## Building Partnerships for Success

*Committing to a business partnership is a lot like committing to a marriage*
*– both require a lot of thought, a lot of communication, and a lot of hard work.*

Every good business relationship begins with a solid understanding of what the relationship will look like. As it pertains to a business partnership, this means exploring and hammering out key details such as, what the company will do, how it will do it, who it will do it for, who will do what, what the partners will be expected to contribute and how much the partners are expected to earn, etc. The goal is to preemptively think through all foreseeable questions, problems, and disagreements which may arise in the future so that the partners are better enabled to amicably reach reasonable solutions when the inevitable *difference of opinions* arise. While everyone knows the age-old adage that *failing to plan is the same as planning to fail*, partnerships that invest the necessary due diligence up front are more likely to find success. If you're considering, or currently part of, a business partnership, this article may provide some valuable advice for increasing your chances of success.

### Choosing Good Partners.

You wouldn't commit to a lifetime of marriage to someone you didn't know (or worse, someone you did know *but* didn't like) – if your plan is for a lasting business partnership, you should heed the same advice. Make sure you and your partner have the same dreams, goals, and vision for the new business. Picking a partner with complementary skills can be very beneficial – each partner can focus on doing what they do best while strengthening the business. You and your partner should also share the same core values and work ethic. Similar to building rapport with customers or vendors (*both partnerships in their own right*), **you should seek to do business with people you know, like, and trust**.

When evaluating a partnering opportunity, you should carefully consider each partner-to-be. Do you know their character, professionalism, work ethic, capabilities, skills, background, personal disposition and *demons*? While some of these matters may seem a bit personal for business, they would be fair game for a marriage and should be treated the same when considering a partner. Many businesses have failed because one partner lacked the necessary expertise, did not share the same commitment to the business, had a temper or poor conflict management skills, lacked financial responsibility, or was frequently distracted with personal matters such as family strife or dependency issues.

You should also consider past interactions with partners-to-be – starting a business from the ground up is hard enough without incompatible personality issues. If you frequently experience conflict with a partner, or one or more partners are prone to conflict or often part of toxic relationships, it may be a red flag to consider. Business partnerships require open minds and droves of cooperation and compromise – you will be better off working with partners with whom you share a positive relationship.

Finally, and it cannot be overstated, you must choose partners who are trustworthy in all respects. You should ask if you are confident that partners-to-be will show up to work each day and keep their promises. Are you comfortable entrusting the partner(s)-to-be with making sound, unbiased, and transparent decisions for the business (i.e. your investment.) While partnerships still require systems of checks and balances, you should never start a relationship with someone who can't be trusted for any significant reason. Trust your intuition.

## The Business Plan.

As noted at the outset of this article, **successful partnerships start with an explicitly agreed upon understanding of the intended relationship-to-be.** This *understanding* should be documented so that it can be referenced to as needed. The business plan commonly serves as one of the two main documents to *immortalize* the partners' intentions at (or before) the launch of the business. In addition to the key value of simply planning for the success of the business (e.g. what will be sold, who the target market is, how the business will compete, what resources are available and needed, pro forma financial information, etc.) the business plan serves to document a shared vision between the partners. The best time to discover that visions do not line up is before the partnership is consummated. Any changes to the agreed upon plans for the direction of the business should be openly discussed and agreed to in writing. (More about the business plan here: Business Plans - Roadmap for Success.)

## Put it in Writing!

There's an old saying among the *beneficiaries of failed relationships* (i.e. lawyers) that **verbal agreements aren't worth the paper they're written on**. Even if you're starting a business with a family member, a best friend since grade school, or a spouse – a written legal agreement is essential. In addition to the business plan, important details of the business relationship are typically captured in the shareholders' agreement and sometimes a separate buy-sell agreement. Where the shareholders' agreement typically outlines the rights and responsibilities of ownership (e.g. voting rights, rights to profits, etc.), the buy-sell agreement dictates what happens if one or more partners wishes to leave the partnership (voluntarily or involuntarily.) Common questions addressed include: what happens if a partner wishes to sell some or all of their ownership interest; what happens if a partner passes away (does ownership automatically transfer to a spouse or children), what happens if a partner gets divorced (can the spouse seek ownership in the business), what if the business needs to raise additional capital, etc. A business attorney can help you identify and explore possible issues and present practical solutions for your particular situation.

## Plan to Communicate.

**90% of most problems in business (and the world, perhaps) occur as a matter of miscommunication.** Communication begins with the planning steps outlined above but does not end there – partners must be able to openly voice feelings, opinions, and concerns and should agree to address conflict head on (even when it's sure to be uncomfortable.) Poor communication allows issues to fester into problems, leading to bitterness and resentment. Once communications breakdown, the relationship beings to deteriorate. As partners dig in on principle, they will commonly *cut off their noses to spite their face* – the end result is that the business fails and everyone walks away with *half a baby*. The bottom line is that partnerships require open and regular communication to proactively resolve conflict and work together to survive tough challenges and achieve common goals. (More about communications here: Mechanics of Effective Communication.)

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