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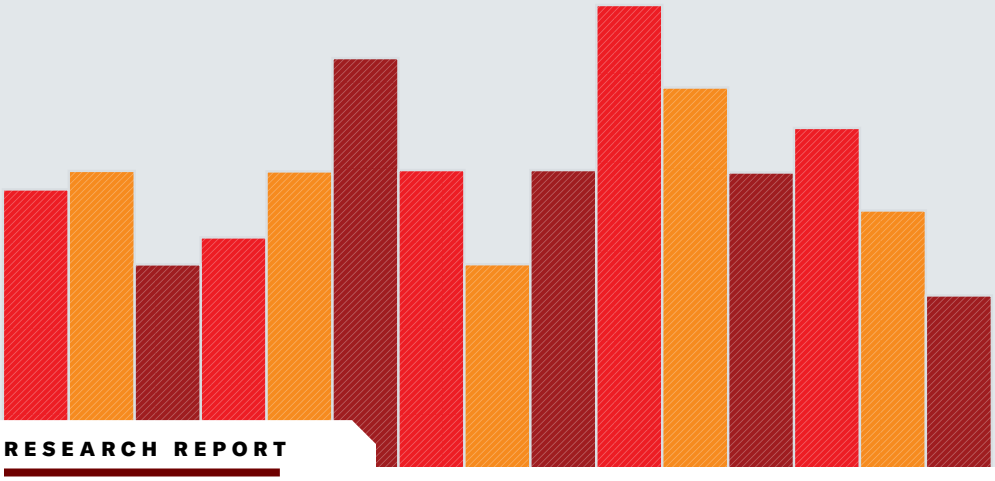

RESEARCH REPORT

Trust: The Currency of Innovation

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Trust is the currency of innovation. It's only with trust that we can progress confidently into the unknown. Whether iterating existing solutions or inventing totally new ways of doing things, we need the trust of employees, stakeholders, and consumers to take the journey with us.

In this year's Business Innovators Index, which for two years has explored innovation best practices among world-leading companies, Harvard Business Review Analytic Services explored the complex interdependency between innovation and trust. The research found that a culture of innovation is built on a foundation of trust among employees. That a license to innovate is granted with trust and transparency between stakeholders. And that commercial success depends on securing consumer trust in your organization—its products and services—and your brand.

We innovate to build trust, and we build trust to innovate. Sixty-five percent of consumers prioritize innovation for customers' health and safety, and 61% prioritize innovation for data security and privacy. Three-fifths (59%) of consumers prioritize innovations to ensure convenience and ease of use. And 42% prefer innovations that have a positive impact on the environment and society. Businesses surveyed by Harvard Business Review Analytic Services underestimate the importance consumers place on these issues by up to 31 percentage points, but innovation leaders are more closely attuned to what consumers want than those found to be followers or laggards. The 2020 Business Innovators Index likewise showed that understanding what customers want and need is key to success.

At Mastercard, trust is our business. We're setting a higher standard for commerce, protecting user data, and giving agency to consumers and businesses. We're securing the digital ecosystem to protect all participants from risk, fraud, and loss.

Trust is our business; innovation is our passion. We're leaning into emerging technologies, from artificial intelligence to blockchain, and we're supporting select cryptocurrencies on our network to empower frictionless payment experiences and choice. Meanwhile, we're supporting the global growth of open banking to create a more level playing field for innovation—because a rising tide lifts all boats.

We recognize that more diverse voices and inclusive spaces lead to deeper engagement, better creativity, and greater commercial success. That's why we foster empathy and transparency between colleagues and stakeholders to unlock the potential in one another. We call it the "Mastercard Way."

I hope the findings of this report prove inspirational to our partners, customers, and organizations around the world as we innovate to create the next economy together—fueled by the currency of trust.

Ken Moore
Chief Innovation Officer
Mastercard

Trust: The Currency of Innovation

EXECUTIVE SUMMARY

Innovation is indispensable. Without it, companies can't leapfrog competitors, navigate disruptions, or deliver the Next Big Thing. But innovation often comes with a prerequisite: trust. Without the trust of customers, employees, and investors, companies can find it difficult to generate new ideas and shepherd them to fruition.

Trust can be defined in a variety of ways, but when it comes to innovation, it may be best described as belief in the reliability and soundness of a new idea brought to market. Organizations have been increasing their focus on innovation since the onset of the global Covid-19 pandemic. The pandemic tested not only how well they could adapt, but also how well they could maintain the trust of customers and employees suddenly worried they could jeopardize their health by simply entering a store or workplace. In the newest Business Innovators Index survey from Harvard Business Review Analytic Services, 58% of executives say their organization now ranks innovation as a high priority, up from 54% in 2020 and 47% when the research was first launched in 2019. And 82% say high levels of customer trust make it easier to innovate.

"Innovation sets us apart from the competition," says Andrea Sentimenti, group marketing and innovation director at Bormioli Pharma, a Parma, Italy-based manufacturer of pharmaceutical packaging. "It helps us anticipate growing customer expectations, sustain our revenue growth, and maintain the profit levels we need to reward shareholders and employees."

Executives say their organizations' innovation efforts are largely being driven by the need to improve existing products and services. They most commonly cite as challenges to success the day-to-day demands on their workforce's

HIGHLIGHTS

82% of executives say high levels of customer trust **make it easier to innovate**.

75% of consumers say trust is important when **buying a product or service**.

71% of executives say customer trust **improves customer loyalty**.

Due to rounding, some figures in this report may not add up to 100%.

"Innovation sets us apart from the competition. It helps us anticipate growing customer expectations, sustain our revenue growth, and maintain the profit levels we need to reward shareholders and employees," says Andrea Sentimenti, group marketing and innovation director at Bormioli Pharma.

time and resources, and siloed organizational structures that can stymie communication and interdisciplinary creativity.

But how do organizations' efforts to innovate and inspire trust align with what customers want? In addition to surveying more than 1,800 business executives globally, Harvard Business Review Analytic Services surveyed more than 10,000 consumers. This research shows that businesses tend to overestimate, as it pertains to innovation, the level of personalization and customization consumers expect, and underestimate, as it relates to trust, the importance customers place on data security and privacy and on upholding their health and safety.

Such misalignments can be important because of the link between innovation and the customer's trust—trust that when a brand or business brings something new to market it understands what's important to customers and has their best interests in mind.

"Many people have a neophobic reaction to anything radically new," warns Richard Wright, behavioral science director at Unilever plc, a multinational consumer goods company headquartered in London. "You need the customer's trust to overcome that reaction."

Catherine Porter, vice president, global partnerships, for Meta Financial Technologies, the internal financial services platform at Menlo Park, Calif.-based Meta Platforms Inc. (formerly Facebook Inc.), says that trust—and privacy and security—are "absolutely paramount" to how her organization develops products and services globally.

