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There Must be 50 Reasons to Leave Your Partner

But as the principals in Toronto restaurant Le Papillon learned, there's only one way to split up without heartache

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For 34 years, the partnership in Le Papillon weathered the sorts of threats and tests that fill up the small-business graveyard. The popular French restaurant in Toronto survived the departure of an original partner, the severing of romantic ties between the other two partners, and forced relocations that arrived once a decade, as if on schedule. Finally, emerging succession concerns, along with yet another move, pushed the owners to the brink. After months of talking about going their separate ways, in 2008 the principals in Le Papillon finally faced the cold reality of what a split would mean.

This is a fork in the road that most partners never contemplate. When you join forces with someone – doubtless a close friend, colleague or family member – your mind is too filled with dreams of success to think that it might all end one day. Yet breakups litter the small-business landscape. “Once growth stagnates, you have to deal with cutting costs and taking business decisions that may be hard,” says Theodore Homa, a managing partner for the consulting arm of the Business Development Bank of Canada (BDC). “That's when the dreams fade and reality sets in.”

The severing of ties is often needlessly complicated by the absence of a contract between the partners: Only a tiny fraction of small-business partners have put things in writing from the very beginning, according to Toronto lawyer Christopher Caruana, who focuses on small businesses. They don't think it's necessary, or prefer to defer the cost for a few years. But this route can be more expensive down the line: Going to court is not cheap.

Experts say small-business partners need to acknowledge the possibility of a breakup, and plan accordingly. They may find, as in the case of Le Papillon, that taking protective steps can eliminate a lot of heartache. “The fundamental flaw that a lot of these people make is they don't have a road map set out at the very beginning,” Caruana says.

Montrealer Paul Bigué found things lacking a bit on the food front when he moved to Toronto in 1970. What this buttoned-up city needed, he figured, was a touch of European flair. So he went into business with his girlfriend, Sandra Kane, and his brother Marc, opening Le Papillon in 1974. The trio chose a location beside a third Bigué brother's antique shop on Jarvis Street in the St. Lawrence Market neighbourhood. Inspiration for the name (French for “butterfly”) came from a swarm of Monarchs that alighted in a neighbouring park one day. The area wasn't exactly hopping – indeed, it was slightly down at the heels – but the little crêperie was busy right away.

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"It was nothing to see 12 to 15 people standing in Jarvis Street in the snow, being sprayed by the traffic, waiting to come in," Mr. Bigué recollects.

During the next decade, the restaurant survived significant ownership shakeups. The three owners became two after Marc Bigué moved back to Quebec in the late 1970s. Kane and Paul Bigué had split up as a couple by 1980, although their professional partnership remained intact. Later, Mr. Bigué found love again with co-worker and fellow-Montrealer Danielle St. Georges; she became a partner in the early 1990s.

The restaurant itself moved twice, first in 1980 and then again in 1992, finally settling on Church Street. It was a lot of work: Each time they had to find a new spot, and then renovate to make it home.

Like many breakups, the one between Le Papillon's partners unfolded slowly. They had chatted for years about their changing visions, according to Mr. Bigué, who felt there would be enough room in town for two Le Papillons. Kane preferred to stay downtown – which spelled renting – while the Bigués wanted to buy their own place in a residential neighbourhood.

Edwin Tse

Sandra Kane, in her Papillon restaurant on Front Street in downtown Toronto.

As well, the thorny question of succession reared its head as their sons became adults, according to Danielle Bigué. She and Mr. Bigué have a son, Stéphane, a business student who is involved in the restaurant. Kane also has two sons, C.J. and Sean, although they have not gravitated toward the restaurant business. "It does come into the picture eventually," Ms. Bigué says. "We thought that could be very confusing."

The biggest push to part ways, however, came in the form of a new landlord who planned to redevelop their building. After two or three lease extensions, they realized it was time to part ways with each other in 2007. "We thought, if we don't do it now, we never will," Mr. Bigué says. Breaking up came at a cost: the loss of one another's talents. Mr. Bigué, who relished risk but could also handle paperwork, traditionally oversaw the big picture. Kane was in charge of the "front of the house," and also put her deft writing-hand to work – helpful for dealing with the government or disgruntled clients. Ms. Bigué's focus was on the kitchen, lovingly turning out her mother's tourtière recipe.

Mutual respect for each partner's strengths helped them retain one another's trust, even though they were breaking up their team and would in fact soon be competitors. “What's 35 years of working with someone worth?” asks Kane. “It's worth a lot. Do you want to screw around with that? For what? A couple of grand?”

While there are no clear statistics on how many business partnerships end, experts say it's a common occurrence. “There's 50 different reasons a partnership no longer operates or the parties want to leave,” says Gary Furlong, a partner at Agree Inc., a dispute-resolution company based near Hamilton.

A frequent cause is the simple fact that people change. One partner's vision for the business may evolve differently from the other's. In the worst-case scenario, one party develops a serious problem like a drug or gambling addiction.

Another fraught scenario is when a partner dies and his or her appointed successor takes over. The inheritor may have a diametrically opposed idea of where to take the business – including putting it up for sale.

Theodore Homa witnessed just such a fallout when he worked at his father's plastics firm. A partner at a competing company died, and his children took over his role – but didn't get along with the other owner. The customers grew nervous and shifted their business to Homa's company. “It was great for us, but I'm sure it was terrible for the business that went through this,” says Homa.

