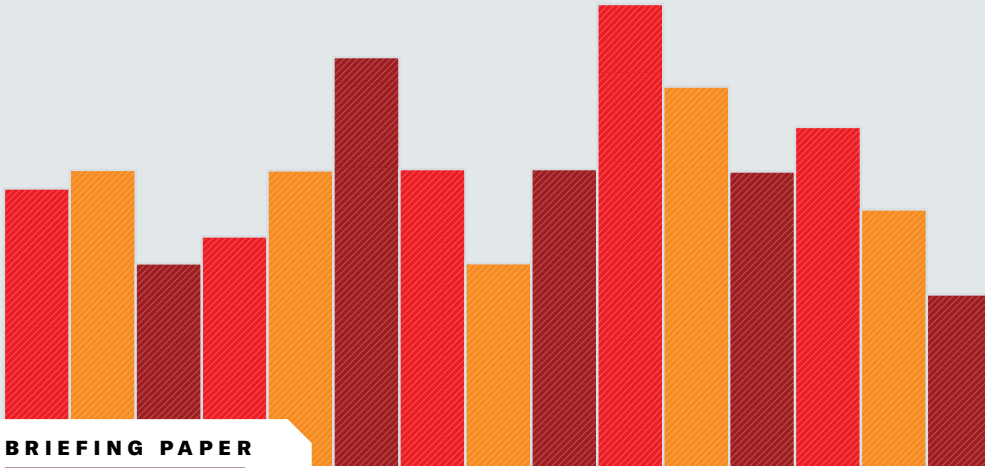




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BRIEFING PAPER

Raising Trust and Innovation Together in the Asia-Pacific Region



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Matthew Driver
Executive Vice President,
Head of Services, Asia Pacific
Mastercard

Trust is the bedrock upon which innovation thrives; it forms the cornerstone of successful corporate cultures, granting companies the freedom to venture into uncharted territories and experiment with novel ideas. The Business Innovators Index 2023 delves into the intricate web of trust, exploring the myriad factors that forge unshakable connections between customers, employees, and stakeholders. This comprehensive report illuminates the symbiotic relationship between trust and innovation, unraveling the profound impact of trust on the evolution of business in the Asia-Pacific (APAC) region.

At its core, trust operates on multiple levels, serving as the catalyst for transformative change. When customers trust a business, it empowers the organization to pioneer groundbreaking initiatives, embracing risk to craft new products and refine existing ones. Simultaneously, an organization with strong levels of employee trust is well placed to foster an environment of innovation, as individuals have the confidence that they are supported by their firm, their management, and their colleagues, so they are more likely to seize opportunities to innovate and challenge the status quo and, in the process, risk a degree of failure without fear. Employees armed with this confidence become the architects of innovation, exploring uncharted territories and envisioning unparalleled solutions. This creates a virtuous cycle between trust and innovation, as successful innovations not only fuel a continuous cycle of improvement and enhance customer experiences but also fortify trust and confidence within and beyond the organization, propelling businesses toward unprecedented heights of success.

However, just as trust and innovation strengthen each other, dissolution of one also impacts the other. Customers, employees, and stakeholders tend to lose trust in businesses that fail to innovate. And this lack of trust further prevents businesses from taking risks to invent new solutions—creating both a virtuous

and vicious circle. Innovation is of great importance to APAC businesses. While businesses in the APAC region are embracing rapid digitization, furthered by the impact of the Covid-19 pandemic, they also recognize the importance of human touch to foster trust among customers amid this transition. According to our survey, APAC businesses feel that installing innovative digital tools while making sure relationship building and strong human contact are central is essential to raise customer trust.

Pushing ahead of the competition and gaining customer trust will require APAC businesses to bring forth innovations that feature a digital-first framework without compromising on the human element.

Customer-centric approaches to data security and privacy take precedence in gaining customer trust and loyalty in a rapidly evolving digital world. Building on that, Mastercard has adapted a “privacy-by-design” approach to cultivate a culture of data privacy and access across the organization. We are also making progress in enhancing our personalization capabilities with ethical artificial intelligence to build an ecosystem that delivers a hyper-personalized experience. With principles of forward thinking and inclusivity embedded in our every move, we strive for breakthroughs that make the world thrive.

