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Succeeding with Partners

By: John Dolbec

Do you want a business partner? Then you should lay the ground rules up front.

Owning a business is something many people dream of, but making that dream come true single-handedly is another matter entirely. It is for that reason that many businesses begin as partnerships.

One of the biggest hurdles to getting into business is the start-up equity required. The average person, working a job with standard wages, supporting a family and paying down a house mortgage, does not have much money to invest. A natural next step is to get some friends or colleagues together to pool enough money to start the business, often with some additional help from family and the bank.

Another incentive to form a partnership is the sharing of knowledge and skills necessary to successfully run a business, including sales and marketing, manufacturing and processing, administration and accounting, and so on. Once you have identified the key skills needed and the financial resources required it often seems that establishing a partnership is the best way to go.

Unfortunately, the reality is not quite so rosy. The life expectancy of a typical partnership is less than seven years. In fact, the majority seem to fail in half that time.

Generally, there are three main reasons why partnerships break up:

- Failure to establish clear lines of accountability/authority;
- Inability to successfully monitor, measure and reward the results expected/needed from each of the partners; and,
- Lack of communication between the partners.

First, issues relating to responsibility and authority are a common stumbling ground because not enough planning or thought was invested up front deciding who does what, when, where, how and why, and under what circumstances. Who can make decisions that bind the company? What needs to be discussed with all partners before decisions are made? What happens when people are sick or away on vacation? What happens if the partners do not agree on a course of action? It is well worth the time and effort, when a partnership is formed, to have thought these issues through. The partnership agreement should contain a clear delineation of authorities and responsibilities, in other words who is responsible for what, along with a buy-sell provisions detailing how the partnership will be terminated. There should also be a process to record significant decisions made by the partners.

Next, is the issue of results. One of the issues in partnership disputes is, "*I do all the work and my partner is just coasting*." This can occur when the business is extraordinarily profitable or losing money. Again, identifying expectations up front can help to prevent this problem, or at least help address it if it arises. Define in advance what each partner is responsible for, what results are

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expected, and how the results will be measured. It can be helpful to have a third party, for example, a business consultant, assist you in this process.

Finally, communication. Partnerships in business, just like partnerships in life, will falter if there is not good communication. Many, if not most, business partnership troubles stem from emotional responses to situations that aren't fully understood by all parties because everyone is too busy doing their own work to have a handle on each situation. In other words - misunderstandings.

Set aside time for a weekly partners' meeting, with the issues that occur during the week. There should be a written agenda and the partners can add to the agenda at any time during the week, right up to the meeting. Urgent matters must be dealt with as they arise. Although, it is often the small festering issues that destroy partnerships. These meetings can be formal or casual. We suggest a 90 minute Monday morning breakfast meeting so that the events of the previous week can be reviewed and the air cleared before another week begins. In addition, the meetings should be held outside of the office allowing quiet, uninterrupted time to discuss issues and day-to-day activities of the business. Just having a regularly scheduled meeting can help to defuse emotions - people know they'll have a chance to raise issues within a matter of days, and often by the time the meeting is held, people have cooled off and can discuss and resolve things more effectively.

Another strategy is that partners have a Personal Advisory Board comprised of external advisors who can provide counsel and help mediate issues. This allows an external perspective to help those partners who cannot see the forest for the trees.

The Bottom Line

Business partnerships can be a tremendous source of support, as opposed to owning a business single-handedly, shouldering all the responsibilities and making all the tough decisions on your own. Just remember that the key to creating a successful partnership is to lay the ground rules before you start.

About the Author

John Dolbec, Senior Managing Director of Robbinex Inc.

Born in Toronto, raised in Montreal, John graduated with a B. A. (History) from Sir George Williams (now Concordia) University, as well as attending various business related courses at McGill, Brock, McMaster and Western Universities. John served actively in the Canadian Forces for 7 years, and briefly taught high school in Montreal. He spent 25 years with BMO Bank of Montreal, Commercial Banking, and was CEO of the Hamilton Chamber of Commerce for 13 years. John has been doing business development and relationship management for Robbinex for 7 years, and is currently Senior Managing Director. John has always been very active in the community in various roles including Rotary, Freemasons, and many others. He has been a regular columnist for BIZ Magazine for a number of years.

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