A physician must remember a few essentials before bringing on a partner. One should never take on a team player because of a fear; doubt and fear are a poor foundational basis for a partnership. Instead, the core qualities of the partner, the specific skills he or she contributes, and partnership dynamics are paramount. Even after one has obtained a partner for the right reasons, several issues can arise. The personality of the partner and compatibility are important. There also needs to be an alignment on goals. A major crux of the partnership is a fair compensation scheme; and in this re-

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to provide comfort and peace of mind. Second, apart from the “fear factor,” there is often a lack of knowledge of the skill set that can be supplemented by another individual. For instance, a physician may not know how to raise money, and takes on a partner who appears to be a suitable fit to help make the business a reality.
Partnerships (from page 69)

gard, trust is a major pillar in the partnership. It is quite easy for there to be mistrust among partners. The perceived threat of sabotage is also a major reality in partnerships.

How You Might Know If You Selected the Right Partner
• There should be continual assessment of whether the partner is fulfilling his or her obligations and duties as stated in the contract.
• Physicians need to periodically evaluate both the performance and level of enthusiasm and energy of the partner.
• The partner should be the best individual available for that particular skill set.
• Particular attention should be paid to how the partner reacts to challenges along the way and whether the level of commitment is still maintained.
• One needs to ask whether the behavior and personality of the partner changes during the course of the business. Are there any compatibility issues?
• It’s important to ask the following question as you proceed in the business: Is the partner maintaining the initial vision that was agreed upon when the contract was signed?

How Do You Know If Your Partnership Agreement Is Fair and Reasonable?
• If the partnership agreement is based on profit-sharing, then one has to determine whether the contribution of the partner is such that it dictates or influences the revenue (i.e., it should be a main revenue driver).
• Honest discussions are important among all members at the time of the agreement.
• Over the course of the week or two after the agreement has been set and work has started, one should evaluate the level of energy and passion for the work among all members. If that level dwindles, then this may be a sign of dissatisfaction, suggesting that the agreement may not be fair and reasonable to all.

What Can Go Wrong?
• If it is a profit-sharing business, one partner can potentially “free ride” off of the other’s efforts.
• Once substantial revenue is realized, a partner may ask for a greater percentage or share.
• With a salary position, the partner may be less motivated to perform and carry out activities that may serve as revenue drivers.
• Due to disputes on business decisions, a rift can result that would cause the individuals to break the contract.

Financial reward schemes can be problematic in partnerships. Importantly, there can sometimes be a combination of profit-sharing and salary-based options. Consider the possibility of a partner not revealing his or her desired form of financial reward during initial discussions. Compensation is thus probably the most important issue in partnerships.

Special Skill Set
One needs to find a partner who has complementary skills. For instance, one partner may be a financially savvy clinician while another partner has more marketing and human resources experience. It appears that partnerships that are based on complementary skill sets are the most promising in terms of their potential.

Goal Alignment
It is important that goals be aligned among all individuals in the partnership. This is especially true given that the ability to experiment with new ideas is essential for running a successful entrepreneurial venture. Thus all partners must have a willingness to adapt to the changing dynamics of the business. One physician may be interested in obtaining revenue from sales of a private-label medical product, while the physician’s partners want to build valuation and then sell the business.

Alignment of goals is essential because businesses are steered by the founders. A lack of initial alignment may cause a change of direction five years later. Because starting a business has financial and more intrinsic (i.e., satisfaction at creating a great product) rewards, it is natural that individuals will differ in which rewards they truly seek. Thus one partner must conduct an interview of the others at times to dig deep

A major crux of the partnership is a fair compensation scheme.

• One partner can sue the other for breach of contract.

What Should You Be Concerned About?
• The level of concern will depend on whether the agreement is a profit-sharing partnership or a salary-based scheme.
• The partner may not be doing as much of the work as stipulated.
• The partner may lose enthusiasm for the position.
• The vision between the partners may weaken; there may be separate visions by each individual, leading to disagreements.
• Can I trust the partner? Does the level of trust stay the same?
• One partner may share trade secrets with others or attempt to create his or her own business based on the business idea.

Key Issues

Financial Reward/Compensation
In partnerships, compensation is a very tricky issue. Often one will get a smaller percentage compared with his or her partners. One should be very careful in having a full, honest discussion with partners before getting into an agreement. Also, you should be wary of realities—existing partners may propose a certain profit scheme but may be hiding key information about their compensation.

Continued on page 72
Partnerships (from page 70)

into the real motivations of the other individuals in going forward with a venture.

Personality Assessment

There are often personality clashes in partnerships. Partners who don’t get along can be a critical omen in terms of the success of the partnership. Even if all other factors are in place (common financial goals, resources, technical skills, etc.), a mere personality clash can ruin an entire venture.

Overall Strengths and Weaknesses Assessment

You must become familiar with the strengths and weaknesses of a potential partner. This assessment should include consideration of the individual’s special skills. It should also take into account the person’s personal situation and family life, in order to ensure that it is conducive to his or her functioning in the business. Many times, someone will present a promising skill set, but may have a spouse who is unwilling to support large time commitments to the business. It may take some time before these issues are revealed. Therefore, it is important to spend a lot of time with a potential partner prior to any agreement; it’s better to hold off on an official agreement for as long as possible.

Trustworthiness

Trust is the major pillar of a partnership. However, a lack of trust is typical in partnerships. There have been many instances of one partner engaging in “sabotage” by negotiating with opposing interests behind the other partner’s back. Sometimes a new partner may be oblivious to the fact that an existing partner is obtaining a salary in addition to profit. Some partners can continue to deceive others, even when they know that the truth can be easily revealed at some point. Trust is a two-way street, and partnerships can be marked by misunderstandings.

Action Items for Physicians

Take the time up front to learn all about your potential partner. Spend the time to flush out details of how you’ll run the business together, and draw up a clear, detailed agreement: equity, board membership, decision-making power, roles, titles, and salaries. Take a hard look at the potential partner’s medical and business background and success record before committing. Examine his or her experience and roles performed. Talk to people he or she has done business with in the past. Ask yourself the following questions about the partner: Has this individual been successful? What does he or she bring to the table?

Trust is the major pillar of a partnership. However, a lack of trust is typical in partnerships.
Partnerships (from page 72)

- Rely heavily on advisers and legal counsel. It is critical that such advisers be nonbiased and preferably work in the medical industry. One should expect legal issues to come up in partnerships, so legal advice is essential.
- Follow your instincts. Ask yourself: is the potential partner someone you truly like and respect and can spend many years with? Sometimes your gut intuition can lead you on the right path.
- Sometimes it might be better to just go it alone. Often you don’t need a partner for “validation.” Partners often play a psychological role in the mind of an entrepreneur, but is to provide equity to key individuals, without making them formal partners.

**Partnership Assessment Model**

A physician should first assess the suitability of the partnership (Figure 1) and go through a set of questions to determine the financial reward scheme (Figure 2). The two-part framework can be applied to decisions about a partner for an early-stage business.

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**References**


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