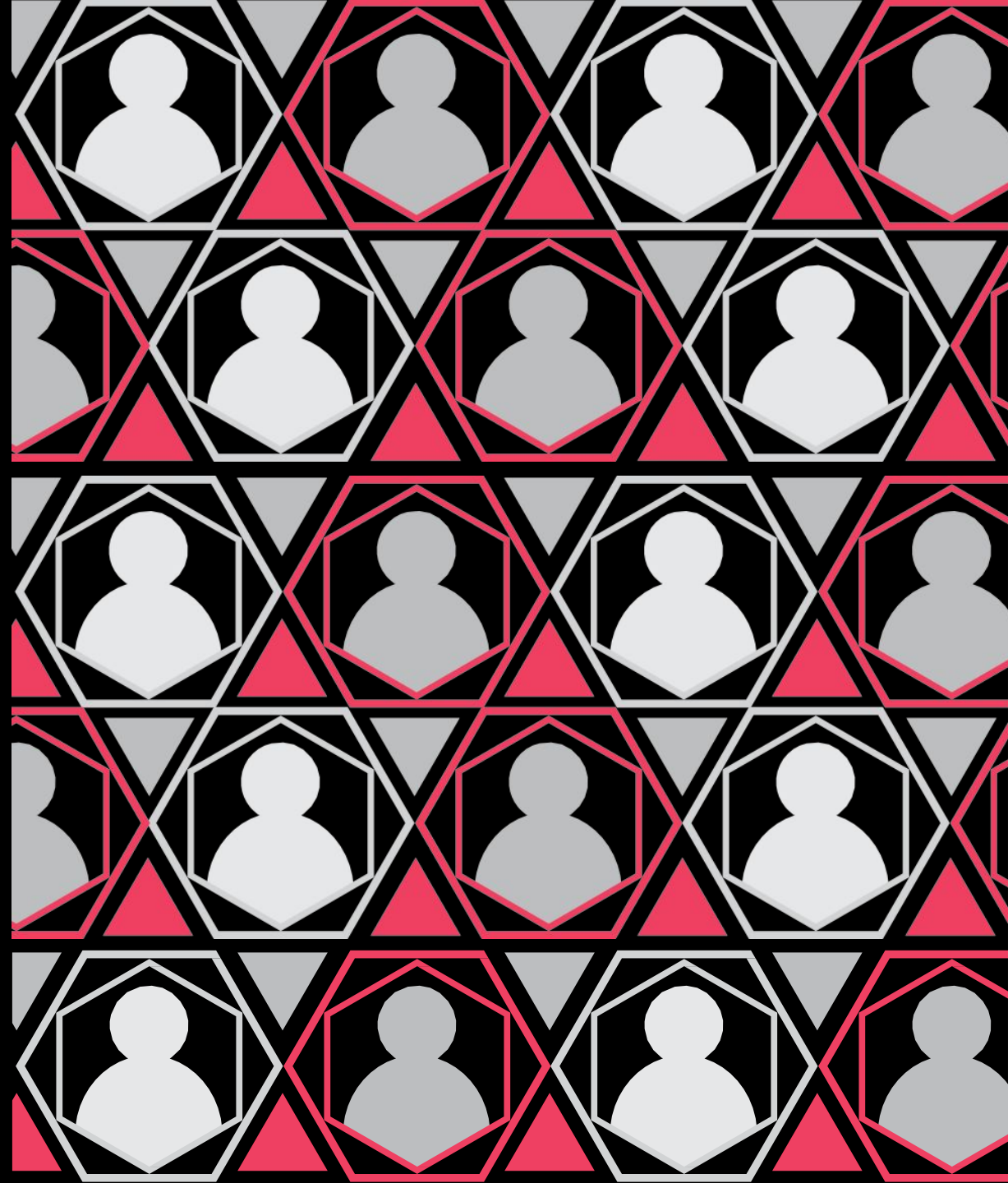
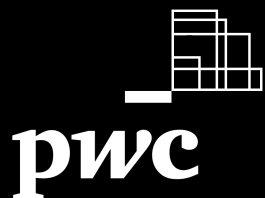


# Trust in adversity

A study on the state of trust in medium-sized public companies during the COVID-19 pandemic

November 2020





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# Introduction

The case for building trust in business has been made before: we've seen how brand equity and shareholder value take a dip when trust is lost.

Discussions and debates about these trust crises are often short-lived and focused on what's gone wrong.

When the World Health Organisation (WHO) declared COVID-19 a global pandemic on 11 March 2020, we started seeing an uptick in the volume of discussions around trust in business in Malaysia. 366%<sup>1</sup> to be exact.

This time, the volume of conversations seems to have been sustained throughout the period of our research (see Chart on page 4).

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<sup>1</sup> Change in the number of weekly average discussions about trust before and after 24 January 2020, observed through online listening. See page 21 for our research methodology.



