

Forming a partnership: The pros and cons: The reasons for and against business partnerships

If you're debating whether to form a partnership to start your business then ensure you consider these advantages and disadvantages of business partnerships:

Why collaborate?

- Being able to share the burden. Partnerships give mutual support, companionship, and someone to share start-up problems with.
- It can be stressful, lonely and frightening running a business alone. With someone else by your side, you can feel like you are in it together.
- Having access to more skills, knowledge and experience. Partnerships provide for a wider skill base, complementary experience and know how. For example, one co-founder may have a technical background and the other financial, allowing the parties to complement each other.
- Very few individuals have all the skills and knowledge needed to run a business successfully. Another person brings another set of skills, knowledge and experience.
- Better and more effective decision-making can be had. A partner will bring different perspectives on any problems that arise. It often helps being able to see a different point of view.
- Being able to look at problems from many angles can help to achieve better and often more creative solutions: more people means more perspectives.

Why shouldn't you collaborate?

These are arguably the biggest disadvantages of collaboration:

- Less autonomy; not being able to do your own thing and not always getting your own way.
- Differences in personal aims and objectives for the firm.
- Different views on personal rewards versus investment in the business.
- Business owners have different views about their own future which may not be compatible and co-founders may differ in how they see the future of the firm; some may have ambitions for the business and want to build an empire, some may want a quieter life and prefer to look into an exit strategy.
- Decision making can be slower as you have to win consensus.
- Collaboration can mean that there is a loss of spontaneity.

- There can be distraction and there are costs involved in handling conflict between co-owners.
- There may be resentment when reward is not seen as fairly matched by effort.

If you have any questions over matters relating to this article of any other Corporate or Employment legal matter, please contact our Corporate Team, Nick Richardson, Charmaine Dudman or David Denovan-Smith. E-mail: guildford@rhw.co.uk or call: 01483 302000