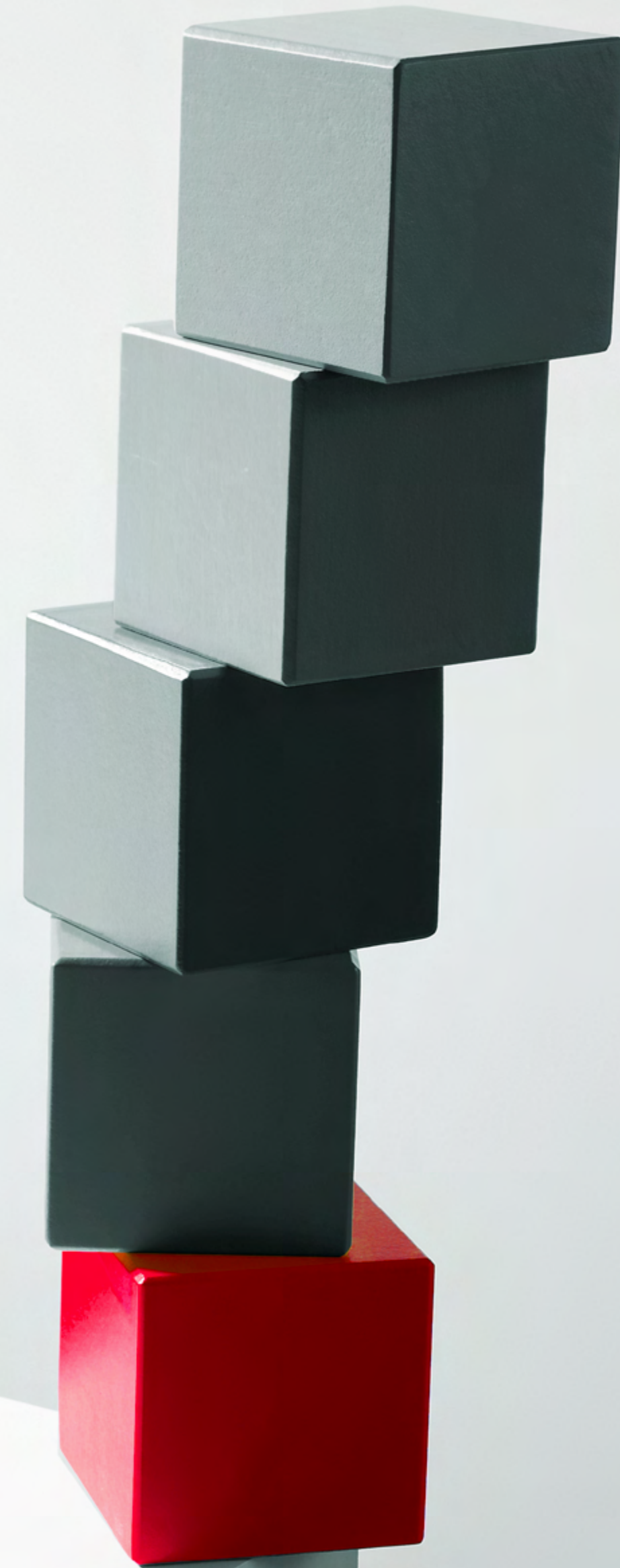
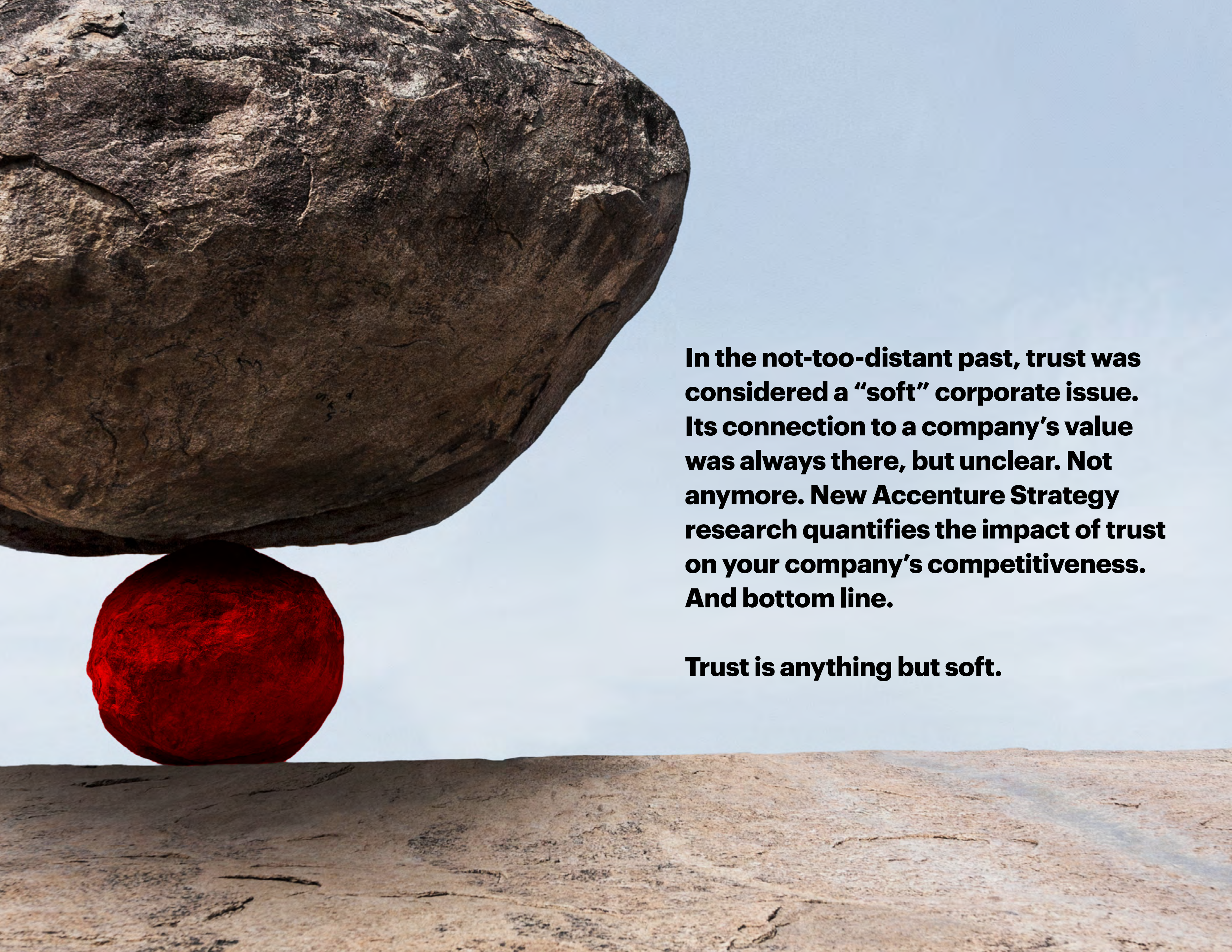


