

# Business Marketplace

## Compatible partners the key to success

**Pam Kershaw**

As small businesses expand, sole owners can be faced with a tough decision. Do they take on a partner to complement their skill set and possibly contribute additional capital? Or do they employ staff and pursue other sources of business finance?

Wendy Buckingham, a business and life skills coach who heads Class One Coaching, frequently works with small business people who are weighing up the pros and cons of a partnership or considering an approach from a prospective partner.

"I always ask them, what is this person bringing to you, what will you have to give up, and is a partnership the answer or would you be best employing someone?"

Buckingham says business owners are generally confronted with the partnership issue when they realise they lack the skills to turn a small venture into a successful business.

"Somebody who has entrepreneurial drive but is low on follow-through and administration can get the business started. Then you have to find someone who fills those gaps, and that's often the point where

they say they need a partner." But filling the gaps needs more than matching business skills.

To ascertain whether their personalities and operational modes are compatible, Buckingham recommends that prospective partners undergo a test such as the Myers Briggs Type Indicator or the Kolbe System. She is certified in Kolbe, a system that identifies four instinctive action modes: quick start (the need to innovate), fact finder (the need to probe), implementer (the need to demonstrate) and follow through (the need to pattern and organise information).

"For a business to be successful, you really need a balance of them all," she says. "If you get a business full of quick starters, you'll get chaos because it will be all ideas and no substance. If you get too many of the other modes, you can get bogged down."

While there is a danger in choosing a partner who is too much like you, Buckingham warns against choosing a partner who is diametrically opposed. "You'll drive each other nuts, because one will want to know all the detail and the other one will just say, let's do it."

Negotiating business risk and

reward for an incoming partner and transferring some of the control from the founder are often major partnership issues.

And this is where many entrepreneurs have difficulties, says Matthew Gardiner, partner in business services with HLB Mann Judd. "A lot of small business people are very autocratic in their style and like to have control," he says. "They accept they need other people in the organisation, but actually getting them to take that step is difficult as

**'If you get a business full of quick starters, you'll get chaos because it will be all ideas and no substance.'**

they are a personality type who can be very personally driven."

Gardiner says small businesses are very fragile things. Even if the founder and a new partner share a business vision and have compatible skills, a clash in personality can quickly derail the business. "Getting someone who is compatible with that business owner's personality is a very key aspect."

Buckingham says the safest way to test a potential partnership is to form an alliance for 12

months, either by employing the potential partner or by two individual business owners working alongside each other before merging their operations. This enables them to establish whether their cultures and values are suited, and whether their business vision and goals are aligned.

In her book *Ready Set Goal!* Buckingham says potential partners should both commit their goals to paper and detail how they would achieve them.

They may find they actually

differ in key areas such as the type of organisation they want to build, the style of services or products to be delivered, the use of employees versus contractors and the net profit they seek.

Before a partnership deal is signed, they also should agree on how it would be ended if relationships break down. "You need an exit plan," Buckingham says. "If that partnership is dissolved, each person knows what their expectations and obligations are, morally and financially."

The agreement should detail who would keep the business name, what rights each would have to the database, individual financial responsibilities and how assets would be split.

Buckingham worked with one client who lost her own business name through signing an agreement that transferred it to her partners if the business relationship fell apart. "She simply didn't read the agreement."

In Gardiner's experience, few small businesses put a detailed agreement in place, often because a corporate structure does not require them to do so.

He recommends a document that details the role of each partner or owner, the skills they bring, their responsibilities, the business vision and goals, a review process and how partners would sell their shares to exit the business.

"The usual method is to have first right of refusal to existing shareholders. That requires a valuation be done, so you need a shareholders agreement where you set out who will do that valuation and under what basis they would do it."

pam@kershaw.com.au



Wendy Buckingham