

Your Free CAMELOT
Newsletter-Report No.10
a sample extract from our E-Book
"Genuine Wealth Creation"

An introduction to
**Partnerships - are they
Real Sources of
Skills & Capital?**

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Partnerships - are they Real Sources of Skills & Capital?

Welcome back! We hope that you are learning something from our decades of doing business around the world? What you are about to learn will also hopefully open your eyes as to the real issues that surround going into a business partnership, normally with a friend, or friends, to start or buy a new business. Sadly we have seen, and even experienced ourselves, the good & the bad with business partnerships so please benefit by learning from us - it may save you a lot of heartache, or help you create a new fortune!

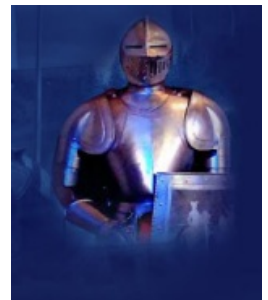
Firstly we must state that Happy Business Partnerships are harder to find than 'happy marriages'!

You may, or may not, be aware that the long-term success, or rather survival, rate of a normal 'business partnership' is somewhere between 1 to 2 out of 10 – that's right, around only 10 to 20 percent of normal Business Partnerships will survive, which is a much lower 'survival rate' than that of marriages.

So why would you wish to enter into a 'partnership' with someone else to start a new business? In the main this is because not one of the individual partners (and often there are more than 2 people) possess all of the necessary ingredients to make a successful business on their own. It may take two, or a number of people, to bring all of those ingredients together. One party may have the cash needed, one may have the clients, another may have the management or sales ability that the others do not have but need, one may have special technical skills and so on.



*Choose your business
partners carefully!*



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As you may know keeping a marriage 'happy' requires both partners to work together "on the marriage". This is even more true for a Business Partnership where there is not, usually, the love and caring that become the 'glue' that helps to keep a marriage happy and together. The partners in a business relationship must not only work hard on the business at hand but they must also work hard to ensure that their business partners are happy and well informed about what is going on within *their* business. Fortunately the advent of text, and now video, email has made that task a lot easier than it used to be years ago.

The problem with business partnerships is that it is almost, not totally but almost, impossible for all partners to feel that each of their other associates is 'pulling their weight' - with equal effort - or that they are each putting in equal contributions, be it by way of money or skills and so on.

Also we are all subject to moods, outside & family issues, strengths and weaknesses, jealousy, pride, ambitions and 'off-days'.

'Human Nature' being what it is, especially when one is under the pressures of a new business, mean that every one of the partners of that business is working in a 'pressure-cooker', a 'hot-house' environment. This makes for a very explosive situation where people - who may have started off as the best of friends, or at least, with a good, cordial & friendly relationship - end up having arguments over who is not 'pulling their weight', or who is not contributing as much as another partner, or may be taking more money out of the business than another partner etc.

A Business Partnership is unlike a marriage where, sometimes, the original love, the sex and/or children can help 'keep it together' and where partners can forgive each other for their shortcomings, which we all have without any doubt. A Business Partnership does not have those 'unique' advantages and therefore must, if it is to survive, work in a different way to that of a marriage. Trust alone will not do it - and sadly we have seen situations where people, without scruples, have exploited the trust that they know their partners may have in them. Sad as it is to say, not everyone is honest nor does everyone share the same values.

In our opinion a Business Partnership, to be successful, **must have, at least, the following;**

1. Open lines of communication that are maintained on a daily basis and if not daily, then at least weekly. There must a 'protocol', an agreement, as to how these communications are to work. This is necessary to ensure that each partner never feels left out of what is constantly happening and evolving in THEIR business. Email can be a big help here, copying in all of the partners on any issues.
2. Total honesty between all of the parties – on both a business and a personal level. If one of the partners is having difficulties at home or financially in a personal way or difficulties with their own position or workload or suchlike then he, or she, must be honest with all of the others. They must all work together as a team to resolve the difficulties of the other. This stops a business from caving in upon itself and will actually build a better and stronger team spirit with which to fight the competitors, and not one another.
3. Each must treat the other with total integrity and never use their position, their knowledge or financial strength to disadvantage another partner. Otherwise, sooner or later, the partnership will fail and it will most likely end up in the courts. When this happens the only ones to benefit will be the lawyers who will consume a major part of the wealth of the business and its partners. The business will most generally fail as a result and then everyone has lost not only their money but the relationship they had previously valued.