## Why study trust during a pandemic?

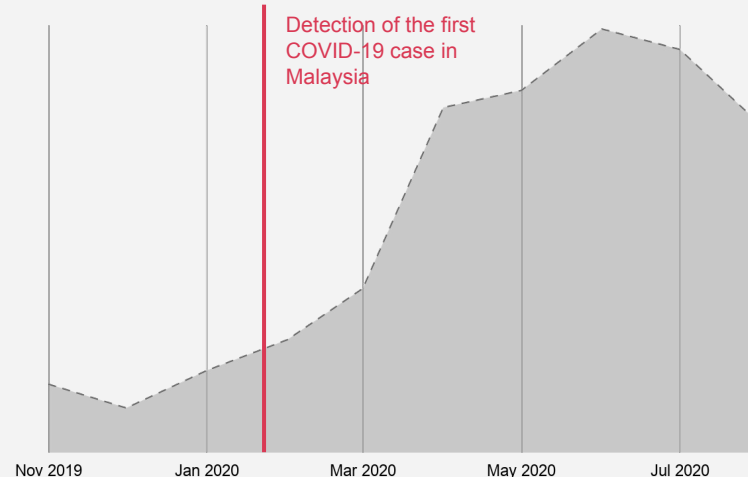
We wanted to find out:

- How medium-sized public companies in Malaysia build trust with their stakeholders in difficult times
- What factors drive the level of trust in these companies during this period
- What businesses can do to shape their trust narrative during times of crisis

This report summarises key learning points from our study of the FTSE Bursa Malaysia (FBM) Mid 70 Index companies based on data collected between January and June 2020.

**Chart:** Volume of online conversations about trust in business in Malaysia

(Source: PwC)



## Why FBM Mid 70 index companies?

Up until now, our studies on trust as well as [The Building Trust Awards](#) have been focused on companies with large market capitalisation.

Heeding the call to widen the trust conversation, we're expanding our research to look at trust in the context of medium-sized public companies in Malaysia in times of crisis.

The FBM Mid 70 Index is well established. And the availability of external data points and research done on the index allow us to compare and corroborate our findings in meaningful ways.





# The state of trust in business during the pandemic





# The state of trust in business during the pandemic

Malaysia detected its first case of COVID-19 on 24 January 2020. The reality of a global pandemic was looming.

Around the same time, the overall trust index was rising. From January to February 2020, businesses<sup>2</sup> gained 4.48 points (or +37.9%) in trust index to peak at +16.29 (Figure 1).

## Trust was low at the height of the pandemic

Over the next two months — as the country was put under the Movement Control Order (MCO) — businesses would lose much of the trust they'd gained over the period to reach the lowest point in their trust index in April. At 9.33, trust was 42.69% lower than it was in February.

## Overall trust was at a surplus, but company differences were significant

Upon closer inspection, differences between companies that took an active approach to building trust and those that left trust to chart its own course started to surface.

We'll explore these nuances as well as the differences in the behaviour of each trust element in the next section.

### Of all FBM Mid 70 Index companies

14

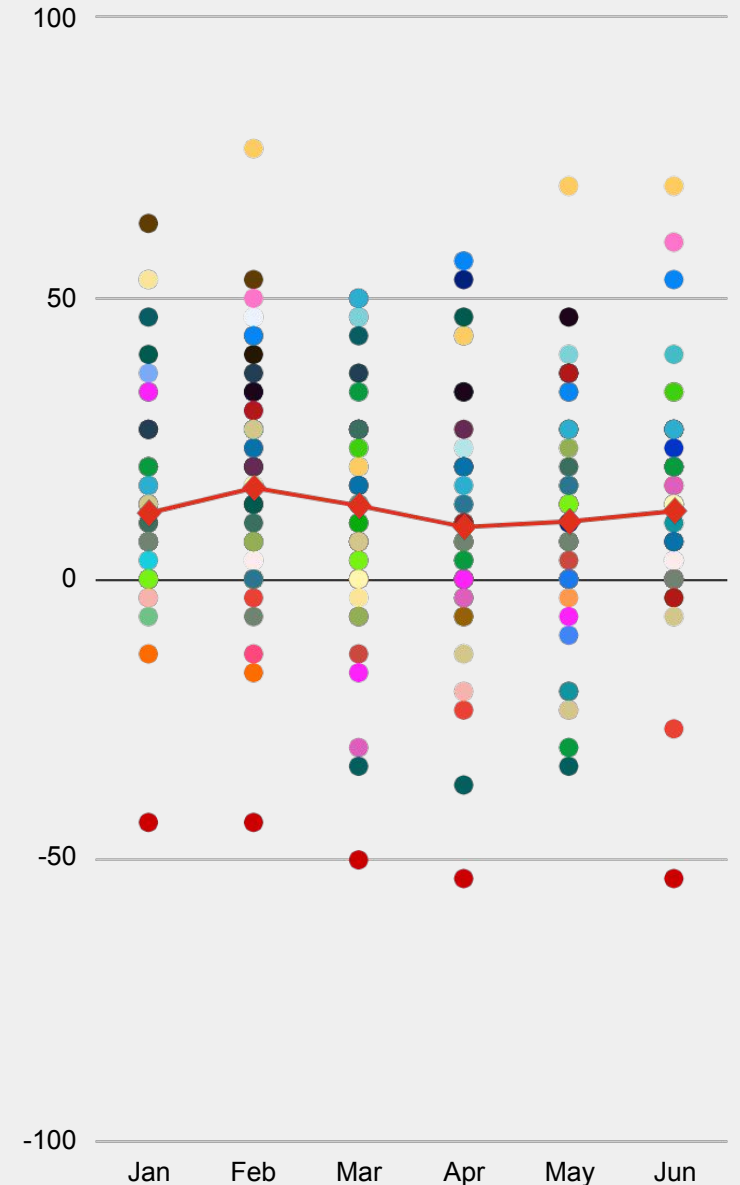
recorded a trust surplus in every month from January to June 2020

