

Things to Consider for a Business Partnership

Kathleen Burns-Kingsbury: More and more women are starting businesses in North America. In fact, women owned businesses are a fast-growing demographic. There are many reasons for starting a business; to pursue your passion, be your own boss or make a difference in the world. But when you decide to start a business, especially with a partner, there are certain things you need to know. Our guest Casey Thomson, will tell us what she learned starting a business with a partner and offer us some insights. Casey is the founder and owner of *The Cheese Gallery* in Thornbury, Ontario. Welcome Casey to the podcast.

Casey Thomson: Thank you so much. Great to be here.

KBK: I'm really excited to get started and delve right in today. I know you are very passionate about the topic of partnership agreements. Where does that passion come from and have you always had it?

CT: Well, about nine years ago, actually right now nine years ago, I was in the process of setting up a business with a partner. And we weren't friends, we had met and had aligned goals and decided to go into business together. We did that, got very busy, lots going on, didn't get our partnership agreement done, but we were focused on getting the business up and going and the doors open. About 16 months later I had a car accident, where I rolled a car and almost killed my daughter and I, and it wasn't until the next day when the place where they towed the car to said: "Your very lucky to be alive." That hit me so hard because, well many reasons it hit me hard, but one of those things was I had a business with a partner and my business wasn't protected, my family wasn't protected. And it was at that point I said: "We need to get this done." So, the lessons coming out of that experience, from starting a business, not having the agreement, getting the agreement and ultimately exiting the business, taught me a lot. One of those things in partnership agreements are absolutely a number one must have.

KBK: Sounds like it was a very traumatic experience, to go through that car accident, so I'm sad to hear that that was your awakening, but it sounds like that really put things into perspective.

CT: It did. It did. We forget how fragile life is, and you tend to go along day-to-day and there's lots of other demands on your time. When you have something like that it really does make you evaluate life, and business, and family and all of those things are put into a different perspective.

KBK: Now for someone listening in, who is either in a partnership or forming a partnership, can you say a little bit about what got in the way of you signing that agreement before the business opened up and also, why you think it's so important to have it in writing.

CT: Well, I think it's so important to have it in writing because it outlines the structure of the business. The share ownership program, the responsibilities and it most importantly, in my mind, outlines the exit program of your business. We don't know what's going to happen in life and we all

go into partnerships excited, we are optimistic, we believe in this person and we believe in ourselves. Otherwise we wouldn't be doing it. We believe in the business concept we have, and it's really really easy, at that time, to get excited about all the things that are happening. You've found your location, you've got your business plan approved, you have your financing in place, your starting to purchase your equipment, then you're renovating your space, then inventory starts to arrive, and then the cash machine arrives, and it gets so exciting. So, it's really easy to get swept up in this new baby. It really is a new baby for you. Doing the partnership agreement stuff is not that exciting. It's very dry, it's very procedural but it's essential because you need to have the conversations. We had started those conversations, but we got swept up in the excitement.

KBK: What types of conversations should business partners be having and what should actually be in the agreement?

CT: At the beginning, when you're starting the business, is the time to have those conversations. It's an easier time to have those conversations because you're excited, because you're optimistic, because your beliefs and goals are aligned. So, it's just one of those conversations you do need to have about... what are your goals? What are my goals? What happens if I want to leave? What happens if my husband gets transferred? What happens if I don't want to work in the business, I just want to be an owner in the business? So, having those conversations is essential. There's finances that have to be dealt with. There's outlines of how you exit, which I think is one of the most important parts of the agreement and there's the legalese, as I would say, the legal speak. Which when you read the agreement: "Could you translate this into English for me?" But you do need a lawyer to do all that for you, because as a young first-time entrepreneur, we're not lawyers. We don't understand the legal system. And we certainly don't understand difficult exits with a partnership or peaceful exits with a partnership for that matter. The nice thing about a partnership agreement is that exit can be peaceful, it can be very amicable, and if it's not peaceful and amicable it outlines how you're going to exit. It gives you timelines, it gives you dates, it gives you a structure to follow. Which of course, you as partners can decide to change. But it gives you a roadmap for things that you don't know. I think when you start a business there's so much that you don't know. You're not even aware you don't know it. So, having a lawyer at the beginning, prior to the business opening is absolutely essential, not only for you but for your partner. For both families involved and for the success of the business.

