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1. Introduction

In Poland, family enterprises do not constitute a separate legal category, which makes it difficult to identify them and distinguish their characteristics. There is relatively little representative research analyzing the share of family enterprises in the Polish economy and describing their character. Poland is an example of a free market economy that as a result of the transformations of the 1990s came out from under the central planning system. Market transformations were accompanied by rapid development of small family enterprises, which during the last 25 years have become a dominant type of enterprise in Poland. Paradoxically, we know little about the characteristics of business entities of this type.

The article analyses the characteristics and importance of family SMEs in the Polish economy. It is based on the results of the largest, and so far only, national representative research on family SMEs. The research was concluded in December 2009 and was conducted by a team of authors composed of Ł. Sułkowski, A. Kowalewska, J. Szut, B. Lewandowska, M. Kwiatkowska, and A. Marjański, as well as by the Pentor research company, on the commission of the Polish Agency for Enterprise Development (Sułkowski, Kowalewska, Szut, Lewandowska, Kwiatkowska, Marjański, 2009).

2. Sources of development of small family enterprises in Poland

A number of economic, social and cultural factors have supported the quick development of small family enterprises. The beginning of the transformations of national systems entailed new legal possibilities for setting up new business entities, which resulted in very rapid growth in the number of small business entities. Within a few years, small enterprises had become the dominant form of business activity, constituting over 90% of all business entities in the 1990s (*Poland: SME and Entrepreneurship Issues...* 2010).

The economic liberalization in Poland towards the end of the 1980s and the beginning of the 1990s gave people the chance to freely set up their own business entities. At the same time, the weakness of the banking system and high inflation were not favorable conditions for the taking out of loans in order to set up new enterprises, so family financial resources became a natural source of the initial capital necessary to set up a business entity.

The transformations had social and economic results as well, such as a high increase in unemployment, the rate of which during the last two decades amounted to 9–15% (http://www.indexmundi.com/poland/unemployment_rate.html). Previously, in the centrally planned economy, there was virtually no unemployment or it was only a marginal phenomenon. The threat of unemployment became one of the motives for setting up small family enterprises, which soon spread in sectors with low capital barriers to entry, such as trade and services. They filled in the gap on the Polish market and created new possibilities for employment, especially for those in a worse situation on the labor market, such as people over 50, women who wanted to come back to work and people looking for their first jobs.

Quick development of small family enterprises was also caused by factors that are deeply rooted in Polish societal culture. According to most sociological research, family values are still considered by the Poles as the most important in the hierarchy of values (*Social Diagnosis 2009...* 2009: 119). S. Nowak believed that there is a “social void” syndrome in Poland, meaning that social values are focused on the family level, and at the same time there are very weak or no civic values (Nowak, 1979). Also, research on Polish social capital shows that it is very low in comparison to most developed countries (*Social Diagnosis 2009...* 2009: 119). Thus, the level of social trust is very limited, which is a favorable condition for the development of family enterprises based on family ties.

3. The adopted operational definition of a small family enterprises

One of the key cognitive problems requiring a solution before the beginning of empirical research began was formulation of an operational definition of a family SME, which would make it possible to identify such entities.

Family SMEs may be defined based on different criteria. It is relatively easy to define an SME, and in fact a definition formulated by the European Union has been adopted. In fact, there is no consensus on the criteria distinguishing family businesses, although the most often indicated criteria are: family structure of the entity's ownership, strategic control exercised by a family, participation of family members in managing the enterprise, and the involvement of more than one generation in running the enterprise (Handler, 1989: 257–276). M.C. Shanker and J.H. Astrachan draw attention to the fact that the definitions of a family enterprise cover a continuum. The broadest definitions adopt a very general and

vague description of a family business, based on the following criteria: control over strategic decisions and the intention to keep the enterprise under the control of a family. According to a slightly narrower definition of a family business, the founder of the business or his/her descendants run the business, which remains under the proprietary control of the family members. By contrast, narrow definitions, apart from the above mentioned criteria, require: direct involvement of more than one family member in business management and a multi-generational structure to the enterprise. Depending on the adopted definition, family enterprises are the source of 12%, 30% or 49% of the national income of the US economy (Table 1) (Shanker, Astrachan, 1996: 107–119). Thus, the differences are of great importance, but even adopting a narrow definition of a family enterprise we end up with a large group of business entities.

Table 1. Family business definitions depending on the level of family involvement

Criterion	Broad definitions	Medium definitions	Narrow definitions
Ownership structure	Large family share	Controlling family shares	Majority family shares
Strategic and management control	Minimum strategic control	Strategic control and participation in management	Strategic control and full management
Inter-generational structure	Not required	Planned family succession	A multi-generational entity
Involvement of family members	Low	Medium	High
Percent of produced GDP in the USA	49%	30%	12%
Employment in the USA	59%	37%	15%

Source: own work based on M.C. Shanker, J.H. Astrachan, *Myths and Realities: Family Businesses' Contribution to the US Economy – A Framework for Assessing Family Business Statistics*, “Family Business Review”, vol. 9, no. 2, 1996, pp. 107–119.

