

THE THIRD FIELD™ · WHITE PAPER

Do You Want the Same Company?

Most co-founder breakups are not about the idea. They are about a difference mistaken for agreement in the first year and never named.

A practice in relational intelligence · Second Humanity LLC · September 2026

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This paper is about a specific failure, not a general one. Two capable people agree to build a company together. They agree, sincerely and repeatedly, about what they are building. Three or four years later one of them leaves, and both give an account of what happened that the other does not recognise. The argument here is that the difference which ended it was present in year one, was visible in the language they used, and was never a disagreement — because a disagreement requires two people to know they hold different positions. It sets out what the evidence supports, what it does not, and what can be done about it before the moment that forces a choice.

AT A GLANCE

The argument in five steps

1

The number you have heard is not what you think it is.

The widely quoted claim that 65 per cent of high-potential startups fail because of co-founder conflict is not from a study of startup failure. It originates in a 1984 questionnaire returned by 49 venture capitalists about 96 companies that were already failing, and it measures management-team problems far more broadly. We do not use it, and the case does not need it.

2

What the evidence does establish is more useful.

The business plan is the stable part. The people are not. In one study tracking ventures from plan to public company, the business lines changed remarkably little while the human capital changed substantially — the founder was CEO in 66 per cent of cases at business-plan stage, 58 per cent at listing, and 38 per cent three years later.

3

Success is when it breaks, not failure.

Hitting the milestones — shipping, raising — measurably raises the likelihood that the founder-CEO is replaced. The paradox is well documented and rarely planned for: the moments a founding team is celebrating are the moments its structure is under most strain.

4

Betrayal usually follows a promise that was never made.

The dominant cause of felt betrayal in a working relationship is not reneging, where one party declines to honour what both understood. It is incongruence: two people holding different unarticulated versions of the same obligation, discovering it only when one is disappointed.

5

Arguing about the work becomes arguing about the person.

Across 70 new ventures, disagreement about the business and personal conflict correlated at .56, and how fast one became the other depended on how much the team felt like a team. Relationship conflict, not task conflict, predicted materially lower five-year sales growth.

6

The first deal sets fast and then almost never moves.

Forty-two per cent of founding teams settle their equity split in a day or less; 71 per cent never change it. Whatever was not discussed at that table generally stays undiscussed until something forces it.

1

The number everyone quotes

Almost every founder who has read anything about co-founder relationships has met one statistic: that around 65 per cent of high-potential startups fail because of conflict among the founders. It is usually attributed to Noam Wasserman and to a dataset of some ten thousand founders. It is repeated in accelerator programmes, in venture blogs, and until recently in an earlier edition of our own material.

It does not say what it is used to say. Tracing it back: Wasserman quotes the figure, and in at least one talk attributes it to an earlier researcher. The origin is Gorman and Sahlman's 1989 study in the *Journal of Business Venturing*, based on a questionnaire mailed in late 1984 and returned by 49 venture capitalists, who were asked about 96 portfolio companies that had already failed or were in danger of failing. For 61 of those 96 — 63.5 per cent, which becomes "65 per cent" in circulation — the venture capitalists ranked management-team problems as the single most important contributing factor.¹

It is a sample selected on the outcome

The 96 companies were chosen because they were failing. The study cannot tell you what proportion of all startups fail for this reason, because healthy companies were never in the sample.

It measures something broader

"Weak senior management" covers a founder who cannot hire, a team that cannot execute, and a chief executive out of their depth. Co-founder conflict is one item inside a much larger category.

It is an opinion survey, not an autopsy

These are investors' attributions of failure in their own portfolio companies, collected by post, forty years ago. Investors have a well-understood tendency to locate failure in the team.

WHY BEGIN HERE

Because a founder who has heard the 65 per cent figure has been given a frightening number and no mechanism — no account of how two capable people who agree about everything end up unable to work together. A number that cannot be acted on produces anxiety rather than attention. The rest of this paper is about the mechanism, which is better evidenced than the statistic and considerably more useful.

2

What the evidence does establish

Set the headline statistic aside and the picture that remains is clear, well sourced, and rarely discussed in these terms: in a young company, the least stable element is not the strategy. It is the people and the relationships between them.

