

The dynamics of succession in family businesses in Poland - Empirical results

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Abstract

Carrying out successful succession in family businesses is an issue of vital significance for businesses themselves, and a great challenge for the pragmatics of family business management. It is also an issue important for the dynamics of Poland's economic development since it regards a wide spectrum of Polish enterprises. The paper introduces its own research methodology showing its development against the background of the methodology in the world academic research on this subject. It includes the analysis of the questions of business succession in Poland on the basis of the authors' own research materials. The empirical research was carried out in two stages. The first of them, conducted in the first half of 2009, was based on straw polls (the sample was 496 family businesses), whereas the other one, conducted in the second half of 2009, was based on in-depth interviews (the sample was 61 family businesses).

JEL Classification: *D21; D22; D23; L10; L20; M10*

Keywords: *Family firms; Succession; Poland.*

Affiliations and acknowledgements

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1 Introduction

Family firms are one of most important sources of wealth creation and the growth of employment in contemporary societies (Ward, 2004). Family firms account for 80% of all firms in Europe and 55% of total EU's GDP. They are even more important in transition countries as the rise and expansion of newly created enterprises is one of vital factors in the post-1989 economic and social transformations. Founders of new enterprises are the first generation of Polish capitalists.

A growing number of articles in the field of economics and related behavioral sciences has started to investigate the phenomenon of family firms, the causes of their persistence, their relative economic performance and their general impact on economic development. This is not just a new wave of scholarly interest in a rediscovered topic, but an extension of theoretically and practically important topics regarding efficient corporate governance rules, market structure and market competition and other factors conducive to a dynamic economic efficiency.

It can be expected that almost 20 years after the start of post-communist transformations a growing part of entrepreneurs, because of age or fatigue, is initiating the process of the transfer of ownership and/or control over their enterprises. The way this process will be conducted will certainly have great impact on the growth dynamics of the whole economy. But, till now this process has not been comprehensively examined and there is no empirical basis for policy advice regarding the role and instruments of public authorities in shaping the succession process.

Most of the research projects on the succession process in family firms has been conducted in Western countries and there is a lack of understanding of the succession process and its determinants in family firms in Central and Eastern Europe, that is why we decided to conduct the research survey in Poland¹, which seems to be a pioneering project as far as the country - Poland - is concerned.² The research sample includes 496 family enterprises, among them 85, which accomplished the succession process and 147 family firms, which are going to face the succession issue.³

2 Theoretical background - Literature review

Broad presence of the “family business” term⁴ in the academic literature in the field of management and economics does not resolve doubts concerning unambiguity and precision of this notion. How are family businesses defined? What is their distinguishing feature? Are research findings (carried out in various countries, and by various authors in the same country) comparable? Do their authors analyze the same phenomenon?

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² Currently a large research project is run by the market research firm PENTOR, contracted and funded by Polish Agency for Enterprise Development (PARP).

³ For research results on accomplished succession processes among Polish family businesses see (Surdej and Wach, 2010c). For research results on forecasting succession processes among Polish family businesses see (Surdej and Wach, 2010b). The detailed research results are described in (Surdej and Wach, 2010a).

⁴ For the needs of this study the “family business” will be used interchangeably with the “family firm” and the “family enterprise” term which are its accepted synonyms.

Table 1: Dimensional definitions of a “family firm”

Single Dimension	Multiple Dimensions	Integrative
<i>Ownership</i>	<i>Both Ownership and Management</i>	<i>Ownership, Management, and a Third Dimension</i>
Donckels and Frohlich (1991)	Leach <i>et al.</i> (1990)	Handler (1989)
Davis and Harveston (1998)	Gallo and Sveen (1991)	Astrachan and Kolenko (1994)
Littunen and Hyrsky (2000)	Lyman (1991)	Litz (1995)
<i>Management</i>	Holland and Oliver (1992)	Shanker and Astrachan (1996)
Dreux (1990)	Welsch (1993)	Westhead, Cowling, and Storey (1996)
Ward (1990)	Carsrud (1994)	Cadieux, Lorrain, and Hugron (2002)
Filbeck and Lee (2000)	Covin (1994)	
<i>Ownership or Management</i>	Lansberg and Astrachan (1994)	
Chua, Chrisman, and Sharma (1999)	Donckels and Lambrecht (1999)	
Steier (2001)	Kelly, Athanassiou, and Crittenden (2000)	
Astrachan, Klein, and Smyrnios (2002)	Klein (2000)	
Chrisman, Chua, and Zahra (2003)		
Dyer (2003)		
<i>Generational Continuity</i>		
Sharma, Chrisman, and Chua (1997)		
Tan and Fock (2001)		

Source: (Litz, 2008, p. 218)

encouraged attempts to define a family business, a family firm and family entrepreneurship. In 2008, that is 20 years later, R.A. Litz carried out an analysis of definitions of family business that had appeared in the mentioned journal (Litz, 2008, pp. 217-236). He ordered those definitions from the point of view of feature groups identified with family business and the minuteness scope of the criteria of its structuralization. These may be synthetic criteria for general description and/or detailed ones for detailed description. Definitions occurring in the literature on the subject base on one criterion (one dimension), or on two criteria or at least three criteria, in this last case they are defined as multidimensional ones or integrated ones (Table 1).

