

# FOR RICHER OR POORER:

*What couples and non-couple partners in business can teach each other*

There are almost as many styles of business ownership as there are relationships between people. But one ownership type has characteristics and a dynamic that sets it apart from all others – and that is couples in a personal relationship who run a business together. Here, Dr Greg Chapman, author of *Married To The Business: Honey I Love You But Our Business Sucks*, explains what couples who run a business together can learn from non-couple business partners, and vice versa.



## "Couples in business often deliberately prioritise family over business."

The couples in a personal relationship ownership type is often called 'Married to the Business'. Whether the two owners have actually tied the knot or not, what sets these businesses apart is the individuals' personal commitment to each other, resulting in the alignment of their life goals.

While often placed in the category of 'Family Businesses', their relationship is quite dissimilar to other family owned businesses, where the owners are related but with their families pulling in very different directions. A well-publicised example of this is the apparent breakdown in both sibling and intergenerational relationships in the Rinehart family, but they are hardly unique. In this regard, at least, other types of family businesses are more akin to non-couple partnerships.

As a result of the alignment of their personal goals, the way couples plan and prioritise, the level of trust, how they deal with conflict and the way they run their businesses is very different in many respects to other owners. Just as there are many lessons non-couple partners can learn from couples, there are also lessons for couples from other businesses.

### Alignment of the life and business goals

For any business owner, there is an opportunity to design a business that fits with their life goals, but this is far simpler for a couple in business than for non-couple owners with their own families.

A couple may decide, for example, to have a lifestyle business. This might be a B&B or café in a small coastal resort town. They may instead decide to build a business to pass on to their children, making for quite a difficult balancing act for non-couple partners. Alternatively, they may decide to work hard at their business with an intention to sell it in 10 years and retreat to a quiet coastal getaway town.

Couples either implicitly or explicitly plan their businesses this way. Of all the ownership arrangements, couples in business probably have the lowest of what are called 'agency costs'; that is, costs due to misalignment between owners and management.

This kind of alignment is likely to be difficult to achieve for non-couple partners, but if they are honest with each other on what they each want from the business, which is likely to be quite different from their agreed business vision, they can develop a plan where their roles change over time.

For example, one partner might be significantly older than the other and may wish to retire, or a partner may wish to sell out after an agreed period to pursue other interests. Non-couple partners must be explicit about their objectives, reviewing them annually as their separate personal situations change. Such a process enables the business to plan ahead to accommodate their different personal objectives.

### Long-term focus

As a result of the long-term commitment couples have to each other, their focus for the business also tends to be longer term compared with a shorter term, more commercial focus typical for non-couple partners. Numerous studies have shown that planning for the long-term produces superior returns for most businesses.

Non-couple partners can address this problem – even if one owner doesn't intend to be there for the long haul – if they recognise that planning in this way will maximise the value of the business when it is time for them to cash out. This may mean that a partner who wishes to leave earlier

agrees to an investment for which they will not see the full benefit, as long as they are able to recoup their share of that value when they leave.

### Priorities

Couples in business, like all family businesses, often deliberately prioritise family over business, which can reduce their returns. Non-couple partners, will be more likely to agree to avoid such decisions which could lead to conflict due to special favours being given to the other's family reducing their beneficial return. It's just better for non-couple partners to try and keep such considerations apart from business planning.

When couples make such decisions, they need to ensure they understand the sacrifice they are making and consider how this will impact on the business longer term. That's not to say these sacrifices should not be made for family considerations, but just that they should ensure that the impacts on the business can as much as possible be mitigated. It may also be possible to see some future advantage from these decisions.

This is not the only area where couples' decision making may provide less than optimal returns. Couples in business together tend to be more risk adverse and do not leverage their business as much as other owners might. This is particularly the case where the family's primary source of income is the business.

For other ownership types, the personal partner of the owner may have another source of income which reduces their exposure to increased levels of risk from the business. With proper advice on risk management on all the

couples' assets, including those outside their business, better returns can be achieved with carefully constructed risk mitigation strategies.

## Trust

Between couples in business, there is a high level of trust. After all, whether married or in a de-facto relationship, the law follows the principle for any long-term relationship of "what's mine is yours and what's yours

is mine". So they share the rewards of the business equally, with no arguments about who plays the larger role and is entitled to more of the profit.

Non-couple partnerships must address this deficit with formal legal agreements and stronger systems and reporting. While this may be considered an overhead in the smallest couple owned businesses, absence of these systems soon becomes a barrier to growth.

