



Managing Trust Risk

*Global Insights from Corporate
Affairs Practitioners*

Foreword



Trust has never been so high on a company's agenda. And this is for good reason. Trust in business has become a scarce commodity. The stakes are high and the risks well-known: loss of reputation, disruption in the stakeholder ecosystem, financial turmoil, and (in the worst case scenario) a re-shuffle on the management deck.

So how are corporations prepared and organised to protect and grow the ever-changing trust stream between the business and their stakeholders? How do they manage and mitigate risks to trust?

GlobeScan has given the floor to those whose role is to protect and enhance trust for their organisation and asked them to tell us about their experience and approach, as well as the challenges they face in managing trust.

We have drawn three main conclusions from our consultation with practitioners:

- Trust is now managed like a risk
- Managing trust requires a holistic and strategic approach
- A corporate purpose is a powerful agent to turn trust risk into an opportunity.

This new trust landscape is leading to structural changes within the corporate affairs function. Roles are evolving alongside the required skills and palette of expertise: anticipating social, environmental, and political trends is paramount, while understanding the levers of trust and how to activate them have now become best practices in trust risk management.

Systemic changes are also operating inside and outside the organisation. Cross-function internal collaborations are on the rise, in particular between the corporate affairs function and the sustainability team or the CEO's office offering more cohesion and direction for trust management. At the same time, constant

mutations in the stakeholder ecosystem drive more innovative and value-driven engagement solutions. Influencing public policy, managing regulatory pressures, delivering on environmental and social performance, and managing the supply chain effectively can simply not be executed without *thick* trust as transactional relationships are increasingly taken over by dynamic, authentic and purpose-driven networks of collaboration.

Finally, corporate purpose is likely to become the epicentre of trust risk management, redesigning the trust landscape around the organisation as well as providing a catalyst for engagement activities that will ultimately drive trust value.

There is clear evidence that trust risk management is driving some transformational changes within organisations, helping to redefine priorities, enhancing cross-functional collaborations and stakeholder networks, and revamping corporate affairs as a value-driven function at the core of business strategy. These nascent transformations also offer a fresh look into the future of multi-dimensional organisations, whose success and source of equity will rely equally on the management of both tangible and intangibles assets. Preparing now for that future is already the beginning of a major cultural change.

Christophe Guibeleguiet, CEO

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Key Findings

Managing trust risk is becoming increasingly urgent for companies. Corporate affairs professionals acknowledge business operates in an uncertain trust environment. The challenging context ahead—one that forecasts little room for manoeuvre with government and regulators, along with growing expectations for transparent and consistent delivery of supply chain performance—gives stronger impetus to proactive risk management.

Resolving the trust conundrum implies a comprehensive understanding of the levers of trust. Assembled together, the drivers of trust form a three-pillar model based on operational competency, integrity, and benevolence. Companies should strive to deliver against these pillars simultaneously to ensure a successful journey towards excellence in trust risk management and expect reputation, brand, and talent equity gains.

Managing trust risk requires a shift of priorities towards strategic activities . Influencing public policy, and regulatory affairs, have become more paramount tasks of corporate affairs remit, along with country analysis and media monitoring, as part of a reputation-centred risk mitigation strategy. This evolution has been done at the expense of more reactive activities like corporate reporting and PR events. However, managing trust risk to turn it into an opportunity also means moving towards more strategic, higher value-add activities, e.g., thought leadership, corporate purpose development, or the alignment of local initiatives with global positioning.

Corporate Purpose is an essential cogwheel of companies' trust risk management. As an agent of change internally that drives loyalty and cohesion (higher employee engagement, support for organisational and strategic change), it activates a series of triggers that help

companies deliver more effectively in different key business areas, thereby being a catalyst of different sources of trust. A majority of corporate affairs professionals claim their company has a stated purpose in place. However, to make it more impactful, more effective communications across all corporate channels, greater integration into business decisions, and wider employee empowerment are needed.

Managing trust risk requires much greater proactivity on stakeholder engagement, both internally and externally. A more important focus on cross-function internal collaboration is anticipated to ensure alignment. Externally, demonstrating agility in prioritising stakeholders, adapting to their shifting demands and integrating them into business decisions will be increasingly necessary. Going forward, the palette of skills and tools used by corporate practitioners to manage trust risk effectively will re-define the function of corporate affairs and communications.

Companies' stakeholder engagement strategies should be more advanced to be more effective levers of enhanced trust risk management. The implementation of solutions-centred and innovative engagement practices with stakeholders that aim to create value for both the company and society is not yet systematic. New approaches, like campaign-based strategy or the use of stakeholder advisory boards, though promising, have yet to become fully mainstream tools in companies' engagement arsenals.

Current State of Business According to Corporate Affairs Professionals

Acknowledgement of an uncertain trust environment for multinationals

The self-assessment by corporate affairs practitioners of how much their corporation is trusted by stakeholders depicts a context of uncertainty, and echoes to some extent opinions expressed by public opinion on multinationals (GlobeScan's 2016 Radar survey on Trust in Institutions). Just one in

two (49%) believes their company holds a good amount of trust to operate in the best interest of society—including 21 per cent who say it is very highly trusted. They are countered by a similar proportion who report their company is trusted only to some extent (28%), if not just a little or not at all (21%).

