



# Sixth Annual Edelman Trust Barometer

A Global Study of Opinion Leaders



# Trust is the issue



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president emeritus of the  
Council on Foreign Relations

**Trust is the main reason** why George W. Bush defeated John F. Kerry; distrust is why anti-Americanism grows around the world and why traditional institutions such as government are losing public support here and abroad. And according to Edelman's sixth run at tracking this core attitude among "influentials" worldwide, trust is moving in ways and to places that are having a major effect on business. Industry leaders will have a lot to think about when they read this new study, which was expanded this year from six to eight

countries with the inclusion of Canada and Japan.

The biggest question is: Where is trust going? It looks to me from the survey that influentials (and probably people generally) have something like pots of trust. When they take trust out of one pot, they generally put it another. By this measure, the leaders who took the Edelman poll reflected a continued loss of trust in their own governments and other governments. What did they do with their past positive feelings? They deposited them into the nongovernmental organization pot and into the pots of peer group opinion. Influentials are looking for the views of people like themselves or from people and sources close to themselves. For example, the respondents seemed to put increasing stock in what they read on the internet, especially blogs. They also place more trust in news sources closer to home, like local papers or broadcasts, rather than national or international sources.

Does this suggest the increasing democratization of trust? Based on what we see from the survey these past two years, it seems so. More and more, people appear to reject or suspect "authorities." The only exceptions are NGOs. Although they may have axes to grind, somehow the public forgives or forgets that aspect and views them as acting in the public interest. There's a message here for political and business leaders.

What are the big-picture developments and trends in opinion that are affecting business? Most alarming is that Americans are holding steady their trust in themselves and things American at the very moment when non-Americans are becoming more negative

about the US government (read: Bush's policies), American culture, and, by association, businesses for which America is the "country of origin." A particularly worrisome finding that surfaced in 2004 continues into this year: The reputations of American corporations are being adversely affected by US policies and culture.

Negative attitudes toward the US in Britain and Canada are increasingly aligned with those of opinion leaders in France and Germany, while countries like Brazil and China seem to be more accepting of the US. If America and its traditional friends like Canada and the Europeans continue to grow apart, it will become even more difficult for leaders on both sides of the Atlantic to cooperate on critical issues such as trade, regulation, and drug pricing.

What should business leaders be focusing on as they read the new Edelman survey? First, they have to give hard thought to "leveling" their communications with stakeholders. By "leveling" I mean getting out the message to people and media that reach people directly. That means to the internet, blogs, and local media (including radio) and to doctors, academics, and trusted community leaders. People trust information if it comes from others like themselves.

Second, if business is to take cues from the substantial trust placed in NGOs, it must pay even more attention to corporate social responsibility and corporate philanthropy. The evidence suggests that people admire companies that serve the public and will reward those companies in the marketplace. But with this increased attention must come a new sensitivity to how CSR and corporate giving are perceived in different parts of the world. Americans expect businesses to make monetary donations; in developing countries, however, the expectation is that businesses will take a "roll up the sleeves" approach and help bring about practical solutions to local problems faced by infrastructure, environment, health, or education. Understanding the difference can make all the difference.

These questions and thoughts are only teasers. This year's survey is rich in past hints that became trends and new hints of problems and opportunities to come. And remember that trust, the ingredient being measured here, is not just any old thing – it is the thing. It is beyond liking and approval; it goes to the heart of the matter and the heart of the future.

“There is a divergence of views between the US, Brazil, and China versus Europe, Canada, and Japan. We believe global reputations can only be built by corporations that articulate a global narrative while empowering local operations to act within local market sensitivities.” —Richard Edelman

# The principles of building trust



Trust is the last word of political discourse, communications, and business. But from “food to oil” to weapons of mass destruction, from the pharmaceutical industry to the BBC to CBS News, people’s trust in long-established institutions and figures of authority has been significantly battered lately.

Over the past five years, Edelman has tracked the attitudes of opinion leaders around the world – which institutions, companies, brands, and sources of information they trust, what drives that trust – and we’ve found that this “trust void” is real and pervasive.

We see a substantial trust discount for American companies in Canada and Europe. This distrust goes beyond a dislike of the Bush administration to a more serious questioning of our culture as well as our values. Coca-Cola and McDonald’s are among the iconic companies that are half as trusted in Europe as they are in the US.

Fortunately, this discount is not necessarily permanent (companies such as Microsoft and Nike have been able to close the gap), nor is it universal: US companies are highly favored in the developing nations of China and Brazil. But as government leaders, CEOs, and marketers alike search for the magic elixir that can win back people’s trust, they should be aware that both the nature of trust and how it is earned have undergone a significant shift.

People are replacing their trust in traditional authorities with trust in each other. They create personalized “webs of trust,” cherry-picking information from sources and people they feel they relate to – colleagues, friends, family. And they now require multiple exposures to a message from a variety of sources before they will accept it.

This democratization of trust has surged with the rise of the internet. In the US over the past three years, the internet has grown to be third most turned-to source of trusted information after television and newspapers. Internet blogs are fast becoming trusted points of influence.

Since trust has changed, then, some new rules of engagement are needed to reestablish it:

**Sacrifice control and perfection of a message for speed and free-flowing discussion.** The paradox of transparency holds that companies benefit more

when they disclose fully what they know – bad or good – as soon as they know it. This is truer than ever. People want dialogue, and they don’t want to be left in the dark. If you don’t know something, tell them that too.

**Employees and “an average person like me” are more credible than CEOs.** Today’s successful companies build reputations from the inside out by engaging employees as advocates. Empower staff with information and you have a ready-made sales force. When communicating, CEOs should still take the lead but should employ classic, credible third parties (academics, experts) while engendering informal buzz from customers and colleagues. And with the rise in the credibility of the internet, companies would be wise to post news on their own websites, using streaming video and offering links to independent sites for further information.

**Recognize the necessity of corporate social responsibility.** CSR may have different meanings by market (in the US, it means philanthropy; in Germany, assuring proper treatment of the workforce), but the trend is clear. Globally, nongovernmental organizations are more trusted than governments, business, or media, so partnerships between public-interest groups and business can make for a clear advantage. This is now an issue for customers, communities, and employees alike. The rapid, generous response of the business community to the South Asian tsunami was a turning point.

**The most trusted media is local or national, not global.** The national television news station (BBC in the UK, NTV in Germany), the local newspaper, and the national business daily are key outlets. And while American companies abroad can still make use of universal imagery, they should “go local” whenever possible in how they present themselves to a foreign market, while always operating above minimum legal standards and expectations of behavior.

I share the viewpoint of Professor Joseph S. Nye Jr. of Harvard Business School, who said: “Power in an information age will come not just from strong hard power, but from strong sharing, [which] not only enhances the ability of others to cooperate with us but also increases their inclination to do so.” Filling the trust void should be a priority now and tomorrow.



Edelman’s 2005 Annual Trust Barometer has garnered significant media coverage, including the BBC, CNN, CNBC, the *Financial Times*, the *International Herald Tribune* and the *LA Times*.

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“While American companies abroad can still make use of universal imagery, they should ‘go local’ whenever possible in how they present themselves.”

# The state of trust

A scan of the information unearthed by Edelman's 2005 Annual Trust Barometer reveals trends both expected (Europeans are more cynical than their peers in North America and Asia) and unexpected (despite 2004's high-profile reporting scandals, trust in the media remains relatively consistent). Most compelling, however, is the confirmation of a trend first identified in last year's study: Even though trust in business seems to be on the upswing in most markets, American brands continue to suffer from a "trust discount" in Europe and Canada.

"Last year, we thought it was simply a matter of the Bush administration," says Edelman's president and chief executive officer, Richard Edelman. "But it reaches beyond politics to culture. People abroad don't love American companies and it has a lot to do with American culture and values."

Consider the numbers: Procter & Gamble is trusted by 74% of US thought leaders; the figure dips to 44% in Europe and 49% in Canada. Similarly, Nike is at 62% in the US and 37% in the UK. Food/beverage brands – notably McDonald's (58% in the US versus 25% in Europe and 35% in Canada) and Coca-Cola (69% in the US, 45% in Europe, and 46% in Canada) – have a particularly large trust gap to bridge. "As a brand, Coke was and is very tied up in the US lifestyle," Edelman notes.

Fifty-three percent of influencers in Europe say that a "company's country of origin" is "very influential" in their purchasing decisions. "Cultural identity" and "national government" are also influential in purchasing decisions. "The political and governmental positions the US has taken are obvious factors, but it cuts deeper than that," says Michael Deaver, Edelman's vice chairman, worldwide, and former Reagan administration deputy chief of staff.

Adds Jennifer Scott, president of StrategyOne: "There's always been an assumption by American companies that to go into another market and be American is really an asset. Maybe it's not as much of an asset as they thought."

Nobody is suggesting that the trust discount has affected sales of products made by US-based companies – at least not yet. "The US may not be liked and respected in some countries, but you go by a McDonald's in Europe at 3am and it's jammed," quips Deaver. But



Michael Deaver

the impact might be felt in other ways, perhaps in the ability of US firms to attract the best local talent, work effectively with local and regional governments, and respond during a crisis situation. "If a company has trust issues and then there's a crisis, it's a no-lose situation for the government of the country where it takes place to take on the American firm," Edelman notes.

All this isn't to say that the trust discount is handicapping US brands all over the globe. The survey data note that it doesn't exist in China and Brazil, developing economies that favor Western companies. Further, tech companies such as Microsoft and IBM are largely immune from any kind of geography bias, as users seem to focus on the technology products themselves rather than their country of origin. In fact, experts point to Microsoft as an example of a company that, through a concerted market-by-market effort, has been able to reverse negative perceptions abroad.

