

External expert report

Education and Mentoring - A combination with
entrepreneurship and the business succession/transfer

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Contents

1. Introduction	3
2. Definition of family business	3
3. Specificity of family business	6
4. Challenges and barriers in business succession	10
5. Education and Mentoring in the succession process of family businesses	13
5.1. Succession process in the SME sector	13
5.2. Steps in the succession process	15
5.3. The importance of education for the continuation of the enterprise	17
5.4. The role of universities in Poland in shaping succession attitudes.....	19
5.5. The role of universities in shaping succession attitudes in EU	20

1. Introduction

The influence of the family on the business has been overlooked in scientific and political discussions for many decades and has not been treated as an important factor influencing the conduct of business. Its importance in the economy and social life was recognized as well as the need to support the development of family businesses and the inclusion of this issue in the subject of economic policy. It can be said that the subject of the science of a family enterprise was distinguished at the end of the 20th century (the beginning of research and analyses of family businesses took place in the second half of the 1970s)¹. Family enterprises do not constitute a separate type of entrepreneurs in formal and legal terms. However, in the literature no uniform definition of a family enterprise has been developed, which would be accepted by most researchers. The aim of this report was to present an approach to defining family businesses in Poland and the key characteristics of this type of entities in the context of examining devising ways to fuse education and mentoring activities with administrative and regional policy support – all to facilitate the succession processes at enterprises.

2. Definition of family business

In the literature, the "family business" is not clearly understood, which is mainly due to the fact that the family business in the modern economy is not a one-dimensional entity, but is characterized by great diversity. The impossibility of reaching a consensus on formal criteria of distinction makes it possible to include in this group enterprises of different legal forms, ownership, size and management methods. The breadth of defining family businesses is also due to the involvement of many academic disciplines in the study of these entities, such as anthropology, economics, finance, sociology, management, political science, law, accounting, psychology, organizational behavior, and even physics and biology. The concept of a family business consists of two terms that have different pedigrees, histories, traditions, and that are perceived differently socially. Besides, they are the equivalents of two different institutions that perform different tasks. The family is a social institution whose purposes are related to procreation, household management, organizing the lives of its members or with a kind of production for internal needs.

¹ Firmy rodzinne w polskiej gospodarce – szanse i wyzwania. PARP, Warszawa, grudzień 2009; https://www.parp.gov.pl/storage/publications/pdf/2009_firmy_rodzinne_szanse.pdf (06.05.2021r.);

In the other hand, enterprise, is associated with satisfying the needs of others, economic independence, and risk-taking².

According to the simplest definition of a family business, if a business considers itself to be family-owned, then it actually is³ However, many authors have attempted to specify differentiating features. The issues of ownership and management are highlighted in this case. Family businesses are characterized by the concentration of ownership, control, and the retention of key management positions by family members even after the company's founders have withdrawn⁴ Prominent researcher of economic sciences and humanities, Professor Łukasz Sułkowski expresses the view that a family business is an enterprise defined as an economic entity in which the ownership control or management of the entity remains in the hands of family representatives, and more than one family member is involved in its economic functioning. When referring to ownership, it is often assumed that the family is the sole or primary owner of the business. It is customary to use this term to refer to a business where at least 51% of the value is controlled by persons related to each other. Dominance among owners may mean a requirement for more than 50% ownership of the company (in the small and medium-sized group) or only 20% or even 10% in the large company category. In practice, the most commonly used definition is that a family business is a company where at least 51% of the shares belong to family or people related to each other. This means that family members are in the majority on the board and the owners are involved in day-to-day management. The definition of a family business that has found widespread acceptance is that it is a company of any legal form or business person whose capital is wholly or predominantly owned by the family. In addition, definitions can be found in the literature that pay attention to the length of time that the business has been under the control of the family and that the bond formed as a result of the business has been a reciprocal relationship both of the family with the business and of the business with the interests and has thus strengthened the realization of the family's goals.⁵ It is extremely significant that the definitions of family business operating in the literature also include the intention to pass the business to successors with an emphasis on management and control (ownership).

² Dźwigoł-Barosz M., Pojęcie i istota przedsiębiorstwa rodzinnego – uwagi do problemu, Zeszyty Naukowe Wyższej Szkoły Bankowej w Poznaniu, 2017;

https://papers.wsb.poznan.pl/sites/papers.wsb.poznan.pl/files/ZN_WSB_P_ART/ZNPoz76_M_Dzwigol_Barosz.pdf

³ Winnicka-Popczyk A., Specyfika zarządzania firmą rodzinną, w J. Hołubiec (red) Współczesne problemy zarządzania, Łowicz, 2002;

⁴ Bertrand M. Scholar A., The Role of Family in Family Firms, *Jurnal of Economic Perspectives*, 2006;

⁵ Donnelly R., The Family Business, *Harvard Business Review*, 1964;

The selected examples of family business definitions cited above represent a small portion of the terms that can be encountered in the literature. However, their common values are: **ownership, management and succession.**

All the above criteria are included in the definition proposed by Roman Sobiecki, where a family enterprise is defined as an economic entity, meeting the criteria of a micro-, small or medium enterprise, in which the sole or dominant direct owner of its assets is a single- or multi-generational family. At the same time, there is no ownership and management separation, and family members themselves work in their company. Moreover, the development of the company is in the family's interest (the family has a sense of participation in the company), solutions in the sphere of corporate governance are clarified and the principle of family succession is in force (power and property are passed on to the next generation based on social criteria).⁶

Consistency of meaning is critical since the generally accepted definition of a family business affects estimates of the share of the business population and, consequently, the expected share of employment or GDP creation.

