

TrustTalk Interview Emily Frolick

Voice-Over: Welcome to TrustTalk. Our guest today is Emily Frolick, lead partner of KPMG's Trusted Imperative, a new proactive strategic approach to risk management that creates a powerful platform for growth and innovation. By inspiring trust in customers, investors, employees, suppliers, communities and regulators, businesses can achieve sustainable advances in performance and efficiency. She talks about the different risks that companies face, including regulation, technology disruption, brand reputation, environmental factors and cyber risks. In the area of digital transformation, she notices significant changes to businesses from moving key functions to the cloud to creating new digital offerings and ways to not overlook the role of trust. She talks about a cultural change project by KPMG conducting interviews and workshops with key stakeholders to identify challenges and desired outcomes, leading to a better understanding of the steps needed to create a culture of trust and accountability. Your host today, Severin de Wit.

Podcast Host: Emily, welcome to TrustTalk. Can you tell us about your background and how you became the lead partner of KPMG's Trusted Imperative?

Emily Frolick: Hello. It's nice to talk with you today. On my background, I've spent more than 20 years in professional services serving global companies across several industries. My personal area of expertise is technology, risk and third party risk. And throughout my career, I've enjoyed creating new solutions and improving on existing ones, so roughly five years ago, I took on the responsibility of leading KPMG's firmwide strategic investments for digital transformation, where we believe good transformation includes things like considering risks from the start and evaluating how risk insights can best serve you, which has now led me to be leading KPMG's Trusted Imperative for the last couple of years. And I'll tell you, it's been one of my favourite roles so far.

Podcast Host: Let's talk about that Trusted Imperative. To maintain stakeholder trust companies invest in risk minimization strategies to protect the organization from an erosion of trust. How does KPMG's Trusted Imperative fit into this?

Emily Frollick: Our Trusted Imperative is designed to reframe the way that companies look at risk management. Rather than concentrating on narrowly focused passive compliance, we work with our clients to think through strategic, proactive ways to build trust and generate value across their entire business ecosystem. We know that when you inspire the trust of your stakeholders, such as your customers, investors, employees and regulators, you can create a powerful platform for growth, innovation and sustainable advances in performance and efficiency. And this is the Trusted Imperative. And it's a really important part of how we're helping our clients digitally transform their businesses. Our aim is really to help our clients turn those risk areas that they might often worry about into a trusted competitive advantage.

Podcast Host: Can you share an example of a project you have worked on with a client in which the Trusted Imperative played a significant role in achieving positive stakeholder outcomes?

Emily Frollick: Absolutely. We're currently helping a US-based telecommunications conglomerate whose goal is to have the most trusted brand. We're helping them rethink how they manage their approach to risk. They were experiencing challenges where they were struggling to keep pace with upcoming regulatory changes. They were missing a common way to talk about risk and compliance, which was causing confusion and mistrust of information. They were finding that they really weren't coordinated across multiple stakeholder groups, which was causing redundant work and increasing their costs. They had a lot of manual processes that significant reporting delays causing more frustration across these departments and they were unable to make really risk-informed decisions because they didn't have the ability to aggregate data. Not to mention all of their risk-related activities were done on a platform that wasn't the best user experience. So it was just piling on to that frustration for them. And it might sound a little bit like I'm airing this company's dirty laundry, but it's not the case at all. These challenges are really not unique to this organization. We see similar challenges at many, many companies. So to help them address these challenges, we brought together a cross-functional team with risk and compliance expertise combined with our expertise in transformation and our experience with the technology platform that they were installing, to help lead this risk transformation initiative. The project is now creating a common enterprise-wide risk taxonomy and methodology. It's using unified workflows across all risk areas, which for them include things like legal, compliance, regulatory security, focus on their suppliers, ESG and even tax is involved. And the work is providing dashboards to promote

executive insights with near-term aspirations to make this platform mobile. Some of the benefits that they've seen, even right away, right out of the gate, they're seeing reduced cycle time, which is reducing their cost. They're seeing increased stakeholder confidence and now they've got a more proactive risk management culture.

Podcast Host: You are talking about challenges. Can you tell us a little bit more about specific challenges or obstacles even that companies may face when implementing the systems and incentives that consider purpose, ethical behaviour and key stakeholder outcomes?

Emily Frolick: You're probably not going to be surprised to hear me say that the challenges are going to include things like measuring and managing the work that's being done specifically around purpose or ethical behaviours and these experiences. So we say getting really specific on the results that matter from the start and identifying how you'll know if you're successful or when you need to make adjustments or key. You can do this by asking questions like how well do we embrace our purpose beyond profit and how do we communicate that to our internal and external stakeholders? How are we developing competencies that are required to achieve our purpose and exceed those external stakeholder expectations in the long term? These types of questions can help inform how you might measure some of that success. And because this is not designed to be a once-and-done effort, incorporating those types of metrics and measures into existing routines like performance evaluations or 360-degree feedback reviews are ways to help facilitate the measuring of your progress.