The findings of this report emphasize how several traditional brick-and-mortar APAC organizations have embraced the digital to optimize their operations and gain deeper trust from their customers as well as employees and other stakeholders. I hope these findings prove to be useful insights to drive more digital innovations laced with optimum data privacy and security measures across the APAC region and globally. It is by keeping transparency, data protection, and accountability at the forefront that businesses can gain deeper customer trust—the ultimate license to innovate.

Raising Trust and Innovation Together in the Asia-Pacific Region

To push ahead of competitors, companies across the Asia-Pacific (APAC) region need a license to innovate—from their customers, employees, and other stakeholders. This license is earned in the form of trust, a fundamental enabler of innovation for businesses. In turn, successful innovation drives further trust among stakeholders.

Trust and innovation stand in mutual support, according to George Wang, senior vice president for information technology at Singapore Airlines. “The high level of trust from our customers, employees, and stakeholders motivates and enables us to innovate and enhance our productivity, efficiency, and customer service. In turn, our innovations reinforce trust from our stakeholders,” he says. “So, trust and innovation come together and strengthen each other.”

Deep trust is achieved through consistent performance over a long period, and its advantages range from customer loyalty to the retention of top employees. During the Covid-19 pandemic, APAC organizations recovered and thrived, enabled by the stakeholder trust that they continually worked to accrue. For some organizations, the pandemic fueled innovation, while others were already incorporating artificial intelligence (AI) and deep learning in their products and services. Yet a number of organizations caution against forgetting the importance of human contact while undergoing a digital transformation journey.

This report will explore how APAC companies are innovating and increasing trust among customers, employees, and other stakeholders and how trust, in turn, is fueling their innovation agenda. It will also examine the challenges APAC organizations face when trying to innovate and inspire trust, and how they are overcoming them.

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HIGHLIGHTS

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This license is **earned in the form of trust**, a fundamental enabler of innovation for businesses.

Among APAC companies, raising stakeholder trust requires **installing innovative digital tools** while ensuring that technology does not simply replace people and that the **business stays focused on strong human contact and relationship building**.

people and that the business stays focused on strong human contact and relationship building. Other means of building trust include refining processes to increase productivity and stakeholder satisfaction, offering personalized feedback at scale, providing outstanding data governance—and more.

“Trust in us was gradually built through many years of service and experience in intentionally delivering the best for a customer,” says Wang, reflecting on the constant thought and innovation required to instill trust.

Finding the Essence of Trust

Dr. Ton Chirathivat is president of Thailand’s most prominent digital lifestyle and loyalty platform, The 1, a business under Central Group, which consists of a range of diverse Thai and international corporate investments in retail, property development, brand management, hospitality, food and beverage, and digital lifestyle. For Chirathivat, trust is the extent to which one party is willing to bypass scrutiny based on the other’s perceived credibility.

Deep trust, such as customers’ profound trust in an organization, may take a long time to earn, according to Chirathivat. “As a company under Central Group, which is 75 years old, we have a generational advantage in trust,” he explains. “Our legacy is a key competitive advantage. Many of our customers shopped with us in the company of their parents when they were kids, and even their grandparents shopped with us.” But trust should never be taken for granted, he points out. “The new generation is more digital, they value more options, and they’re attentive to trends,” he adds. “Keeping their trust and loyalty is something we’re thinking about.”

Reflecting on trust within a team, Chirathivat offers the example of a leader who trusts an employee. Such trust means that instead of micromanaging, the leader can set a direction and provide support, and the employee is free to set their own initiatives within the given framework.

Trustworthy businesses are able to attract and retain the best employees, notes Dr. Shiwangi Singh, assistant professor in Strategic Management Area at the Indian Institute of Management Ranchi. “Employee retention is a major concern at a time when talented employees are leaving their organizations for better growth prospects,” says Singh. “When employees feel valued in a trustworthy organization, they are willing to contribute to the growth of the company.”

