

CHAPTER 1

The Rewards (and Risks) of Going into Business Together

“PARTNERSHIP” IS A SEDUCTIVE buzzword in the business world today. My phone company wants to be my “partner in communication,” and my doctor at Kaiser Permanente wants to be my “partner in health.” Company owners hear constantly about the virtues of becoming partners with their customers, their employees, their vendors, and even their competitors. The overuse of the term *partner* has stripped it of traditional meaning, which in business has been two or more people joining together, pooling their money and talents, and taking a risk. Partners are people out to create or build something—*together*. They are putting something at risk in the hopes of creating a sustainable venture.

This book is about business partners, for the most part without regard to their legal status as partners. They may be in a partnership or a corporation. They may own property together or be co-producers of a Broadway musical. What matters is that they have a duty to one another, and the actions of one partner affect the others. In this sense, partnership is a state of mind. Partners sink or swim—together.

The enthusiasm for partnering is rooted in a down-to-earth fact: You’re much more likely to succeed in a business with a partner than without one. Entrepreneurs who have succeeded by pooling their strengths far outnumber those romantic figures, the lone entrepreneurs

who have triumphed over all odds. *Inc.* magazine's annual list of the hundred fastest-growing companies typically shows that partners founded about two-thirds of them. Every year, partnerships likewise dominate *Entrepreneur's* annual list of the "hottest" companies. The vast majority of high-performance companies are started by people with partners.

Academic studies confirm the importance of partnering. Researchers from the Center for the Study of Entrepreneurship at Marquette University investigated a sample of nearly two thousand companies and categorized the top performers as "hypergrowth" companies and those at the bottom as low-growth companies. Solo entrepreneurs founded only 6 percent of the "hypergrowth" companies. Partners founded a whopping 94 percent, and many of those companies had three or more founders. In stark contrast, solo entrepreneurs founded nearly half of the low-growth companies.

Founding partners are memorialized in the names of some of the world's most successful and visible businesses: William Hewlett and David Packard, for instance, or Charles Dow and Edward Jones (who actually had a third partner, Charles Bergstresser). Sometimes partnership origins are less obvious. EMC, the world's largest data storage manufacturer, was founded in 1979 by Richard Egan, the "E," and Roger Marino, the "M." ("C" was a third person who did not make it to the actual founding.) The company that employs more people than any other on the planet, Manpower Inc., was founded by Elmer Winter and Aaron Scheinfeld. Compaq Computer Corporation was the brainchild of three Texas Instruments engineers. Intel was cofounded by Gordon Moore and Robert Noyce. Home Depot was started by Bernie Marcus and Arthur Blank. Even Microsoft, which for years many people thought was founded only by Bill Gates, was cofounded by Paul Allen. The list goes on and on.

THE ATTRACTION OF OWNERSHIP

People usually form partnerships because they want to own a business. In a partnership, you don't own 100 percent, of course, but for

most partners owning part of a business is much better than owning none at all.

Having partners is often what makes ownership possible. Partners provide the missing link—the money, expertise, ideas, skills, connections, facilities, patents, whatever it happens to be—that an entrepreneur needs to make a go of a business.

What is it about owning a business that is so appealing? One answer is freedom. People are not free when they work for someone else. Freedom may be limited in a partnership (partners are accountable to one another), but there's a world of difference between being an employee and being a co-owner when it comes to freedom.

For many people, too, the desire to own a business stems from a creative impulse. Ownership is a way for them to build something of their own. Others see ownership primarily as the path to a less-elevated goal: wealth. Wealth as a goal is potentially troublesome in a partnership. Partners who define their goals in terms of personal financial enrichment have a special obligation to be explicit about their motives, because focusing on one's own financial gain won't necessarily lead to decisions that benefit the business or one's partners.

ADVANTAGES OF PARTNERS

Being a partner gives people more than ownership. Many people prefer to share the responsibility for the business. Some businesses by their nature require that more than one person be available and accountable. For example, doctors band together for the practical purpose of sharing on-call duties. In addition, being able to divide tasks along lines of interest or ability can make an enterprise not only more successful but also more enjoyable.