# THE BOTTOM LINE ON TRUST

ACHIEVE COMPETITIVE AGILITY





**In the not-too-distant past, trust was considered a “soft” corporate issue. Its connection to a company’s value was always there, but unclear. Not anymore. New Accenture Strategy research quantifies the impact of trust on your company’s competitiveness. And bottom line.**

**Trust is anything but soft.**

**Jessica Long**

Managing Director  
Accenture Strategy

Jessica leads the Accenture Strategy Sustainability practice in North America. She helps organizations leverage their assets and capabilities to drive innovation and profitable growth while striving for positive, trust-based economic, environmental and social impact. Jessica is based in Washington D.C.

**Chris Roark**

Managing Director  
Accenture Strategy

Chris Roark leads the Accenture Strategy competitiveness and zero-based cost management areas in North America. He works with leaders of consumer packaged goods, industrial and retail companies, helping them drive enterprise value through innovative growth strategies, operating model designs and structural cost resets. Chris is based in Chicago.

**Bill Theofilou**

Senior Managing Director  
Accenture Strategy

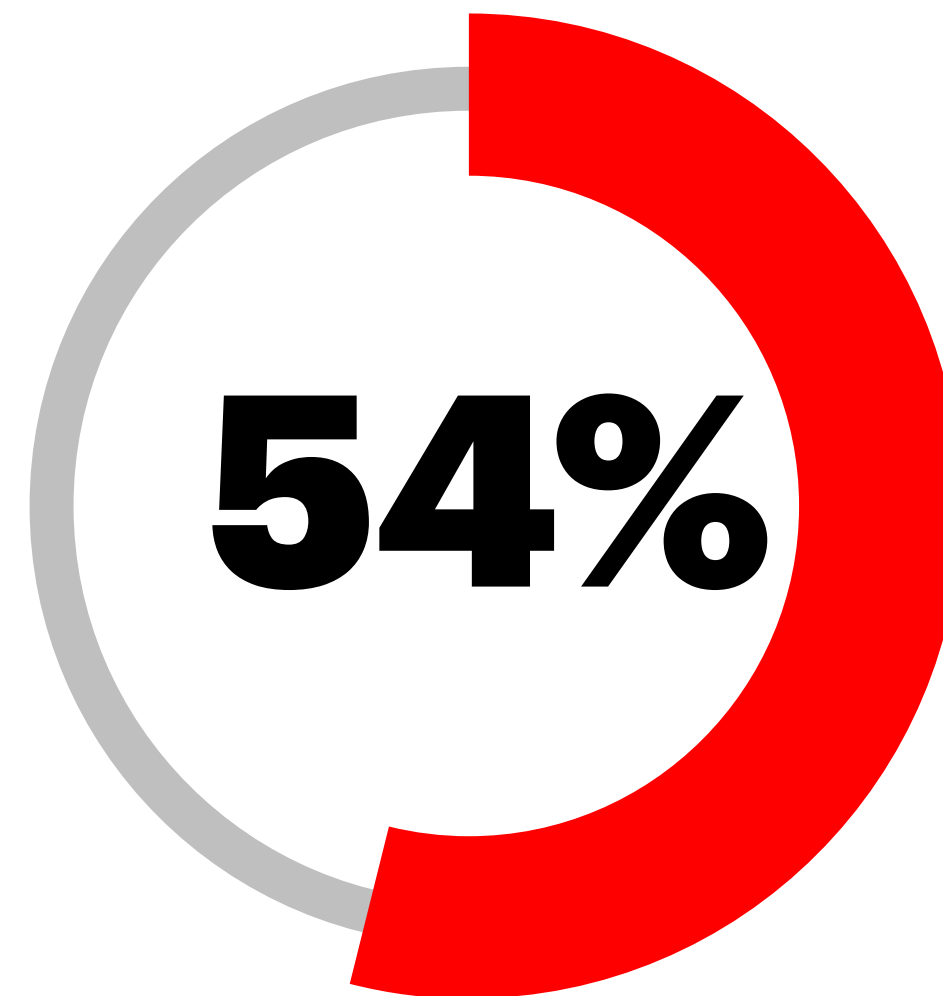
Bill leads the Accenture Strategy Customer Insight & Growth Strategy practice. He leads strategy and implementation engagements across a range of industries, specializing in restructuring companies for profitable growth, developing new go-to-market models and growth strategies, and aligning organizational and cost structures. Bill is based in Boston.

