
THE ADVANTAGES AND DISADVANTAGES IN BUSINESS PARTNERSHIPS

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Introduction

Each industry has diverse values, priorities, resources, and skills. Any collaboration must bring together varied contributions to accomplish sustainable development goals. Organisations cooperate because they can't fulfil their aims otherwise. All parties are motivated by self-interest, and each must perceive benefits from their collaboration if they are to remain involved.

Advantages

1. Expertise and knowledge gaps

Partnering can expand your business's expertise. A good partner might provide you expertise, experience, or complementing abilities to expand your firm.

You may be terrific at producing ideas but not selling them. You could be a computer whiz, but you're not very good at making relationships or managing operations. These gaps could be filled by a partner with the necessary skills. Consider this while weighing the pros and downsides of a partnership.

2. Additional Funds

The monies might be contributed by a corporate partner. It's possible that the individual has superior strategic ties. It's possible that this will help your company raise extra cash and attract investors. If you have the right kind of business partner, they may be able to assist you in obtaining loans for the expansion of your company. When looking for a potential partner, you should keep your finances in mind.

3. Cost-cutting

A business partner may be able to assist with costs and expenditures related to capital. It's possible that this will save more money than going it alone.

4. More possibilities for commercial enterprise

Having a partner in business might assist in dividing up the labour. It's possible that having a business partner will make you more productive and open up additional doors for you professionally. Opportunity expenses may be eliminated. Opportunity costs are advantages or missed business opportunities that you might have to forfeit. Because you are a one-man band, you have to decide how to best allocate your time and resources. It's possible that having a partner who can assist out may free up more time for you to explore other possibilities.

5. Improved Balance Between Work and Life

A spouse can ease the strain by sharing labour. You are free to take time off knowing that someone else will cover for you while you are gone. This has a positive impact on your personal life.

6. Encouragement

Everyone must be able to bounce ideas or debrief on significant concerns. When we face setbacks or daily difficulties, we may require moral support.

Sometimes it's the urge to celebrate a goal or vent. Solopreneurs and small-business owners may have fewer options. Solo entrepreneurship may be lonely. A reliable business partner is valuable.

7. A Fresh Look at Things

Business blind spots are common. A cooperation can help us see what we've missed. It may change our view on what we do, who we engage with, what markets we target, and our pricing strategy.

A companion might motivate us to explore new options, moving us from indifference or the status quo. Inspiration is a priceless intangible.

8. Tax Advantages

General partnerships may provide tax advantages. A general partnership is tax-exempt. A general partnership "passes through" revenues and losses to its participants, according the IRS Partnership webpage.

Disadvantages

The time needed to seek, create, and maintain partner relationships can be costly. Potential partners must assess opportunity costs and, preferably, set benchmarks to determine if collaborating is worth the expenditure. This is typically because colleagues expect a return on investment.

Partnerships are the most prevalent and easiest business form. Simple and widespread, they have drawbacks. Friends often form unspoken business alliances. This informal agreement makes partners liable. Unless the company partnership is a limited liability corporation, the partners might be liable for insolvency-related obligations and debts. Each partner's personal assets can pay corporate expenditures.

Family members form some commercial relationships. Business partners should respect each other as business partners and avoid discussing family issues at work. Informal business relationships can expose people to liability and lawsuit. Lack of a defined power structure, difficulty to transfer ownership, and needless company-related obligations can make a business partnership difficult to handle.

1. Scalability is hindered.

Most firms lack the technology to automate partner communication. For banking, it will provide a means to open accounts from our dashboard. It's a way to subscribe or cancel health insurance online.

At first, you'll need to accomplish several things manually. This entails allocating a team member a lot of work. Every manual step in your team's workflow must be removed. It's a failure point and a scalability issue.

2. Liabilities

A partnership entails sharing firm losses and debts, even if they were incurred by another member. Your personal possessions and financial situation might suffer as a result of this. In a nutshell, you can end up being liable for the decisions that your business partner takes in relation to the company. This is a key question to ask while weighing the pros and cons of joining a partnership.

3. Independence lost

Even though you most likely take pride in being able to make all of the choices pertaining to your company, entering into a business partnership would require you to give up some of that power to your organization's new partner.

When you begin analysing the benefits and drawbacks of forming a partnership, one of the questions you should ask yourself is: If you really had to, would you be able to make concessions and give up particular ways of conducting business? This may call for a shift in mentality, which may not be something that can be readily maintained over the course of the project. If you are used to being independent and have worked alone for a significant amount of time, you may find it stressful when you are unable to continue doing things the way you are accustomed to doing them.

4. Emotional Issues

It's possible that a whole array of problems will arise, making it challenging to work with a spouse. For instance, divergent points of view or unequal contributions of labour to the enterprise can both contribute to the escalation of conflict. It's possible that one of the partners isn't pulling their weight. A rift can develop in a relationship.

However, you may be able to avoid experiencing emotional difficulties by being selective about the people with whom you choose to form a partnership. When looking for a business associate, try to find someone who believes in the same things you do, possesses a strong work ethic, and has good chemistry with you. This can go a long way toward averting problems that have not been anticipated.

5. Future Selling Complications

You or your business partner might sell the firm if circumstances change. This might be a problem if one partner doesn't plan to sell. You can prevent this from happening if the partnership agreement has a provision for an exit strategy. If your business partner intends to sell to a third party, include a "right of first refusal" clause in the contract. This ensures that you are able to accept the offer, eliminating the possibility of an outsider entering the company. The insolvency of a spouse, the partner's illness, or the partner's wish to go overseas might all be handled with an exit strategy.

6. Lack of Stability

This company is simple to establish, and it is equally simple to dissolve. It is true that the trust and confidence one partner has in the other is essential to the smooth operation of a business relationship. In the event that it is unable to show these, then the company will no longer have been in existence.

Conclusion

After weighing the benefits of a relationship against its potential drawbacks, you could come to the conclusion that the partnership's positive aspects exceed its potential drawbacks. In addition, some of the drawbacks of entering into a partnership may be avoided by performing adequate research, exercising due diligence, and drafting a comprehensive and well-written business prenuptial agreement.

In the end, you should make sure that you are not uncomfortable in the role of a partner. Ask yourself what kinds of growth objectives you could not accomplish on your own that a partnership could help you attain. What specific areas of expertise does a potential partner possess that might serve as a point of differentiation in the marketplace?

Consider all of the benefits and drawbacks of entering into a partnership with due regard to your current state of finances and your state of mind. Above all else, make sure to carefully examine your potential mate to determine whether or not you are a suitable fit for one another. A marriage and a business relationship are the same thing. And just like any other marriage that lasts for a long time, it depends on finding the perfect partner, someone you can trust, and having fun being together in the same space.