Among the most important criteria allowing definition of a business entity as a family enterprise are: ownership, management, family involvement in the enterprise and family succession. R.K.Z. Heck and E.S. Trent compare the criteria in relation to subject literature (Table 2).

Table 2. Summary of definitions of family enterprises, based on the subject literature.

The essence of definitions according to the listed authors	Variables researched in the National Family Business Survey 1997
1. Ownership or management	The status or structure of ownership, joint ownership, co-owners and those making key decisions or having control or ownership of shares.
2. Involvement of the family in the enterprise (system correlations)	Number of family members working in the family enterprise, paid and unpaid relatives who do not live in the same household.
3. Family succession (intergenerational transfer)	Generations in the family enterprise, the planned change of ownership structure in the family enterprise within 5 years, striving to keep the enterprise within the family in the future.
4. Multi-criteria	Combination of at least two criteria listed in points 1, 2 and 3.

Source: R.K.Z. Heck, E.S. Trent, *The Prevalence of Family Business from a Household Sample*, in: "Family Business Sourcebook", ed. C.E. Aronoff, J.H. Astrachan, J.L. Ward, Family Enterprise Publishers, Georgia 2002, p. 610.

The analysis suggests that the dominant definitions relate family business to the criterion of ownership or management. It is quite common to use definitions that mention the involvement of the family in the enterprise, as well as combining two or more criteria. Theoreticians rarely define family business using family succession as the key criterion.

Adapting the definition of 'family enterprise' to Polish conditions, one should pay attention to the limited possibility of using the succession criterion. Most Polish family enterprises are owned by the first generation, i.e. the enterprise's founders, which results from the fact that in most cases they are entities set up during the time of the nation's 1990's transformations, so the oldest of these are only 20 years old. It seems then, that the key criteria should be family involvement, management and family ownership. As such, a rather careful definition of 'family enterprise' was taken, which assumes that more than one member of the family is involved in the enterprise and that it is necessary for at least one family member to have a considerable influence on the enterprise's management, as well as proprietary shares (but not necessarily a majority).

Thus, the following definition was proposed: *A family enterprise is each entity in the sector of micro, macro and medium enterprises, of any legal form, registered and acting in Poland, in which:*

- *At least two family members work together,*
- *At least one family member has a considerable influence on management,*
- *Family members hold shares.*

4. Research methodology

The research, taking into consideration the postulates of methodological triangulation, made use of representative survey methods and statistical analysis, as well as qualitative methods such as focus, free-form and expert interviews. The research was divided into three stages: exploratory, diagnostic and verification, and explanatory.

I. Exploratory stage

1. Analysis of secondary sources (desk research) – A detailed analysis of available works on family enterprises.

2. Quantitative research of SMEs

- a. It was necessary to conduct quantitative research on a representative sample of SMEs in order to estimate the number of population of interest to us and to prepare its description. It was also important to gather information that would allow us to conduct comparative analyses between family and non-family enterprises (structural differences, training needs).
- b. The aim of the research was to estimate the share of family enterprises in the SME sector, according to the different criteria of the definitions of 'family enterprise' used around the world.
- c. The general population of the research included:
 - micro enterprises – employing up to 9 workers;
 - small enterprises – employing between 10 and 49 workers;
 - medium enterprises – employing between 50 and 249 workers.

The research excluded enterprises representing the following sections of the Polish Classification of Business Activity 2004¹⁵:

¹⁵ Use of the sections of the Polish Classification of Business Activity 2004 is a result of the fact that these classifications are still used by the Central Statistical Office to prepare statistical data on the structure of the population of business entities, and also to make data from the REGON register available.

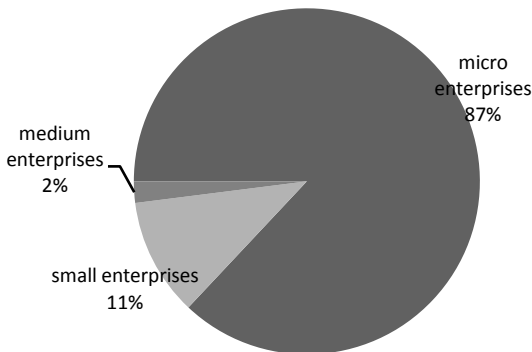
- section A – agriculture, hunting,
- section B – fishing,
- section L – public administration,
- section P – households employing workers,
- section Q – extraterritorial organizations and teams.

Also, business entities being natural persons that do not employ anyone, were excluded from the research population.

- d. The respondents (sample subjects) were the owners/co-owners or managerial staff of their enterprises (presidents, directors or their deputies, members of the board). In the case of family enterprises, they were both family members and 'other person's (on condition they held managerial posts).
- e. Sample selection – stratified sampling.
- f. Sample size – N=1280, maximum statistical error – 2.7%. The data was weighted so that the sample structure precisely reflected the structure of the SME sector. As a consequence of weighting the data, the sums of percents in the answers to individual questions may not be 100% (usually the maximum deviation is +/- 1%).
- g. Research technique – direct, individual questionnaire interviews.