The topic of “trust” is everywhere. We are trust-ranked as individuals and as corporate entities—from social media to career websites. China will assign each of its citizens a “trust score” as part of its Social Credit System by 2020.<sup>i</sup> Even our devices are now assigned trust scores.<sup>ii</sup> Businesses worldwide are taking note, with some companies including trust measures in executive compensation packages.<sup>iii</sup> Combine that with headlines on everything from tainted food, to consumer data breaches, to cyber and fraud incidents—and it becomes clear that trust is center stage.

**In today’s world, it is no longer a question of if a company will experience a trust incident, but when.**

Adding to the intensity, trust incidents are becoming increasingly visible to the general public. The heightened transparency inherent in our digital world means trust is a highly flammable, ever-present concern. Managing trust cannot be relegated to simply addressing individual incidents with public relations as necessary. Instead, companies need to intentionally create a culture that builds, maintains and preserves trust. They must bake trust into their DNA, strategy, and day-to-day operations. In this age of transparency, *how* a company does things has become as equally important as *what* it does. Trust must permeate relationships with all stakeholders—from employees, to customers, suppliers, investors, analysts and the media.

To be competitive in today’s environment, companies need to execute a balanced strategy that prioritizes trust at the same level as growth and profitability. Those who do benefit from greater resiliency from trust incidents, making them more competitive. Those who don’t are putting billions in future revenue at risk.



**of companies on the Accenture Strategy Competitive Agility Index experienced a material drop in trust and conservatively lost out on**

**US\$180B**  
**in revenue**

# REVENUE AT RISK

The Accenture Strategy Competitive Agility Index quantifies the impact of trust on a company's bottom line. We scored more than 7,000 companies across three interdependent dimensions of competitiveness: growth, profitability, and sustainability and trust. Our 2018 analysis revealed that more than half (54 percent) of the companies we examined experienced a material drop in trust at some point during the past two and a half years.

The average company that experienced a drop in trust also saw their Competitive Agility Index score decline by two points.<sup>iv</sup> For every point a company's score on the Competitive Agility Index drops, significant revenues are at stake. Across the 54 percent of companies in our sample that experienced a drop in trust, revenues at stake conservatively equate to at least US\$180 billion, based on available data.<sup>v</sup>

As the threat and visibility of trust incidents continues to increase for businesses around the globe, we now see just how much those incidents are putting companies' revenues at risk. Although the decline in percentage varies by industry, all industries share a material risk. For example, a US\$30 billion retail company experiencing a material drop in trust stands to lose US\$4 billion in future revenue.

The numbers speak for themselves. Trust—as it relates to competitiveness—is so important to a company's bottom line that C-suite leaders downplay it at their own risk. The ability to manage and measure trust as part of your company's strategy has become a key competitive advantage.



**A US\$30B retail  
company experiencing  
a material drop in trust  
stands to lose**

**US\$4B**  
**in future revenue.**

# WHAT IS THE COMPETITIVE AGILITY INDEX?

The Competitive Agility Index is a measure of a company's competitiveness developed by Accenture Strategy to measure the value of an interdependent strategy targeting growth, profitability, and sustainability and trust. Our analysis shows that companies can no longer rely solely on traditional or historical gauges like market cap and total shareholder return to paint the full picture of their future competitiveness.

Accenture Strategy uses proprietary data to assess and measure each company's competitiveness versus peers.