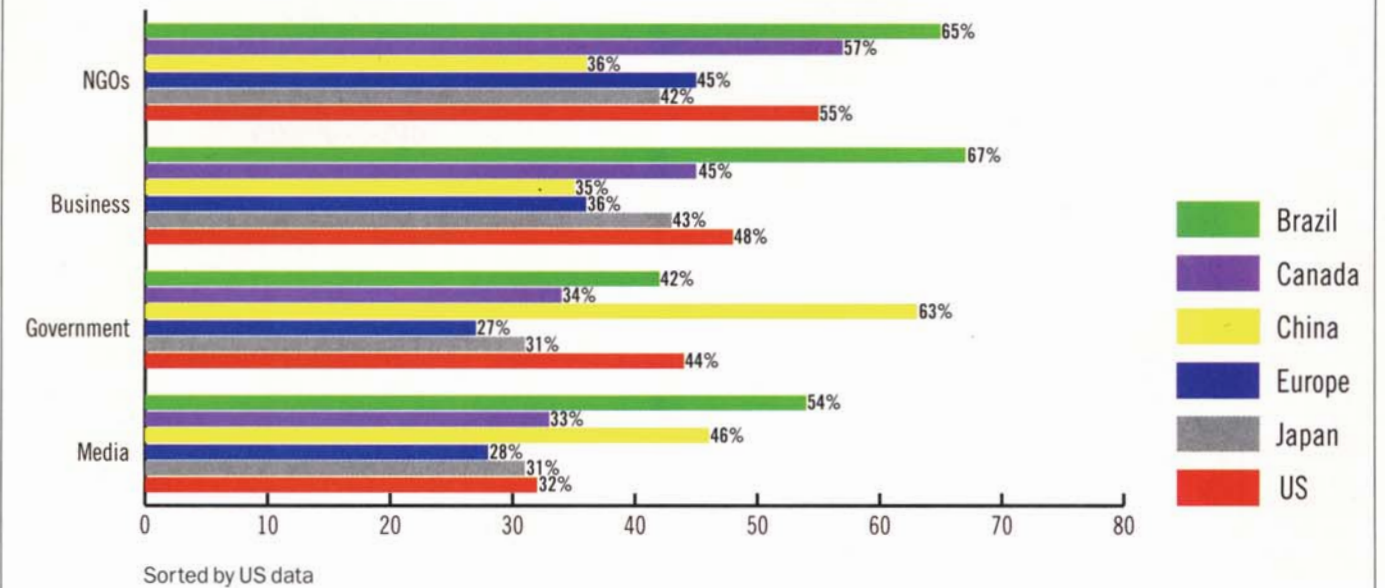
Once considered an arrogant monolith indifferent to public perception (not to mention the concerns of antitrust regulators), Microsoft set about finding and supporting technology firms in markets abroad. In France, the company matched job seekers with opportunities in the tech sector; in the UK, it went to great lengths to show how much of a UK-centric career opportunity it provided. By strengthening local associations and engaging with local technologists, Microsoft reversed negative perceptions and bolstered its trust among a wide range of audiences.

In terms of cultural identity, Microsoft grew its trust among European thought leaders from 44% to 61% between 2001 and 2005. Other companies that have counteracted the trust deficit in Europe through actions, changed policies, or some combination of the two include Ford Motor Company (trusted by 26% of thought leaders in

Trust in nongovernmental organizations has steadily increased in the US ('01 = 36% to '05 = 55%), joining Europe and Canada, where they are already regarded as the most trusted institution.

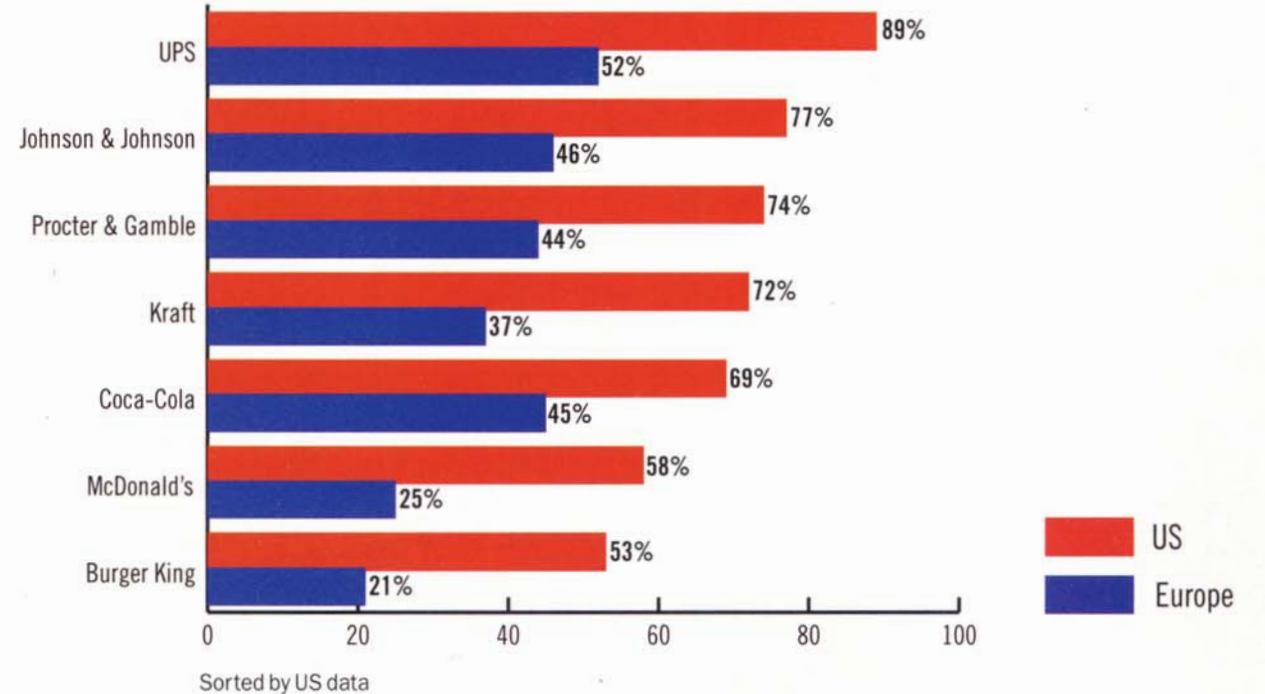
## Trust in institutions 2005: Global

How much do you TRUST each institution to do what is right?



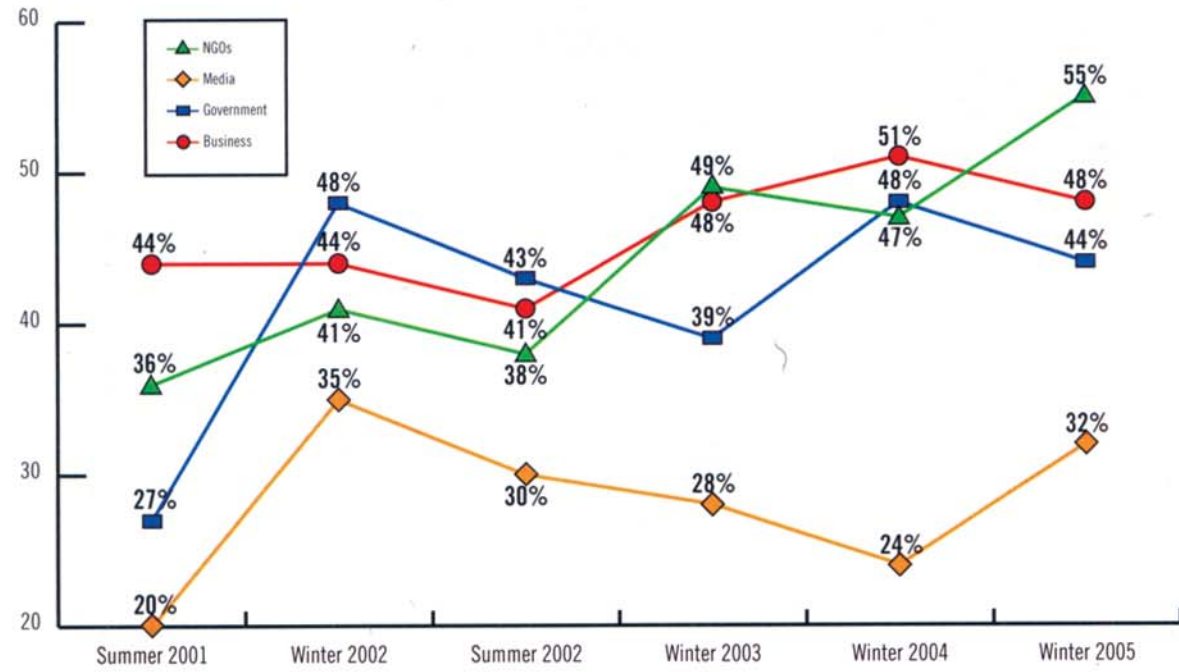
## US companies have a trust deficit in Europe

How much do you TRUST each company or organization to do what is right?



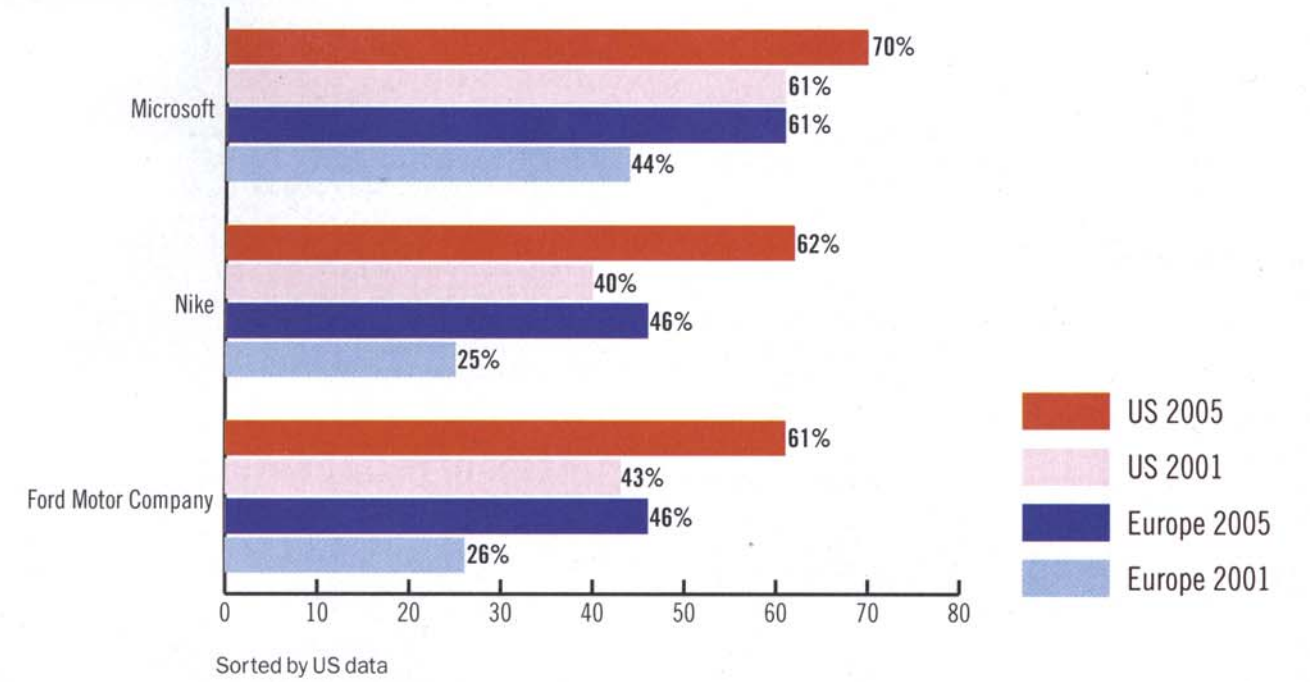
### US trust in institutions '01 - '05

How much do you TRUST each institution to do what is right?