Mediator Furlong recalls a stressful situation when the owner of a car dealership passed away. His will left the business to his two sons. Soon enough, the two found they couldn't get along, and the elder one pulled the trigger on a buy-sell agreement, assuming his sibling would be forced accept a low bid. But his baby brother surprised him and raised the funds to buy out his elder. In the end, through mediation, they were able to work together and agree that the older brother would become an owner again once they'd successfully logged a year together.

Indeed, strife tends to be the rule, not the exception, when a partnership comes to an end, small-business experts say. “Few partnership breakups are truly amicable,” says lawyer Caruana. “What I think is really the question is how un-amicable are they.”

Drama was kept to a minimum in the breakup at Le Papillon. From the beginning, the owners had a partnership agreement, and they jointly owned the firm's name and trademark.

Instead of forcing each other to start from scratch, they opted to continue sharing the brand when they opened their new restaurants. Before they parted ways, they struck a new agreement that governed how they could use the name. They had the right to open two restaurants each, subject to restrictions as to how close together they could be, according to Mr. Bigué.

Mediator Furlong commends this approach. “This could easily have been a long fight about who gets the name, in which case they would have each spent hundreds of thousands of dollars and probably jointly destroyed the goodwill,” Furlong says. “So they would have both lost.”

Today, a shared website directs diners to their respective restaurants. Kane's Le Papillon on Front Street is located downtown, not far from where the business started out, while the Bigués' Le Papillon on the Park is a few miles east in the up-and-coming Leslieville neighbourhood.

“We love this business, and we're back on track now. We can't dwell on what happened. ”— Danielle Bigué

The ex-partners have given each other a lot of freedom regarding design and menus. The aim of the brand-sharing agreement wasn't to create a fast food-like franchise where the cuisine, uniforms and decor are identical, but rather to give each business a sensible degree of latitude. The Bigués hewed to the style of the original Papillon, adding accents on Québécois food and beer, while Kane preferred an urban-bistro style. “What we wanted to keep was individuality,” she says.

Employees were free to decide whether they wanted to work for Team Kane or Team Bigué. About 10 people, including some managers, signed up with Kane. The Bigués, who opened later, hired about five former kitchen employees, including the main chef.

While starting anew can be an invigorating experience, it also brings headaches – different ones than the sort experienced by an ongoing business. Take the debut reviews, which can doom a new eatery. Kane's Papillon received a scathing review shortly after opening in May, 2008. The taste of the escargots was likened to that of post-nasal drip. “We were in tears,” Kane says. “It was a real kick in the teeth.”

The Bigués, meanwhile, were on a long and difficult quest to buy and renovate their own building. After an extensive search, they settled on a house on Eastern Avenue. But getting building-permit approvals was a long process. First, the Bigués had to reckon with a bylaw that required buildings to be earthquake-proof (which sent their engineers back to the drawing board). Then came a city-worker strike in the summer of 2009. The new location came in way over budget, and was a year late opening.

But no regrets. “We love this business, and we're back on track now,” Ms. Bigué says. “We can't dwell on what happened.”

While the tale of Le Papillon's breakup is happier than most, it nonetheless underlines the importance of written guidelines. “The existence or absence of a contract will not affect how emotional or amicable a breakup is,” says Caruana, the Toronto lawyer. “It will set down the ground rules for how the split is to take place.”

A typical contract may address the issue of splitting up with a so-called buy-sell, or shotgun agreement, as in the car-dealership case recalled by mediator Gary Furlong. This clause forces one owner to offer a specific price for the other partner's shares. That partner, in turn, must decide whether to accept the bid or offer to buy out the other owner at the same price.

The downside of this kind of clause is that it is “fairly adversarial,” according to Furlong, who explains that it forces partners to come to a resolution quickly – perhaps too quickly.

As an alternative, he recommends a dispute resolution clause that allows for more varied solutions: First comes formal negotiation within a set time frame, then mediation and, if necessary, arbitration or litigation.

Although many business owners are quick to turn to lawyers when things go awry, experts believe that they should first turn to other professionals. Caruana recommends businesses contact a third-party adviser, such as a mutual friend or business acquaintance. That person can hear each side out, and then perhaps come up with a new idea.

Still, business owners need to take steps to protect themselves in case things do end badly, Caruana says. He tells his clients to get everything in writing. This may mean, for instance, sending an e-mail to the other owner confirming everything that was discussed in a conversation.

While the case of Le Papillon shows it is possible for owners to keep sharing a brand after they split up, Caruana stresses that such an agreement must be strong enough to prevent the dilution of the brand and other pitfalls. “At some point, if the other partner decides to do something completely wacky like going from haute cuisine to Tex-Mex, then it's not so much a bother for you,” Caruana says.

The owners of Le Papillon will soon be marking the second anniversary of their breakup, and everyone seems content with their new business lives. Kane is pleased with her dream restaurant, which features a modern but classic interior of dark wood and exposed brick. Her loyal clients helped her get over the shock of the bad review, joking they were happy to find out about the opening through the article. “I'm feeling better and better,” Kane says. “We're getting our sea legs.”

The Bigués are also finding their way. They are clearly proud of their new restaurant, with its soaring ceiling and cozy fireplaces – not to mention the heated terrace that will open in the spring.

When Ms. Bigué finally turned on the exterior sign featuring yellow, red and orange butterflies one night in November, 85 people came for dinner. Mr. Bigué says business is “excellent,” and he expects things to continue getting busier.

While the former partners don't appear to talk often, they remain protective of each other. Shortly after opening, the Bigués endured their own putdown from a restaurant critic. Kane quickly came to her old colleagues' defence, expressing her sympathy to mutual friends. “Toronto critics are afraid to say anything nice,” she declares.