From the Sacramento Business Journal:
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Biz Savvy

Partnering — the good, the bad, the ugly

Before you join forces in business, make sure you're on same page

Premium content from Sacramento Business Journal - by Larry Mandelberg, Contributing writer

Date: Sunday, October 10, 2010, 9:00pm PDT

Partnering is a common approach to launching or growing a business. Some people swear by it, some swear about it.

While partnering is a valuable tool, far too many entrepreneurs dive into a partnership without fully understanding the complexities.

The best thing that can happen in a partnership is professional and financial success. On the other end of the scale you find failure, loss of cash and ruined relationships.

Perhaps the worst outcome is when partnering leads to the death of passion through a routine grind of hard, unrewarding work and little to no profit.

Janice Whiting, principal of Performance Enhancements Group LLC, has had both good and bad experiences with partners. Speaking about the bad one, she said, "It began with lots of passion and excitement; it ended up destroying a great friendship. Bottom line, we didn't have the same vision for the company."

If you only get one bit of value out of this column, know that bringing in a partner, regardless of the legal structure, can't work unless the partner shares your vision and has strengths that offset your weaknesses.

Only then can partnering effectively increase your odds of success and reduce risk. Partnering without that shared vision and a balanced mix of strengths and weaknesses gives control to friendship and common interests — and that's not good for the business.

There are many ways to create a partnership:

• Through a formal, legal business entity

• Through an informal relationship based on synergies and matching strength to weakness

• By recruiting an investor

• By creating an advisory board

• On a project basis

As with most things in business, there are common rewards and dangers, and proven ways to avoid them.

The Benefits of Partnering

Finding the right partner can help overcome major roadblocks.

Christine Giri, principal of Time Tamer Consulting, explained why her partnering experience was successful. “We valued the other person’s opinion, we divided up the work according to our strengths, and met regularly with two other successful women who were partners in their business to share what we were doing and vice versa.”

A good partnership allows each party to focus on their strengths, avoid the things they don’t like or do well, and provides resources to fill in the gaps.

When you do the homework, identify the critical skills needed, define your ideal future state and find good people that share your vision and values, you can make magic.

The Risks of Partnering

Failure to discuss all aspects of your partnership, both long term and short term, is the most common reason for failure. You will always have some differences in belief, approach or philosophy. If you don’t discuss them before you enter into the partnership, things can get ugly very quickly. Be sure you and your partner talk through all aspects of your potential new relationship before you engage, not after.

The second common mistake is failing to write a buy-sell agreement. When things don’t work out, anger and mistrust take over and it feels like the world is conspiring to make your life miserable. The buy-sell agreement should clearly define what will happen if you ever need to modify, dissolve or sell the partnership. And it’s the only way to make sure you will remain friends if things don’t work out.

Getting hitched

Entering into a partnership is more complicated and difficult than entering into a marriage. Greg Roquet, president of Murphy Business Brokers, advises "... Make sure you 'date' your partner prior to getting married as partners."

Greg's analogy of partnership as a marriage has a lot of truth. For the first few years, you'll be spending more time with your business partner than your spouse. You'll also be sharing finances and decisions.

Success begins with finding someone you like, trust and with whom you share similar values. It grows when one partner's strength serves the other's weakness. It becomes sustainable when you document process, define roles and responsibilities, and find a shared vision for the future.

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