

Going into a Business Partnership? Find Out If You're Compatible First

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Bob and Jack decided to open an online training business together. They had both been in the training business for many years, and between them they knew every aspect of the business. Bob had worked on the marketing and sales side of the business for a large training company, while Jack managed the operations end in a computer training boutique. They had been good friends for many years and their kids were on the same soccer teams.

A year later, they are barely speaking to each other. Jack feels that Bob has not met his commitments to bring in new clients. Bob feels that Jack has spent way too much money developing the product. They both have a lot of money tied up in the business, which has not been as successful as they had envisioned, although it still seems promising.

Unfortunately, Bob and Jack's situation is not at all unusual. Partnership breakups are almost as common as marital divorces, and can be as financially and emotionally disastrous. Yet many businessmen and women enter into partnership arrangements without discussing critical business and personal issues up front.

Partners of failed businesses often admit that had they taken the time to evaluate their prospective partners before jumping into the business, they could have discovered up front the issues that caused the friction leading to their break-up. By working through the types of issues that often cause problems among business principals, prospective partners are better able to prevent the issues from causing them problems. They also are able to develop systems and procedures in key areas, and learn an approach for tackling other tough issues that will inevitably arise. The exercise of discussing the issues also tends to enhance their collaboration and alignment.

Business partners should plan on spending time working through a variety of issues, including the following:

- Goals and expectations
- Communication and working styles
- Strengths and weaknesses
- Equity allocation,
- Decision-making,
- Risk taking and
- Exit strategies.

Partners can undertake the discussion themselves, or they can utilize a business facilitator to help them. A business facilitator can probe the parties for more detail, assist the parties with addressing issues that arise and help document the results of the discussions. Whichever approach is chosen, pursuing such discussions is a wise investment of partners' time and money, to protect their business investment as well as their personal friendship.

Finally, business partners who have been in business together for awhile but have not engaged in such a discussion might also want to consider undertaking this type of exercise as well. It is much easier to deal with issues before they become problems. Every business with two or more partners should have a written agreement addressing exit strategies, if nothing else. For more information, contact Judy Weintraub at Weintraub Legal Services, 610-783-4519, judy@weintraublegal.com, www.weintraublegal.com.