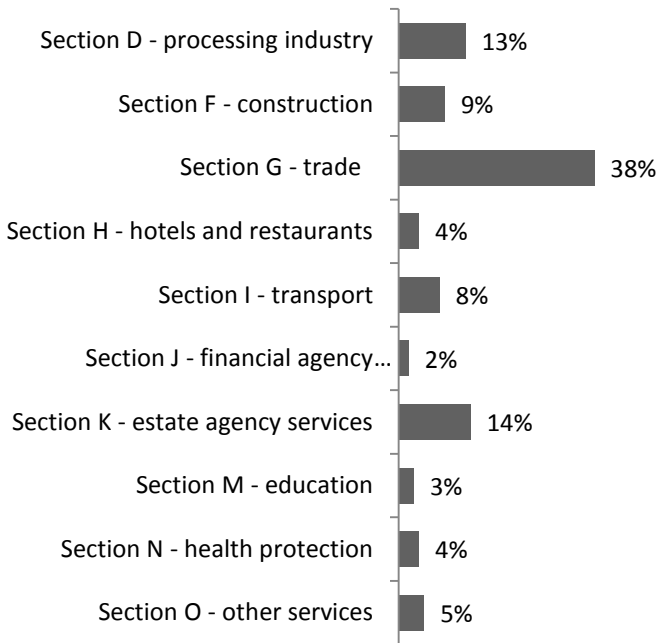
The charts below present the structure of the sample taken in the SME research, in accordance with the most important variables.

Chart 1. Sample of the structure taken in the SME research – enterprise size



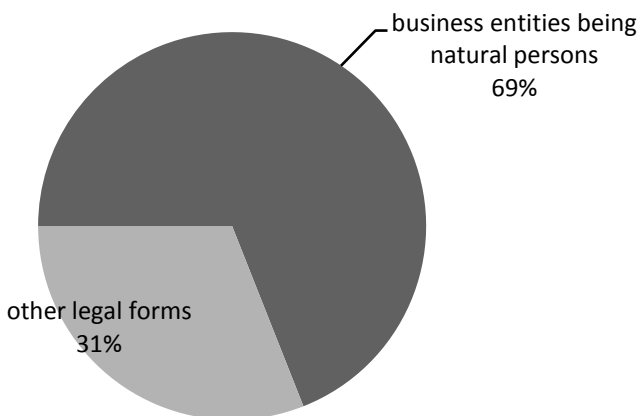
Source: SME research, exploratory stage, N=1280.

Chart 2. Sample of the structure taken in the SME research – Polish Classification of Business Activity sectors



Source: SME research, exploratory stage, N=1280.

Chart 3. Sample of the structure taken in the SME research – legal form



Source: SME research, exploratory stage, N=1280.

II. Diagnostic and verification stage

1. Qualitative research

In order to better understand the problems and barriers related to running family enterprises and to determine the needs of such enterprises for training and counseling services, **individual interviews with entrepreneurs and key employees** were conducted as part of the research, together with **individual interviews with experts** (representatives of academic circles, business organizations and counseling and training companies, as well as lawyers).

Individual interviews in enterprises (with managerial staff and key employees)

- a. Stage 1 – individual in-depth interviews with the owners or co-owners of family enterprises from the SME sector. Interview duration: 90-240 minutes. Interviews at the enterprises' registered offices.
Stage 2 – individual in-depth interviews with key employees of the enterprise.
- b. In stage 2, the respondents were employees of family enterprises, chosen after the end of stage 1: after getting to know the organizational structure and specificity of the enterprises, people who have the largest knowledge of the organizational units or departments of the enterprise they work in were chosen.
- c. Sample selection method – enterprises chosen to take part in the research differed in size (micro, small and medium), trade and voivodeship (province).
- d. The total number of enterprises that took part in the interviews was 30 (27 enterprises where proper interviews were conducted and 3 enterprises where pilot interviews were conducted).

Individual interviews with experts:

- a. Respondents – people who directly or indirectly deal with the issue of family enterprises in their everyday work:
 - representatives of academic circles - 6
 - representatives of business organizations - 3
 - representatives of counseling and training companies - 3
 - lawyers – 3
 - accountants- 1
- b. Interview duration: 40-120 minutes, meeting place: respondent's workplace or a focus studio,
- c. Sample size – total number of conducted interviews: 16 (including 2 pilot interviews).

2. Quantitative research of family enterprises (proper research of family enterprises)

- a. The basic aim of the research was to conduct quantitative verification of the results of the previous two stages: the exploratory stage and the qualitative research being part of the diagnostic and verification stage, and especially:

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- The segmentation of family enterprises, together with its key criteria and an attempt to identify relatively homogeneous segments,
 - Diagnosing current and potential problems characteristic of family enterprises,
 - Identifying and assessing the need for training and counseling support among family enterprises,
 - Determining the need for training and counseling services among family enterprises from a voivodeship perspective,
 - Getting to know the preferences in terms of substantive, technical and organizational characteristics of counseling and/or training services, determining the need for specific support tools.
- b. The general population consisted of Polish family enterprises from the SME sector, in accordance with the definition verified after the end of quantitative research during the exploratory stage (the detailed definition can be found in part 6.1). The respondents were the owners and/or persons managing family enterprises (sample subjects), regardless of whether they were members of the owner's family or not.
- c. Sample selection: quota sampling, sample structure (number of employees, trade and voivodeship) in accordance with, amongst other things, the weighting procedure¹⁶ – the structure of family enterprises identified in the research on a representative sample of SMEs. The sample of family enterprises may be treated as representative of the population of Polish family representatives from the SME sector.
- d. The research was conducted with the use of direct, computer-aided interviews.

