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Syble Solomon
Money Habitudes® Can Make or Break a Business

Before you signed on the dotted line to start your business, did you and your business partner discuss money? I mean a really good talk about how you relate to money? Not just how much you needed to invest and what your salaries would be, but your patterns of spending, saving and investing and your attitude about the role money should play in how you live your life? If not, and to quote the Nike motto, "Just Do It," and now!

Money issues are inevitable. As in a marriage, by the time you start arguing it may be too late! Be proactive and have that talk before money issues ruin both your business and your relationship. Even if it's uncomfortable, it's worth the effort ... how well partners communicate about money can be a key predictor of whether a company will succeed.

Partners can initiate these conversations themselves or work with accountants, lawyers and consultants who know how to facilitate productive discussions about money habits and attitudes. Some key questions to help you get started are:

• What was your first big purchase? How did you pay for it?
• How do you describe being financially secure? Is that important to you?
• What do you spend money on that's just for fun?
• How do you shop and pay for big ticket items?
• What situations or people trigger you to spend more (or less) than you planned?
• How do you differentiate between "good risks" and "risky behavior"? Between cautious and conservative? Between flexible and impulsive?

The story of Peter and Carl is a good example of partners who could have had a successful business if they had these conversations before starting their company. Initially, their personal and professional strengths complemented each other and they appeared to be a dynamic, well-balanced team. By the second year, however, Peter was describing Carl as miserly and lacking vision; Carl thought Peter was irresponsible and reckless.

What happened? Although they were both committed to adding a new product, Carl wanted to partner with another business to share the cost of doing research and development while Peter wanted to get a loan and finance it themselves. They argued about profits and costs but that wasn't really the problem.

Throughout the discussions, Carl was guided by his inner voice shouting, "Be cautious! Minimize risks!" In direct conflict, Peter's inner voice was saying, "Act now! Don't miss out! Take a chance —it's only money."

These unrecognized influences came from their underlying habits and attitudes about money. Money represented security to Carl and he wanted to protect it. He came into this venture free of debt and had money available for emergencies. He protected his assets by having all the proper legal documents in place and insisting that the company have sufficient backing by investors. His fear of losing money motivated him to reduce potential risks by partnering with another company, even if it meant sharing the profits.

For Peter, money enhanced his ability to respond quickly to new opportunities. He readily took out a second mortgage on his home to help finance the company and wouldn't hesitate to risk the current profits for a new venture. In addition, he had always been uncomfortable around wealthy people and didn't trust them. Peter was motivated by challenge ... not security, and he actually feared opportunities that led to more personal wealth.

Had Peter and Carl identified and discussed their money habits and attitudes in the beginning, their conversations could have addressed the real issues without having the relationship disintegrate into name calling and negative accusations. They could have agreed to work with a neutral third party to help establish a plan for long-term growth without risking the company's future, and Peter may have learned to handle wealth more productively.

Totally different issues caused Janice and Sharon's business to fail: their money habits and attitudes were too similar. Both were focused, goal oriented and guided by inner voices that said, "Stick with your plan. Don't get sidetracked!" Their inability to be spontaneous and flexible meant they didn't take advantage of unexpected opportunities and they couldn't respond when a new competitor entered their market. In addition, they didn't waste their time, energy or money supporting community activities that could have created business opportunities. Although they executed what they thought was the "perfect plan," their business failed. Having an awareness of how both were so driven to stay their course may have helped them consider different options before making quick decisions.

There was nothing wrong with Peter, Carl, Janice or Sharon. Understanding and discussing their relationship with money could have helped them identify the real underlying issues that challenged their business.

It may be too late for them, but it's not too late for you. Everyone has a unique history of money experiences ... start thinking about yours today and look for the ways it may be influencing your business actions and decisions. Bring up the topic with your partner. Consider having a third party facilitate the conversation. Look into readily-available questionnaires or tools to help provide common language and give structure to your conversation.

Whether you're looking to enter a partnership or are already in one, initiate the conversation about money habits and attitudes—'habitudes'—that could make the difference in your company's success or failure.

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[1] http://www.bizlife.com