A significant part of the problem is the lack of precise definition of the phenomenon discussed. There is no precise and common definition of a family firm, and usually the following quantifiable and non-quantifiable criteria are applied regarding the ownership and management of the firm. With regard to the ownership criterion some authors count as a family firm a business that is owned by family without quantifying any required threshold. The majority of definitions however point to a dominant ownership position requiring for instance that a majority of (voting) shares, or the ownership of more than 50% of the shares/capital, belongs to a family. The introduction of numerical thresholds opens a possibility of creating a gradual scale of family firms by increasing or decreasing the required threshold of ownership depending on the size and legal form of the company. Thus, some authors set a threshold of at least 50% for

partnerships or private limited companies, but only between 10% and 25% for public limited companies (or very large enterprises). In other cases, the precision is entirely forgotten for the sake of qualifying as family firms the firms where the family is to be the “largest owner”.

Counting family firms might be even more complicated when we take into account the reality of the control pyramids. In a control pyramid a family controls a first level of depending firms by owning more than 50% of their shares. Each dependent firms from the first level might in turn control several firms, which can control subsequent firms.

Definitional problems do not end with the complexity of ownership issues. Some definitions require that families do take an active part in managing or “strategically controlling” companies. The participation in management can in turn take formal or informal forms. Formally, a family member (at least one, or two members) act as CEOs, CFOs, chairman, board member or held other positions in higher management. The presence of family in managerial positions is difficult to identify without detailed firms analysis, even more difficult is to detect informal family influence which often takes place undetected. The juxtaposition of the two criteria creates a host of possibilities with the extreme clear cut case of a firm in which a family has unified ownership and management control.

Besides these two most important criteria management science scholars sometimes add a possibility that a company employs several family members in subordinated positions (as middle level managers or simple employees). Such a deep involvement and deep reliance on family internal labor market is for some researchers a proof that economic functions of firm and social needs of family can be harmonized. Others, however, see such practices as a sign of nepotism and an indicator of possible conflicts and low economic efficiency.

There is one more criterion which turns a firm into an archetypical family firm - it is the fact that a firm is owned and controlled by a family in a intergenerational chain of successions. Examples of firms founded in 1783 like *Hainsworth* (Tighe, 2009) make headlines and attract public attention - but they are rare exceptions.

Summing up the previous discussion we should not be surprised that there is confusion about the concept of a family firm and the importance of the phenomenon. Without claiming to say the final word seems useful to put some order in a definitional dispute and to come up with a simplified typology of the phenomenon. Limiting the typology to two dimensions (ownership/management control) and three categories in each (individual, family, dispersed external agents) we end up with 9 different types of firms: some of which can be unequivocally called family firms and some definitely fall outside the range of family type firms.

The ambiguity comes on two sides of the continuum. On one hand, most of very small (employing less than 10 persons) firms are almost universally counted as family firms since they depend so much on a founder/owner usually deeply embedded in a family (even if he is a sole owner company) and formally (but probably even more informally) they draw on family support (in terms of informal work and other kind of supports). But, such an identification does add little to deeper understanding of firms’ organizational changes as most of such firms does not grow at all. On the other extreme, large corporate entities (like for instance *Ford Motor Company* or *Fiat Group*) are counted as family firms although their internal organization and management practices are perfectly impersonal (rule guided) and a presence of a (possibly non-competent) founder family member does not count much.

A possible way out of the state of irresolvable confusion would be to admit that the generic concept “family firm” has limited explanatory value unless it is purposefully restricted and used as an instrument to solve theoretical or empirical puzzles. Having said so, we would propose to focus the analysis on the way family firms’ transformations are thorn between the

aspiration to grow and the need to control firm as a family asset at an example of a succession. To restate: a central problem in the analysis of family firm is the problem of resolving the conflict between growth and control (and in a background decoupling the family's wealth from the trajectory of firm's development). This perspective could also allow to better understand the impact of family firms on economic growth.

In studying family firms it is necessary to start from an assumption that in family firms there is indeed a strong interrelationship between the family and the business, that the family is (formally, but also informally) intertwined with the company, not least because the firm is the family's main asset and that economic well being of the family depends on the fate of the company.

This interrelationship creates special problems as the family and the firm are governed by different logics and this juxtaposition creates special problems. The importance of managing family/firm interface has become even more important since families are being rapidly transformed (especially in Western Europe and in the US) with changes in frequency of marriage, divorce, remarriage, childbearing, cohabitation or changes in family forms (two-parent families, one-parent families, cohabiting couples, same sex families, and extended-family households). If one adds the phenomenon of demographic aging it comes as no surprise that the survival of the family firm (not to mention its development) is threatened by family changes and demographic decline. This statement builds a bridge to the question which institutional factors might reduce the likelihood of family firm decay in a succession process.

