



The Trusted Imperative

Building stakeholder trust—and the vital role of the risk function

May 2022

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A modern office interior with large windows and people working in a meeting room. The scene is brightly lit, with natural light streaming in from the windows. In the foreground, a man with a beard, wearing a white shirt and a dark tie, is seated in a blue chair, looking towards the right. Behind him, another person is seated in a similar blue chair. In the background, two women are seated at a table, engaged in a meeting. The office has a clean, minimalist aesthetic with a concrete floor and a white ceiling.

**Dynamic customer behavior.
Data as an asset. New ways of
working. Unrelenting regulation.**

In a fast-evolving market on the heels of a global pandemic, digital transformation is no longer a distant aspiration. It is the new reality, as companies face pressure to grow, while also increasing agility, managing risk, and building resilience for whatever tomorrow holds.

In this game, trust is the coveted ticket to play. When you earn the trust of your stakeholders—from customers and regulators to employees, suppliers, investors, and the communities where you operate—it gives you the permission to innovate boldly, grow responsibly, and create a new future.

Where are you in the quest to become a trusted organization?



Build trust with a dynamic approach to risk and regulation

Risk and regulatory functions are at the heart of transformation. Whether you're digitizing a single part of the organization, connecting the business around your customers, or rethinking the entire business model, you need these functions to assess what could go wrong, how to mitigate it, and how to create stakeholder trust at every turn.

But all too often, risk and regulation are afterthoughts. Compared with areas like front-office digital transformation, they're sometimes viewed as staid necessities that slow down the business and have an elusive return on investment.

The truth is, however, when you address risk and regulation in a disciplined way, through the eyes of all stakeholders, it doesn't hold you back—it gives you the freedom to go fast. You can confidently create new technologies, markets, and customer experiences, because you've built trust into your systems and processes, and people want to do business with and work for organizations they trust.

And while the ROI isn't always obvious, it indeed is there—whether it's avoiding fines because you complied with a regulatory requirement, keeping customers because you protected their data, or attracting and retaining top talent because you're a trusted organization.

The way we see it, trust is the ultimate business enabler, and your risk and regulatory functions help create it.

So as the enterprise evolves, risk monitoring must be an ongoing process, working in lockstep with transformation initiatives and receiving an appropriate level of attention. Organizations must go beyond reactive defense and passive compliance to actively anticipate risks and opportunities and detect system failures before it's too late. That's how you inspire stakeholder trust and create a successful future that's also sustainable.

ESG and enterprise risk management

What is important to your stakeholders? How are you addressing it in your business, and how are you reporting it? From climate change to underserved communities, your posture on environmental, social, and governance issues can be a market differentiator and key driver of trust.

It can also be a huge risk to manage, as customers, investors, employees, and others increasingly make decisions based on your company's ESG commitments, or lack thereof.

One way to address it is by expanding the scope of enterprise risk management to include ESG, focusing not only on the risks to your operations and strategic objectives but also the risks that your activities pose for your stakeholders.

77% of CEOs agree that as confidence and trust in governments decline, the public is looking to businesses to fill the void on societal challenges, such as gender inequality or climate change.²

74% of CEOs will increasingly be held personally responsible for driving progress in addressing social issues.³

The fundamentals of trustworthy organizations

Research suggests that people trust organizations that demonstrate three key characteristics:¹



Ability. Trusted organizations have the collective knowledge, skills, and abilities to reliably provide their products and services. For example, the retailer who has demonstrated mastery of a customer-centric supply chain is highly trusted by customers to deliver orders accurately and on time.



Humanity. Trusted organizations go beyond a profit motive alone to also show they care for stakeholders—and not just those people involved in transactions but also the overall community where they do business. It's no wonder that environmental, social, and governance (ESG) activities are becoming top concerns in the boardroom, as stakeholders want to work with companies that share their values. For example, many consumers will buy only from companies that pledge to reduce carbon emissions, and employees are likely to feel loyal to companies that respect their desire for flexible working arrangements such as hybrid work and work from home.



Integrity. Trusted organizations are also respected for doing the right thing. For example, if a customer's expectations are not met, trusted organizations will take responsibility and correct the situation, drawing on principles such as honesty, fairness, ethics, communication, and promise fulfillment. Integrity also comes into play when organizations must publicly react to a difficult issue. For example, some airlines responded to COVID-19 by blocking middle seats, clearly prioritizing passenger health over company profit. Perhaps it's no coincidence that we now see some of those airlines with high rankings in passenger satisfaction studies.

