

Debunking a Myth: Why & How to Do Business With Friends

2 years ago

by [Daniel Epstein](#)

<http://unreasonable.is/theres-a-formula-to-doing-business-with-friends/>



There is a rumour that has been floating around the business world for ages now. It's said that you should "never do business with friends." I wholeheartedly disagree. I'm hoping this blog post will help debunk that myth and plot a bit of a path for those excited to work with people they love.

The author of this post, [Daniel Epstein](#), has founded and run several accelerators, and has setup partnerships with 100+ other startup accelerators around the world.

If I've learned anything over the years, it's that you should only do business with friends: with people you trust, admire, enjoy being around, and with people who make you laugh. Of course, there are good ways and there are bad ways of going about working with friends: Below I've included what I've learned from trial and error about diving into working relationships and partnerships with those I consider to be my closest friends.

How to do business with friends:

It's said that you should 'never do business with friends.' I wholeheartedly disagree.

1. **Communicate. Communicate. Communicate.** The importance of sincere, authentic, and frequent communication cannot be understated. This is always the case and its importance is only amplified when working with friends. Often

times, because they are friends, you may not want to be confrontational. In the short term this may feel better but in the long term, this is a recipe for nothing short of disaster (both for your organization and your friendship). I've learned this the hard way and today, baked into the reality of all the companies I'm a part of is a disciplined "communication architecture." I do weekly 1-on-1 calls with all my partners and teammates, together we do weekly tactical meetings, everyday we do quick standup meetings, once a month we do 48 hour work-sessions and once a quarter, we all go on a proper trip together for a longer retreat. The content of these meetings and calls is always around both what is good, and equally important, what is not so good. We talk about points of tension, points of gratitude, concerns, "yellow flags," life beyond work, personal goals and aspirations...etc. It may seem excessive, but I've seen this level of communication pay dividends and ensure that tensions never build up and that our team culture values authentic, frequent, and honest communication.

2. **Vest your ownership.** Most co-founders start their companies by evenly splitting their ownership in the business between the friends they start the company with. This seems like the right way to go. But often times, this will end up in a disaster. For example, if you start a business with your best friend and split the equity 50/50, what if one year into the business your friend decides to take a full time job on Wallstreet? They will still own 50% of the company and now that they aren't actively working on the business, this will likely ruin your friendship. Instead, I recommend that you vest equity over a 4 year period and that you install what is called a one year "cliff." This means that if any of the partners left the company within 12 months of starting the business, they will not get any equity (i.e. this is the "cliff"). If you go in 50/50 with your best friend and co-founder, and s/he left 2 years into the company, they would have just over 16% of the company instead of 50%. By planning not just for the best (which is what most friends do), but also for the potential of plans changing, you will save both your friendship and, likely, your company in the process.

If your motivations aren't aligned, your partnership will undoubtedly fall apart. It's just not worth it.

3. **Make certain your motivations are inline.** A good friend of mine had a brilliant team behind a new startup and everyone was motivated to make it happen. But when she sat down with her co-founders, she realized that their motivations were unsynchronized. Immediately, she listened to her intuition and decided not to continue with the startup. Typically with friends, it's easy to dive into a startup opportunity or a working relationship that is exciting, fun, and could be lucrative. But if your motivations aren't aligned, whether it's in a few months or a few years, your partnership will undoubtedly fall apart. It's just not worth it. In short, make certain your motivations are aligned and if they don't feel unsynchronized, don't work together, just continue to be good friends.

4. **Don't live together for too long.** When founding the Unreasonable Institute, there was a period of time when co-founders Teju Ravilochan, Vladimir Dubovskiy and I all lived under the same roof. We'd work upwards of 18 hours a day 7 days a week and being best friends, roommates, and co-founders meant that we were together almost every waking minute. Although it's a fun way to start a new business and it ensures that you are all fully immersed, my feelings are that if you want to live with your friends + co-founders, do so with an exit strategy in mind (i.e. give it a set time commitment and after 6 months or 12 months, plan on living elsewhere). You will still likely see one another 16 hours a day... but giving yourselves just a little space is important for any relationship.

Reflecting on what I've written, I realize that it sounds like working with best friends may be a lot of work. In some ways, to ensure the friendship remains sacred and the partnership thrives, it is. That said, I can't imagine a better investment of your time and for me, I could never do what I do were it not for the friends I consider myself lucky to know as partners, investors, co-workers, and co-founders.

I could never do what I do were it not for the friends I consider myself lucky to know as workers and co-founders._