

Rewarding organisations for building a culture of trust

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The building of trust within an organisation is receiving growing recognition as businesses are learning to pay more attention to leadership qualities that can sustain their success.

In fact, the Covid-19 pandemic has amplified the value of trust in organisations, pushing their leaders to find ways to build a culture of trust among their people and embed the value across operations, strategies and future plans.

"In interacting with numerous organisations, we realised the growing trust issues they face. With our Building Trust Awards, we aspire to create greater awareness of how trust is gaining traction in Malaysia, especially amid today's disruptive landscape. This represents our commitment to the PwC purpose 'to build trust in society and solve important problems'. There is now a greater level of awareness of the importance of trust among companies, their C-suites and board members," PwC Malaysia managing partner Soo Hoo Khoon Yean tells *The Edge* in a virtual interview.

"CEOs often ask, 'How do we gain people's trust?', 'How do we ensure that people believe what we say?' and more explicitly, 'How can I have employees and regulators believe in what we say and do?'," says Soo Hoo.

The PwC Malaysia Building Trust Awards is back this year for

the fourth iteration since its inaugural edition in 2015. It is the first accolade of its kind in the nation. This year, the Awards will be held virtually for the first time and will take place towards the end of the year.

"The bar set by the public for businesses to earn their trust is getting higher, especially in this subdued economy and prolonged lockdown period. People are looking to businesses to continue to provide jobs and livelihoods. They are pondering the profitability or growth of companies, whether financially or behaviourally through the investments they make or the ways in which their decisions are influenced by ethics, and paying close attention to what leaders say and do," says Soo Hoo.

After all, he notes, even investors and analysts do not solely scrutinise a company's financial statements because companies are observed for their actions in reality.

"Recently, there were instances where banks were penalised by investment funds for financing industries that had an adverse impact on climate change. That's an example of trust surfacing as an important currency in business, which is why the awards serve as a good starting point for businesses to understand that trust is an asset that can be managed, measured and nurtured for tangible gains," Soo Hoo explains.

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Institutional challenges accentuated during the pandemic
It is generally understood that the Covid-19 pandemic has changed companies' ways of doing business.

If you look at sustainability, ESG (environmental, social and governance) priorities have come to the fore as businesses' impact on the environment, their workforce and their supply chains are being scrutinised, Soo Hoo says.

From a digital perspective, PwC's 2021 Digital Trust Insights Survey shows that 70% of companies have had to adjust and consider their cybersecurity strategy and privacy policy in every business decision, in adapting to the changes contributed by the pandemic, he adds.

"Technology has undoubtedly been an enabler for remote working, but its increased usage has also given

rise to cybersecurity and privacy concerns. Once reliability is questioned, the concept of trust is lost," Soo Hoo illustrates in explaining how the pandemic has highlighted the need for trust "more than ever before".

There have also been instances where companies that claim to have cybersecurity measures in place have had their systems hacked, he shares in illustrating the pandemic-heightened issues that companies now grapple with.

According to the Edelman Trust Barometer, the level of trust in Malaysian institutions had been on a declining trend at the time PwC organised its inaugural Building Trust Awards in 2015. After further decline in 2016 and 2017, Edelman's Malaysia Trust Index inched up 18 points collectively year on year to its current level of 66 points this year. The 2021 Edelman Trust Barometer findings revealed "an epidemic

of misinformation and widespread mistrust of societal institutions and leaders around the world".

"This shows that businesses need to make that leap in building trust through their own endeavours and interactions with their stakeholders (for example, investors, customers, the wider public) rather than just rely on governmental [initiatives]. This is why our awards is premised on recognising those who are making the effort to build trust rather than rewarding the most trustworthy organisation. It's about the effort that they make to improve the business in a sustainable way and how they build trust with their various stakeholders," emphasises PwC Malaysia's assurance partner and Building Trust programme sponsor Pauline Ho.

Among the positives emerging from the awards is that companies have been paying more attention to other metrics including non-financial indicators rather than focusing on profit-making activities only, she shares. "Companies need to ensure that investors and other stakeholders see the organisation as not only being focused on short-term gains but also long-term sustainability. Likewise, for the regulators, the standards they establish or adopt today take qualitative measures such as ESG, trust and non-financial-related disclosures into consideration," Soo Hoo says, adding that there are expectations on businesses to respond to those demands.

A robust awards methodology
PwC has evolved its Awards methodology by introducing new components to it. Notably, it does not accept nominations or submissions but instead relies on an independent panel of judges to determine the winners.

"What differentiates our methodology from other models in the marketplace is our focus on how upfront the companies are with their stakeholders and also whether their actions align with what they say," notes Ho.

