How to Establish a Percentage of Business Ownership

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When establishing a serious partnership arrangement to run a business, it is not enough to just shake hands and get started. You must outline and agree on important details and issues likely to arise, such as who will take on certain responsibilities at the business and what will happen if one or more partners decides to terminate his relationship with the company. You must also clearly establish each partner's percentage of business ownership.

Step 1

Determine the amount of the total investment required to get the business started. Divide your own contribution by that total to estimate a fair percentage of ownership. Use this as a starting point for negotiations with your proposed partners.

Step 2

Discuss your proposed role at the business with the other partners. The role you plan to play at the company and your estimated work contribution may dictate your percentage of ownership just as much as your financial contribution.

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Step 3

Finalize your percentage of ownership based on your negotiations with the other proposed owners. Understand that this represents not just ownership but also the division of profits that the business earns going forward.

Step 4

Establish a set of total shares that make up the worth of the business if you have a corporate entity. For instance, 1,000 shares equals 100 percent ownership. Divide the total number of shares among the partners based on each owner's percentage of ownership.

Step 5

Draw up an agreement containing all details of the business arrangement including each person's percentage of ownership and number of shares. Some websites offer standard agreements (for either partnerships or shares in a corporation) that you can tailor to your needs, but it is wise to get the help of an attorney in this matter.

Step 6

Review the agreement and sign -- along with the other partners -- in the presence of a notary. Keep a copy of the agreement for your records. Include the same details in your company business plan. In some cases, you must also send a copy of the agreement for filing with your state's corporation bureau or secretary of state's office.