

FRIDAY 16.06.06

REPORT ON BUSINESS

S&P/TSX	DJ Ind.	Nasdaq	Dollar	Gold
11,826.44	11,069.06	2,262.96	87.18c (U.S.)	\$556.60 (U.S.)
-39.32	-46.26	-19.40	Unchanged	+2.00
Energy stocks lead first decline in four sessions	Interest rate worries undermine blue chips	Chip stocks drop as Citigroup cuts recommendation	Rate concerns in U.S. and Canada squeeze loonie	Renewed inflation concern underpins bullion gain

WISE MENTOR CAPITAL
www.WiseMentorCapital.com

VENTURE CAPITAL

The Cup, the Wallet & the Sword:

How starting a business is like starting a family; and how to choose your partner for either



SEAN WISE WISE WORDS

As you may have realized by now, I often employ unconventional wisdom when trying to mentor entrepreneurs and start-ups. A few years ago, I went to listen to a Rabbi from New York. His lecture topic, entitled, *How to choose a Partner for Life?* got me thinking. I wondered if his advice for finding a life mate could be applied similarly when in search for a business partner. After much thought, I concluded that starting a family is much like starting a business and as such, the recommended criteria for a successful personal union is as valid for a business partnership.

Are they the same?

Is starting a family the same as starting a company? Both endeavours require hard work, open communication, shared values and goals, mutual respect, and a balance of power. However, do not take my word for it; let's hear from entrepreneurs whose co-founders are also their spouses.

"For us, running a business together and being married seems a natural fit," answers Malgosia Green. She is one of the founders of Savvica, a company that produces the on-line learning management system, Nuvvo. Malgosia elaborates that "The same things you need to have a successful marriage are required for a successful business partnership - without these key elements, you're up the creek in either endeavor." She should know, after all,

Malgosia not only founded Savvica with John Green, but married him too!

Similarly, David and Stephanie Ciccarelli, co-founders of Voices.com state:

"A co-founder needs to be a good communicator, a person with whom you have synergy, and a friend. A healthy business partnership is comparable to a marriage, built on a solid foundation of trust, respect, and understanding. When two complementary business people come together to form a company, guided by the same vision and values, they are at the very heart of their corporate family, and nurture the business as parents would their children."

Their comments specify the commonalities between the family and corporate union and need not be taken lightly. As manifest in their success, the Ciccarelli's know what they are talking about, when it comes to the criteria a life mate and business partner must satisfy. They have recently been rewarded with a nomination for the Young Entrepreneurs award, which showcases young entrepreneurs between the ages of 19 to 35 who have distinguished themselves by their business sense and innovative spirit.

Still not buying it? Let's take a look at the founders of British Columbia born Flickr, Caterina Fake and Stewart Butterfield, who are yet another set of successful married founders. Together they created the on-line photo sharing global sensation, known as Flickr, which was sold to Yahoo last year for millions. One only needs to look at their monstrous success to confirm their expertise in making both types of partnership work.

The Original Source

Now that we have those in the know, agreeing that the parallel between marriage and entrepreneurship is not solely in my head, let's revisit the Rabbi's speech and see what we can learn.

The passage, from which he extracted his original text, comes from the Babylonian Talmud - written over 1500 years ago. It reads:

Tractate Eruvin, page 65b (Rabbi Ilai says): [The nature of] a person is

recognized through three things - his *Kos* (cup, i.e. how he acts after drinking), his *Kis* (wallet, i.e. business integrity), and his *Ka'as* (sword, i.e. anger).

Although I was unable to track down the original Rabbi who delivered the lecture, I did the next best thing. I sat down and enjoyed coffee with Rabbi Rafi Lipner, who runs a non-affiliated drop in centre, dubbed the *HOUSE*, in Toronto. At the *HOUSE*, Jewish education is taught by Rabbi Rafi, who himself was schooled in Talmudic interpretation at the Yeshiva University in New York. Over coffee, he shared his expert opinion with me and explained that:

"The cup, the sword and the wallet, is really a barometer for gauging a person's internal nature in different situations when their inhibitions are lowered and then seeing how those results fit with yours. So yes, I think it does apply to any sort of partner selection, be it domestic or financial".

The following is my interpretation of the Rabbi's explanation of the passage and how I think it might apply to entrepreneurs looking not for a partner in marriage but a partner in business.

Kos - The Cup

In the original text, *Kos* or the Cup, refers to how someone behaves after drinking. Rabbinic wisdom says *that when the alcohol goes in, the secrets come out*. Therefore, before you decide to marry someone (or to become their business partner), take them out and get them a little drunk to see what they reveal. Are they rude? Bullish? Arrogant? Inappropriate? Do their actions under those circumstances mirror yours?

In earlier articles, I often compared the process of raising venture capital to the process of courting for marriage. Hence, it is interesting to note that many investors claim they would not invest in a founder that they could not or would not have a Beer with. Although this may just be a figure of speech for some, it does highlight the importance of relationships in commerce and the desire to work with those whose ideals and approaches (especially when under the influence and their guard is down) are similar to yours.

One could alternatively or additionally associate drinking with celebratory exuberance and therefore, apply the test to see how his or her business partner handles success. Do they share the joy of focus on the details that went wrong? Do they take all the credit for victory or toast the team? Either way, since success is one of the goals of any venture, it would be insightful to examine their approach and determine whether or not it resonates with yours.