Operating in a context of relative defiance from stakeholders (and beyond, from society at large) means that it is even more challenging for multinationals to manage a whole set of corporate issues effectively.

At a strategic level, lower trust means little room for manoeuvre with government and regulators

This fragile level of trust towards their firm acknowledged by corporate affairs professionals is likely seen as an obstacle that can limit their strategic ability to influence public policies and respond effectively to regulatory pressure. Indeed, these two areas stand out at the top of the list of the most difficult issues to address in the coming year or two—with difficulty rated as high by about two-thirds of respondents (66% and 64%, respectively).

Only **21%** feel their company is very highly trusted by their stakeholders.

Five most difficult operational and strategic issues lying ahead include:



Influencing public policy



Regulatory risks



Environmental and social performance



Supply chain monitoring



Shifting stakeholder demands

Operationally, delivering consistent supply chain performance will be challenging in the age of transparency

The focus of corporate affairs professionals is clearly set on supply chain management. Pressure is expected to be particularly strong for environmental and social performance according to 56 per cent of respondents, and almost one in two (48%) forecast that supply chain issues in general will be very difficult to manage for their company in the next two years.

Operational transparency, and the related practice of due diligence, do not appear to be very problematic from an issues management perspective—anticipated levels of difficulty here are among the lowest. As most companies have well-established procedures and mechanisms to meet ever-growing expectations in these two areas, increased readiness to disclose and communicate information is becoming the norm. Rather, results are showing that the age of transparency represents a permanent factor of risk for supply chain management, leading to increased pressure for companies to deliver well and ensure sustained and impeccable performance records.

Somewhat similarly, the activity of stakeholder engagement is not in itself a major source of concern, as it is mostly about putting in place processes and protocols to sustain dialogue. Instead, it is the capacity to be agile and flexible in order to adapt to shifting stakeholder demands that is felt to be increasingly arduous. Constantly evolving and sometimes unexpected demands can indeed challenge companies' established issues management strategies and be a potential source of organisational disruption.

Anticipated Level of Difficulty to Manage Strategic/Operational Issues in Next Two Years

Prompted, 7-Point Scale, % "High Difficulty" (5+6+7), n=61



Implications for Corporate Functions

Risk and reputation management has become a more prominent part of corporate affairs' remit

Insights on what corporate affairs practitioners expect to be the most challenging issues to navigate in the coming year or two are consistent with their views on the evolution of their professional responsibilities in the past five years. Four in five respondents (79%) say that managing risks to their organisation's reputation has become a more prominent part of their job over the past five years, and this activity features high up the list of tasks to be prioritised.



Alongside the areas already discussed like public policy influencing, regulatory risk management, or supply chain oversight, the topic of reputation management encompasses other aspects, essentially linking to environment scanning and country risk analysis as part of a mitigation strategy. For example, the understanding of social contexts in which their organisation operates, and social media monitoring, are felt to be stronger parts of their remit of responsibilities compared to five years ago for more than 80 per cent of corporate professionals.

This strong drive to manage reputation has to be analysed in conjunction with the lukewarm trust levels in companies that we referred to earlier. Earning and maintaining trust is such a challenge that there is an increased sense of urgency for companies to manage risks proactively. Yet, systematic measurement and tracking of their reputation among external stakeholders is reported by only 63 per cent of respondents.

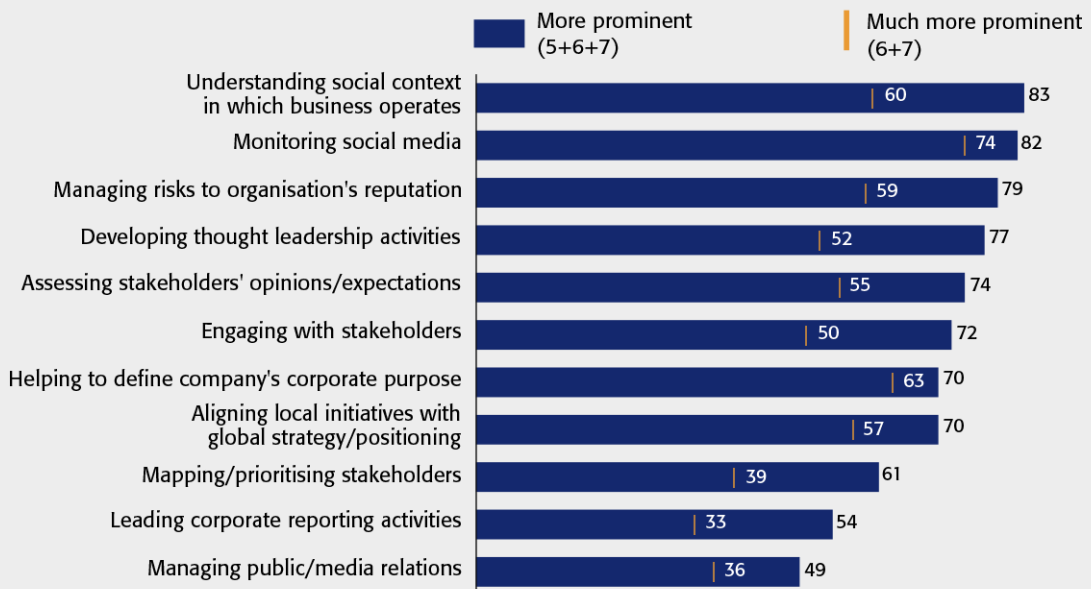
Beyond reputation management, there has also been a shift in the focus of responsibilities from reactive to strategic