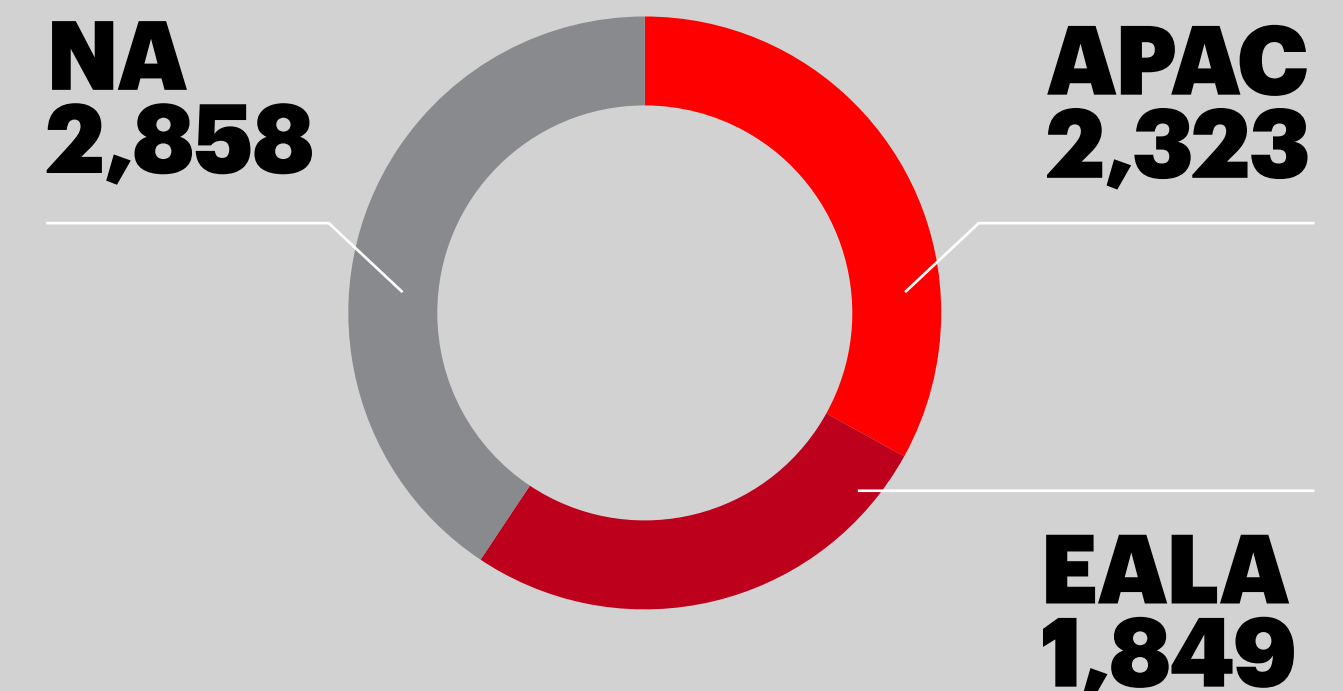
We base measurement on how effectively their strategy balances results across the dimensions of growth, profitability, and sustainability and trust. The Competitive Agility Index relies on publicly available data (including historical and future consensus data), as well as innovative sustainability and trust measurements. Accenture Strategy uses this data to calculate a score to help companies quantify their competitiveness.

Accenture Strategy calculated index scores for 7,030 companies across 20 sectors and 127 discrete

industries using more than 4 million data points from the past two and a half years.

The methodology, powered by Arabesque S-Ray®, focuses on the relationship between not only revenue and profitability, but also connects sustainability and trust as equal factors that influence how well a company is poised to compete. Growth, profitability, and sustainability and trust each comprise equal thirds within the Competitive Agility Index.

## COMPANIES BY GEOGRAPHY



**7,030**  
companies

**20**  
industry sectors

More than  
**4 million**  
data points

### GROWTH

**33%**

Our growth segment looks at both year-over-year enterprise value growth and revenue growth.

### PROFITABILITY

**33%**

To measure profitability, we combine multi-year views of return on invested capital, net debt, and EBITDA margin.

### SUSTAINABILITY AND TRUST

**33%**

Our sustainability and trust segment takes a quantitative view of environmental, social, and governance factors; United Nations Global Compact principles; and a proprietary measure of trust based on publicly available data.

# TRUST IN AN ERA OF TRANSPARENCY

Stakeholders—from investors to customers—are focused on corporate behavior like never before as companies operate under the public eye, in an era of unprecedented risk and transparency. Ubiquitous social media makes trust part of the mainstream conversation with all stakeholders. A company's behaviors and actions have an immediate impact on reputation because they can now be shared virally, universally—and instantly.

Accenture Strategy defines trust as a consistent experience of competence, integrity, honesty, transparency, commitment, purpose and familiarity. Trust not only defines the quality and sustainability of a company's relationships with its stakeholders, it builds shared value.

We view a trust incident as any event or circumstance that results in the loss of real or perceived trust in a company. The Competitive Agility Index measures this from the perspective of six stakeholder groups: employees, customers, suppliers, media, analysts and investors.



# WHO HAS A STAKE IN TRUST?

Traditionally, a company's view on trust was that it mattered only in its downside impacts. Today, enterprises are prioritizing new paths to help accelerate growth. Our analysis shows accessing this growth is increasingly reliant on trust. Because of this, companies must carefully consider all stakeholders' perspectives.

Today's **customers** have more choices than ever. They are looking to affirm their own values when choosing companies with which to interact. When product and service quality live up to brand promise, companies create better customer experiences, improving their reputational value and trust. Companies that cannot deliver on brand promise or transparency will lose customer trust and consequently, business. A recent Accenture Strategy study of 25,000 global consumers found that, of customers who switched companies in the past year, 46 percent did so because they lost trust in the company.<sup>vi</sup> And switching isn't the total cost. Customers are willing to speak up, organize and boycott when their expectations aren't met.