Non-couple partnerships are more likely to address this shortcoming sooner. They also recognise the need for discipline sooner, and are less forgiving of each other's foibles, something that couples are more inclined to be since give and take is important in any personal relationship. Couples will place their relationship ahead of their business.

On occasion trust even between couples can breakdown, particularly if their relationship falls apart. Indeed, the extra stress of running a business together can be the straw that breaks the camel's back. While couples often balk at prenuptials as a sign of a lack of trust, a separate business agreement is recommended, since on relationship breakdown their business may collapse as there is no way for it to continue and meet the asset distribution requirements during separation.

Without an agreement between a couple on how the business can continue with only one of them, a valuable asset may be lost to both. Couples will insure their home. This is just protection for their business asset. Specialist legal advice is recommended to set in place mechanisms for the business to continue as a valuable asset in the case of separation for the benefit of both.

## Conflict resolution

There will always be at least some level of disagreement between business owners, whether couples or not. Differences of opinion can be healthy, the alternative being groupthink. It can be a mechanism for raising problems that need to be addressed. This is an area in which couples have more difficulties as it is too easy for the differences to be turned into personal and emotional appeals. For this reason, couples try to avoid addressing issues until they become too big to ignore.

I have seen this first hand as an advisor, where non-couple partners are willing to be quite critical of each other in front of me,



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## "Surprises for your partner will spice up the relationship, but in a business not so much."

airing their dirty linen in public, whereas couple partners will be far more protective of each other, even to the point where they are covering for issues that their partner should address.

Not that conflicts are handled all that much better by non-couple partners, it is just that they will address them sooner and, to the extent that they have superior reporting systems, they have tools to take the heat out of the conflict.

Differences of opinion are likely to occur where there are poor information systems and analysis, so decisions are being made without using all the data available to the business. Good reporting and reviews of all parts of the business enable proactive decisions being made before issues become problems. With all the information available and a structured decision-making process which references the businesses strategy and policies to provide context, the heat can be taken out of most decisions.

### Discipline

An essential part of any business is the discipline that ensures that the right things are done at the right time in the right way every time. In a relationship, however, discipline, or even routine, can be a big negative. Surprises for your partner will spice up the relationship, but in a business, not so much. Non-couple partners are faster to recognise this and formalise as many functions as possible and ensure they are driven by a management system.

Part of this formalising of business functions is clarity of the roles partners have. For couples in business, this is often not clearly defined. Where non-couple partners share the rewards of the business, there is a

concern that each is pulling their own weight in the business to earn their share. This driver is far weaker for couples.

One very common type of business for couples is where one has a specialist skill, for example a tradie, and the other becomes the office manager. The non-specialist often feels frustrated because they don't have the knowledge the other has, but still sees deficiencies in the business.

If they were not in a relationship, the non-specialist would probably be an employee, and yet their relationship makes them an equal partner in the business, with equal liabilities. The non-specialist partner of the couple can quite clearly contribute more to the business but without formal definition of roles, may be relegated to the position of bookkeeper.

Even where the couple are peer professionals in the business, it is common that one will have a stronger business focus than the other. If it's true that opposites attract, complementary skills and interests can be a real advantage for couples in business together. Formalising roles will ensure that full advantage is taken of their complementary skills for the benefit of both their business and relationship.

### Getting advice

As a business grows, the knowledge required to take it to the next stage of its lifecycle changes. When a business plateaus, it's often a sign that the natural skills of the owners are approaching their limits. With the management systems that non-couple partners have in place, they more quickly identify the need for advice.

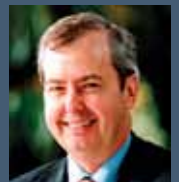
Couples are more likely to struggle on, delaying the time they look outside their

business as they are each other's primary confidant and source of support. This delay in seeking advice can at the very least result in missed opportunities, and at worst increase business risks.

There are many ways that business owners can seek advice – from reading, attending seminars, doing a course or hiring an advisor. Part of the job of a business owner is to constantly stay informed and educated. For non-couple partners there is likely to be pressure between them to stay at the top of their game, and earn their share.

With the more supportive relationship between couples, this must be made part of the discipline that becomes part of their business. After all, when the celebrant says, "for richer or poorer", it's actually a choice. **mb**

*Dr Greg Chapman is CEO of Empower Business Solutions and author of Married To The Business: Honey I Love You But Our Business Sucks. My Business has a few copies of Married To The Business... to give away.*



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