Transcript TrustTalk Interview Deloitte’s Natasha Buckley and Michael Bondar

Voice Over: Welcome to TrustTalk. Today's guests are Deloitte's Michael Bondar and Natasha Buckley. Michael is a principal in Deloitte's Advisory Business and the US and global leader of Deloitte's Enterprise Trust Practice. Natasha is senior manager at the Deloitte Centre for Integrated Research. Trust drives enterprise performance and mitigates risk. Trust elevates customer and brand loyalty, which can increase revenue. It enhances levels of workforce engagement, which can result in increased productivity and workforce retention. They talk about the old adage that you can only manage what you can measure and how Deloitte measures trust to help clients make strategic decisions. Natasha and Michael also talk about how specific operating areas like superior customer service delivering innovative solutions or protecting customer data significantly elevates trust in a brand leading to higher performance. We talk about digital engagement and digital transformation and why they are key drivers of trust. About A.I. and how it can help to validate information accuracy. How trust across different stakeholder groups can be maintained and the trust challenges that lay ahead. Your host today Severin de Wit.

Podcast host: Welcome, Natasha and Michael to the TrustTalk podcast. Maybe you could start by telling what your role is within Deloitte in relation to trust.

Michael Bondar: Good morning and thank you so much for having us. My name is Michael Bondar. I'm a principal in Deloitte's Transactions with Business Analytics LLP and I lead Deloitte's Enterprise Trust Practice in the US and globally. Pleasure to be here with you today and I'm looking forward to the conversation.

Natasha Buckley: Yes, thank you. Severin. Wonderful to join you today. I'm a senior manager at Deloitte and Deloitte Services LLP. I lead research and thought leadership projects for Deloitte focused on Enterprise Trust. Our research team study how trust impacts a business relationship with its stakeholders and affects its financial and operating performance.

Podcast host: I think a lot of people would agree with the statement on the Deloitte website, "Trust is now more important than ever". So how do you experience that in your daily work?

Michael Bondar: I guess I can start. Natasha, feel free to chime in. My role prior to this one was leading Deloitte's global innovation efforts. We were developing new products, new technologies and trying to get those in the hands of clients to drive business results. When our CEO approached me to discover what we could do for clients on the topic of trust, admittedly, I was a sceptic at first. It felt a bit esoteric, it felt a bit conceptual, and it felt a bit not like what a technologist would spend his time on. But that was probably the last time was a sceptic on the topic. Over the last three years, we have seen a tremendous amount of not just interest from media, organisations, leaders across industries and sectors and all over the globe, but real traction in terms of what trust means to organisational success, from financial performance to building brand loyalty and customer loyalty to workforce engagement and brand protection. Those are just some of the key elements of impact that we see trust having. And so for me, this has become my life and the team and I spend our days every waking hour thinking about how we can help organisations become more trusted. What steps can they take to solve the trust gap that may exist out there in the eyes of different stakeholders and take those meaningful steps forward? And of course to do that, to take action on trust, you require to manage it and measure it appropriately. And so that suite of things and capabilities that are needed for organisations to really tackle this topic, that's my every day.

Natasha Buckley: And I'll just add on what Michael noted from a personal perspective, trust is based on relationship and it's two-sided. So for example, I trust my leaders at Deloitte to provide opportunities for me to contribute to the firm's success, advance my skills and offer resources and support so I can do my job effectively. And likewise, Deloitte trusts that I will deliver on the requirements of my role and do so with the right intent with my colleagues in our clients.

Podcast host: Deloitte says that customers of technology companies often reward trustworthy brands but punish those that aren't. But this isn't just true for technology companies, is it?

Michael Bondar: Far from it. The study that you're referring to, we specifically honed in on technology companies, and that was the scope of our research, just to make sure that we can get really focused in a particular sector. But beyond this particular research project, we have seen consistent evidence that trust is a significant driver of performance across industry, across sector. Now different things matter more or less to different sectors or different stakeholders in each sector. But trust as a driver of performance is consistently at the very top of that list, irrespective of which industry, which sector you look at or where in the globe you are. Natasha, anything you want to add?

Natasha Buckley: No, I think you summed it up very well, Michael.

Podcast host: 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 organisations, enabling businesses to bounce back from unexpected challenges. What were the main findings?