III. Explanatory stage

The main aim of this stage was to build a model of a training and counseling program aimed at family enterprises, in cooperation with family enterprises and experts in training. This stage made use of qualitative research – individual in-depth interviews.

Individual in-depth interviews with the owners of family enterprises

- a. The research covered 15 family enterprises, including those identified during the quantitative research as enterprises with large training needs. Pilot interviews were conducted in three of them.
- b. Interview duration: 60-120 minutes.
- c. Interview place: registered office of a family enterprise. Individual interviews with experts.

¹⁶ As a consequence of weighting the data, the sums of percents in the answers to individual questions may not be 100% (usually the maximum deviation is +/- 1%).

- a. Respondents: representatives of counseling and training companies. All respondents were experts in developing training programs.
- b. Five in-depth interviews were conducted (including one pilot interview).
- c. Interview duration: 60-120 minutes.
- d. Interview place: focus studio or the registered offices of a counseling company.

5. Family enterprises in the Polish economy

Pursuant to the research conducted, family enterprises constitute 36% of the SME sector¹⁷, but the share of family enterprises (in accordance with the adopted definition) decreases as the enterprise size grows: among micro enterprises, 38% are family enterprises, among small enterprises – 28%, and among medium enterprises just 14% are family enterprises.

Assuming that business entities being natural persons which do not employ any workers (excluded by the definition of a family enterprise and thus excluded from the research on SMEs, although in some countries they are treated as family enterprises) are a priori family enterprises, it should be said that 78% of enterprises in the SME sector in Poland are family enterprises. Most entities we classified as family enterprises (nearly 90%) are aware of their family character and even call themselves family enterprises. We can estimate that family enterprises produce at least 10.4% of the total gross domestic product (over 121 billion Polish Zloty (PLN) every year). Polish family enterprises employ about 1.3 million workers, or 21% of all people employed by SMEs.

6. Differences between family and non-family enterprises

Quantitative research on a representative sample of entities from the SME sector **did not reveal any significant differences between family and other enterprises from the SME sector in terms of structure** (enterprise size, number of employees, geographical area of activity, turnover, investment activities undertaken and investment plans). Furthermore, no significant differences were found in terms of the greatest barriers to Polish entrepreneurship, as well as the activities that

¹⁷ The research excluded entities from the following sections of the Polish Classification of Business Activity 2004: section A – agriculture, hunting; section B – fishing; section L – public administration; section P – household employing workers; section Q – extraterritorial organizations and teams. Also business entities being natural persons which do not employ anyone were excluded (even if they are unofficially supported by the members of the family of the person who conducts the given business activity).

need to be undertaken in order to improve the conditions for conducting business activity in Poland.

According to the analyses, differences are to a greater extent related to a company's size (number of employees) than a family's character, which may be a result of the fact that the Polish free market has just only reached maturity. In consequence, a large number of Polish family enterprises are still at the stage of development where no problems characteristic of the family-run business are revealed, such as generational transfer of ownership, introduction of new generations into the family's entrepreneurship, or introduction of outside managers into a family enterprise.

It also has to be emphasized that small (often of no statistical significance) differences between family and other enterprises may result from the structural specificity of the Polish SME sector. It is dominated, both in the case of family and non-family enterprises, by micro enterprises, while small and medium enterprises are very rare. In the case of such structures, it is hard to expect that problems with staff management (employees who are not family members) would be revealed, or problems with managing complex organizational structures.

Differences between family and non-family enterprises mainly appear in the issue of **values and organizational culture**, which are marked by both positive and negative **consequences of the family's character**. Perhaps this is why family culture and identity of the enterprise are not always reflected in its image. Not all members of managerial staff emphasize the family character outside the enterprise, perhaps thinking that this could be seen as a negative characteristic.

Employment of family members is mostly related with having greater confidence in them. Thanks to blood ties, sharing of common values and co-responsibility for the name and company reputation, enterprise founders may be sure that they will not be cheated by family members. This is why they offer them key positions and make them responsible for vital decisions.

According to the opinion of entrepreneurs, employees who are family members are more motivated by blood ties and working to the common good, and are more prone than non-family employees to make sacrifices for the enterprise (e.g. working free overtime).

The communication system developed for years within the family, using the same language code and much time spent together result in a quicker decision-making process. Close family relations allow family members to more easily express their opinions, especially negative ones.

The characteristic, family organizational culture consists mainly in a positive working atmosphere – managers and owners often transfer the family atmosphere to their business premises. In some of the researched enterprises, the previous,

negative, working experiences of their owners related to non-family enterprises, which led to them developing their own perfect workplace, wherein they would be happy to stay.

Interviews with employees of family enterprises who are not family members suggest that the attitude towards non-family employees in family enterprises is more individual than in non-family enterprises. Managers and owners often know the private lives of their employees. Direct contact between the owner and employees results in better knowledge of the human resources of the enterprise, which helps to find the most suitable posts for the employees and thus increase the enterprise's effectiveness.

