

The ex factor

The end of a marriage between entrepreneurs doesn't mean their business must be dissolved, too. But trust is essential in maintaining a business partnership after a marital split. BY PATRICIA OLSEN

WHEN JOHN AND DIANA Stepleton divorced in 2004, Diana's friends assumed she'd leave Research Data Design (RDD), the Portland, Ore., research company she and her husband had owned, and return to the corporate world. After all, her last corporate job had been as a national accounts *manager* at Lucent Technologies, so she could probably pick and choose among high-level marketing and technology positions. Why on earth, they reasoned, would anyone want to continue in business with a former spouse?

Why indeed. While some friends and family members may have a hard time understanding couples who continue to work together after they divorce, there are a number of compelling

reasons for doing so. Hefty revenue figures may be the motivation in some cases, but divorced couples who've remained business partners name several other reasons, such as the time and effort they have invested in the company and the qualities that made the other party a good businessperson despite their personal differences. When children are involved, continuing the

business for the next generation may also be a factor. Although new agreements may have to be forged, couples like the Stepletons demonstrate that when a marriage ends, it doesn't mean the business partnership must be dissolved, too.

Julie Mannis Hoisington and David Mannis, co-publishers of the San Diego Community Newspaper Group, have also weathered a divorce and stayed in business together. It never occurred to them to do otherwise, they say. "We made better business partners than husband and wife," Julie says. "We're good friends."

"But we're very different people," David adds.

The RDD owners and the San Diego newspaper entrepreneurs are not that different from a number of successful divorced "copreneurs," according to a 2006 study by Patricia Cole, an associate professor of family therapy and family business at Nova Southeastern University in Fort Lauderdale, Fla., and Kit Johnson, a family therapist in the School of Human Services at Capella University in Minneapolis. "The prevailing wisdom had always been that divorce was a business killer," Cole says. Yet their study of nine now-split couples found that both the business and the partnership can not merely survive a rift in the relationship—they can thrive.

John and Diana Stepleton were dating when he left another research firm to start RDD in 1994. The company conducts phone interviews for market research firms. It also provides online data collection, programs the surveys, recruits staff and sometimes survey participants, and tabulates the results.

"We literally started with folding tables and bought used phones from an old motel," says John, 41. "I *managed* the phone room, I was the account *manager* and I *did* the hiring." Diana, 43, helped launch the company while working full-time at Lucent. She ordered phone and computer equipment and did whatever else was needed.

Diana and John married in 1996, and Diana finally left Lucent when son Miles was born in 1998. She worked part-time at RDD during Miles' first year and then joined John full-time. Daughter Olivia was born in 2000. John, the CEO, handles sales, business development and strategic direction; Diana, the CFO and vice president, is responsible for finance, IT and human resources. The company has about 50 full-time staff employees and, depending on the time of year, from 400 to 500 part-time employees at headquarters and in three call centers.

In a study of divorced 'copreneurs,' half the couples had broken up because of infidelity. But that didn't affect the level of trust within the business.

RDD has had periods of phenomenal success. The company was on *Inc.* magazine's list of 500 fastest-growing private companies three years in a row. In 2006, revenue was \$10 million. But the research firm has also suffered normal business cycle shifts, and it hit a low point in 2003. To avert bankruptcy, the couple brought in a turnaround consultant. "But that's not the reason we got divorced," says Diana.

"I wasn't happy," John explains. "The near-failure of the business contributed to it, but it was a series of events—the pressure of the marriage, the business and two young children." John even says his membership in the Entrepreneurs' Organization played a part, because the meetings spurred him to reflect on his life. His parents had died that year as well, and Diana wondered if dealing with his own mortality was an added weight.

The first few months after he gave *Diana* the news, the Stepletons raised their voices and slammed a few doors around the office, they recall. Diana is philosophical about the split now. "I was crushed, but time heals all wounds," she says.

She looks back on having to share the same space initially as a positive. "We had the opportunity to work things out in a way other couples don't," she reflects. "We got to argue eight hours a day and work through the issues." John says they didn't have much of a choice. The business needed both of them. "It really forced us to behave," he says. "We couldn't let our emotions override the day-to-day business."

Also, John and Diana note, they wanted to iron things out at the office and possibly give their kids a career path for the future. The RDD staff seemed to take the separation in stride, Diana says. Several employees even showed her a newspaper article about another business couple in a similar situation.

Diana says she and John ought to write a book about their experience. She's only half-joking. "Every time something happens that we think is interesting, we'll say, 'That's going in the book,'" she says.

Julie Mannis Hoisington says she and her ex-husband, David Mannis, both enjoy the publishing industry, and they complement each other. Their company, which generated \$2 million in revenue in 2006, publishes a monthly, a bimonthly and three weekly papers, along with three quarterly specialty *magazines*. David, 54, formerly worked for a free newspaper known as

a shopper, and Julie, 48, worked in the graphics department for another paper. He left to open his own shopper and Julie worked for him for a while. They married in 1986, started their current company in 1988 and divorced in 2002. They say their marriage unraveled because they weren't right for each other.

Julie is responsible for daily operations and oversees the 30-person staff; David handles accounts payable, financial statements, and negotiations with printers and distributors. The year leading up to their divorce was the hardest, Julie recalls. She cut back on her hours and worked half-time in a store in the same building, which the couple owns. When she returned to the newspaper company full-time and the couple divorced, employees felt uncomfortable, she says. "It's human nature to want to choose sides," she explains. Other industry colleagues and community members didn't know how to react, because they both still attended events together.

And it wasn't a totally smooth transition for the couple, either. "It's always difficult when you go through emotional changes, even if you're both comfortable with the decision," Julie says. "It's still hard, especially seeing each other and wondering if one of you made a mistake."

