McTevia Provides Expert Commentary to Crain's Detroit Business on Disolution of a Partnership

StageTwoStrategies: Motawi Tileworks

Location: Ann Arbor

Description: Motawi Tileworks designs and manufactures ceramic art tiles. It supplies home decor boutiques and tile retailers, such as Virginia Tile Co.

Top executive: Nawal Motawi

Founded: 1992

Employees: 24

Revenue: $1.9 million in 2009, with $2.1 million projected for 2010.

Problem to be solved: Nawal Motawi, founder and principal designer, and her business partner and brother, Karim Motawi, began to disagree on the management and direction of their artisan tile company. “We couldn't agree on how the low-margin portion of our business should be handled,” she said. “We just had different ideas about where the company was headed.”

So in December, Nawal Motawi decided to buy out her brother, who handled marketing for the growing company. The pair had worked together for 17 years.

The breakup rippled through the small Ann Arbor shop, Motawi said, lowering morale. Members of her brother's team were also attached to his strategies, which was problematic.

Solution: Motawi held a companywide farewell party to allow employees to grieve, Motawi said.

“The owners signing papers to dissolve the partnership is one thing, letting the staff say goodbye is another,” she said. “There was a need for closure.”

In March, Nawal Motawi had to terminate a manager who continued to hang on to Karim's ideas. She hired a lawyer to draft a separation agreement with a severance package.

To ensure deep-rooted conflicts don't resurface, Motawi formed an in-house advisory board of senior executives to discuss organizational and operational issues. She read about the strategy in Jim Collins' popular 2001 book Good to Great: Why Some Companies Make the Leap … And Others Don't.

“I needed help sorting out priorities,” she said. “This allows employees to bring issues to my attention before they become a big problem.”

Earlier this month, Nawal Motawi tried a structured conversation technique called World Cafe to re-engage her staff. It was created in 1995 by Intellectual Capital Pioneers — a group of executives, researchers and consultants from around the world — to stimulate productive conversations.

“People had hurt feelings, and I didn't want the staff thinking that nobody cared about their concerns or think this company was rudderless,” Motawi said. “We used the meeting to set our corporate culture and tell the staff that this company was moving forward.”

Risks and considerations: Nawal Motawi said the ultimate fear was that people would see the company as a sinking ship and leave.

“I was worried about a continued divide in the company,” she said. “I worried about whether they felt engaged and whether I could lead them forward.”

The advisory board and World Cafe were meant to band the staff together, but the tactics could have provided new platforms for old arguments, she said.

Expert opinion: Jim McTevia, managing partner of Bingham Farms-based business consulting firm McTevia & Associates L.L.C., said holding a company meeting with the leaving partner is the most important step during a separation.

“Dissolving a partnership is a lot like a divorce,” he said. “It's very important to maintain the goodwill of the children.”

If possible, the leaving partner should tell staff that the breakup is amicable and ask that they give the remaining partner their full support, McTevia said.

“The staff needs to know that the continued success of the company is still important to the leaving party,” he said. “This should be thought about long before announcing the separation.”

McTevia recommends leaders keep the reasons behind the separation confidential, if possible.

“You don't need to hang out your dirty laundry in front of the employees,” he said.

— Dustin Walsh