

HOW TO KEEP BUSINESS PARTNERSHIPS HEALTHY

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1. Introduction

The failure of business partners to get along is one of the most common reasons for the failure of new businesses. There is frequently an assumption that personal difficulties will work themselves out, and that all that matters is carrying out the daily operations of the business. The result is often a breakdown in communication, a build up of resentment, and finally, disputes that can destroy even a viable business.

This factsheet looks at ways of avoiding long-term problems in a new partnership, by giving enough attention to the relationship between partners.

2. Common problems between partners

Under the day-to-day pressures of running a business, a number of things can go wrong with the relationship between partners.

- (i) While competition can be healthy, it can develop into a form of rivalry where individuals feel that they do all the work and have all the ideas. This often goes with an unwillingness to recognise the contribution of others.
- (ii) The daily pressures of running a small business can lead to unexpected tensions between partners. The reaction can be to bottle things up or have major arguments every so often, all of which can be highly stressful and damaging to the relationship.
- (iii) After some time in business, partners can find that they have sharply diverging views about how things should be run and where the business is heading. Individuals often just assume that their partner sees things the same way they do.
- (iv) Partners can discover that their outlooks are incompatible. For example, one person may be very serious and always work late, while the other may like to take things more easily and take time out to relax.

3. Foundations of a good partnership

While there is no single formula for a successful partnership, there are common ingredients.

- (i) Shared vision. A partnership is more balanced when the idea behind the business does not belong to one partner, and when the business's aims and strategies have come from a true meeting of minds.
- (ii) Mature, open relationships. Partners need a high level of personal maturity and the ability to talk about even difficult issues in a constructive way.
- (iii) Compatible personalities. Partnerships are easier if partners' personalities do not clash; their compatibility needs to be built on a high level of mutual respect.
- (iv) Complementary skills. It helps if each partner has definite territory of skills. For example, in a design partnership, one partner may have skills in production work, while the other might have marketing and public relations abilities. It is easier

to avoid operational misunderstandings when each partner can take on specific responsibilities by mutual agreement.

- (v) Shared values. Loyalty, trust and the willingness to share, are essential values to nurture and sustain a successful partnership.
- (vi) Commitment. Establishing a business is a long road, so partners need the commitment to find a solution when differences arise, as with any other business problem.

4. Developing the partnership

Here are some specific measures to test out the relationship between partners and to encourage it to develop.

- (i) Allow time to develop the relationship as the business is starting up. The many tasks involved (such as researching the market, developing the product and finding premises) require a lot of organising; use this time to assess how easy or difficult it is to work together and how difficulties are overcome.
- (ii) Develop 'common experiences', such as taking a trip together or going on a residential course. If the experience works, it could cement the working relationship further.
- (iii) Get some training in interpersonal skills. It is possible to learn how to get on better with others, and such skills are vital in a small business. These courses cover important skills such as assertiveness, negotiation and conflict resolution, and will be useful in dealing with partners, suppliers and customers.
- (iv) Discuss personal aspirations for the business. To ensure that partners are thinking on the same lines, regular sessions will be useful to discuss the business and where it is going. While it is fine to specialise in tasks, long-range planning should always be done together.

5. Useful tips

- (i) Before embarking on a business partnership, arrange a trial working period to assess personality compatibility. Working with a person is a better test of how well the partnership will succeed than if there are just shared social interests.
- (ii) Ensure that roles are clearly defined from the outset and that skills are complementary rather than overlapping.
- (iii) It can be difficult if the partners are emotionally involved. The business can put the relationship under strain leading to personal problems. Equally, the enterprise may not survive if the relationship breaks up.
- (iv) Get legal help in drawing up a solid partnership agreement. Even the most promising partnerships can come to grief, and the aftermath can be very messy if there is not a clear legal agreement.
- (v) Learning and Skills Councils, Local Enterprise Companies or Education and Learning Wales have details of courses that will help the development of interpersonal skills.

6. Further information

BIF 21 Choosing and Using a Solicitor
BIF 28 Setting up a Business as a Partnership
BIF 32 Choosing the Right Legal Status for your Business
BIF 130 Training for the Small Business
BIF 192 Partnership Insolvency
BIF 269 Family-Run Business

'Let's go into Business Together - 8 Secrets to Successful Business Partnering', Azriela Jaffe
Avon Books (1999)

'Practical Partnership Agreements', Tony Sacker
Jordans (2001)

'The Handbook of Communication Skills', Bernice Hurst
Kogan Page (1996)

'The Professional's Guide to Successful Management: the Eight Essentials for Running your Firm, Practice or Partnership', C A O'Connor
McGraw Hill (1994)

CONTACT-

for further information.

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1st Floor, Northumbria House, 5 Delta Bank Road, Metro Riverside Park,
Gateshead, NE11 9DJ, Tel: 0191 461 8000