

# WHAT YOU DON'T KNOW ABOUT A BUSINESS PARTNERSHIP THAT CAN RUIN YOUR BUSINESS

A Partnership Charter is a document written by business partners to help them manage their business and effectively interact with each other. It does not replace the business plan or a legally binding Operating Agreement. Rather, the process of creating a Charter fills the holes between those two documents by systematically leading business partners through a detailed discussion about their relationship.

## THE PROBLEM WITH THE TRADITIONAL OPERATING AGREEMENT DRAFTING PROCESS

Most lawyers will hold one or two meetings with business partners, then provide a boilerplate document. The first problem is that partners usually haven't discussed their relationship in significant detail, **but think that they have**. The second problem is that most lawyers don't know which questions to ask, and can't help the partners reach that understanding. Operating Agreements aren't taught in law school, and very few lawyers have invested time and money on their own professional education. **The lack of a process is the problem.**

## THE LACK OF A PROCESS ALSO CREATES A LACK OF UNDERSTANDING

Operating Agreements drafted without a process give partners a false sense of security because they often feel "protected." However, once a disagreement occurs, it's only then that they realize their lack of understanding. Operating Agreements drafted without a process usually **don't provide sufficient rights and remedies** to resolve the disputes, and without a clear path to resolution, the partners can wind up in litigation and the business can lose value or fail completely.

## THE PARTNERSHIP CHARTER PROCESS IS THE PATHWAY TO AN OPERATING AGREEMENT

In order to increase understanding, we put partners through a unique process. This approach was invented by a psychologist with 30 years experience and leads partners through discussions to reduce their people problems. A complimentary workbook containing over 80 pages and over 250 points of emphasis, to **help partners address problems before they occur** and create procedures and processes for dealing with disputes before they arise.

## THE PROCESS IS MORE IMPORTANT THAN THE LEGAL AGREEMENT ITSELF

The process of creating the Charter is usually more important than the legal agreement itself. While contributions, roles, responsibilities, and ownership are often determined without careful consideration, the Charter provides a guide for fair decision-making in these areas. Consequently, their decisions enable them to create **a clear roadmap for a successful business partnership.**

## PREVENTATIVE LEGAL SAFEGUARDS ALMOST ALWAYS SAVE BUSINESS PARTNERS MONEY

**"Stay ready so you don't have to get ready"** applies to life and business partnerships in the same way. The Charter prepares partners for the unexpected events that could potentially threaten their relationship and the business as a whole. Scenario planning, conflict management, and written expectations can help partners prevent a disagreement from escalating into a business-killing dispute.

## HOW THE PROCESS HAS WORKED FOR US AND FOR OUR CLIENTS.

Most law firms that create standard Operating Agreements leave out the process of understanding possible people problems between partners. We have been using the Partnership Charter process in order to **accurately reflect the partners' vision, values, and expectations** in an Operating Agreement.

# WHAT DO BUSINESS PARTNERS GET OUT OF A PARTNERSHIP CHARTER?

- A guide to fair decision-making
- Personality Tests to discover vision, values, and styles
- Clear guidelines to manage contributions, roles, money, ownership, and governance
- An analysis of expectations, scenario planning, and conflict management

**What makes a good Operating Agreement? If the Operating Agreement isn't at least 20 pages, it's missing something. But even if the partners have a written legal agreement, it usually doesn't sufficiently provide a framework for business partners to amicably resolve their differences. In fact, many of those differences are people problems, and usually result from unwritten expectations, miscommunication, and a general failure to understand each other.**

## ★★★★★ Missing link in business literature

Renee M Maxfield

"I wish I had been privy to this book when I set up a family business partnership 6 years ago. If we had considered the multitude of ways that a family partnership could go wrong and put our partnership charter in place from the outset, we likely would have avoided the 3+ years and counting of misunderstandings, pain and destruction of what was a wonderful family. We're truly the living cautionary tale of what bright-eyed, bushy-tailed and hopeful will get you in the long run - exactly what David Gage talks about in his book. He guides you through the kinds of questions you should be asking yourself prior to getting into a partnership as well as the questions you should be asking if you find yourself already in one. He gets to the heart of issues such as each partners' vision for the company, its strategic direction, the complicated issues surrounding who should get how much of the profits from the company and when you should start taking those profits out of the company. He also addresses the things that nobody ever seems to talk about but will greatly impact the success of the partnership - the values each partner holds and whether they're compatible, what each partner perceives as fairness in the operation, and how to mesh individual operational styles. Finally, he gives instruction to help plan for the unexpected and how to resolve interpersonal conflicts that arise. He provides a very proactive stance in the formation of a company - an ounce of prevention is worth tens of thousands of dollars of cure, excruciating heartache and endless therapy visits! There are certain books that should be a staple in any business owner's library - this is definitely one of them!!"

## WHY DO WE NEED A PARTNERSHIP CHARTER? WE'VE DISCUSSED EVERYTHING! HAVE THE PARTNERS...

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- Gained a clear understanding of their reasons for being partners?
- Agreed on a common vision and direction for the business in writing?
- Written down their expectations of each other and themselves?
- Shared their own personal financial goals, and how those goals connect to the business' financial goal in writing?
- Written a financial vision for 1 year, 3 years, and 5 years?
- Become aware of the personal values that drive and motivate their partner?
- Written down exit strategies (selling, going public, having family or associates become owners)?
- Written down a commitments about how they will interact with one another in order to have a more effective, satisfying, and vital partnership?

### Y N

- Considered tangible and intangible contributions in their ownership negotiations?
- Developed written decision-making guidelines and whether decisions may be made unilaterally or require majority, supermajority, or unanimity?
- Created written guidelines for managing unexpected crisis scenarios?
- Developed written guidelines for preventing and managing conflicts?
- Created written guidelines for unexpected success or exponential growth?
- Written procedures for how a partner can withdraw from the partnership or remove another partner?
- Written clearly defined roles and responsibilities of each partner?
- Written the repercussions of not following those clearly defined roles and responsibilities?