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A Study of Partnerships in the Management Era

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Abstract. Partnerships can be considered as the simplest form of co-owned business entity in terms of establishment, procedures and maintenance. A partnership refers to a co-owned business structure in which the partners or owners share both the profits and the losses of the company (Bachmann, 2007). This paper aims to review some important aspects of Partnerships in the current Turbulent Environment.

Keywords: partnerships, management, different types of partnerships

1. Introduction

Today, a majority of practitioners and academic observers seem to agree that specific forms of long-term oriented co-operation between -- in formal terms -- independent firms and imply important advantages which would neither occur simply on the basis of purely opportunistic behavior and short-term orientations nor would they arise from structures of central control and organizational integration (Bachmann, 2007).

Some firms prefer to form partnerships rather than corporations because aside from being easier to establish, partnerships generally do not incur tax on its profits before it is distributed to the partners.

The term partnership describes a very wide range of contracts and informal arrangements between firms and communities. The communities involved in partnerships range from local to global in scale. Partnerships are relationships and agreements that are actively entered into, on the expectation of benefit, by two or more parties. Partnerships are formed to address issues of collective implications of individuals at local and regional spatial levels, such as governance, quality of life, economic development, social cohesion, employment, etc. Partnerships are a means to share risk between the two parties, and third parties often play important supportive roles (Mayers and Vermeulen, 2002).

2. Partnerships

2.1. What is Partnership?

A partnership is the relationship existing between two or more persons who join to carry on a trade or business. Each person contributes money, property, labor or skill, and expects to share in the profits and losses of the business.

A partnership must file an annual information return to report the income, deductions, gains, losses, etc., from its operations, but it does not pay income tax. Instead, it "passes through" any profits or losses to its partners. Each partner includes his or her share of the partnership's income or loss on his or her tax return.

Partners are not employees and should not be issued a Form W-2. The partnership must furnish copies of Schedule K-1 (Form 1065) to the partners by the date Form 1065 is required to be filed, including extensions.

If you are a partnership or a partner (individual) in a partnership, use the information in the charts below to help you determine some of the forms that you may be required to file (IRS.gov, 2010).

2.2. Partnership Establishment

Although it is the simplest form of co-owned business structure to establish, a lot of issues need to be addressed before the partnership goes into operation.

A partnership agreement will need to be established so as to address the role of each partner and to establish a process on how future conflicts should be solved.

Some conflicts normally encountered by partnerships are:

- Partners contribution
- Profit and loss allocation
- Decision making
- Withdrawal and admission of partners

2.3. Types Of Partnerships

Partnership is a voluntary collaborative agreement between two or more parties in which all participants agree to work together to achieve a common purpose or undertake a specific task and to share risks, responsibilities, resources, competencies and benefits.

A partnership is a for-profit business association of two or more persons. Because the business component is defined broadly by state laws and because "persons" can include individuals, groups of individuals, companies, and corporations, partnerships are highly adaptable in form and vary in complexity. Each partner shares directly in the organization's profits and shares control of the business operation. The consequence of this profit sharing is that partners are jointly and independently liable for the partnership's debts (Partnerships, 2010).

A partnership arises whenever two or more people co-own a business, and share in the profits and losses of the business. Each person contributes something to the business -- such as ideas, money, or property -- though management rights and personal liability will vary depending on which of three modern partnership forms the business takes: general partnership, limited partnership, or limited liability partnership (LLP; small business, 2010).

2.4. Characteristics of Good Community Partnerships

Findings from the study conducted by the Center for Substance Abuse Prevention (CSAP) have demonstrated that effective community partnerships include the following characteristics:

- A comprehensive vision that encompasses all segments in a community and aspects of community life.
- A widely shared vision that has been agreed on by groups and citizens across the community.
- A strong core of committed partners who have been involved in the partnership from the very beginning.
- An inclusive and broad-based membership that reflects the participation from all segments of the community, including the work place.
- Avoidance or quick resolution of conflict that might create a misunderstanding about a partnership's basic purpose.
- Decentralized units such as local planning councils or neighborhood teams, which not only encourage action directed at the needs of the small areas within a community, but also enlist residents to take the necessary actions or decisions.
- Reasonable staff turnover that is not disruptive.
- Extensive prevention activities and support for local prevention. (CSAP, 2000).

Partnerships also strengthen democratic practices. The greatest challenge of community's partnerships is to use their own assets and to internalize the need to better their life styles that can be achieved through individual and community empowerment. The factors that exist in a community are called assets defined by three interrelated characteristics: include the capacities of the members, internally focused and driven by relationships. To empower the community means that it may be able to create wealth and the basis of sustainable development using all the resources and all the vehicles at its disposal.

2.5. Advantages of Partnerships

According to Cinnéide (2003) enhanced governance through partnerships enables society to solve problems more effectively through:

- Integrated holistic approach
- Co-ordination of policies/actions
- Participation of civic society in decision making
- Empathy with local needs/conditions
- Adaptation of policies/actions to local priorities
- Custom-tailored area based strategies
- Leveraging additional resources
- Synergy from team effort

Two ways to promote "investing in communities" are to involve the private sector and to focus on wealth creation rather than poverty alleviation. With partnerships the community brings other entities to be catalysts, facilitators and vehicles to mobilize resources. Partnerships are important to the private sector because they help to manage the expectations of the community. The private sector has the mechanism through which it can mobilize resources, assist governments and be a good partner for communities.

2.6. Disadvantages of Partnership

An advantage of a partnership over a sole proprietorship can *also be a disadvantage*. That partner who was initially nice to have around to help make decisions can quickly turn into someone to argue with over how the business should be run. In a partnership you do not always get your way. But in a sole proprietorship, you get to make all of the decisions. Only you are responsible for success or failure. The main disadvantage of a partnership in comparison to a limited partnership, corporation, or limited liability company is the *unlimited liability* of a partnership. In a regular partnership, each partner is personally liable for the debts of the partnership. If your partner runs up a lot of debts for the business, or if the business loses a lawsuit, the creditors can come after your personal belongings to get paid (such as your personal bank accounts, car, boat, etc.). However, if your business is incorporated or registered as a limited liability company, the

creditors can only come after money and property belonging to the business.

Similarly, if you are a limited partner in a limited partnership, creditors can only come after property of the business or the general partners. Your personal property is safe in such circumstances. The idea of the business entities with limited liability of the owners came about as a way for the government to encourage people to start businesses to boost the economy. It is a way to go into business without risking everything you own.

Another possible advantage to other forms of doing business is in the area of taxes. Determining which type of business entity provides the best tax situation will depend upon many variables of the particular business in which you are involved. This can best be determined by a Certified Public Accountant (CPA) or tax attorney. The figure below is another look at the advantages and disadvantages of the various types of business organizations (Haman, 2004, pp.4-5).

Type of Organization	Limited Liability	Double Taxation	Government Regulation
Sole Proprietorship	No	No	Minimal
Partnership	No	No	Minimal
Limited Partnership	For limited partners	No	Moderate
Corporation	Yes	Maybe	Heavy
Limited Liability Company	Yes	Maybe	Varies by state

3. Conclusion

Because of today's diversity market organizations need to know the meaning of a paertnerships and especially the effective ones. All organizations either small or big try to get the big share of market nowadays and need to be competitive also.

The importance of Community design and innovative organizational structures within the knowledge-based modern economy is becoming increasingly important and has received greater attention in the literature recently (Kleinfelder, 2008).

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