Regardless of their size, family enterprises are more flexible in terms of their clients' needs. Thanks to flextime, they can easily adjust their working time to the needs of the market. Experts emphasize the fact that family enterprises very often occupy market niches, fulfilling special, non-standard orders.

Due to their flexibility and larger adaptability, family enterprises are more resistant to periods of crisis – they quickly adapt to new conditions, reducing costs to an absolute minimum and resigning from all unnecessary expenditure. Periodically, such enterprises can reduce or even stop paying wages to those employees which are family members.

A characteristic feature of family enterprises is the larger level of responsibility for the family, employees and local community where they function. When making decisions, managers remember that they are responsible not only for their employees, but also indirectly for their families, as well as the local community, which they often support.

7. Characteristics of Polish family entrepreneurship

The size structure of family enterprises reflects the structure of the SME sector, with a prevailing number of micro enterprises (90%). Nearly every tenth (9%) of family enterprises are entities employing between 10 and 49 workers, and only 1% qualify as medium enterprises. The average number of employees in family enterprises is 5.8, where 2.4 are family members.

The prevailing legal form in Polish family entrepreneurship is the business activity of a natural person (81% of family enterprises). The average age of a family enterprise is about 14 years (which is similar to non-family enterprises). The largest group includes enterprises present on the market for 11-20 years (42%) but there are also numerous companies aged 6-10 and over 20 (about 20%).

Family enterprises can be most often found in the following sectors of the economy: H (hotels and restaurants), D (processing industry), I (transport and warehouse management) and G (wholesale and retail trade). In total, 76% of family enterprises are related to these sectors, and especially to sector G (45%).

The founding of a large percentage of the family enterprises in the above trades may probably be attributable to the low costs of entering the market. In most cases, family enterprises function in the nearest markets (on a local and voivodeship level). At the moment, there are only 2% of small family enterprises on the international market.

Family enterprises, just like all other enterprises in the SME sector, are not 'financial sharks'. Last year's turnover was, for most of them, below one million PLN, and the turnover of the prevailing number of such enterprises did not exceed 500,000 PLN. The investment activities undertaken by family enterprises are not different from similar activities of other enterprises from the SME sector. Modernization activities (purchasing new machines and equipment) are the definite priority, there is a low interest in training and counseling services, and there is virtually no interest in research and development investments.

Over the last two years, use of training and counseling services was uncommon (about 15% of family enterprises used such services), while the variable that diversified the extent to which such investments in an enterprise's development were implemented, was the enterprise's size. The more people are employed by the given enterprise, the higher the probability that there will be soft investments among the investment activities undertaken.

It is clear that family enterprises are more prone than non-family enterprises to financial investments using loans. This phenomenon can easily be explained by the limited financial resources of family enterprises (reflected by, among other things, their lower turnovers), which in most cases function as business entities owned by natural persons. Undertaking activities in areas that require higher financial outlays means such persons must resort to bank credit and loans.

Ownership and management in Polish family enterprises is, in most cases, kept in the hands of the founder (or the founder's family). In most cases (93%) families have majority interests in the researched enterprises (family enterprises, excluding business entities being natural persons). Most often these are entities where all shares are owned by the founder's family (52%) and enterprises where the amount of shares is between 50% and 70% (23%). An average amount of shares owned by the family is 87%.

Family enterprises most often employ representatives of the first generation (nearly 90%) who are also, in most cases, the owners. Joint ownership (much rarer) can often be found in the case of representatives of the first and second generations. The second generation is more often involved in working for the company (33%) than owning it (15%).

In most cases, owners manage their enterprises in person (or with the help of family members). In companies employing representatives of more than one

generation, founders have the largest influence on the decision-making process – in nearly 9 out of 10 researched enterprises the influence is large, and in over a half of the cases their influence is very large. Founders of family enterprises usually use a paternalistic management style. Such management is one-person, charismatic and power-oriented. Enterprise founders who have broad decision-making rights have to take care of their enterprise's development and provide wealth to their families and employees. On the one hand, the paternalistic style may offer a greater sense of security and stability to employees, but on the other it may strongly limit their decision-making processes and promote the 'learned helplessness syndrome'.

Employees who are not family members have very little influence on the decision-making process in the company. Only in 11% of enterprises was the influence of 'non-family' members on the decision-making process described as large or very large. At the same time, 38% of the respondents declared that such employees have no influence on the process.

Certain differences between managers from the family and those outside the family were also revealed in relation to views on managing a company, and these differences may be a source of potential conflicts concerning the directions of development of a family enterprise. Owners are more conservative when it comes to management. Decision-making employees who are not family members are more often of the opinion that investments should be based on the company's own capital (59%, in comparison to 43% of the respondents who are not family members), and that the company should develop following small steps (59% and 43% respectively), possibly in accordance with old, proven methods (42%, 29%). Consequently, they have different visions of the company's perspectives – owners, more often than people who are not family members (33% and 15% respectively), declare that their enterprise focuses on survival rather than development. This is similar in the case of medium enterprises.

