



Spouses and The Family Council

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Marriage not only provides new genetic variation for families -- remember the disastrous consequences of intra-family marriages within royal lines -- but it also provides cultural variation within families. Spouses bring different histories, different family legacies, different values and experiences and often different religious backgrounds into the extended family.

While many families choose to exclude spouses from Family Council meetings based on the concept of keeping the family business issues "private" and not disclosing sensitive financial information, the real issue, in my experience is about emotional control.

Some families embrace spouses and enjoy the new perspectives brought to the extended family. Other families fear that spouses will be difficult to control and will disrupt the stable patterns with which the family is comfortable.

These differences of "emotional" variation, of course can either strengthen and broaden the extended family, or can create tension and disagreement within the family. For example, spouses may have very different understandings of the nature of "fairness" compared with the siblings from within the business-owning family; and furthermore, while the siblings come from one family sharing common experiences, the spouses represent alternative perspectives from multiple family traditions.

Such differences may lead to conflict if the extended family (including the spouses) cannot reach a common understanding of critical values, such as fairness. Such differences may also lay the ground work for an expanded approach to sensitive issues that provides a new foundation to move forward. These differences of cultural and emotional variation often come into play in the context of an alcoholic family. For example, in several situations in my consulting role, the business-owning family suffered the ill effects of an alcoholic parent and the resulting issues of dealing with poor conflict resolution and enabling alcoholic co-dependency. The spouses, on the other hand, building upon their own experiences in non-alcoholic families, provided sensitivity and approaches that helped the primary family find healthier ways of dealing with conflict. The spouses, in these situations were critical to a positive outcome for the family.

Given both the positive and potentially negative impact of including the spouses in Family Council meetings, let's explore your options and the different types of issues you might be addressing. (Of course, if there is an impending divorce then spouses should not be included in these meetings without very serious discussion of the legal ramifications of their involvement.)

(Continued on the next page)

Family Issues:

Spouses should be included in Family Council meetings dealing with family events and family relationships.

1. Family holidays, celebrations and vacations - Most families-in-business have strong extended families compared with non-business families in America. The business-owning family has holidays, vacations, and often business celebrations (such as the annual company party) where spouses are expected to attend. Yet, these family events often have to be balanced with the spouses' commitments and desires to be with his or her own family of origin. Families should discuss these issues as a group and be sensitive to the spouses' own needs.
2. Balancing work and family - Another common family issue concerns the balance of work and family. With dual income families and career spouses, balancing the demands of those employed in the family business with those to one's own spouse and children is often complicated. Pressure from family members working together in the business often collides with the demands and needs from home.

Business Issues:

Spouses should be included in Family Council meetings that have a direct impact on the employment of family members.

For families-in-business, family issues intersect directly with the business itself either through the employment of family members, the employment of spouses or the employment of the children of family members.

1. Family Employment Guidelines - All families-in-business should develop specific guidelines for the employment of family members. These guidelines should apply uniformly to all family members - both immediate family, spouses, and children. Since these guidelines have an impact on the entire extended family, the spouses should be included in the discussion and writing of these guidelines and the creation of a Family Participation Plan.
2. Spouses employed in the family business - Families often debate the pros and cons of employing spouses in the business. There is no "rule of thumb". I have seen disastrous consequences when incompetent spouses are employed, or when favoritism is given to a spouse. But I have also seen fantastic results when very competent and committed spouses have contributed to and built the success of the business. Issues related to spousal employment should be discussed openly within the family.
3. Family Compensation - Often in first generation family businesses, compensation is set "secretively" and at the discretion of the primary shareholder - usually the entrepreneurial founder of the business. However, I recommend that families use objective standards for compensation based on outside consulting review, or comparative compensation guidelines from the industry. When based on objective standards, spouses should be included in the discussion to understand the basis for compensation received - since this issue -- more than most other issues - often drives inter-family conflict when it is perceived as unfair.

Ownership Issues:

Unless they have been legally designated to represent a shareholder, spouses should not be included in Shareholder meetings. However, spouses need to understand shareholder policies, issues or decisions that will affect the family. Therefore education on shareholder issues that impact spouses should be included in Family Council meetings.

1. Marital agreements - Many families encourage, or even require, that family members enter into "pre-nuptial" agreements prior to marriage. Especially for first marriages of young adults, the process of "pre-nups" may undermine the very fabric of an otherwise beautiful wedding experience. Families should include spouses-to-be in some general educational sessions about the rationale for pre-nups and make sure that there is plenty of time to go through the process -- both so that the agreements are not signed under duress (and thereby easy to challenge) and also so that they do not interfere with the wedding plans and ceremony itself. Some attorneys question if pre-nuptials are even necessary. For an example, see the selection from Henry Krasnow's recent book by clicking [here](#).
2. Estate planning - Education about the general nature of estate planning is important for all members of the family, including the spouses. But more specifically, the estate plan of the senior generation has an impact on the financial and tax issues facing the inheritors or recipients of gifts and their children. Spouses need to understand these issues in order to make their own financial plans and develop their own estate plans.

Conclusion:

Open communication and educational events can support and nurture extended families. Including spouses in the conversations at Family Council meetings often leads to positive results and overcomes the miscommunication of hearing second-hand about critical issues facing the family and the business. Except where there is an impending divorce, I encourage my clients to include spouses in Family Council meetings. I have listed several of the most common areas where spouses can both contribute to and learn from these family conversations.

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June 2009

"Should our spouses participate in our Family Council meetings?"

I am often asked this question as I begin a new consulting relationship with a family. And the answer is, "Well, it depends!"

Here are some general "rules of thumb."

YES:

1. Spouses should be included in educational Family Council meetings to broaden their understanding of the business and the interaction of the family with the business

2. Spouses should be included in family conversations that have a direct impact on the spouse or their children in the next generation.

NO:

1. If there is an impending divorce, the divorcing spouse should not be included in meetings.
2. Sometimes there is confusion about the differences among Family Council meetings, Board meetings and Shareholder meetings. Spouses who are not shareholders or Board members should not be included in Shareholder or Board meetings. However, some family firms do allow spouses to be elected as directors or be appointed to represent a branch of the family at Board and/or Shareholder meetings.
3. In some cases, there is so much conflict between or among spouses that it is prudent to start without spouses and later ease into full spousal participation.

For a more detailed discussion of the issue of spouses and the family business, please [click here](#) for the complete article.

Topics covered in the complete article include:

- Family holidays and events
- Life-work balance
- Employment guidelines
- Spousal employment
- Family compensation
- Pre-nuptial agreements
- Estate planning

Ultimately each family is unique and must make decisions about how spouses will be included in critical family conversations. In general, I believe it is healthier to invite spouses to participate in Family Council meetings.

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