Building Trust Awards 2021 methodology

Who qualifies - Public-listed companies in Malaysia

This year, we shortlisted companies from both the FBM KLCI, as well as the FBM Mid 70 Index. To preserve the integrity of the awards, we do not open up our awards for nominations or submissions.

Qualifying

Shortlisting of finalists

FBM KLCI constituents*

Benchmarking of annual reports and sustainability reports against the Value Reporting Foundation's Integrated Reporting <IR> Framework, using PwC's benchmarking tool

10

FBM Mid 70 Index constituents*

Online listening and data analytics - online conversations in the media, blogs, forums, social networks and other publicly available information (not generated by the companies) were collected on the companies between January and December 2020 and analysed against PwC Malaysia's Trust Analytics Framework

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Measuring trust perception

We then analyse trust on these dimensions:



Online listening and data analytics, where we update our earlier assessment of companies from the FBM Mid 70 Index (from the shortlisting stage) with 2021 data. This exercise covers all 20 finalist companies (beyond just the FBM Mid 70 Index companies)



PwC Malaysia's public poll, an opportunity for the Malaysian public to share their perception of these companies



Trust perception among employees measured through a survey on leadership culture by the Asia School of Business (ASB) in collaboration with PwC Malaysia

Winners

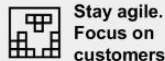
An independent panel of judges consider findings from all components of the methodology to determine the winners



* As at 21 December 2020

Trust in adversity: 3 things matter

In our study of the FTSE Bursa Malaysia (FBM) Mid 70 Index companies, we found that these three things make a difference in building trust.



Stay agile. Focus on customers

For consumer businesses, winning trust starts by delighting your customers. Focus on enhancing your customer experience and working on new ways to alleviate their pain points.

B2B companies can harness their competitive advantage to serve customers in new areas of business. Delivering on your promises is key.

You may have different circumstances in different industries. Agility could be a common enabler, helping you chart a path forward amidst uncertainties.



Act responsibly

In times of crisis, it's one thing to be swift in your response, but doing this with authenticity and demonstrating that you care for your stakeholders is just as important.

These 2 things are critical and can be applied across industries:

(i) A corporate responsibility programme that reflects your purpose, integrates with business strategy and communicates clear outcomes and impact - this builds your trust reserves, giving you a buffer you can fall back on during difficult times

(ii) Showing that you care for your stakeholders and your employees. This includes transparency in decisions impacting the people who work for you at a time when cost cutting measures and layoffs are common.



Build resilience

Resilience has never been more valued than it is today.

Among the companies we studied, a few stood out - and were perceived as resilient organisations - even though their quarterly earnings have been worse off, due to COVID-19.

Analysts rate these companies positively, putting trust in their strong balance sheets and growth prospects.

There is value in being proactive and nurturing relationships that can win investor confidence.



Find out more in our report
bit.ly/pwc-trust-in-adversity

This year, companies were shortlisted from both the FBM KLCI 30 (10 finalists) as well as the FBM Mid 70 Index (10 finalists) to reach a wider group of companies.

For the FBM KLCI 30 constituents, the awards shortlisting process begins with what each company says about itself through its corporate reporting. This is an exercise where the annual reports and sustainability reports of the companies are benchmarked against the Value Reporting Foundation's Integrated Reporting <IR> Framework

using PwC's benchmarking tool (see methodology chart on previous page).

For the FBM Mid 70 Index constituents, they are shortlisted via an AI-assisted online listening exercise. During this exercise, online conversations on the company in the media, blogs, social networks and other public forums between January and December 2020 are assessed to find out the perception that these companies are building publicly, be it among their investors, customers or netizens. Such information is not self-generated by the companies. The

data collected is analysed against PwC Malaysia's Trust Analytics Framework, based on three elements - capability, responsibility, transparency.

The 20 shortlisted companies on the FBM KLCI 30 and FBM Mid 70 Index will then be further assessed through the online listening exercise with 2021 data, to build a holistic view of trust on these companies.

"The information from the online listening exercise allows us to construct a snapshot of each company's trust-building efforts from the various online conversations about them, which is further supplemented with public feedback via a public poll. This adds a rich layer to our assessment as the Malaysian public can share their perception of the finalists around capability, responsibility and transparency," Ho explains.

This anonymous poll allows diverse members of the public to rate the companies on their ability to "walk the talk" in demonstrating trust, based on the mentioned elements, she adds.

The poll is open from Sept 1 to 17, 2021, and can be accessed at pwc.com/my/bta.

"The trust perception component of our methodology also includes a survey exercise where we gauge whether the employees of the shortlisted companies believe in their leadership and what they are saying and doing to provide a trusted environment for them to perform," Ho says, adding that the employees survey gauging their leaders' ability to foster a culture of trust is done in collaboration with the Asia School of Business (ASB), a renowned thought leader in leadership culture assessment.

