# Business Partnerships

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If I were to start a business based on a skill / talent of mine and had to make it a partnership due to lack of capital, it would definitely be a reliable, trusted source with no previous relations as a friend.
The basis of my decision is as follows:

First I analyzed the advantages and disadvantages of being in a partnership.

Advantages:

* The saying that two (or more) heads are better than one.
When a business has two or more dedicated entrepreneurs, immediately the business gets a head start with diversity in training, skills, prior experience and personalities. It’s also a massive plus if it is managed in a way that the partners complement each other.
* More Capital

It is the primary reason for which a partner would be taken on (especially important in my case). The more the partners the more the capital, the larger the business

Disadvantages

* Too many cooks spoil the broth.
If the partners don’t agree on certain issues and want to make changes in their own way without mutual agreement then it could lead to a collapse in the business, and a fall-out in the partnership.
* The same diversity which works as an advantage can also work as a disadvantage if it creates a conflict.
* Partners often try developing their relationship more than working on the business. This could be a frustrating experience as the inefficiency is usually converted to poor profits/ losses.
* The unpredictables.

What happens if a partner quits, dies, steals, or just doesn’t deliver?

I also analyzed that if getting into a partnership was inevitable, what should be the qualities of this ‘partner’. Also should he/she be a friend? Should he/she be in the same field? Should they be chosen for monetary reasons?

* In the case where I don’t have the capital to start my own venture, I would definitely need the partner to be able to finance me almost entirely.
* Ideally I would like for the partner to be a silent one, i.e., getting a share of the profit but not involved in the running of the business. The reason for this is that I ideally would have liked to take a loan from someone so that I could call my shots.
* The silent partner should definitely not be in the same field as me (design) so that I can safely eliminate all sorts of conflicting views when it comes to the business’ work.

My partner would ideally be a well known acquaintance or a friend of one of my friends/ relatives so I have a trusted reference. My reason for this is so that a relationship can develop along with the business and if something was to go wrong in the initial stages of the business, then there is no relationship to take care of in the first place. If the business continues to grow and do well, then the relationship automatically develops without needing to give attention to it. Importantly, my partner and I must have the same vision so as to not have conflicting views in the future. All parties involved must agree on the same strategic direction of the company.

The partnership agreement should be drawn-up by a highly qualified lawyer and should be made as water-tight as possible. The agreement will be shown around to people who have been in successful/ unsuccessful partnerships to get their views on the agreement. All terms should be clearly mentioned and no “beating around the bush”. In the agreement will also be mentioned the responsibilities of each of the partner(s) and how responsibilities will change with change in circumstances such as death or quitting. If one of the partners is found guilty of stealing, the consequences of these actions will also be stated in the agreement.

The agreement will state the percentage of profits allotted to each of the partners. This will solely depend on their investment / work in the business.

The partnership agreement will hold a clause for each of the following:

* Amount of equity invested by each partner.
* Type of business.
* How profits and loss will be shared.
* Partners pay and compensation.
* Distribution of assets on dissolution.
* Provisions for changes or dissolving the partnership.
* Dispute settlement.
* Settlement in case of death or incapacitation.
* Restrictions of authority and expenditures.
* Length of partnership

The assets of the company will not be divided in a 50-50 rule but in a 45-45-10 rule so as to avoid stalemated decisions and to resolve issues by approaching an unbiased 3rd party which will hold 10% stake in the company.

In any case of disagreement, where a decision cannot be reached, the 3rd party’s (well informed) decision will final and binding.

All in all, as water-tight and fool proof you can make your agreement, the saying goes, “Where there’s a law, there’s a loop-hole,” and little can be done about it.
I do believe that partnerships can be very successful and there are a number of examples to prove me right. If you cover your bases, set your foundation right and you understand your partner, your partnership can be a success.