

IS A BUSINESS PARTNERSHIP RIGHT FOR YOU?

By Jeff Williams

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I meet prospective entrepreneurs all of the time - through my church, at my health club, and even at my neighborhood block party.

One of the most common topics they want to discuss is whether they should look for a partner to help them start and run their business.

I know that it can be quite frightening to imagine quitting your job, investing part of your savings, and handling fifteen different tasks -- all by yourself!

But is a partnership the right way for you to start your business?

The Ups and Downs of A Partnership

There are good reasons to enter into a partnership in business, and some that can lead to disaster.

- Good Reasons

* Partnering with someone who can provide business-specific skills, contacts and relationships you feel your business needs, but which you do not personally possess.

E.G. A person who comes to your business with a highly useful Rolodex because of 20-years of selling experience in your intended industry.

* Partnering with someone who can help administer key areas of activity to permit you to focus more effectively on your area of greatest strength.

E.G. An individual who is good with numbers, while you love to work with people in the sales process.

* Someone who is truly committed to sharing the highs and lows of the business and who will stand by you come thick or thin.

- Bad Reasons

* You need more money than you either can raise yourself, or feel comfortable putting up all by yourself.

You don't need a legal partner if all you need is money. It is preferable to take out a home equity loan or find a private investor.

- * You don't want to do all the work yourself.

If you feel you need additional labor, consider using an outside contractor, office temporary, a part-time high school kid or a relative. Do not give up ownership in your business just for another strong back.

- * You are social friends and you think it would be fun to run a business with them.

A partnership gone bad can end a long-standing friendship very quickly. This can particularly be true of partnering with a relative.

Till Death Do Us Part

Some people say I am being overly dramatic when I compare a potential business partnership to a marriage. But the similarities are closer than you might think.

- * In a marriage, individual financial resources often become jointly owned.

- In a partnership, your partner has a legal claim to all of the current (and most future) business assets.

- * In a marriage, you must be willing to give of yourself, even when it is not always returned.

- In a partnership, one partner can come to feel like they are doing all the work, but both partners have the right to receive income.

- * In a marriage, when things go bad it can be difficult to split up.

- In a partnership, when splitting up, the remaining partner can often face a demand for thousands of dollars from the departing partner.

The Path To Partnership Bliss

If you decide after careful reflection on your true motivation that a partnership is your desired form of legal organization, then there are some steps I suggest that you take:

1. Create a written partnership agreement, spelling out the following terms:

- * The full legal name of each partner.

- * The purpose of your business enterprise.

- * Detailed description of each partner's primary functions; and a description of the joint functions.

- * Financial controls, such as mandatory signatures of both partners on any check over \$500.

- * The dollar amount of capital each partner will invest initially in the business.

- * The percentage breakdown on profits and/or losses between partners.

- * The personal compensation of each partner and how often it will be paid (this may be set on an increasing scale as the business's revenue grows).

- * What exact business activities must be approved, in writing, by both partners, e.g. signing a retail lease agreement.

- * What process will be used to pay off a partner who wishes to leave.

2. Have a social get-together with the partners and their spouses (or significant others) to explain what kind of time commitment the business will require.
3. Plan at least one face-to-face meeting with your partner each week during pre-launch planning to review progress.
4. Be genuinely caring and respectful of your partner.

Reference Box:

Jeff Williams worked for big business for years, until he decided to take his career in his own hands by establishing his practice as a small business trainer and coach. Since 1988, he has guided more than 3,000 people to successfully go from employee to boss. For those seriously considering self-employment, he is pleased to offer his free, monthly telegroup: "Are You Ready To Leave Your Job?". Register at: <http://www.bizstarters.com/ready2leave.cfm>
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