Partnerships offer people a chance to do things that they would not be able to do on their own, or to do them more successfully. Opportunities open up when people combine forces. Having partners puts more intellectual power at the top of the business. If you pit three co-owners against a solo entrepreneur, the three co-owners are going to out-think

and out-strategize the single owner in most cases, as long as they don't devolve into interpersonal conflict, or what some researchers call "affective conflict." Partnerships also allow people to exploit opportunities more quickly, and in business today, speed frequently means the difference between success and failure.

From a psychological perspective, having a partner means having someone to share the emotional burdens of ownership. A partner can provide feelings of safety and reduced risk, a sense that "we're in this together." One of the biggest complaints of solo entrepreneurs is that no one understands the tremendous demands made upon them. Even spouses who try to be as empathetic as possible cannot truly understand all the complexities of starting and running a business if they're not part of it. For some people, the fears that have kept them from starting a business become manageable with a partner.

Advantages of Having Partners

- Your partner shares the burdens and responsibilities.
- Someone else can do jobs that don't play to your strengths or interests.
- Partnership opens up opportunities that otherwise would be beyond your grasp, including greater success.
- You can move faster to take advantage of opportunities.
- You can enjoy camaraderie with an equal instead of feeling alone at the top.
- There's the potential for synergy and better decision making at the very top of the company.

For other people, having partners is simply more fun than owning alone. If the only option were solo ownership, they wouldn't do it; the cost, in stress and worry, wouldn't be worth it. Being on equal footing with someone else in the business, someone you can't dominate and who can't dominate you, makes for a more stimulating relationship than you can have with any employee.

Creating Synergy

The most exciting advantage of partnership is the potential it creates for synergy. By pooling their strengths, partners not only ensure the viability of their business, they also expand its possibilities.

A fine example of synergy is Enforcer Products, a Georgia company. On his own, a laboratory researcher named Wayne Biasetti founded Enforcer Products in 1977 to manufacture pesticides and home products that he had developed. Although he excelled in the lab, he needed someone else to handle sales and marketing—otherwise his creations would never leave the building. He brought on Jim Biggs as a partner to take charge of that side of the business. He could have simply hired a sales director, but Biasetti wanted someone as dedicated as he was.

As Enforcer Products grew, the two partners realized that there was a weak link in their business chain. They needed a third person to handle administrative and financial issues for which neither had the skills or patience. They found Ed Brush and made him an offer that included ownership. Like the three legs of a stool, the three partners gave the business a stability and solidity that it would have lacked had one of them not been there. Together they were able to grow Enforcer Products to the point where the whole was far greater than the sum of its parts. In 1997, the partners sold their company to National Service Industries.

Partners can also achieve synergy by taking advantage of less obvious differences. For example, Phil Higginbotham, an energetic and successful orthodontist in Spartanburg, South Carolina, had grown his professional practice to the point that he couldn't accept any more patients. He needed to bring on another orthodontist if he wanted to continue growing. Higginbotham wanted to find an orthodontist with whom he would be compatible but who would also complement him in some way; in other words, he wanted to create synergy in his practice.

Higginbotham asked me to do personal styles and values profiles of him and a candidate for partnership, Eric Nease, to see whether they would be a good fit. The tests revealed that they were very similar in their values but sharply different in their personal styles. On one test,

their scores were virtually identical in three of the four categories, but they were almost diametrically opposed in the fourth. The test identified Higginbotham as a strong “feeling” person and Nease as a strong “thinking” person. The difference is significant in terms of how people look at the world, how they interpret what is going on around them, and ultimately, how they interact with others.

The crucial questions in such situations are always: Will our differences make us stronger or tear us apart? Will we get synergy or just trouble? I delve more deeply into this tricky question in chapter 8, but as a rule, the greater the differences, the greater the potential advantages, but also the greater the risk of conflict. Higginbotham discussed the test results directly with Nease. Together they used the results to hash out what the difference in their styles might mean on a day-to-day basis, how they could use the difference to their advantage, and what they would do if that difference got in their way.

Higginbotham elected to ask Nease to join his practice. Nease, having seen how thoughtfully, respectfully, and openly Higginbotham operated, decided he wanted to practice with him. How is the partnership working out? The difference in their styles “works out great,” Higginbotham says, “because it is clearly advantageous to have both types in a practice. For example, we’ve had a couple of instances come up where I feel real sorry for a person, but I shouldn’t.” Some people have so much empathy for others that it gets them in trouble. Now, Nease provides a reality check and saves Higginbotham from being taken advantage of.

