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What Happens if You and Your Business Partner Disagree?

You and your friend were so excited when you started your business. Both of you made promises about what each would contribute and how each of you would help the business grow. So you started your business, time has passed and you and your business partner have different ideas about how to run the business. Or maybe your friend isn't spending the time that he promised on the business. What can you do?

The first action you can take is to sit down with your business partner and calmly state what issues you have with what is happening with the business and your partner. If you have a written agreement that you both signed before the business started, refer to any provisions in the agreement that your partner is not living up to. Listen calmly to your partner's responses. Keep an open mind. It is possible that you both had different expectations about how the business would be run or who would spend the lion's share as the hands-on partner and who would be the money person who would not be spending as much time actually running the business. If you can work through your problems by just talking them through, you will save your partnership.

Unfortunately, it is not unusual that you don't have a written agreement with your partner about how to handle business disagreements. And you have found that talking to your partner does not resolve your issues. What's next?

You may want to talk to a business coach or a mediator. Sometimes, a neutral third party helps each side to see what he is doing that negatively impacts the business partnership. A neutral third party can be helpful in persuading your partner to make changes to how he is acting within the business arrangements.

If there is no way you and your business partner can come to an agreement about how to go forward so that both sides will be happy, and there is no written agreement that governs in this circumstance, you must consult with a lawyer to discuss your legal rights. This is the most expensive option and has the possibility of destroying your business. Be very certain that there are no other options you can take before you go to a lawyer.

There is no way that you can predict in advance how you and your partner will work together in a business setting unless you have already done it. To better your chances of successfully working together, talk at length, before you start your business, about your expectations about how much time each will work in the business, how much money each will invest in the business, what your credit histories are and attitudes towards spending money, and what your

proposed exit strategies are (does one of you want to build a business to be sold in a few years, does one of you expect a business that can be handed down to children?).

Go to a lawyer and have a partnership agreement and a buy-sell agreement drawn up that incorporates how to deal with every issue that may come up during your business partnership. When you are starting a new business, you think that this is a waste of money and that everything will go perfectly. Take it from a business lawyer – issues come up in every business partnership. It is much cheaper for you to have the proper legal documents drawn up before you start your business than to have to pay a lawyer to negotiate for you or start a lawsuit when things go badly with your partner. Partner disagreements are like an unsuccessful marriage. Having a pre-nuptial agreement as your roadmap is less costly and less aggravating than going through a divorce. A partnership agreement and a buy-sell agreement is your business pre-nuptial agreement.

Email Robin Gronsky at Rgronsky@Gronskylaw.com to find out how she can help you start your own business or advise you on the best ways to grow your business without hitting expensive legal problems.