4. A clear, easily understood, written “Partnership Agreement” covering all aspects and understandings between the partners. In the situation where the Partnership is formed into a “Company” (which we would normally always recommend anyway) then such a ‘Partnership Agreement’ terms must form part of the Shareholders Agreement. This is where you must seek advice from your Accountant and Lawyers/Solicitors. We would recommend that any partner that does not fully understand the agreement that is being prepared by the “company’s lawyers” should take the trouble to seek an opinion from another separate lawyer (solicitor). Do not forget that you are laying the groundwork, the structure, on which you will build your future - please make sure that the ‘bottom row of bricks’ is being perfectly laid otherwise ‘the wall will eventually fall over’.
5. Think of such agreements as you might a ‘Prenuptial Agreement’ for a marriage. In such an agreement, in simple terms, all the parties must state what assets they each bring into the relationship, what their expectations are of all of the parties (including what functions they will look after etc) and what will happen to the assets should the relationship end.
6. In a Partnership or Shareholders Agreement it is vital that it is agreed *before* the business is commenced as to how disputes will be handled, who will be the “referee”, who will have the first right of refusal to buy the other party’s shareholding, or percentage, and how the shares or ‘portions’ of the business will be valued and by whom, as well as many other issues. If these issues are not addressed and happily agreed to *before* everyone commits their money and efforts to the new business, then the business will, in all likelihood fail anyway. In the event of a failure then without a pre-existing agreement there will be nothing but unhappiness and bitterness. Life is too short for that.

**You must get a
Partnership or
Shareholders
Agreement prepared
before you start!**



As you can see going into a Business Partnership of any kind requires a great deal more effort and flexibility than you may have ever thought and we have only really touched on the more major points.

If you have not already read our previous Newsletter # 9 on “Cash, Working Capital, to Start Your Own Business” then you really must read it before making any decisions regarding Partnerships.

If there is any way that you can safely start, conduct and grow your new business on your own, without the need for any partners, or other shareholders, then this is the ‘way to go’. It will be, in the medium and longer term, a lot less stressful for you and your family and, when all goes well you’ll end up without needing to share the benefits with others that are not in your immediate family.

So what should you do if you do decide that you really need a Partnership to exploit the business opportunity that you, and your other partners, see?

Well it is really simply a matter of doing what we have stated before. In its fundamental



essence, work out what you think you want to do, write it down and then go and see a good, well experienced Accountant and then a Lawyer, or Solicitor. Seek their best advice as to the best way to structure the Partnership or Company that you wish to form. (Our E-Book contains information on 'Companies & Trusts' that you should read.) Go through all the issues with them as to what you feel you need expressed in the Partnership or Shareholders Agreement, ask them for their 'check list' of what they might expect to see in such an agreement and discuss the pros & cons, the points for and against, of all of that with them and with your proposed partners.

One final word of warning – watch out for 'big egos' and really, really understand the personalities of the people that you think you wish to be in a partnership with. Think long and hard about it – do not just look at only the upside – how much money you will all make! Look ALSO as to whether you feel, deep down in your gut, that you can really trust the people you are looking to go into partnership with - remember that your proposed partnership could and should be for a long, long time. Remember, this is a long term commitment, much like a marriage should be.

If you feel you can, and your proposed partners can likewise, then go for it, but make certain that "all the horses pulling the carriage are pulling together equally and in the same direction"! Because if "the horses" are not all pulling equally you will all just go around in ever decreasing circles and not achieve the dream that you all originally shared.

But if you can get all of the horses pulling equally and in the same direction you can all achieve a great deal greater success as a cohesive team than you ever could do on your own, but you now, at least, know most of the disadvantages and advantages of just an enterprise.

We trust that this insight will be of assistance to you.

We trust that you have enjoyed and benefited from this small insight into just one small section of our E-Book "Genuine Wealth Creation". In fact, this small insight represents less than one per cent (1%) of the content of this amazingly informative publication - it is a "central source", virtually an encyclopaedia, of business knowledge in one easy to read & understand publication.

You can invest in our, globally applicable, E-Book "Genuine Wealth Creation" for a mere US\$ 24.95 & change your life & YOUR FUTURE TODAY!

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