate that trust is a strategic priority within their organisation. However, unlike reputation, for which various measurement tools with varying degrees of detail are used, the comprehensive measurement of trust is not yet common knowledge. If data is available, it is collected piecemeal through. For example, a question in an employee satisfaction survey or customer survey about the quality of services and products and perceptions of the brand. Although these measurements are not specifically about trust, the input from these surveys can contribute to an integral picture regarding trust, for instance when questions are asked about trust in the management and the CEO. There is much to be gained from bringing together the results of those various surveys and from them distilling the relationship with trust and translating them into management information. In this way, trust becomes a strategic pillar for organisations.

"For some stakeholder groups we don't go fast enough and for others we go too fast; representing all interests is a tricky game."

We asked organisations what the biggest challenges they face are in building and maintaining trust. Most expressed a need to make trust quantifiable. They are also looking to better understand the impact of ESG and the opportunities and risks with regard to new technologies. Due to the large scale and speed of developments in society, understanding the expectations and perceptions of stakeholders and working towards a shared perspective forms a key challenge.



The five pillars of trust

As an organisation, you gain stakeholder trust by carrying out activities with a high degree of competence and the right intention. To map the extent to which an organisation succeeds in doing so, Deloitte uses five pillars of trust. These pillars make trust measurable, giving organisations insight into where they need and can improve based on management information. Thus, the pillars provide concrete tools that organisations can use to integrate trust into their operations to give it the strategic priority it deserves. Trust in the organisation is determined by the sum of all its parts.

Leading by example

- Authentic and resilient leadership
- Strategic governance

You can gain by leading by example and demonstrating authentic, honest and resilient leadership. Decisions are responsible, transparent and human-centred, taking into account the long-term impact on both internal and external stakeholders. Think here of issues such as societal positioning and fulfilling societal responsibility.

Delivering with excellence

- Customer experience
- Digital engagement
- Product quality
- Supply chain resilience

By building and maintaining good and loyal relationships with customers, consumers and citizens, you can earn their trust. This relationship is based on continuously delivering high-quality products and/or services that users can count on. A second important point is securing relationships with suppliers in the chain and jointly providing reliable services and quality.

Performing with distinction

- Conduct
- Financial integrity and health
- Innovation, intelligence and technology
- Workforce experience

Organisations make a difference by acting with integrity, requiring good collaboration, transparency and a sound accountability structure at all levels in the organisation. For sustained high performance, comprehensive financial responsibility is essential. Additionally, innovation plays a crucial role in leveraging the prospects offered by new technologies, provided there's a solid comprehension of their potential effects on the core business.

Securing the foundation

- Compliance
- Crime
- Cyber
- Data integrity and protection

A good and solid foundation prevents an organisation from making mistakes. Essential in this endeavour are well-functioning and verifiable compliance, safety, security and protection (of data, for example), in the form of broadly implemented compliance programmes, sophisticated fraud and misconduct monitoring and prevention systems, and high cyber resilience.

Amplifying core values

- Culture and purpose
- Diversity, equity and inclusion
- Environmental, social and governance
- Ethics

As an organisation, you have a clear motive and a well-defined goal in mind, with everyone supporting and promoting the corresponding mission and vision. This includes making choices about sustainability, diversity, equality and inclusion. Embedding ESG in organisational strategy and reporting on it creates a culture of accountability. As an organisation, you gain trust when you deliver on your ESG promises and implement standards throughout the company.

This is a mix of present and past tense, would make sure it is one of the two - therefore, recognise becomes recognized. When we asked them to indicate priorities, 'leading by example' and 'delivering with excellence' were mentioned the most, with the pillars 'securing the foundation' and 'amplifying core values' mentioned relatively less often. This is remarkable, to say the least, as that is where the biggest liability risks lurk, such as compliance, ESG reporting and 'data integrity and protection'. We are aware that these are organisational units where communication has traditionally been somewhat distant.

At the same time, we know that they are increasingly having a major impact on trust in organisations. This makes better alignment with the business by Communication Executives paramount in our view. It allows one, as a strategic advisor, to be able to analyse the impact of various developments in a timely fashion, advise on them and adjust your communication strategy.



Challenges and opportunities

The past few years have been hectic and this dynamic does not seem to be abating in terms of intensity. Barely recovered from the social and economic impacts of the COVID-19 pandemic, organisations face monumental of enormous challenges on account of geopolitical instability, climate change, globalisation, digitalisation and social inequality.

Communication Executives indicated that they in particular see ESG developments, the energy transition and increasing social polarisation, fuelled by negative media sentiment, as their biggest challenges for the next 12 months. On the one hand, this is due to the potentially direct impact these developments have on business operations. On the other hand, stakeholders have increasingly high expectations and increasingly look at organisations with a critical eye. In our view, strengthening stakeholder trust plays an essential role in this.