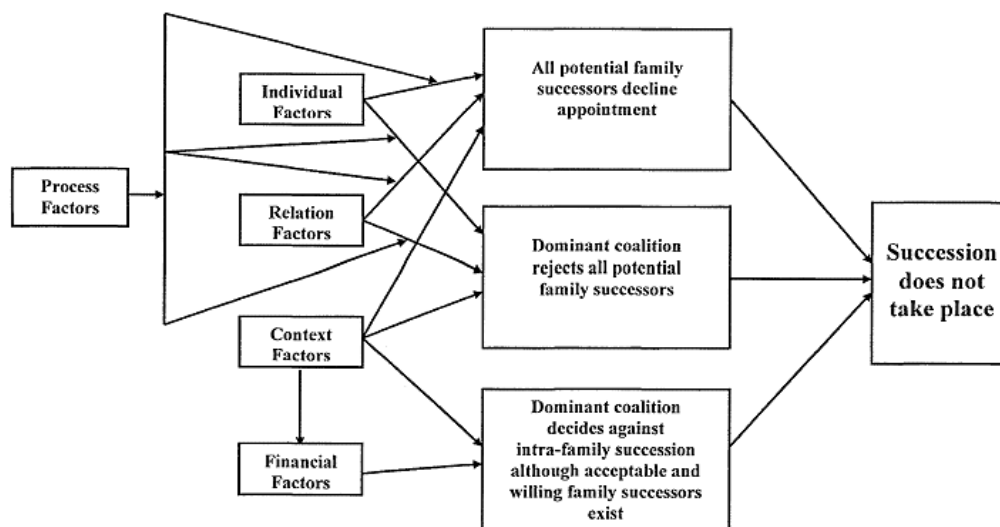
From the theoretical point of view the succession in family firms is related with the dilemma how to preserve (and possibly increase) family wealth, while transforming the company. Is it better to keep family control over the company, but possibly to harm its growth perspectives, or to transform it by diminishing the family control (or even eliminate it altogether).

Thus, there might be *different types of succession*. First type might be called a defensive succession, in which family tries to preserve the control over enterprise at all costs. Second type might be called a *transformatory succession*, in which the company is transformed so as to maximize the wealth of family even at the cost of reducing the family control.

De Massis *et al.* (2008) (see Figure 1) showed the relationship existing between factors that prevent succession. They identified three exhaustive but not mutually exclusive direct causes that prevent a previously intended succession from occurring among them (De Massis *et al.*, 2008, p. 185):

- all potential family successors decline the management leadership of the business;
- the dominant coalition rejects all potential family successors;
- the dominant coalition decides against family succession although acceptable and willing potential family successors exist.

It seems that the first type of succession dominates the world of MSEs (Micro and Small Enterprises) as they operate non-diversified business and the firm's success depends very much on the use of idiosyncratic knowledge - tacit and informal knowledge which has been acquired over long time and their use is of limited application elsewhere. This might explain why small firms try to find the successor among family members, relatives or close friends. This explains also why a career path in such small firms is of limited value to outsiders. The conjunction

Figure 1: *Model of the Factors Preventing Intra-Family Succession in the Family Firms*

Source: (De Massis *et al.*, 2008, p. 185)

of these two factors creates the peculiarity of succession in small family firms.⁵ Holmstrom and Milgrom (1991) have suggested that this type of a family firm can be analyzed as a “multi-target unit”, whose members contribute to the generation of income and profits, but at the same time they are a community of organizational and entrepreneurial knowledge, and not the least, of emotional support. Thus, in family firms key people are remunerated for all the functions they fulfill.

But, a different succession is needed when a family firm has grown or has been set to grow. A growing firm requires an access to external finance, if external financing comes in the form of equity, a firm governing structure has to change in order to accommodate outside investors. In addition, such a growing family firm has to hire external managers as it has no possibility to fill all posts of responsibility with qualified family members. These remarks support the statement that in a context of a family firm’s growth a succession happens most likely before the owner founder reaches the age of retirement or physical incapacity. A growth oriented family firm will reach the threshold of succession as ownership, management and organizational transformation earlier than survival oriented family firms. In such growth oriented family firms succession means the introduction of formal rules that reduce the importance of personal relations and the introduction of accounting procedures which would increase the transparency of firm’s financial operations to outside investors. A transformatory succession leads to the implementation of governance standards which would not differentiate family controlled companies from other companies. More, family controlled companies, may as it is shown by research of Ali *et al.* (2007) on a sample of family controlled companies quoted at NYSE, perform better than non-family controlled companies in terms of the quality of financial reports, voluntary disclosure of negative information and voluntary information about internal corporate practices.

The succession issue has been identified as one of crucial factors for the functioning and growth of family firms. It is reported that on the international scale only 30% of family

⁵ Using the criteria differentiating family firms we see that these firms are characterized by strong overlapping of family ownership, management control and involvement in day to day functioning.

firms survives in the second generation, while less than 14% functions in third generation as still family firms (see Fleming (1997, p. 246) and Matthews *et al.* (1999, p. 159)). For the purpose of empirical research, while keeping in mind the distinction between transformatory and defensive succession, we distinguish four succession modes:

- Firstly, an owner/founder can sell his enterprise to the other company or person and give up his activities. This solution is economically effective if there are potential purchasers with adequate resources and qualifications and if the legal framework does not discourage such transactions.
- Secondly, an owner/founder can remain the dominant owner while hiring a professional manager who will run the company on his behalf. Such a professional manager is a person external to the owner's family and his work has to be monitored and controlled in order to achieve the owner's goals and to meet the criteria of economic efficiency.
- Thirdly, an owner/founder can prepare his company to be quoted on the stock exchange, while diluting the ownership, but keeping a controlling stake. In this scenario the company is being transformed in order to meet the criteria of the stock exchange and the owner/founder is to be ready to use the instruments of the corporate governance in order to influence the functioning of the company.
- Fourthly, an owner/founder can transfer the control power to his children or descendants and anticipate this transfer by introducing and preparing the successors to the art and responsibility of managing the firm. This scenario is often judged as harming the growth potential of the firm as it is unlikely that a successor from inside the family will have preparation, competences and talents at the level required by firm's growth challenges.