In fact, the consumer survey shows that the link between trust and business success is explicit. Seventy-five percent of consumers say trust is important when buying a product or service, and 67% say they will pay more to businesses they trust. And organizations are broadly confident that customer trust drives customer loyalty. They understand the flip side, too. When trust is lost, the reputational and economic damage can be huge.

"Restoring trust is a long and painful process," says Mark Buitenhek, global head of transaction services and global head of payments and cash management at ING Group, a multinational banking and financial services organization headquartered in Amsterdam. "It can take years."

This report looks at where companies are focusing their innovation efforts today, the role trust plays in innovation, and how companies can build trust to innovate better.

In 2020, reflecting an acceleration of innovation in response to the Covid-19 pandemic, the Business Innovators Index score leapt to 63 from 58 in 2019. In this year's survey, which polled more than 1,800 executives, the Business Innovators Index score held steady (62) even after the frantic innovation sprint of the prior two years.

INDUSTRY INSIGHT

Calculating the Business Innovators Index

As it did in 2019 and 2020, Harvard Business Review Analytic Services calculated the Business Innovators Index for 2022 by asking executives around the world about their organization's approach to innovation across five pillars of success: process, human capital, funding, customer experience, and data and technology. The index scores each organization on a scale of 0 to 100, with 100 representing the highest possible score, or what might be considered the peak of innovative strategy, frameworks, and behavior.

FULL REPORT

Innovation Remains Important—and Hard

"What drives business innovation today is what always drives innovation," says Kate Wilson, CEO of the United Nations Foundation's Digital Impact Alliance (DIAL), which promotes digital transformation and responsible data use around the globe. "And that's really just competitive pressures to deliver better services, meet your customers' needs, and improve your bottom line."

Wilson argues that businesses also increasingly see value in innovating to support an improved world—as do government policymakers who are seeking to harness digital technology and data to meet citizens' needs more safely and securely.

The Covid-19 pandemic, of course, took these paradigms to a different level. As much of the world shifted to digital ways of working, shopping, and socializing following the outbreak of the pandemic in the spring of 2020, businesses had to squeeze years' worth of digital transformation into the space of several months. Their survival demanded developing, introducing, and embracing new things—in other words, innovating.

Now many appear ready to rev their innovation engines again, with 58% of the executives surveyed by Harvard Business Review Analytic Services indicating their organization places a high priority on innovation, up from 54% in 2020 and 47% in 2019.

As those numbers indicate, businesses haven't been downplaying innovation. Nonetheless, the current survey suggests innovation gains may have been a little harder to come by in the past year. In keeping with its approach in July 2019 and September 2020, Harvard Business Review Analytic Services surveyed more than 1,800 business executives around the globe in January 2022 to see how their organizations are approaching innovation across five pillars of innovation success—process, human capital, funding, customer experience, and data and technology. Using those findings, an innovation score for each organization was calculated on a scale of 0 to 100, with 100 representing the pinnacle of innovative strategy, frameworks, and behavior. Harvard Business Review Analytic Services then averaged the findings to update the Business Innovators Index score.

Businesses increasingly see value in innovating to support an improved world, says Kate Wilson, CEO of the United Nations Foundation's Digital Impact Alliance (DIAL).

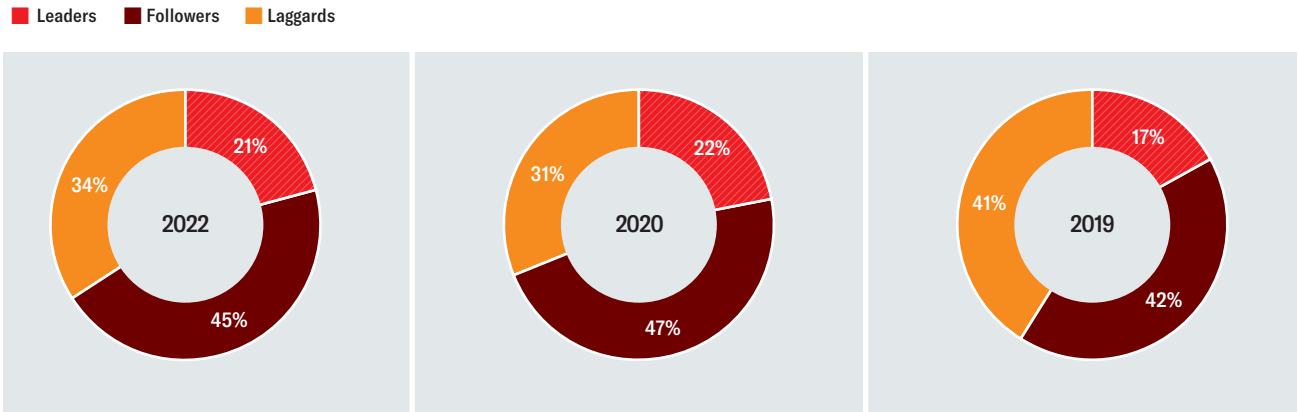
In this latest survey, the mean index score held steady (62) compared to 63 in 2020, even as the demands for innovation in response to the pandemic became a little less urgent. Still, the index is well above its mark of 58 in 2019.

Twenty-one percent of businesses participating in the survey now qualify as innovation leaders, meaning they have claimed the broadest range of innovation capabilities. **FIGURE 1** That's also down a percentage point from 2020, but again above a first-year reading of 17% in 2019. Forty-five percent of organizations now qualify as innovation followers, meaning they claim to have a narrower range of innovation capabilities than leaders, and 34% rate as laggards, indicating they lack a wide range of innovation capabilities.

FIGURE 1

One in Five Organizations Ranks as an Innovation Leader

The ranks of innovation leaders remain greater than they were in 2019.



Source: Harvard Business Review Analytic Services survey, January 2022

Ninety-nine percent of leaders explicitly include innovation among their strategic objectives.

Leaders Invest More in Driving Innovation

Innovation leaders distinguish themselves from followers and laggards in many ways, but one of the most striking findings is that leaders are much more likely to explicitly include innovation among their strategic objectives—99% do so, versus 83% of followers and 41% of laggards. Similarly, leaders are far more likely to provide data, tools, space, and other resources aimed at promoting or facilitating innovation, and to leverage emerging technology to drive innovation. **FIGURE 2**

While companies are spending more on innovation than they have in the past, many executives worry their organization is still shortchanging the innovation agenda at a time when the competitive landscape is shifting so quickly. Forty-seven percent say their organization increased its funding for innovation and research and development last year, and 46% say it will go up again in the coming year. Still, only 49% say their innovation funding is adequate, down from 54% a year earlier.

