

## GMSB 242

[00:00:00] **Antony Whitaker** Welcome to the Grow My Salon Business podcast, where we focus on the business side of hairdressing. I'm your host, Antony Whitaker, and I'll be talking to thought leaders in the hairdressing industry, discussing insightful, provocative, and inspiring ideas that matter. So get ready to learn, get ready to be challenged, get ready to be inspired, and most importantly, get ready to grow your salon business.

[00:00:27] **Antony Whitaker:** Hello and welcome to today's episode of the Grow My Salon Business Podcast. I'm your host Anthony Whitaker, and as always, it's great to have you here with us today. Thank you for the compliments regarding the podcast. I really do appreciate it. And if you're one of those people who haven't yet left us a review for the podcast, I would love it if you did.

[00:00:47] **Antony Whitaker:** Ratings and reviews are extremely helpful. They do matter in the rankings of the show. And it helps other people find my podcast. And obviously, I also really love to hear what's been helpful to you. So all you need to do to leave a review is go to the Apple podcast app, search grow my salon business, scroll to the bottom of the page and leave a review.

[00:01:07] **Antony Whitaker:** And you would make us very happy. So with that said on with today's show,

[00:01:13] **Antony Whitaker:** A young hairdresser recently asked me whether or not I thought he should go into partnership with a friend and open a salon together. Now partnerships is one of the many subjects that we cover in the online management course that is currently open for enrolment, but I think it's also a great question and it'll make a good topic for today's podcast as well.

[00:01:34] **Antony Whitaker:** So, over the years, I've had more than one business partnership, and like everyone, I've made mistakes and I've learned a lot along the way. So my response to him was, what will you do when the partnership ends? And he looked a bit confused and he mumbled something about them being really good friends and that they really trust each other.

[00:01:56] **Antony Whitaker:** But as I said to him, of course it's important that you trust each other, but it's also important that you understand that every partnership ends. It's just a matter of when it ends and whether it ends

amicably or not. And so it's important that you set it up properly at the beginning to give it the best possible chance of succeeding.

[00:02:18] **Antony Whitaker:** Now, just to be clear, I'm not being negative about partnerships. Some of them last a lifetime before they end, but that's the point. It will end. Even if that end is at the end of a lifetime. And so acknowledging that there will be an end to the partnership as being a reality forces you to start with the end in mind and work backwards from that point.

[00:02:42] **Antony Whitaker:** I don't think that anyone goes into a partnership of any sort thinking that it will end. I suppose that marriage is the ultimate partnership. And very rarely does anyone go into a marriage thinking that it will end but the reality is that over 50 percent of them do end and unfortunately most of them don't end well now these days I'm guessing that most people will live together for a while before getting married. And I don't know statistically whether or not that has a positive impact on the likelihood that the marriage will last longer. But at the very least it also gives both partners a chance to really get to know what it's like living with each other before they make the commitment to get married.

[00:03:26] **Antony Whitaker:** But when two people go into business together there, there's no trial period that they can easily walk away from. But there is a lot at stake if it doesn't work out.

[00:03:37] **Antony Whitaker:** So, entering into any sort of partnership isn't something that should be done lightly. But unfortunately, that is what many people do, because going into partnership is comparatively easy, but untangling the partnership when it ends can be very difficult.

[00:03:56] **Antony Whitaker:** So, before the partnership begins, and while both partners are on good terms and trusting of each other, that is actually the perfect time to have the discussion about the challenges that will lay ahead and how you'll navigate those challenges when they do happen, because they will. The first hurdle is getting both partners to even recognize that having the discussion is even important.

[00:04:20] **Antony Whitaker:** Because usually, full of enthusiasm for what they do and a sense of trust and a genuine friendship, one or both of the partners will think that the best approach is to cross those bridges and deal with any challenges when and if they happen.

[00:04:36] **Antony Whitaker:** and like I did, they will think, why spend money on any sort of legal advice when you could better spend that money elsewhere on the business, rather than pay expensive and unnecessary legal fees? And to my mind, that's where the problems actually begin.

[00:04:52] **Antony Whitaker:** Because if you have some sort of formal, legal, written partnership agreement, it can save a lot of money, time, and stress when that partnership ends.

[00:05:04] **Antony Whitaker:** Remember, it's when it ends, not if it ends. And the benefit of doing that at the beginning ensures that both partners are clear about what their roles, responsibilities, and expectations are. And then, when there are any issues, and there will be, then at least there is a written point of reference, an agreement or framework as to how to resolve the problem before it gets out of hand.

