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In business, honesty is the best policy

WHAT is the value of honesty in business? It may sound like a simple trait but it can make or break an enterprise. Loosely defined, honesty is simply being truthful or credible to yourself and others. But it is amazing how we treat this value.

I once trained a on business development for a group of entrepreneurs. I must admit that I have often found it difficult to train established entrepreneurs on new approaches of doing business. Many entrepreneurs say they have always made their money, so what is the need for new learning? The time is better spent “catching a beer” with friends or better still exploring new “deals”. (Perhaps then we should not be amazed that only 30% of start-up businesses are still on their feet by year 3 of operations; 15% by year 5 and only 10% by year 10.)

When I asked my class what was behind successful entrepreneurship they rolled out factors such as risk taking, creativity and aggressiveness among others. None of them mentioned honesty as a defining factor in entrepreneurship. This was surprising because it was coming from well informed people. When I pointed out their lack of appreciation for the value of honesty few seemed to agree with me.

How can you afford to be honest in business? How can you tell people your trade secrets? Is business not about taking advantage of other people’s ignorance? They asked. This last question caught me off guard. As far as I know, business has never been about taking advantage of people’s ignorance. It is more about meeting other people’s needs and charging a fair price for the effort. Taking advantage of other people is unethical and exploitative.

Business secrets such as product formulae and manufacturing processes should certainly be safe guarded. But when it comes to issues such as pricing and costing, honesty is the best policy. Consider that in many businesses it is possible to calculate exactly how much each player in the value chain make. Think about petrol or beer: we know how much it costs to refine or brew, the amount the tax man takes and even the oil marketer or barman as the case may be.

In business, honesty refers to the way you relate with your suppliers and other stakeholders. Are you open with

them? Are the prices you charge fair and reasonable? Do you keep your word and honour your obligations or do business associates have to keep calling and chasing you around town for their cheques or undelivered goods?

Honesty is one of the most important virtues in business. Business and personal reputations are to a large extent built on honesty. Traders know there are people they can give goods on credit (even without any form of written contract) and they will get paid when they are sold. Manufacturers take post-dated cheques all the time from people who through experience they have come to know to be honest.

Honest entrepreneurs, once they have sold goods received on credit promptly pay for them. Businesses that issue post-dated cheques move mountains to make sure they don’t bounce. Why? Because they know that building

a reputation for honesty and uprightness takes years, but only it takes only a single delayed payment or bounced cheque to be destroyed.

Honesty in business has many benefits. An honest entrepreneur will over time not even need cash to do business. Their respect and credibility becomes like a security deposit with suppliers and other business associates. The Asian community is largely successive in commerce due to their unparalleled levels of honesty and trust that they have in each other. It

is not uncommon to see a young man with nothing to his name except his family reputation for honesty receiving stock worth millions of shillings from his community. They do it because they know when he sells them he will repay the investment. That rarely happens in other communities, perhaps because of fear that the beneficiary’s first instinct once they sell the goods is to take off to the coast for a holiday or relocate to Uganda.

To build a sustainable enterprise, one must strictly adhere to the practice of honouring obligations. Only then will we (and our enterprises) be taken seriously.

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