In terms of what's driving their innovation efforts, businesses point most often to the need to improve existing products or services, followed by building customer loyalty and/or customer lifetime value—and, of course, the overarching goal of boosting profits. Leaders are especially likely to say they want to increase speed to market, recognizing, it would seem, the importance of commercializing a new idea. Forty-seven percent identify that as a driver of innovation at their organization, versus 32% of followers and 24% of laggards.

Louis Barbosa, chief operations officer for TMI Group, an apparel manufacturer headquartered in Singapore, says his organization, like many in Asia, is highly focused on transforming its supply chain for readiness, reactivity, and speed. As a result of its efforts in this area, he says, new product designs that might have taken TMI Group more than three months to bring out a decade ago can now be put into production in the space of a few days. Barbosa credits the improvement to his organization's new "agile center of excellence," where, he says, "we apply innovation, automation, and digital solutions from our product engineering team to deliver manufacturing excellence."

"Cheaper, better, faster—that's always the need," observes Frances Frei, professor of technology and operations at Harvard Business School. "Can we do things more effectively and more efficiently so that we're honoring employees' time or customers' time or investors' resources?"

Meta's Porter sees the value in doing good while doing well, too. "Innovation," she says, "is critical to helping billions of users and millions of merchants feel empowered on our platform—to feel safe and secure on our platform—and to giving people, businesses, and creators more control over their financial futures and well-being. We believe technology unlocks progress and opportunity."

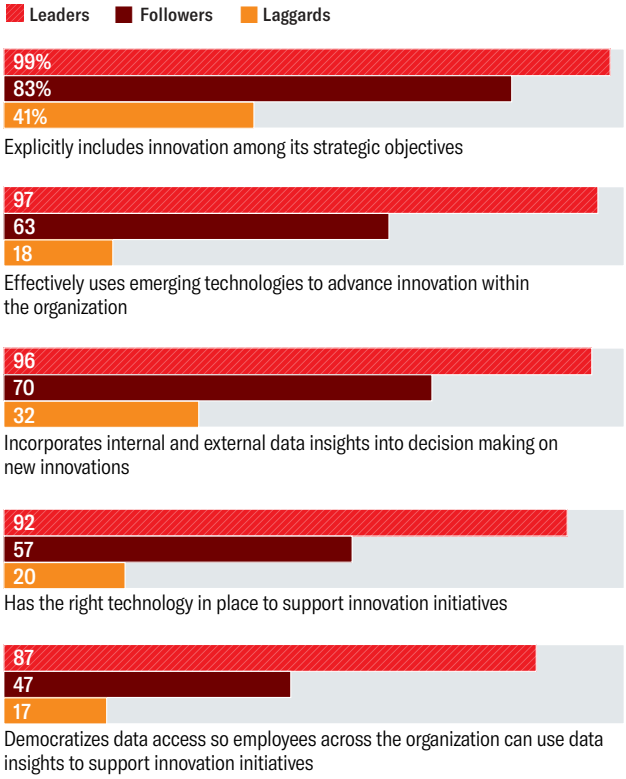
In Brazil, where an estimated 34 million people do not have bank accounts, Meta Financial Technologies last year

FIGURE 2

Leaders Are Much More Likely to Prioritize Innovation

Almost all leaders provide the resources, including technology, needed to support innovation.

Percentage of executives who strongly or somewhat agree with the following statements about their organization.



Source: Harvard Business Review Analytic Services survey, January 2022

“Can we do things more effectively and more efficiently so that we’re honoring employees’ time or customers’ time or investors’ resources?”

Frances Frei, professor of technology and operations at Harvard Business School

helped introduce a person-to-person payment feature in Meta's messaging application, WhatsApp. The new feature had already been launched in India. It lets WhatsApp users send and receive payments to other users within the application itself at no cost, eliminating the security risks associated with carrying cash and, in many cases, paying for goods and services from merchants more conveniently.

"This type of innovation, which is solving problems unique to individual economies around the world, is a top priority for Meta Financial Technologies," Porter says.

In fact, innovation leaders are significantly more likely than others to be innovating not only to explore the use of emerging technology, increase their speed to market, and manage business disruption, but also to reach their environmental, social, and governance (ESG) goals.

The notion that ESG issues could be driving new types of innovation has become increasingly common over the past decade. Unilever is among the companies advancing the notion, having declared that its purpose is to "make sustainable living commonplace." Pursuing that goal, says Wright, its behavioral science director, has led the company to pursue a wide range of changes, from conducting business in ways that not only do less damage to the planet but also drive a new model of capitalism to embedding inclusivity across the business and operations.

A range of other factors are driving innovation, of course, including the challenge of attracting and retaining talent in a tight labor market. The brightest and most ambitious job candidates are looking for positions where they have an opportunity to explore new ideas and opportunities, notes ING Group's Guitenhek.

For some businesses, the ongoing digitization of finance and commerce is driving innovation. "The world is moving away from cash," says Devin McGranahan, CEO of Western Union Co., a Denver-based financial services firm that started out in the telegraph business in 1851 and is now a leader in the money transfer business. "Changes in customer preferences around how they manage and move money, which were accelerated during the pandemic, are driving our need to innovate our products and services."

INDUSTRY INSIGHT

Mars Moves to Scale New Ideas Faster

With a history dating back to 1911, Mars Inc., a snacks and treats manufacturer, has always had to be adept at meeting changing customer tastes. But by 2018, says Nicole Umana, global agile innovation human intelligence officer for the McLean, Va.-based company, the world was changing, and Mars wanted to ensure it could keep pace. To become faster and more agile, it revamped its approach to innovation.

"We took a community of over 250 associates from around the world, across all of the functions you need to innovate, and pulled them into a central model—an 'agile innovation community'—in which cross-functional sprint teams work together on innovation," Umana says. "They move as quickly as they can, using as few resources as possible to get to proof of concept and then proof of scale."

Today, changes and innovations that once might have taken Mars years to implement now get done in as little as 12 weeks.

Mars still has people focused on innovation in the regions around the world where they are located, tasked primarily with keeping the core business healthy. The agile innovation community, by contrast, has its sights set three to five years ahead and is exploring new disruptive spaces and business models. In all cases, though, Mars is bringing a new mindset to innovation, prioritizing progress over perfection, and looking to fail fast when something isn't working. When it does research with consumers, it convenes smaller groups and then makes decisions overnight, not over weeks.

To facilitate communication and collaboration—even the agile innovation community still has members working in different locations around the world—Mars uses technology from a third-party provider that allows teams to work asynchronously in virtual workrooms. And it continues to prioritize building trust among consumers by delivering consistently high-quality goods, Umana says.