Communication Executives mentioned a number of competences required to strengthen trust. A significant part of it involves focusing on both internal and external stakeholders. This includes paying attention to customers, suppliers, and

employees, being environmentally conscious, maintaining societal awareness, managing media relations, and refraining from using complex jargon.

“One of our biggest challenges is correctly sensing the public debate, as it only takes one small spark to ignite the whole thing. That is why it's essential to stay in constant contact with each other.”

Measuring trust, driving data and developing skills in artificial intelligence and digitalisation were other mentions. And finally, Communication Executives need to be able to translate complexity be credible and empathetic.




The European Communications Monitor 2023 furthermore identifies the need to strengthen the competences of the communication function. According to this survey, the most important competences for the future are understanding and applying the possibilities of digital technologies and being able to act as a trusted advisor.



Concluding remarks and recommendations

While trust depends on how an organisation acts, the outside world undeniably plays a significant role. Trust is not uniform; it looks different for each stakeholder group, with perceptions depending on the world and context in which organisations find themselves. With impactful developments such as globalisation, digitalisation (generative AI) and climate change, building and maintaining trust has become more complex.

Trust is increasingly a strategic focal point – doing the right things and doing things right are essential for strengthening and maintaining trust. Communication Executives are in an influential position when it comes to advising on trust and strategic choices that consider both their own organisation's and all stakeholders' interests. Communication Executives fulfil a key role when it comes to:

-  managing information regarding the degree of trust, insight and advice on decision-making and interventions;
-  translating external and internal signals into what they mean for the impact on trust;
-  providing strategic communication advice on the impact of current and future developments and strategic choices on trust.

All five pillars of trust are relevant when it comes to the 3 key roles mentioned above. Constantly seeking out a connection with the business – including the IT, legal and sustainability departments – in order to better understand and anticipate what is coming at the organisation is, in our view, one of the main focal points.

Think ESG audits, protecting customer data, and EU directives such as DORA, CER and CSRDD. In short, having Communication Executives properly aligned with the business is crucial to timely identify, monitor and assess the impact of various developments on trust. From a strategic communications perspective, being able to provide advice and expedite the implementation of risk-mitigating measures within the organization is crucial.

The discussions with the various Communication Executives provided interesting insights into the role and position of the communication function in organisations as well as the strategic significance of trust as a differentiating factor. The communication function is well positioned as a driver for strengthening trust. While strategic embedding requires focus and attention, the everyday hum-drum and the wide range of tasks encumber this much-needed focus.

Trust, despite recognising its importance, is not measured, hardly measured or not measured structurally, and is often related to reputation. As a result, there is too little focus on results. Communication Executives need to make the impact of trust and concrete management information measurable for use in the boardroom.

Trust is one of the key requirements for the successful survival of an organisation. It forms the basis for collaboration, loyalty, investment, and growth and future prospects. How to strengthen trust, who is responsible for trust and what competences are needed to give trust a strategic and relevant position, is something we are happy to discuss.