Employees who are not family members have more 'sober' views of the enterprise and they tend to depict the enterprise in a less idyllic way than the owners, as they less often attribute ethics of conducting business (50%, 58% in case of owners) and a larger ability to implement innovative solutions (41% and 49% respectively) to family enterprises as features that make them better than non-family enterprises.

Family succession is one of the most important manifestations of functioning as a family business. In the case of family enterprises, successful succession is a crucial process, as it influences the whole development of the enterprise. Taking into consideration the relatively short tradition of Polish entrepreneurship, it is difficult to find a family enterprise that has already undergone an intergenerational transfer (about 20%). However, most family enterprises are willing to hand the company over to descendants (58%), although this is more a general declaration

than a specific plan. The scope of knowledge about planning the succession is very limited. Managers draw their knowledge from their own experience and intuition, so they often make such mistakes, such as not preparing their potential successor. The enterprises researched would then face a serious succession problem, if the succession is a consequence of a sudden, unforeseen event.

Although the family's character is seen as a positive value (the respondents think highly of family enterprises, and in most cases they see family character as a factor supporting the business), the fact that an enterprise is a family business is not strongly emphasized in business relations – just 27% of the enterprises researched admitted that they often emphasize the fact that they are family enterprises. A similar percentage (26%) of the respondents declared that they sometimes do, while 14% rarely do. Nearly one third (32%) of the companies researched never emphasize the fact that they are family enterprises.

8. Problems of Polish family enterprises from the SME sector

Family enterprises, just like all other entities functioning on the Polish market, face **numerous problems** related to conducting business activity.

Most of the problems are typical of the SME sector and the family character of the enterprises has little and dubious influence on them. On the one hand, managers of family enterprises feel a bit more secure, as they have someone they can trust in the company (*you always feel more secure with your family*) but on the other, some managers are overwhelmed by the greater responsibility for the enterprise and its activities, as it is the source of income for the whole family.

We can distinguish **two kinds of problems**: those that the managers of family enterprises are aware of, and those they are not aware of.

None of the problem areas they are aware of are characteristic only of family enterprises; rather, they are all problems faced by companies in the SME sector generally. However, in the case of family enterprises, some of these problems are slightly more intense.

Problem areas family enterprises are aware of are:

1. Those related to new challenges resulting from the economic situation;
The source of these problems are the changes consequent to local economic dynamics – thriving companies appear, the demand for products or services decreases (e.g. due to a crisis).
2. Legal and administration regulations;
Owners of micro and small enterprises (and less frequently, medium enterprises) believe that the price of legal services is too high for them and that they are competent enough themselves in this area.
3. Financial management of a family enterprise;

Individual respondents declared that they would like to organize an external audit of their enterprises in terms of financial management.

4. The area of work organization and human resources management.

Individual respondents (who are more aware of the competences necessary for management) emphasized the fact that they would be willing to consult their ideas related to motivating employees and managing the system of wages with specialists in these fields.

The material analysis and the statements of experts allowed us to distinguish the following three problem areas that family enterprises **are not aware of**:

1. Managing the enterprise, in terms of finance and work organization;

Apart from the obvious lack of basic knowledge on entrepreneurship and management, managers are not aware of their low competencies in these areas. The situation may turn out to be a serious barrier to the recruitment of those offering training courses aimed at this group of entrepreneurs – lack of awareness of one's own needs also means a lack of motivation for taking part in training courses. The most frequent example of poor work organization in a family enterprise is the authoritative management of the company owner, which is a barrier to developing a more complex structure of subordination and dividing responsibilities between a larger group of employees.

2. Human resources management;

The analysis of the gathered data, confirmed by experts, proves that family enterprises are at great risk of problems resulting from improper human resources management.

In the area of human resources management, the following problems accumulate:

a. Reluctance to employ people from outside the family in key positions;

Both during founding and developing a company, family enterprises prefer to rely on family resources. Most of them give no access to key managerial positions to people who are not family members. In fact, in Polish family SMEs only family members are trusted with managerial positions and are given chances for development. In consequence, there is a risk of lack of access to the most competent staff, hermetic organizational culture and excessive dependence on the family. Thus, it is one of the key barriers to the development of family enterprises in Poland. It can also be expected that Polish family enterprises will strongly resist losing their controlling interests as the enterprise develops. In consequence, there is a risk that family enterprises will be quickly set up and will develop during the first generation based on family resources, but development will be stopped during the second generation by the lack of business professionalization and the lack of the family's readiness to share ownership of the enterprise.

b. Relations between the family and other employees;

In this case, two phenomena should be mentioned:

- A very high level of integration of family employees with the enterprise (in comparison with which the involvement of other employees seems to be much lower);
- A higher tendency of family enterprises to form pathological interpersonal relations, the effect of which is a low level of integration of employees who are not family members with the enterprise.

c. Inside-family relations (including intergenerational relations).

Conflict situations are transferred from the family to the enterprise. However, company owners do not think it necessary to change the situation. According to experts, such conflicts should not be underestimated. Family conflicts transferred to the enterprise often turn out to be very destructive.

3. Issues related to succession.

Polish SMEs are young and most have not undergone a succession process yet. Furthermore, their owners often try to postpone preparations for the process to an unspecified point in the future. In consequence, family enterprises lack:

- Methods of preparing successors to take over managerial processes,
- Legal solutions making it possible to carry out a succession in the easiest possible way,
- Mechanisms protecting the senior leaving the enterprise.