24

recorded a trust deficit in at least one month between January and June 2020

- Company X's trust index for the month
- ◆ Overall trust index for the month

Figure 1: Trust indices of FBM Mid 70 Index companies



<sup>2</sup> The term 'business' and 'FBM Mid 70 Index companies' are used interchangeably in this report.

# 2

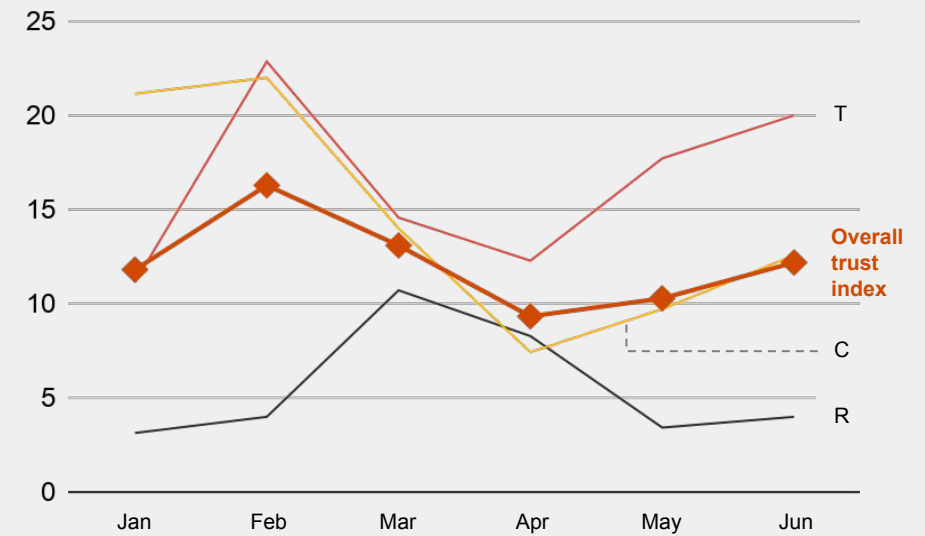
## Key findings

### Measuring trust

We gathered publicly available online conversations about companies and analysed the data according to the three trust elements in PwC's Trust Analytics framework. The trust elements are 'transparency', 'responsibility' and 'capability'.

We assigned each **trust element** a score, and an average of these scores gave us the **trust index**. For more information about our research methodology, see page 21.

Figure 2: Overall trust index vs the three trust elements



**Transparency (T):** how much of what the company is doing is observable by its stakeholders and the public?

**Capability (C):** are the company and the people who run the business able to consistently meet stakeholders' expectations?

**Responsibility (R):** how much does the company care about the longer-term interests of its stakeholders and employees, as well as the society and environment it operates in?





# Agility and customer-centricity drive capability trust

During the first six months of 2020, we saw our *capability trust* scores move in tandem with the FBM Mid 70 Index profile (Figure 3). What does this imply?

## Markets, in times of crisis, are capability-driven

In a previous study<sup>3</sup>, we learned that businesses can purposefully work on building trust and remain authentic— companies have the power to shape their own trust narratives when they do it with good intent and in the spirit of transparency.

If *capability trust* is a reflection of stakeholders' confidence in a company's ability to consistently meet their

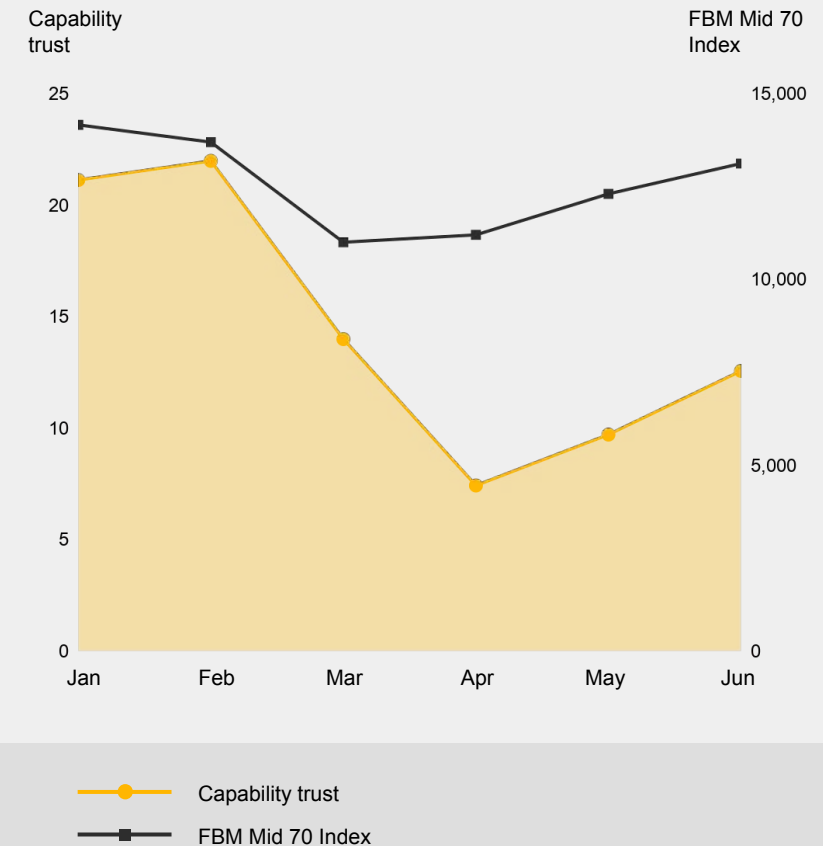
expectations, it is not surprising that markets and *capability trust* have a strong positive correlation.