Other corporate responsibilities are also increasingly defining the scope of the role of corporate affairs practitioners today compared to five years ago. Less related to reputation management, at least directly, they include a greater focus on thought leadership activities (mentioned by 77%), increased support for the development of the company's corporate purpose (70%), and working towards greater alignment between local initiatives and global positioning and strategy (70%).

The stronger prominence of these responsibilities indicates that the remit of corporate affairs professionals has become more comprehensive and diverse, with a perceptible shift and imperative to deliver more on strategic areas that can add value to the organisation (from a reputation and bottom line perspective), at the expense of more traditional and reactive activities of corporate affairs and communications (such as corporate reporting or public and media relations).

Perceived Shift in Responsibilities of Corporate Affairs Professionals over Past Five Years

Increased Prominence by Area, 7-Point Scale, %, n=61



“The Scout, the Advisor, the Diplomat, and the Fighter”¹

Looking ahead, as the practice of corporate affairs and communications will evolve further, respondents identify six top-of-mind areas that they anticipate will be the main focus of their role. They tend to align with and confirm the emerging shift towards a more strategic approach of the function, including on sustainability and communications.

#1. Stakeholder engagement: Understand expectations, aim to integrate stakeholder demands into business decisions and increase synergy between mutual interests, and develop collaboration

#2. Risk and issues management: Manage the brand’s and company’s reputation, build and maintain trust, balance risks with opportunities

#3. Increase value-add of the function for the business: Ensure alignment of initiatives with business objectives and measure their social impact, run cost vs benefits analysis to justify budgets for actions and initiatives

¹Taken from a respondent verbatim

#4. Cross-functional collaboration*: Maintain unity of corporate brand, ensure alignment between functions, and aim to make corporate affairs and sustainability a role of all departments. See *below for more details*

#5. Sustainability commitments: Expand sustainability implementation into supply chain and improve CSR/sustainability communications, achieve more effective integration of sustainability in commercial strategies

#6. Digital communications: Revamp consumer engagement, increase relevance of communications and marketing in the digital age, and measure impact of strategy; address the need to adapt internal skills in order to navigate this shift efficiently and maximise impact

“The challenge remains that corporate affairs and comms is seen as a cost centre to a business with a constant need to demonstrate business value and quantify the value of corporate trust.”
UK, FMCG

“Forging new partnerships and collaborations, because a single brand acting alone cannot address all issues.”
Singapore, FMCG

“Maintaining unity of communication and corporate brand equity despite multiplication of supports and spokespersons.”
France, Pharmaceuticals

“Help embed our sustainability commitments in commercial strategies and make them work, shape solutions that address external stakeholder concerns while delivering technical excellence.”
Switzerland, Agriculture

***Cross-function Internal Engagement**

Corporate affairs and communications highly engaged with sustainability function and CEO office

Cross-function internal engagement with corporate affairs and communications is considered to be already quite sustained with a few functions, while also happening to a fairly good extent with some others.

A very high level of engagement with the sustainability / CSR function is acknowledged by almost four in five respondents (79%)—a welcoming collaboration, given how working on expanding sustainability integration into the business is expected to become a more prominent focus of their role in the years ahead.

The corporate affairs and communications function is also considered to be very engaged with the CEO’s office (75%), evidence of the increased strategic imperative of the remit, and of a growing accountability to the executive leadership.

Do not turn away from the supply chain

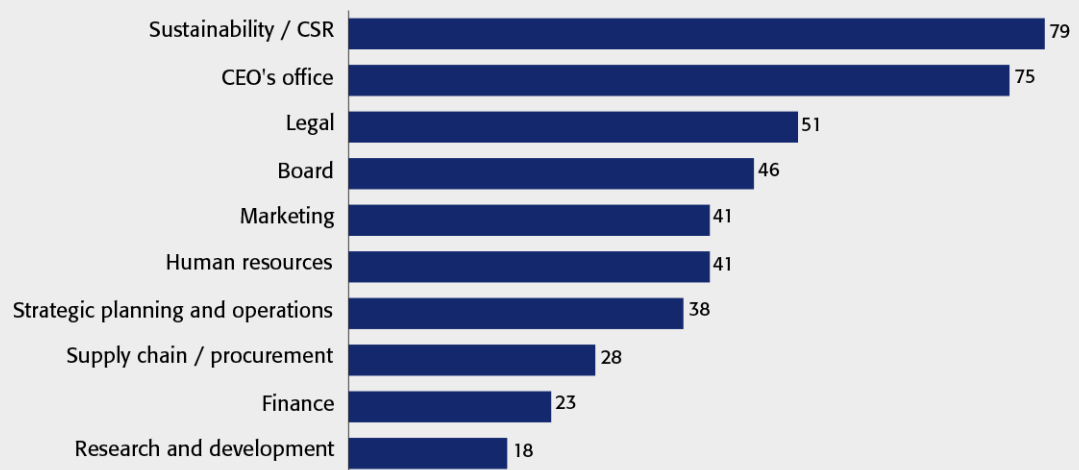
Companies may also want to look at strengthening collaboration between corporate affairs and the supply chain and procurement departments. The engagement here remains fairly moderate (28% “very engaged”), but stronger links would likely have benefits on two sides: in enhancing the sustainability strategy and its implementation deeper in the supply chain, and in bolstering the risk management approach through the specific aspect of counterparty risk.