**Employee** trust is crucial in the war for talent as a company's reputation and actions become more important to job seekers. Employees, more than ever, look for a company's everyday actions to match its values—and are more likely to switch employers if they

see a disconnect. The workforce of the future wants to empathize with and represent their employer's business values. When that occurs, it ultimately enhances engagement and productivity. In recent Accenture Strategy research, more than one-third of workers surveyed ranked reputation as a top-three motivation to work for their current employer.<sup>vii</sup>

**Suppliers** and trusted partners are key players in today's business value chain. They enable faster innovation cycles with more flexibility. Recent Accenture Strategy research points out that 84 percent of supply chain executives say they will increasingly use distributed manufacturing networks (more third parties) to meet customer demands.<sup>viii</sup> At the same time, global supply chains are increasingly forcing companies to develop a much deeper understanding of product origins and supply chain risks. Regulators are tightening the rules in areas like workers' rights, genetically modified organisms and deforestation. They also are challenging the limits of trust and responsibility as culpability is extended throughout an ecosystem.

The opinions of the general public also impact trust, which play out in real time across all forms of **media**. Businesses need to have an omnichannel view across social media sentiment; online product and company reviews; print, digital and broadcast media coverage;

and emerging media channels to stringently manage and influence perceptions and to limit the damage that negative viral sentiment can cause.

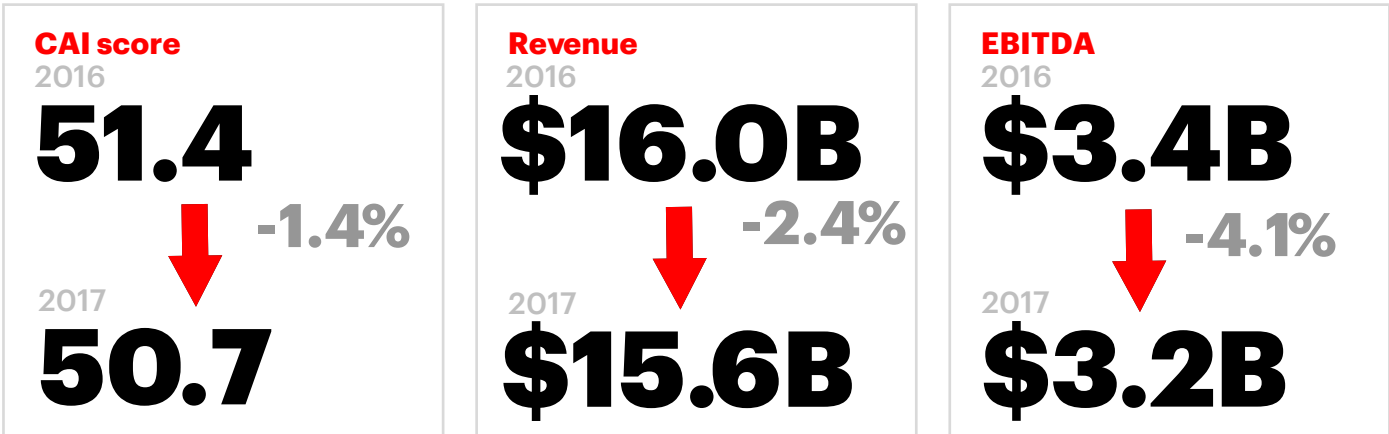
Without credit in the market and consequent funding, most businesses cannot enable their license to grow and general competitiveness. **Analysts and investors** are interested in a broader perspective of business trust, including not only financial performance, but extra-financial performance (i.e., environmental, social-impact metrics). For example, a joint report developed with the United Nations Global Compact found that 88 percent of investors see sustainability as a route to competitive advantage.<sup>ix</sup> Companies need to meet this increasing demand for sustainable investments and extra-financial transparency to retain analyst and investor trust.

# BOTTOM LINE IMPACT OF TRUST

It's clear that trust has become material. If we define "material" as anything that could change the perceived value of a company, trust is now a bona fide poster child for materiality. Trust declined in 10 of 15 industry sectors in 2017,<sup>x</sup> signaling that companies must better position themselves for resiliency from trust incidents. Companies with a higher Competitive Agility Index score, however, are more resilient when their trust score drops—seeing less of an overall impact on competitiveness.

Let's look at a couple of real-world examples to see the relationship between trust and bottom-line-driven competitiveness.