There are lessons we can learn from companies with high *capability trust*.

## Customer experience takes centre stage

Customers appreciate businesses' efforts that make going about their daily lives easier. For example, we see positive reactions to AEON's 'personal shopper' initiative at the start of the MCO. KPJ, being the first among private healthcare providers to offer drive-thru COVID-19 testing facilities, was also viewed positively.

Figure 3: Capability trust vs. FBM Mid 70 Index\* (r=0.76)



\* FBM Mid 70 Index profile sourced from Bursa Malaysia's website

<sup>3</sup> 'Trust in business: Delivering authentic value', PwC Malaysia, 2016



“

When the COVID-19 pandemic hit, the safety and well-being of our employees and visitors to our sales galleries were our top priority. We swiftly deployed the latest cloud-based business software suites fortified with high digital security measures to minimise potential cybersecurity threats to ensure business sustainability for seamless remote working. For our customers, besides the existing communication channels, we created the “Setia On-The-Go” app to introduce our vast range of properties to them. Our online presence was further equipped with “Setia Virtual-X”, an online property showcase platform having interactive functions and integrated features such as virtual tours, events and show units.

”

**Datuk Choy Kah Yew**

Executive Vice President & Chief Financial Officer, SP Setia Berhad





## Building trust goes beyond paying lip service

The idea that *transparency* drives trust in business is intuitive: the more information we have about a company, the easier it is for us to form our opinion about them.

In times of adversity, keeping your stakeholders informed of the company's performance, plans and progress can help sustain their confidence in the company's ability to overcome adversity.

**Honesty builds trust:** The picture is not always rosy. But that doesn't mean companies should shy away from communicating. UEM Sunrise, for example, acknowledged the impact COVID-19 would have on their business and discussed measures being taken to ensure the liquidity and sustainability of the business.

**Fulfilling promises:** More information doesn't mean greater *transparency*. Trust is built when you do the things you've said you would do. For example, Serba Dinamik

demonstrated this when they followed through on their plan to launch a virtual reality theme park, albeit with reduced capacity, in accordance with the health and safety procedures during the Recovery Movement Control Order (RMCO).

**Health and safety first:** During a widespread health crisis, *transparency* matters not only to external stakeholders, but internal ones as well. Positive cases within the company should be made known. More importantly, companies should communicate the steps they will be taking to protect the health and safety of their customers, employees and the communities around them. Velesto Energy, Ambank, Malakoff, Astro and Alliance Bank have done this well, just to name a few.

Communication should be factual, frequent and timely, driven from a centralised, multidisciplinary task force led by the CEO.

## Trust is built from within

*Transparency* starts at the top. For CEOs who are on a quest for greater transparency during and beyond the pandemic, here are four questions you can ask yourself<sup>4</sup>:



### Am I consistently communicating what our company stands for?

Sending a clear, authentic message—internally and externally—about what the company really stands for will build trust.



### Am I personally encouraging transparency in our organisation?

CEOs should ask themselves what they can do to promote openness.



**How effective is our governance structure?** Good governance is critical to building transparency and trust inside and outside an organisation.



### Am I leveraging technology to improve transparency?

New technology, such as artificial intelligence and machine learning, means that CEOs have access to more information about their organisation than ever before.

<sup>4</sup> Extracted from 'Transparency Is Key to Building Trust in Business', PwC, 2018

# Responsible businesses win trust

The top five industries in our study have one thing in common: they also score highly in *responsibility trust* (Figure 4).

## Healthcare wins hearts and trust

Healthcare workers have been rightly celebrated as the frontline heroes during the pandemic; healthcare companies too play their part as responsible corporate citizens.

KPJ contributed to Malaysia's fight against the pandemic by donating ventilators, hospital beds, dialysis chairs, manpower and medicines. Sunway also pledged up to RM12 million to subsidise the cost of treatment for non-COVID-19 patients being transferred from government hospitals, so that the public healthcare system could focus on treating COVID-19 patients.

## Real estate players hone in on trust amid uncertainties

COVID-19 has derailed<sup>5</sup> the recovery momentum of the property market. Despite the grim outlook, a number of companies committed millions in aid to relief funds.