3 Material and Methods

In spite of the increase in the number of elaborations concerning succession in family businesses in Poland, we can notice fragmentarity of scientific knowledge in this scope (Table 2). Thus, there is an urgent need for conducting empirical research and analyses of foreign research in order to make an attempt to integrate them. The way in which the problem of succession in Polish family businesses will be solved will have a great influence on the dynamics of Poland's economic development in the next decades. Unfortunately, the research on the succession strategies of family businesses is undertaken at the occasion of broader considerations on management strategy rather than as a significant and separate scientific and practical problem. At present, there is no holistic model explaining the processes of succession of Polish family firms. There is no scientific analysis verifying empirically the determinants of succession strategy.

The research was conducted within the project "Succession Scenarios in the First Generation of Family Firms in Poland" in the years 2008-2010. The main aim of this empirical research was to identify the succession modes of the first generation of Polish entrepreneurs. In order to investigate the research problem we have conducted the empirical survey and have analyzed the collected data in order to identify the dominant succession mode in Polish family firms, and to define the determinants of the choice of a given succession strategy.

Table 2: Dimensional definitions of a “family firm”

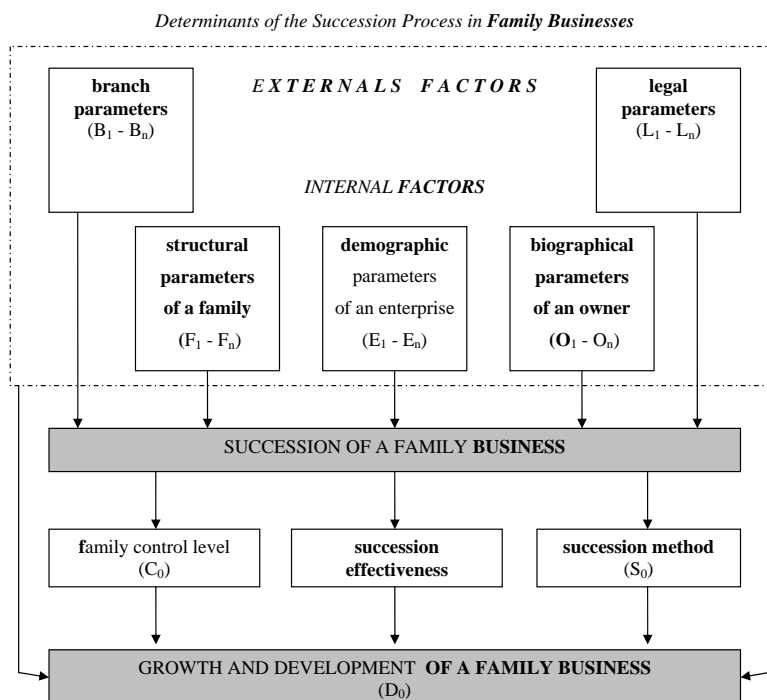
Year	Research Sample	Author / Source	Remarks
1998	100 enterprises of various size	Popczyk and Winnicka-Popczyk (1999)	The research focused on motives, structures and barriers and stimulators of family business.
2002	40 enterprises of various size	Sulkowski (2004)	The research concerned family ties in business.
2004	98 family businesses	Safin (2007)	The research concerned strategic behaviours of family businesses
2004-2005	Over 40 family businesses of various size	Haus, Sulkowski and Safin (2005)	The research concerned strategic behaviours of family businesses.
2005	nearly 200 family businesses of various size	Lipiec (2006)	The research focused on the identification of a Polish family entrepreneur profile.
2005-2006	35 small and medium-sized family businesses	Marjanski(2006)	The research concerned the strategy of small and medium-sized family businesses.
2007	207 publicly listed family firms	Kowalewski <i>et al.</i> (2009), Kowalewski <i>et al.</i> (2010)	The research uses data for 217 publicly listed businesses. It used data for the years 1997-2005, the total number of 1270 observations was subject to statistical analysis.
2009	1280 micro-, small and medium-sized enterprises, only 1/3 of which (ca. 425) were family businesses	PENTOR Research International for PARP (2009)	The aim of the research was to assist in designing actions for the benefit of family businesses, implemented by Polish Agency for Enterprise Development (PARP).
2008-2010	496 family businesses of various size	A. Surdej and Wach (2010)	The research concerned the succession processes in Polish family businesses.

Source: (Litz, 2008, p. 218)

Based upon existing literature we have tentatively indicated the following groups of determinants which are likely to influence the choice of succession mode (three internal and two external forces):

- structural parameters of an entrepreneur’s family;
- demographic parameters of the company;
- individual entrepreneurial history of an owner/founder;
- parameters of the organizational and legal environment in which a company functions;
- basic parameters of the sector in which a company functions.

It can be supposed that these factors determine the choice of the succession mode and the choice of the preferred control level of family over the company). Figure 2 and Table 3 summarize also the factors that determine the choice of succession methods in general. With reference to the discussion developed so far it should be stressed that the relative weight of

Figure 2: Research Model

factors changes depending on the type of succession. A *defensive succession* depends much on the family's structural parameters and on intra-family relationships (conflicts, emotions). A *transformatory succession* depends on the existence of institutional instruments which help to solve the conflict between the growth orientation of a firm and the founder/owner interests in preserving/increasing family wealth.