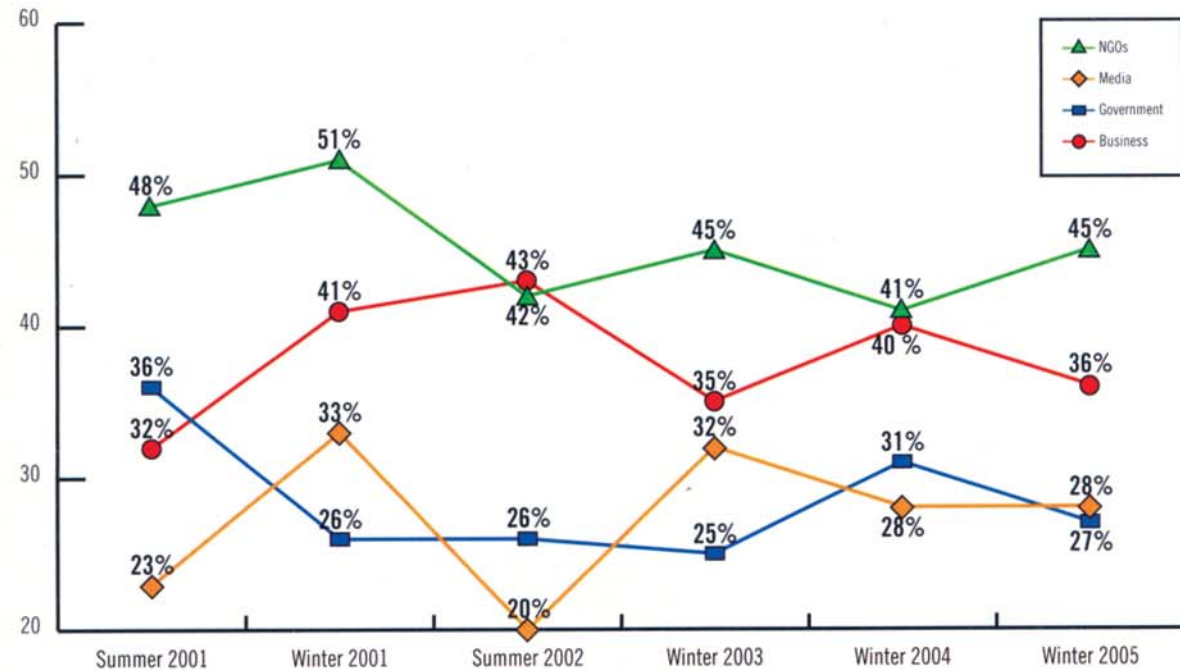
### US companies can rally in Europe

How much do you TRUST each company or organization to do what is right?



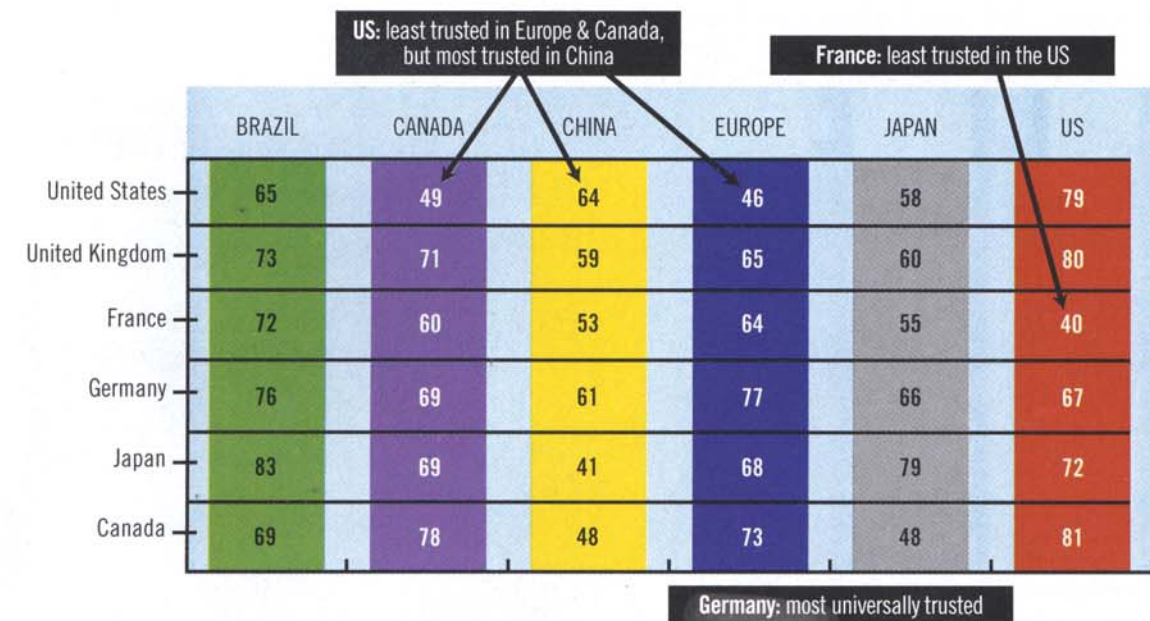
### European trust in institutions '01 - '05

How much do you TRUST each institution to do what is right?



### Trust in companies by country of origin

How much do you TRUST global companies headquartered in the following countries to do what is right?



2001, but 46% in 2005) and Nike (25% to 46%).

Additionally, the Trust Barometer doesn't reveal any "reverse" trust discount: There may be a drag on iconic American brands in Europe or Canada, but companies such as Nissan and Deutsche Bank are more trusted in the US than in their home markets. The reason for this is that these companies have done a considerably better job localizing their presence (hiring local leadership, more effectively bridging language and cultural differences) than have US companies abroad. "American companies have to do a better job of absorbing local patterns," says StrategyOne's Scott. "I think they're slowly coming around to it."

**Lessons for the Global Corporation**

Beyond the trust discount, the Trust Barometer data reveal a plethora of learnings for global corporations. Most striking are the differences of opinion between thought leaders in the US, China, and Brazil and those in Europe, Canada, and Japan. Forty-four percent of Americans trust government in general to do what is right, compared with 19% of Germans and 31% of Japanese. Americans also register higher levels of trust in business in general and NGOs than their European and Asian peers.

Asked to explain this, Deaver points to a fundamental difference in outlook. "By and large, Americans are optimistic," he notes, pointing to a quick rebound in trust in business post-Enron. "There was a dip, but Americans trusted that the government was doing something about the problems – investigations and indictments, new laws, etc. They felt there were mechanisms in place."

The Trust Barometer also reveals that trust in NGOs continues to grow in the US, with 55% of thought leaders trusting them to "do what is right" (compared with 48% for business in general and 32% for media in general). In Europe, NGOs have long been the most trusted institution.

"NGOs are moving closer to the center and they are seen as legitimate participants in civil discourse," notes Edelman's president, Asia Pacific, Alan VanderMolen. Adds John Quelch, Lincoln Filene Professor of Business Administration and senior associate dean for international development at Harvard Business School: "They're strong brands. They're more trusted than many corporations."

In fact, one could argue that NGOs are filling the trust void, so to speak. Since the advent of the Trust Barometer, there have been scandals that compromised trust in the church (priests and sex abuse), government (weapons of mass destruction), and the media (Jayson Blair/*The New York Times* and inaccuracies at the BBC), to say nothing of the Enron and Tyco affairs. "NGOs are the one institution that is perceived as being above it all," says Edelman.

This is not to say that they are universally trusted. Despite a small surge during the past year, Chinese thought leaders still have little trust in NGOs. This may be best understood in the context of the traditional tension between NGOs and countries with emerging economies. "They don't feel like NGOs understand economic realities," explains VanderMolen. "When NGOs push for developed-market environmental standards in these countries, for example, there's obviously going to be a fair share of market pushback."

**Impact of cultural identity and government on product purchases:**

32% of Europeans stated they are less likely to purchase US products because of American culture. In comparison, American culture makes people more likely to purchase US products in Japan (53%), China (56%), and Brazil (67%).

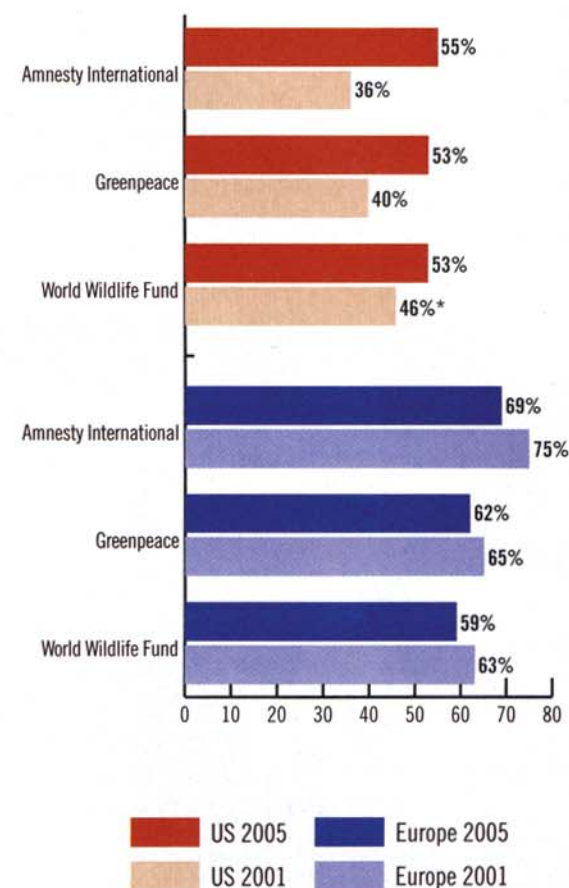
More than 40% of opinion leaders in Canada (41%), the UK (56%), France (61%), Germany (49%), and Brazil (42%) are "less likely" to purchase products because of the Bush administration.

48% of Chinese opinion leaders are less likely to purchase Japanese products because of the Koizumi government.

Opinion leaders in the UK (45%), Germany (36%), and the US (47%) are less likely to purchase French products because of the Chirac administration.