EXHIBIT 1 What changes, and what does not

Finding	Evidence	Source
Business lines are remarkably stable from business plan to public company; human capital changes substantially. The founder was CEO in 66 per cent of cases at business-plan stage, 58 per cent at listing, and 38 per cent three years after listing.	50 venture-financed companies tracked from early business plan through listing and three years beyond	Kaplan, Sensoy and Strömberg, Journal of Finance, 2009 ²
By year three, half of founders were no longer chief executive; by year four, 40 per cent remained; fewer than a quarter led their own company's flotation.	212 American startups founded in the late 1990s and early 2000s	Wasserman, Harvard Business Review, 2008 ³
Reaching a milestone — completing a product, raising a round — increases rather than decreases the likelihood of founder-CEO succession.	202 internet companies, event-history analysis	Wasserman, Organization Science, 2003 ⁴
Among two-founder venture-backed startups, 24 per cent of founders had left by the fourth year, before a standard vesting schedule completes. Companies that shut down are excluded, so the true figure is higher.	13,133 founders, companies founded 2015–2024	Carta, 2024 ⁵

The third row deserves more attention than it gets. Wasserman named it the paradox of entrepreneurial success: the better a founding team performs against the milestones it set itself, the more likely it becomes that the founder-chief executive is replaced. Success raises the stakes of every unresolved question about authority, money and direction, and it brings in outside parties with views of their own. The moments a founding team is celebrating are the moments its structure is under the most strain, and almost nobody prepares for that, because it does not feel like a moment requiring preparation.

The fourth row makes the timing concrete. A standard vesting schedule assumes four years. A quarter of founders in two-founder companies do not reach the end of it — and that figure excludes the companies that closed, which means the real rate of founding partnerships that do not survive their own vesting is higher than a quarter and cannot be precisely stated.

3

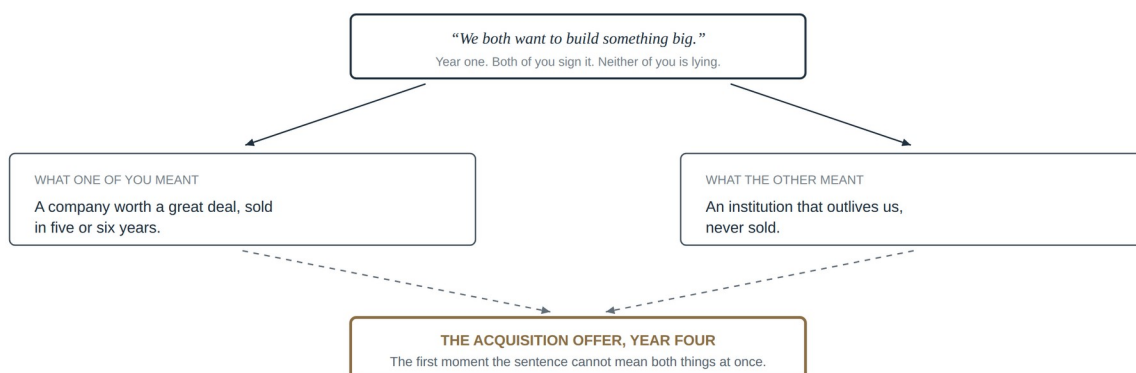
The mechanism: a promise that was never made

Ask two founders after a breakup what happened, and you will typically get two accounts that cannot both be true. One describes a partner who changed; the other describes a partner who was never told. Both are being honest. The literature on psychological contracts explains how that is possible.

A psychological contract, in Denise Rousseau's formulation, is a person's belief about the reciprocal obligations in a relationship — a belief that need never have been stated aloud, or accepted by anyone else, to be experienced as binding.⁶ Robinson and Rousseau followed 128 people from recruitment into their second year and found that 54.8 per cent reported the other party had violated the contract within two years. The title of the paper states the finding plainly: not the exception but the norm.⁷

The important part is how violation arises. Morrison and Robinson distinguish two routes. The first is reneging: one party decides not to honour something both understood. The second is incongruence: the two parties held different, unarticulated understandings of the same obligation, and discovered it only at the point of breach.⁸ Incongruence is the dominant route, and it has an unsettling property. Nobody broke a promise. There was never a promise, in the sense of a thing two people had agreed. There were two promises, each held privately, each perfectly sincere.