The basic hypothesis about the existence of a relationship between above mentioned factors and the choice of the succession strategy will be supplemented with additional hypotheses including:

- **H1:** hypothesis expecting that 20 years after the start of post-communist transformations (1989-2009) in Poland a growing part of entrepreneurs, because of the age or fatigue, is initiating the process of the transfer of ownership and/or control over their enterprises.
- **H2:** hypothesis about the relation between the company's size and the succession planning and strategy. In line with this hypothesis a larger is the company, more benefits stem from the transfer to external managers/owners.
- **H3:** hypothesis about the relation between the succession planning before starting the process and the accomplishment succession evaluation. In line with the hypothesis, the processes is assessed afterwards as more efficient by the firms, which implemented the strategic planning process.

Manager perception was chosen as an operationalization method, thus it assures the acceptable correctness and the reliability, and first of all tops other methods in relation to practical usage, what is more it is applied in analogous research very often (Lyon *et al.*, 2000, p.

Table 3: *Variables of the Implemented Research Model*

<i>Factors</i>	<i>Variables</i>
Input: Internal Determinants of the Succession Process	
structural parameters of a family	<ul style="list-style-type: none"> - the size of the family - generation spread - sex of the first child, - relationship within the family
demographic parameters of an enterprise	<ul style="list-style-type: none"> - age - size - scope - the branch of the industry
biographical parameters of an owner	<ul style="list-style-type: none"> - age - sex - level of education - entrepreneurial attitude - history of earlier entrepreneurial activities
Input: External Determinants of the Succession Process	
branch parameters	<ul style="list-style-type: none"> -innovativeness level within the branch -competitiveness degree within the branch
legal parameters	<ul style="list-style-type: none"> -rules of corporate governance -development of capital markets -minority ownership protections -legal contracts enforcement
Output - Succession Process Results	
family control level	<ul style="list-style-type: none"> -family absolute control -family majority control -family minority control
succession method	<ul style="list-style-type: none"> -passing the family business to the heir -selling the whole family business -selling the part of the family business -quoting on the stock exchange
succession effectiveness	<ul style="list-style-type: none"> -effective -non-effective
growth and development	<ul style="list-style-type: none"> -progress -status quo ante -regression

Source: (Litz, 2008, p. 218)

1055-1085). This method was applied for all qualitative variables. Thus a survey (proceeded with a diagnostic pre-survey) was applied as a main investigative technique, replenished with technique of observation. Each area was verified by asking from 5 to 7 questions. For

Table 4: *Basic Characteristics of the sample firms (N = 496)*

Firm Sector:	share (%)	obs.	Firm age:	share (%)	obs.
Agriculture	2.22	(11 cases)	0 - 5 years	17.22	(82 cases)
Manufacturing	13.91	(69 cases)	6 - 10 years	17.65	(84 cases)
Services and Trade	86.66	(4210 cases)	11 and more years	65.12	(310 cases)
Business Scope of Operation:			Business Legal Form:		
Local	36.50	(181 cases)	Sole proprietorship	70.56	(350 cases)
Regional	24.20	(120 cases)	Unlimited proprietorship	12.30	(61 cases)
Domestic	22.98	(114 cases)	Limited proprietorship	7.46	(37 cases)
European	9.27	(46 cases)	Limited company	9.07	(45 cases)
International	6.85	(34 cases)	Others	0.60	(3 cases)

quantitative variables as operationalization method data analysis was applied. In support of received and accepted variables the questionnaire of inquiry was constructed as a basic investigative tool. Qualitative approach in an inquiry was applied mainly, which is the most often applied approach in analogous investigations. Thus, for evaluation of variables 5-degree Likert scale with qualitative answers was applied. Research survey was conducted on a random sample of 496 family enterprises in first quarter of 2009 (Table 4 and Figure 3). The companies were divided into three groups:

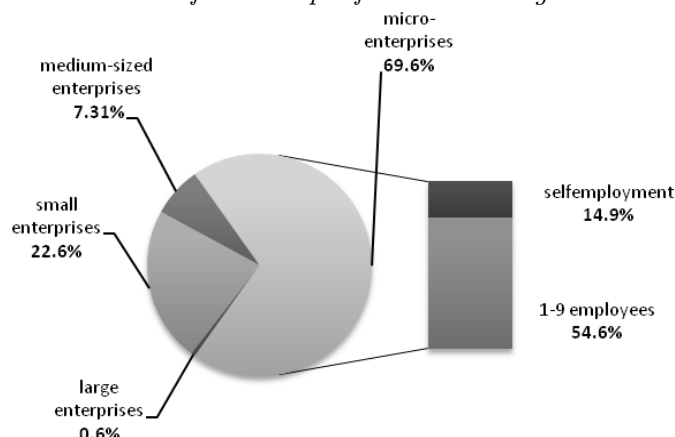
- 85 family firms which were sold or transferred (17.13%),
- 147 family firms which plan to face the choice of succession (29.64%),
- 264 family firms which are not interested in succession planning (53.23%).

While grouping the studied family businesses, the family structure and history of the research sample seems to be quite interesting:

- 376 studied family firms were initiated by a current owner - so called first generation family business(75.80%),
- 76 studied family firms were initiated by a previous owner - so called second generation family business (15.32%),
- 36 studied family firms are multigenerational with long traditions (7.25%), the oldest one was established in 1869.