In fact, to ensure the work of corporate affairs and communications is impactful, it will require professionals in the function to deliver successfully on a mix of skills for what is set to be an increasingly versatile and comprehensive job:

- **Being a scout** to scan the societal horizon and identify risks and opportunities to the business;
- **Being an advisor** to counsel the C-Suite and CEO’s office on the company’s strategy;
- **Being a diplomat** to master communications and engagement that are solutions-centred, both internally with other functions, and externally with demanding stakeholders;
- **Being a fighter** to convince others on the priorities to put on the agenda and lead the way forward, and to address issues and crises when they arise.

Level of Engagement with Corporate Affairs & Communication, by Corporate Function

7-Point Scale, % “Very Engaged” (6+7), n=61

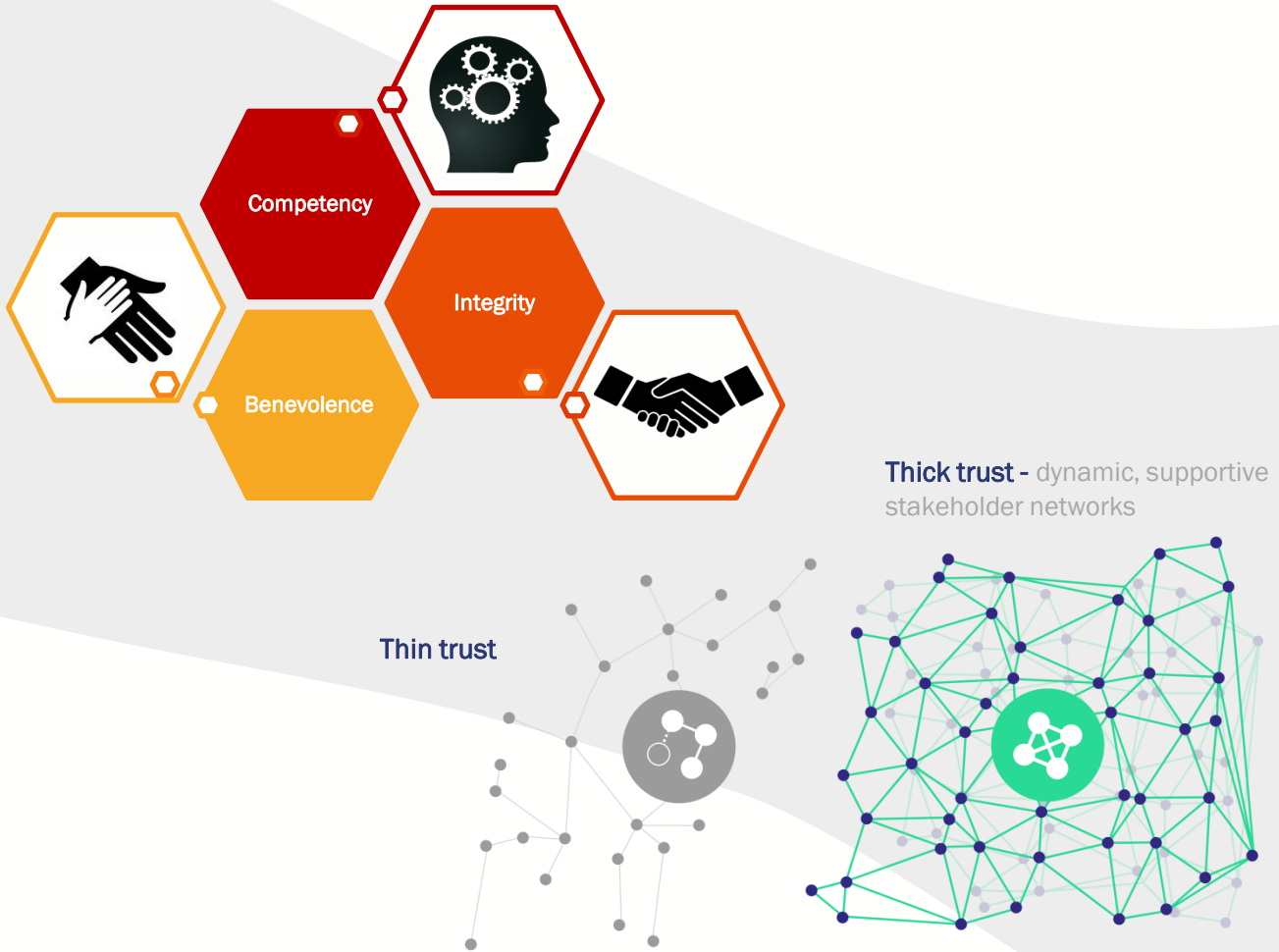


Milestones towards a Successful Journey to Trust and Expected Rewards

Building thick trust through three components: operational competency, integrity, and benevolence

The difficulty of the task faced by corporate affairs practitioners to build and maintain trust is obvious when we look at the many attributes that they believe are important in driving such trust. These can be grouped into three categories, and it is the ability of companies to deliver against these three pillars simultaneously that will help them earn a critical and sustained mass of what we call *thick* trust.