Podcast Host: A lot of what we discuss today centres, and you mentioned it, around risk management, an organization's risk posture will, I assume, change as the organization grows. Does that mean their approach to trust also changes?

Emily Frolick: So we talked about some of the risks, right? And our Trusted Imperative asks that companies consider the risks they face, including regulation and governance, technology and disruption, brand and reputation, environmental and geopolitical, operational and financial and even crime and cyber risks. I think the approach to trust will remain consistent by looking at the risks you face and the stakeholders that you need to trust you. It's just the areas of focus and effort are likely to shift as the organization grows. So maybe a really simple example would be a private company is going to go public. They're now going to be exposed to new regulations. And

how the company will address these new regulations needs to be considered in this transition. Or maybe if a company is adding new suppliers or partners who provide technology or technology support, this could increase the risk of technology disruption for them. So considering how to manage customer expectations in protecting data, that's now going to be at a third party and then putting protocols in place to defend against any system disruption are going to become more important as they grow into those spaces.

Podcast Host: What means does KPMG have to help companies to manage risk and build resilience in their trust and reputation?

Emily Frolick: The way we see it, trust is the ultimate business enabler. Most all risk a company faces have the potential to damage reputation. It comes down to really understanding the likelihood, magnitude and velocity of the potential impact to the business that's going to drive behaviours and actions. Ultimately, it's going to be up to each company to decide what are those actions that are going to best serve them in managing and building resilience and what do we have in the way of means to help that? KPMG works alongside our clients to help focus on the results that matter to them because we know their business. Our practitioners know how to get the best out of technology and we understand how to get things done. So oftentimes we'll work through a combination of many services and solutions where we can help these companies go beyond this reactive defence and passive compliance to shift and actively anticipate risks and find opportunities where they can detect potential failures before it's too late.

Podcast Host: One of the key things, I guess, is for a company to communicate their trust and reputation efforts. How do you help clients to do that?

Emily Frolick: Well, it's imperative that businesses today are creating valuable relationships by sustaining trust through effective communication. It's this communication that helps build and maintain a trustworthy relationship with key stakeholders. So more and more companies are coming to us asking the question, how can I communicate what I'm doing to maintain trust and share this with my stakeholders? And we're seeing companies issue trust reports and include details even often posted on their website, where they're indicating what they're doing in key areas like keeping data secure and managing customer privacy. When we're working with our

clients, we adopt, we're-in-this-together type of attitude. And one quick example that comes to mind is where we're leading a project with a US power and utility company where we retooled and redefined an important risk function to increase alignment and trust between that function and the rest of the business, which is now allowed them to drive value, not just compliance. And a core tenet of that work was helping the company enhance communication and collaboration within the organization because it was critical for them to be able to build greater trust.

Podcast Host: In an article you wrote for Fast Company, you referred to the three lenses through which a company should evaluate its actions. The first lens we just talked about the risk facing the organization, the second lens is the question of who are the stakeholders who need to trust the organization and the third lens is what value does a company or organization earn, will addressing trusts help to gain new business and new customers? Can you tell us a little bit more about that?

Emily Frolick: So we just went through the risks, that's right, the stakeholders that need to trust the organization include customers, regulators, investors, employees, suppliers or third parties and even the communities in which the company operates. And our research and the work that we're doing in this space is telling us that when companies consider the risks they face and the stakeholders who need to trust them, they can create value through sustainable growth. They're more confident in their innovation, and they find that they can be way more advanced in their performance and efficiency.

Podcast Host: Let's talk about digital transformation. Can you share with us any specific challenges or obstacles facing a company when implementing a strategy for sustaining trust through digital transformation?

Emily Frolick: Also, an area near and dear to my heart and many companies are transforming some part of their business or many parts of their business, whether it be moving key functions to a provider or applying a new technology in the cloud, or even creating a new digital offering. And one obstacle I see that companies overlook is taking a look at how can they instill trust from the start of these big initiatives. The focus is often on managing the cost and the timeline of these very sizable and often expensive projects, and while many may focus on a user

experience, few are really focused on the risks that we've discussed and that complete stakeholder compliment from the start of their project. So often when these risks and stakeholders are addressed as an afterthought or maybe even much later in the timeline, it can create more costly changes or poorly connected add-ons, which minimizes the desired outcome and the potential of the transformation.

Podcast Host: Another subject is workplace transformation. Can you share an example of a project in which KPMG helped a company to create a culture of trust through workplace transformation and what that entails?

