It all seems wonderful at first. The future is bright and the atmosphere is charged with anticipation. Over time, things change. Interests diverge, priorities shift and the relationship that seemed so perfect — so permanent — feels strained, awkward or even smothering. While this may sound like the trajectory of a failed romance, it is an all too familiar theme in business relationships. In the words of the song, “breaking up really is hard to do.”

When married couples engage in business together, “business divorce” may be an unavoidable corollary to an actual divorce. However, even when business partners are not related by blood or marriage, disentangling ownership interests can be stressful and acrimonious. The bloodshed may not be limited to the feuding owners. Employees caught in the vortex of an owner dispute suffer stress and anxiety. Some choose sides while others search for opportunities to jump ship. Customers may also perceive signs of internal disagreement and turn to competitors as more stable suppliers. Unaffected owners may choose sides between the warring parties while lenders, wary of additional risk posed by a business breakup, may seek additional assurances of repayment.

While Founders frequently spend time and capital on forming a new venture, few carefully consider the consequences of a rancorous break-up. Exit strategies that are considered in advance – without the distraction of an impending exit – offer the opportunity for equitable treatment of all parties and encourages an amicable parting. Moreover, formulating a fair and structured exit for owners is the best way to prevent the business from suffering collateral damage as a result of a bitter break-up.

The law provides many vehicles for facilitating a smooth exit. However, legal provisions are only “tools” to effectuate the agreement of the parties. A frank conversation is fundamental to crafting a viable exit strategy.

Owners might consider the following questions as a basis for starting a discussion:

- Under what circumstances would I wish to “cash out” my ownership interest? How should my interests be valued?
- Under what circumstances would it be appropriate to force another owner to exit the business?
- What is the effect of additional investment by one owner on ownership interests of the remaining owners?
- What is a logical way of valuing a business in this industry?
- Am I free to explore other ventures, even in industries or markets served by the business?

Structuring an effective exit strategy depends on the willingness of the owners to be frank – both with themselves and with each other. Clearly expressed objectives embodied in a shareholders’ or operating agreement, reduce injury to the business while allowing owners to actualize their own goals. With frank communication and advanced planning, the exit may be less like the trauma of divorce and more like a conscious, gentle “uncoupling.” Business divorce may never be easy, but with advanced planning, it may not be disastrous.