

How to practise good business

The Gupta saga and ethical indiscretions at Steinhoff, McKinsey and KPMG have most recently shone the spotlight on unethical business practises in South Africa. This is not a uniquely South African problem, the world is plagued by scandals of corruption and alleged wrongdoing in politics and business alike.



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“Some of the allegations against these companies have not yet being put to trial, but the collateral damage is done. Tainted reputations have driven away important clients to the detriment of share price performances,” says Jannie Rossouw, head of Sanlam Business Market.

“Though these examples are known because they have been exposed in the public domain, forensic [research](#) shows that some small businesses are just as bad and are using smarter ways to conceal bribes to win contracts, tenders and appointments.”

Caught in a web of deceit

Rossouw says business owners, no matter how small their operations may be, need to realise that one wrongdoing can ruin it all. “You may believe that in business it’s about ‘dog-eats-dog’ or that ‘good guys always come last’, but the reality is that if your actions are not consistent with what society and individuals typically think are good values, you may slowly drive yourself out of business. Individuals and communities want to do business with ‘good’ people.”

He says if people are supporting you with their hard-earned money, they expect you to be honest, fair and to treat everyone with dignity and without prejudice. If you are charging unsuspecting customers more than you reasonably should, or if you are not honest with your business partners and suppliers about your operational and financial standing, Rossouw warns that you are likely to get caught up in your web of deceit sooner rather than later.

Similarly, evading tax or helping someone else to write non-existing business expenses, or being involved in unlawful activities, such as price fixing means that you are not operating within the parameters of the law.

“There is truth in Aldo Leopold’s statement that ‘ethical behaviour is doing the right thing when no one else is watching- even when doing the wrong thing is legal’. Sewing moral fibre into all your business decisions will help you build a good reputation and offer the peace of a clear conscience. You’ll also stand a better chance to retain good employees, giving you a competitive edge,” he says.

Good business practises

- **Negotiations:** Every business owner knows that there is always room for negotiating a business deal. But some bully their smaller suppliers into reducing their mark-up to the point that the transaction is not beneficial to the other party. Ask yourself if you are looking for a win-win outcome where all parties will benefit.
- **Taxes:** There is nothing wrong with looking at legitimate ways to reduce your tax bill. But as soon as you pay less tax than you are legally obliged to or avoid paying tax altogether, you are in breach of the law. Failing to declare any income, claiming deductions for expenses that you didn’t incur, creating false invoices or not registering for VAT when you exceed the exempted threshold are some of the unethical business practises that amount to tax evasion.
- **Creditor payments:** You should be paying your creditors and suppliers on time and not use them as a bank. Late payments can cause your smaller creditors to collapse. A survey by accounting firm, Xero found that late payments were a source of cash flow problems for 32% of surveyed small businesses, while 16% felt that chasing invoices reduced productivity.
- **Invoicing:** Do you bill for actual expenses and a reasonable mark-up or do you charge some clients more than others?
- **Government regulations:** Are you operating within the ambit of all local authority regulations?
- **Software piracy:** Do you have official licencing agreements in place to use proprietary software?
- **Staff:** Are you paying your staff a market-related salary for their services and do you have formal employment contracts in place? Do you comply with the department of labour’s regulations requiring businesses to employ not more than 40% foreign labour? Also make sure that you comply with the minimum wage and the provisions of the Employment Equity Act.
- **Business partners and associates:** The saying that if you lie with dogs you will catch flea’s sums up the importance of choosing your business partners carefully very well. If you get into business with people of compromised ethical standards, you might be setting yourself up for future challenges.

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