More importantly, we see companies continuing to fulfill their corporate responsibility by delivering promised homes to settlers and focusing on developing sustainable properties.

From the onset, the outbreak created the need for new practices. Companies heeded the 'new normal' early on, including:

- SP Setia calling off open houses in an effort to contain health risks
- Sime Darby Property adopting contact tracing and carrying out sanitisation of their office as soon as an employee tested positive for COVID-19

Figure 4: Trust index by industry

Industry*	Overall trust index	Responsibility trust
Healthcare	24.44	17.78
Real estate	18.99	8.79
Food & beverage	16.51	9.05
Construction & materials	15.95	7.86
Financial services	12.78	9.44
Oil & gas	10.74	5.56
Industrial goods & services	9.09	2.73
Utilities	7.92	7.08
Technology	4.86	4.58
Travel & leisure	-10.93	-17.22

\* Based on Industry Classification Benchmark (ICB)'s Supersector obtained from Bloomberg. Our analysis excludes industries that comprise two companies or fewer.

<sup>5</sup> New Straits Times, July 2020

## Family responsibility: Spotlight on family businesses

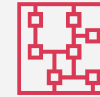
Family-owned businesses are important drivers of national Gross Domestic Product (GDP) and job growth in many economies. This is no different for Malaysia. Many companies in our study are family-owned.

For many family businesses, responsible ownership comes naturally, with strong values serving as the source of their success, commitment and legacy.

During difficult times, staying united as a family and embracing your values are more important than ever. This will sustain confidence and trust in your business through the crisis and beyond.



Here is some practical advice for family businesses to consider<sup>6</sup>:



**Stay connected and prioritise communication.** Think about setting up regular virtual gatherings (or physical ones when the situation allows) with your family stakeholders and/or employees.



**Communicate your values clearly and effectively,** and stay connected with your ecosystem, communities and customers.



**Hold more frequent family council and shareholder meetings** to create transparency, and gain consensus and support around next steps to address the crisis.



**Ensure any actions you take are aligned with your purpose and values** — such as supporting wider community responses through your corporate responsibility programme — and communicate these clearly and consistently.



**Invite the family business Board of Directors to report to the ownership group** on scenario planning and the measures that are being implemented.

<sup>6</sup> Extracted from 'Family Businesses and COVID-19: Malaysia - Our support and recommendations', PwC Malaysia, 2020

“

At Yinson we lean on our core values ROADS (Reliable, Open, Adaptable, Decisive and Sustainable) as the fundamentals of engaging and building trust with our stakeholders. We take a holistic view and apply our core values of being Reliable and Open to internal and external stakeholders. Having geographically dispersed operations, adapting to virtual collaboration was not something new to us. Leveraging on technology enables us to provide timely and open communications which came in very handy during the pandemic.

”



**Lim Chern Yuan**

Group Chief Executive Officer, Yinson Holdings Berhad

# The case for building trust early and consistently

## 'Trust reserve'<sup>7</sup> cushions the market impact of a crisis

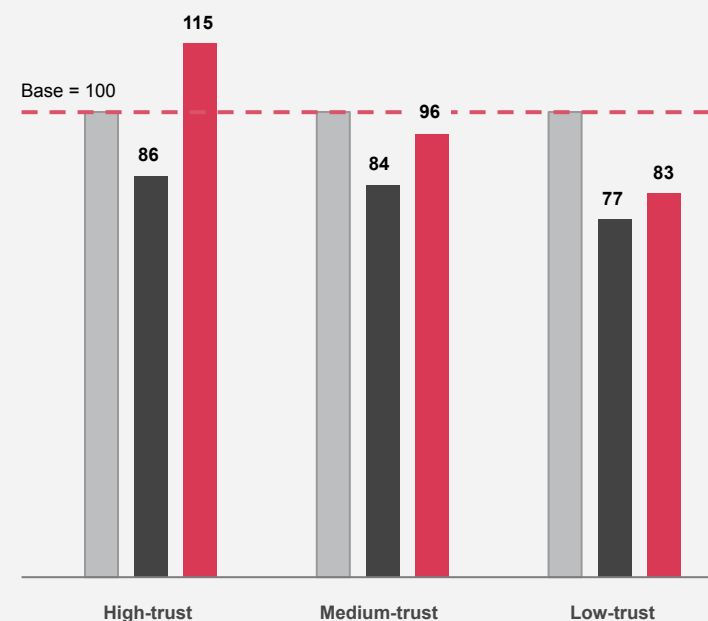
When the World Health Organisation (WHO) declared COVID-19 a global pandemic in March, the FBM Mid 70 Index dropped 19.67% compared to the month before.

Around the same time, high-trust<sup>7</sup> companies in our study would lose 13.57% in value, collectively. And when June arrived, they recovered that initial loss and went on to gain 14.74% more than where they started in February.

In contrast, medium- and low-trust companies suffered greater initial losses and were slower to rebound (Figure 5).



