

# BusinessWeek

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## How to Choose a Business Partner

Evaluate based on skills and personality, not emotional ties. Then define roles and formalize the agreement with the help of a lawyer

by [Karen E. Klein](#)

**I was in the process of starting a business and got about halfway there when my business partner had a change of life and backed out. At a previous company I co-owned for 10 years, my business partner stole from me. Should I open my company alone, or is there a way to avoid making another mistake in choosing a partner?**

—K.S., El Monte, Calif.

There's no way to guarantee a potential business partnership will work. However, there are some things you can do that should help you avoid a repeat of the serious problems you've experienced.

To address your first question: Having had some bad experiences with partners, it's understandable that you'd consider going it alone. It's certainly simpler: As president and chief executive, you'd have the authority to make crucial decisions and shape the future of your company without having to reach agreement with another individual or a group. Of course, this can be a good thing or a bad thing, depending on whether you work better as a consensus builder or as a maverick. If you're a sole proprietor you can brainstorm with employees and advisers, but ultimately company decisions and responsibility will rest on your shoulders.

"The benefits of starting a business by yourself include not sharing the business's rewards, not risking potential partnership problems like you've experienced, and not having to share control and recognition with another person," says Phil Holland, chairman and founder of MyOwnBusiness.org, a nonprofit online business training program. Evaluate realistically whether you have the financial resources and other credentials to go it alone—and if you do, why not try?

"If you do decide to fly solo with the business, I would strongly recommend putting together an informal board of advisers with some diverse experience," says Steve Nielsen, president and CEO of PartnerUp.com. Find members for your [advisory board](#) (BusinessWeek.com, 2/1/08) on networking sites such as Nielsen's, by asking friends and colleagues, or through your Chamber of Commerce or trade association.

If you decide to give partnership another try, you'll be able to share responsibility and commitment with a partner, as well as benefit from your partner's hard work, capital contribution, and unique skills and strengths that should complement your own. Here are some expert tips on choosing a partner:

**Be coldly objective.** "Try to evaluate potential partners without regard to emotional ties or friendship. Draw up a set of criteria that you're looking for and simply judge how well a potential partner lives up to it," Holland says. Think about the skills you need in a partner and the personality traits you can and can't work with, and dig for answers to those types of questions before you take the plunge into business, Nielsen says. "Most importantly,

pick someone who is as excited and as driven as you are to make this business idea a success."

**Don't duplicate yourself.** If you're a great idea person but have no head for numbers, join up with a financial wizard rather than another creative type. "You should share a sense of vision and values but not have overlapping skills," says Jonathan Goldhill, CEO of the Goldhill Group, an entrepreneurial consultancy in Agoura Hills, Calif. "The biggest problem I see is two people who are very much alike getting into business together. They may both be skilled technically, but neither is a door-buster or a rainmaker, and that's what they need to create a business."

**Take your time.** "You can't get to know someone in one conversation, or even in several conversations over three or six weeks. It may take months to thoroughly understand and professionally vet another person, but the more you can discuss up front, the better," Goldhill says. Starting your company a few months later than planned will be worth it if you are able to make a better choice of partner.

**Share financial commitment.** "Don't go into partnership with someone who doesn't put money, or something of equivalent financial value, into your deal," says Jay Myers, founder and CEO of Interactive Solutions, based in Memphis. An equal capital commitment "decreases the chance of a partner suddenly walking away from your business, leaving you with all the responsibilities," he says.

**Institute legal safeguards.** "Whatever agreement you come to, put it in writing in a formal partnership agreement," Myers says. An attorney can help you build important information into such an agreement, such as how the work will be divided, what will happen if more startup money is needed, and how decisions will be reached. Having noncompete agreements in place is another good safeguard. And Holland recommends partners enter into a legal "buy-sell agreement." Such agreements are typically backed up by life insurance policies and allow one partner to buy out the other in the event one partner dies, becomes disabled, or leaves the business for any reason.

**Do background checks.** All potential partners should submit to a background check that will turn up any past dishonesty, substance abuse problems, or criminal violations before they go into business together. Each should also provide a list of professional and personal references the other can talk to before entering into any agreements. Partners should be forthcoming about their financial situations, creditworthiness, assets, and debt.

**Assign roles and stick to them.** When you do choose a business partner, clearly define the function each of you will fulfill in the company. "This way, you'll have clear definitions for what each of your roles and contributions will be within the business. Stick to what you know, and let your partners take charge of what they know and are good at," Nielsen says.

*[Karen E. Klein](#) is a Los Angeles-based writer who covers entrepreneurship and small-business issues.*

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