The three pillars to move from compliance-supporting thin trust to opportunity-creating thick trust:



Thick trust - dynamic, supportive stakeholder networks

Thin trust

Competency: Environmental performance in operations remains paramount in this regard, followed by the capacity of companies to deliver good quality and reliable products and services (36%). A clear business strategy delivering a strong bottom line and yielding significant economic and employment output is another important factor of trust from a competency perspective.

Integrity: Trust is also about the firm's perceived behaviour when it delivers on the value proposition. The ability to do so with the highest level of integrity and honesty is by far the most important single driver of trust (67%). In relation to this, transparency and open communications about successes and failures (over 40% each), are also key elements of companies' trust landscape.

Benevolence: Less obvious to identify because it is more subtle, benevolence will mostly manifest itself through the way a company engages with society and convincingly demonstrates what its ethos is about. It can be observed from different angles such as building effective relationships with stakeholders or community engagement initiatives (mentioned by 34% and 20% respectively). An influential leadership committed to carrying out a message of inclusiveness relates to this idea and is mentioned by a third of respondents as an important driver of trust for their company.

Benevolence is also demonstrated through a visionary corporate purpose. This attribute features lower down the list, likely because companies do not necessarily communicate externally about their corporate purpose very extensively at the moment.

Most Important Drivers of Trust

Prompted, Total Mentions, %, n=61



Three corporate equity gains to expect from being a trusted company

The key business outcomes that companies can expect from being trusted can be grouped into three different corporate equities that will strengthen the company's overall license to operate.

Business Outcomes from Being Trusted by Stakeholders

Prompted, Total Mentions, %, n=60



Corporate Purpose an Essential Cogwheel of Companies' Trust Risk Management

Corporate purpose is a driver of trust, and the vast majority (86%) of corporate affairs professionals surveyed say their company has one in place. Corporate purpose gives a strong opportunity to businesses to shape trust risk management—among employees and externally—by engaging and aligning stakeholders around the corporate vision and ethos.

Looking at attitudes towards the concept itself, several positive business outcomes linked to having a corporate purpose are identified.

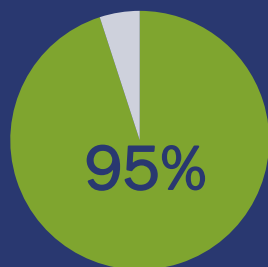
An agent of change internally that drives loyalty and cohesion

Employee trust and engagement is the area where corporate purpose resonates the most among corporate affairs practitioners. Almost all respondents (95%) agree that companies with a corporate purpose are better equipped to drive employee motivation to higher levels and secure greater employee retention. They may also have more chances to attract new talent (77%).

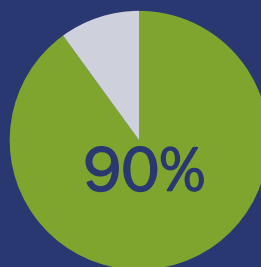
86% among corporate practitioners surveyed say their company has a stated corporate purpose in place

Corporate purpose also gives strong impetus for organisational optimisation by helping companies' long-term planning (90%) that can lead to competitive advantage (86%). By being a strong motivational factor for employees, it also puts the organisation in an ideal mind-set to implement change throughout the business (81%).

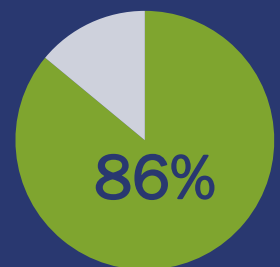
Top three outcomes of having a corporate purpose in place:



