



The value of *reputation*

'Lose money for the firm and I will be understanding; lose a shred of reputation for the firm and I will be ruthless.' This is one of the guiding principles that legendary businessman and investor Warren Buffett applies to executives and employees of the companies in which he buys stock. Looking at the results, Buffett's investment gospel is incredibly successful, and has led to a following of almost biblical proportions.

Anyone who has some management responsibility, but even those who don't have any, will agree with Buffett: a good reputation is priceless. Whether you have a good or a bad reputation is fundamental to a business's license to operate. After all, reputation is crucial to whether customers and clients, suppliers and business partners, investors and employees current and future decide to do business with you. Effective, fact-based communication is a crucial contributor in building a good reputation. For executives and employees alike, it is not only much more pleasant to be well-regarded by your key stake-holders; research also shows that organisations with a strong reputation suffer less negative impact from and show quicker commercial recovery after crisis situations. There's a solid return of investment if you ever saw one.

Given the importance of a good reputation, it should be safe to assume that executive and

supervisory board members pay a fair share of their attention to protecting reputation. So then why is it that we see so many cases in the media of corporate and individual reputations in both the public and private sectors under immense pressure and in some cases even compromised beyond repair?

One key reason is the lack of boardroom awareness about seemingly minor incidents and issues with the potential to escalate, both inside and outside companies, which may well damage a company's reputation. In fact, most crisis situations stem from ostensibly insignificant events caught too late, for which there is no contingency plan and in which communications are subsequently badly managed. When it comes to reputation management, more boardroom members should take a page from Buffett's book. To govern is to look ahead. As we all know, Noah built his ark *before* it started to rain.

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