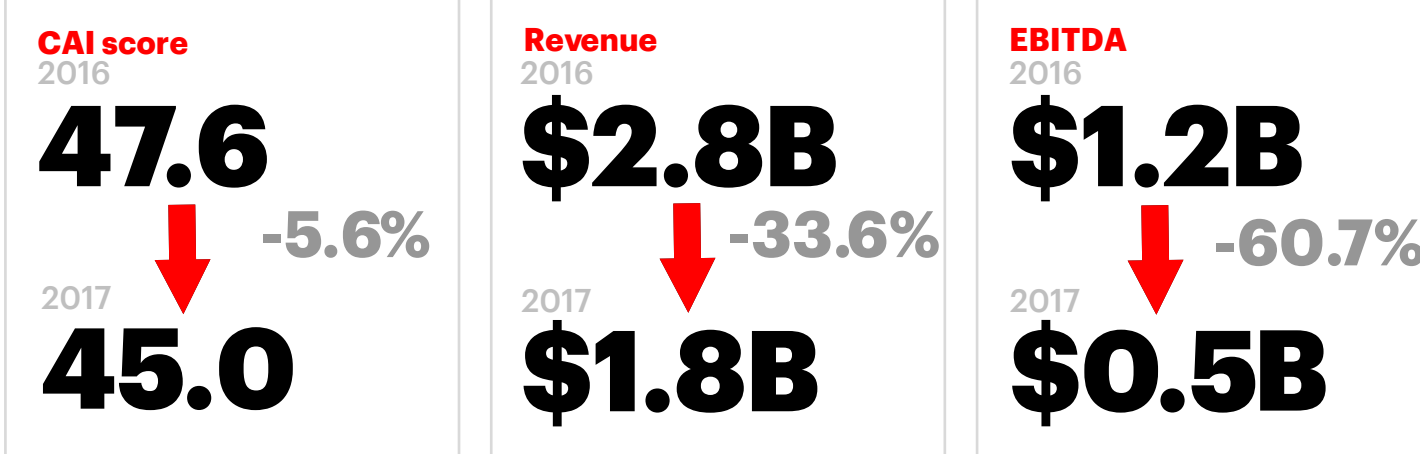
## B2C COMPANY



**US\$400M**  
loss in revenue

A B2C company launched a sustainability-oriented publicity event that backfired when they failed to consult with environmental experts, breaking trust with their stakeholders. The resulting negative viral publicity caused its trust score to drop by eight percent in one quarter. Its Competitive Agility Index score for the year then declined 1.4 percent. Revenue declined by US\$400 million, while EBITDA dropped US\$200 million.

## B2B COMPANY



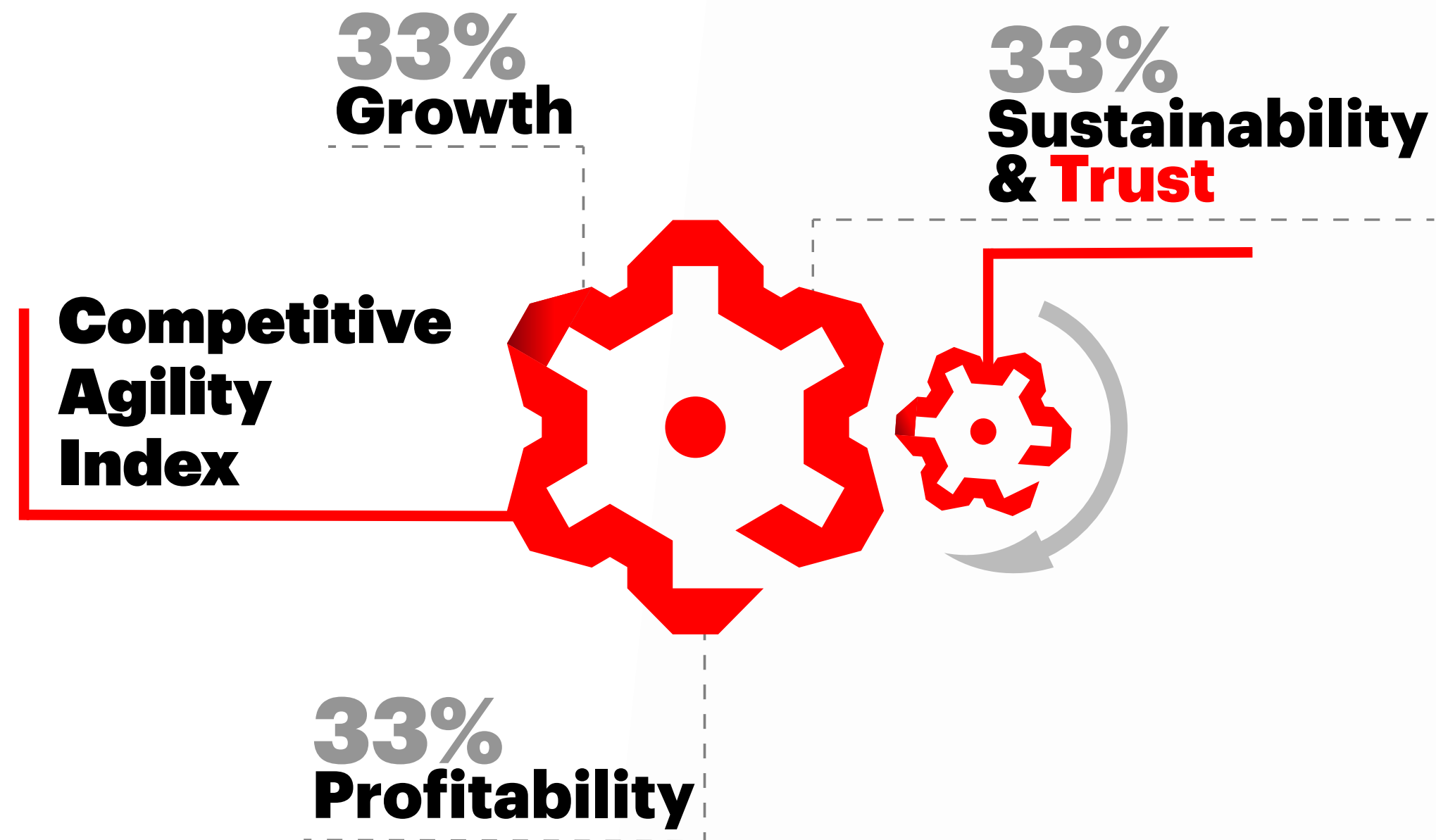
**US\$1B**  
loss in revenue

A B2B company was named in money laundering allegations. Its trust score dropped nine percent in just one quarter. Revenue in the following year then dropped almost 34 percent or US\$1 billion, with EBITDA diving almost 61 percent, or by US\$700 million.