Greater employee engagement



Support for long-term strategic planning

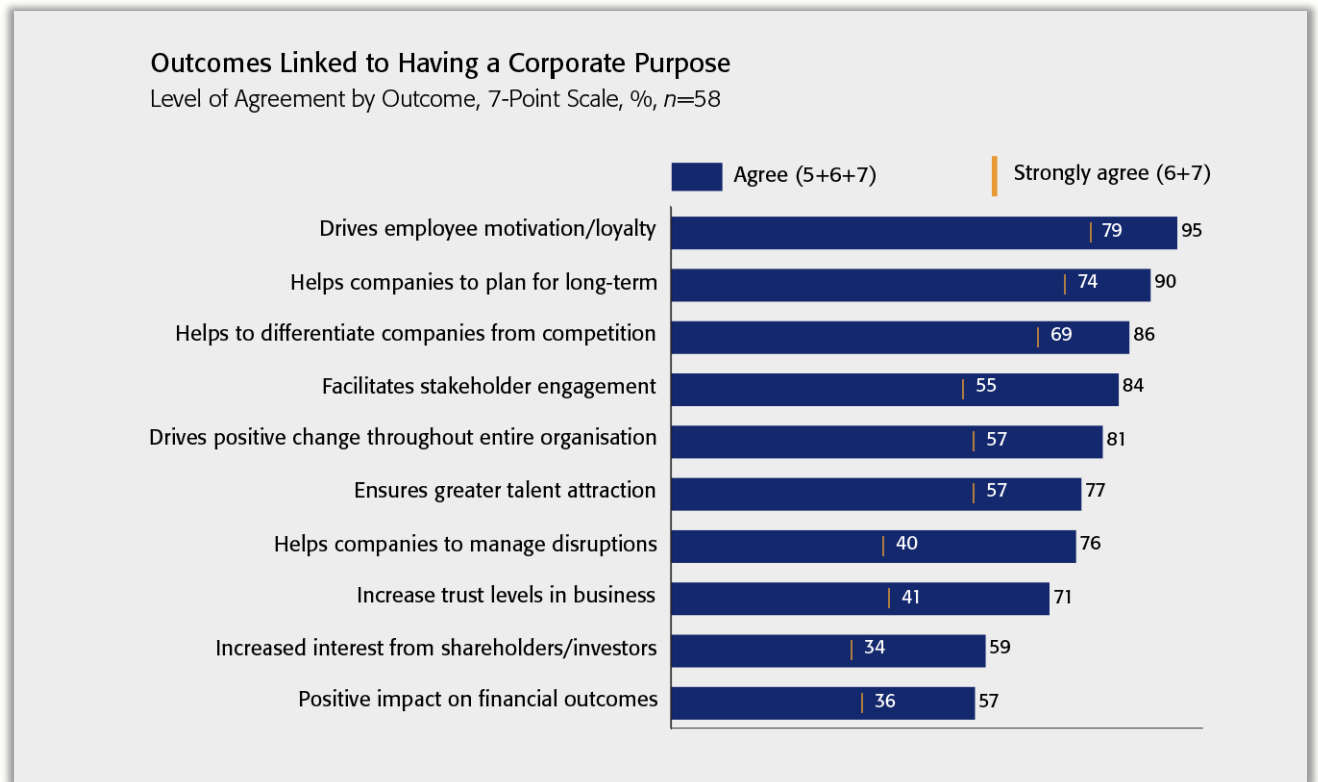


Competitive advantage

Stakeholder engagement facilitation and trust catalyst

Externally, corporate purpose acts as an effective binder to align stakeholder conversations towards a holistic goal (84%) that can ultimately impact trust.

In fact, by ensuring greater cohesion and loyalty within the organisation, and by facilitating stakeholder engagement externally, corporate purpose activates a series of triggers that help companies deliver more effectively in different key business areas. From this perspective, it can therefore be considered as the catalyst of different sources of trust in the business. Over seven in ten believe that having a corporate purpose does increase trust levels in the business.

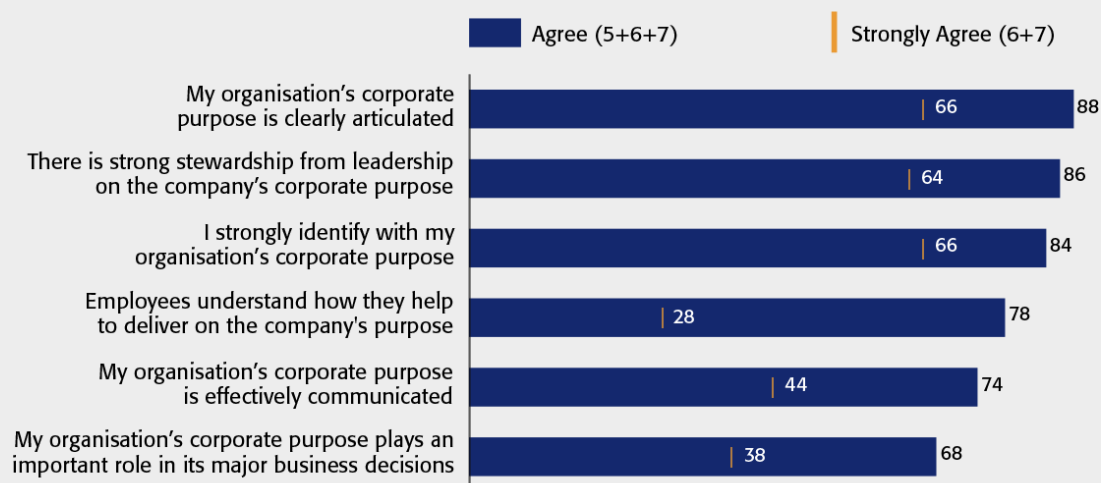


Fertile ground is unveiled internally to grow the impact of corporate purpose

Views about their own company's corporate purpose are quite positive among those who told us there is one in place in their organisation. Most think that their company's purpose is well articulated (88%), and that the executive leadership is committed to embody the corporate purpose (86%). They also personally strongly identify with it (84%), suggesting some fertile ground to build upon and grow impact, particularly as supporting the development of the company's corporate purpose is becoming a more prominent part of their responsibilities.

