

## Howdy Partner! 10 Things to Do Before You Form a Partnership

Barry Moltz, Small Business Speaker, Consultant, and Author

Barry Moltz

Recent Posts



July 30, 2012 Pre-nups get a bad rap. Nothing casts a shadow on a wedding more than knowing the bride and groom have already planned for a potential divorce. But in the business world, putting everything in writing early in the courtship makes sense. It is much easier to make agreements when the company has no value and partners are in their "honeymoon phase," than later when the business has grown into a real enterprise and there's lots of money on the line.

When forming a partnership, here are terms that should be documented in writing.

1. Job descriptions. Divide up the departmental responsibilities inside the company. Write a detailed job description for each partner. What is especially important is to decide who will be responsible for keeping track of the money on a daily basis. Decide who will be the "face of the company" to the employees and the outside world.
2. The organization chart. This may seem silly at first, but plan out where future employees fit and to which partner they will report. Each employee can only have one real boss. Making tactical decisions by committee gets confusing for employees and never maximizes their productivity. In most successful companies, there can only be one CEO, so decide who has that role. Remember, the CEO still reports to the board of directors (typically the partners) which make the important decisions.
3. Decide how key decisions will be made. Is 100 percent consensus needed? Will they be made on an ad hoc basis or will the key ones be scheduled at more structured meetings? It is best to have a simple set of rules around what areas constitute a key decision. This may include hiring or firing employees, capital commitments or major product initiatives.
4. What happens if one partner wants to leave the company? There should be a clear path if one partner wants to sell his share of the business. How will the stock value be determined and who can buy that stock? Typically, partners decide on a pre-arranged "stock value", use a method like the "Texas Draw" or hire an outside arbitrator.
5. What happens if one partner gets divorced, disabled or dies? Early on, no one likes to think of this, but it is a reality that may come to pass. What will the value of the stock be if a partner dies or becomes disabled? Is it different? Over what period of time will it be paid out? Can a divorced partner retain her stock since her ex-spouse may now become a new shareholder? Once you've got it all in writing, determine if partners can work together and follow these rules to make sure your partnership stays positive.
6. Learn to communicate. Treat it like a marriage. Never let a disagreement linger for more than 24 hours. Consensus may not always be reached, but opinions should always be discussed between partners. This type of communication will eventually foster a better outcome.
7. Never involve other employees in a dispute. Never use employees as "pawns" between partners. Never disparage a partner in front of an employee. Never try to enlist the help of an employee to dispute one

partner's position. This only erodes relationships in every direction.

8. Once a decision is made, move on. Partners can disagree, but once a decision is made, all parties need to take action to make it happen. Lingering doubts are never productive.

9. There is no "I" in team. Can the partners learn to do what is best for their company in the long run and not just focus on what is now advantageous for their personal careers (or egos)? For this to be successful, the goals of the company need to be clearly articulated and applied. Partners should discuss how their personal goals fit those of the company.

10. Know how partners complement each other. Understanding the various partner's strengths and how they support the entire company is an important step to appreciate what each person brings to the mix. Discuss the skills of each partner and how they make the company better.

Have you had a successful partnership? What about a disaster? What steps did you take?

Photo credit: iStockphoto

### Related Topics:

- [Management](#)

### OPEN Forum Message

Watch MSN Business Your Business

If you missed this week's show or want to catch up on past episodes, you can find the video on OPEN Forum.

View video

**FEATURED CRASH COURSES A VERI EXPERIENCE**

**Website Conversion**

Do your website visitors stay, and buy, or quickly turn away? This course can help guide you through the basics --and some advanced techniques-- for learning how to improve website conversion. Learn from the OPEN Forum experts on how to use design...

Launch on

EARN  
**84+**  
IQ POINTS

All users of our online services subject to Privacy Statement and agree to be bound by Terms of Service. Please read

© 2012 American Express Company. All rights reserved.