

What to Do When a Business Partnership Ends



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Not all crucial capital decisions are driven by growth opportunities or the need for third-party succession. Sometimes they come about because a business's founders realize the need to work separately and, as a result, the organization needs to be restructured.

Nobody enters a business partnership expecting the tough decisions that will have to be made if and when it someday ends. But when the moment in time passes that created the need for a partnership, people of goodwill must resolve the necessary issues between them so they can go their separate ways.

When the end of a partnership forces the restructuring of a business, there are really only four options to consider:

- Partner 1 buys out partner 2.
- Partner 2 buys out partner 1.
- The business is divided into two pieces.
- The business is sold to a third party.

It's far less expensive and stressful to fully explore the options for ending a partnership amicably before getting to the point where lawyers need to be involved. And while it would be ideal if all separating business partners rose to this opportunity to be their best selves, that's unfortunately not always what happens.



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Navigating a legal challenge

If your business partner does something that surprises you, like announcing the end of a partnership and hiring an attorney, their purpose may be to send a clear signal of their dissatisfaction. Although they might not be trying to coerce you, the result of this action is that you feel pushed into a corner.

Motives aside, retaining legal counsel is an unambiguous sign that your business relationship is no longer constructive and needs to be unwound as efficiently as possible.

Here are four things you should do if you find yourself in this situation:



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01

Take a deep breath.

Yes, being put in this position does create a lot of pressure. But you're doing yourself no favors if you rush through big decisions that will largely determine what your post-partnership future looks like. So, take the time you need to get into a healthy mindset. Then, get to work.



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02

Think through your long-term goals.

You've been given an opportunity to chart the future course of your career in a way that you might not have had before. After the current conflict has been resolved, do you want to continue your business as a solo entrepreneur, or is this an unexpected but welcome opportunity to try something different?



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03

Get your team together.

Once you've gotten clear about what you want, go look for really good, wise advice from a team of professionals. Don't make this a solo decision, because it's going to be immensely helpful to have the perspectives of different people.

A banker, for instance, might have good ideas related to recapitalizing or moving money around, or could assist with a loan if necessary. A wealth advisor or personal financial planner might have thoughts on using your own resources to solve the problem efficiently without incurring additional costs. And we at Oaklyn Consulting can be of assistance with making decisions that lead to the purchase, sale or recapitalization of a company.

If there is legal aggression coming from the other side, you'll also need the expertise of an attorney to defuse any potential bombs. Your former associate might have started a clock in which you simply have no choice but to respond within the legal system.

If the other party has retained counsel but seems open to a constructive conversation, you can focus on finding a disciplined, collegial lawyer who is attuned toward creating solutions, rather than being contentious. In some situations, it may even be possible to have them work behind the scenes, which can help avoid an escalation of tensions.



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04

Strengthen your position in negotiations.

Gather your team of advisors and analyze the documents that are the formal basis of your business relationship. Those documents are put together at a time when business partners are getting along well in order to be a road map for what to do when they're not getting along as well.

Once you're confident about what your legal options are, work together with your advisors on generating good ideas for getting to a solution. Being well prepared is the best way to go into negotiations from a position of strength.



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How Oaklyn Consulting can help

At Oaklyn Consulting, we serve as a sounding board for business owners as they go through major turning points, such as the unwinding of partnerships. We're able to offer completely objective consultative advice thanks to our hourly billing model, since we never receive a success fee from deals.

Sometimes it just becomes time to declare victory on what your organization planned to achieve, then move on. If you need assistance initiating the end of a business partnership or responding to a partner's desire to do so, we can help you evaluate your options so you emerge in the best possible position.



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