

PRESS RELEASE: 22nd MARCH 2010

FTSE 100 companies inconsistent in reporting trust issues

Trust issues treated only superficially by most companies, survey supports World Economic Forum findings of a lack of a common vocabulary and framework for discussing trust.

Trust is often cited as the biggest challenge facing business today, yet a new study reveals that, while many organizations pay lip-service to the idea that they can be trusted as a business, top FTSE 100 companies are, in fact, inconsistent in addressing trust issues, and could be putting their reputation at risk because of it.

A survey by trust and corporate responsibility expert Constructive Interactions found that in the annual report and accounts of FTSE 100 companies published in 2009, 30 companies did not mention trust at all and only 25 discussed trust issues in any detail. This would suggest that for most companies, trust is not really an issue – which could hamper perceptions about whether they are 'trusted organizations'.

The survey supports the findings of the World Economic Forum's report on the future of global financial systems (The Future of the Global Financial Systems Navigating the Challenges Ahead). The WEF concluded that a lack of a common vocabulary and framework for discussing trust has hindered advancement of the public dialogue.

Of the companies that did mention trust, the most frequent reference was in relation to brand Corporate social responsibility would appear to be the most popular way of managing trust. Companies are most interested in building trust with customers and employees.

It appears also that there are sector-differences, implicating different attitudes towards reporting trust. Indications are that the less trusted sectors are reporting more. While all of the banking sector mentioned trust, only 34% of consumer goods companies referred to it. The survey found little evidence of companies substantiating claims that they were trusted or trustworthy.

John Turner, managing director of Constructive Interactions and author of the report, says "Based on the findings, it is hard to judge whether trust is really an issue for business and, if it is, whether companies are taking it seriously. Apart from a handful of reports, trust was treated in a very superficial way."

He added: "If it is important for companies to restore trust in business, then having a meaningful dialogue about the issues is a necessary first step."

Reflecting the idea that trust is seen as an enabler to achieving future business growth, it is clearly important that companies begin to address trust as an issue.

John Turner advises that companies can improve their coverage of trust issues in their annual report and accounts by:

1. referring explicitly to trust in reports rather than implicitly in other areas related to trust, if trust is a significant factor in the business
2. defining what trust means to the company and its level of impact on current and future performance
3. explaining how trust is managed
4. where appropriate, setting and reporting on KPIs linked to trust building or trust restoration. If necessary the KPIs can be expressed as percentage improvement rather than absolute measures.

The Executive Summary of the report is available to download free and the full report is available for purchase at www.constructiveinteractions.com

Principal findings from the survey

1: With 30 companies not mentioning trust at all and only 25 companies mentioning trust more than twice in their reports, the overall level of reporting on trust for FTSE 100 companies is currently inconsistent and at a very superficial level.

2: Trust is a significant issue for at least 18 FTSE 100 companies based on inclusion of the topic in the Chairman's or CEO's statements. However, mentioning trust in those statements did not necessarily result in further discussion of trust in the body of the report.

3: In terms of its relevance to companies, trust is most frequently seen as an asset linked to brand or reputation or integral to a company's operating culture (value set).

4: Trust is seen as an enabler to achieving future business growth, being either a strategic objective in itself, e.g. to be a trusted brand, or essential to achieving other business objectives.

5: Quality, reliability, service levels and trust are seen as part of the same value set necessary for developing long term relationships and are key differentiators. Failures in quality result in loss of trust.

6: Loss of trust is seen as a risk, linked to a variety of failures in operational performance. Good risk management is key to building and maintaining trust, particularly in the finance sector.

7: The current focus in company reports is on being a trustworthy company or trusted brand. However, how a company trusts is important to collaboration and is likely to be of increasing importance.

8: Initial indications suggest that although some trust issues are common for all companies, trust issues may vary for different sectors, with the least trusted sectors having to report more.

9: The current reporting of measures of trust is poor, with no KPIs being reported and only one example of numerical reporting of survey results directly linked to trust. Without quantitative evidence it is difficult to substantiate a company's claim of being trusted or trustworthy.

10: The most common way of managing trust (building and restoring trust) is currently through CSR activities. However, it is unclear whether companies have consciously assigned the management of trust to any part of the organization.

Notes for editor:

About the survey: Talk About Trust

This is the first survey in an annual series covering the financial and non financial reports of the FTSE 350. The overall aim of the survey is to encourage debate on how trust is reported and managed by organizations

The aims of the 2009 Survey are to gain a better understanding of how trust issues are reported to stakeholders and what trust means to companies. Of particular interest are:

- the level of detail in reporting trust;
- the contexts in which trust is discussed: how important is it to the company, how is trust relevant to the business and it's stakeholders, whether trust is seen as a risk or asset, what are the key issues;
- whether the level of trust (internal and external) with the company is measured in any way;
- what are the main activities in managing trust and who is taking responsibility for them.

About Constructive Interactions: Constructive Interactions was formed in November 2006 and is a growing network of experienced and passionate consultants focused on helping organizations improve their level of trust.

For more information visit: www.constructiveinteractions.com

Contact:

John Turner

Telephone : 0161 935 8204

Email: john.turner@constructiveinteractions.com