Weekly Brief

May 23, 2022

What Builds, Sustains, and Destroys Trust

To BCG's network around the world,

I'm writing you today—from the start of the World Economic Forum Annual Meeting in Davos—to share some insights about trust based on a powerful new AI-driven tool.

The WEF has championed the concept of multistakeholder capitalism for decades, and businesses increasingly see the imperative (and power) of this approach. We've recognized that sustained long-term shareholder value creation goes hand in hand with value creation for other critical stakeholders. That means corporate social responsibility has morphed into a broader understanding of corporate purpose. Climate and sustainability, DEI, privacy protection, and new work models are examples of priorities increasingly integral to broader business approaches.

As leaders broaden their strategies to include the full range of stakeholders, they need to understand how their organizations are perceived—and how to improve those perceptions over time. They need to create and maintain trust.

BCG's new Trust Index gauges stakeholder trust at the company level by using artificial intelligence and natural language processing to comb through millions of articles, posts, and tweets. Our team applied the index to a set of 1,100 of the largest public companies in the world from 2018 through 2021. Analysis of those results shows us just how important trust is, especially during times of crisis.

First, it's clear that trust does indeed pay off. The 100 most-trusted companies from the broader set generated 2.5 times as much value as did the MSCI's flagship global equity index over the same period, and 47% higher price-to-earnings multiples.

Analysis also showed that trust is highly dynamic. Less than 50% of the top 100 companies from any given year of the study were still in the top 100 the following year. The same was true for the bottom 100. So we need to be measuring and managing trust on an ongoing basis. High trust is not an entitlement, and the lack of trust, if appropriately addressed, need not be a permanent liability.

The study revealed numerous other insights—for example, the role that trust plays in a crisis. For low-trust companies, trust is destroyed when a crisis hits, especially when it's caused or exacerbated by negligence or recklessness. High-trust companies are not immune to crises, but they avert, handle, and recover from them in such a way that they can maintain or even strengthen their perceived trustworthiness.

And there's another interesting discovery. The companies in the study were evaluated on four primary components of trust: competence, transparency, fairness, and resilience. The scores of the top 100 companies were spread fairly evenly across each of those four. Among the bottom 100, however, resilience, or a lack thereof, carried the most weight, accounting for 41% of their total trust score on average. Transparency was a clear second, at 30%, and competence was surprisingly low, accounting for only 10% of their trust score. When it comes to trust, the inability to effectively respond to challenges and crises matters more than anything else.

This study is an important starting point to understand why trust in an organization is high, low, or changing—and to better grasp the dynamics and patterns that dictate what makes a business trustworthy, how it maintains that sense of trust, and the factors that can cause trust to diminish or disappear.

The team's report on this study, linked to below, offers leaders an action list for strengthening their organizations' trustworthiness. Earning trust takes focus and work, but the payoff—establishing a more resilient company for a multistakeholder world—is worth it.

Christoph is leading our Davos delegation and will share his thoughts next week on what we learned. I expect broader implications of the war in Ukraine and accelerating progress on climate and sustainability will top a long list of critical discussion topics.

Until next time,

Rich

Rich Lesser
Global Chair

Further Reading

What AI Reveals About Trust in the World's Largest Companies

BCG's AI-based Trust Index enables companies to break down stakeholder perceptions of their trustworthiness. Analyses based on the Index have yielded valuable insights about what builds, sustains, or destroys trust.

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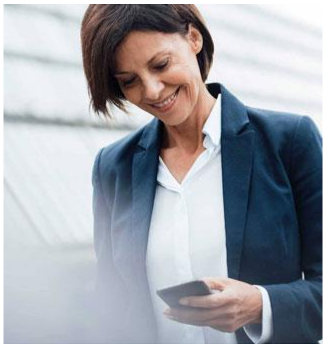

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