Natasha Buckley: This was a study that Deloitte executed in late 2020 during the height of the pandemic. Through the survey that you mentioned, Severin, we observed the importance of different organisational traits and their impact on resilience and the ability of the company or organisation to weather the crisis. These traits included organisational preparedness, adaptability, collaboration, accountability and trustworthiness. Organisations that demonstrated the traits were weathering the pandemic more effectively than those who didn't. So for example, with respect to trust, CXOs recognized the challenge of building trust, but not all recognized that trust is actionable. So for example, more than a third of the responding CXOs were not confident their companies had succeeded in developing trust between leaders and employees. Those who were more confident, focused on implementing measures to improve communication and transparency with their employees and other key stakeholders. Also, only a half of the executives thought that their companies were doing well in managing cyber threat detection. So there's definitely a number of areas where companies had vulnerabilities and opportunities to increase trust with their stakeholders.

Podcast host: Deloitte has been especially understanding and measuring trust at deeper operating levels. What drove Deloitte to focus on measuring trust?

Michael Bondar: There's an old adage: you can only manage what you can measure. And we thought that that was very true for trust as well. You consider key elements of enterprise focus. Those KPIs are front and centre and every leadership meeting and every board session and trust has been a very meaningful omission and what we've seen today. And so our view was that we have to provide a way for organizations to capture and define what this concept is, what is trust. And then after defining it, how do you effectively measure it? Measuring trust is not a simple task, and it's also not the core competency of most organizations. And so for us, it became important to A define trust, we outlined 17 operating domains and 89 and growing underlying drivers. Then we developed ways to actually calculate how trust and organization is from the perspectives of these various stakeholders, both within the organization as well as outside of it, and then capturing those perspectives, being able to gauge the impact of every one of those signals, creating an objectivity layer that has to go in front of it to ensure that one perspective doesn't really outweigh another, treating all those voices appropriately. Ultimately, we're able to create this very comprehensive, very thorough way to measure trust. Why is it important? Because without that view, it's very difficult to know what you need to act on first. Trust takes on different shapes and forms, depending on the industry and the sector and what's most important to each role and the C-suite and so being able to see quantifiable evidence on where you need to focus, is essential to make progress in this matter.

Podcast host: You just mentioned the 17 different domains in business. You identify those 17 domains from cybersecurity to organizational culture to customer experience, all of which are places where trust can be either built or lost. What do those domains have in common and how are they different in how trust is built?

Michael Bondar: You know, the commonality is that most organizations, if not all organizations, recognize that these are topics of focus and there are executives and parts of the organization have clear lines of responsibility for these areas, specifically looking at things like cyber and integrity protection. There's a clear line of ownership and responsibility for those areas. Others are perhaps a bit shared culture and purpose, diversity, equity and inclusion, ethics, conduct, product quality. There are a lot of individuals and leaders that have a role to play on some of those domains. The commonality is these are the areas that have a disproportionate impact on trust. These are all areas that are essential to driving trust forward. The differences are who drives those forward, who has the responsibility? How are those managed effectively? What is the organizational posture relative to each one? And what is the most important to focus on in today's environment, depending on the industry and the sector where in the globe you are? And so there are some unique differences, of course, but the commonality is these are the 17 that have that disproportionate impact on trust. And we encourage every organization to take stock of how well you're doing in these areas in order to drive trust.

Natasha Buckley: I'll just add that when we think about trust in terms of commonality, it's always based on competence and intent. Is the company doing what it says it will do with its stakeholders, and is it doing it with the right intent, with transparency and empathy and all of the activities that Michael's describing you can analyse using this competence and intent framework.

Michael Bondar: Yeah, that's actually really good add by Natasha. If you consider that lens: competence, are you capable, are you reliable, are you delivering on your promises consistently? That has to be applied to every one of those domains and every one of those underlying drivers. But that's not enough. In today's business environment, that notion of intent, why are you doing these things? Are they for the right reasons? Is there the right motivation behind them? And the word right is in the eyes of the beholder, which is that wide range of stakeholders, from employees to consumers to regulators, alliance and ecosystem partners, shareholders, the board and so on and so forth. And so applying that lens of looking at competence and intent, which is the transparency and the humanity behind your actions, the combination of those is, again, as Natasha said, another one of those consistent elements that applies to every one of these domains' drivers.

Podcast host: 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 often reached only once trust has been breached. Findings by both Deloitte, as well as the most recent Edelman Trust Barometer, suggest that companies may have reached an inflection point where investing in trust may pay off, yielding increased credibility with and commitment from stakeholders. So you were just talking about the role. What is the role of the CFO in an organization in this respect?