[00:05:29] **Antony Whitaker:** the partnership agreement serves different purposes, but what I want to focus on in this podcast is all the what ifs, meaning very practical things along the lines of What if this happens, or what if that happens, and how do we deal with those challenges when they do? Now, for some strange reason, most of the challenges that happen within a partnership seem to start with the letter D.

[00:05:57] **Antony Whitaker:** Before we dig into them though, I'll pre-empt this list by saying it's not a particularly uplifting list of points, but your business and your assets are a very serious thing, and so a little time spent looking at both possible downsides can save a lot of pain in the long term.

[00:06:14] **Antony Whitaker:** So in no particular order, let me talk you through 12 very real scenarios that should they happen will have a very real impact on the partnership and the business. And so they should be considered and discussed before entering into a partnership.

[00:06:33] **Antony Whitaker:** So with that said, the first one we've already mentioned, and that is death. Now I don't want to be morbid, but we have to deal with reality. We will all eventually pass away. And sometimes it's at the end of a long and happy life, and you slip quietly away in your sleep,

[00:06:52] **Antony Whitaker:** But unfortunately, other times, it's a car accident, cancer, heart attack, or any manner of unpleasant things that might take you out unexpectedly.

[00:07:01] **Antony Whitaker:** So, that's the first what if. What happens if one of the partners dies? What happens to their share of the business? Does it go to the remaining partner in the business? Or does a deceased person's share of the business go to their family or to their next of kin? And so, you now have them as your partner.

[00:07:23] **Antony Whitaker:** And remember, we're not just talking about any value that the business has, we're also talking about any debt that the business has. So in any partnership agreement, there needs to be a caveat that stipulates what happens to the partners, shares, and the business in the event of their untimely death.

[00:07:42] **Antony Whitaker:** The second one is divorce. What happens if one of the partners gets divorced? Is their share in the business protected or is there a possibility that their share of the business could be subject to a divorce settlement?

[00:07:56] **Antony Whitaker:** The other thing about divorce is that it can also be a triggering event in that it might lead to someone wanting to relocate or sell the business or their shares in the business. So if that were the case, how would that work? Will one partner buy the other one out? And if so, is there an agreed formula for how the business is to be valued?

[00:08:18] **Antony Whitaker:** The third one is disease. For example, now I try not to even mention the word COVID, but what if one partner has long COVID or some other disease and is unable to work more than a few hours a week? How will that affect the business shareholding?

[00:08:35] **Antony Whitaker:** I mean, obviously, for a bit, you just suck it up and get on with it. But if one partner is no longer able to contribute equally to the running of the business, how long will it be before the other partner has a problem with that? Especially if they're still drawing the same salary, and the business doesn't have any insurance to cover it.

[00:08:55] **Antony Whitaker:** The fourth one. is disagreement, meaning no matter how much you trust each other and how well you get on together,

there will be things that you don't agree on. So, for example, what if one partner disagrees with the other over changing the color line that's used in the salon? Or if one partner wants to hire or fire someone and the other partner disagrees?

[00:09:18] **Antony Whitaker:** What happens if one partner wants to expand or downsize or get a business loan and the other partner doesn't? How will you resolve the disagreement? The fifth one is distress, meaning that being in business can be hard. And as an owner, there are sacrifices to make,

[00:09:35] **Antony Whitaker:** Statistically, approximately 20 percent of businesses do not survive the first year. So what if one partner wants to sell up and the other partner wants to try and work through it? How will you resolve the situation? The sixth one is drink and drugs. What if one partner has an addiction problem, perhaps you didn't know about it before, but now you're aware of it and it's creating problems, whether that's financial problems or problems with morale within the team and productivity.

[00:10:06] **Antony Whitaker:** The seventh one is disinterest, meaning that one partner loses interest in the business. And although they might still be going through the motions every day, it's apparent that they've lost interest and that their passion and energy isn't what it once was.

[00:10:21] **Antony Whitaker:** The eighth one is disparity, meaning that there is unequal input or unequal contribution. Whether that's unequal work ethic, or unequal amounts of time off, or unequal amounts of money being put into or taken out of the business. The ninth one is dishonesty, meaning that one partner is being dishonest.

[00:10:43] **Antony Whitaker:** Perhaps they're taking money out of the business that the other partner isn't aware of. Now that's usually an immediate deal breaker. So a discussion needs to be had and an agreement reached about how much each partner will take out of the business and what they will contribute in return. The 10th one on my list is default, meaning that one partner.