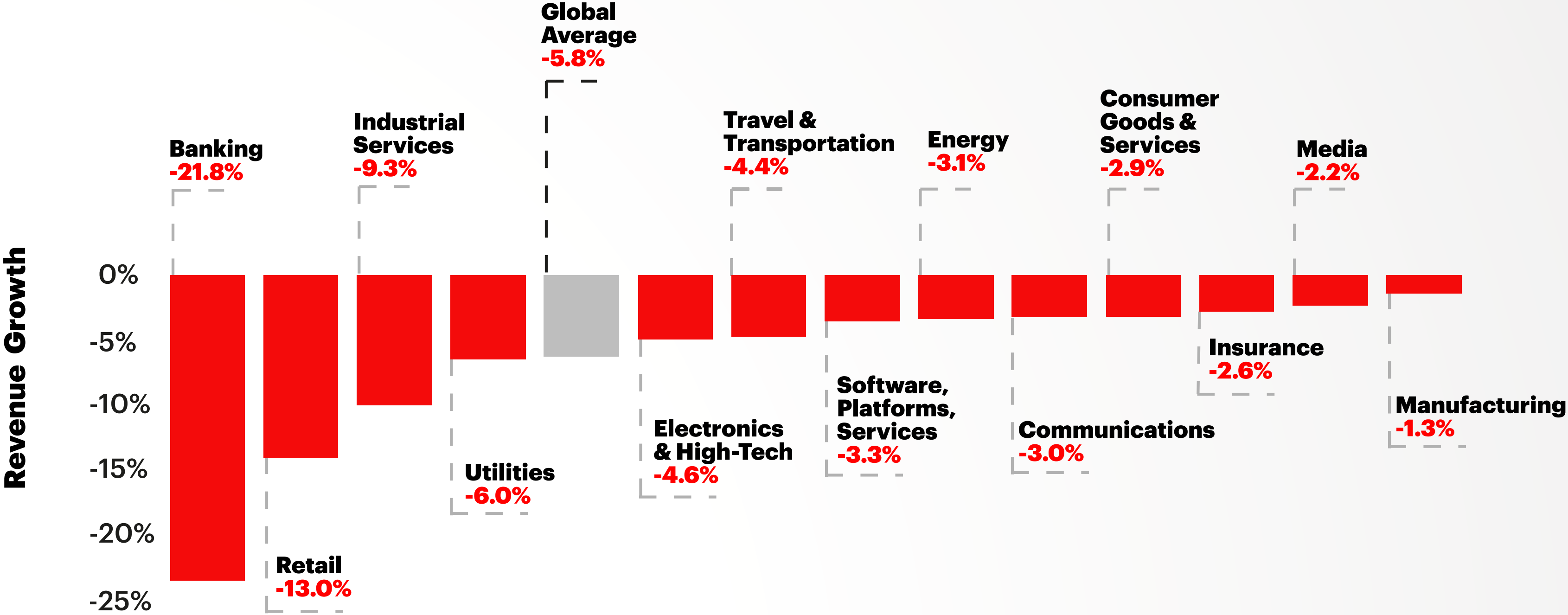
When we compared companies that experienced a trust drop to those that did not, we saw a trend. Those that had a drop in trust saw their Competitive Agility Index scores decrease more than those that did not. While trust accounts for a fraction of a company's total score, it disproportionately impacts revenue and EBITDA.

