Business of building trust

WARREN Buffett, investment guru and one of the world's richest individuals, once said that "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."

Once you do something that diminishes or destroys the trust that others have in you, the consequences can be devastating. That rings true whether you are an ordinary person, public official, politician, business leader or a multinational corporation. The higher up you are, the greater will be the fall.

Indeed, some of the world's biggest companies should have taken heed of Buffett's advice. In the past year, some of the most prestigious financial institutions were embroiled in scandals relating to rigging foreign exchange markets and Libor interest rates. These banks including Barclays, HSBC, Goldman Sachs, Royal Bank of Scotland, BNP Paribas, and JPMorgan Chase were slapped with fines and settlements totalling billions of US dollars.

Such breaches of trust are not limited to the financial sector. German automaker Volkswagen was hung out to dry following its emission scandal. The financial implications of the scandal are enormous with estimates from Credit Suisse pegging the costs of "Dieselgate" at a worst-case scenario of US$87 bil.

Business and corporate leaders often place the issue of trust on the back burner. It's intangible, and difficult to measure and put a value on. And because of that, some businessmen and companies think it can be conveniently shunted aside when the situation warrants.

Well, if there's anything we can learn from these recent corporate scandals is that a severe loss of trust can hit your bottom line badly. Conversely, being trustworthy is good for your business, reputation and branding.

In this regard, we wish to commend PwC Malaysia for holding its inaugural Building Trust Awards, which recognise Malaysian public-listed companies that are making strides toward building trust. This is said to be the first such awards in the country.

The awards assess how companies performed in their corporate reporting (via their annual reports) as well as how they are perceived in the eyes of their investors and customers. Malayan Banking Bhd emerged as the winner of the Building Trust Awards in a ceremony held in November.

It is hoped that awards such as this will spur local companies to put trust at the top of their business agenda. FocusM