Emily Frolick: Yeah many, many companies trying to navigate workplace transformation these days. We've worked with North American Minerals and Materials Company who identified a need to focus on a culture of trust and accountability. And at the heart of this work was really a desire for an understanding of the types of behaviours needed to uphold their values and business objectives. So during this project, KPMG analysed organizational data and conducted interviews with key stakeholders within the company to identify current challenges and their desired future state. We leveraged some of our proprietary workshops and focus groups and developed a roadmap that outlines some short-term and long-term actions that needed to take place to create this cultural change. So when we do these types of projects, our focus is really going to be heavily engaging key roles that are required to change behaviour, to support cultural change. And we use situations or scenarios that are most relevant to those roles because there was such heavy engagement throughout this effort, many of the immediate next steps focused on capitalizing on the great outputs and connections from those workshops. Simple things like following up on results, letting participants know the next steps that would take place to address their feedback and concerns with the transformation, were really key. We also prioritize things like developing a one-pager or a place card that described valuable or valued manager behaviours that were expected along with some examples. And this gave them something that each layer of management could look back on and keep handy and refer to. We included things like integrating organizational goals into the objective-setting process so each employee understands how they can contribute to the bigger picture. As a result, we identified cultural drivers that were working well and opportunities for new drivers to promote these desired behaviours, which gave leaders a better understanding on the immediate steps and

actions that they need to take to be sure that they're creating this culture of trust and accountability.

Podcast Host: Many conversations these days, and I think you referred to it earlier in our conversation, is ESG, environmental, social and governance activities. How do you help companies to align those activities?

Emily Frolick: I have a couple of examples that come to mind for this. I'm going to go with one of my favourites and tell you a story where KPMG, in collaboration with the Morehouse School of Medicine, undertook a data and analytics driven project to uncover health inequities in certain geographies. And we worked together over two years building the national COVID-19 Resiliency Network. KPMG brought our analytics expertise to support the creation of this first-of-its-kind digital platform aimed at helping underrepresented populations get access to health care. And some of the work the team performed revealed surprising information where one zip code may have a few pharmacies or few health care providers, while in another zip code just a few miles away, there were a ton of them. Our signals repository gave Morehouse a more proactive manner to know what's going on in the communities that they serve. And I'll tell you, while this platform was designed to focus on COVID, it's really built the groundwork to begin to look beyond this initial health threat for these communities. And I know that this project continues to help Morehouse address the needs of a key stakeholder, which is the communities that they serve.

Podcast Host: In the KPMG document, the Trusted Imperative, it states that research suggests that people trust organizations that demonstrate three key characteristics: ability, humanity and integrity. How can companies ensure that they are continuously demonstrating these three key characteristics of trustworthy organizations even as the business environment changes?

Emily Frolick: These three characteristics are the factors that create trust and bring them to life. Starts at the top of the house with strategy, culture, leadership, and management. And one way companies can be sure that they're demonstrating these characteristics is by consistently checking in on how they would respond to questions like: does our organization have a purpose that creates value for our stakeholders? Do employees at all levels share beliefs, values and behaviors that create trust? Is trust embedded throughout our products, services and

operations? And do we have the right governance and organizational structure in place to make it happen.

Podcast Host: I conclude most of my interviews with the same question that I'm also asking you: how do you see the role of the new young generation of consultants to help companies and organizations to build on trustworthiness? And what are their trust challenges?

Emily Frolick: So much potential with this new generation of consultants coming our way. I think that new folks joining us and other organizations can help companies build on trustworthiness by being clear on their purpose. Knowing and articulating why they're doing the work they're doing and really understanding how they can create value.

Podcast Host: Well, that's clear. Thank you very much, Emily, for being available for the TrustTalk podcast. I wish you lots of success in your position at KPMG and hope in the future we can talk again and see what developments have occurred in the field of trust.

Emily Frolick: Of course, it's been my pleasure to be with you and thank you and the TrustTalk team for the great work that you're doing to amplify the voices of those of us that are really focused on trust.

Podcast Host: That is, of course, with pleasure. Done with pleasure.

Voice-Over: Thank you for joining us for another episode of TrustTalk. We hope that you found the conversation valuable and informative. At TrustTalk, we believe in the power of trust to create positive change in the world. If you believe in our mission, we would greatly appreciate your support. You can help keep TrustTalk going by making a donation on our website at trusttalk.co/donate. Every contribution, no matter how small, helps us to continue bringing you thoughtful and engaging podcasts. Thank you for your support and for listening to TrustTalk. We look forward to meeting you again for future episodes.

The interview is being published at the TrustTalk podcast (<https://pod.co/trusttalk>) and on all major podcasts platforms. ©2023 Severin de Wit. No parts of this interview may be copied or used without the prior written consent of the copyright owner.