## Trust disproportionately affects a company's Competitive Agility Index score and bottom line



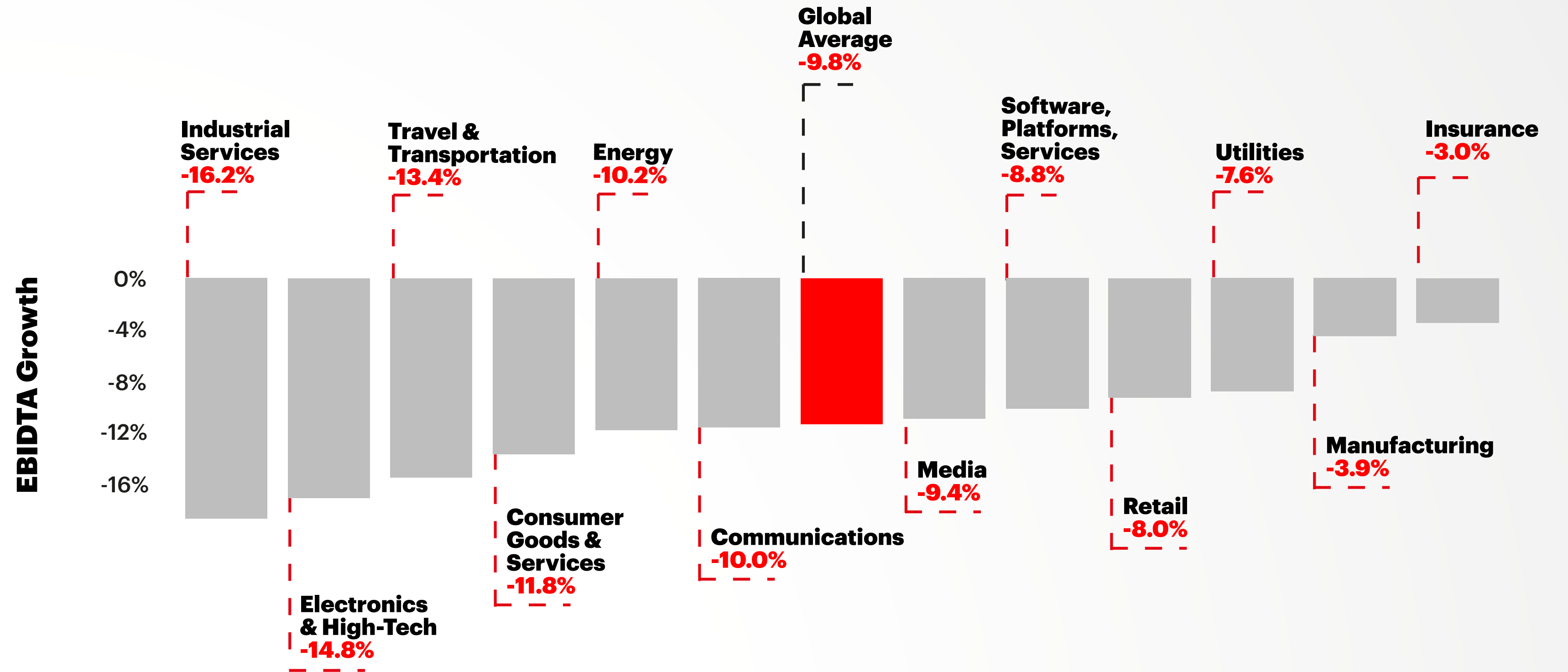
While the average percentage varies by industry, when a drop in trust occurs, companies in all industries will experience a material decline in both revenue and EBITDA.<sup>xi</sup> We've highlighted select industries in the following two graphs.

# Potential impact on revenue growth from a 2-point drop in the Competitive Agility Index score



Note: Global Average includes other sectors not listed here.

# Potential impact on EBITDA growth from a 2-point drop in the Competitive Agility Index score



Note: Global Average includes other sectors not listed here.

# MINDING YOUR BOTTOM LINE

**Despite a company's best efforts, it is impossible to prevent trust incidents completely. However, companies can prepare—by having a strategy that balances growth, profitability, sustainability and trust. And when an incident does strike, the balanced strategy helps minimize its impact.**

## **Know where you stand.**

The only way to know where your company stands is to measure it—to bring science to the table. Whether it's our Competitive Agility Index or another solid measure, measure you must. That's the first step. If you can't measure it, you can't manage it.

## **Make trust part of your cultural bedrock.**

Your leadership team must embrace trust as a core element of business strategy. All teams—at every level—must walk the talk. The choices they make every day need to support trust as a key element of their corporate business strategy.

## **Elevate trust's role in your overall strategy.**

Some companies make choices to deliver near-term cost savings and profit improvement without considering how they might jeopardize trust. In the mid- and long-term, companies need trust across the stakeholder map to access avenues to growth. From adjacent areas of business to new markets, trust matters. Without the support of all stakeholder groups, your company will face an insurmountable growth disadvantage versus competitors.

Trust is the furthest thing from a “soft” corporate issue. It's part of an interdependent strategy that significantly influences your bottom line and competitiveness. Knowing how much is at stake for your company—taking trust and your competitiveness to a forensic level—is becoming the new normal.

Behaviors and actions must match stated values, in the eyes of all major stakeholders—employees, customers, suppliers, investors, media and analysts. As our research shows, mishandling trust can negatively and substantially impact growth and profitability.

The bottom line on trust? It's intrinsically tied to your bottom line. If your company wants to claim true competitiveness, trust must be a critical input and output to your company's strategy.



**Reach out to our authors to see how trust impacts your company's bottom line.**



# Contributors

**Brian Eggers**

**Ana Paula Mundim**

**Geoffrey Nolting**

**Haralds Robeznieks**

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## About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions – underpinned by the world’s largest delivery network – Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With 459,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at [www.accenture.com](http://www.accenture.com).

## Accenture Strategy

Accenture Strategy operates at the intersection of business and technology. We bring together our capabilities in business, technology, operations and function strategy to help our clients envision and execute industry-specific strategies that support enterprise wide transformation. Our focus on issues related to digital disruption, competitiveness, global operating models, talent and leadership help drive both efficiencies and growth. For more information, follow @AccentureStrat or visit [www.accenture.com/strategy](http://www.accenture.com/strategy).

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