**Figure 5:** Changes in share prices of high-, medium- and low-trust companies, in the months before and after WHO declared COVID-19 a global pandemic



■ February 2020 (pre-pandemic)    ■ March 2020 (WHO declared COVID-19 a global pandemic)    ■ June 2020 (three months into the pandemic)

<sup>7</sup> We use the average of January and February trust indices—the months before the pandemic—to approximate 'trust reserve'. These values follow a normal distribution. Based on the normal distribution, high-trust companies have a 'trust reserve' of +25.59 or more, while low-trust companies have a 'trust reserve' of +0.91 or less.

## The relationship between trust and market volatility

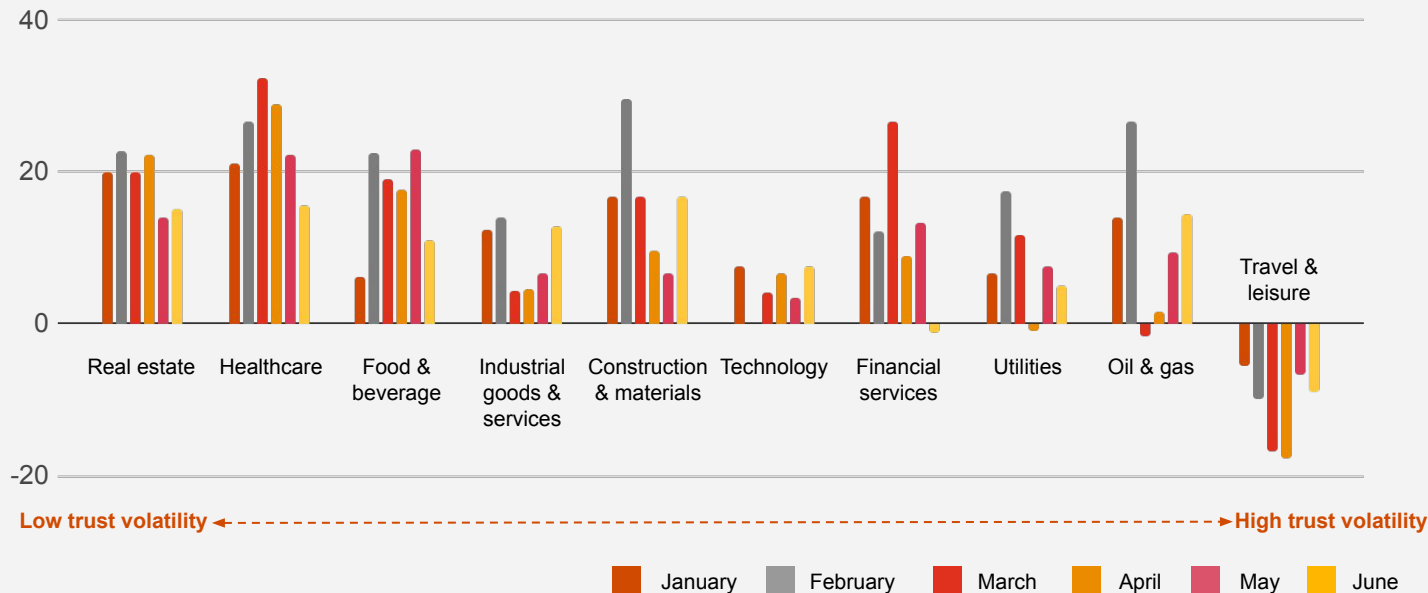
Real estate and healthcare were able to sustain trust in the first six months of 2020, bolstered by strong *responsibility trust* (Figure 6).

Beyond the two standout industries, four industries—construction & materials, food & beverage, industrial goods & services, and technology—have also managed to sustain a trust surplus throughout the period.

These industries, which have moderately volatile trust indices, experienced relatively low price volatility—between 1.3% and 2.5% (Figure 7). The remaining industries in our study saw their trust indices moved between 70% and 95%, with share prices fluctuating between 3.5% and 8%.

In times of adversity, stability in trust and market performance could be just what stakeholders are looking for.

**Figure 6:** Industry trust indices by month. Our analysis excludes industries that comprise two companies or fewer



**Figure 7:** Trust vs market volatility for four selected industries

Industry	Relative volatility*	
	Trust	Share price
Food & beverage	40.16%	1.97%
Industrial goods & services	48.67%	1.34%
Construction & materials	49.62%	2.28%
Technology	60.77%	2.47%

\* We use coefficient of variation to measure relative volatility



3

# Building trust in times of adversity







## Building trust: The three staples

Some things about trust in business remain consistent:

- ▶ Be transparent, so your stakeholders don't have to speculate
- ▶ Be honest and vulnerable. When things go wrong or don't turn out as planned, acknowledge, and share how you'll correct or improve the situation
- ▶ Have a purpose<sup>8</sup>, because trust is created when people share common interests and values

Cultivating these values in an organisation takes time and effort. But when the outcome is deep reserves of trust—recognising that *'trust is the most powerful currency in business'*<sup>9</sup>—this gives businesses a good reason to do it consistently.



<sup>8</sup> 'The principles of trust and evolution of trust', PwC US

<sup>9</sup> Fortune, 2015



# Building trust in times of adversity

When it comes to building trust during difficult times, three things stand out.