"We have become an increasingly specialized group of people [...] And because of it, we lose the ability to make connections across seemingly disparate things," says DIAL's Wilson.

Lack of Time, Resources Challenge Innovation Most

Plenty of challenges to innovating exist, but businesses most commonly point to the day-to-day time demands on their internal teams as well as poorly aligned or siloed functions throughout the organization.

Laggards struggle on a broad front. They are much more likely to find it hard to create a culture that supports innovation, secure C-suite buy-in and funding for innovation, or have robust processes for managing innovation. Sometimes, the older and more successful an organization has been, the harder it can be to change—a challenge McGranahan has taken up since joining Western Union in December 2021.

"We're a 171-year-old company," McGranahan says. "There's a way we do things, a culture that's been built up, and a proud legacy of how we got where we are. That's a huge asset in many ways. But innovating sometimes requires that you start over, and that's not always easy. We're working on it. We're working to play a bigger role in helping our clients live better financial lives and move up the ladder of financial success."

A less commonly cited challenge, though perhaps no less important, is the increasing level of specialization in the world of work. While executives frequently lament the challenges of sharing data and insights among siloed business functions, they may overlook the challenges individuals face in sharing insights and ideas, or in grasping the big picture, when so many of them operate in narrow fields of expertise and responsibility.

"We have become an increasingly specialized group of people where we know what we do really, really well," says DIAL's Wilson. "You see this in the medical field, and I think you increasingly see it in technology. And because of it, we lose the ability to make connections across seemingly disparate things."

To help overcome the challenges of aligning diverse groups of employees, Bormioli Pharma has created a corporate innovation program that involves people from throughout different parts of the organization.

"In this model, our innovation managers are acting more as ambassadors and facilitators rather than functional managers," says Sentimenti, the marketing and innovation director. "They encourage everyone to participate and leverage their diverse skills, competencies, and experiences. This helps us identify customer needs and deliver innovation solutions that are valued in our market."

Customer Experience Becomes Tougher to Read

The consumer survey suggests the pandemic and its fallout may have made it harder for businesses to reach their innovation goals on the technology and customer experience fronts. In fact, the one-percentage-point retreat by the Business Innovators Index this year can be traced to minor scoring declines in those two innovation pillars—customer experience and technology.

Executives this year were slightly less likely to say their companies are able to tie innovative customer experience investments to business outcomes, or use metrics to inform new product and service innovations, than they were in 2020. This finding may reflect the challenges companies have faced in catering to customers while also contending with the accelerated shift to digital commerce during the pandemic,

INDUSTRY INSIGHT

Companies Face New Headwinds to Innovation

The world has changed dramatically since Harvard Business Review Analytic Services' last innovation survey in late 2020. Then, the economy was in a tailspin induced by the Covid-19 pandemic, interest rates and inflation were near historical lows, and corporate revenues were under pressure. Entering 2022, the pandemic was still with us, but innovative new vaccinations and better treatment protocols were helping life inch back toward normal. The economy was coming off a period of strong growth—52% of the organizations in our survey had seen their revenue grow by more than 10% over the past two years, versus 40% in 2020—but it was facing new risks in the form of sharply higher inflation, rising interest rates, and Russia's invasion of Ukraine, which was disrupting energy prices and global supply chains.

which, in many instances, reduced direct physical engagement with customers. Nearly half of consumers agree that it is harder to trust a brand based on digital interactions only.

In a pattern reflected throughout the survey, leaders show themselves to be much more adept at tying customer experience investments to business outcomes, with 92% agreeing they are able to do it versus 62% of followers and only 21% of laggards.

There appears to be less confidence on the technology front. The use of emerging technology to drive innovation fell slightly this year, as did the number of organizations that feel they have the right technology to support innovation initiatives. With so much pressure on digital transformation agendas, it looks like some executives are simply worried their companies weren't able to do enough.

Worth noting is that, despite these minor setbacks, businesses are still doing better today in these areas—customer experience and technology—than they were in our first survey in 2019.

Laggards Lack Alignment on Innovation Priorities

While a majority of businesses are committed to innovation, many may be pursuing the wrong innovation strategy—or emphasizing the wrong parts of their strategy—because they misunderstand what consumers want. On average, executives say the innovations that will matter most to consumers this year are those that relate to responding to the customers' needs in real time and making things easier or more convenient for them. Among the more than 10,000 consumers surveyed this year, by contrast, responding in real time ranks only fifth among the innovations that matter most. Higher percentages of consumers prioritize innovations that lower prices (65%), ensure their health and safety (62%), and ensure data security and information privacy (61%). **FIGURE 3**

As is common with so many of the findings this year, innovation leaders are more closely attuned to what consumers want than are followers or laggards. While not a component of the Business Innovators Index, this better understanding of what consumers want likely helps drive innovation success.

Consumers continue to say that businesses and brands that adopt new, more advanced technologies and innovations provide a better customer experience. Consumers 65 and older report the biggest percentage jump in preferring a brand that offers a convenient and easy digital experience.

Trust Makes Innovation Happen

While innovation leaders claim the widest breadth of innovation capabilities, one key factor sets the foundation for them to exploit all that inventive potential—trust.

Executives most often define trust as being associated with reliability and dependability, having ethical values, and engaging in open and honest communication. And 82% of them—including 95% of innovation leaders—say high levels of customer trust make it easier for a company to innovate. Eighty-eight percent of all executives surveyed say high levels of employee trust also make innovation easier.

"Without trust you get pressure, meaning you're always being assessed beyond what is normal, and with pressure you do not innovate," says TMI Group's Barbosa. "You need an environment in which you believe you are trusted to

FIGURE 3

Businesses and Consumers Prioritize Different Types of Innovation

Few businesses recognize that personal health and safety top the consumer agenda.

Source: Harvard Business Review Analytic Services survey, January 2022

“You need an environment in which you believe you are trusted to explore new ideas and opportunities, and in which individual contributions will be recognized. This promotes creative thinking and collaboration, as well as open innovation across the value chain.”

Louis Barbosa, chief operations officer for TMI Group

Eighty-four percent of executives say their organization puts a high priority on building trust among customers, and the same percentage say their organization makes a significant effort to build that trust.

explore new ideas and opportunities, and in which individual contributions will be recognized. This promotes creative thinking and collaboration, as well as open innovation across the value chain."

Eighty-four percent of executives say their organization puts a high priority on building trust among customers, and the same percentage say their organization makes a significant effort to build that trust. Leaders take this trust mandate to another level, however—97% place a high priority on building trust with customers versus 71% of laggards. Leaders also are much more likely to work hard at building trust, with 96% making a significant effort, versus 68% of laggards.