KBK: I would agree. I feel like having something in writing keeps friends, friends and business partners amicable and there's a way in which it can really work. As you're saying all these things that go into partnership agreements, I'm wondering when it's best to start the conversation and how do you know you're covering all the topics you need to be covering and all the conversations you need to be having? Because it sounds like there's a lot of them.

CT: I would agree with that. One, you need to do some research for yourself. Two, you need to have a lawyer that you trust, who has experience. I think any legal agreement can be picked apart by another lawyer. But at the end of the day if you have a lawyer that has the experience and who really outlines the whole program to protect both of you, then that's the map you need. I think

those conversations need to happen prior to the business being opened, prior to financial dollars being put on the line, and one hundred percent prior to the doors being opened, because again, it's easy to get excited. But without that plan in place, done properly by lawyer, with everyone agreeing, because while the lawyer's writing it you have the right to say: "Well, what about this? And someone mention that. Oh, and I was talking to someone who has been in a partnership for years and said to look at this." That's when those conversations happen as you go through the program. And if you start that partnership agreement from the time we say: "Well why don't we do this together?" Soon as that happens, that partnership agreement discussion needs to be happening, and someone needs to engage a lawyer immediately. Once you've sort of worked out the basic details, then the lawyer will challenge your beliefs and your premises. If, they've had experience, they will say: "Well that won't work because..." They'll have experiences to show why that doesn't work.

KBK: Now does each of the partners need their own attorney? Or is it one attorney that work with?

CT: I think it could be either way. I think it really depends on how complicated the partnership process is, and what is the business you're opening. What protections do you in place for that business, your family and each other.

KBK: I really think it's breaking money silence, which is a term I use in terms of breaking through that taboo against talking about money and making sure you're having these conversations. I imagine that this would actually be a great conversation to have even as you are thinking about being partners. Let's have these conversations and see if we ultimately want to open this business. Because I imagine there may be times where partners have conversations or potential partners have these conversations, and decide: "You know what, we're not aligned enough. Maybe we shouldn't do this together... or maybe we should" and you put it in writing.

CT: I would agree with that Kathleen. I didn't go out looking for a partner, and I don't think my partner did either. It just sort of aligned. I think there are other people who go out looking for a partner and know what they want. So, I think every situation is different. But I would agree the conversations need to happen from the beginning and open an honest conversation. You're right, what was your money term? Money first?

KBK: Breaking money silence.

CT: Breaking money silence. It's so important, because it's not just you. If you're married or have children, it's your spouses, it's your family. There's so many parts to it. We don't talk about money easily and I think it's something women need to get better at, having those money conversations, because we have faith, and we think things will work out. We just don't have as much experience in that. The whole concept of women are living longer, we are inheriting more, we are ultimately going to be the ones that are wealthier. So, Our wealth and our health is so important and having those conversations are crucial, because the women in the workforce, although for my generation women always worked, it's not that old a concept. A hundred years ago, women running businesses wasn't happening very often, if at all. Our understanding of money and finances, and having those

tough conversations is something we're working through and I think it's something that we need support with. We were very fortunate, we had an amazing business enterprise we were working with. I think banks have an opportunity to be helping women and having those conversations. Sometimes prodding people who are looking at partnerships, or sole proprietorships or numbered company that you incorporate, there are people out there that need to say: "Have you thought about this? Have you considered this? Have you looked at that?" Which I think is really important.

KBK: As I'm listening to you, I'm putting myself in the listeners shoes and I'm wondering if you have a couple of tips on how to get this conversation started, knowing that eventually you'll work with a professional. How do you just put it out there to a potential partner that you want to have these conversations and how do you get it started?

CT: I think it happens organically as you're having conversations about business ideas, about concepts. It might be over a glass of wine, or over dinner, or when your meeting at one another's house in the morning over a cup of tea. And saying: "If we want to do this, what does it look like? What do your finances look like? What do my finances look like? Are you expecting income? Can we provide income? Does our business model allow for us to both have an income? What's that number going to be? Can you live on that number? How much do you need to invest? What do I need to invest?" I think in terms of a tip I would say, you need to include it as part of your business plan, and if it's included as part of your business plan, those conversations just happen. The great thing, if you have to go to a lender versus privately financing it, you must have a business plan. Which is a fantastic thing which lenders require, although it might feel arduous at the time, it's really valuable because it lays every out and leads into those conversations. Just like if you have a lender you need to provide monthly reports. Which again can feel like a lot of work, but they actually keep you on track and they make you look at it. That's one of the pitfalls of business, it's really easy to get caught up with the day-to-day stuff and before you know it you're three-months behind on your accounting and book keeping, and invoicing and that can snowball very, very quickly. I think the key is the business plan, developing the business plan and having those conversations during the business plan. Again, when you go to someone, having someone say: "Well, have you thought about income? I don't see that in your business plan. What does that look like for both of you? Can you live on that much?"

