

What New Businesses Need to Know About Choosing Partners or Acting Alone

The decision to go into business alone or with a cofounder or partner shouldn't be taken lightly.

On one hand, going into business with a partner potentially halves the workload and doubles your knowledge. On the other, you lose some portion (half?) your potential profits and your power to make independent decisions.

If you do choose to go into business with a partner, one of the most important issues is to make sure they have the same vision for the future of the business. Typically partners will have significant authority regarding the day-to-day running of the firm and you will probably also want to mutually agree on larger decisions as well.

Do you need extra help running a business?

Those who are new to the world of entrepreneurship might believe that they need to be an expert about everything in order to successfully run a business.

However, not knowing every aspect of running a business does not necessarily mean you need a partner to run a business alongside you. Solo business owners can hire help, or outsource parts of their business they're unfamiliar with, without giving away significant equity and control in the business.

However, many founders recommend having a partner. Starting a company is hard and often isolating. Having a partner will not only increase what the company can accomplish, but provide a sounding board and sense of teamwork and camaraderie in what is often a difficult period.

What type of structure for your business?

The decision to go into business alone or with a partner will have a major bearing on what type of business you set up for tax purposes.

Many businesses will initially set up as a sole proprietorship (solo owner) or partnership (partners). Some may form a limited liability company or corporation. The type and amount of taxes you pay will vary depending on which of these options you choose. The liabilities for debts and lawsuits will differ as well. Your attorney and accountant can help advise on what is the best choice for your business.

Selling your partnership

A disagreement between partners or differing views on when to sell your business are typically the biggest risks of entering into a business partnership.

If you want to sell and your business partner doesn't, it may be difficult to split the business. If you don't have an agreement covering this scenario, resolution can be expensive and emotionally draining. This is far from ideal and could render all your hard work in the preceding years worthless. As such, it's worth discussing your long-term plans for the business before you set up shop.

Before moving ahead to launching a solo company or a partnership, trust an experienced attorney to guide you on the path to business success.