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## Most Founder Disputes Aren't About What You Think

### Introduction

Founder disputes are often described - and understood - in simple terms. From the outside, they typically appear to be about:

- strategy disagreements
- equity splits
- decision-making authority
- performance or contribution

These are the issues that surface in board discussions, investor updates, and, in more advanced cases, legal proceedings. However, in practice, these visible disagreements are rarely the root cause.

Across founder-led businesses, disputes tend to follow a consistent pattern: the stated issue is not the underlying issue.

What begins as a disagreement about strategy or structure is often driven by deeper factors - many of which are not immediately acknowledged or even consciously understood by the founders themselves.

This article explores what founder disputes are *really* about, why they are frequently misdiagnosed, and the commercial implications of addressing symptoms rather than causes.

### 1. The Surface Narrative: What Founder Disputes Appear to Be About

#### Common stated issues

In most cases, founder disputes are framed around tangible, business-related topics:

- “We disagree on the direction of the company”
- “We’re not aligned on fundraising”
- “There’s a lack of clarity on roles”
- “Equity doesn’t reflect contribution”

These issues are legitimate and often material. They provide a logical and structured basis for discussion.

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## Why these narratives persist

There are several reasons why disputes are framed this way:

- They are measurable and defensible
- They are easier to communicate to third parties
- They feel objective rather than personal
- They align with legal and governance frameworks

As a result, founders - and those around them - tend to focus on these areas when attempting to resolve conflict.

## 2. The Underlying Reality: What Founder Disputes Are Actually About

While surface-level issues are real, they are often symptoms of deeper dynamics. In practice, founder disputes are more commonly driven by:

### 2.1. Misaligned expectations

Over time, founders may develop different expectations around:

- personal outcomes (e.g. exit vs long-term build)
- financial return
- level of involvement
- lifestyle and risk

These differences are rarely explicit in early stages but become more pronounced as the business evolves.

### 2.2. Perceived imbalance in contribution

Founders frequently reassess contribution over time:

- “I’m doing more than they are”
- “Their role is less critical now”
- “The business would function without them”

These perceptions may or may not be accurate, but they are highly influential.

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## 2.3. Control and influence

As the business grows, control becomes more valuable:

- Who makes final decisions?
- Who represents the company externally?
- Who has influence with investors or the board?

Disputes framed as strategic are often, at their core, about control.

## 2.4. Changes in personal priorities

Founders are not static. Over time:

- personal circumstances change
- risk appetite shifts
- motivation evolves

A founder who was fully committed at inception may no longer have the same level of engagement or ambition.

## 2.5. Trust and relationship dynamics

Trust is foundational. Once it begins to erode:

- intent is questioned
- communication becomes guarded
- past events are reinterpreted

At this point, even minor disagreements can escalate quickly.

## 3. Why Misdiagnosis Is So Common

### 3.1. Founders focus on what is “acceptable” to discuss

Commercial topics provide a neutral ground.

Discussing:

- equity
- strategy
- performance

feels more acceptable than discussing:

- trust
- motivation
- personal alignment

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## **3.2. External advisors reinforce surface-level framing**

Legal and financial advisors typically engage with:

- contracts
- ownership structures
- governance

As a result, they focus on what can be documented and enforced rather than what is driving the conflict.

## **3.3. Acknowledging the real issue is often uncomfortable**

Identifying the underlying cause may require founders to confront:

- changes in their own priorities
- perceived shortcomings
- breakdown in personal relationships

This can be difficult, particularly in high-pressure environments.

## **4. The Commercial Impact of Getting This Wrong**

When founder disputes are addressed at the surface level only, several outcomes are common:

### **4.1. Solutions that don't hold**

For example:

- equity is restructured
- roles are redefined
- governance is adjusted

However, if the underlying issue remains the conflict re-emerges in a different form.

### **4.2. Prolonged conflict cycles**

Founders revisit the same issues repeatedly:

- discussions become circular
- frustration increases
- positions become more entrenched

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## **4.3. Escalation to legal processes**

When commercial resolution fails:

- legal frameworks are relied upon
- positions become formalised
- flexibility is reduced

This often leads to:

- increased cost
- longer timelines
- less optimal outcomes

## **4.4. Erosion of business value**

Perhaps most significantly:

- execution slows
- teams become misaligned
- investor confidence is affected

The business itself begins to suffer as a result of unresolved founder dynamics.

## **4.5. How These Dynamics Typically Play Out**

In practice, founder disputes often follow a predictable progression:

- Initial disagreement (often strategic)
- Repeated unresolved discussions
- Shift to positional arguments
- Erosion of trust
- Involvement of external parties
- Formalisation of conflict (legal / governance)
- Forced resolution or separation

At each stage, the opportunity to address the underlying issue becomes more limited.

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## 5. The Gap Between Legal Position and Commercial Reality

A key reason disputes persist is the gap between:

- what founders are *entitled to*
- what is *commercially viable*

For example:

- A founder may have legal rights to remain in the business
- However, the commercial reality may make this impractical

Similarly:

- Equity ownership may be contractually defined
- But perceived fairness may differ significantly

Understanding this gap is critical to achieving outcomes that are both realistic and sustainable.

## 6. What “Good” Looks Like in Practice

Effective resolution of founder disputes involves:

### 1. Identifying the real issue early

Moving beyond surface-level disagreements

### 2. Separating position from outcome

Focusing on what needs to be achieved, not who is “right”

### 3. Acknowledging non-commercial factors

Trust, motivation, and personal alignment

### 4. Structuring discussions appropriately

Creating space for constructive dialogue

### 5. Aligning on a path forward

Whether that is continued partnership or separation

Importantly, resolution is rarely about proving one founder correct. It is about finding a viable path forward for both the business and the individuals involved

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## 7. Practical Next Steps

If you are involved in a founder dispute, consider the following:

### 1. Reframe the problem

What is this *really* about?

### 2. Test underlying assumptions

Are you addressing symptoms or causes?

### 3. Seek independent perspective

Particularly where internal discussions are not progressing

### 4. Consider the full set of options

Including those that may not have been initially considered

### 5. Prioritise commercial outcomes

Over positional or emotional arguments

## Conclusion

Founder disputes are rarely as simple as they first appear.

While they are often framed in terms of strategy, equity, or performance, the underlying drivers tend to be more complex - rooted in expectations, control, trust, and changing priorities.

Misdiagnosing the problem leads to solutions that are incomplete, unstable, and ultimately ineffective.

Conversely, identifying and addressing the real issue - however uncomfortable - provides the best opportunity to reach a constructive and commercially viable outcome.

## If This Reflects Your Situation

Founder disputes can be difficult to navigate, particularly where the underlying issues are not immediately clear.

If you are experiencing this dynamic, a structured, independent perspective can help identify what is really driving the situation and what your options are.

ClearExit provides practical guidance to founders navigating separation, conflict, and exit - helping you move from uncertainty to resolution.