## Stay agile. Focus on customers

Consumer businesses could win trust by delighting customers and enhancing their experience through novel ways that alleviate their pain points. For industrial companies, this could mean delivering on your promises or leveraging your competitive advantage to serve your customers in new areas of business.

A common thread that runs through the success of these companies? Agility.

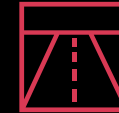


## Act responsibly

By fulfilling their responsibilities as corporate citizens and being quick to adopt precautionary health measures, the real estate industry was able to sustain trust in a time when industry outlook was depressed.

This highlights the importance of two things:

1. Having a corporate responsibility programme that is purpose-led and integrates with business strategy helps build a trust reserve for the business in times of crisis. The programme should also communicate outcomes and impact.
2. A responsible business cares for its stakeholders. And this includes employees. One company in our study drew criticism and faced allegations of workplace abuse when there was a lack of transparency behind their retrenchment decision.



## Build resilience

Companies with low volatilities in trust index and market performance have one common characteristic: they are seen as resilient organisations.

While their quarterly earnings may have been worse off (some are loss-making) due to COVID-19, analysts rate these companies positively, putting trust in their strong balance sheets and growth prospects.

Resilience has never been valued more than it is today. On the next page, we'll explore what resilience looks like and how business leaders can start their journey towards building a more resilient organisation.



# Building trust in times of adversity





Resilience is an organisation's capacity to anticipate and react to change — not only to survive, but also to evolve. It's less about being able to predict every eventuality and more about being flexible enough to respond when needed, in ways they're needed. Resilience can be described in six powerful traits.


## Traits of a more resilient organisation<sup>10</sup>


The first set of traits represents mostly internal capabilities and the organisation's ability to respond to change.


The second set of traits represents the organisation's relationship with its customers, business partners and other stakeholders.


 **Coherence**  
or ability to make mutually beneficial decisions

 **Adaptive capacity**  
or ability to adjust to change

 **Agility**  
or ability to make and implement decisions required at speed

 **Relevance**  
or consistently delivering on stakeholder needs

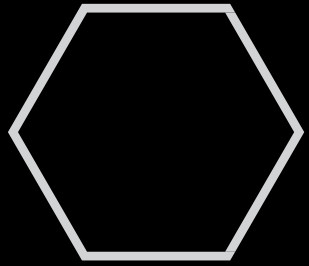
 **Reliability**  
or consistently delivering to expected quality, on time

 **Trust**  
or knowing how to create investment-worthy, rewarding relationships

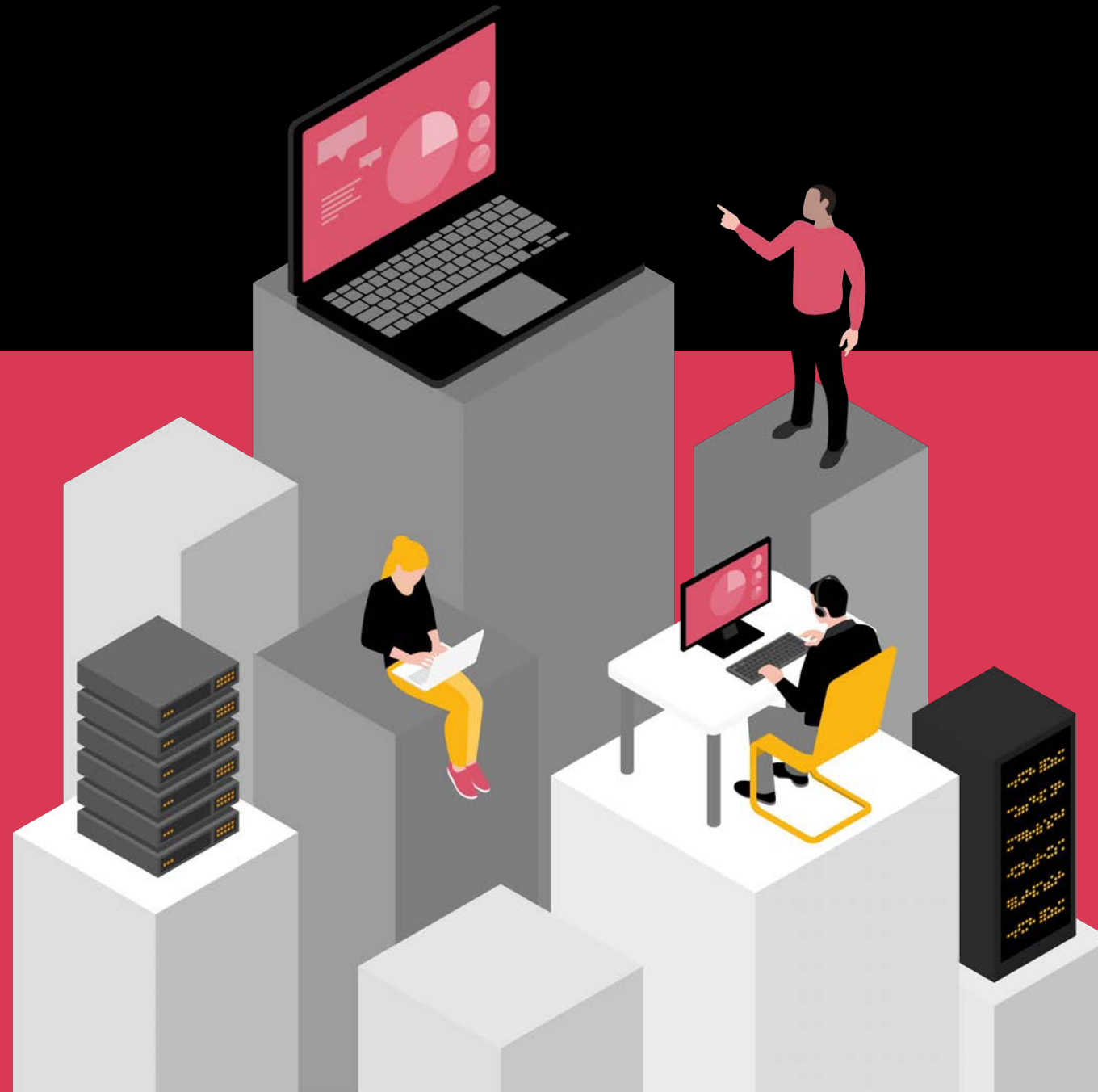
Here are four questions to help business leaders identify the key resilience indicators in their organisation:

