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CEOs Still Have A Credibility Gap

The Edelman Trust Barometer shows a slight improvement in consumers' confidence in business and its honchos

By Kimberly Weisul

Although trust in business rebounded smartly at the end of 2009, CEOs remained the least credible spokespersons for a company, according to the 2010 Edelman Trust Barometer, a survey of 4,875 college-educated consumers in 22 countries. Globally, 54% of respondents said they trusted business to do what is right, up from 50% last year.

The improvement among companies is driven largely by respondents in the U.S., Italy, and Spain. The U.S. numbers, in particular, show a much more dramatic change: some 54% of respondents said they trusted business to do what is right, up from a low of 38% a year ago and near 2008's high of 58%. "Last year, with trust in the mid-30s, the U.S. became the new Europe," says Richard Edelman, president and CEO of public relations firm Edelman, which commissioned the study. "Now it's stabilized."

TEAMING WITH GOVERNMENT

But even for U.S. companies, the results are not as sunny as they appear. CEO credibility remains low, and business needs to partner with government to make progress on important issues, says Edelman. "Business needs to come up with a framework, whether it's on compensation or some other issue, and lead on it." Leslie Gaines-Ross, chief reputation strategist for public relations firm Weber Shandwick, agrees. "You really have to build a relationship with government," she says. "What industry is doing is making sure they have offices in D.C., hiring lobbying firms."

The 2010 survey found that consumers are probing more deeply to determine if a company deserves their trust. For example, the top two indicators of a trustworthy company were "offers high-quality products and services" and "has transparent and honest business practices." As recently as three or four years ago, Edelman said, companies could "have a great CEO, make great products, hit their numbers and they were home." Now, he says, "People want to know the business you're in. They want a much more explicit appreciation of everything from your supply chain to your pay packages." This year, in fact, "highly regarded and widely admired top leadership" and "delivers consistent returns to investors" were the factors ranked least important to a company's reputation.

It's possible that some survey respondents interpreted the criterion of "transparent and honest business practices" differently, says Helio Fred Garcia, a professor of management at New York University. "Transparency is a proxy for something else," he says. "What it really means is we tell you what we're going to do and we do it. What the public is asking for is a failure to be negatively surprised." And when it comes to evaluating CEOs, says Gaines-Ross, transparency means "admitting when you're wrong, being human and flying coach."

MUM'S THE WORD

Although CEOs fared better in this year's survey than in last year's, they still came in dead last in a ranking of credible spokespeople. Globally, 40% of respondents said CEOs were credible, compared with 31% in 2009. U.S. CEOs did somewhat worse, with only 26% of U.S. respondents finding them credible. That compares with a dismal 17% last year. U.S. CEOs are still outranked by everyone from academics and experts (64%) to employees (28%) and government officials (26%). CEOs in Brazil, Russia, India and China, considered as a group, get a 51% credibility rating, higher than any category except for academics and experts.

"I hope [U.S.] CEOs don't take the wrong message, which would be: I'm not credible, so I better not talk," says Edelman. Instead, he says CEOs must change both their tone and their audience. CEOs need to be "genuine, spontaneous, and talk about things beyond the numbers. They need to be talking not just to elites but to customers and employees." In speaking with employees, Gaines-Ross urges CEOs to "do a better job talking about what employees want to hear about, which is pay and benefits." She points out that although people may distrust CEOs as a group, they generally do trust their own company's leadership.

Top corporate managers weren't the only ones taking a hit on trust issues this year. Globally, trust in banks edged up only one point from last year, to 48%. But since 2007, trust in banks in the U.S. has plunged by more than half, to 29% from 68%. In the United Kingdom, banks fell to 21% from 41%; and in Germany to 17% from 34%. "I think Wall Street is behind the times," says Elliot Schreiber, a clinical professor of marketing at Drexel University's LeBow College of Business and executive director of its center for corporate reputation management. "On Wall Street they really do operate in an insulated world. The important stakeholders to them are one another."

The educated public also is becoming more trusting of social media as a source of information, especially when it comes to making buying decisions between different brands. Reports from industry analysts, at 47%, and business magazines, at 42%, still remain the most trusted sources of information about a company. But 19% of respondents said social networking sites were "very" or "extremely" credible, compared with 16% last year.

"Social media," says Schreiber, "is really replacing external search. It's as important as *Consumer Reports* or anything else." While only 17% of respondents rated the category of blogs extremely or very credible, Edelman says some bloggers have moved themselves into the same category as academics and other experts, which 64% of respondents said were credible. "Third parties are now the new influencers," says Edelman. "It might be an activist blogger with diabetes. It's also activist consumers." That's quite a turnabout from the days of the celebrity CEO.

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