Synergy can be created in many ways among partners. The potential is there whenever partners are willing to explore their differences as well as their similarities and in so doing, leverage their differences to their mutual advantage. When this works, partners wind up with more than they could have had on their own. The problem is, it doesn’t always work.

THE PERILS OF PARTNERSHIPS

With so much riding on the success of a partnership—the partners’ day-to-day happiness, security (often their mortgages), reputations,

comfort in retirement, not to mention peace of mind—it's easy to see why partnerships are considered perilous. In a poll taken a few years ago, *Inc.* asked businesspeople if they thought partnerships were a bad idea. Two-thirds of the respondents said they were. When asked why, the majority said they disliked co-ownership because of the partners' "inevitable conflicts" and "unmet expectations." A poll by researchers at the University of Minnesota uncovered similar misgivings inside family businesses. About half of the second-generation family members working at such companies had doubts about being there. The main source of their unease was, again, interpersonal conflicts. Failed business partnerships—and their attendant broken promises, financial ruin, and litigation nightmares—litter the business world and leave a deep impression.

Countless conversations with professional business advisors have convinced me that most of them are similarly against the idea of having partners. The reasons they offer are always the same: It's too difficult for partners to get along, partnerships are too hard to get out of, and when a partnership fails, the cost is enormous. (In private, some advisors jokingly admit that their own unhappy partner experiences have something to do with their skepticism.)

Of course, no one ever enters a partnership expecting serious conflicts. Advisors rightly point out that even when the probability of conflict is low, the risk may still be unacceptable if, as it often is, the cost of a failed partnership will be high.

THE COSTS OF FAILURE

People often jump blithely into partnerships because they are unaware of the costs of failure—and no wonder, since nobody contemplates failure when starting up. It may be difficult to assign hard numbers to these costs. Still, they can be enormous, and prospective partners should look at them carefully.

Every conflict among partners exacts an emotional toll. These conflicts can destroy lifelong relationships. They can consume partners'

every working moment, and sometimes every waking moment, for extended periods of time. They exact a toll not just on the partners themselves. I've heard partners refer to the stress on their spouses as "collateral damage"; some say it was that kind of strain that forced them out of their partnership.

Conflicts need not be profound or dramatic. Low-intensity wars can be costly, too, because they often make partners underperform. Nagging dissatisfaction, perhaps a feeling that the partnership's terms are not fair, can result in a partner's dragging his or her feet. Underperformance can become chronic, so that for months or years the partners achieve *less* than they would have on their own. Not only is synergy absent, sometimes there isn't even basic cooperation.

I saw a classic case of this a few years ago. Two partners had not gotten along well since starting their Philadelphia consulting firm fifteen years earlier. For most of their time together, they had been in a low-grade conflict. They called BMC Associates to see if there was any hope of ever getting along.

In a nutshell, although the partnership was nominally 50–50, one of the women, "Janie," felt dominated by the other, "Roberta," and resented it. Feeling dominated and unappreciated caused Janie to put in less effort than she had initially. Pulling back was a passive-aggressive way of communicating her intense dissatisfaction to Roberta, but it was the only way she knew how to get it across. This behavior backfired, however, because Roberta took Janie's underperformance as confirmation that she was not equal to the job, so Roberta felt justified, even forced, to become more dominating. In a classic negative spiral, the partners suffered a great personal loss and the company suffered a significant, if difficult to measure, loss to its bottom line.

Even if partner underperformance is slight, the long-term cost to the underperforming partner, the other partners, and the business can be enormous. Even low-level conflict directly consumes inordinate amounts of partners' time and energy. It never ceases to amaze me how totally their time is eaten up by such conflict. Productive income-generating work by the partners can grind to a halt. When measured by partners' salaries and benefits, the total cost to the business of this lost time is staggering.

