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MoneyTalk

Trust between Partners pure gold for business

Quinton Abrahams runs a furniture manufacturing business, Q Design, with his brother Ricardo. He believes in mutual trust, respect and having an open platform for discussion that has enabled the both of them to keep running their business successfully for eight years. Their trust is so strong that they don't require joint signing on cheques. They hold weekly meetings in which all aspects of the business are discussed.

"You need to know the other person. You need to know that you can trust one another," says Abrahams.

Mary Guchohi ran a hairdressing salon with a business partner who began secretly withdrawing money from the business. It lead to serious problems and eventual ruin of the business. She managed to build up another salon, with two different partners, and a policy of honesty that has helped keep their relationship healthy for over 10 years.

Guchohi started Braids Exclusive with Abigail Magwane, and later brought in Joyce Mazibuko. Only Guchohi has signing power when it comes to taking out money from the business. She meets with her partners monthly to show them the transactions on their business bank account.

"Whether you put in the systems or not, a determined person will go the whole nine yards to be dishonest," believes Guchohi.

For many, going into business is about the realisation of a lifelong dream as well as about the possibility of making money. Sometimes you choose to go it alone or you choose to share your dream with others by entering into a business partnership with one or more partners.

Entering into a partnership could turn out to be the best thing for you and your business, or it may not work out and turn into a complete nightmare. When a business partnership falls apart, it could end in anguish and even in court action.

But a lot can be done to avoid things falling apart when the relationship between partners starts going sour.

Avoiding the pitfalls: Thulani Timile, of South African Business Development and Management, believes most partnerships break up because roles in the business are not clearly defined at the start of the partnership, or, because of a clash in personalities.

He says when two people go into business the bond should be based on a business relationship rather than on how they feel about each other. "The primary reason you're in a partnership is not because you want to be friends, but because you want to do business," explains Timile.

Have a written agreement: He says each partner's duties and responsibilities should be clearly laid out in a written agreement. The agreement should also detail an exit strategy for each of the partners should any one partners choose to leave.

Joint signing power: Timile says partners should ensure that they have joint signing power on all agreements, cheques and bank documents. Each partner should always scrutinize every document that requires their signature and never just sign a blank cheque that's handed to them, he says.

He points out the example of a business owner who took in a partner who later ended up going behind his back and taking out a R50 000 bank loan for his personal use. The bank is now after both business owners because the documents for the loan were held in "joint and several liability", and the law terms it.

The two partners split when the business owner found out about the loan, but it could all have been prevented if the business owner had read the loan document before signing it.

Maintaining communication: He suggests business owners can maintain strong business relations through regular communication by way of emails or memos. Partners should also hold regular meetings which have clearly defined expectations of what each meeting should achieve.

He says out-of-work social occasions are also a good way for business partners to get to know one another better. But these should be loose, rather than fixed, arrangements.

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