Executives see great value in winning the trust of customers—as well as the trust of employees, investors, and other stakeholders—for a wide range of reasons, including trust's role in making it easier for organizations to innovate.

"Businesses that innovate well can do so because they've spent a lot of time building trust with the consumer," says Peter Andrews, director, consumer rights, innovation, and impact, at Consumers International, an organization of more than 200 consumer groups in more than 100 countries. "To some degree, that's because time spent building trust is often time spent understanding the consumer, and understanding the consumer is critical for understanding what types of innovation are going to be useful."

Purpose Can Play a Role in Building Trust

Curiously enough, leaders are less likely than other businesses to emphasize reliability and dependability as the basic ingredients to building trust, perhaps considering it a given. But they are more likely to cite ethical values as being important.

Unilever's Wright argues, for example, that companies can make their business fit for the future when they convey some purpose as well as turn a profit. "In our case, our purpose is to make sustainable living commonplace and be the leader in sustainable business," Wright says. "Our belief is that having an ethical purpose helps businesses build trust not only with consumers but also with governments, non-governmental organizations, and partners—and to grow more successfully. Crucially, we don't see purpose as a substitute for fantastic quality products at the right price. We're single-mindedly focused on performance but believe a sustainable business is a profitable one, as consumers increasingly demand more of our brands and what they stand for."

Indeed, when companies appear to be focused solely on profit, says Consumers International's Andrews, it can erode trust and make it more difficult to innovate.

"Businesses sometimes view social and environmental issues as constraints," he says, "but many of the leaders on these issues recognize that meeting the growing consumer expectations in these areas can provide competitive advantage and greater social license to innovate."

Trust-building beyond Products and Services

Consumers have made it clear they want businesses to protect their data and privacy, and among some age groups, that sentiment is growing. While survey results showed in years past that young adults worried less than older adults about this priority, that disparity has begun to shrink, with 53% of consumers ages 18 to 24 strongly agreeing that it is "very important," up from 44% in 2020.

The increasing importance consumers attach to data and privacy issues lends currency to what academics and others who've studied trust already agree on, namely that building trust is about more than just delivering good products and services. Harvard Business School's Frei says organizations must act with authenticity and logic—in line with what they say and in a way that makes sense to the customer, in other words—and with empathy for the customer. Meanwhile, Wilson agrees with executive coach, consultant, and author Charles Feltman, who in *The Thin Book of Trust* argues that organizations build trust when they act with sincerity, reliability, competence, and care.[1]

Consumers mostly agree that businesses place a high degree of importance on gaining their trust, although different age groups view this issue differently. Seventy-five percent of consumers say trusting a brand is important when making a purchase, for example, but only 68% of those ages 18 to 24 feel that way, versus 80% of those 65 and older.

Many consumers contend that the degree to which they trust a business factors into their purchasing decisions, with 76% saying they won't purchase from organizations they don't trust. What's more, 66% say they would be willing to pay more to a brand they trust.

There is evidence these trust evaluations can be nuanced, with consumers weighing multiple factors before deciding to pull out their wallet. For example, 63% of consumers say they'll favor organizations that act on causes the consumer cares about, and even more say they'll buy from organizations that can demonstrate they showed care and concern for both customers (72%) and employees (70%) during the pandemic.

The clear implication of all these findings is that organizations need to have a clear track record of deeds around trust, not just words, if they want to influence purchasing decisions as positively as possible. In fact, more than three-quarters of consumers agree that trust is built more by behavior than communications.

"Don't think trust is just about transparency," cautions ING's Buitenhek. "Trust is built first on the ability to deliver what the customer wants and needs and what your organization has promised. Trust is the essence of what we're doing as a bank, and we need to earn that trust every day."

Trust's Rewards Include Customer Loyalty

While the rewards of building customer trust are many, businesses most often say it improves customer retention and loyalty (71% agree) and the customer experience (58%). Leaders are more likely to also see trust having a positive impact on innovation. Nearly a third of leaders (32%) say high

INDUSTRY INSIGHT

Unilever Sees Tight Ties between Trust and Innovation

Like any big consumer products company, London-based Unilever plc faces challenges in staying close to its customers. Consumers don't shop in Unilever stores or, in most countries, buy directly from Unilever online. As part of its innovation agenda, then, Unilever looks for ways to build connections with customers and win their trust—in its brands, its product, and the way it does business. And because it is highly dependent on an ecosystem of distributors, merchants, and other business partners, it works hard to build trust with them, too.

"While product innovation is clearly important to meet consumer needs, we also look to innovate in ways that build relationships with our customers," says Richard Wright, behavioral science director at Unilever. "Route to market, including digital routes to digital market, or e-commerce, are extremely important for us in terms of innovation."

One way Unilever engages with consumers is via Mumsnet, a U.K.-based online network for parents. In 2016, Unilever won two awards from the organization. The Internal Innovation Award recognized the company's family-friendly benefits program for employees. A second award, the Customer-Facing Innovation Award, recognized the company's Dove: Self-Esteem Project, which provides self-esteem education for children ages 8 to 17.

A big part of Unilever's efforts to build trust with consumers, Wright says, centers on its commitment to sustainability—which in turn drives innovation, especially in the battle against climate change. Recent innovation examples include launching the first paper-based laundry detergent bottle and the Dove brand's refillable, reusable deodorant.

"Having a license to operate requires that you do something in the world rather than just be a bystander," Wright says. "That means our brands need an authentic purpose, and that purpose needs to be aligned with our sustainability commitments. When we look at the performance of our biggest and best brands, our purpose-driven brands are accelerating their rates of growth."

To be sure, Wright says, organizations need to build trust with multiple stakeholders: customers, non-government organizations, shareholders, and employees. When faced with competing interests, actions must be consistent with a core set of values. "If you were to act in ways that went against your values," he says, "that could undermine trust pretty quickly."

In part to build trust, Unilever communicates often about its commitment to sustainability, and seeks to be as honest as possible about its achievements and challenges in that area.

"We take strong positions on some challenging subjects, but they are our beliefs," Wright says. "We strive to be authentic in everything we do."

"Trust is built first on the ability to deliver what the customer wants and needs and what your organization has promised," says Mark Buitenhek, global head of transaction services at ING Group.

levels of customer trust lead to superior product innovation, for example, versus 17% of followers and just 13% of laggards.

"If your competitors do not have the customer's trust and you do, it gives you an enormous head start in everything from experimenting to being forgiven for mistakes," says Buitenhek. "It also helps build long-term relationships, which means people tend to spend and do more with you."

The consumer survey shows that the stresses of the pandemic do not appear to have had a terrible impact on consumer trust. Thirty-nine percent of consumers say their trust in business went up over the past two years, while only 12% say it went down.