Michael Bondar: I'll tackle the first part of the question. In terms of demystifying trust and having a value assigned to it. That was part of what began our journey is trying to identify the impacts of trust. And what we saw through all of our research are those significant financial impacts, quantifiable impacts, and they range, I mentioned some of those categories at the front of our discussion, financial performance. We see highly trusted companies outperform low trust companies by up to four times. We see brand protection organizations that are impacted by negative trust events fall anywhere from 26 to 74% behind their industry peers in value. And their market cap can fall by 20% to 56%. Workforce engagement: we see nearly 80% 79% of employees who highly trust their employer feel motivated to work. And then customer loyalty. A critical measure of success, out of customers who highly trusted brand, 88% bought again from that brand and 62% buy almost exclusively from that brand. So trust is quantifiable and its impact is significant, as you can see by these numbers. Now, the role of the CFO is also quite significant. In fact, if we go back to those domains and drivers that I referenced, financial integrity and health is one of those 17 domains. Within that domain are some key drivers, including financial reporting and audit readiness, fair and effective profit allocation, and a price tax compliance. Responsible and impactful tax strategy, corporate finance and business intelligence and proactive shareholder and board communications. So those are just some examples of the drivers within that domain. And you can see the line of ownership and responsibility goes back to the CFO. So they do have a strong role to play, much like the other C-suite roles as well. But there's a significant impact on financial performance that's driven by trust. And so this needs to be a C-Suite topic.

Natasha Buckley: And I'll just add to their leadership on reporting for ESG and DEI commitments is another area that's increasing in responsibility and their close engagement with investors and Wall Street, just another area where their authenticity and their actions can contribute to shaping the brand reputation of the firm.

Podcast host: Trust in an organization depends on relationships with different stakeholders and is built through incremental steps occurring over time. How would you describe those steps?

Michael Bondar: There was a quote that was mentioned to me by a CEO just a couple of weeks ago, and it's really powerful. He said: "trust is built in droplets, but it can be lost in buckets". And I think that's a really effective way of thinking about this topic. At Deloitte, we think about this concept of trust equity, which is act on trust proactively, strategically with this focus like you would any other Northstar for the organization, because ultimately you want to build up that trust equity, that layer of resilience, and if you build up enough of it, that catastrophic event that is going to happen at some point in the future, it is inevitable that it will take place. But that event can be more of a blip on the radar versus a catastrophe or versus a crisis. And so ultimately taking those consistent steps, identifying who are the key stakeholders with whom I need to build trust, what matters to them, what are the things that I'm doing that can be doing better? What are the expectations? How are they evolving? What are the threats on the horizon? What are the emerging technologies which I have to be aware of to ensure that I'm using them effectively in order to gain trust and not lose it? And so this notion of taking those steps, being proactive, being communicative, being transparent, identifying that wide range of stakeholders and ensuring that you have the right approach to deal appropriately with each group. Those are all those little steps. Measuring trust is a key step. And then being open about that measurement. We had an example, we performed an analysis for an organization. I was in front of the C-suite delivering the report out the debrief and what the trust diagnostic unveiled. And it was incredible to see the CEO immediately take those titbits of data and insights that we provided and basically give out tasks and set new objectives for the entire C-suite. We're going to go do this, we're going to go tackle that issue, we need more transparency here, I'd like to see communications plan arise on this, what are we going to do to tackle this challenge? And so that's an example of taking those little steps, doing that consistently time over time. And that builds up this notion of trust equity that builds trust.

Natasha Buckley: I could add to perhaps our recent research that Michael mentioned measuring customer trust. We saw in the research how specific operating areas like superior customer service or delivering innovative solutions or protecting customer data really move the needle in terms of increasing trust with customers. But we observed a very interesting pattern. When customers recognize that companies were taking effective actions in these areas, their behaviours improved. They would recommend the brand more to others, or they would go out of their way to purchase from the brand maybe by 5 to 10% on average, above average, I should say. However, if they recognize that the brand was not executing these steps effectively, they were almost three times less likely to do those behaviours to go out of their way to recommend the brand or to consider the brand to be innovative, for example, or a market leader. So that drop off, that significant, stark contrast is something that is important for companies to recognize and keep in mind with all of these different operating areas.

Podcast host: I'd like to talk with you about the effect of digitization. It's not only part of the problem with regard to trust, but also part of the solution. That echo chambers misinformation. Online conspiracy theories are the problem is clear, but in what sense is it the solution and what is the role of Deloitte?