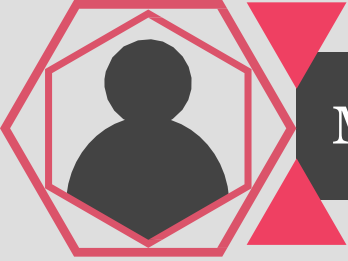
- Where do the biggest contributions to my organisation's resilience come from?
- What are the biggest threats and detractors to my organisation's resilience?
- What am I doing on a regular basis that helps me build resilience to support my organisation's long term aspirations and to capture the right opportunities for the organisation?
- Is my board asking more questions around this topic and do I feel comfortable addressing their concerns in a holistic manner?

<sup>10</sup> Extracted from 'Creating a culture of resilience: What really enables organisations to survive and thrive?', PwC US, 2015



# Appendix





# Methodology



**110,115**  
online conversations  
analysed against PwC's  
Trust Analytics framework

## It starts with data

Using an industry-leading, AI-powered listening platform, we collected publicly available online data surrounding FTSE Bursa Malaysia Mid 70 Index companies, existing between 1 January and 30 June 2020.

This data set consisted of news articles from Malaysian and international sources as well as conversations taking place on forums, blogs, social networks and other publicly accessible online sources in English, Malay and Chinese languages.

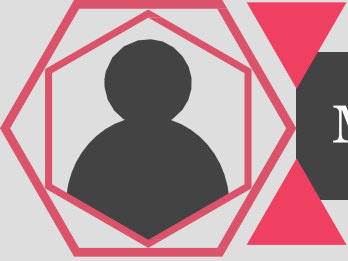
## Analysing trust

We wanted to construct, as completely as possible, a snapshot of each company's **trust-building efforts**. In that sense, not all the data we collected were relevant to our analysis.

A combination of Boolean search strings were used to zoom in on conversations that matter. These search strings had been built with reference to our proprietary framework (Figure 8).

Figure 8: PwC's Trust Analytics framework





## Measuring trust

The trust analysis gave rise to an overall trust index. This was simply an average of the scores of all three trust elements. For example:

Trust element	
Transparency	40
Responsibility	-15
Capability	35
<b>Trust index</b>	<b>20</b>

The trust index, as well as each trust element, has a range between -100 and +100.



In scoring the companies, we considered:

- **Volume** (or repetition) of similar conversations
- **Potential reach**: whether the information has the potential to influence a wide segment of the online population
- **Medium**: whether the conversation has spread beyond its platform of origin. For example, a viral tweet picked up by the mainstream media carries more weight than a viral tweet contained within the Twitterverse
- **Sentiment**: a positive, neutral or negative sentiment has a corresponding impact on the trust index of a company

# About PwC Malaysia's Building Trust programme

While many business leaders believe that trust matters, how many put it right at the top of their agenda?

At PwC, our purpose is to build trust in society and solve important problems. We want to encourage a stronger capital market, one which stakeholders can put their faith in.

In November 2015, we held our first Building Trust Awards to turn the spotlight on the companies in Malaysia that are doing just that.

Since then, we have expanded the Building Trust programme to engage different stakeholders as part of our approach to building trust.

For more information, please visit:  
[pwc.com/my/trust](http://pwc.com/my/trust)

Since 2015, the Building Trust programme has directly engaged:



174

members of the startup community

296

corporate leaders and influencers

1,025

students and young professionals

5,440

members of the public

5,902

employees (excluding PwC's)



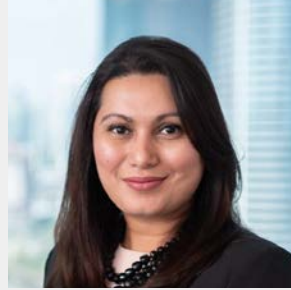
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