

THE FOUR REAL RULES FOR TAKING ON A NEW BUSINESS PARTNER

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Your business selling vintage sneakers has reached mania levels of fame and fortune. You've got lines around the block of your storefront and bidding wars for your rare Nikes and curated Chuck Taylors. Wannabe influencers crash the place for selfies and walk out loaded up with merch. Then, one day, HE walks in. Even without the NBA jersey, the model on each arm or the half court dunks, you know he's THE ONE. It's mutual. The Rookie of the Year wants to take a chunk of his signing bonus and partner up with you—future Entrepreneur of the Year. Both of you are hearing wedding bells.

Seriously, what could go wrong?

A lot.

Entrepreneurs rush into business marriages like lost souls who find “true love” rolling on Molly at Burning Man. You both hastily sign a profoundly inadequate contract that forever shackles you to a dude you hardly know. Yeah, it could be true love. Orrrrrr... you find out your eternal partner is a...psycho or at least Dr. Incompatible. To quote the Oracle (a.k.a the Talking Heads): “This ain't no party. This ain't no disco. This ain't no fooling around.”

Don't hitch the fate of your business to somebody just because they're charming (at first) and loaded. This is the real business world. Easy is hard and simple is complicated. Dig deep. Be selective. Document the deal. Plan for the worst and work to avoid it. It pays.

Real Rule #1: The First Date

You need to figure out whether you and your prospective partner share the same values and goals. Patience. Listen—instead of waiting to talk. Don't say what you want in a partner. Let them tell you what kind of partner they want to be. And don't ignore what you don't like. I repeat, don't ignore what you don't like. I repeat... Either you get it or you don't.

Then ask the same questions on another day in a different

way. See if any important answers change. (Hint: That's not good.)

If you don't share the same vision for the business, stop. It's not going to work if you're a New Age vegan and she's a Stone Age carnivore. If you don't share one vision, you'll be pulling the business in different directions. If you are simpatico, proceed. Still, you have a lot of heavy lifting to do.



Real Rule #2: Fools Rush In (Or, Why You Need Due Diligence)

Even when someone wants the same things as you, that does not mean they can or will deliver their end of the bargain. Some businesspeople don't live up to agreements. They leave a trail of lawsuits and creditors. Others have personal demons. Surprisingly, some people can't deal with success—they sabotage their own businesses. Uber

co-founder Travis Kalanick and WeWork's Adam Neumann come to mind. Finding a good business partner is just about as difficult—and about as rare—as finding true love. So, check out their background and track record. Be careful to avoid violating any privacy laws—new ones are being adopted all of the time. That means no Due Diligence for Dummies. Use a pro.

Real Rule #3: The Prenup. You Can Only Prepare In Advance

Everybody wants to be prepared when disaster strikes. Few do enough to prepare for it. When it comes to business partners, real preparation requires a good partnership agreement. You should have a contract that provides for the basics, like duties, comp and control. It should also provide solutions for future problems. You should be tackling all the big quandaries that may slam into your business, like downturns, death, divorce and disability. Address the mega stuff, too, like the sale of your business, taking on investors, going IPO and succession. These discussions with your partner are hard work. Realistically, that will be a joyous memory compared to what you must endure next—the indecipherable droning from the accountants and

lawyers swooping down from the rafters. Yet, if you put in the time, effort and brainpower to craft the right partnership agreement for your business, you're rewarded with a tailwind to solving problems and achieving your goals.

Real Rule #4: Follow Through

Even when you get hitched to the right partner the right way, partners can drift apart or end up fighting. You need to follow through. The nurturing of a partnership requires any number of measures, including the following:

- **Communicate:** You may be upset with your partner and try to bottle it up or rationalize away serious concerns. Don't. It's going to come out somehow, someday—sometimes with angry outbursts and messy results. Successful partners share their concerns and work together to solve problems. And because memories are notoriously faulty recorders of history, confirm those solutions in writing.
- **Get Help:** I don't mind if you call your shrink a "coach." Just call. It's critical to get outside help when you need it. I've sent plenty of business partners to "coaches." They've solved problems that seemed insurmountable (most problems are quite mountable!).

- **Use Experts:** Don't try to do everything yourself—especially when you are unqualified. Once you can afford it, use the best people to solve the toughest problems. Sometimes that means slowing down or even waiting until you can afford experts. There is nothing cheap about a bad solution.
- **Stay in Your Lane:** In a good partnership, each partner has roles. People value their roles and can get crazy when someone starts doing their job. Don't veer into your partner's lane without permission—or, better yet, an invitation.
- **Tackle the Unexpected:** Pay attention to the wisdom of one of the most successful fighters in history, Mike Tyson: "Everybody has a plan until they get punched in the mouth." Boeing, the vaping industry and U.S. farmers all had plans, and all got hit in the face. Despite your best plans, you still need to vigorously tackle the unexpected.

Don't ignore what can go wrong. Courtrooms and bankruptcies are filled with battling ex-partners who hoped for the best, but ignored the Real Rules.

ABOUT JACK GARSON



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Jack Garson's practice focuses on Real Estate, Construction and Business law. He serves as a legal advisor for numerous local, regional and national companies. In his role as legal counsel, Jack also serves as a strategic advisor and lead negotiator. Further, Jack provides guidance on the structure of complex transactions, the resolution of business disputes, the growth and sale of companies, and the management of issues such as liability and risk reduction, employment practices, and enhancing profitability.

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In the past two years, we've grown by 50% through expansions in New York City and, most recently, Charlotte, North Carolina. This growth has provided immense value to our clients and attorneys.

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