The pandemic placed new demands on organizations, and for many in the APAC region, digital transformation had not been core to their strategy before Covid-19 occurred. “We were a traditional brick-and-mortar organization, and e-commerce was never our advantage,” says The 1’s Chirathivat. “We were quite young in our e-commerce journey when the pandemic hit. In the beginning, it was really tough to respond all at once



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to new requirements in service, shipping, restocking, online traffic capacity, and so on. And of our 70,000 staff, 99% of them were offline.”

Chirathivat describes the rapid digital turnaround required. “We had to introduce new sales channels, some of them within a month,” he recalls. “Our retail innovations included the use of chat programs for our customers to speak directly with our store associates, personal shoppers, and drive-through services. Some of these innovations remained popular as the crisis receded.”

Yet even some APAC companies that have long embraced digital transformation continue to see the value of face-to-face interaction when it comes to maintaining trust or building it. Consider Chinese conglomerate Ping An Group. “Ping An is the largest life insurance player in China, and by some measures in the world—and our model is still agent based,” notes Jonathan Larsen, chief innovation officer for Ping An and chairman and CEO of Ping An Global Voyager Fund, an investor in growth-stage fintech, digital health, and related businesses. “Even though there are pieces of the value proposition we can sell online, we still find that the face-to-face agency consultation process is productive. We believe it’s still going to be part of the business model for a long time to come.”

Tse Koon Shee, group head of consumer banking and wealth management at Singapore’s DBS Bank, affirms how important human contact is to maintaining customer trust. Although more than 90% of DBS Bank’s transactions today are digital, the company recognizes that banking requires interacting with people for certain products and services,

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such as buying insurance or refinancing a home. “Customers still need to engage with human beings because of regulation, responsibility, and trust,” he says.

Even where engagement is digital, it can be crucial to include person-to-person interaction, albeit mediated by technology, to maintain trust. During the pandemic, Shee says, DBS Bank recognized the importance of customer interaction with human agents. “We instituted a tele-advisory service where our financial planners meet and chat with customers online, and the resulting documents are then signed digitally,” he explains. “At the same time, we transformed a third of our traditional physical branches to contain virtual teller machines, where one can interact with tellers online.”

Innovation via Broad Ownership and Smart Processes


The APAC region places great importance on innovation. A Harvard Business Review Analytic Services survey in March 2022 found that 56% of APAC respondents rate innovation as a very high priority for their organization. Twenty-five percent of APAC respondents to the Harvard Business Review Analytic Services survey regard their organization as a leader in its industry—a rate higher than for respondents in Europe, North America, or Latin America. In addition, 41% of APAC respondents report an organizational focus on innovation areas, including digital and online tools for employees, and

46% are focused on achieving greater access to reliable data to inform business decisions. Both rates are higher than those of respondents in Europe, North America, or Latin America.

But the challenge when it comes to innovation is time investment, internal ownership, and risk tolerance. Again, trust is an element important to meeting this challenge. “Strong trust from employees enabled us to go through the pandemic together, emerging with a very robust recovery,” says Singapore Airlines’ Wang. “And mutual trust between company and employees means that the company trusts staff to do the right thing, and staff are willing to join initiatives for innovation.”

The importance APAC organizations place on innovation has them taking various approaches to encourage it. The 1 has tried restructuring to promote innovation. “In recent years, we’ve tried reorganizing ourselves from teams who shared a function to squads that deal with a particular customer segment,” says Chirathivat. “For example, we have a squad dealing with VIP customers, containing members from marketing, data, and tech. This has stimulated many new ideas and a more customer-centric approach. With our agile mindset, we constantly strive to learn and enhance work efficiency. To achieve this, we have embraced a hybrid approach that integrates squad and functional formats.”

An across-the-enterprise approach is a key challenge at DBS Bank, Shee says. “We did not want innovation to be the responsibility of the innovation team,” he explains. “Rather,



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we wanted to have a startup culture for all 33,000 of our employees. So, we explained that the innovation team is *not* there to innovate but to embed innovation culture across the whole bank. We instituted a digitalization program for the entire bank, including topics like data science and gamification, to help embed innovation in every corner.”

