

5 things Entrepreneurs should look for in a potential business partner

By Alan Manly



Choosing a business partner is always challenging, as history shows us that many partnerships end in dispute. When considering the personal qualities of a potential business partner the old axiom, “Successful people surround themselves with those smarter than themselves” is worth bearing in mind. Smarter people in this case should offer value in a field different

or complimentary to the team leading entrepreneur. Beware of recruiting an enthusiastic supporter of your ideas or even a like-minded associate. Some things to look out for are:

Professionalism

To set the relationship on a professional footing it is worth remembering that as you are

initiating the relationship you should have a professional approach. An up to date business plan at the ready sets the scene for professional discussions on where the business can go and what skills are required to build the team. Reference to the business plan as the core of your business proposition in seeking a partner removes the temptation during interviews to be sidetracked

into discussing your entrepreneurial history, aspirations or any other great ideas that come to mind. If your candidate for partnership doesn't appreciate your documented approach...find someone else more professionally focused.

Complimentary skillset

The business plan will be believable if it mentions the need to build a team. The obvious but sometimes difficult component of the business plan is the documenting of the skills required to compliment the founding entrepreneur. It is those complimentary skills that will build a successful team. As well as complimentary skills the candidate partners will need the charm or political skills to work with a founding entrepreneur. This is not a skill every candidate will have. Working directly with entrepreneurs is a more demanding situation than working with a fellow employee in a medium to large organisation.

Openness

There needs to be an openness about what you both expect. This is in part a sound business practice and a negotiation process to explore if the candidate is comfortable with

your working style. A discussion about the commitment required emotionally and financially needs to be openly discussed. If and when an agreement is made, put it in writing. The more documented the understanding the better. Reference in all discussions should be directed back to the business plan. Remember if it's not in writing...it did not happen!

Willingness to make it official

The business partner agreement that will evolve over time needs to be attached to the business plan. This is a test of the relationship from the beginning. Few entrepreneurs are great at paperwork and even fewer are patient. It will take patience and a detailed approach. Remember that you are now investing in your future. The time spent on documenting the details is a bargain compared to the disruption of a misunderstanding later. If discussing money in detail is difficult, or not welcome...find someone else.

Agreeing to terms

The most common reason for disputes in partnerships is not in the setting up, but the separating later. Marriage has family law and

a marriage license, but business partnerships often have no documentation about obligations and have never even considered a plan to allow the partnership to dissolve. This is the hot bed of disputes. The less effort up front the bigger the mess and, dare I say, hurt that will almost inevitably come when one of the partners feels that the honeymoon is over and the arrangement is not for them. The reasonable approach to an exit plan is for one partner to buy out the other who may wish to continue the company. Reasonable terms of valuation need to be documented. Usually a multiplier of profit or if no profit yet...an agreed formula.

Considering the points above should add a reality in to the challenge of choosing a business partner, though only you can make the final decision. As with all things entrepreneurial, it is high risk mixing an entrepreneurial business with human relationships. That is of course the difference between entrepreneurs and others. Entrepreneurs have to be brave enough to take the risk. Are you?



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