Views towards Their Company's Corporate Purpose

Level of Agreement, 7-Point Scale, %, n=50*



*Subsample: Those in companies with a corporate purpose in place

However, three areas are identified where corporate affairs professionals' focus should be directed in the near future as they support the development of the company's corporate purpose.

Integration into business decisions: Despite the strong belief that corporate purpose can support long-term planning and drive organisational change, it does not seem to play a very important role in major business decisions at the moment.

Effective communications: The main obstacles cited that are preventing more effective communications of purpose across all corporate channels include:

- Business diversity and cultural disconnects in global organisations resulting in internal divergences on the messages to convey;
- Limited focus and relevance of the message externally.

“ An important obstacle is to define an inspirational purpose that ignites passion and changed behaviour in all stakeholders. ”

South Africa, Food & Beverage sector

“ Internal divergences of opinion on communication strategy and lack of understanding by many of how the corporate purpose should guide and influence strategy and actions within the company, resulting in some discrepancies between purpose and action and in difficulties to communicate on purpose. ”

Hong Kong, FMCG

Employee ownership: More education work needs to be done to ensure stronger employee identification with corporate purpose, and stronger understanding of how each individual contribution helps to deliver on the company's purpose.

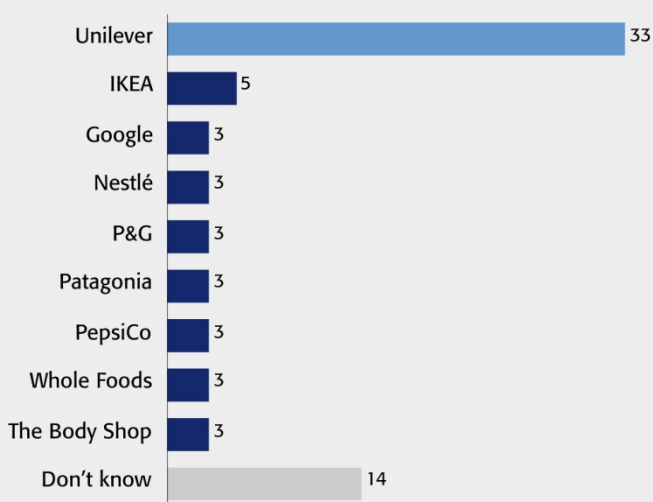
Unilever the most advanced in the corporate purpose journey

Feedback about why Unilever has a strong corporate purpose revolves around the following themes:

- Clear definition and articulation of the purpose;
- Consistency and alignment in delivering on the purpose;
- Strong communications;
- Early thinkers to realise a strong purpose would impact brand loyalty.

Top-of-Mind Companies with Strong Corporate Purpose

Unprompted, Total Mentions, %, n=58



“They are clear and consistent in what they are seeking to achieve and over time they have holistically aligned all business activities to this objective.”
Unilever

“Their strategy is focused on directly solving societal problems via their unique expertise and products.”
Unilever

“The *Being Well* statement—by being well in ourselves, we can feel well with the world, the environment, other people and society.”
Natura

Advanced Stakeholder Engagement: the Ultimate Lever to Enhance Trust Risk Management

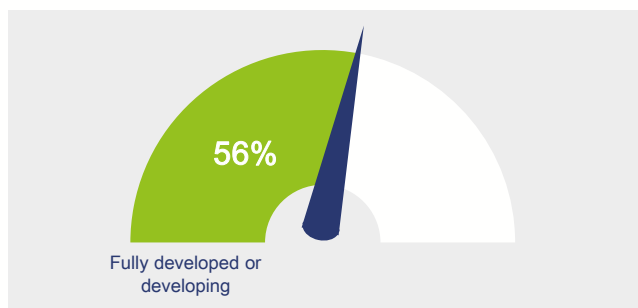
The insights from our conversations with corporate affairs professionals suggest that stakeholder engagement will be increasingly paramount in supporting companies to understand local contexts, demonstrate enhanced transparency and inclusiveness, jointly identify risks and new business opportunities, or even support the definition and implementation of the company's corporate purpose. Stakeholder engagement is thus set to be the most effective lever to manage trust risk.

Companies' state of engagement varies by type of activity

Our aggregate engagement metric that combines different types of engagement activities to measure how advanced companies' engagement strategies are shows an encouraging picture. Such strategies are in place and fully developed or at least developing according to over half of respondents (56%), and another quarter say that they plan to implement something in the near future.

Individual areas of engagement are, however, not all at the same stage of development, and implementation by activity is uneven. Faster progress is needed to ensure a comprehensive set of engagement practices is in place to address the challenge of shifting stakeholder demands. An organisation-wide strategy is likely the best answer to this, but developments to ensure alignment and coordination across the entire organisation are still relatively slow.

