Doomed to Fail

A number of years ago, I was called in to a small food-processing business run by two partners, Greg and Tim. Greg phoned and explained that they were having major partnership problems. He was wondering if we could do something about it.

I said I thought we could and asked him some questions about the business. Then I interviewed Tim, who begrudgingly and warily told me his side of the story.

I found that there were irreconcilable differences between the partners regarding how the business should be run. It was a high-profile business in the community, one that commanded great respect. It was expanding rapidly.

In valuing the business, I discovered that, if they were willing to keep the business for a couple of years longer, its value would more than double. Consequently, I went back to both partners with a suggestion.

"If there's any way at all to resolve your problems, or at the very least, declare a truce, you can both benefit greatly. There's a surge in demand for your product, but you're going to have to get along for a while."

After more than fifteen meetings, one-on-one and together, we reached an accord on how the business could be operated over the next twenty-four to thirty months, at which time it would be taken to the market and sold.

I clearly remember the final meeting . It was on a Monday evening in Greg's home. We didn't finish until almost ten. At that time we reached an accord and we all shook hands. Tim left. I was gathering up my documents and preparing to leave when Greg's wife arrived.

She asked what had happened and Greg explained the truce, along with how they were planning to manage the business for a short time before selling.

Flames shot from her eyes.

"There's no f…in' way that that's gonna happen. I want that guy and his b…h of a wife out of my business immediately."

The whole thing blew up right then and there.

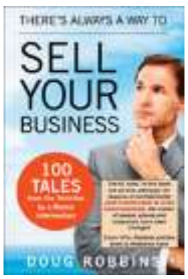
While there appeared to be two partners, in reality there were four. And the two women not only didn't like each other, they couldn't tolerate being in the same room together. It turned out the fundamental problem was between the two women, not the men. Each told her man what to do and how to do it.

As a result, that business was sold about four months later for an amount far below what it was actually worth. Instead of getting $1 million each, Greg and Tim got $300,000 each.

The partnership was doomed to failure before it began because neither Greg nor Tim had given any thought to the behind-the-scenes roles that their wives played.

The cost of setting up the correct structure for operating and ultimately terminating a relationship is low compared with the financial and emotional cost of unravelling a relationship that no longer meets the original needs of the partners.

Terminating a business partnership is rather like a divorce. When there's no prenuptial agreement, the situation can become very messy and costly indeed.



This story is from Chapter 14 of Doug Robbins' book "**There's Always a Way to Sell Your Business**"

To purchase a copy for only $19.95 (including shipping), please call 1-888-762-2463.