Crossroads of a partnership

Every once in a while you need to take a step back and look at how far you’ve come in business. Smell the roses, as they say. Things have not been easy, but hopefully there has been some growth and success up to this point. The question is, where do you go next? What’s the plan and which road map are you going to work for the next three years? Who’s on the bus?

As you begin to reflect on your 2012 season, you might realize the same team and business model that got you this far can’t or won’t get you to the next level. Have you had any sleepless nights? The cause might be pending contracts, approaching payroll or operations issues, but what if it’s simply you don’t see eye to eye with your business partner? These symptoms are not those of a growing landscape contractor, but rather emotions felt by a business owner who realizes he or she must end the relationship with his or her partner.

I know the thought puts a sick feeling in your stomach, but a closer look will reveal you really are frustrated, a little angry and certainly not focused. Let’s be clear. You can’t and won’t grow in that mindset. Here are some tips to help guide you.

1. Seek council from an adviser. The fact is most business partners are parents, siblings, in-laws or best friends. This means the process is an emotional ride and you need someone in your corner who’s not emotionally vested. Confide in an adviser, and let that adviser help you list what specific challenges you’re facing in the business. Common challenges include differences in the business model, work habits, time contributions, compensation, personal issues, retirement or differing management styles.

2. Review your corporate documents. Take inventory of the specific language in any buy-sell agreements, employment contracts, operating agreements or articles of incorporation. There’s often language in these documents that govern or outline a process or methodology. Disagreements, retirement and death are typically addressed.

3. Value the company. You don’t need a full-blown appraisal, but get a qualified adviser to walk you through the mechanics and methodology of putting a number on the business. Be sure to include the impact of balance sheet items such as working capital and debt. Focus on the last 12 months of performance and include the two most recent fiscal periods. Take a defendable position.

4. Create a cash-flow projection. Create a five-year cash-flow projection, which includes the new debt associated with a buyout or separation. Operating profit should be one-and-a-half times the debt service requirements of the business at a minimum. Two times is more optimal. Include capital expenditure requirements and existing debt in the projection. Qualify and quantify the three “big Cs” prior to getting your banker involved: Cash flow, credit and collateral will determine whether the deal can get done.

5. Take action. Yes, this means confronting the issues head on with several meetings or interventions. Have your adviser help mediate the process. Expect your partner to be initially defensive, or maybe even angry. This situation will take time to navigate, but it will be worth it in the long run.