Partnering for Business Success

Sarah Sawyer: Welcome to this week's OK at Work with myself, Sarah Sawyer, my colleague Russell Berger with attorneys at Offit Kurman. And today we are talking about business relationships. Mainly, when folks get together in a business partnership or some type of joint venture in business together. Just like any other type of relationship in life, it is a relationship, it's a business relationship, but usually there's a lot of also personal elements to it, especially when you think of getting in together at the ground level and making a decision to partner instead of starting a business by yourself.

And there's a lot of different ways to organize that and structure that. But obviously as humans do, we get excited about things and maybe you decide alright I've got this skillset, this person I know has this skillset. Let's bring them together. We'll be way better together and be able to, maximize our business potential by doing that.

But that can come, as you've probably seen in some [00:01:00] headlines with founder dispute or different issues that happen that can come with some issues, just like any type of relationship. So what are some things that business owners should be thinking about either if they're in a relationship a business relationship right now or thinking about starting one Russell?

Russell Berger: Yeah. The first question is, do I want to commit? Do I want to be in this business relationship? Does it bring value? Do we bring value to each other? That's a threshold question. And are we aligned on where we're headed? Are we aligned on how we're want to get there?

Those are threshold questions for determining whether you should take on a partner or a co-owner. From there, you also have to then think about what is our long-term plan? Do we see exit the same way?

That can be a tricky question when you think we're want to start this business and our plan is to run it for the next 20 years. And we'll worry about exit much further down the road. But, you want to have some framework for at least having that discussion when it gets closer.

Again, first question is do I really want to partner with this person? Are they the right person for [00:02:00] me from a business standpoint? Do they fill in the gaps? Do they help make this business better? Is there a creative value to us being partnered together? If so, are we then aligned?

Do we have the same targets? Are we moving in the same direction and are we want to get along with each other on the way there? Because if we're not, the business isn't want to work. And if you need hierarchy in a business, that's fine. You can do that. And maybe that's how you adjust the partnership to reflect that.

And there's clear air control. But all these things then ultimately lead to, if you do take on a partner, you got to have rules of engagement. And, whether that's a buy, sell, an operating agreement, stockholder agreement, there's got to be some constitution for how you're want to act in your relationship and what's want to happen when you disagree and how you're going to work through those processes.

Otherwise, you just end up in larger fights down the road.

Sarah Sawyer: Yeah, I think it's a good practice too, to think about if this business is as successful as we hope it's going to be to your point Russell, hopefully it's want to live a long life and things might change for both of the owners or if there's [00:03:00] multiple, more than two, whoever is involved.

Really the human element of it is people change their lives change things about their lives change, what they're prioritizing, what they care about. Also what the vision is for the business might change, if you're trying to serve a certain customer. But then, we get further into the business and one partner wants to really serve cats and another one wants to serve dogs.

A vet's office came to mind. Then, there could be a dispute about I want the focus here. No. I want the focus there. Those things could really change very naturally and for no reason other than life just happening. And the development of the business and you can't predict the future. And so if you picture, alright, this is want to be super successful. We're want to have lots of money to fight about and this brand's want to be great and this company's want to be great and we're want to want to fight over this later. If there is a change, what will we do?

What does that look like? What's fair? How do we plan ahead for that? Just anticipating that could happen.

Russell Berger: Yeah. One additional point to add to that is, when you think about starting a business and [00:04:00] the entrepreneurial spirit, in my experience, people that are truly entrepreneurial are maybe not the best to be partnered because they, by definition, like they're hard charging.

They have a vision, they want to aggressively pursue it, which is a wonderful, great thing and incredibly important, in taking on a partner are you stifling that, are you want to feel imprisoned or at least held back because of that partnership? Those are, really important self-assessment questions that one should ask before taking on a partner and getting in business with someone.

Sarah Sawyer: Yeah. All great points. Well thanks Russell, we'll see you next time.

Russell Berger: Thanks Sarah.