The Cost of Conflict Among Partners

- The personal emotional toll on the partners, their spouses, and others close to them
 - The toll on the relationships among the partners
 - The loss from having a partner underperform, sometimes for extended periods of time
 - The time lost by partners who must spend hours and days away from management and income-generating activities
 - Job dissatisfaction, high absenteeism, and lost productivity among employees who get swept up in owners' battles
 - Costs associated with the departure of employees (often the best ones) who want to escape the conflict
 - Mediation, arbitration, or litigation costs
 - The expense of buying out a partner's interest
 - Lost revenue from the loss of the partner
 - Recruiting expenses and time to find a new partner or employee
 - Lost productivity for owners and executives who must integrate a new partner or employee into the company
 - Litigation after a breakup related to broken noncompete clauses
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Few things are more frightening to employees than owners' internecine battles. Even when employees are not directly involved in partner conflicts, they get caught up in them. It is common to hear about employees taking sides. A key employee in one company complained that the divisiveness was so bad that the employees should have worn jerseys for one or the other partner! It does not matter how much information employees have about what is going on among the partners; they can engage in a lot of "worry talk" even if they know next to nothing. As on-the-job stress increases, so does absenteeism. Productivity and job satisfaction can plummet—and the preoccupied partners may never notice.

What *will* make partners take notice is when they hear that employees are looking for jobs elsewhere. Even if partners are oblivious to

dropping productivity, they'll take notice when their valued employees begin jumping ship. Some authoritative estimates put the cost of replacing employees at about one year's salary, which includes downtime, opportunity costs, finding or recruiting new employees, training them, and getting them up to speed. For employees in critical jobs, the estimates are between one and two years' salary. Estimates for associates—not partners—in law firms, for example, are typically around \$350,000.

When partners become aware of the bottom-line costs of conflict, they may try to negotiate a resolution among themselves. If that effort fails, it is not uncommon for desperate partners to recruit their own accountant or lawyer to be a mediator. This rarely works. As soon as negotiations bog down, one of the partners will cease seeing the advisor as neutral, if, in fact, he or she ever did. At that point, the advisor becomes history, both as mediator and possibly as trusted advisor.

Partners mired in stalled negotiations may hire attorneys. Frequently, one partner will surreptitiously turn to an attorney for help. Inevitably, other partners find out, or suspect as much, and hire their own counsel since no one wants to feel unprotected. Before anyone realizes it, they have all slipped into combat postures. No one feels safe speaking openly to anyone else. In fact, attorneys will advise their clients against speaking candidly to their partners. Whether that is self-serving or just zealous defense of one's client is immaterial. The possibility of partners' resolving their situation slips from their grasp as soon as they hire advocates and surrender responsibility for dealing with their problems themselves.

The cost of litigating partner disputes can be enormous. A recent legal contest between two partners in a financial services business was estimated by one of them to have cost between \$1 and \$2 million. A battle among the co-owners of the Haft family businesses cost around \$40 million in legal fees before a settlement was reached. Co-owners of any small company who litigate a garden-variety partner dispute can rack up fees approaching \$100,000 with little effort.

If partners opt for arbitration over litigation, or if a clause in their partnership agreement mandates it, they won't save much money. Arbitration, like litigation, is an adversarial process, even though it oc-

curs outside the court system and is private rather than public. Usually, a retired judge presides, and all the parties have their own attorneys. The lawyers submit motions, conduct depositions and discovery, present their evidence and witnesses, do their best to refute the evidence and the witnesses of the opposing counsel, and make closing arguments. The process looks shockingly similar to courtroom litigation. Arbitration's only real advantage is that the partners are number one on the docket. It does not last as long from start to finish as litigation does, but that is primarily because the process is compressed. Many lawyers who are forced to arbitrate cases hate it because it's so intense: All of the same ritualized war games go on, but at a faster pace. It is no wonder that a *Harvard Business Review* article recently concluded that arbitration in business situations has become "the nightmare that it was meant to replace."

In arbitration, as in litigation, partners are asking someone else to listen to the evidence, weigh it according to existing case law and statutes, determine who is right and who is wrong, and render a decision. The point is still to win. To achieve that goal, one partner must prove that the other deserves to lose. Relationships seldom survive the inevitable hardball tactics.