KBK: Can you give us an example of a conversation you had with your former partner that was successful and that you felt good about.

CT: Going into the business we had very good conversations and I think we were both very excited. Although we had the best of intent to get the partnership agreement done, as I said that excitement takes over. After my accident I said: "We have got to get this done. We need to protect you, and me, and our families and our business." She was in a hundred percent in agreement and we got it done and felt successful around that. The other thing I would say Kathleen, is you don't know it at the time but it's kind of like getting your taxes done. Once it's done you feel this unbelievable sense of relief and also it's a security that you weren't even aware you were missing.

KBK: When I think about partnership agreements I often think of businesses like yourself. A cheese shop with a retail location, and a little bit more involved than necessarily a service business. But I may be mistaken. Do you feel like no matter what business you're in you need a partnership agreement? And if so, Why?

CT: I think that once you decide it is not you alone, or maybe you and your spouse. I think as soon as you bring in someone else you need a partnership agreement. I think that different businesses have different requirements in that agreement. But at the end of the day the agreement is what gives you the roadmap and I think once you have that agreement you probably need to re-evaluate as the business grows and changes, needs change, maybe you expand, maybe you open another location. Is the agreement the same? I think each time you adjust the roadmap needs to adjust too. So, yes, I think at the end of the day you need a partnership agreement with anybody you're in a partnership with.

KBK: You've had a partner, and now as I understand it you are managing this business as a solo entrepreneur. Tell us, what are the advantages and disadvantages of partnership?

CT: Going into a business on your own is daunting. It's scary. All the financial risk is on you. So, having a partner is amazing, that you have someone to brainstorm with, bounce ideas off, share the workload, share the financial risk, envision the future together. I think there are a lot of benefits and I am grateful for my partnership being on your own is just as daunting after a partner, as before. Really the buck stops with you. You have to be very risk tolerant to be on your own. I think even risk tolerant to go in with a partner, because opening a business is risky business. It's scary. There's a reason that business don't succeed, and the stats are very, very high for failure within the first three to five years. So, yes, I think there are pros and cons both ways. It really depends on who you are as a person, what kind of support system you have, which I think is essential because being an entrepreneur is exhausting and time consuming, especially at the beginning. Nine years in I'm at a different situation, but at the beginning, those first couple of years, it's really tough. Yes, I have done both ways and I have had experiences on both sides and I am grateful for those experiences because I have learned more. My skillset has broadened, my experiences are different. I think that it's a really individual decision. A partnership is kind of like a marriage. You might not be together for 20 or 30 years but it's very, very similar. You need to evaluate the pros and cons of not only your partner, the pros and cons of you and your skillset, and what are you looking for in your experience.

KBK: What's so wonderful about talking to you today Casey is the fact that you've had an experience, that you've learned from this experience, and nine years out you're very successful. Tell the listeners as we wind down today, what do you think makes you successful and what's a tip that you want to leave them with?

CT: A ton of hard work, is really key. I think understanding your market and listening to your clients is absolutely essential. You have to be bold, you have to brave, you have to be willing to step outside the box. I have a retail shop. I can't just open my doors and expect that people are going to come in. There have to be a reasons that they come in, there has to be a reputation that drives

them in, there has to be things going on or an event. We are constantly broadening our horizons and what we're doing. It's been an amazing ride and I love that I did it, both with my partner and solely on my own. I think the number one tip I would leave with people is you may not, must not, cannot open your doors to your business until your agreement is signed, because it protects all of you and it protects the health of the business long term.

KBK: Makes perfect sense to me Casey. Casey Thomson is the founder and owner of *The Cheese Gallery* located in Thornbury, Ontario. Thank you so much for joining the podcast today.

CT: Kathleen, thank you so much for having me. It's been a pleasure and I hope your listeners enjoy our conversation.