

Coffee Break

A communiqué from Edelman in Melbourne to engage the grey matter over a mid morning coffee.



Global trust declining in corporate world: Edelman Trust Barometer 2005

Trust is today, more than ever, an issue discussed by boards and senior management in every major Australian organisation, as it is in corporations worldwide. The recent Federal Government moves to introduce financial regulations that fill the perceived gap between corporate behaviours and stakeholder expectation, has ensured that trust will remain a high profile benchmark of corporate performance in the future.

It is against this background that Edelman revealed the results of the 2005 Trust Barometer at the January 2005 World Economic Forum in Davos. Building on four previous surveys, the 2005 Trust Barometer found that trust in corporations and government continues to decline throughout the Western world, while trust in NGOs is increasing. It also revealed that organisations in the developing world have different 'trust requirements' and expectations from stakeholders than those in more traditional centres of corporate activity.

The Trust Barometer, an annual attitudinal survey taken among 1,500 opinion leaders in eight countries around the world, found that less than three in ten respondents considered corporate leaders to be credible sources of information. Public trust in most countries has been undermined by corporate scandals and at times by unreliable journalism.

On the other hand, trust in NGOs has increased significantly in all countries outside China. Pressure groups and charities, such as Amnesty International, Greenpeace and the Red Cross, are now seen as the most trustworthy information sources in the US and Europe.

The 2005 survey identifies that this lack of trust is even more pronounced in Europe than in the US, primarily due to continuing fallout from various high profile corporate scandals.

Building corporate trust

The 2005 survey found that solutions for building organisational trust are essentially local – in the US and Brazil, 'corporate philanthropy' is a major driver of reputation, whereas in Europe and Canada, it's 'listening to stakeholders'. In China, 'visible senior management' (and perhaps 'accountable') is the most important factor.

The environment for influence and information gathering has also changed with increasing speed in the last ten years. Communications channels have mushroomed while the public's appetite to glean intelligence from them has grown. Influence of and trust in information sources are therefore much more widespread than was the case than even five years ago.

Multi-channel, multi-stakeholder based programs will be the norm for organisations looking to build their reputations effectively

Channels and channellers

The internet has grown exponentially as a source of credible information in all countries. At the same time, the credibility of information sources has changed as 'influencers' have grown in importance as opinion former.

The 2005 Trust Barometer shows that 'a person like yourself' ranks as one of the most trusted types of individuals we all use when forming opinions. This rating has increased considerably in the last 2 years (in the US; 2003 22% Vs 56% in 2005; in Europe, the numbers are 33% and 53% respectively)

Organisations looking to pro-actively build reputations therefore need to build their approach based on a multi-stakeholder, multi-channel approach, with more depth and focus than in the past.

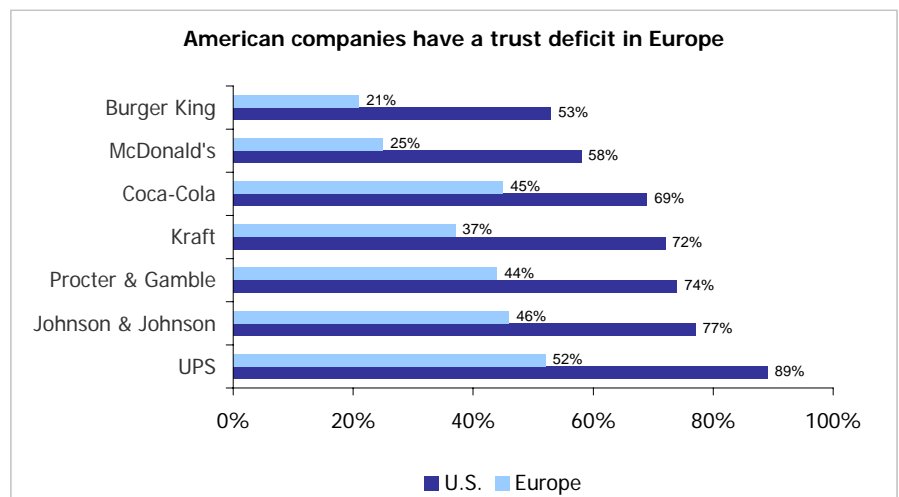
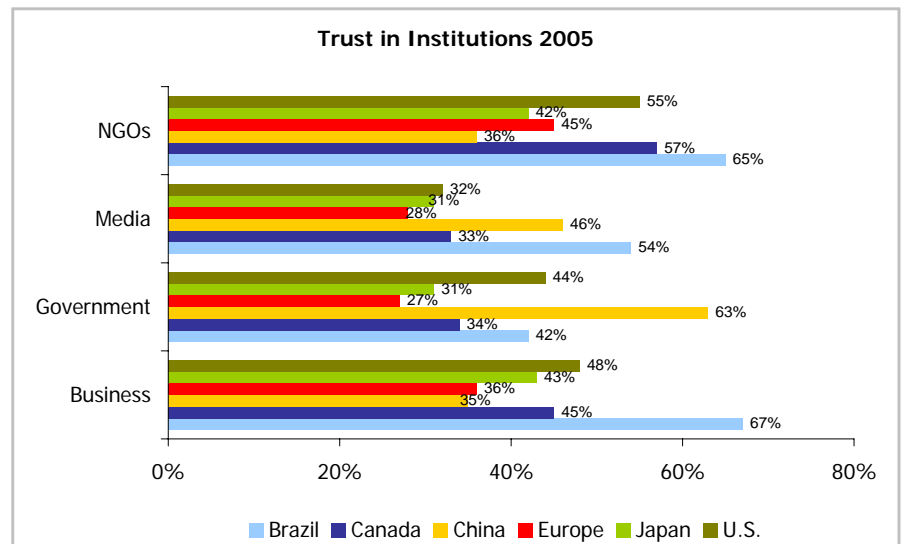
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Other key findings from the survey include:

- ◆ Trust in all institutions is significantly stronger in the U.S. than Europe and Japan. Interestingly, it is highest in Brazil (business) and China (government).
- ◆ Trust in NGOs has steadily increased in the U.S., joining Europe and Canada where they were already the most-trusted source of credible information.
- ◆ Trust in business remains strong in U.S. at 48% (48% in '03 and 51% in '04); increased significantly in Brazil (from 60% in '04 to 67% in '05); declined significantly in China (from 50% in '04 to 35% in '05), and remains quite low in Europe (36%). It is relatively strong in Canada (45%) and Japan (43%).
- ◆ Trust in government is down modestly in the U.S. and Europe with the U.S. at 44% (48% in '04) and Europe at 27% (31% in '04). It is strong in China at 63%, and declined in Brazil (from 54% in '04 to 42% in '05). Government, along with media, is the least-trusted institution in Japan (31%).
- ◆ Media is generally the least trusted institution although it has increased in the U.S. (from 24% in '04 to 32% in '05).
- ◆ A significant "trust discount" applies for major U.S. brands operating in Europe and Canada. This problem appears to be most acute among more iconic US brands. This is particularly pronounced in the UK and France.
- ◆ There is no "trust discount" for foreign brands operating in the U.S.
- ◆ Across all eight markets, trust is highest in technology and electronic companies and the lowest in energy & chemical companies.
- ◆ Trust in specific NGO brands (Greenpeace, WWF, and Amnesty) has increased yearly since '01 in the U.S., and they are among the most trusted organizations in most markets. However, they are no longer the top five most trusted brands in Europe.



Edelman specialises in stakeholder engagement for organisations - from research and needs diagnosis through strategy development to implementation of reputation enhancement programs. Work with opinion influencers and employees is a specialty.