Not surprisingly, at least one partner will have to be bought out as part of the resolution of knock-down-drag-out cases of arbitration and litigation. Relationships cannot survive such a beating. When partners must buy someone out of the business to resolve a conflict, there are frequently additional costs beyond the price of the ousted partner's interest. In rare cases, partners have buy-sell agreements in place that assign a value that no one contests. More commonly, however, someone disputes the price of the buyout, necessitating a costly valuation. Valuations often fail to settle the matter, though, because valuations are also frequently contested.

My own family discovered how painful this kind of scenario can be when our family's business experienced a protracted and costly buyout dispute. Because of different values, styles, and management philosophies, one of the five families in our third-generation company decided to leave, more or less voluntarily. They invoked the

buy-sell agreement, which had been drawn up years before and stipulated the method for determining the price of the buyout. Even though the valuation method was spelled out in black and white, more than seven years of active litigation ensued as people fought over the precise meaning of certain critical clauses. The cost in legal fees alone was enormous.

My cousins who left the company did exactly what many partners do when they leave: They set up shop close by and competed against the family business. Price wars ensued. The family company suffered because the business was disrupted. It's common in such breakups that after partners separate, they continue doing whatever they have always done but under a different name. It happens even with non-compete clauses in place. And because they often bear ill will toward their former partners, they compete with a vengeance. This is another cost of conflict among partners: having a new competitor who knows your business inside out and attempts to take your customers and your employees.

The toll on my family was devastating. People who had shared their lives stopped speaking to one other, though there was no hiding their anger and pain. The damage even extended to some people being conspicuously absent from family weddings and funerals.

The painful process my family went through plays out in communities everywhere. The stories are unique but sadly familiar. In Boston, the public watched the partners in Legal Seafoods as they slogged their way through their battles. New Yorkers watched this type of partner conflict play out for much of the last third of the last century as four brothers in the Dell'Orto family attacked and counterattacked one another over the vestiges of their family's culinary legend, Mangano Foods. Family relations were never the same after 1961, when the brothers divided the business among them because of differences in personal and management styles. The legalistic, Solomonesque division of the 110-year-old business did nothing for the siblings' relationships, however. As so often happens, legalistic resolutions begat interminable legal encounters that kept the feud alive. For decades, the brothers went head to head selling Italian delights next door to

one another, while dueling head to head in the courts over the use of the Manganaro and “Hero-Boy” names. Outside the courtroom, they didn’t speak to one another. Only recently the brothers managed to reach a settlement—out of court.

One of the sons in the next generation, Anthony Dell’Orto, described how their fight poisoned their family relationships when he said he couldn’t recall ever speaking to his uncle Salvatore’s daughters, though they grew up side by side. “In pictures of my christening, some of my cousins are there and I don’t even know who they are.”

PARTNERS HAVE BEEN AN INVISIBLE GROUP

Considering the many advantages a successful partnership bestows and the horrendous costs a failed partnership can exact, you might assume there is a large body of research on what makes partners tick and what makes them stumble. Surprisingly, there isn’t much written on the subject, even though business partners’ success is tremendously important, not just to the individuals and companies involved but to the whole economy.

Business schools could teach students how to minimize the risk of partner disputes, but they do not. They are schools of business *administration*. They teach students how to run large companies. Although they have started doing a better job of teaching students how to be entrepreneurial, they teach next to nothing about how to be a partner. Even though they have taught students how companies can make “partners” out of employees, customers, and vendors, this “partner revolution” has to do, again, with administering a business, in this case through managing relationships to encourage loyalty to the company. Theoretically, if you are a Starbucks “partner” you will give more to the company than if management simply calls you an employee, but this has little to do with actual partnership.

Because most business schools’ graduates who start their own businesses will have real partners some day, the schools’ neglect of partnerships is hard to fathom. But business schools are not the only schools

with this gap in their curriculum. Medical schools train physicians without regard for the fact that the vast majority of their graduates will have to struggle sooner or later with partners. The same is true of other professional schools.

Why has no one bothered to plug this obvious gap? I think the reason is that partners have been something of an invisible group, meaning that they operate beyond the range of the vast majority of researchers and consultants working in companies. While researchers are encouraged to investigate, analyze, and correct the bottlenecks, problems, and conflicts at all other levels, relationships between owners have been largely off limits. Likewise, consultants are rarely privy to the intimate details and internecine warfare among partners themselves.