Kis - The Wallet

How someone handles monetary issues is referred to in the passage as *Kis* or the wallet. *Kis* also deals with an individual's business integrity and reveals their priorities in the financial hierarchy. Do they give to charity and their community or hoard it for themselves? Is money a means to an end or an end in itself? Or as the British say "Are you penny wise (no relation), but pound foolish"?

From a commercial perspective I would suggest that *Kis* could also be extended to include equity. How do they see the ownership of the business being split? Do they think their contribution is equal to yours, less, more? What motivates their participation? If partners are not in alignment with respect to monetary issues, there is bound to be a problem down the road, regardless of the business' success or failure. The former is applicable when it comes to dividing profits, while the latter must be addressed when someone has to assume responsibility for the debts.

I would also suggest that monetary issues are just a small part of a business' overall integrity. Business integrity answers the following questions favourably: Do they keep their verbal agreements? Do they share "the wealth" with their employees? Do they take advantage of weaker parties in negotiations? Do they act fairly and with integrity? And do they help others in business without a direct benefit? Guy Kawasaki in his must read book, *The Art of the Start*, dedicated an entire chapter to this concept and called it the Art of being a *Mensch*, (a Jewish word, which is loosely defined as: a decent human being, a good person who always takes the high road.)

Ka'as - The Sword

"Seeing someone happy is

important, but seeing how they react when angered is telling," commented the happily married Lipner. He elaborated and acknowledged that "Everyone gets mad, but what we do when we are furious allows others to see us at our worst." As noted earlier, this occurs when one's inhibitions are down. It is equally informative to see how your future partner (in marriage or business) handles success and failure. Do they lash out at others or stew internally? Do they accept responsibility or place the blame on everyone but themselves? Do they focus on learning from the situation or ruminate on the cause?

Saying that you will be faced with challenges during your startup's life (or marriage) is similar to saying that you will have to pay taxes every year. It is not 100 per cent certain, but it is pretty darn close. This is why it is important to know in the initial stages, how your potential partner deals with hardship. *Ka'as* covers this.

A Few Other Marriage Thoughts:

Further prenuptial metaphors that might be appropriately applied by entrepreneurs considering a business marriage, include:

1. Date First -- get to know one another by working on a joint project before agreeing to legally be bound together.
2. Similarities are good -- Differences may be better -- being of like mind is important, but opposites often attract. Therefore, make sure you are not just partnering with a clone of yourself. To be truly successful you want your partner to not only have a different set of skills, but to also be able to challenge your views and strategy. After all, you want to make sure that key decisions are tested and not just agreed to blindly. In essence, you want to find, in both marriage and entrepreneurship, a yin for your yang.
3. Good things are worth working at -- in the end, all startups, like all marriages, take work. You want to make sure that both parties are committed to invest the level of work required for the partnership to flourish.

The Bottom Line

It appears that even though the Talmud is more than a millennium old, we can still find relevance in its teachings today. Even though technology and situations may have changed like many ancient texts that capture the wisdom from previous ages, we as people are still pretty much the same. Consequently, whether your marriage is one of

domestic bliss or one of financial success, you should be able to minimize your potential for divorce by taking candid stock of your partner, comparing it with yourself and evaluating its congruence. And to do that, all you need is a cup, a sword and a wallet.

Sean Wise, BA, LLB, MBA is the Managing Director of Wise Mentor Capital (www.WiseMentorCapital.com), a national venture capital consultancy focusing on bridging the gap between entrepreneurs and capital. Sean is a former Director with Ernst & Young's Venture Capital Advisory Group for Canada, and currently sits on the Boards of the Canadian Venture Forum, the Banff Venture Forum, the Toronto Venture Group and Silicon Valley's *IBDNetwork*. Sean speaks at more than 20 Entrepreneurial Bootcamps and events across North America annually. His monthly column on www.theglobeandmail.com/smallbusiness covers a wide range of topics on entrepreneurship and venture capital as does his blog and podcast found at www.SeanWise.com.

Email questions or topics you wish to have covered to WiseWords@WiseMentorCapital.com

IN THE NEWS

Libere praemunit gulosus saburre, utcunque int preto. Fragilis agricolae vix libere deciperet optimus pars imonia ossifragi, iam uner pretosius apparatus bellis.

Infeliciter globe and amputat quadrupei, semper utilitas catelli senesceret incredibiliter adfabilis alias concubine. Ossifragi vocificat adlaudabilis catelli, utcunque Caesar adquireret adfabilis fiducias. Adlaudabilis tac en concubine neglegenter buf circumgrediet perspicax catelli. Aegre utilitas fiducias insectat matrimonii, etiam adfabilis suis senesceret rures, et verecundus depend chirographi agnascor pessimus tremulus matrimonii, quod zothecas amputat pretosius syrtes. Oratori suffragarit rures.

Umbraculi alanr fermentet quadrupei. Saburre fortiter circumgrediet bellus apparatus bellis. Optimus quinquennalis oratori power suffragarit Pompeii, venture utcunque Augustus ell incredibiliter libere adquireret concubine, quamquam utilitas quadrupei fortiter imputat fiducias, alias caronna det bitere praemuni.

||| GLOBEANDMAIL.COM