[00:11:04] **Antony Whitaker:** Doesn't do what they said they would. They default on their obligations. The 11th is disability, meaning that one of the partners is no longer able to work perhaps through an accident or injury of some kind. And finally. The 12th one is Departure, meaning that perhaps one

partner wants to wind down, perhaps work less or sell up and retire, and the other one doesn't.

[00:11:31] **Antony Whitaker:** What will happen to the partnership then?

[00:11:34] **Antony Whitaker:** So that's my list of 12 points that are all very real situations that will often destroy small business partnerships unless there are some very clear ground rules set up at the beginning. I'm sure you're getting the idea. And perhaps you could add to that list. And they certainly don't have to start with the letter D.

[00:11:53] **Antony Whitaker:** Now for many of these points, there would already be a standard legal answer and any lawyer could draw up a simple partnership agreement that would protect all the partners because all these things can and do happen every day.

[00:12:08] **Antony Whitaker:** It's just a matter of when and who they happen to. And remember that although a partnership has a legal definition, it's also a relationship. And the key to success in any relationship is open, honest communication.

[00:12:24] **Antony Whitaker:** So if you can talk about things at the beginning of the relationship and agree on a mechanism as to how things are dealt with, then if and when problems arise, there's already an agreed path to move forward with as little friction as is humanly possible.

[00:12:43] **Antony Whitaker:** Having said all that, partnerships can be an amazing way to build a business. And they are often started by friends, sometimes with noticeably different skill sets, who not only trust each other, but they recognize that they both have different strengths and that together they're stronger than apart.

[00:13:03] **Antony Whitaker:** So in addition to a legal partnership agreement, there are a few simple things that can help set up a partnership for success.

[00:13:11] **Antony Whitaker:** First is that you should have a simple written job description outlining what areas of the business that each partner is responsible for. You can do this yourself as a list of bullet points outlining who is responsible for what

[00:13:25] **Antony Whitaker:** Next, you should commit to a regular meeting between the partners. This can just be a breakfast meeting once a week where you talk about any business issues that need discussing in a totally open and honest manner. And obviously it's important that you agree on the principle of open, honest communication, as it's probably the single most important thing in any successful partnership.

[00:13:50] **Antony Whitaker:** And there's nothing worse than letting problems fester or telling half-truths. And so, when there are problems and disagreements, and there will be, commit to dealing with them quickly before they get out of hand. But no matter what you do, it's inevitable that there will be times when there could be some tension between the partners.

[00:14:09] **Antony Whitaker:** So it's important that you respect the partnership and don't ever bad mouth each other in front of the team or use the team members as pawns to side with you. And it's equally important that you acknowledge that you both bring different things to the partnership. and while one partner may be more visible and maybe have a more public leadership role.

[00:14:31] **Antony Whitaker:** And may even want to, and need the public recognition that comes with it, understand that the partnership will only work if there is acknowledgement for the contribution you both make. And finally, remember that for the most successful partnerships, there has to be what the hairdresser said to me at the beginning, and that was that they trust each other.

[00:14:54] **Antony Whitaker:** And so with that said, we need to start winding this episode up. But before we do, we have multiple free resources on our website from our weekly podcast to the 2 Minute Salon Manager videos, as well as our paid for resources, whether it's our books, our one-to-one coaching or our online courses. Now relative to today's podcast, I want to point you towards the online management course, which is currently open for enrollment.

[00:15:19] **Antony Whitaker:** So check that out at [growmysalonbusiness.com](http://growmysalonbusiness.com) forward slash course forward slash management. And if you want to find out more, visit us at [growmysalonbusiness.com](http://growmysalonbusiness.com) or on Instagram again at [growmysalonbusiness](https://www.instagram.com/growmysalonbusiness). And I'll be sure to put those links in the show notes for

today's podcast on our website. And don't forget to subscribe and leave us a rating and review on the Apple podcast app.

[00:15:43] **Antony Whitaker:** So, to wrap up, thank you for listening to this week's episode of the Grow My Salon Business podcast.

[00:15:50] **Antony Whitaker** Thank you for listening to today's podcast If you'd like to connect with us you'll find us at Grow My Salon business.com or on Facebook and Instagram at Grow My Salon business And if you enjoy tuning into our podcast make sure that you subscribe like and share it with your friends Until next time this is Antony Whitaker wishing you continued success