Researchers and consultants do get to peek at the highest echelons (i.e., major stockholders, officers, and board members) of *publicly* held companies because laws mandate a certain level of transparency and public scrutiny. Not so with privately held companies. Co-owners of private, closely held companies do not have to file documents with the Securities and Exchange Commission about who owns how much of the company and how much each person makes. Few partners are willing to divulge this information for research purposes. Thus, they are free to remain a largely invisible group.

Mediation creates an interesting exception to the rule. Mediators, brought in expressly to help co-owners resolve conflicts in nonadversarial ways, have a unique window on the inner workings of partnerships. In mediation, nothing is off limits. Partners at loggerheads with one another cease being guarded and secretive. They will open their souls and pour out their stories. They actually have to be open and candid about their partnerships for mediation to work. Mediators cannot help them reach a resolution unless they dump all the messy details onto the table. The reality of mediating partner disputes is that when principals are wrangling over stock, money issues, or who is taking more than their fair share of perks, they are more than willing to reveal all, as long as they see a glimmer of hope that mediators can get them swiftly and safely out of their quagmire.

WARNINGS FROM PAST PARTNERS

In mediation after mediation, partners have told me about the hopes and aspirations they started with and the problems and impasses they encountered as they went forward. I learned directly from them what makes partnerships tick—or not. Seven caveats for would-be and existing partners emerged from these discussions:

- If you think you are not partner material (e.g., not a team player), don't even try.
- Exercise extreme caution when selecting a partner.
- If you do not really need a partner, don't go there.
- If it doesn't feel good before you start, don't do it.
- Don't think that legal documents will keep you out of trouble with one another.
- If you are a co-owner and it doesn't feel good working together, work to fix it.
- If you can see ambiguities in your relationships with your existing partners, address them while you're still getting along.

Some people will never make good partners because they simply could not be team players. Ginger Spencer, a Florida real estate agent, is crystal clear about herself in this regard: "I could never have partners because I have to do things my way. Furthermore, I never want to be accountable to anyone." Knowing and accepting your limitations is a real strength.

Business and professional schools, along with business advisors and consultants, should be offering such warnings to their students and clients—but most of them don't. At best they offer horror stories of failed partnerships. Given the perils of partnership, it is easy to see why so many schools and advisors—and so many businesspeople—think having partners is a bad idea, but a lot of things are bad ideas if you do them without sufficient caution and planning (cases in point: scuba diving, skydiving, and mountain climbing). Business partnerships are no different.

In the following section I present four critical questions that people should stop and ask themselves when contemplating taking on partners. I then address what people who already have partners can do.

FOUR CRITICAL QUESTIONS BEFORE JUMPING IN

Because getting into a partnership is far, far easier than getting out, you must ask the critical questions—and answer them honestly—*before* signing on the dotted line. Addressing them takes people a long way toward making partnerships safe and successful. The first and second questions are so simple that they are often overlooked. They are, however, important to ask and answer honestly. Keep in mind that the initial answers sometimes do not hold up under closer scrutiny.

Why Do You Want to Own a Business?

I discussed some of the possible motivations for owning a business earlier in this chapter. When people are answering this question, they tend to say what sounds good, but a superficial or socially correct answer gets you nowhere. This question is really about goals and objectives. It's about purpose. It's about expectations for the business. Is your reason for wanting to own a business to build an empire? Bake the best croissants in town? Achieve security? Become famous? Travel? Become the largest Murano glass wholesaler in New York City? Own the most sought-after interior design studio in the region? Make a million? Not have a boss?

You have to know your own and your partners' reasons for wanting to own a business. Then you have to make sure everyone's motives are compatible. To do otherwise is like starting on a long journey without knowing your destination. It can be done, but it takes some mighty happy-go-lucky travelers to do it and not be at one another's throats. As a rule, the smaller the business, the more similar your reasons for owning must be. Larger organizations allow co-owners more freedom to achieve satisfaction in different ways.

Why Do You Want to Have a Partner?

For some people, having partners is a necessary evil. The thought of having partners nearly stops them in their tracks. Nonetheless, some of them slip into partnerships.

Others would start a business just to have peers to interact with on a daily basis. For these people, the business provides a special type of interpersonal contact that they crave. If they had to do it alone, they wouldn't bother.