Wilson notes that trust isn't absolute, and that perceptions of trust can vary from person to person. One consumer might be willing to buy from an online retailer because she trusts that it is reliable and competent, for example, even if she doesn't trust that the retailer cares about her or the issues important to her. Another consumer might avoid doing business with that retailer because for her, the retailer's lack of care about other issues—the environment, say, or equality—is disqualifying. The more precisely a business understands its customers, then, and the more granular that understanding, the better its chances of building trust.

Employees' Trust Also Confers Innovation Benefits

Businesses associate gaining the trust of employees with a wide range of benefits, too. Beyond facilitating innovation, employee trust is seen as heightening employee engagement and improving productivity.

"There are sentiment and achievement benefits," says Frei. "The sentiment benefits relate to employee engagement. If you can build trust with your employees, you can typically get a two times to five times improvement on engagement. We see similar improvements on the achievement side with whatever financial metrics a company may be tracking."

"If employees don't trust you—if they don't believe you have their best interest in mind and the customer's best interest in mind—they may be reluctant to adopt changes you're trying to make," adds Buitenhek. "It's going to be harder to get them to follow where you want to go."

Dirk Kruse, CEO of SAP Fioneer, a Walldorf, Germany-based provider of financial services software and platforms that was spun off from German software maker SAP SE in 2021, notes that having the trust of employees also is important to attracting and retaining talent. Workers who don't trust their employer, this argument goes, aren't likely to feel much loyalty toward it. That not only negatively impacts the organization's ability to innovate, Kruse says, but also makes employees more likely to move to another organization. "Employees have a choice," Buitenhek says. "They can walk away."

Leaders again distinguish themselves from their peers on employee trust just as they do with customer trust, namely because trust in both instances is perceived to be an innovation enabler. Thirty-seven percent of leaders say employee trust allows innovation to occur more effectively versus 29% of followers and 28% of laggards.

At McLean, Va.-based Mars Inc., a snacks and treats manufacturer, employees who pursue innovation can be recognized for it even when they fail, under the assumption that employees need license to experiment and that stopping a project in a timely fashion can keep the company from throwing good money after bad.

"Trust is incredibly important to allowing teams to know they can challenge the status quo, do things differently, stretch into places, and get us into those disruptive spaces," says Nicole Umana, Mars' global agile innovation human intelligence officer. "When people trust each other, they can make decisions quickly and take risks knowing that it's okay to fail."

The most commonly cited benefit of gaining the trust of stakeholders other than customers and employees, such as investors and regulators, is that it gives brands more authenticity and credibility. But 83% of all executives—including 94% of those employed by leaders—also say that high levels of stakeholder trust are essential to gaining the money needed to support innovation.

"In the presence of trust, the people who control funding—investors, boards, senior management—are more likely to give you the money and resources you need to do your work and won't be constantly relitigating with you," says Frei. "In the absence of trust, those groups will micromanage everything you do, which will not lead to good outcomes. The presence of trust leads to greater innovation at greater speed."

Trust also can be important when dealing with regulators. Western Union's McGranahan points out that when regulators trust an organization, they are more likely to be receptive when it proposes a new way of doing something.

"When people trust each other, they can make decisions quickly and take risks knowing that it's okay to fail," says Nicole Umana, Mars' global agile innovation human intelligence officer.

"In our business, if you're not a trustworthy entity, if you had trouble with the regulators, if you violated money transmission laws or acts, they may be hesitant to consider your ideas for new ways of doing things," McGranahan says. "If you have a clean record and advocate for your clients' interests and protect them, regulators are more likely to see you as a partner and trust you."

Ultimately, McGranahan says, "trust makes innovation enormously easier."

Finally, trust can be important to building critical partnerships with suppliers, vendors, and other organizations.

"What my team and I build at Meta Financial Technologies is dependent on a third-party ecosystem of other companies and services who are building with us," says Porter. "It requires deep collaboration and open, honest, direct conversations around opportunities and challenges. It requires being transparent about how your product works, what it will deliver, and, if something's not working, how you're going to fix it. Trust is the cornerstone of how we're successful around the world."

Leaders Use Ethics and Transparency to Build Trust

As noted, innovation leaders distinguish themselves from laggards in how they define trust and try to build it. Overall, executives are most likely to identify reliability and dependability as the key components of trust—64% cite it—followed closely by open and honest communications (63%) and having ethical values (also 63%). But leaders are significantly more likely to prioritize ethical values, open and honest communications, moral behavior, and consistency in purpose and priorities.

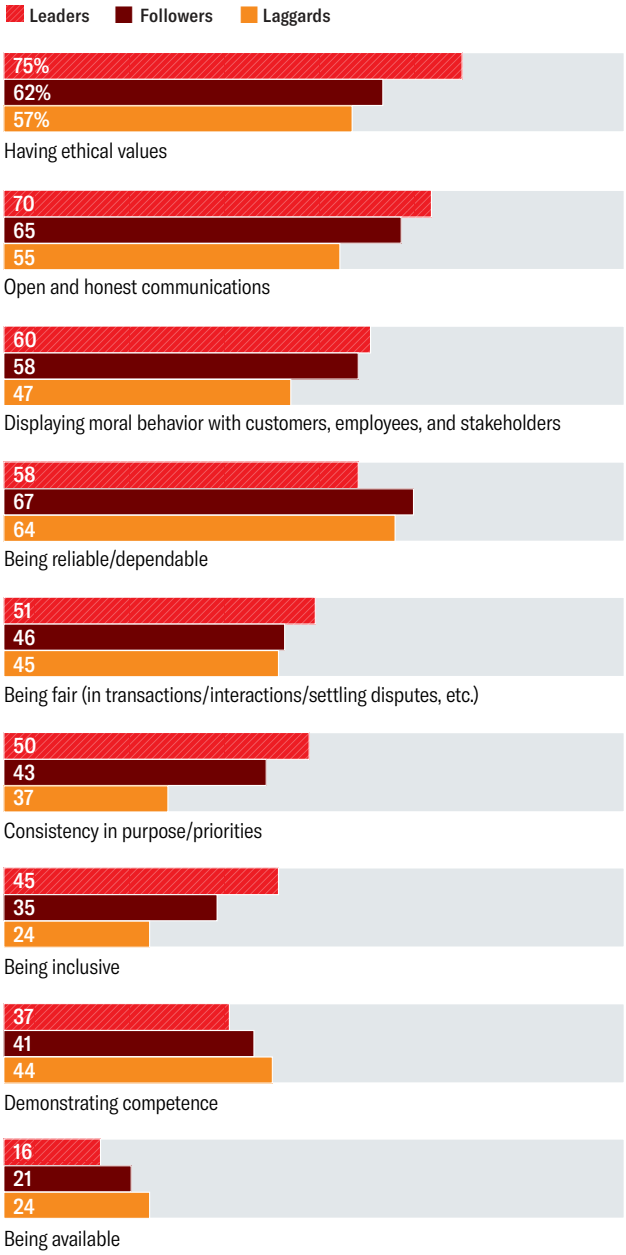
Leaders prioritize most aspects of trust more than their peers, too. And they are significantly more likely to count being inclusive as a component of building trust, with 45% saying it is important, versus 35% of followers and 24% of laggards. **FIGURE 4**

FIGURE 4

Leaders Emphasize Ethics, Honesty, and Moral Behavior

Innovation leaders see ethical and moral behavior as the key to building trust.

