



# Choosing the perfect business partner

**A business partnership can be a relationship disaster or a positive experience. It depends on how you approach it.**

Partnerships generally offer more freedom for business owners, with shared tasks and the potential to earn greater profits. And yet the majority of small businesses are sole proprietors. This suggests that business owners are cautious about entering into partnerships - and rightly so.

Partnerships face challenges that one-man businesses don't, particularly in terms of communication, decision-making and control, as well as personal differences.

## Good choices

Business partnerships usually stem from joining forces with friends or associates who have complimentary and mutually-supportive skills that are necessary for the success of the business, such as:

- A person with more experience and contacts.
- Someone with money to invest.
- Someone who has skills that you lack.

If you are considering a partnership, remember the following:

- A partnership is always easier to get into than out of. Think about the risks and benefits carefully, before you sign on the dotted line.

- Understand the strengths and weaknesses of this new business structure.
- Partners need to compliment one another. If both partners have strengths in the same areas, one of them is obviously not needed.
- Be clear about, and in agreement on, the values, mission, purpose and goals of the business.

The most common problems generally stem from disagreement regarding individual responsibilities and work requirements. More often than not, one partner makes a greater economic contribution to the business and works harder than the other.

Remember that the focus must always be on sales and revenue generation. The person who generates sales and revenue makes the most valuable contribution to the partnership and is therefore logically entitled to a greater percentage of the profits.

A partnership agreement should clearly outline the job responsibilities and standards of performance of each partner. It should also detail how the money is to be accounted for, divided and distributed. Ensure that you have your partnership agreement reviewed by a lawyer who can advise you of any inherent problems.

## Agree on paper

Nine things to include in a business partnership agreement:

- The amount of equity invested by each partner, as well as any other contribution, for example in terms of equipment, property, etc.
- How profit and loss will be shared
- Partners' pay and compensation
- A dispute settlement clause
- The distribution of assets on dissolution of the partnership
- Provisions for changes in or dissolving of the partnership
- Details of a settlement in case of death or incapacitation
- Details on any restrictions of authority and expenditures
- The duration of the partnership.

## Ensuring smooth operations

The website [www.dummies.com](http://www.dummies.com) offers the following tips to ensure that partnerships operate smoothly:

**Date first.** Before you get married, you usually date for some time. This allows you to see the good and the bad sides of your potential partner.

Business partnerships work the same way: get to know your prospective partner well before tying the knot. Consider doing shared marketing or a specific project together first.

**Partner only with someone you trust.** Trust is the glue that holds a partnership together. Don't even consider – not for one second – partnering with someone you don't trust.

**Don't partner until you can stand on your own.** You should partner from a position of strength, not weakness, otherwise your business will become co-dependent, and thus dysfunctional.

**Enlist partners who add to the business.** You don't want a partner who is there just as a source of cash, you want someone who will bring positive personal value. Hire employees that shore up your weaknesses and choose partners to cover the skills that you lack.



These tips should ensure happy partnerships. If not, you can always split up and try again, but it will be easier and more profitable if you do it the right way.

\*With recognition to Real Business, MWEB business, Microsoft and Standard Bank. **M&J**