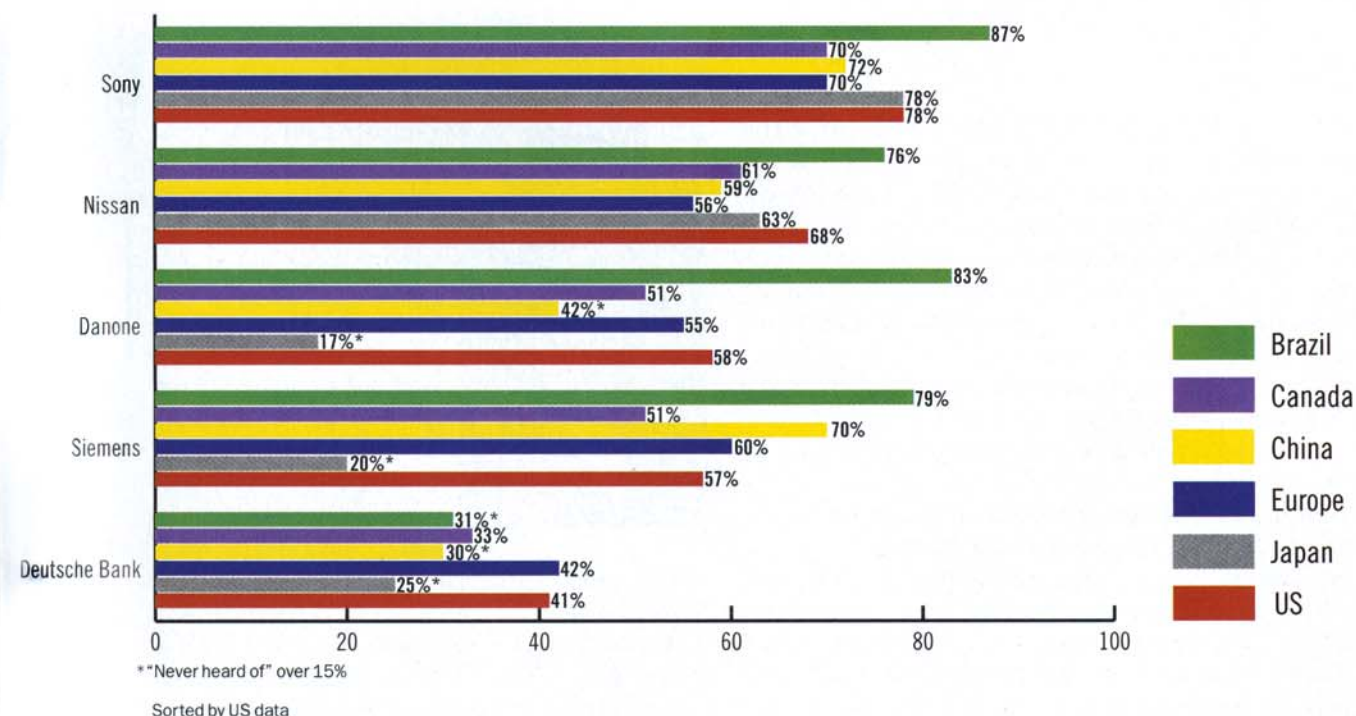
**State of trust in NGOs**

How much do you TRUST each company or organization to do what is right?



**No cross-border trust deficit for non-US-based companies**

How much do you TRUST each company or organization to do what is right?



**TECHNOLOGY'S HALO EFFECT**

Trust across all markets is the highest for technology and electronic companies (Microsoft, Sony, Samsung) and the lowest for energy and chemical companies.

Surprisingly, given Enron, WorldCom, and other far-reaching accounting scandals, business is the second most trusted institution. Only in China has business dropped significantly, which Quelch attributes to an "inherent volatility" in the trust that individuals in emerging markets are willing to invest in corporate institutions. Vivian Hirsch, Edelman's president, Latin America, believes that Brazilians' high trust in business can be traced back to the country's economic revival in 2004. "In business in general, Brazil trusts more than anybody in the world," she notes.

Even though businesses generally are trusted by many thought leaders, that trust doesn't carry over to the individuals leading them. In the wake of the backlash against so-called celebrity CEOs, top executives have silenced themselves: Whereas they used to trumpet their presence whenever they touched down overseas, they now take the "no comment" route. Perhaps owing to this, the Trust Bar-

ometer puts their overall credibility among stakeholders in the US and Europe in the mid-20% range. By comparison, "a person like yourself" is deemed credible by 56% of thought leaders in the US, 76% in Brazil, and 79% in Germany.

Given that a company's reputation is in some part defined by its chief executive, it's no surprise that experts strongly advise increased and more intimate engagement with a broad range of internal and external stakeholders. They also suggest that the individual in charge might share the spotlight with a range of his or her peers.

"Right now, the CEO should be a leader but not a soloist, the head of the choir but not the only singer," says Edelman's US president and chief executive officer, Pam Talbot. "The world has gotten so much more complicated. Audiences want to know there's more than one voice and more than one brain."

# Democratization of information

Companies that embark on reputation-building programs no longer have the luxury of achieving their goals with one positive media hit in the *Financial Times* or *The Wall Street Journal*. The ubiquity of the internet and the plethora of information sources available to stakeholders around the world have empowered individuals to be heard like never before. Among them are trusted sources of information who serve as key influencers on the attitudes and behavior of their peers.

"There are so many different voices and so many different points of view," says Pam Talbot, Edelman's US president and CEO. "It's easier to stay in touch with those individuals you trust or whose opinions you value."

The UK team, under the leadership of David Brain, Edelman's president and CEO for Europe, has coined the name "Kevin" to denote that individual who has become an increasingly trusted and credible source for information on a particular topic, the one whose opinions carry a tremendous amount of weight among his or her group of friends, and even further. "Kevin might not look like much, but he could be a deep expert on something. More and more, it's the influencers of the world who people are listening to," says Brain.

The growing power of the influencer is borne out in data from the 2005 Trust Barometer, in which "a person like yourself" ranks as one of the most trusted types of individuals in most markets, trailing only doctors/healthcare specialists in Europe and doctors/healthcare specialists and academics in the US. His/her influence is surging: In 2003, that person was trusted by 22% of US thought leaders and 33% of European ones. In 2005, the numbers have risen to 56% and 53%, respectively. In Brazil, "a person like yourself" is the single most credible source, with 76% of thought leaders avowing their trust in that type of individual.

This isn't a new phenomenon. "In the history of communications, friends and family have always been considered the most credible. If there was ever a point that TV or radio news was considered more credible, that was merely an interruption," notes Randall Rothenberg, director of intellectual capital at Booz Allen Hamilton.

What has changed is that the channels for these individuals to influence the perception of a corporation have multiplied beyond one-on-one dialogue with friends or family. Global corporations must, as a result, strive to include these potentially powerful indi-



Pam Talbot

viduals in their communications strategies.

In this era of democratization of information, communications channels have mushroomed while the public's appetite to glean intelligence from them has grown. Influence and trust are distributed wider than ever before; a single media hit, even if in *The Wall Street Journal* or on *The Oprah Winfrey Show*, is amplified and enhanced through additional, layered outlets, and voices to get deeply seeded with the public.

According to the Trust Barometer, more than 80% of thought leaders in the US, UK, Brazil, Canada, France, Japan, and China are more inclined to believe something if they hear about it from multiple sources. Further, more than 80% of leaders across all geographies surveyed trust information conveyed in news stories more than advertisements.

"We used to have one trusted source: Walter Cronkite. He was the starting point for everybody," says Sandy Climan, president of Entertainment Media Ventures. "Now, people rely on their own judgment as they scan and compare and assimilate many sources of information."

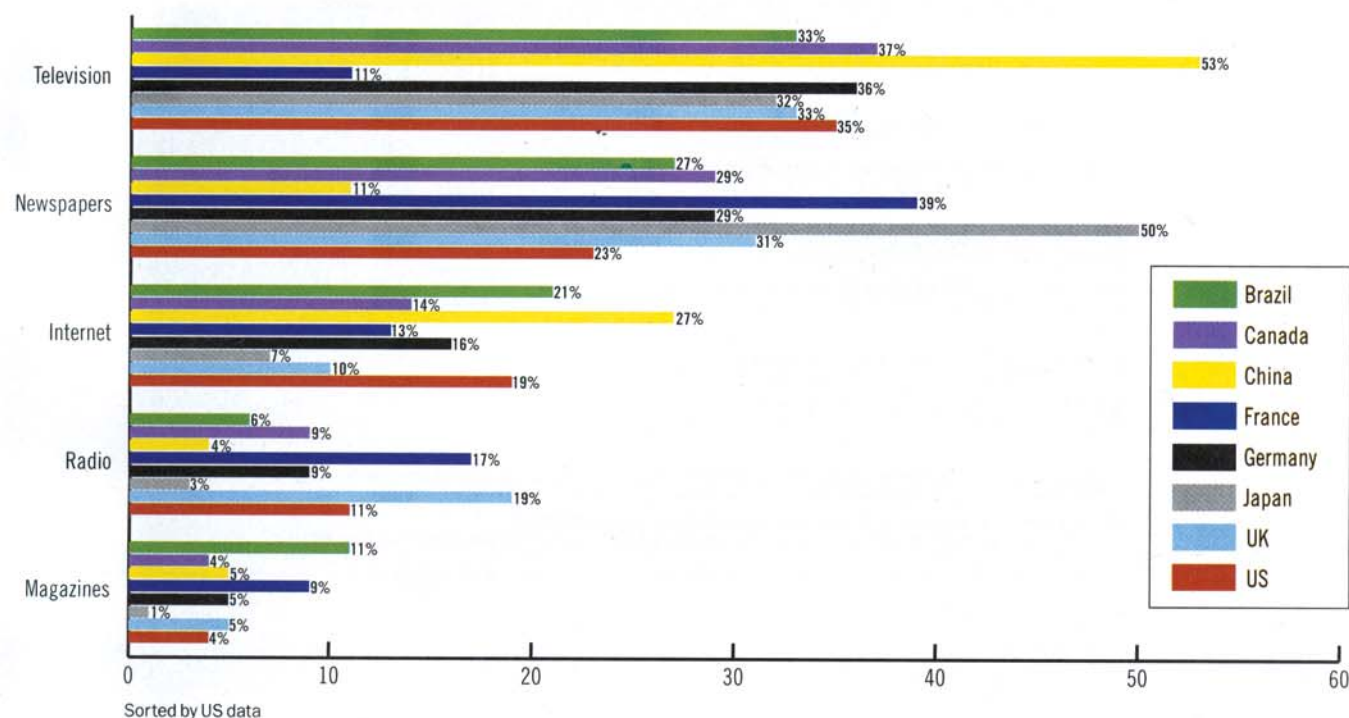
#### A Multidimensional Approach

Needless to say, this has companies scrambling to adjust their communications strategies. What the Trust Barometer tells them is that they must think outside the purely parochial interest of their companies and relate in a broader and more multidimensional way with their many constituencies.

