

Partnerships: Planning Required!

By Chris Burand

“Don’t Have Partners.” –Mark McCormack, *What They Don’t Teach You At Harvard Business School*

“Partnerships often finish in quarrels.” –Benjamin Franklin, *The Autobiography of Benjamin Franklin*

Many words of wisdom suggest partnerships should be avoided. However, if a partnership is inevitable, forethought and precaution can help make it an amicable and profitable relationship.

Benjamin Franklin continued to write in his autobiography, “I was happy in this, that mine [partnerships] were carried on and ended amicably, owing, I think, a great deal to the precaution of having very explicitly settled, in our articles, everything to be done by or expected from each partner, so that there was nothing to dispute, which precaution I would therefore recommend to all who enter into partnerships; for, whatever esteem partners may have for, and confidence in each other at the time of the contract, little jealousies and disgust may arise, with ideas of inequality in the care and burden of the business, etc. which are attended often with breach of friendship and of the connection, perhaps with lawsuits and other disagreeable consequences.”

As Franklin suggests, no matter how amicable the partnership seems at its inception, time often reveals flaws. To help the partners survive the difficult times, the partnership must be built on a strong framework which can be provided with a series of integrated contracts including buy-sell agreements, job descriptions, compensation plans, and responsibilities. These contracts are best agreed upon at the inception of the partnership and, of course, investing in well-written contracts—contracts written by professionals with knowledge of insurance agencies—is a must.

Many people lament the lost days of partnerships based on friendship, where, “A man’s word was his contract.” As Franklin describes, those days never existed. I’ve worked with many special partnerships and I am always inspired by the trust, confidence, and “give and take” that exists within these wonderful relationships. Usually underlying the strong partnership, though, is a faultless series of contracts supporting the healthy relationship.

Conversely, a partnership cannot succeed only on dotting all the “i’s” and crossing all the “t’s.” I recently saw a great and truthful quote in an article regarding the demise of an old and prestigious law firm. The author wrote, “...a partnership built on income alone can only thrive as long as the income does.” This is especially pertinent to insurance agencies where so much focus is rightly placed on sales and a good producer usually ends up being a partner. As a result, the special partnerships I’ve worked with are also built on strong, professional personal relationships between the partners.

In some situations, the top partner realizes that while they might carry more than their fair share of the work, their share of the profits is still much bigger than it would have been, or would be, without partners. Their philosophy is to “look after the agency first and you will get plenty.”

Rock bands are sometimes good examples. For example, David Lee Roth might have grabbed the limelight with Van Halen, but he was nothing without Van Halen.

If you have a partnership, shore up your bridgework in good times. If you are taking on a partner or becoming a partner, make sure you build strong agreements because when something fails (because the structural members are only human) the right structure can provide a logical path to address the situation. If the situation turns emotional and if a logical structure does not exist for resolving the situation, then everyone will be injured. The emotional injuries are often overcome with time. Overcoming the financial injuries and injuries to the reputation though are usually more problematic.

Good contracts make for good partnerships. They set expectations and they better enable us to build partnerships based on more than money.

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