4 Results and Discussion

The analyzed group of family enterprises, which carried out succession process, includes 85 units. The sample is interesting as far as the age of the studied family firms are concerned. The youngest firm is 2 and the oldest is 140 years old, but only one fourth of the studies firms are older than 40 (lower quartile $Q_1 = 13$, upper quartile $Q_3 = 40$). The arithmetic mean for

Figure 3: Characteristics of the sample firms according to their size ($N = 496$)

the age variable is 29, nevertheless the standard deviation is 24, which is quite a wide range. The value that occurs the most frequently in a data set is $M_o = 17$ (at 7 out of 85 cases only), however the number separating the higher half of a sample is $Me = 20$. The analyzed group of family enterprises, which carried out succession process, includes 85 units. The sample is interesting as far as the age of the studied family firms are concerned. The youngest firm is 2 and the oldest is 140 years old, but only one fourth of the studies firms are older than 40 (lower quartile $Q_1 = 13$, upper quartile $Q_3 = 40$). The arithmetic mean for the age variable is 29, nevertheless the standard deviation is 24, which is quite a wide range. The value that occurs the most frequently in a data set is $M_o = 17$ (at 7 out of 85 cases only), however the number separating the higher half of a sample is $M_e = 20$.

4.1 Ex-Post Analysis on Succession Process

In the studied population there were only three ways of succession observed. The most popular way of succession is the passing to the heir (87.36% in 74 cases), other forms of transfer control and ownership were not so popular, among them selling the whole business (5.88% in 5 cases) and selling the part of the business share (2.35% in 2 cases). In 3 cases (3.53%) the founders combined different ways of succession. The most important reason for the transfer of ownership and control is the age of the initial founder (54.88% in 45 cases) followed by the unpleasant fact of the initial founder death (23.17% in 19 cases). Among other reasons there is a n intergeneration agreement (about one tenth of cases). Two thirds of the initial founders are still involved in the family business, even after the accomplishment of the succession process, including the detailed data:

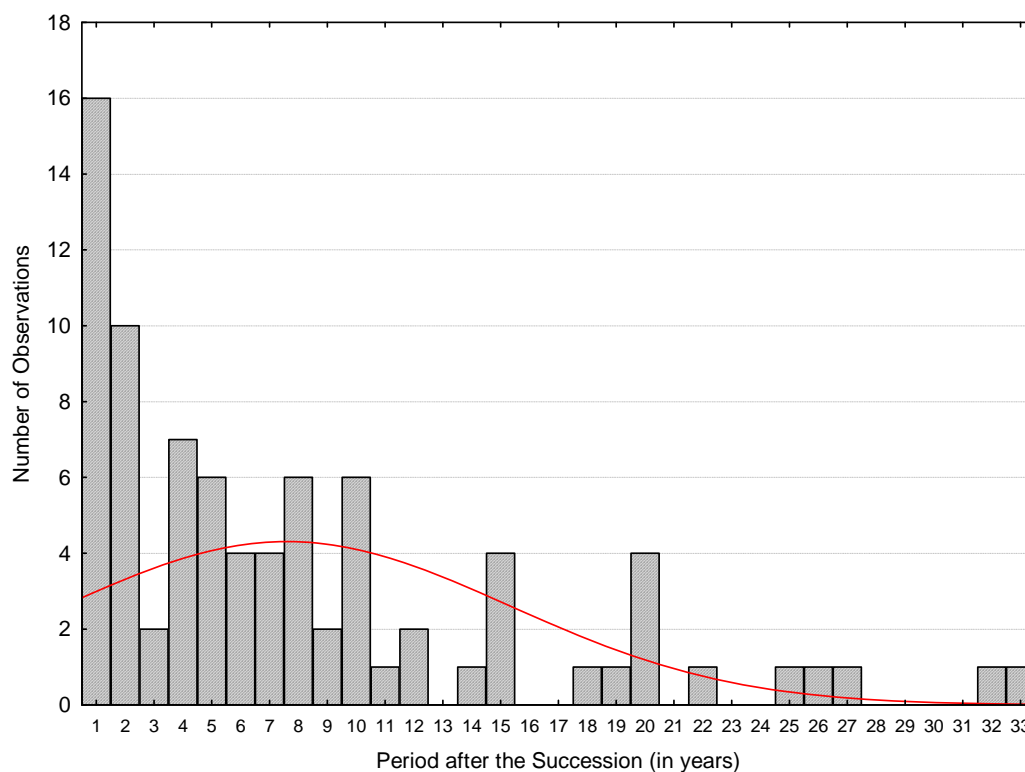
- 27.06% are still actively involved in the family business (23 out of 85 cases),
- 29.41% are passively involved in the family business as consultants (25 out of 85 cases),
- 34.11% are not involved in the family business any more (29 cases out of 85 cases).

Taking into consideration the number of the initial founders' death only in 10 cases (11.75%) the previous owner of the company is not engaged in family business matters, which confirms

that the intergenerational business skills are actively or passively used in family businesses in Poland.

The period, which passed away after the accomplished succession seems to be extremely interesting. The minimum period amounts to 1 year and the maximum to 33 years. The arithmetic mean is 8, nevertheless the standard deviation is 7.68, which means that the dispersion is between approximately 0 and 16. The value that occurs the most frequently in a data set is $Mo = 1$ (at 16 out of 85 cases), however the second most frequently value is 2 (at 10 out of 85). The number separating the higher half of a sample is $Me = 6$, but only one fourth of the studies firms accomplished the succession not earlier that 10 years ago (lower quartile $Q_1 = 2$, upper quartile $Q_3 = 10$). This data allows to confirm the hypothesis that after 20 years of economic transformation, founders of new enterprises, who are the first generation of Polish capitalists, initiate the process of the transfer of ownership and/or control over their enterprises (Figure 4).