EXHIBIT 2 One sentence, two meanings



The difference is not hidden. It is stated, agreed and celebrated — in language that can carry both readings until a decision forces a choice between them.

What makes this so durable in a founding team is that the shared language works. “We both want to build something big” is not a lie and not an evasion; it is a sentence two people can say to each other for three years, in pitch meetings and at kitchen tables, while meaning different things by it. Nothing tests it. Then an acquisition offer arrives, or a term sheet with a control provision, or a decision about whether to take money off the table — and the sentence cannot mean both things at once any more.

And the damage is specific. In a meta-analysis of 51 studies, Zhao and colleagues found the strongest correlate of contract breach was not dissatisfaction, not reduced performance, but mistrust, at a corrected correlation of .65 — larger than for any other outcome measured.⁹ Notably, breach did not reliably predict actual departure. It predicts the corrosion of trust, which is why founding teams so often continue for a year or more after the rupture, functional on the surface and finished underneath.

4

Where the difference hides

If the mechanism is incongruence, the practical question is where it lives. In our reading of founding teams, it concentrates in a small number of sentences that both founders would sign without hesitation, and which conceal two readings. They are not trick questions. They are the ordinary language of starting a company.

EXHIBIT 3 Four sentences you both agreed to

The sentence	What one of you meant	What the other meant	The decision that forces it
“We want to build something big.”	A company worth a great deal, sold within five or six years, and the freedom that follows.	An institution that outlasts both of us and is never sold.	The first credible acquisition offer.
“You run product, I run commercial.”	A division of labour. Big calls are still made together.	A division of authority. Inside my half, I decide.	The first time one of you overrules the other in their own half.
“We’ll sort the equity out properly later.”	The split reflects what we each bring now, and will be revisited as that changes.	The split is settled; revisiting it would be a breach of trust.	The year one of you contributes materially more than the other.
“We’re completely aligned.”	We want the same outcomes, so the disagreements are details.	We have never had a real fight, which proves it is working.	The first disagreement neither of you can win on the merits.

Note what these have in common. Each pair of readings is reasonable. Neither party is being naïve or evasive, and in most cases neither could tell you which reading they hold until the question is put to them directly. That is the property that makes the difference survive so long: it is not being concealed, it has simply never been made explicit enough to be noticed, by either of them.

The fourth sentence is the most dangerous, because the evidence points the opposite way to the intuition. A founding team that has never had a serious disagreement has not demonstrated alignment. It has demonstrated that nothing has yet forced the question — and possibly that raising things has become expensive. The absence of conflict in a young company is not information about agreement. It is an absence of information.

5

The first deal, and what it does not predict

The equity split is where most founding teams have their one structured conversation about worth, contribution and the future, and it is worth being precise about what the research on it does and does not support — not least because the popular version overstates it.

It happens very fast	Across 1,367 companies and 3,782 founders, 42 per cent of teams settled their split in a day or less, and about a third split equally. ¹⁰
It almost never moves afterwards	Seventy-one per cent of splits were never changed. Eighteen per cent were explicitly renegotiated and a further 11 per cent adjusted implicitly through option grants. ¹⁰
Roughly half had no dynamic terms at all	No vesting, no buyback provision, nothing that responds to a founder leaving or a contribution changing. ¹¹
Equal splits are associated with raising less outside capital	But the published finding is explicit that the relationship “appears not to be causal, but instead driven by selection effects” across teams with differing degrees of inequality aversion. ¹²

TWO CLAIMS WE WILL NOT MAKE

That equal splits cause worse outcomes — the authors of the study most often cited for it disclaim causation in their own published abstract, and their instrumental-variable estimates are insignificant. And that fast splits lead to later renegotiation fights — the same data show no systematic relationship between renegotiation and equal splitting. The honest reading is narrower and still useful: a fast equal split is a marker of a team that has not yet had a difficult conversation, and such teams differ from teams that have.

