

# Bridging the trust gap

BY DANIAL IDRAKI

As Malaysian corporations continue on the path of expansion and towards financial profitability, one element that appears to be lacking in their value creation is trust building, according to PricewaterhouseCoopers (PwC) Malaysia.

Being an emerging market, it is natural for corporations in the country to prioritise profits

over intangible factors such as trust. However, it appears that the tide is turning. Incidences of corporate scandals globally have resulted in consumers becoming warier, so greater importance needs to be placed on trust building in order to fuel the next phase of growth for businesses.

One of the trigger points in the last decade has been the global financial crisis (GFC), PwC Malaysia managing partner Sridharan Nair tells *The Edge* in an exclusive interview.

“People used to view banks as large reliable

institutions, but part of that changed when the GFC happened and as a result, there has been this view that we (the public) cannot trust banks and businesses,” he says.

He adds that recent corporate scandals such as the food safety issues in China and London Interbank Offered Rate (Libor) scandal in the Western market have further eroded consumers’ faith in business entities — all the more reason to urgently address the issue to bridge the gap between businesses and consumers.

According to Nair, a number of discerning local companies with regional footprint are beginning to realise that there is a need to look at trust as an asset that will help with the long-term growth prospects of their business.

To further encourage the prioritisation of trust building among businesses, PwC Malaysia will hold its first Building Trust Awards to recognise 10 public-listed companies that are taking steps in that direction, measured through their corporate reporting and public perception.

The 10 shortlisted companies will be announced at an awards ceremony on Nov 30.

In terms of corporate reporting, the measurement will be based on the International Integrated Reporting Council’s Integrated Reporting Framework. Meanwhile, companies’ public perception — according to investors and customers — will be based on analyses run by PwC’s in-house measurement framework and diagnostics tool.

“If you look at reports that corporates produce, they tend to be very much financial and historical based, and within the Malaysian context, they tend to be compliance based.

“One thing that would make a difference is moving beyond the focus on financial performance and measures to non-financial considerations, and telling the overall business story itself,” Nair explains.

To make strides in that direction, greater transparency in corporate communications to stakeholders, turning data into insights, and embedding trustworthiness in the corporate culture will set the right tone for corporations, he says.

Nair remarks that companies’ ability to collate and compile data and carry out analysis is significant in their efforts to further establish trustworthiness, as it would provide them with an understanding of what a product means for consumers as well as their behaviour in the market.

“If they can use data and look at exactly what consumers want and fill certain gaps, or find out the type of market segment that values the product and market it accordingly, that would earn consumers’ trust.

“We hope that by having this award, we can help push the agenda and ultimately, it is about making businesses appreciate the fact that building trust is not something that you should only do as a reaction when there is a crisis.”

Nair says there are three types of trust that PwC looks at — competence, experience and value.

For competence, it is whether a corporation maintains transparency in the marketing of its products, while experience refers to the efforts made by a business to understand consumers’ needs.

“Value trust refers to whether a company considers its impact on the larger society,” he explains.

According to Nair, corporations in more developed markets have trust building high up in their list of priorities, as they have gone through the necessary growth phase and are now looking at more intangible factors to help fuel their next phase of growth.

“For us [in Malaysia], we are at the start of the journey.”

Nair uses Mattel as an example of trust building. When the Californian toy manufacturer found that a number of its products contained lead, a banned substance in Europe and the US, it recalled all of its tainted products and publicly named its contractors in China that were involved in the issue as well as reviewed its entire supply chain.

While Malaysian corporations are only at the starting point of their journey and trust building will certainly not become a top priority overnight, Nair hopes that the trust element will be viewed as an asset that will bring tangible benefits to business entities. ■



The  
**Building  
Trust Awards**

PwC’s Building Trust Awards on 30 November,  
recognising excellence in Malaysian organisations which are making  
strides toward building trust.

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