At the highest level, these are the factors that create trust, and the institution of them starts at the top of the house—with strategy, culture, leadership, and management. Does your organization have a purpose that creates value for society? Do employees at all levels share beliefs, values, and behaviors that create trust? Is trust embedded throughout your products, services, and operations? Do you have the right governance and organizational structure to make it happen?

¹ Gillespie, N. & Dietz, G., "Trust Repair After an Organization-Level Failure," *Academy of Management Review*, 2009, 34(1): 127–145; Mayer, R.C, Davis, J.H. & Schoorman, F.D., "An Integrative Model of Organizational Trust," *Academy of Management Review*, 1995, 20(3): 709-734; Schoorman, F.D., Mayer, R.C. & Davis, J.H., "An Integrative Model of Organizational Trust: Past, Present, and Future," *Academy of Management Review*, 2007, 32(2): 344-354.

^{2,3} KPMG LLP, 2021 U.S. CEO Outlook Survey

The moments that matter

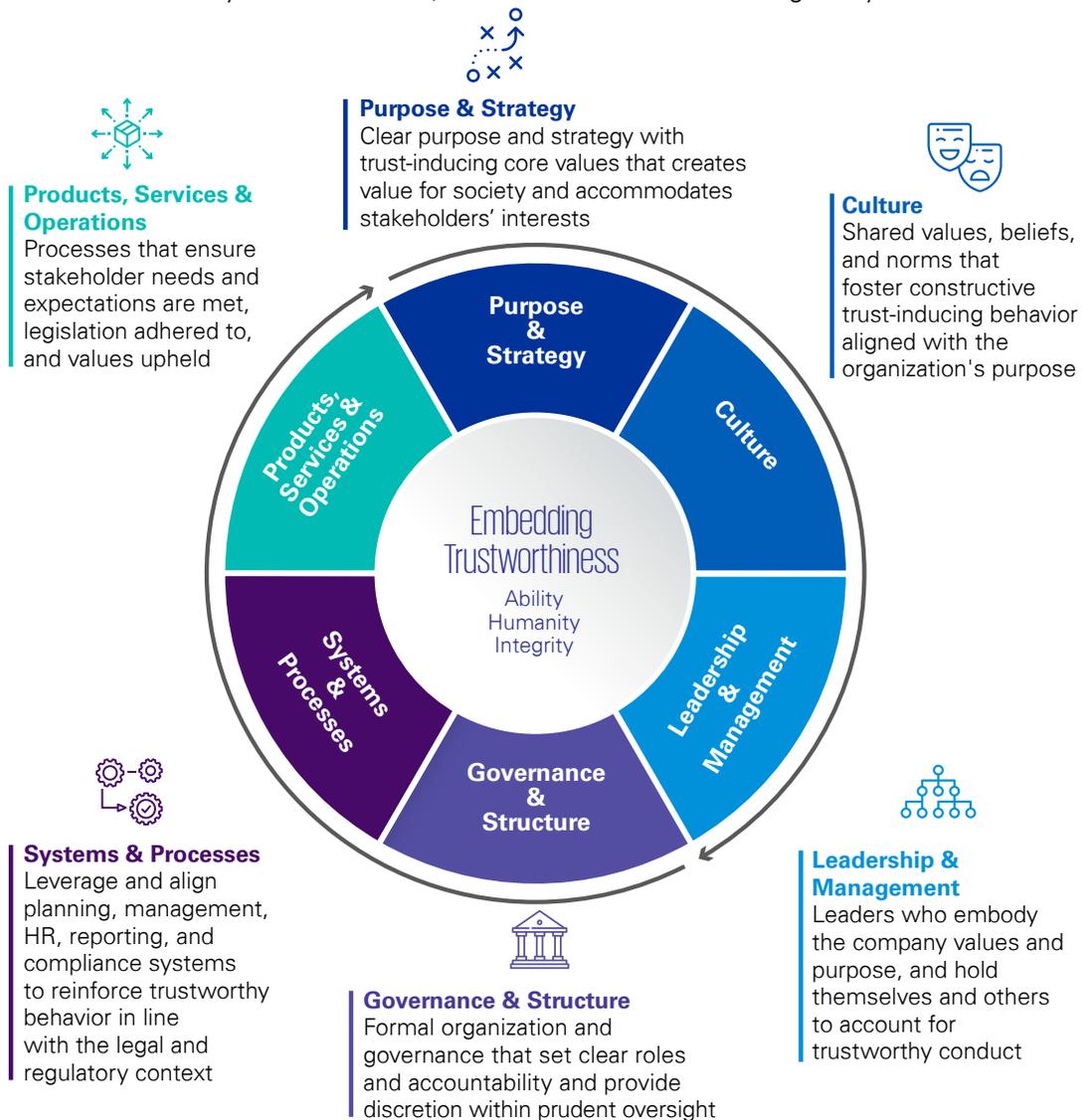
Trust is built on consistent, predictable action in the moments that matter—like keeping data safe, delivering the right product at the right time, using ethical business practices, complying with regulations, and partnering with credible third parties. Indeed, even if you say and do the right things, a failure on a critical moment can undermine the trusted reputation you’ve worked hard to earn.

