

FOR BRAZILIAN FAMILY BUSINESSES:

Build Your Trust Advantage

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First the good news. A new survey of 12,375 people from around the world shows that family business has a clear trust advantage. According to the forthcoming Edelman Trust Barometer, this built-in advantage is even stronger in emerging markets like Latin America.

Brazilians report high levels of trust in big, non-family, publicly traded companies and higher trust in large, family owned companies. They have less trust in small, family owned businesses. It's the opposite in the US, where people maintain the highest levels of trust in small, family owned businesses (84%), with large, family owned businesses faring worse (66% compared with 80% in Brazil), and public companies falling even further behind (62% compared with 75% in Brazil).

Now the bad news. Wealthy family business founders are seen as more innovative and entrepreneurial, with more than 60% of respondents viewing them as forces for good in business and society. But not their inheritors. Less than half of Brazilian respondents think inheritors are good role models, pay their fair share in taxes, pay enough attention to the environment and sustainability, or even act and communicate openly and transparently. Brazilians trust heirs more than Americans do, but not by much.

Documenting the lack of trust in wealthy people who don't maintain visible ties to a business or philanthropy, the Edelman report helps explain growing popular support of authors like Thomas Piketty (*Capital in the Twenty-First Century*) and balanced journalists (*The Economist's Crony Capitalism Index*) calling for wealth taxes.

79% of Brazilian respondents said the wealthy have too much political influence, but just as many believe that parents should pass wealth to their children. This sets heirs up for big challenges in gaining the trust of their stakeholders in business and philanthropy.

The message for enterprising families is that you cannot take your trusted position for granted. You must show commitment to the things that drive your stakeholders' trust. Brazilians, more

than Americans (by a 70% to 64% margin), believe wealthy individuals have an obligation to create foundations. Respondents in Brazil ranked environment, education and human rights as the top three causes that family business leaders should take responsibility for.

Luckily, Generation Xers and Millennials, (unlike their parents) see business and social enterprise as strategically integrated. The Edelman imperative for family business is actually playing to the strengths of the new generation of family business leaders.

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Here are four tangible actions you can take to build your trust advantage:

- Tie yourself closely to your enterprise.
- Explain to your stakeholders not just what you do, but how and why you do it.
- Ensure that your philanthropic model gives you tangible results that can be shared with the public.
- Integrate more entrepreneurship into your family enterprise strategy.

Family enterprise has historically flown under the radar. Now the family wealth fueling it makes your company and your family a huge target. Your reputational risks are skyrocketing. From now on, you must tell stakeholders what you do, how you do it, and why. Transparency is the game changer that will build your trust advantage.

The 2014 Edelman Trust Barometer Families and Entrepreneurs Supplement will be published in November. It was produced by research firm Edelman Berland and consisted of 20-minute online interviews of 12,375 general population respondents across 12 countries from July 25-August 5, 2014.



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John A. Davis is a globally recognized pioneer and authority on family enterprise, family wealth, and the family office. He is a researcher, educator, author, architect of the field's most impactful conceptual frameworks, and advisor to leading families around the world. To follow his writing and speaking, visit johndavis.com and twitter [@ProfJohnDavis](https://twitter.com/ProfJohnDavis).



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Richard Edelman is President and CEO of Edelman, the world's largest public relations firm, a third generation family business founded in 1952. Richard topped PRWeek's list of most powerful executives, was recognized as the third highest rated CEO by Glassdoor and was inducted in the Arthur W. Page Society's Hall of Fame.

About Cambridge Institute for Family Enterprise

The Cambridge Institute for Family Enterprise is a global research and education institute dedicated to the real issues facing family enterprises. It is a place where progressive members of family enterprises come to learn, exchange ideas, develop themselves and position their enterprises to be not only successful, but sustainable over generations. Learn about our conferences, education programs, writing and research at cambridge-institute.org and on twitter [@CambridgeFE](https://twitter.com/CambridgeFE).