Overall State of Development of Stakeholder Engagement



76% think campaign-based strategies are effective to initiate and support engagement with external stakeholders

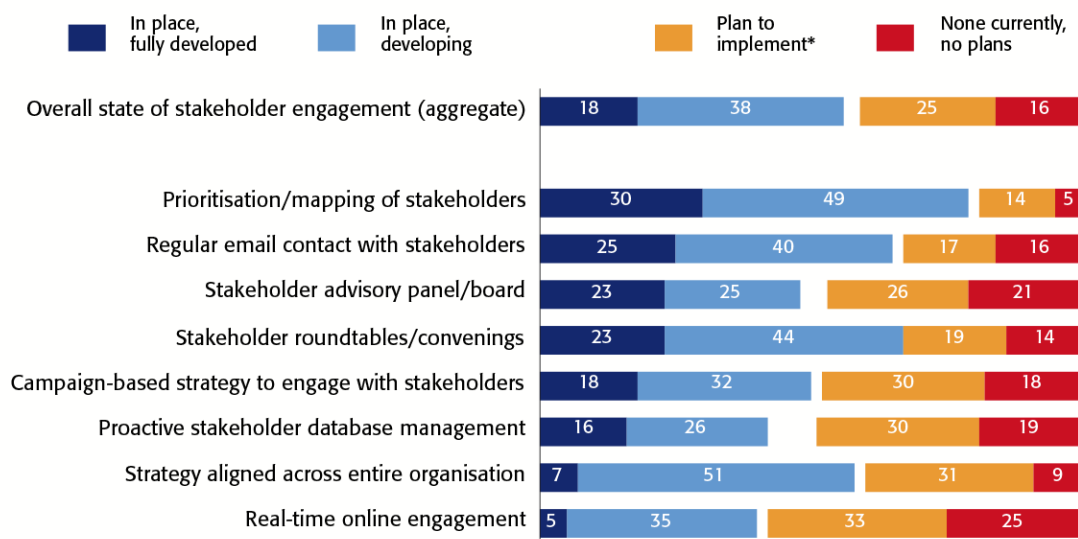
Stakeholder engagement: towards the professionalisation of a strategic business

As companies move towards the implementation of an integrated engagement strategy, the impetus of professionalising and systematising what it means to be engaging with stakeholders grows bigger. Insights from the qualitative conversations also allude to the need for innovating and updating the stakeholder strategy to make it a strategic business, by moving from engagement to partnership. Engagement has to be focused and organised, and it has to be solutions-centred with the aim to lead to value for both the company and society.

New approaches like the development of campaign-based strategy to anchor meaningful discussion with stakeholders, or the establishment of stakeholder advisory boards, can bring engagement to this next level. Results show that there is still some way to go for these enhanced vehicles to become fully mainstream approaches in companies' arsenal of engagement tools. However, among corporate affairs professionals who have already implemented a campaign-based strategy or who are willing to do so, three-quarters think they are effective to initiate and support engagement with professional stakeholders, indicating this format is likely to get more traction in the future.

State of Development of Various Stakeholder Engagement Activities

By Type of Activity, %, n=57



*Includes "Plan to implement within next year," and "None currently, but wish to implement in future"

The value-add of external stakeholder advisory boards to business

Respondents whose company has a stakeholder advisory board in place, or who are planning to set one up in the future, are not short of praise for the benefits that it can provide to the business. Advisory boards or panels help embed a systematic, structured and constructive process of engaging with stakeholders into the company's DNA. The main benefits cited by respondents include:

- Direct and long-term interaction of senior leadership with external influencers that positively challenges companies' plans and strategies by providing different, broader, and objective viewpoints;
- Enrolment of stakeholders in company's strategic planning to create credible ambassadors and accelerate the alignment of internal and external worlds;
- Complement to other methods of governance, such as Board of Directors and regulatory compliance that increases credibility and legitimacy of companies' initiatives by filling in the "gray" of reputational and societal issues;
- Influential in changing internal dialogue, thereby accelerating cross-function internal engagement.

“ A stakeholder panel can provide an objective perspective on a company's policies and performance. They can also increase the credibility of the company's actions. ”
UK, Energy

“ It pushes us to reach higher and helps us to sharpen strategies and provide contacts. ”
USA, FMCG

“ To get the outside-in perspective, and to help identify areas of negative perception and improvement opportunities, and collaboration or partnership options. ”
Switzerland, Agriculture

Methodology

- In total, over 70 respondents were interviewed between late March and the beginning of June 2016, including qualitative conversations with ten professionals whose insights have complemented the quantitative analysis throughout this report.
- The corporate functions targeted for the quantitative survey included professionals from corporate affairs and communications (two-thirds) and related CSR / Sustainability departments (one-third).
- In terms of seniority, over 60 per cent of respondents are at Director or VP level, with the rest holding manager to senior manager positions.
- The geographic coverage is global with all continents represented: Europe (36%), North America (33%), APAC (17%), Latin America (8%), and Africa (6%).
- In terms of industry, the universe of sampled respondents is very cross-sectoral with a predominance of the Food and Beverage sector, FMCG, Energy and Extractives. Other sectors represented include Pharma and Healthcare, ICT, Transportation and Logistics, Financial services, Manufacturing, and Chemicals.

To access the appendix containing the full backgrounder of charts that this report is referring to, please [click here](#).

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GlobeScan is a strategy consultancy specializing in stakeholder intelligence and engagement in the areas of reputation, sustainability and purpose. We help global companies, multilateral organizations and international NGOs build stronger, more trusting relationships with their stakeholders to deliver long-term success.



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