Not surprisingly, the rise of the internet as a credible medium has fueled the democratization of information. It has allowed thought leaders and influencers to create personal webs of trust, as opposed to their previous reliance on established figures of authority. Blogs and message boards have become source material for journalists, with stories hitting the headlines of leading newspapers long after they have bubbled beneath the surface on internet chat rooms.

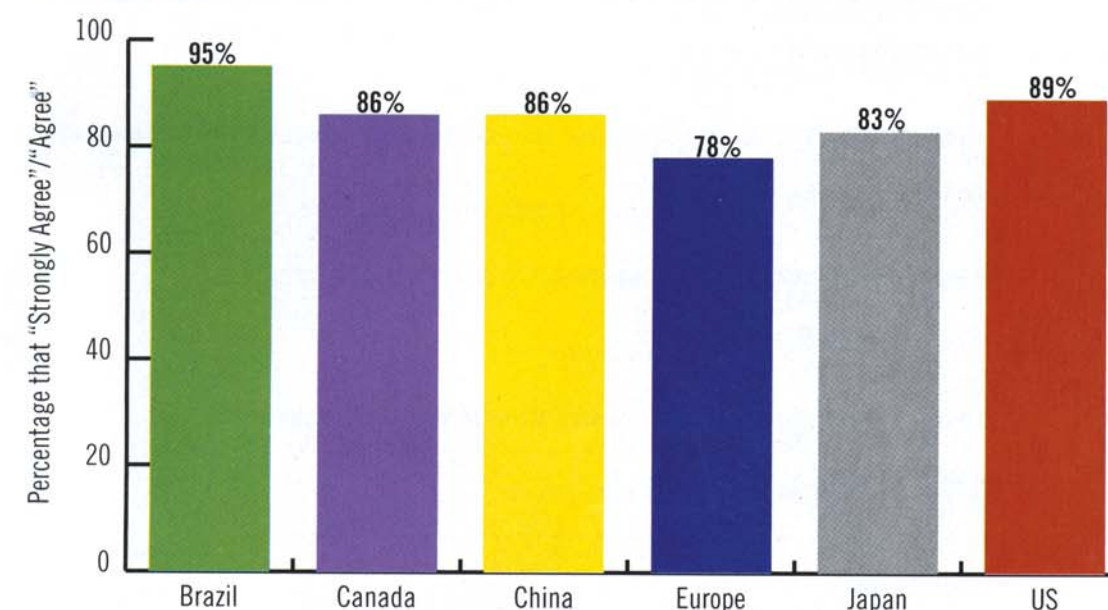
## First media accessed

What type of media do you turn to first for trustworthy information/news?



## Credibility of multiple sources of information

Most people agree that they are more likely to believe something they see, read, or hear about from many different sources rather than from a single source

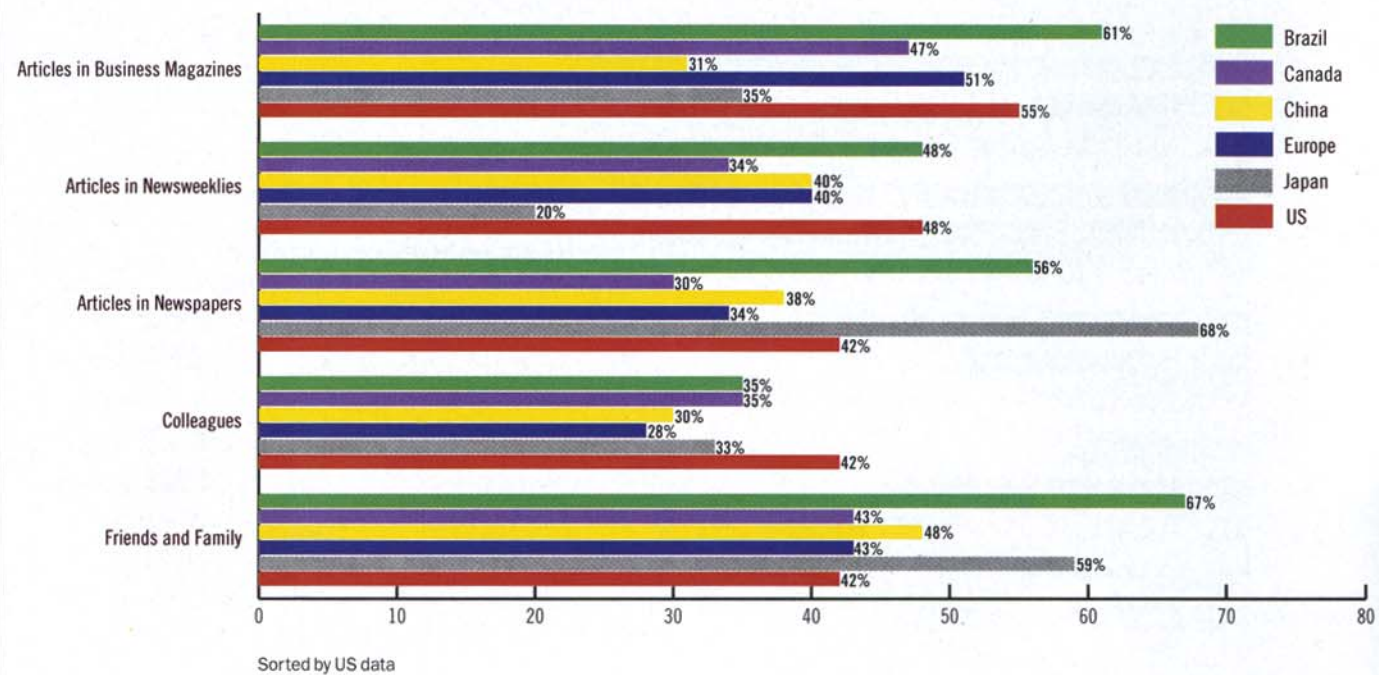


### TV MAKES IMPRESSION; PRINT DEEPENS

Television continues to be the "most turned to" source of trustworthy information, except in France and Japan, where newspapers outrank TV.

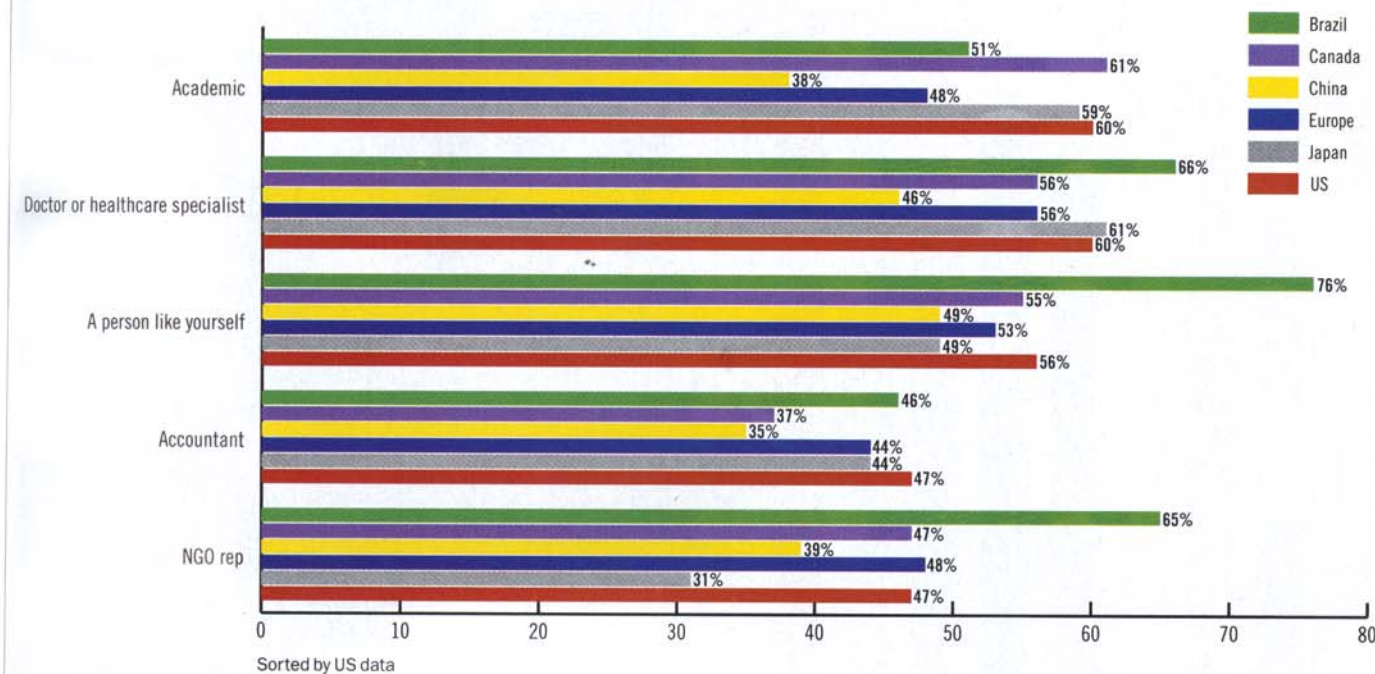
### Most credible information sources

How credible do you feel each of the following sources is for information about a company?



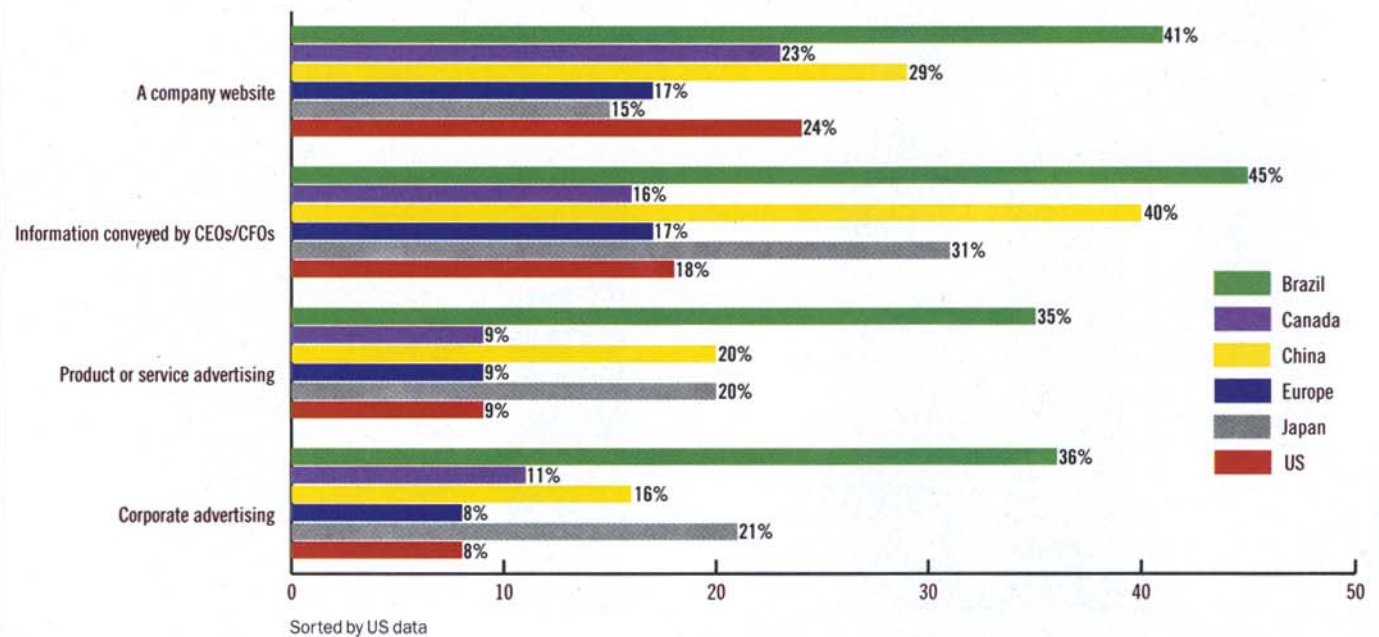
### Most credible spokesperson

When forming an opinion of a company, how credible would the information be from...