The findings are then presented to an independent panel of judges who evaluate the various components of the methodology to determine the

Building Trust Awards 2021 FINALISTS

From FBM KLCI 30 Index

- 1 Axiata Group Bhd
- 2 CIMB Group Holdings Bhd
- 3 IHH Healthcare Bhd
- 4 Malayan Banking Bhd
- 5 Maxis Bhd
- 6 MISC Bhd
- 7 Petronas*
- 8 RHB Bank Bhd
- 9 Sime Darby Bhd
- 10 Telekom Malaysia Bhd

From FBM Mid 70 Index

- 1 Alliance Bank Malaysia Bhd
- 2 Axis Reit Managers Bhd
- 3 Duopharma Biotech Bhd
- 4 Ekovest Bhd
- 5 KPJ Healthcare Bhd
- 6 MR D.I.Y. Group (M) Bhd
- 7 Sime Darby Property Bhd
- 8 SP Setia Bhd
- 9 UEM Sunrise Bhd
- 10 Yinson Holdings Bhd

* Petronas Chemicals Group Bhd, Petronas Dagangan Bhd and Petronas Gas Bhd were each shortlisted for excellence in corporate reporting. The trust perceptions of these companies will be assessed collectively as Petronas in the next stage of the awards methodology.

Note: All constituents of both the FBM KLCI 30 and FBM Mid 70 published on Bursa Malaysia's website as at Dec 31, 2020, qualified for the shortlisting stage.

company which is making the most effort to build trust.

Companies with a track record of working hard at being transparent and being consistent in their actions could have a better chance of winning, Ho shares.

That said, a company's setbacks may not mean it has little chance of winning as the companies are judged on the manner in which the situation is managed, she explains.

"As past independent judges noted the robustness of our methodology, we challenge ourselves to improve on it year on year," Ho says, emphasising that the final decision on the winners ultimately rests in the hands of the judges.

"The judging process is very robust. There's a lot of debating among the judges at the judges' meeting before they come to a conclusion, because it's never clear cut. In fact, we had joint runners-up in the first year, because the judges felt that one company was particularly strong in one dimension, while the other was strong in another," says Ho.

This year's panel of judges comprises International Valuation Standards Council Board of Trustees past chairman Sir David Tweedie, who has been on the panel since the inaugural awards in 2015, returnee Thomson Hospital Kota Damansara CEO and TMC Life Sciences Bhd group CEO Nadiah Wan and Bursa Malaysia CEO Datuk Muhamad Umar Swift.

The 2019 Awards saw Malayan Banking Bhd (Maybank) clinching the top spot, followed by Sime Darby Bhd and IHH Healthcare Bhd.

This year, the awards has been expanded to include mid-tier companies from the bourse's Mid 70 list, as Ho says trust is just as important to the

relatively smaller or growing companies as it is for the top companies. For PwC, this is an integral part of its plans to broaden the conversation on trust to a wider group of businesses.

Through the firm's Building Trust programme, PwC has also been engaging with start-ups on the importance of trust. Since the inception of its Building Trust programme in 2015, the firm has reached more than 170 members of the start-up community as well as more than 1,600 students and young professionals, recognising that the awareness of trust in business needs to start early.

PwC's Trust Builders Challenge, a team competition for undergraduates, is evidence that having an understanding on trust is key to starting the next generation of leaders on the right foot in making important decisions on trust as they join the working world. After participating in this year's Challenge (where teams of four were tasked with solving a case study on ESG issues involving a fictitious company), 81% of students said they understand the importance of trust in business, almost twice the proportion of students (42%) who felt this way prior to participating in the challenge.

"We're very encouraged to see incremental improvements on the understanding and appreciation for trust like this, within our wider community," Soo Hoo reflects, sharing that the firm's investment in the Building Trust programme is a journey in bringing the PwC global strategy 'The New Equation' to life.

The New Equation focuses on two interconnected needs - to build trust at a time when it is both more fragile and complicated to earn, and to deliver sustained outcomes for clients and other critical stakeholders in an environment marked by continuing disruption. PwC Malaysia has made trust its key priority as part of its commitment to The New Equation, besides strategic investments in three other focus areas - digital, ESG and upskilling.

In illustrating PwC's continuing focus on the Building Trust programme, Soo Hoo says: "Being able to have conversations with different groups in our community is fundamental if we are to move the needle on trust in business. As we strive to elevate trust as an important societal issue, in alignment with The New Equation, we also recognise that it is a long road ahead for us, in engaging businesses on the importance of trust. With the landscape changing so quickly, what grounds us is that building trust is a journey in resilience. The lessons we continue to learn from businesses and the community around us demonstrate that it really takes a community to give trust the position it deserves in society."

The Edge is the media partner of the PwC Building Trust Awards 2021



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