A constant challenge is how to balance current priorities with investing time and effort in innovation beyond immediate needs, according to Wang. “Our innovation involves both a top-down and a bottom-up approach,” he says. “The top-down approach focuses on our business strategy and identifies the areas we want to address. The bottom-up approach is to engage with the passion and ideas of our employees.”

Wang describes a rigorous and productive process for turning ideas into products. “Prototypes are created. Then there’s a demo day where executives listen to pitches, see the prototypes, and decide whether to provide further funding for proofs of concept. And later there’s a decision whether to go to the product stage.”

One innovation that arose from this process is a training app that uses AI and natural language processing to help cabin crews improve their in-flight announcements. The app gives crew members instant feedback when they practice reading an announcement, including areas for improvement. “The crew can train with the app anywhere, anytime, and they really like it,” Wang notes. “They have greater confidence for the periodical assessment they take

on in-flight announcements—and, of course, confidence in actually making the announcements.”

Turning ideas into innovative products is not just a matter of following a rigorous process; it also calls for a sense of ownership, Larsen of Ping An Group points out. “There have to be owners who are carrying an idea through its many iterations and invested in its success or failure.”

Larsen accepts that not everything is going to work. Sometimes Ping An will have parallel initiatives, testing different approaches. “You don’t want lots of ideas that aren’t going anywhere—so you’ve got to be willing to kill things,” he asserts. “You’re much better off moving on and reinvesting the money than continuing to back your losers.”

It is unlikely for a disruptive product that threatens the existence of one of Ping An’s businesses to be built within that business, Larsen notes. “In such cases, we appoint entrepreneurial management, with a startup culture and equity for employees,” he explains. “Using that method, we’ve built a few quite successful platforms that would never have [otherwise] been built from within.”

Launching Leading-Edge Products

Innovation shapes customer expectations, which, in turn, drive further innovation, says the Indian Institute of Management’s Singh. “Take e-commerce platforms, like Alibaba and Amazon. They have completely transformed

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retail and have shaped the customer’s expectations,” she notes. “Or think of mobile banking apps, streaming services, or ridesharing—innovations that have transformed their markets, raising customer expectations for convenience and customization and forcing companies to innovate further. It’s a cyclical process.”

Innovations such as AI are enabling some APAC companies to broaden their markets and gain trust from new constituencies. DBS Bank is offering many more customers the same access to investment advisors and relationship managers that higher-net-worth customers have. “DBS Bank’s digital advisory service provides democratized access to basic financial advisory services, taking customers through individual budgeting and setting financial goals,” says Shee, the group executive.

The bank uses AI and machine learning to send customers hyper-personalized feedback and recommendations, dubbed “nudges,” that help them make better-informed financial planning or investment decisions. Every month, more than 5 million of the bank’s retail and wealth customers across the region engage with more than 45 million nudges. For Shee, the benefits of such an innovation are tangible. “We have seen customers who start the journey with negative monthly cash flow changing their cash flow to positive,” he adds.

DBS Bank has also set up social initiatives for small and medium-sized enterprises (SMEs). “During the pandemic, we provided collateral-free loans to SMEs to keep their cash flow going, working with government agencies,” Shee recalls. “The loans were digitally applied for, approved, disbursed, and serviced.” The previous three-day processing time was reduced to just one day. And the drive for efficiency continues: “In our new loan system, it takes one minute to apply for a loan, a second to approve, and zero human touch,” he explains.

Some leading innovations supplement greater efficiency with AI and machine learning. Larsen describes how Ping An incorporates advanced technology to speed up the insurance claims process. “As the world’s largest car insurer, we have a platform that allows customers to scan the damage to their car using their mobile phone camera. Our algorithm can identify the parts that are damaged, figure out which ones need to be replaced and which can be repaired, and cost the requirements. Then we settle with the customer in real time if the customer chooses to.” Ping An uses its platform for about 70% of its 15 million annual claims.

“Business is based on trust,” says Larsen. “If you’re a financial institution, the first thing that matters is your capital and liquidity. For an insurance company, it’s your willingness and ability to pay claims. If they’re not there, you have nothing.”