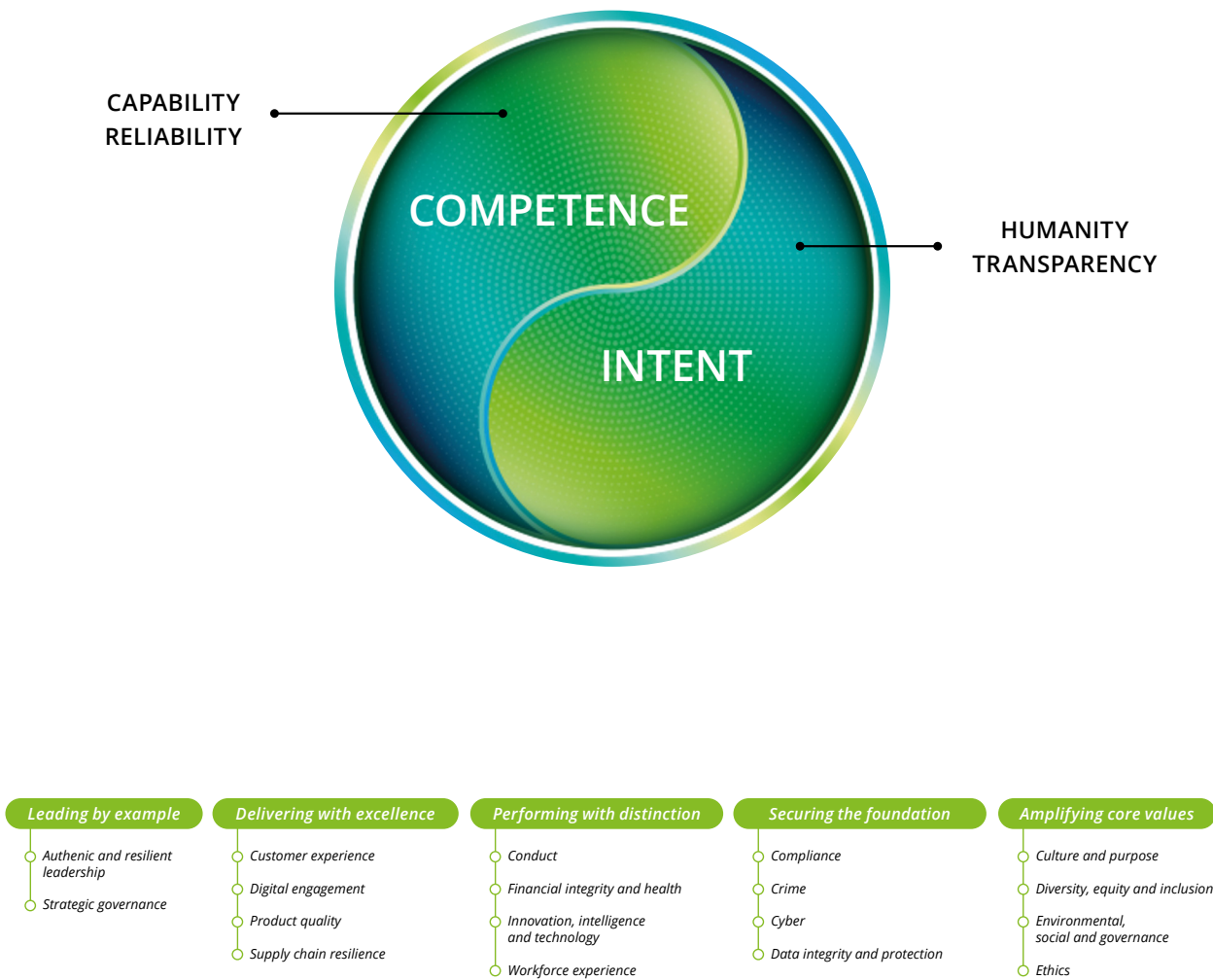
Appendix

- 1. Source citation
- 2. Deloitte Trust Framework
- 3. Questionnaire
- 4. Contact

1. Source citation

European Communication Monitor 2023 (Global Communication Monitor)
Critical Entities Resilience Directive (CER)
Network and Information Security Directive (NIS2)
Corporate Sustainability Reporting Directive (CSRD)
The four factors of trust: How Organizations Can Earn Lifelong Loyalty. (Reichheld, 2022).

2. Deloitte Trust Framework



3. Questionnaire

General

- 1. What is your job function?
- 2. Which industry are you in?
- 3. What is the number of employees within your organization?

Function and governance

- 4. What is the headcount of your function?
- 5. What are the top 3 key responsibilities of your function?
- 6. What is the stated purpose / mission of your function?
- 7. How is your function embedded in the top levels of the organization
 - A. Do you have seat in the ExCo?
 - B. To whom do you report?
- 8. What attribute does the Board value most?
- 9. What have your main priorities been in 2022?

Trust

- 10. What does the term (Enterprise) Trust mean to your organization?
- 11. Is Trust a clearly defined (strategic) priority within your organization/function? OR How important is Trust to your organization?
- 12. Please choose your top two attributes which you believe are essential to build or support Trust in your organization.
 - Lead by example (Authentic & resilient leadership; Strategic governance)
 - Deliver with excellence (Customer experience; Digital engagement; Product quality)
 - Perform with distinction (Conduct; Financial integrity & health; Innovation, intelligence, & technology; Workforce experience)

- Secure the foundation (Compliance; Crime; Cyber; Data integrity & protection)
- Amplify core values (Culture & purpose; Diversity, equity, & inclusion; Environmental & social governance; Ethics)
- 13. How does your organization measure Trust? If you use measurement tools, but do not measure Trust; what else do you measure?
- 14. Have there been any challenges that your organization has faced in building or maintaining Enterprise Trust?
- 15. Who do you consider to be the ultimate owner or should be responsible for the ultimate ownership of Enterprise Trust within your organization?
- 16. What would in your opinion be the desired impact of being a trustworthy organization? For example building shareholder confidence, elevating brand loyalty, enhancing workforce engagement or driving performance.

Future

- 17. Looking ahead, what steps is your function/ organization planning to take to further build and maintain Enterprise Trust?
- 18. What will be the biggest challenge from your perspective with regards to Enterprise Trust during the next 12 months?
- 19. Which external trends are you curious about that could impact Trust within your organization? (e.g.data privacy, ChatGTP, ESG, stakeholder activism....)
- 20. Which critical competencies would you strengthen, related to Trust?

4. Contact



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