Michael Bondar: We see digitization, digital engagement, digital transformation being key drivers of trust. As you said, it is very much part of the solution. In fact, we see our clients talking about digital engagement and digitization of their operations becoming essential to maintain those relationships, to maintain trust. There are some segments of their consumer base that expect full and complete digital engagement. In fact, anything less would result in that client base or that customer base going elsewhere entirely using different product, different company, different brand. Same can be said for employees. There is an expectation, especially in Gen Z, that you must provide those clear means of digital engagement with the employee, automation and appropriate support of that individual in their day-to-day life. And so it is very much part of the solution because it can also drive that notion of transparency. The availability of information, the ability to share that information rapidly with individuals, not only was it expected and drives trust, it is table stakes and a number of sectors and organizations. It is very core to their strategy and it is not just in technology. We've seen that become the case in life sciences. We've seen that become the case in energy resources and industrials, where there's an expectation of digitize every element of your operation and ensure that that transparency is also provided to me as a consumer, as an employee, as a shareholder, as an alliance partner. And so, yes, it certainly has negative implications, misinformation, disinformation are clear issues and critically influencing trust negatively in some ways. But on the positive side, it is very much part of the solution. What is expected by stakeholder groups.

Natasha Buckley: I'll just add to what Michael said, that at Deloitte we've been studying as well how emerging or current technologies can be used to engender greater trust. So for example, consider A.I. it can help validate information accuracy or authenticity and reliability. Consider blockchain technologies as well, the so-called Trustless Solution. We're even looking at how quantum in the future can enable greater trust for organizations and society. So these technologies are not only have the opportunity to hurt trust, but they also can be used to engender greater trust.

Podcast host: I always conclude my interviews with the question about the future. So what does Deloitte see as some of the greatest trust challenges for organizations in the years to come?

Natasha Buckley: One area that is particularly interesting to me is the challenge of maintaining trust across different stakeholder groups. As Michael mentioned, the expectations across different stakeholders in today's world just continue to grow and intensify. So in this increasingly complex world, amid competing interests, how can organizations best balance the needs to engender trust with these different stakeholders? It could be, for example, consider advancing technologies like I just mentioned, AI and robotics to serve customer needs better. But how to balance AI and robotics with the need to maintain safeguards and governance systems to ensure ethical use of the technology and not to mention trust with your employees. So there's a role here for improving governance systems and effectively communicating the organization's purpose. But delving deeper into the practical way to help with this balance is an opportunity and a challenge we see in the coming years.

Michael Bondar: Yeah, that's well said. And in my mind it's a few things. First, going back to that story, I told you of myself as a sceptic, and that ultimately is just the reality, most of us understand trust in our personal lives. We understand that, we deal with it, we know that it's part of every decision that we make. Intuitively, we get it. In the business world, you cannot just rely on the same understanding of it from our personal lives. It has to be much more effectively dealt with, managed, measured, owned. And one of my big fears is this lack of ownership, lack of accountability, lack of focus on the topic, and leaving it to just be an outcome versus a focus area for an organization. It deserves more than that. The second is ownership. Part of it is a lot of organizations that we're seeing have started to introduce the role of Chief Trust Officer and we think that's a wonderful addition to the C-suite. And that does not meant that the Chief Trust Officer is the only leader in the organization that's responsible for trust. But the advent of the role suggests to us that companies are starting to acknowledge and embrace the importance of trust. We'd like to see more of that. Third, this is not something that can be done as a snapshot. As a, "OK, we talked about trust on this board agenda, we cover the topic". No, it requires ongoing investment of time, of focus, of energy, from the right levels of the organization because it can cascade down. And so ensuring that a trust agnostic or a conversation doesn't become the starting and the endpoint for this topic, but instead, just the beginning of a journey for an organization is critical. So those are the three things that are my fear is, but we're trying to make those fears strengths for our clients.

Podcast host: Natasha and Michael, thank you very much for sharing your thoughts on trust. I wish you lots of success in your jobs and I hope you enjoyed our conversation.

Michael Bondar: Thank you. Severin. It was a pleasure.

Natasha Buckley: Absolutely. Thank you. Severin.

Voice Over: We hope you enjoyed this episode of TrustTalk. We would be very grateful if you would leave us a review on Apple Podcasts. Don't miss out on future travels around trust and subscribe to this channel or visit us on our website TrustTalk.co or on Twitter at TrustTalkCO. We look forward to seeing you again.