What the numbers do establish is a structural fact about attention. The first deal is made quickly, at the point of maximum optimism, usually without mechanisms for change, and then it stands. Whatever was not said at that table is unlikely to be said at any subsequent table, because there is no subsequent table. There is no scheduled moment in the life of a company at which two founders sit down and ask each other what they actually want. The next forcing event will not be a conversation; it will be a decision, with a counterparty and a deadline.

6

What can be done, and when

The implication of everything above is not that founders should trust each other less or paper over the relationship with legal instruments. It is that the difference should be surfaced while it is still free to discover — before a decision arrives that requires one reading to win.

Three properties any useful intervention needs

It has to reach what is not being said

The whole mechanism is that these positions are unarticulated. A conversation in which both founders are present and performing alignment will reproduce the problem rather than reveal it. Each person has to answer alone, before anyone compares notes.

It must not create the conflict it is looking for

Task disagreement converts into personal conflict at a rate that depends on how much the team feels like a team — the correlation between the two ran at .44 in high-belonging teams and .69 in low-belonging ones.¹³ An instrument that produces grievance rather than structure makes the situation worse, which is why a reading of this kind names conditions of the partnership rather than faults in either person.

It has to end in something testable

Insight that does not change a Tuesday changes nothing. The output is one specific agreement the two of you would actually keep for a month, written in your words, with a date to look at it again.

The reading itself

A Relational Map for co-founders is a single prepared conversation. Each of you answers a short set of private questions; neither sees the other's answers. A Director reads both and writes something short: what the two of you seem to share, the questions that have not been asked aloud, where the decisions actually stall, and one working agreement. Before it is shared, each of you receives a private page written from your own answers and nobody else's, so that the conversation starts with each of you having already made peace with your own account.

It describes the field, not the founders. Nobody receives a score, a type or a verdict, and there is no sentence in it that could be read as a report on a partner. That constraint is not decoration: it is what allows both people to read the same document and remain on the same side of the table.

If you are already past the first year

Most teams who come to us are. The questions do not change, but two things do. The differences will have accumulated history — instances, grievances, a narrative each of you has built. And the cost of raising them has usually risen, which means the most useful thing a reading can do is establish that the difference is structural rather than personal, before anyone has to defend themselves. Research on breach in peer

commercial relationships describes a clear escalation — self-adjusting, then renegotiating, then escalating, then departing.¹⁴ The earlier in that sequence a conversation happens, the more of the partnership remains available.

WHAT WE CANNOT TELL YOU

There is no published study of how often co-founder disputes reach litigation, and the figures circulating on this are drawn from internet forums by parties with something to sell. We do not know the base rate, and neither does anyone quoting one. What is documented is that a quarter of founders in two-founder companies are gone within four years, that the business plan survives better than the partnership, and that felt betrayal usually follows an agreement that was never actually made.

NOTES AND SOURCES

Sources

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12. Hellmann, T. and Wasserman, N., "The first deal: the division of founder equity in new ventures," *Management Science*, 63(8), 2017, pp. 2647–2666. The published abstract states that the relationship between equal splitting and outside investment "appears not to be causal, but instead driven by selection effects."
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Figures are quoted from the sources as published at the time of writing and are cited for orientation, not as findings of The Third Field. Where a source has been updated since, the more recent figure should be preferred.

ABOUT

The Third Field™	A practice in relational intelligence, offered by Second Humanity LLC. It reads the space between a particular set of people and returns that reading as a short Relational Map with one working agreement. For founding teams it is a single prepared conversation: private questions answered separately, a private page to each person, then one shared page. No score, no type, no verdict. thethirdfield.com
A note on method	Every figure in this paper was traced to a primary source before publication. Where a widely circulated statistic did not survive that check, it was removed and the reason stated. Where the evidence does not support a claim we would have liked to make, section 5 says so.
Citation	Mola, P., Do You Want the Same Company? Why co-founder partnerships end over a difference that was agreed to in year one. The Third Field, Second Humanity LLC, September 2026.