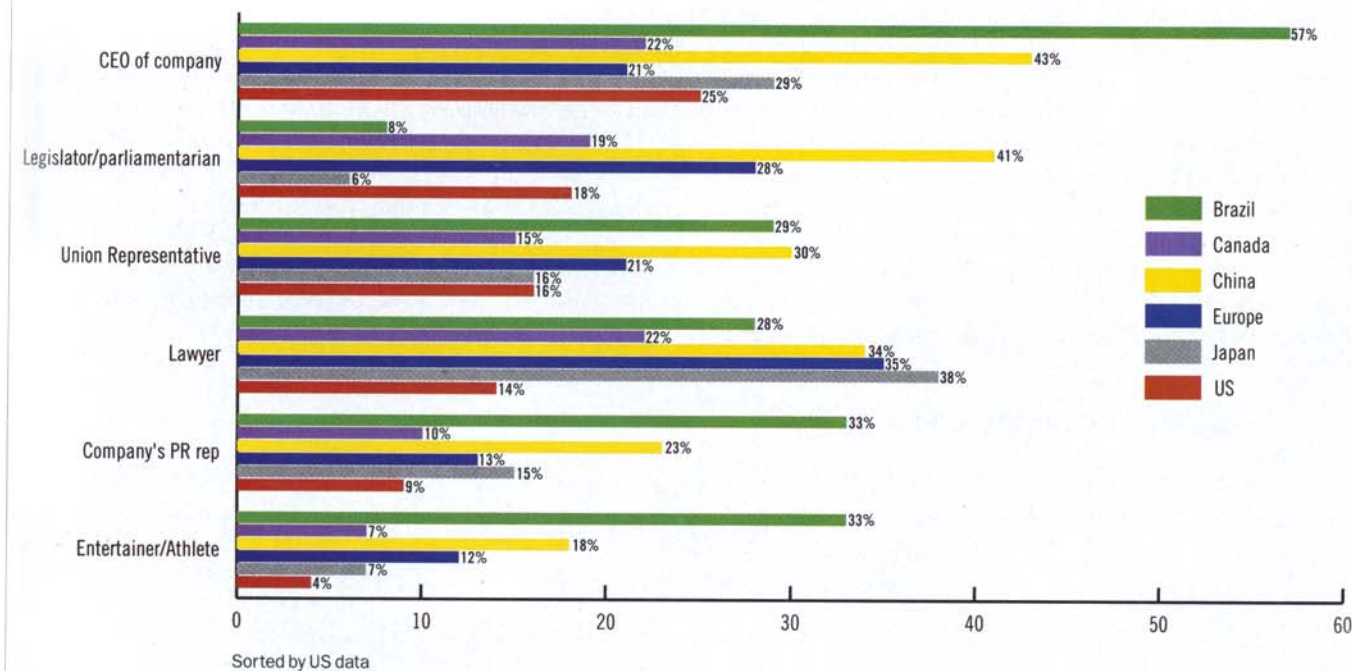
### Least credible information sources

How credible do you feel each of the following sources is for information about a company?



### Least credible spokesperson

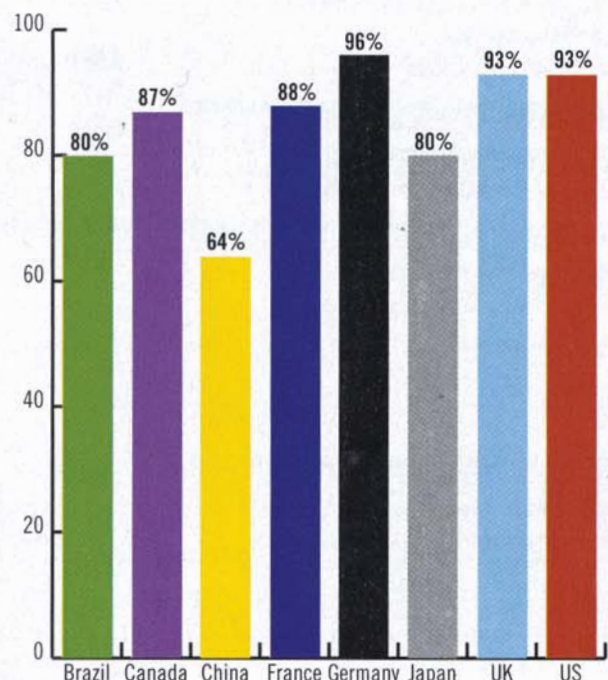
When forming an opinion of a company, how credible would the information be from...





### Paid media vs. earned media

I believe information that I get from articles or news stories more than I believe information from ads



In the US, the number of thought leaders who turn first to the internet for trustworthy news and information has almost doubled since 2003, from 10% to 19%; during this same period, television (39% to 35%) and newspapers (29% to 23%) have seen declines. The internet is the first choice for 13% of thought leaders in Europe, 21% in Brazil and 27% in China. While individuals may well be turning to newspapers' websites when they log on to the internet, that they use the internet to access this content suggests that they will likely compare and contrast it with other sources.

Which isn't to say that the internet has won over the skeptics. While its reach has pervaded all aspects of North American, European, and Asian society, information that thought leaders get about companies online is not generally deemed highly credible.

#### CREDIBILITY OF SPOKESPEOPLE

The credibility of "a person like yourself" continues to increase both in the US (from 22% in '03 to 56% in '05) and in Europe (33% in '03 to 53% in '05), and along with independent experts such as "doctors or healthcare specialists" are considered the most credible spokespeople.



David Brain

Rather, articles in business publications are viewed as most trustworthy by 47%, 51%, 55%, and 61% of thought leaders in Canada, Europe, the US, and Brazil, respectively. Articles in newsweeklies rank close behind in most markets and are ahead in China (40% to 31%). Important differences exist from market to market: for instance, news coverage on the radio ranked most credible in the UK, while newspapers held the top position in Japan.

How, then, should companies attempt to leverage their corporate reputation efforts in the democratized world of information? Talbot suggests that companies must strive for an unprecedented level of openness. "People are so much more savvy than they used to be. They understand how opinions are formed and how information is pushed out to them," she explains. "There was a time when things were very Wizard of Oz-ish, when people didn't see the levers being pulled. Now, every little move is so public."

Climan warns that companies must also be light on their feet when dealing with media, NGOs, and other influencers. "The media and other groups used to be judged on accuracy and presentation. Now they're judged on speed to market. They're going to go for the easy kill," he says. To combat this, he believes that companies must make sure that their stories and facts don't get lost en route to the truth. "You have to use every tool and type of person at your disposal – opinion makers, affiliate organizations, entertainment, cultural influencers – to bring focus to an issue in a way that adds a layer of trust," he says.

Rothenberg, for his part, reiterates that all media is local and stresses that companies must bolster their local expertise. "If I'm a global company guy sitting in New York, I can do very little to add value to the relationship that German marketing directors have with their hometown newspapers," he quips. "As companies globalize, a lot of their viability is going to depend on their ability to scale products, services and communications locally."

"One-size-fits-all no longer works," Brain adds. "The tendency of anybody with a global title is to standardize and make everything the same. But the way in which you execute has to be more market-driven and specific."

# Trusting health

When Nancy Turett reviews the healthcare-specific results of the 2005 Trust Barometer, two findings immediately jump out at her. First, that trust in the healthcare business has been remarkably steady in the face of difficult events, but still rates well below technology firms and food companies. Second, that companies throughout the industry could be doing more to increase trust through changes in their communications practices.

Turett, president and global director for health, says the data provide "spectacular guidance" for the healthcare industry, adding that "the way forward might not be easy, but it is clear." She suggests a three-pronged plan to help healthcare firms become more visible and open, and thus increase trust in a business that has earned it.

First, companies and organizations must endeavor to make their medical professionals more available to the public. In every geography surveyed, doctor/healthcare specialist ranked as either the most or second-most trusted type of professional. Companies throughout the industry have dozens of these individuals on staff and many more as close partners, yet they are usually only accessible in a medical/technical context.

While Turett acknowledges that medical and public health specialists inside companies "may not have started their careers with an aim to perfect their schmoozing skills," she believes that many are excellent communicators to their peers and can be effective as well with the public. "Several companies have begun putting their medical leaders out front, and we've seen that the media and public are quite receptive and trusting," Turett says.

Second, the industry as a whole must work toward ensuring a more health- and science-literate populace. Turett says the deluge of health-related stories and advertisements in the mass media creates confusion, which in turn leads to public distrust. This need for pub-



Nancy Turett

lic education – among youth and adults – presents a leadership opportunity for healthcare companies.

"More and more information is accessible and there are stories about health studies on the front page, but people don't understand a lot of what they read," she notes. "As a result, they're naturally skeptical and suspicious." This chips away at the trust individuals have in the healthcare industry: In the rare instance that something goes wrong, they perceive it as a much more difficult – and dangerous – situation than it likely is.

Finally, companies and organizations need to reorient and perhaps clarify business strategies to ensure that they drive lifelong health and not just illness-focused healthcare. That involves partnering with thought leaders, public health advocates, governments, and providers to promote lifelong "self-health," not just aggressive, medicine-seeking behaviors. The health industry, then, might shift from a disease-management paradigm to a health-management one, where treatment of disease is but one step in a lifelong continuum.