That’s why it’s important to weave security, compliance, and trust into all systems and transformation activities.

For example, are you analyzing interconnected risks to identify potential vulnerabilities? Are you proactively monitoring the market signals for your industry, anticipating changes in customer sentiments, regulations, and more? Are you auditing your culture and conduct risk? Are you automating your fraud and financial crime processes to improve accuracy, speed, trust, and the customer experience?

Six elements of trust

To earn and sustain the trust of your stakeholders, embed trustworthiness throughout your business:⁴



⁴ Gillespie, N. & Fentener van Vlissingen, R., “Trustworthy by Design: A practical guide to organisational trust,” The University of Queensland and KPMG, 2019; and Gillespie, N. & Dietz, G., “Trust Repair After an Organization-Level Failure,” *Academy of Management Review*, 2009, 34(1), 127-145.

Restoring trust after a cyberattack

A technology company reached out to KPMG to help them respond to a cyberattack and rebuild trust in its business. The breach enabled hackers to access hundreds of companies and government organizations that used one of its products.

We helped the company restore trust by:

- **Investigating and responding to the attack.** We identified and isolated the malware that hackers had inserted into the software-building environment. We helped analyze the root cause and contain the threat.
- **Assessing the impact on all stakeholders.** We helped the client understand and respond to the unique needs of its many stakeholders, including customers, partners, suppliers, regulators, investors, employees, and communities. We assisted in managing customer concerns, providing litigation support, and coordinating public relations campaigns.
- **Transforming the approach to cybersecurity.** We worked with the client to develop a program that embeds security into every aspect of their business. Setting a new standard in cyber resiliency, this program equips the company to innovate with confidence, sustain its growth, and win back trust.

The journey from incident to trust

Keep in mind that most stakeholders are not looking for perfection, as even the best systems and processes sometimes fail. But while some failures may be tolerated, persistent ones are not, nor are those without appropriate acknowledgement or remedy.

To recover from a problem, trusted companies make things right as quickly as possible, taking care to view the situation from stakeholders' perspectives. They restore trust by:

- Always assuming positive intent and veracity of a customer concern,
- Issuing a warm and sincere apology,
- Taking responsibility and fixing the problem with urgency,
- Meeting or even exceeding expectations of customers, regulators, investors, and other stakeholders in their handling of the issue, going the extra mile if required, and
- Providing stakeholders with options.

These kinds of actions help companies thrive through uncertainty, while becoming trusted and respected for the example they set in the world.

For example, data breaches in recent years called the trust of some retail brands into question. But the retailers who have recovered sprang into action by apologizing for the attack, owning the resolution, providing free credit-monitoring services and other compensation to consumers, and revamping their cybersecurity programs.

With the right remedies, companies can bounce back from reputational damage, prevent it from happening again, and gradually rebuild trust with their stakeholders.

KPMG can help you inspire trust.

In every sector, organizations have a real opportunity to define a different future through digital transformation, and stakeholder trust is an indispensable ingredient. At KPMG, we understand how you feel about the opportunities and challenges because we've met them in our own transformation. We know firsthand the importance of creating and retaining stakeholder trust. Our business depends on it.

Meeting you wherever you are on the journey, we combine deep business, industry, and technical knowledge to bake risk and regulatory discipline into your digital transformation. So whether you're optimizing a single function or connecting the entire enterprise, you can inspire stakeholder trust at every turn. As the ultimate business enabler, trust is your ticket to responsible growth, bold innovation, confident decision-making, and sustainable advances in performance.

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