THE TRUST ISSUE

HOW A WORLD OF RISK IS BEING CONQUERED THROUGH TRUSTED AND TRANSPARENT RELATIONSHIPS

MARK DUNN ON risk and why having a ‘trust strategy’ is the way to create a sustainable advantage

KEEP INFORMED Rising stars of trust-building highlight today’s emerging challenges

DO DILIGENCE Compare how you perceive the value of due diligence against others

The world sometimes feels as if it is changing faster than business can adapt.

Little wonder that boardroom execs lie awake at night worrying about the risks that could damage their companies—and their careers.

Alongside regulatory risks related to sanctions, bribery and corruption, money laundering and terrorist financing, companies also face an increasing number of modern slavery and environmental standards. Compliance failures carry significant financial risks, including fines, exclusion from contracts, payouts for shareholder class actions over corporate misconduct, and legal and remediation costs. Meanwhile, cyberattacks and supply chain disruption due to adverse weather events, material shortages or supplier bankruptcies increase financial risk exposure. Reputational risks—like unethical sourcing, poor environmental practices and misconduct allegations—escalate rapidly in the digital age. And strategic risks—such as missed opportunities in emerging markets or the loss of a competitive advantage—can result in a failure to meet growth goals.

When most C-suite execs think of the ‘R word’ in business, they think of loss. But in this era of uncertainty, with risk exploding, it may just be your biggest—and quickest—win.

Mark Dunn, LexisNexis Business Insight Solutions
As Director of Entity Due Diligence and Monitoring (EDDM), Mark is a global spokesman on anti-money laundering, anti-bribery and corruption and sanctions compliance. With over 25 years of experience, he continues to be instrumental in setting new standards in entity due diligence and monitoring, earning a reputation as a champion of trust and transparency in global business.
These days, failing to do the right thing is not limited to bad leaders or bad companies. Good companies fall short too. Not because they were exploitative or avaricious. Not even because they were negligent or ignorant. But simply because in the maelstrom of business today, they fail to anticipate, recognise, mitigate or manage risks.

With every company and career that gets impacted, we recognise that good intentions are not enough.

As a consequence, in too many companies, indeed whole sectors, we’re seeing the spread of a culture of fear: one that breeds indecision, inaction, a lack of responsibility and, inevitably, the demise of trust.

The irony, however, is that business cannot thrive—or even survive—without risk. As they teach in Business Strategy 101—no risk, no reward.

So, in this era of uncertainty, we need a new way of approaching risk: one that doesn’t see the demise of trust as the inevitable result of failure. Rather, one that sees the rise of trust as an indispensable premise for, and irrefutable measure of, success.

Some risks are beyond our control; obviously others can be used to our benefit in order to do different, do new, do change. And trusted relationships, based on transparency, can provide the resilience, robustness and agility needed to turn those risks into a business advantage.

The good news is that most multi-national companies already have teams dedicated to building trust.

The bad news is that until now the prevailing preconception is that such teams have focused on avoiding risk rather than using their competence in trust-building to identify risk, evaluate it and leverage it to drive value.
In an interview with LexisNexis, Emmanuel Lulin, Senior Vice-President and Chief Ethics Officer at L’Oreal, said, “It is no longer enough to measure the success of an organisation by its financial results. There is a flaw in the current accounting system that doesn’t sufficiently account for the value of ethics, values and culture. Trust is a much better indicator of the sustainability of an organisation.”

“Today one thing is indisputable; the role of business in society has never been more important,” he noted. “Hand-wringing over uncertainty will not lead to success. But leaders who step up to build trust and collaborate across sectors, borders, markets, partners and customers will forge ahead.”

Enter your teams tasked with compliance, supply chain risk management, procurement, corporate security and corporate social responsibility.

Their function is shifting from transactional to strategic. Their influence is moving from the back office to the boardroom. Their job is changing from avoiding loss to creating sustainable value.

Together, they have the expertise to anticipate, recognise, mitigate or manage risks in time. They also have the expertise to identify the most valuable relationships for a strong, solid and stable future. All they need are the right tools, systems, infrastructure—and support from C-suite execs who understand that they are the rising stars.

Why?

Because through small everyday actions, they have the potential to be the stars who make a company’s ‘trust strategy’ real: the very premise and measure of a sustainably successful business.

LexisNexis Entity Due Diligence and Monitoring (EDDM) offers an end-to-end suite of solutions and expertise to help build trusted relationships in business by anticipating, mitigating, managing and leveraging risks in a way that becomes a company’s competitive advantage.

TRUST IS A MUCH BETTER INDICATOR OF THE SUSTAINABILITY OF AN ORGANISATION.

Emmanuel Lulin, Senior VP, L’Oreal

Companies have two options: stand out for doing good business that makes a good profit—or face the fallout.

And given the very personal level of accountability being demanded by investors, shareholders, customers and the public today, those in the C-suite face the same options: step up as good leaders who can manage risk, through trust, to win—or step down.
THE VALUE OF TRUST

It’s never been more critical for C-suite to invest in trust to make good business profitable. After all, the numbers don’t lie.

50%

Number of organisations which have discovered issues with 3rd parties after due diligence investigation
- Anti-bribery and Corruption 2017 Benchmarking Report

73%

Number of consumers who say they’ll pay more for a product that offers trust and transparency
- Label Insight, 2016

The penalty Petrobras paid to settle a class action suit for alleged misconduct
- Anti-bribery and Corruption 2017 Benchmarking Report

HOW DO YOU PERCEIVE THE VALUE OF DILIGENCE?

Due diligence is more than a tool or a process; it is a mindset. How you perceive the role and value of due diligence reveals your attitude to risk, how you approach relationships and what drives you in business. So, on the continuum between ‘have to do it’ and ‘want to do it’, where are you?

I have to do it
Driven by legislation

I’d better do it
Driven by benchmarking

It’s good for business
Driven by savings

We’re stronger for doing it
Driven by optimism

It’s right to do it
Driven by conscience

It’s profitable to do it
Driven by results

7% Decrease in value over 10 days for companies hacked or exposed to data breaches
- Value of trust on data, EY, 2017

50% INCREASE IN STOCK VALUE WHEN COMPANY HAS A REPUTATION FOR BEING ETHICAL
- Corporate Responsibility 2016

£2.9bn The penalty Petrobras paid to settle a class action suit for alleged misconduct
- Anti-bribery and Corruption 2017 Benchmarking Report

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Compliance
Best practice
Avoid negative outcomes
Mitigate risk and cut costs
Keep safe
Ethics
Better business

“"We do our best to construct our inner procedures and provide the best intelligence and implement it in our company so it’s fully compliant.”
Head of Anti-Corruption

“We’re trying to support the changes in legislation and best practices from around the world.”
Head of Anti-Corruption

“We screen our whole client base to point out each client’s level of risk, identify high risk and prevent any wrong doing in the business and fines from regulator.”
Compliance Manager

“Here, we are committed to mitigating risk and cutting costs.”
Chief Procurement Officer

“Our aim is to create a safe business through safe transactions for a more secure future.”
Head of Assurance

“We believe it provides a better culture, defending our company from unethical practices and behaviours.”
Risk Management Analyst

“We ensure we have more reliable suppliers, less likely to go out of business; and the least amount of defective parts per millions.”
Supplier Risk Management

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CEO Survey, PwC, 2017

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RANDY
The influence of the teams tasked with mitigating business risk, whether they are compliance, ethics, procurement, or corporate security, continues to shift from the back office to the boardroom. With growing endorsement from the C-suite, there is more opportunity than ever to drive trust and transparency, and deliver good profit.

MARK DUNN