Figure 4: Statistical Histogram of Period after the Accomplished Succession ($N = 85$)



4.2 Ex-Post Analysis on Accomplished Succession Planning

The plans for the accomplished succession were prepared only in 24 out of 85 cases (28.23%), which is quite a low figure. The number of issues in the succession plan differed from 1 to 3 (1 issue in 11 cases, 2 issues in 9 cases and 3 issues in 5 cases). The statistical calculations confirmed that the extensiveness of succession planning process, measured by the number of components included in a succession plan, depends on the size of the enterprise ($\chi^2 = 14,9$ at $p = 0.02$). The larger the studied enterprises were, the more components were taken into

consideration at the stage of succession planning. Considered elements of the succession plan were as follow:

- the identity of the successor in 14 cases (31.1%),
- the preparation of the successor in 13 cases (28.89%),
- the division of shares in 8 cases (17.78%),
- taxation issues in 6 cases (13.33%),
- sale and purchase of shares in 3 cases (6,67%).

Only in one fourth of cases the successor was a female (versus 74.11% of male). The younger successor was 18, and the oldest was 60, nevertheless the descriptive statistics confirmed that the second generation of family business owners can be called the younger generation ($\bar{x} = 32$, $s = 10$, $M_e = 30$, $Q_1 = 24$, $Q_3 = 40$, $M_o = 24$ at 10). While planning the succession process, the potential successor played the important role, however almost a half of the initial founders took only one criterion into consideration, which was the identity of the successor (49.41%). Two criteria were applied by 34.11%, three - 15.30% and four - only by 1.17% of responders. In the studied firms the following issues were taking into account in the succession planning process:

- family reasons (68)
- qualifications of the successor (42),
- motivation of the successor (18),
- personal reasons (9)
- other reasons (6).

The successor was previously involved in family business in 73 out of 85 cases, which is 85.88%. The period of family business involvement differs indeed. The shortest period of involvement was 1 year, while the longest one was 30 years ($\bar{x} = 9$, $s = 7$, $M_e = 8$, $Q_1 = 3$, $Q_3 = 12$, $M_o = 10$ at 12). The detailed distribution of results allows us to make some comments. In the studied population two groups of successors can be observed. The first group consists of successors involved in the family business not longer than 3 or 5 years (23.5% or 40% of the successors). The second group consists of the successors involved in the family business for a long period of time (about 10 years). Those who were involved in the family business before the accomplished succession served the following roles:

- 36.5% performing workers,
- 15.3% consultants or assistants
- 10.6% managers,
- 9.4% co-owners or co-partners.

The relation between the succession planning and the succession evaluation is quite interesting. Statistical calculations confirmed the correlation between these variables in the studied population ($\chi^2 = 4.0$ at $p = 0.05$; $\chi^2_{ Yates} = 6.4$ at $p = 0.01$). Each firm, which had the plan for the forthcoming succession, has estimated the succession process as efficient (58.33% rather efficient and 41.67% extremely efficient). The assessment done by the firms, which did not prepare the succession plan was not so good.

4.2.1 Ex-Ante Analysis on Forecasting Succession Planning

The analyzed group of family enterprises, which plan to carry out the succession in the future, includes 147 units. The sample is interesting as far as the age of the studied family firms are concerned. The youngest firm is 1 and the oldest is 60 years old, but only one fourth of the studied firms are older than 19 (lower quartile $Q_1 = 11$, upper quartile $Q_3 = 19$). The arithmetic mean for the age variable is 16, nevertheless the standard deviation is 8, which is quite a wide range. The value separating the higher half of a sample is $M_e = 15$.

The studied population can be divided into two groups. The first one includes 25% of the research sample. They are the firms that plan to carry out the succession process within a couple of forthcoming years (not longer than in 5 years' time). Three fourth of the research sample have plans concerning the succession of ownership and control, but in longer perspective (more than in 5 years' time).

Majority of the responders declares that the firm will be still a family business, what is more the detailed distributions of answers are as follow:

- 110 cases (74.8%) definitely yes,
- 34 cases (23.1%) rather yes,
- 2 cases (1.4%) not obvious yet,
- 1 case (0.7%) no.

The level of the family control over the family business is quite interesting (Table 5). Both, at present at after the planning succession, the family absolute or majority share is declared by 119 family firms, however the percentage of firms declaring the family absolute share is much higher at present.

In the studied population there were only three ways of planning succession observed. The most popular way of succession is going to be the passing to the heir (95.9% in 141 cases), other forms of transfer control and ownership were not so popular, among them selling the whole business (1.4% in 2 cases) and selling the part of the business share (1.4% in 2 cases).

The plans for the forthcoming succession will be prepared - according to responders' declaration - in 76 out of 147 cases (51.7%), which is quite a satisfying figure comparing to the accomplished succession research results (Surdej and Wach, 2010a,b,c), but unfortunately it is still a low figure. The number of issues in the forthcoming succession plan differs from 1 to 6 (1 issue in 33 cases, 2 issues in 29 cases, 3 issues in 4 cases, 4 issues in 8 cases and 6 issues in 2 cases). Considered elements of the forthcoming succession plan are as follows:

- the identity of the successor in 43 cases (29.25%),
- the preparation of the successor in 38 cases (25.85%),

Table 5: *Level of Family Control Over Family Businesses (N = 147)*

Family Control Level	At present	After the planning succession
Family absolute share	112 (76.2%)	101 (68.7%)
Family majority share	7 (4.8%)	18 (12.2%)
Family minority share	26 (17.7%)	24 (16.3%)
No answer	2 (1.3%)	4 (2.7%)

Source: (Litz, 2008, p. 218). Frequency in parenthesis.