How does your organization interpret the word "trust" as it relates to gaining the trust of customers, employees, and other stakeholders?

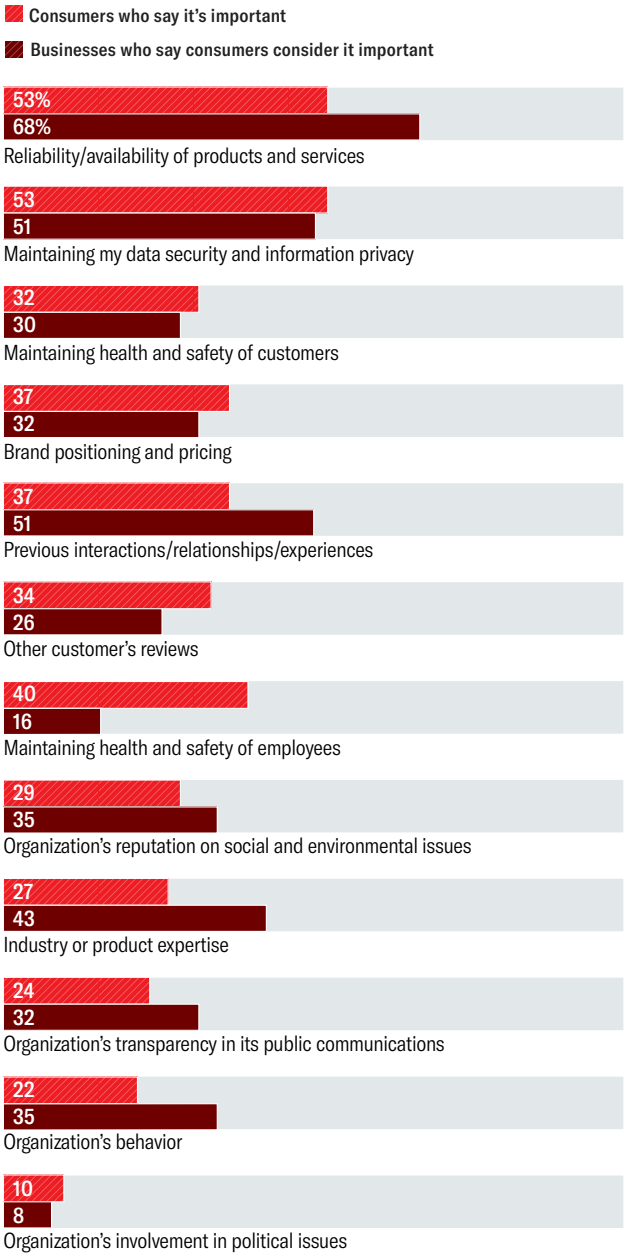


Source: Harvard Business Review Analytic Services survey, January 2022

FIGURE 5

Businesses and Consumers Mostly Align on Trust Issues

Both find product and service reliability and security and privacy issues most important.



Source: Harvard Business Review Analytic Services survey, January 2022

Although executives sometimes misunderstand what types of innovations consumers value most, they generally grasp how consumers think about trust. Both executives and consumers cite the reliability and availability of services more than anything else as being an important element of trust (68% of executives and 53% of consumers), and both assign a high weighting to data security and information privacy and previous interactions, relationships, and experiences.

Overall, consumers tend to assign less importance to most trust issues than executives think they do. And in some instances, there are material divergences. For example, 51% of executives believe consumers place a high degree of significance on their previous interactions, relationships, and experiences with a business, but only 37% of consumers say that's actually important to them. **FIGURE 5**

Engendering trust can require different approaches, depending on the audience. Maintaining data security and privacy, along with product or service reliability and health/safety concerns, are more important to older consumers than younger consumers, for example. Conversely, younger consumers are more likely to take other customers' reviews into consideration when deciding whether to trust an organization.

The Importance of Measuring Trust

Measuring the degree to which customers and employees trust a brand or business can be difficult, dependent either on customers self-reporting in surveys or on teasing out inferences from traditional business metrics around sales, which can be influenced by a vast range of factors beyond trust.

"Continued sales are not enough to measure trust," cautions Andrews. "There will be certain situations where market constraints dictate that consumers have little choice in what they purchase. There are various organizations out there that measure trust for businesses, to varying degrees of success. A critical first step for all businesses is ensuring they are meeting the legitimate needs of consumers, as outlined in the United Nations Guidelines for Consumer Protection. Building a safer, fairer, and sustainable marketplace will benefit all stakeholders."

In fact, only 21% of executives say their organization specifically conducts a trust assessment as part of either an established recruitment assessment for employees or via customer sentiment analysis. However, leaders are much more likely to formally assess trust in one of those ways—38% say they do, versus 22% of followers and 10% of laggards.

"It's not easy, but we have in place both customer surveys and employee surveys intended to measure, among other parameters, the level of trust they have in us or our reputation," says Bormioli Pharma's Sentimenti.

Not everybody sees measuring trust as all that challenging, however. Frei says the global communications firm Edelman

Only 21% of executives say their organization specifically conducts a trust assessment as part of either an established recruitment assessment for employees or via customer sentiment analysis.

does a good job of tracking trust through its annual Edelman Trust Barometer survey, which it's been conducting for more than 20 years.

"Edelman brings the most precision to measuring trust, but even for the rest of us, I don't think it's terribly difficult to uncover the presence or absence of trust," Frei says. "If you just went into an organization and talked to the employees, or if you randomly picked five customers and talked to them, I don't think it would take you all day—literally, not even a day—to find out how they feel."

Advice for Building—or Rebuilding—Trust

Executives and academics who provided insights for this report offer 10 tips for building—or rebuilding—trust.

Understand your customers. "Start an open discussion with your customers, learn what is important to them, assess your capabilities and core competencies to figure out where you can make a difference, and then work obsessively to deliver on those capabilities and set yourself apart from the competition," says Sentimenti. Mars' Umana agrees: "Consistently delivering the best-quality product or service you can deliver, and providing value to the customer, allows you to keep the flywheel of trust going and fuels ongoing growth."

