How to Add Partners, Split the Pie, and Avoid Dividing the Business

by Jack Roseman, Contributing Columnist

It's a cliche, but it's also accurate: A partnership is like a marriage. And there are good marriages and bad marriages. I've had people give talks to my class who've had problems with their partners and say they'd never have a partner again. I've had three partners, and if I were starting a fourth company, I'd get a fourth. Why? Partners should bring something additional to the business. Something you can't bring.

Technology and companies today have become so complicated and so competitive that you almost need a team. I don't think a one-man band plays anymore. To start a technical company and assume you're going to be the technologist, a crack salesman, and an expert at raising money and managing people is just not realistic.

Another reason to have a partner is so someone can double-check your thinking. At Online Systems, I had a tendency to jump the gun. That's just me. But we had other partners who were very meticulous-one of the guys would look at a pen for three or four minutes, roll it around, take it apart, write with it, and only then agree that it was a pen. I would take one look and say, "Yep, that's a pen." They'd say, "Roseman, wait a minute, hold on," and many times they were right.

And finally, you need somebody to offload how you honestly feel from time to time. The CEO has to be the rock of Gibraltar. He cannot go to his employees and say, "I'm not sure I can pay you this week." Well, whom does he cry to? Who does he complain to?

But I would agree that no partner is better than the wrong partner. So how do you go about picking a partner? Well, if you buy the reasons for having a partner I've just outlined, then some of the qualities you want in a partner are pretty clear. You want

somebody who brings additional skills to the business. You want somebody whose opinion you respect enough so that when you have to offload your disappointment, they might be able to help you put things into perspective.

This next trait might seem trivial, but it's not: Ask yourself if this person would be fun to work with. Are you compatible day to day? Does he/she respect your judgment? Do you respect his/her judgment? Can you argue and still be friends?

But most important - and I can't emphasize this enough-is that you want somebody with the same values. If four people are crooks, they'll get along a lot better than two people who are saints and two people who are crooks. On the other hand, if all the partners value integrity, ethics, that kind of stuff, they'll do just fine also.

If you decide to have partners and get this far, the next major obstacle you'll face

is dividing up the pie. It can be an emotionally touchy issue, even when the pie is more of a pie shell, so I want to give you a technique for handling it. First of all, if you divide the pie equally, there's no problem. It's a non-issue. But what if some partners are very senior, or some bring a lot of money, or others bring a lot of skills or credibility or contacts? How do you divide up the stock?

Start by sitting down and mutually agreeing on the skill sets and other factors that will be required to make this company successful in a specified period-say three years at the most. You'll be listing things like technical capability, selling, raising money, contacts, administration, etc. Make a list, then weight its factors. Do this together, and if you disagree, talk it through until you agree. That should be pretty non-emotional.

Now take your list of weighted success factors and rate each of you on your ability to bring them to the business. Rate them on the same 0-10 scale.

When you're finished, multiply these scores times the weighted factor and you'll have a mutually agreed upon measure of each person's relative importance to the success of the business. And hopefully you'll have done it without any black eyes or injured egos.

If you can't agree on what each of you is bringing to the business, you might want to reconsider whether you have

the makings for a successful partnership to begin with.

Jack Roseman is the Director of The Roseman Institute. He was the founder of two successful computer firms and was president of a third, On-Line Systems. Jack formerly was the associate director of the Donald H. Jones Center for Entrepreneurship at Carnegie Mellon University's Graduate School of Industrial Administration (GSIA). This column was written with Steven N. Czetli, former Executive Editor of T.E.Q.