Turett says many companies have made strides in this direction, but have not shown their public health commitment and innovations to the masses as effectively as they have their marketing prowess. "Every health business stakeholder first and foremost evaluates the industry through their personal/patient lens in addition to their professional one," she says. "Trust will come when companies are seen to be preserving and protecting health with the same vigor and brilliance with which they market products and profit from treating illnesses."

#### CANADA

Canada's 2005 Trust Barometer results were more closely aligned with those from Europe than with those from America. For instance, Canadian thought leaders (22%) joined with respondents from the UK (37%), France (30%), and Germany (31%) in suggesting that the American cultural identity makes them less likely to purchase American products.

Yet Charles Fremes, Edelman's president and CEO, Canada, cites the superior reputations of UPS, The Home Depot, and Best Buy as proof that community-conscious brands will thrive in Canada, regardless of origin.

"Companies must deliver good products at good prices, but they also must tell their corporate-responsibility story and engage with the local community," Fremes explains. These are the final ingredients that complete the recipe for earning trust with consumers and citizens.

#### BRAZIL

With the internet among Brazil's most trusted communications tools, online programs provide an important opportunity for companies to distinguish themselves. "Everybody wants to be on the cover of business magazines, but the internet is much more important in Brazil than it is elsewhere," notes Edelman's president, Latin America, Vivian Hirsch.

Brazilians believe that business and government leaders, rather than individuals, are primarily responsible for dealing with global problems like obesity. So food companies might ally themselves with physicians and nutritionists. "To be trusted, companies have to be much more active," Hirsch says.

As for corporate attributes to maintain trust, attentiveness to customers ranks tops with Brazilians. Thus, companies might pursue relationship marketing and face-to-face pitches in addition to media relations.

# Drivers of trust

Looking at the data for the 2005 Trust Barometer about corporate attributes and behaviors that drive trust, the first thing that jumps out is the differences in expectations from one market to the next. There are certain consistencies – quality of products and services remains either the first or second most important corporate attribute in all eight markets surveyed – but for the most part, the data suggest that companies hoping to drive trust across a wide range of geographies must fine-tune their strategies and behaviors to accommodate ever-shifting expectations and market nuances.

“People care about the products that they’re buying, but more and more they’re paying attention to what corporations are actually doing,” explains Leslie Dach, Edelman’s worldwide vice chairman. “And when there’s a crisis situation, they’re paying close attention. The factors that affect trust have to be considered before the fact, not after.”

### Attributes Driving Trust

Product/service quality ranks as the top attribute that drives trust in every market except Germany (whose thought leaders ranked labor and employee relations slightly ahead) and Brazil (attentiveness to customers). From there, substantial differences can be discerned.

Ethical management, ranked as the second most important corporate attribute in the US, UK, France, and Canada, dips to fourth



or lower in Japan (fourth), China (fifth), and Germany (sixth). Of the other corporate attributes, financial performance and effective communications were deemed least likely to increase the level of trust in companies in five out of eight markets.

However, Edelman’s president, Asia Pacific, Alan VanderMolen, cautions that regardless of these rankings in a given market, each attribute remains an important component in driving trust. He also notes that high-quality products and/or services mean little if a company

isn’t there to back them up, and that companies that fail to actively engage opinion leaders are likely to squander at least some of the goodwill they’ve accumulated through the high performance of their products.

“I look at trust as the accumulation of three building blocks,” VanderMolen explains. “Do stakeholders believe that they exert some influence on the company or brand? If so, do they believe that the company or brand is committed to building a long-term relationship? If so, are they satisfied that the company or brand is delivering on that commitment? The cumulative effect of those three things is trust.”

### Corporate attributes driving trust

Which two corporate attributes are most likely to increase your level of TRUST?

BRAZIL	CANADA	CHINA	FRANCE	GERMANY	JAPAN	UK	US
Attentiveness to customers	Quality of products and services	Quality of products and services	Quality of products and services	Labor and employee relations	Quality of products and services	Quality of products and services	Quality of products and services
Quality of products and services	Ethical management	Attentiveness to customers	Ethical management	Quality of products and services	Attentiveness to customers	Ethical management	Ethical management
Ethical management	Labor and employee relations	Labor and employee relations	Attentiveness to customers	Attentiveness to customers	Labor and employee relations	Attentiveness to customers	Attentiveness to customers
Labor and employee relations	Attentiveness to customers	Effective communication	Financial performance	Effective communication	Ethical management	Labor and employee relations	Labor and employee relations
Financial performance	Financial performance	Ethical management	Labor and employee relations	Financial performance	Financial performance	Financial performance	Financial performance

### Corporate behaviors driving trust

Which two corporate behaviors are most likely to increase your level of TRUST?

BRAZIL	CANADA	CHINA	FRANCE	GERMANY	JAPAN	UK	US
Corporate philanthropy	Listening to stakeholders	Having highly visible senior management	Listening to stakeholders	Positive coverage in the local media	Positive coverage in the local media	Listening to stakeholders	Corporate philanthropy
Positive coverage in the local media	Changing the way they do business	Changing the way they do business	Changing the way they do business	Listening to stakeholders	Changing the way they do business	Using local employees as spokespeople	Changing the way they do business
Using local employees as spokespeople	Using local employees as spokespeople	Positive coverage in the local media	Using local employees as spokespeople	Using local employees as spokespeople	Using local employees as spokespeople	Positive coverage in the local media	Listening to stakeholders
Changing the way they do business	Corporate philanthropy	Listening to stakeholders	Corporate philanthropy	Changing the way they do business	Corporate philanthropy	Having highly visible senior management	Having highly visible senior management
Having highly visible senior management	Positive coverage in the local media	Corporate philanthropy	Having highly visible senior management	Having highly visible senior management	Listening to stakeholders	Changing the way they do business	Positive coverage in the local media
Listening to stakeholders	Having highly visible senior management	Using local employees as spokespeople	Positive coverage in the local media	Corporate philanthropy	Having highly visible senior management	Corporate philanthropy	Using local employees as spokespeople

### Behaviors Driving Trust

As for the corporate behaviors likely to increase trust in a company, results varied wildly from market to market. Corporate philanthropy – the most important behavior in the eyes of US and Brazilian thought leaders – ranked last in the UK and Germany and next to last in China. Positive media coverage topped the list of behaviors in Germany and Japan; however, this behavior finished last in France and only one slot higher in the US and Canada. Visible senior management was deemed most important in China, but ranked last in Japan. No one behavior ranked in the top three of each of the eight markets surveyed.

Dach explains one market-by-market discrepancy by noting that companies in the US have an extensive history of corporate philanthropy, while the tradition exists on a more limited basis in Europe. “In the US, it’s an expectation. People see it as a symbol of a company’s commitment to the communities it serves,” he notes. “In Europe and Asia, it’s far less about the money you give away, and more about how you behave.”

VanderMolen adds that there are clearly differences in expectations for – and understanding of – corporate social responsibility and corporate philanthropy. While the two are often lumped together, they are not the same thing; most pundits have suggested that the latter is a subset of the former. “[Corporate social responsibility] is so ill-defined,” VanderMolen says. He offers “behaving in a way that meets expectations for a company in your industry and markets to better the interests of stakeholders broadly” as a succinct encapsulation of CSR.

Given that definition, VanderMolen warns companies about making philanthropic efforts the focal point of their corporate

social responsibility programs. “Philanthropy cannot be the primary driver of CSR. It’s something you do as a company because it’s important to you, not because you’re expecting anything out of it,” he says.

So what can a company do to regain trust once it has been lost or compromised? The Trust Barometer data are considerably more consistent across geographies in the actions a company must take. In seven of the eight markets, full disclosure and fixing the problem are the two top actions. Full disclosure is deemed the most important step in rebuilding trust in the US, UK, France, Germany, Japan, and Canada, with fixing the problem seizing the top spot in Brazil and China. Only in France does a third action, personal communications, slip into the top two.

“Disclosure and the guarantee that [the problem] won’t happen again are the two telltale steps when it comes to rebuilding trust,” explains Jennifer Scott, president, StrategyOne. “You take responsibility and you clearly state the changes you’re going to make, then you move on.”

Adds Dach: “Behaviors that a few years ago were considered to be differentiating are now simply considered necessary. Take CEO visibility, which used to be the most important aspect of handling a crisis. You can see it matters, but it’s now considered to be a given. Companies have to go well beyond that to prove their sincerity.”

While partnering with nongovernmental organizations is deemed vital to a company’s overall credibility, the Trust Barometer notes that doing so after a crisis isn’t likely to restore trust. Working with NGOs was deemed the least effective action a company might take to rebuild trust in the US, UK, Germany, China, and Japan.

# Tackling global issues

In addressing global issues such as obesity, drug pricing, outsourcing of jobs, and the environment, there's clearly no one-size-fits-all solution. According to 2005 Trust Barometer data, each issue requires a different kind of response. Which entity – business, government, and/or NGO – bears the brunt of responsibility for dealing with each issue?

Thought leaders assign more responsibility for contending with obesity to the individual, especially in Asia and the US. This finding suggests that companies (especially global fast-food behemoths) might seek an engagement strategy, giving consumers a chance to pursue more responsible diet habits.

In many markets, more than 50% of opinion leaders – including 76% in Brazil and 54% in the three European countries surveyed – believe that governments bear some responsibility for taking steps toward assuaging the obesity epidemic. Fifty-eight percent of European thought leaders and 61% of Canadian ones expect businesses to play a role as well.

“The corporate sector isn't singled out for blame here,” notes Leslie Dach, Edelman's worldwide vice chairman. “Though the public primarily holds individuals responsible, they want to see companies step up to the plate and look at their products and practices.” He notes the increase of salads and other healthier options on fast-food menus as a sign that companies in the crossfire are taking the obesity issue seriously. And then there's Kraft, which in January yanked ads for snacks such as Oreos from places where children younger than 11 are likely to see them. That the move was done voluntarily, rather than to appease regulators, shows that the company is eager to accept its responsibility.

For drug pricing, the burden for handling the issue falls almost exclusively on the shoulders of business and government. At least 66% of opinion leaders in every geography except China believe that business bears some responsibility, while at least 71% in all non-China markets say that responsibility for these global problems lies with government. Most surprising was the percentage of respondents in Canada who assign more responsibility to government than business (84% to 71%) for drug pricing – a finding that seems counterintuitive since the country has long since nationalized health.

Given the escalating pressure that providers of pharmaceuticals are likely to feel from governmental regulators on pricing issues, companies in this sector might attempt to spread perceived responsibility, perhaps by introducing other stakeholders into the debate. “The public is going to drive for equity [in pricing] over time,” says Edelman president and global director for health Nancy Turett. “Healthcare companies risk being alone on this issue if they don't act and act soon. There's a real desire for manufacturers of these products to explain the issue and provide some leadership.”



