



Familiarity Doesn't Have To Breed Contempt in Intimate Business Partnerships

By Finance New Mexico

One advantage of running a small business with family or friends is that the principals know and are committed to one another and the success of their enterprise. But intimate partnerships also have potential relationship-based perils, some of which could cause work-force demoralization, legal problems and even failure.

The trick to making a small venture succeed is to acknowledge these risks from the start and institute processes to contain or minimize them.



Conflicts are inevitable, so prepare for them: Disputes arise in all businesses, but they're harder to conceal in a small operation that doesn't have a formal complaints-resolution process or human resources personnel. Business disagreements can carry over from the partners' private lives, with long-standing feuds, rivalries and disagreements poisoning business decision-making. Partners should refrain from taking sides in a business dispute based on loyalty or emotion; only facts should matter when deciding a course of action.

Structure brings professionalism to problem solving. To prevent conflicts from evolving into chronic dysfunction that turns the workplace into a battlefield and undermines profitability and productivity, companies that are too small to warrant a full-time HR person should consider consulting or retaining a third-party mediator to help the owners resolve problems they can't fix internally. Some small businesses run by families or friends meet regularly in councils to collectively address personal or business matters, to conduct strategic planning, and to discuss big matters of succession, investment or selling the business.

Don't show favoritism toward family members or friends. It's natural to be chummy with relatives or friends, but partners in small-business partnerships will lose talented employees if they treat those outside the inner circle as second-class citizens. Showing favoritism also kills any incentive left-out employees have to give the job their best effort. In a professionally run

organization of any size, discipline and rewards are meted out based on merit, not personal connections.

Everyone on the payroll should be contributing to the business. Family members and friends should not be hangers on; they need to earn their salaries for the work they do to make the business grow. Those pulling their weight in a small enterprise will notice and resent slackers or underperformers who play no definable role in the company. Responsibilities and job duties and titles should be transparent and everyone should be held to fulfilling them. Even better: The company should have a performance evaluation system for everyone onboard, even if it's a simple one, to maintain credibility and trust.

Keep personal matters and business matters separate. When couples, families or friends go into business together, it's in their financial and personal interest to establish boundaries and stick to them. While it might be unrealistic to expect that business issues will never arise at home or when socializing, partners should agree to limit shop talk to 10 or 15 minutes and save anything more substantial for the office. Muddying that line can have a corrosive effect on relationships at work and home.

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