Lean into purpose to deliver a positive impact. When customers and other stakeholders believe an organization is prioritizing the welfare of others, it reinforces the notion that the organization isn't putting self-interest above all else. That selflessness can drive trust. "We really lean into our purpose, which recognizes that creating the world we want tomorrow starts with how we do business today," says Mars' Umana. "We build positive impact as much as we can into everything we do, and we think that makes others more receptive to the new ideas and new products we bring to market."

Innovate to win trust and win trust to innovate. The first Business Innovators Index survey in 2019 found that many consumers prize innovation—48% said they assigned a high priority to the continual development of new products, services, and features, while only 5% reported it to be a low priority. This year's survey reveals the importance consumers now place on another kind of innovation—companies protecting their health and safety amid a global pandemic. But it also reveals that innovation is hard without the trust of customers, employees, and other stakeholders. In the end, then, trust and innovation are part of a self-reinforcing cycle in which companies must innovate to win trust and win trust to innovate. "Trust," says Andrews, "helps you grow."

Be transparent. Transparency helps show customers and other stakeholders that you're acting in the way you've advertised—in other words, that you are authentic. While it is important to customers, SAP Fioneer's Kruse notes that transparency also is important to meeting talent needs. Employees and potential new hires are putting their careers in their employer's hands, he explains, and they want to understand the vision to work toward, the employer's business model, and how it's executing on that model. Transparency also can be critical when an organization is looking for funding and resources to pursue new ideas. If the stakeholders making those funding decisions don't have sufficient insight into what the organization is trying to do, they may be reluctant to trust that resources will be spent wisely.

Don't underestimate the softer components of trust, like integrity and empathy. As Frei points out, empathy can be a foundational component of trust. If customers or employees don't believe your organization has the capacity to understand or feel what they are experiencing, within their frame of reference, they will find it hard to believe you have their best interests at heart—feeding a skepticism that can erode trust.

Diagnose broken trust accurately before trying to rebuild it. When trust is broken, it is critical to figure out the reason—a breach of authenticity, a failure of logic, perhaps a lack of empathy—and then respond accordingly. "If you make an accurate diagnosis, you can layer on the appropriate prescription," says Frei. "Otherwise, you may put in a lot of effort and actually make the problem worse."

Treat building or rebuilding trust like any other operational challenge. As with any business process, building trust requires planning, resources, measurable metrics, a willingness to correct course when something goes wrong, and a sustained commitment. "Remove any notion that trust is like a Faberge egg—so precious that if it is ever broken into

Like innovation, trust blossoms when companies prioritize it, develop strategies to build it, track metrics that can show them when and where to change course, and then consistently apply those learnings.

a million pieces, it can never be rebuilt," says Frei. "Trust is far more durable and resilient. Treat it like every other operational problem you have."

Build trust at every layer of the organization. "It's okay for the CEO to stand up and say, 'We will do this,'" says Wright. "But enabling change and innovation requires that you drive trust throughout the organization." Buitenhek agrees. "If your employees trust you," he says, "they're more likely to exude confidence and conviction in what they're doing, which will help build trust with customers and other stakeholders."

Position yourself as a partner, not a vendor. Positioning your organization as a partner of the customer, with skin in the game and a long-term interest in the customer's success, demonstrates an alignment that can help build trust. This approach can be especially important for business-to-business organizations. "Building trust means engaging on the journey rather than looking for a one-time quick success," says Kruse. "You need to be a partner, sitting at the table, listening, and contributing to future solutions. That's the basis for long-term partnerships and how we like to drive joint innovation projects with our clients."

Never take trust for granted. Business leaders and academics universally agree that trust can take months or years to build but an instant to lose. Organizations that take trust for granted—that assume their long record of success makes them immune to distrust—risk losing touch with their customers, employees, and other stakeholders and chipping away at the trust that reinforces their relationship. "Trust is something you need to work on every day," says Buitenhek.

Conclusion

Harvard Business Review Analytic Services' Business Innovators Index report in April 2021 captured a burst of innovation across the business world as companies scrambled to keep pace with changing customer behaviors and expectations in the wake of the Covid-19 pandemic. In the space of a few weeks, digital transformation moved from agenda item to survival tactic.

It would have been unrealistic to expect that pace of innovation to carry forward indefinitely. This year's index findings indicate as much, with the mean Business Innovators Index score dipping slightly to 62 from 63 a year earlier. That dip speaks not only to the natural rhythms of life, where rest follows action, but also to the very real challenge of continually anticipating where markets are heading and how customers' needs and values are evolving.

Even so, some innovation leaders have identified a way to tip the odds in their favor. Building trust among customers, employees, investors, business partners, and other stakeholders, they contend, can make innovation easier. Trusting customers are more likely to believe that a new product or service has been designed with their best interests in mind. Trusting employees are more likely to support new projects and new ways of working, confident that the company has their back. Trusting investors are more likely to fund innovation initiatives, and trusting partners are more likely to share insights and work through challenges.

Like innovation, trust blossoms when companies prioritize it, develop strategies to build it, track metrics that can show them when and where to change course, and then consistently apply those learnings not just over days and weeks but also over years and decades.

Trust, then, is the currency of innovation. Companies that invest in trust are in a very real sense also investing in innovation.

Endnotes

1 Feltman, Charles, *The Thin Book of Trust: An Essential Primer for Building Trust*, Thin Book Publishing, July 2021.

METHODOLOGY AND PARTICIPANT PROFILE

A total of 1,832 respondents drawn from the HBR audience of readers (magazine/enewsletter readers, customers, HBR.org users) completed the survey.

Size of Organization

42% 10,000 or more employees

33% 1,000- 9,999 employees

25% 100-999 employees

Seniority

22% Executive management/ board members

43% Senior management

24% Middle managers

11% Other grades

Key Industry Sectors

20% Technology

17% Financial services

14% Manufacturing

9% Pharma/med/ life sciences

7% Health care

All other sectors less than 8% each.

Job function

15% Operations/ product management

14% General/executive management

11% Sales/business development

10% Human resources/ training

9% IT/information management

8% Finance/risk

All other functions less than 8% each.

Regions

40% North America

24% Europe

22% Asia Pacific

8% Middle East/Africa

7% South/Central America

Consumer Survey

A total of 10,711 respondents drawn from a global consumer research panel completed the survey.

Region

23% North America

24% Europe

29% Asia Pacific

10% Middle East/Africa

14% Mexico/South America

Age

16% 18–24

21% 25–34

21% 35-44

20% 45-54

22% 55+

Figures may not add up to 100% due to rounding.

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