Julie and David share custody of Zachary, 12, and Aaron, 14. Like the Stepletons, they say they wanted their work life after the divorce to be as calm as possible so their children would have a peaceful life at home.

Cole and Johnson's study found that trust is essential in maintaining a business partnership after a relationship split. Various industries were represented in their research, including construction, health care, real estate, food service, electronics and hospitality. Revenues of the copreneurs' companies ranged from \$500,000 to \$100 million. In addition to divorced couples, their study included a gay couple who had broken up and two couples who had dissolved long-term relationships but had never married.

The partners they interviewed said they had to trust each other for the arrangement to work. Perhaps surprisingly, half the couples had broken up because of infidelity. But it didn't matter. "They were able to compartmentalize business trust as separate from their personal relationship," Johnson says. Ex-wives might say, "I don't particularly trust him as a husband, but I do as a business partner. I trust him with the financial end of the business."

The partners' commitment to the business was also important, Cole and Johnson say. The interviewees spoke of their company almost as if it were their baby. Another important trait was the

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synergy each partner felt with the other person. They "sparked" each other and had an emotional connection they wanted to retain.

None of the couples said they remained in business together primarily for economic reasons, a finding that surprised the researchers. "We believed they would give the reasons for staying together as being economically dependent on each other and needing each other's skill sets," says Cole. But only a third of the respondents mentioned these. "They all put more emphasis on the intangible reasons," Cole comments.

Diana and John Stepleton bear out these findings. They say they each trusted the other as business partners. There was no question that John was still fully committed to the company, and Diana was also invested in it. "I had helped build this business, and I had a sense of loyalty," she says. They also felt a strong bond, despite their divorce. "She's an *amazing* person," John says. "I still think she's one of the smartest and most competent women I've ever known."

Julie and David, too, say they were wholly committed to their business, and they have the qualities that make their relationship work-married or not. David notes that they always respected each other and valued each other's opinion, even if they didn't agree. Plus, they knew each other so well, and trusted each other enough, that they could be direct with each other. "If you're both on the same page about the business all the time, that's not good, either," he points out. "You need to play devil's advocate once in a while."

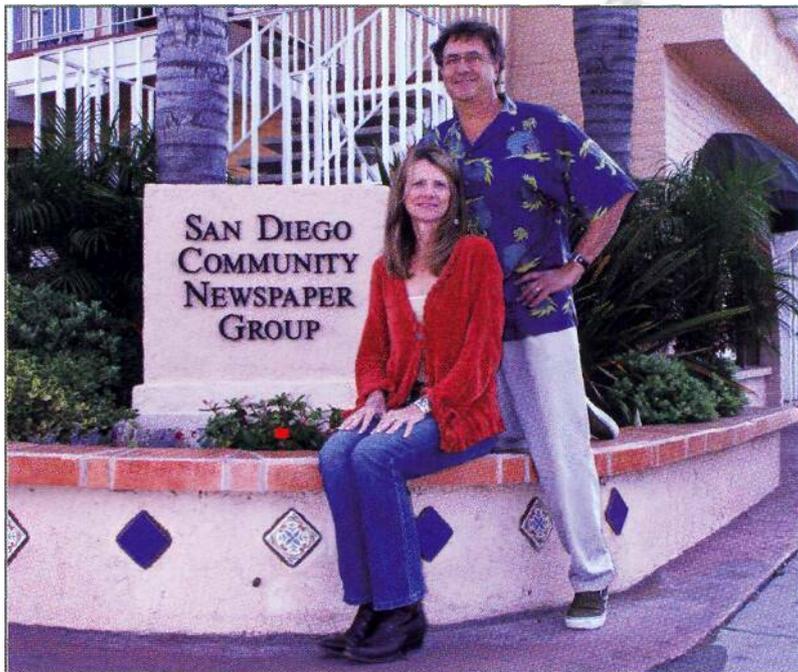
Cole and Johnson's research also found that the successful copreneurs did not struggle for control. The women told the researchers that they weren't held back during their marriage, although they felt they had more power after the divorce. The men may not have seen that, but they at least supported the women or pushed the female partner to be public face of business.

While Diana Stepleton is the one in the public eye for RDD, David Mannis is the one who does the socializing for the publishing group. Julie handles herself well, he says, but he's the one who really enjoys networking.

Family business advisers say written agreements are crucial in situations like these. Julie and David have a formal plan, they report. If either were to die, an insurance plan would buy the other person out and the revenue would go to the children. The survivor would then have 100% of the business. Diana and John say they have relied on their divorce agreement until now and are still working out a plan to transfer 49% of the company to her. They planned to finalize

a buy-sell arrangement by the fall of 2007 after they buy out their preferred shareholders. Also, they each carry a personal life insurance policy that names the other as the beneficiary to care for the children, as well as a policy that names RDD as the beneficiary so the surviving partner can afford to replace the other's talent.

Both couples say life is good for them today. Julie and David are both remarried and live a few blocks from each other. They alternate weeks with the children. "Things work out for a reason,"



Julie Mannis Hoisington and David Mannis

David says. "The children have adapted beautifully. They know they come first, and if something comes up in our schedule and I ask what they want to do, they don't even mind whose house they stay in."

John and Diana, neither of whom has remarried, live a block from each other. Diana has slightly more time with the children than John does. They have found themselves in some odd situations because they both still have the same last name. Last year, the business was shopping for a new bank. Diana recalls that as they were finishing their tag-team presentation to the assembled executives, John said, "Oh, yeah, we should probably tell you. We're not married." Did anyone raise an eyebrow? Not at all, Diana recalls. "They were probably impressed." This may become another anecdote for their book. 11

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