Alan VanderMolen

Adds Dach: “Drug pricing isn't abstract – it is part of people's daily lives. They want to see a solution.”

Respondents mostly view the outsourcing of jobs to foreign countries as an issue to be handled by business and government, with only Brazilians expecting NGOs to contribute considerably. Chinese thought leaders, however, assign the government much more responsibility than business. This may be due to the perception that the Chinese government takes a leading role in growing the number of jobs as well as attracting foreign investment.

Observers suggest that affected companies might seek to reframe the outsourcing debate, communicating its complexity while calling attention to the implications on local labor. “It's a business decision, and it's seen that way by most people,” Dach says. “On the other hand, there's a lot of misunderstanding here. Only one side of the story has been told.” While technology, professional services, media firms and others have been affected by the outsourcing issue, they have not done enough to defend their positions.

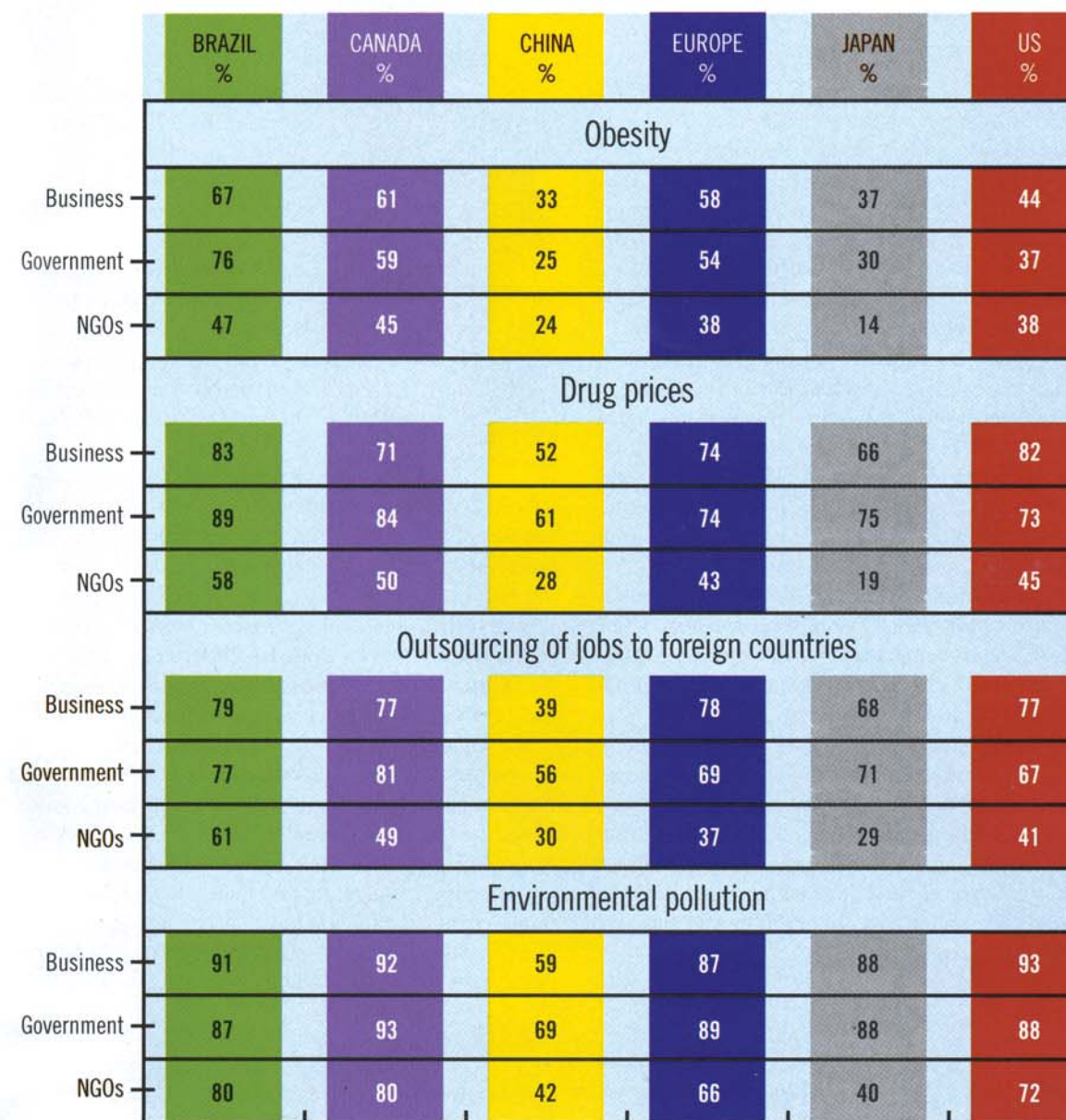
When it comes to environmental issues, NGOs are deemed nearly as essential as business and government in working toward a solution. NGOs still lag behind business and government in most markets (87% business, 89% government, 66% NGOs in Europe; 93%, 88%, 72% in the US; 91%, 87%, 80% in Brazil), but on this issue alone they are considered major players, perhaps owing to the success of organizations like Greenpeace in framing the debate.

With thought leaders dividing responsibility for the environment among business, government, and NGOs, all three institutions must work together more and more. In particular, companies in industries perceived as not environmentally friendly must engage and perhaps forge stronger ties with the all-important NGO. “NGOs have had such a high profile in this space, and with that comes an expectation that they'll be part of the solution,” says Alan VanderMolen, Edelman's president, Asia Pacific. “Smart companies realize this, and many have been pursuing an engagement strategy for years now.”

Overall, observers believe that all parties – businesses, governments, and NGOs – are responding to expectations about obesity, drug pricing, outsourcing, and environmental issues more smartly than they did as recently as five years ago. The question then becomes whether the action they choose to take will ultimately satisfy those heightened demands. “Expectations still outflank results, but that's the way you expect it to be,” Dach says. “Broadly speaking, most of the players are on the right track.”

## Solving global issues

How responsible is each institution for solving global issues?



“Regarding the environment, “NGOs have had such a high profile in this space, and with that comes an expectation that they'll be part of the solution,” says VanderMolen.

# Engaging employees

Employees are known to be important “brand ambassadors” for companies. But according to the 2005 Trust Barometer, they are also a crucial component in building trust – from the inside out. Of the corporate behaviors likely to increase trust, using local employees as spokespeople ranked second among thought leaders in Europe and third in Brazil, Canada, and Japan. Listening to stakeholders – and for most global firms, employees are one of the two or three largest stakeholder subsets – was deemed the most important corporate behavior overall.

Inside-out approaches to building trust have surged over the past few years, according to Edelman’s president, Eastern region, Matt Harrington. “It’s the foundation upon which all communications are built,” he explains. “If you don’t have alignment internally about strategy or point of view on a given issue, how can you drive it externally?”

Pam Talbot, Edelman’s US president and CEO, adds: “You cannot have one way of thinking and being inside a company and a different way outside.”

Some practices may seem obvious, such as frequent communication from top executives and regular Q&A sessions, whether online or off, with employees. Some companies even disseminate positive and negative company news and messaging throughout the organization proactively, in case that customers ask questions about it.

Progressive companies have taken this one step further: Microsoft, for example, allows staffers to blog about their opinions and experiences. Sounds risky but, as Talbot notes, all communications carry with them some inherent risk. “The potential rewards outweigh it,” she says. “When you let people inside and let them see some of the vulnerability, you create a more human bond. And giving your employees this freedom lets them know that they are trusted and that their opinions are valued.”

The trend toward building trust from the inside out coincides with



Matt Harrington

a decline in the “imperial CEO.” Whereas the chief executive had been a company’s public face and voice, it’s no longer realistic for a single individual to shoulder that burden. This conclusion is backed by Trust Barometer data: CEOs are deemed a less credible source of information than “regular employees” by thought leaders in the US, Europe, and Canada.

“Even inside a company, employees trust their colleagues more than they do the top leadership,” Talbot adds.

As a result, CEOs must form an active dialogue with advocates, whether inter-

nal (other executives/employees) or external (NGOs, physicians). Certain industries, such as healthcare, have been doing this for some time. But consumer product giants have slowly started to emulate this practice, notably Kraft and Pepsi, which have assembled advisory councils to help them with health and wellness issues. “These experts are coming in almost as ethicists,” Talbot notes. “They’re telling companies what they need to do and why. They’re the voice of conscience and expertise, not a rubber stamp for whatever the CEO says.”

Harrington also emphasizes the need to harness a range of strong, diversified voices, particularly during pivotal business events. When Belgium-based Interbrew and Brazil’s AmBev announced plans to merge in March 2004, executives at both companies sought to calm fears about job cuts and other potential changes.

“When there’s a merger afoot, there’s always skepticism,” Harrington explains. “In this case, they had a range of employees out there showing that there was a very real business rationale for the merger. A CEO alone couldn’t have pulled it off.”

## EUROPE

“We are the skeptical continent when it comes to institutions,” notes David Brain, Edelman’s president and CEO, Europe. Indeed, only 19% of respondents from Germany trust government in general, as opposed to 63% in China and 44% in America.

Brain notes the credibility of doctors and professors. “You can still turn on the television in Germany and see a scientist wearing a white coat with test tubes,” he explains. “In France, academics are well regarded. In the UK, you see more of a pragmatic approach with the rise of the ‘average person like me.’”

Brain also believes that foreign companies have become more attuned to the cultural sensitivities of Europe, noting the decreasing number of expat executives. “Localized leadership helps tremendously,” he says.

## ASIA

While factors such as high-quality products and a company’s willingness to stand behind them remain extremely important to Asia Pacific’s movers and shakers, intangible social factors jumped in importance over the past 12 months.

“You lead with products and service, then you back them up with visible and actively engaged management,” notes Alan VanderMolen, Edelman’s president, Asia Pacific. “There’s more desire for long-term relationships.”

China and Japan have also seen peers/family members gaining trust at the expense of established institutions. In China, the shift is attributable to technology that allows individuals more access to information. For companies, this means a greater need for transparency and involvement than in years past.

The Edelman Annual Trust Barometer tracks the attitudes of 1500 opinion leaders around the world. The sixth survey was conducted through 25-minute telephone interviews among 1500 opinion leaders: 400 in the United States, 450 in Europe (150 each in the United Kingdom, France, and Germany), 200 in China, and 150 in Canada, Brazil, and Japan between December 2004 and January 2005 by StrategyOne. Opinion leaders are defined as being between 35 and 64 years old, college educated, having a household income of more than \$75,000 or equivalent, and reporting a significant interest and engagement in the media, economic, and policy affairs. There is no tracking data for Japan and Canada, which were added this year.

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