Ping An’s innovativeness is pivotal to its ability to engender trust in its customers. “For our auto insurance business, we have people on the ground in the big cities. If you have a serious



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accident, we will have someone on the ground with you in five minutes,” Larsen explains. “We’re using technology to make sure that someone is there to take care of you.”

Trust may be grounded in a long-term commitment to innovation. “In the past dozen years, we’ve pivoted the company to a tech-first approach, with many businesses where the order flow and customer interaction have been almost completely digitized,” says Larsen. “We have a large lending business that used to be branch based. Some years ago, we digitized it; we closed all 900 branches and completely redefined the value proposition.”

Winning Trust through Strong Data Governance

A drive for innovation may include a focus on cutting-edge data security and strong governance. When it comes to innovation, Harvard Business Review Analytic Services found that 80% of the Asia-based consumers surveyed agreed that information privacy and security are more important features than even ease of purchase.

Certainly, the desire to offer an integrated customer experience can bump into privacy requirements. “We’ve had to be thoughtful about how we integrate data in a way that’s compliant with regulations and respectful of data privacy requirements,” Larsen says. Ultimately, respect for customer



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data is bound up with the desire to warrant customers’ loyalty. The point is neatly made by Chirathivat: “Data protection is not just a regulatory issue but also a matter of trust.”

For Singapore Airlines, which has added ethical standards for the use of AI to its data governance framework, “considerations include transparency and ensuring that there is no bias,” Wang says. “We have also participated in discussions and testing of the AI ethics framework and tools put in place by the Singapore Ministry of Communications and Information’s Infocomm Media Development Authority.”

Transparency is also key to Singapore Airlines’ daily work with customers. “When something doesn’t happen as we want it to, we call it as it is,” says Wang. “If there are disruptions, we inform the customer and then help the customer to solve the issue. It’s not a pleasant situation—but we’re transparent about it, and we help them to deal with the problem.”

A crucial feature of transparency, for Singh, is speed. “You have to respond promptly to a customer concern, resolving problems in a timely and efficient manner. If there’s a public issue, you can’t take 10 days to respond. Being prompt is part of being transparent about your business practices.”

The importance of transparency and accountability is underscored by Shee. “If DBS Bank could have done something better, then we do take accountability and make good honestly. These actions engender trust from our customers. And when our employees see how we treat our customers, that builds their own confidence in the organization, as well.”

More broadly, Shee remarks that DBS Bank holds itself to high corporate governance standards. “We ensure that there’s competence, internal controls, appropriate risk culture. We have the mantra that we just do what is right,” he notes. “We are not innovating for its own sake but because we want to solve a real problem and to enrich lives and transform businesses. As we drive change, we make the commitment to leave no one behind. For instance, we run a series of digital workshops for the elderly, children, and youth. By getting them to embrace digital learning and by teaching financial planning tools and techniques, we continue to build trust and foster inclusivity.”

A board, too, needs to engender trust in stakeholders, according to Chirathivat. “Our board deals with every business in the group and all kinds of partners,” he says. “It’s very important that we keep the trust of all by being fair. If we did not maintain fair and balanced treatment, it could be quite disruptive, because some companies in the group compete for customers. We have to ensure that we do not sacrifice long-term considerations for short-term benefits.”

Conclusion

Trust and innovation rise or fall together. Trust from stakeholders is a license for innovative initiatives, and the success of these initiatives yields further trust via benefits such as greater efficiency and stronger customer service. Given



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the importance APAC organizations place on innovation, growing and maintaining trust is a strong focus of forward-thinking institutions.

Such an emphasis leads APAC organizations to work to inculcate a broad-based culture of innovation and a rigorous process for turning great ideas into products. And innovation requires raising trust from stakeholders through practices ranging from transparency, speed, and accountability to the pursuit of strong corporate governance and leading-edge data protection policies.

Given the benefits of trust, including the license it provides for innovation, leading APAC organizations nurture it with care. Wang, for instance, takes pride in Singapore Airlines’ attention to safety standards, service excellence, and product innovation. “That trust didn’t come easy,” he says. “We certainly don’t take it for granted.”



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