The entrepreneurs do not expressly declare the need for training courses in this respect (only a few would be interested in a training course related to legal solutions). Sooner or later, each family enterprise will encounter the problem, and almost none are prepared to deal with it.

9. Segmentation of family enterprises

The research results made it possible to define 6 segments of family enterprises, distinguished according to criteria related to:

- Attributing value to and emphasizing the family's character as the key company attribute.
- Succession processes that are planned or already under way, the consequence of which are a two-generational or multigenerational structure of ownership and management.
- The influence of the family and other people on management.
- The size and age of the enterprise.
- The existence of a formal strategy for development.

Of these factors, the first two are of crucial importance to the different demands for training and counseling services.

The following segments of family enterprises were distinguished:

- **Segment 1 ‘Fighting for a position’** – The largest segment of family enterprises (45%), typical of the first stage of entrepreneurship. Characteristic features: the family character of the enterprise is rarely emphasized, there is a belief that the family character does not help in business, there are no specific succession plans, young age (7 years on average, but 16% of enterprises from this segment have functioned on the market for less than 3 years), small number of employees, as well as a lack of formal development strategies (both long- and short-term).
- **Segment 2 ‘Collectivity and germination of succession’** (16%) – This segment includes enterprises which have a development strategy and a wish for succession. Some of the enterprises have already undergone the partial process of succession. Despite the fact that these enterprises are still mostly owned by the generation of founders, there are cases where they share ownership with representatives of the second generation (the second generation is much more frequently allowed to work together with the first generation). Over half of these enterprises have been present on the market for over 10 years.
- **Segment 3 ‘Management professionalization’** (12%) – Enterprises from this segment are relatively large and are distinguished in terms of the influence people who are not family members have on the decision-making process. These enterprises are mostly owned by the first generation (as there rarely are following generations). The family character in such enterprises seems to be a secondary issue, as they rarely emphasize it in business relations and reveal no great wish for succession.
- **Segment 4 ‘Family character enthusiasts’** (13%) – Enterprises from this segment often emphasize their family character in business relations. They strongly believe that ‘family character’ has a positive influence on their business activities. These enterprises lack formal development strategies and are young, which profile resembles enterprises from the ‘Fighting for a position’ segment. Unlike them though, enterprises from Segment 4 have a very positive attitude towards the family character as a company attribute.
- **Segment 5 ‘Change of guard’** (10%) – Enterprises in this segment have already undergone the succession process. They are managed by representatives of the second generation but the founders – although they are withdrawing from ownership – remain professionally active. In such enterprises, employees who are not family members have little influence on the decision-making process. These enterprises are not young but they do not belong to the oldest group (their average age is 13 years).
- **Segment 6 ‘Aware of the family character, multigenerational traditionalists’** (5%) – These are typical multigenerational enterprises, in terms of co-ownership,

joint work for the enterprise, as well as deliberate use of the family character in business relations. They are the oldest and relatively speaking the largest enterprises (the average age is 17 years, and a half of them have been present on the market for over 20 years). Enterprises from this segment relatively often have formal development strategies.

10. Conclusions

This section contains the main conclusions from the research conducted on the differences between micro, small and medium family enterprises.

1. Number of family enterprises depending by enterprise size

- The number of family enterprises (in accordance with the adopted definition) among SMEs is smaller, the larger the enterprise is – among micro enterprise, 38% are family enterprises, among small enterprises – 28%, while among medium enterprises – 14%.
- This is similar to the percentage of enterprises that the owners or managers recognize as family enterprises – the number is smaller, the larger the enterprise is: among micro enterprises it was 34%, among small enterprises – 27%, and 14% among medium enterprises.
- It can be estimated that family enterprises from the SME sector produce at least 10.4% of the Polish GDP (over 121 billion PLN), including micro family enterprises – 7% of the GDP, small family enterprises – 1.9% of the GDP, and medium family enterprises – 1.4% of the GDP.
- The estimated number of people employed by family enterprises is slightly over 1.3 million (21% of all people employed in SMEs), including about 850,000 employees of micro enterprises, nearly 330,000 employees of small companies and 160,000 employees of medium enterprises.

2. Internal structure of family enterprises in terms of the number of employees

The dominant type of enterprise among them are micro enterprises (90%). Nearly every tenth (9%) family enterprise is an entity employing between 10 and 49 workers, and only 1% qualify as medium enterprises. Such structure is also characteristic of the whole sector, as well as non-family enterprises.

3. Enterprise size and legal form

The enterprise's size is a factor that determines its legal and organizational form. Among micro enterprises, the prevailing number are natural persons conducting business activity (86%, among small enterprises – 64%, among medium enterprises – 36%). The larger the enterprise, the more common are other legal forms, and especially limited liability companies (4%, 10%, 36%), while civil law partnerships or general partnerships are less common.

4. Enterprise size and trade

Most micro enterprises (63%) specialize in wholesale and retail trade, which is less popular among small and medium enterprises that concentrate on processing industry (16%, 29%), transport (8%, 12%). Moreover, small enterprises also focus on estate agency services (11%), while medium enterprises on health (9%).

