

# The Only Business Partner Guidelines You Will Ever Need

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In 1990, I dreamed of owning my own computer software business mostly because I wanted to sit in the leather chair of my boss. After starting three businesses with a success and failure over the next 10 years, I now believe the saying "it's lonely at the top" to be true. It can be much more rewarding if you have the right partner to travel with you. Still, the question of whether you should have a partner in business is a tricky question.

A partner gives you a shared responsibility for the company so you don't have to bear the entire weight yourself. Sometimes, two people together are greater than the sum of the whole (if they have a synergy of skills). Just as often, two people together are less than the sum of the whole (if they fight all the time).

Unfortunately, you may not always agree with your partner. Disagreements (if not settled) can kill your company. If partners don't think they are working equally hard, conflicts arise. **Remember, it is far easier to go into business with someone than get out of one alone.**

You need to look for a partner with skills that complement your own. If you are good at sales and marketing, team up with someone who is good at technology and operations. This will also provide an easy way to split up the company's responsibilities once you're both working there.

## Think about a few critical questions before you get started:

1. How well do you two argue together?
2. How does the other person react when the chips are down?
3. How has your prospective partner handled success and failure?
4. What is his or her attitude toward money?
5. What are your visions for how the company should grow?

**Talk to your attorney.** Take the necessary legal steps when bringing on board a partner to help you run your business. Partnerships are basically marriages without child bearing. However, the rules for how married people should get divorced are defined rather clearly in our society. Mechanisms for splitting up businesses aren't often well thought out. There needs to be an agreement in place if somewhere in the life of your business, the interests of the partners head down different roads.

Make a shareholder's agreement that states all these things. With a single partner and a 50-50 split in voting rights, there needs to be tie breakers. Talk to your attorney about a "Texas draw" provision. This is where one partner offers to buy out the other partner. This partner then has the choice of either taking the buyout offer from you or buying you out for the same price. This ensures fair offers by both partners. Without a way for partners to resolve their differences, principals can get locked in a death spiral that can result in the demise of your entire company.

**There key financial steps you should take prior to forming a business partnership.** Decide who will keep track of your company's money and select an outside firm to provide oversight. Pick an accountant with which neither of you have personal ties. Put a good bookkeeping system in place and stick with its reporting. Understand cash-flow statements.

## Answer the following questions:

1. What is each partner's spending limitations?
2. How is your company's money spent?
3. In terms of personal finances, what are the limitations for each partner's investment now and in the future?
4. How do you account for if the partners put in different amounts of money?

5. What are the family economic needs of each partner?
6. How much does each partner need to get paid?
7. How long can each partner go without compensation?

**Finally, partners also need to have excellent communication skills and should be able to talk honestly about any issue.** You need to have a rule that you will never be angry with your partner for more than 24 hours without discussing the issue. It is your responsibility never to divulge your differences with your partner to your other employees. Never use employees against your partner.

Since business is basically about people, go into business with people you know, trust and respect. The rule “don’t talk to strangers” applies here. Ultimately, who you are in business with is much more important than the actual type of business you run.