Between these two extremes are those who want partners for the advantages that accrue from combining forces with others. Understanding exactly why you want partners is critical to preventing disappointment or a costly mistake. Many people have entered into partnerships without really addressing this question, only to discover, when their *need* for a partner has ceased, that they are stuck with a problem for which they had never bargained.

Peter, for example, had a novel idea for a computer software company that he thought could be worth a lot of money in a few years, but he wanted a partner to help him bring the idea to fruition. He had never started a business and did not believe he could do it on his own. Peter found a partner, Steve, whose experience in marketing appeared to be critical to growing the business. They both put in \$50,000 and agreed not to take salaries for a year. Steve suggested a 55–45 split in Peter's favor, in recognition that the business was Peter's idea. Peter agreed.

Two years later, Peter and Steve received an unsolicited offer from a national company to buy them out for a huge sum of money. Peter was shocked at his good fortune but also had pangs of regret. Hindsight produced a very different picture in Peter's mind than the one he had had when he lacked confidence to be a solo entrepreneur two years earlier. He thought to himself that while Steve had done a perfectly respectable job for those two years, it was really his idea that had created the value. The \$50,000 and a year without salary that Steve contributed paled in comparison to Peter's contributions. His view was that he'd relinquished almost half of his business, slightly over \$2 million, in order to not feel alone.

Peter's revisionist view may have been partly due to greed; also, he may have been underestimating his own lack of confidence now that he had experienced success, and he may have been underestimating all that Steve had contributed. A partner may provide the confidence that one cannot muster on one's own. Starting a business can be scary, especially alone. A person starting a business may have employees to talk to, but that is not the same as having partners who share the responsibility for the entire venture. Shouldering 100 percent of the burdens, both financial and emotional, is a daunting challenge. If having a partner brings nothing more than the confidence to move forward, the partner may be worth every penny. Alternatively, if Peter had fully recognized that he needed a partner simply to quell his fear, he might have explored other means of calming his anxieties.

Are There Better Alternatives Than Taking on a Partner?

Despite the advantages of having partners, they complicate life. The more partners one has, the more complicated and risky things become, so it is wise to ask oneself if there are better alternatives available. Peter might have hired a consultant to walk him through his own strategy, for example. He might also have secured his own financing and searched for an employee with marketing experience.

It may seem ironic that a book on partners would stress the importance of *alternatives* to having partners, but the inherent risks of having partners are such that people need to carefully consider the alternatives before jumping in.

Is the Person You Are Choosing the Best Partner for You?

Many people might make very good business partners, but many of them would not be good business partners *for you*. The issue is not whether a prospective partner is the ideal person, but whether that prospective partner is someone with whom you have a reasonably good chance of success. Choosing a partner is one of the most important de-

cisions a person will ever make. This is as true in business as it is in marriage. Many people will spend much more time with their partners than with their spouses. For better or worse, partners tie their fortunes and their futures to one another. One's choice of partners will affect one's life in profound ways. The quality of the partner relationship will have a huge effect on how one feels about going to work in the morning and how comfortably one sleeps at night. The choice of a partner is the single most important decision most people will ever make about their businesses.

The essential elements of a successful partnership are

- a good fit between the partners' personalities,
- similar values,
- the ability to be a team player,
- compatible goals and clear expectations, and
- mutual trust and respect.

When prospective partners have assessed these critical relationship elements, they have a tremendous head start. Personality studies have demonstrated that while physical appearance governs our first impressions of people, it is people's personal styles that make living or working together day after day, year after year, either a blessing or a curse.

Values, the underpinnings of all major decisions, usually function just beyond our awareness. Even though values are difficult to assess, they are critical to the long-term survival of all partnerships. Sooner or later, an issue will arise whose resolution will depend on the partners' values. It might be over whether to fire an employee, or whether to invest personal capital to upgrade equipment. Regardless of the issue, if partners' values are not aligned, something will eventually make the discrepancy apparent to everyone.

Many people believe that starting a business with a friend is a safe bet because friends tend to share similar values. Sometimes they do. A classic example is two long-lost friends who bumped into one another at their twenty-fifth college reunion (see sidebar, p. 22).