5. Enterprise size and the scope of activity

Micro enterprises function mainly on the local market (73%). Small and medium enterprises are much more often present on voivodeship (province), national and international markets (in the last case these are most often medium size enterprises). The barriers for the expansion of micro enterprises are related both to their limited size, and a certain self-restraint in terms of their activities. This is expressed in the popular belief that investments should be based on the enterprise's own capital (65%), and the best development method is the method of small steps. In consequence, every second micro enterprise feels overwhelmed by problems, functions with constant uncertainty of the future, and declares that they do not consider development but focus on surviving on the market.

6. Characteristics of family enterprises

- Micro enterprises have a more positive view of the influence of the family character on business – two thirds claim that the family character helps them conduct business activities (they mostly appreciate the possibility of using family human resources, and at the stage of setting up a company, also financial resources). In small enterprises the percentage is 55%, while in medium enterprises – 57%.
- However, enterprises employing between 50 and 249 employees more often use the family character in business relations. 62% of such enterprises often or sometimes emphasizes the family character, while among other enterprises the percentage is slightly lower.
- In micro enterprises, 2.6 family members (and formally 2.1) are involved in work for the company, in small enterprises – 3.9 (formally – 3.7), while in medium enterprises – 7 (formally – 6.3).
- A multigenerational character, both in the case of shares in ownership and involvement in the work for the enterprise, also occurs more often the larger the enterprise is. A second generation's share in ownership was found in 15% of micro enterprises, 21% of small enterprises and 34% of medium enterprises, while the involvement of the second generation in work was declared in 29% of micro enterprises, 39% of small enterprises and as much as 57% of medium enterprises. However, the relation between the multigenerational character and enterprise size is interfered with by another variable – the enterprise's age (the time the enterprise has functioned on the market is strongly correlated with its size).

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- A consequence of enterprise size is its organizational structure. Separate departments are present only in 10% of micro enterprises, 30% of small enterprises and 74% of medium enterprises. Enterprise size is also related to the presence of a board of directors and a supervisory board (or a different, informal board) – these bodies are most often present in medium enterprises (board of directors – 53%, supervisory board – 26%), and are less often found in small enterprises (15% and 4% respectively), and very rarely in micro enterprises (5% and 1%). Thus, holding managerial functions by family members in internal organizational sections is most often declared by the representatives of medium enterprises (75%), and then by the representatives of enterprises employing between 10 and 49 people (59%). In the smallest enterprises the percentage was 28%. However, this does not mean that micro enterprises are more resistant to nepotism, as the result reflects only the natural structural barrier.
 - In the vast majority of family enterprises, the owner manages the enterprise in a direct and independent way, although such centralization of management is more characteristic of micro (95%) and small enterprises (92%). In medium enterprises, other family members (16%) or external managers (5%) are sometimes allowed to take part in managerial processes. The conclusions are confirmed by the data on the involvement of people who are not family members in managerial processes – in as many as 43% of micro enterprises, people who are not family members have no influence on the decision-making process (however, it has to be taken into account that a large number of such enterprises employ only family members). In micro and medium enterprises, the percentage is much lower (21% and 14%).
 - The willingness to hand over the enterprise to legal successors is not related to the enterprise's size. However, small and medium enterprises are much more often prepared for this process than micro enterprises. They often have a formal succession plan, they more frequently offer employment to the successor and training related to the enterprise's profile (this happens mainly in medium enterprises which also have a formal development strategy, more often than micro and small enterprises – 34%, 7% and 13% respectively).

Charakterystyka polskich małych form rodzinnych

Streszczenie

Artykuł analizuje cechy i znaczenie małych firm rodzinnych w polskiej gospodarce. Jest oparty na największym, i jak dotąd jedynym krajowym reprezentatywnym badaniu małych firm rodzinnych. Badania zakończono w grudniu 2009 roku, a były prowadzone przez zespół autorów w składzie: Ł. Sułkowski, A. Kowalewska, J. Szut, B. Lewandowska, M. Kwiatkowska, A. Marjański oraz przez firmę badawczą Pentor na zlecenie Polskiej Agencji Rozwoju Przedsiębiorczości. Badanie uwzględnia postulaty metodologicznej triangulacji oraz korzysta z reprezentatywnych metod pomiarowych, analiz statystycznych, jak również metod jakościowych, takich jak: metoda fokusowa, free-form i ekspert wywiadów.

Słowa kluczowe: firma rodzinna SME, polska SME, rodzinna firma polska, przedsiębiorczość rodzinna.

Summary

The article analyzes the characteristics and importance of family SMEs in the Polish economy. It is based on the largest, and so far the only, national representative research on family SMEs. The research was concluded in December 2009 and was conducted by a team of authors composed of Ł. Sułkowski, A. Kowalewska, J. Szut, B. Lewandowska, M. Kwiatkowska, A. Marjański and by the Pentor research company, on the commission of the Polish Agency for Enterprise Development. The research takes into consideration the postulates of methodological triangulation and makes use of representative survey methods, statistical analysis, as well as qualitative methods such as focus, free-form and expert interviews.

Keywords: family business SME, polish SME, polish family business, family entrepreneurship.

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