

Partnerships: The questions to answer before you join forces.

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Most partnerships fail. The reason is simple. Prior to forming and beginning, most people considering a partner do not take the time and effort to ask and answer the “critical partnership questions.” Below is a list of questions designed to put all the cards on the table for discussion among potential partners. This list has come from over three decades of experience and makes no apologies for its very complete nature. It is the question that you do not honestly ask and answer that will kill a partnership. Get a quiet space without interruption, and go down the list exhausting every topic. When you are done, you will have a good idea if this partnership has the makings of one that will succeed, or if starting this partnership is best left on the cutting room floor.

DISCUSSION QUESTIONS TO CONSIDER

Discussion Question #1:

Discuss work ethic. Discuss what it means to “commit” yourself to this endeavor. What does an average day of “work” look like.

Discussion Question #2

Discuss professionalism. What does the office look like. When do we return calls? What does our voice mail look like? What is our customer service policy? What do we wear to work? How do we answer the phone?

Discussion Question #3

Do I need you? Can I hire out what you are about to do at under \$20.00 an hour? Are you qualified for your role within the partnership? Have you ever owned or operated a business before? How did it go?

Discussion Question #4

Do we share everything? What is our split? Do we share contacts, informants, leads? What if our neighbor for twenty years wants to sell her house to me...do I need to share this opportunity with my partner? When do we take a check? Do all get paid at the same time?

Discussion Question #5

If the business needs money, do we mutually contribute? What if I want to buy or expand and you do not...what then? What about spending money. Do we agree on all expenses? What do we do if we do not agree? What is a business expense and what is personal? Is gas for my car personal or business? What about my dry cleaning?

Discussion Question #6

What is the partnership attitude about debt? Do we seek business lines of credit? Are we each responsible for half the debt?

Discussion Question #7

Is there a clear division of responsibilities within the partnership? Do each of the partners have expertise and passion in regard to their role? Do each of the partners know of and deem critical each others role? What is the standard regarding acceptability of work preformed?

Discussion Question #8

Is the partnership insulated from personal tragedy? If your partner gets a divorce, is permanently disabled, is sued, or any other such personal crisis, is the partnership held harmless and insulated from personal problems such as these?

Discussion Question #9

Do you get along with your potential partners spouse, kids, family, and circle of close friends? Do they like and respect you?

Discussion Question #10

What about death? Do you have a buy sell agreement funded by life insurance? Do you have a plan to go forward, or divide up the partnership assets and liabilities?

Discussion Question #11

What is the best structure for this potential partnership? LLC, Corp., Joint Venture, Limited partnership, Full Partnership? Do you have a CPA and an attorney that you both respect?

Discussion Question #12

What are your core values? What is most important to you in your life? What are your spiritual attitudes?

Discussion Question #13

What is your agreement regarding vacation? What about time off for anniversaries, birthdays, family traditions, etc.

Discussion Question #14

Are any personal hobbies or interests offensive to your potential partner or their spouse? For example...One partner loves hunting and the other is a PETA volunteer.

Discussion Question #15

Do you have measurable goals for one year, five years, etc. What is your end goal? Is there an exit strategy for the partnership? What if one wants to continue and the other wants to stop? Do you have a buy out agreement in place before you start?

Discussion Question #16

Are you wanting to partner because you are lonely? Are you wanting to partner to “bring along” this other person? Do you anticipate feeling responsible for the livelihood and well being of your partner? Do you perceive yourself as the key to the business, or are they the key to the business?

Discussion Question #17

Starting out, list what you see as the partnership assets and liabilities. Do each agree?

Discussion Question #18

In terms of “intellectual contribution”, is this partnership equally yoked? Is the partnership division / ownership split fair in terms of contribution? If one partner moves on, does the whole business fold as a result?

Discussion Question #19

Are finances to be kept separate or merged? What sort of accounting systems will be used? Who is responsible for day to day accounting? Do all partners have access to the books, bank accounts, passwords, pin numbers, etc? Does it take two signatures for every check written?

Discussion Question #20

What is your attitude about bankruptcy? What is your attitude about business commitments? For example, a property whose value has fallen and is not worth the debt....do you give it back to the bank or pay on the note at an extreme negative cash flow?

Discussion Question #21

If you were to reach your one year goal, separately evaluate the net worth of the business and compare your results. Have you discussed a partner buy out plan?

Discussion Question #22

Is your potential partner a blood relative? Brother, sister in law, uncle, etc? In my opinion, if the answer is yes, this plan needs to be aborted. It is a rare family partnership that does not eventually explode. The cost of the explosion is far more than business loss.

Discussion Question #23

Compare credit reports and personal financial statements. If there is a wide discrepancy, explore deeply the questions of expertise, work ethic, values, etc. This is a strong indication that these partners are not equally matched. As well, compare formal education and personal accomplishments that represent a long term commitment.

Discussion Question #24

Are you comfortable with your potential partner? Do you communicate well? How do each of you handle conflict? Can you take criticism and critique from one another?

Discussion Question #25

What are the deal killers for this partnership? What are the promises, if broken, immediately lead to partnership dissolution papers? What are the hills that each of you die on?

Discussion Question #26

What is the long term vision for the business. This is different than measurable goals, vision is the really big picture. Do you share the same vision?

Discussion Question #27

How do you handle mistakes made by a partner that cost the partnership time, money, and reputation sufferage? Does the faulting partner compensate the partnership? Who calculates the damage? Do you carry errors and emissions coverage as a partnership?

Discussion Question #28

Exchange a list of at least ten personal and professional references for each to check out. After each has gone through the list, compare and discuss concerns.

Discussion Question #29

What is your attitude concerning employees? Who will the employees report to? What level of pay, benefits, commitment are you willing to make?

Discussion Question #30

Do you motivate each other in a healthy dynamic way? Individually, are you self starters?

Discussion Question #31

Have you agreed on a partnership name? Do each of you have the same vision for partnership marketing, philanthropy, and exposure?

Discussion Question #32

What are your personal commitments? Spouse, kids, grandchildren, sports, boards, associations, etc. Are you equally as busy out of the proposed partnership?

Discussion Question #33

Has working through these questions been a positive thing for you, or has it been difficult and met with constant conflict? Have you felt you have been listened to and that your thoughts have been respected? Have you been taken seriously? Has your gut feeling changed or stayed the same in terms of the viability of the partnership arrangement?

Once you have gone through all the questions above, and all of the off ramps that these questions will take you, give some time for each other to reflect. Come back together and work to understand and clarify any points that were left undone. This is a time for clarity and candor, not a time for vague ambiguous thinking. A successful business depends on open and honest communication on a very regular basis. Although this pre-flight may be a bit exhausting, it is time well spent over the long term.

If it is a go, take all your notes to an attorney to draft your agreement. This may go through many edits to get it reflecting exactly what you have come to terms with. This well drafted partnership agreement will serve to be the foundation of your business for years to come. Be sure to study all of the legal, tax, and agency reporting responsibilities. The partnership needs to be a registered known entity with all state and federal agencies. Do not cut any corners here.

It is my hope that this article serves to foster great communication between potential partners. I have had some great experiences, and I have learned some things the hard way. Hopefully you will benefit from all the lessons.