- the division of shares in 29 cases (19.73%),
- taxation issues in 20 cases (13.60%),
- sale and purchase of shares in 14 cases (9.52%),
- external shareholders in 4 cases (2.72%).

Only in one fourth of cases the forthcoming successor is going to be a female (versus 72.1% of male). The younger forthcoming successor within the family will be 20 and the oldest will be 52 years old, however only 31.9% of the declared age answers exceed 30 years old, which proves that the second generation of Polish enterprises are going to be extremely actively involved in currently run family businesses (most of them are currently involved in the family firms, both passively and actively). While planning the succession process, the potential successor plays the important role, however almost a one third of the initial founders takes only one criterion into consideration, but two criteria are applied by another one third of responders (three criteria by 27.21% and five criteria only by 1.36% of responders). In the studied firms the following issues are going to be taken into account in the succession planning process:

- family reasons (in 118 out of 147 cases),
- qualifications of the successor (88 cases),
- motivation of the successor (65 cases),
- personal reasons (5 cases),
- other reasons (7 cases).

5 Conclusions

The ongoing academic research of the persistence of the phenomenon of family firms does not adequately separate two qualitatively different realities. Family firms, which are typically micro and small firms characterized by a strong overlapping of ownership and management control and day to day involvement of family members in the functioning of the firm, and large

publicly quoted companies where families of founders remain a controlling block (which can be as low as 20% or 10%) of shares. The proper family firms are characterized by a high degree of their familiness, which might become a barrier to growth; the large publicly owned, but family controlled, companies do not differ substantially from an average publicly owned companies with regard to their corporate governance practices in countries characterized by a high quality institutional development.

Although the existing data do not allow for a precise diagnosis it seems that transition economies are characterized by a myriad of family firms (micro and small firms), which do not grow, and a few of large family owned companies or business groups with little upward flows in terms of firms' organizational growth, whereas in mature market economies there exist more efficient channels (the factor discussed as the quality of institutional environment) for the transformation of small family firm into large public family controlled firms. Thus, it is possible to formulate a tentative statement that transition economies are characterized by a dearth of medium size family firms ("the missing middle hypothesis") which are projected to become a large publicly owned, but family controlled, firms.

Thus, and this is the last conclusion, the analysis of the succession in family firms should be transformed from a rather narrow perspective of identifying, educating and nominating a successor in order to keep the control of the firm in the hands of the family to a problem of analyzing succession choices in growth oriented companies as such a succession requires a deeper transformation of the enterprise organizational structure and corporate practices.

Our exploratory research survey of family firms is one of first to pay attention to the family business succession in Poland after 20 years of economic transformation (1989-2009) and probably the first attempt to observe intergenerational change of entrepreneurs. The sample of 496 family firms was surveyed, but only in 85 cases the succession process was found accomplished. The research results allow to formulate the following conclusions:

- The most popular way of succession in the studied group is the passing to the heir (87.36%).
- After 20 years of economic transformation, founders of new enterprises, who are the first generation of Polish capitalists, have started to initiate the process of the transfer of ownership and/or control over their enterprises. One fourth of the studies firms accomplished the succession not earlier than 2 years ago, and the half not earlier than 6 years ago.
- The larger the studied enterprises, the more components were taken into consideration at the stage of succession planning. The statistical calculations confirmed that the extensiveness of succession planning process, measured by the number of components included in a succession plan, depends on the size of the enterprise ($\chi^2 = 14,9$ at $p = 0.02$).
- In the studied population there is the relation between the succession planning and the succession evaluation. Each firm, which had the plan for the forthcoming succession, has estimated the succession process as efficient.

The research conducted by us has been inspired by theoretical questions. But due to the lack of reliable data we could test theoretical hypotheses in the context of transitional economy. Instead we have described the important economic phenomenon and have formulated several exploratory hypothesis which would guide our future research.

The research findings may serve on the one hand as practical guidelines directed at Polish entrepreneurs, on the other hand as the basis for recommending the activities of the government and self-governments in order to increase the probability that ownership and control succession will not decrease developmental opportunities for Polish enterprises, small and medium-sized enterprises in particular. The research findings will allow first of all to verify the actual condition and tendencies of succession strategies in the first generation of Polish entrepreneurs, which may contribute to the enrichment of the existing scientific knowledge in this respect.

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La dinamica della successione nell'impresa familiari in Polonia - I risultati di un'analisi empirica

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Sommario

Riuscire a condurre con successo la successione nell'attività familiare di impresa è un aspetto di vitale importanza per l'impresa stessa, ma anche una grande sfida per il management delle imprese familiari. Questo tema è rilevante per lo sviluppo economico in Polonia, poiché riguarda un ampio numero di imprese nazionali. Il paper introduce una nuova metodologia di ricerca, discutendone il contributo rispetto agli approcci presenti in letteratura. Viene poi presentata l'analisi di un'indagine sulla successione nell'attività familiare di impresa in Polonia. La ricerca è stata condotta in due fasi. La prima ha coinvolto 496 imprese familiari, a cui è stato somministrato un questionario nel primo semestre 2009, mentre la seconda ha riguardato 61 imprese familiari, per le quali sono state raccolte informazioni più dettagliate.

Classificazione JEL: *D21; D22; D23; L10; L20; M10*

Parole Chiave: *Imprese familiari; Successione; Polonia.*