Table 1. Advantages and disadvantages of family businesses

Criteria	Advantages	Disadvantages
Resources	Effective use of internal management and capital resources	As the company grows, it's possible to experience a reduction in management and capital resources
Potential strengths	Capital efficiency	Operating often in unattractive industries with low capital intensity and low barriers to entry
Intellectual and social capital	High psychological and social capital - perseverance, empathy	Limited access to skilled labor, local community employment-based activities and small share in the global market
Time horizon	Striving to pass the company on to descendants	Risk of persisting with bad decisions due to family stubbornness, limited willingness to take risky decisions

⁶ Sobiecki R., Jak uczyć przedsiębiorców – na podstawie przedsiębiorczości rodzinnej, Kwartalnik Nauk o Przedsiębiorstwie, 2010;

Transparency of communication	Fast, effective communication, lower information costs, higher level of protection of confidential information	Ability to conceal improper practices
Flexibility and sustainability	Fluidity of resources, family members work together, often in different positions, gaining experience across the company	Potential mismatch of goals between family members involved and not involved in the business
Legacy	Family history, identity and reputation, values, behavioral patterns can be the foundation for success	Rigid attachment to proven solutions, products, locations, access channels, technologies, management methods, etc.
Recruitment and employee career paths	The most developmental positions and those that involve a lot of responsibility and decision-making are for family members	Potential discrimination against employees who are not family members of the business owner
Motivation factor	A strong reduction in the cost of control within the company	Increased effort to convince family members and other employees of the company's vision, which may affect the quality of operational tasks performed

Source: Gupta V., Levenburg N., Moore I., Motani J., Schwarz T., Exploring the Construct of Family Business in the Emerging Markets, International Journal of Business and Emerging Markets, 2008;

3. Specificity of family business

The growing social importance of family businesses in Poland requires in-depth empirical research. However, obtaining complete information on the relationship between family ties and the functioning of an enterprise is an extremely difficult and complex matter. This results from the fact that they are governed by slightly different laws compared to other companies operating in the economy. In addition to the laws of the market, typically economic and financial aspects taking into account strategies and practices of efficient management, intangible resource streams of a special nature appear. In these entities, a specific role is played by family ties, attachment to family values and determination to extend the entrepreneurial "dynasty". The problem of succession is an indisputable link, a property inseparable from the functioning and development of family enterprises. It should therefore be incorporated into the long-term objectives of this group of enterprises, taking into account their development strategies and competitive trends.

The considerations presented so far show that family businesses have characteristic features that allow to distinguish them from other organizational forms. These include:

- at least one family member is an employee in the enterprise or actively supports the company;
- the existence of the family company to a large extent determines the choice of the professional career path of its members;
- family relations significantly influence the succession of ownership and control in the enterprise;
- family members exercise significant influence or direct management over the family business;
- family values are reflected in the mission and vision of the enterprise;
- a family organizational structure which combines the loyalty and trust of family employees with the hermetic environment;
- lack of a clear demarcation between the family and the company;
- family history is closely linked with the history of the enterprise;
- family members feel responsible for the current operation and development prospects of their own enterprise;
- the basic source of financing of small and medium-sized enterprises are the owner's and family's own resources;
- emotional ties with stakeholders, care for customers, suppliers and employees, which is one of the sources of competitive advantage.

The conclusion that emerges from the analysis of these characteristics is that the owning family shapes the business in a way that family members in non-owning businesses cannot. therefore, it is the family's involvement in running the business that makes it different from others.

Polish Agency for Enterprise Development conducted the research in 2014 under the program "Panel of Polish Enterprises"⁷. As a result of them, four variations of definitions were identified namely: subjective (when the respondent acknowledges that his company is a family business); structural (family members have majority shares); functional (the family is involved in running the business - i.e. at least 2 people in the family work with the family or 2 family members have influence on the company management or family members are involved in the company's operations); strict when the criteria are met simultaneously:

- at least two family members work together;

⁷ Firmy rodzinne w Polsce '2014. Projekt badawczy PARP Panel Polskich Przedsiębiorstw, Warszawa 2015; https://www.parp.gov.pl/storage/publications/pdf/2015_panel_firmy_rodzinne_2014.pdf (10.05.2021);

- at least one family member has a significant impact on the management of the enterprise;
- family members have significant shares in the enterprise.

The information obtained from the surveys shows that 68% of Polish enterprises can be included in the family businesses (32% of companies do not meet any of the definitions of family businesses presented). Due to systemic transformation (from a centralized economy to a market economy), Polish family businesses are mainly the effect of the functioning of the economy over the last 25 years, and their managers are actually the first generation of entrepreneurs.

The distinguishing features of a family business are above all the norms and values of conduct in each area of the company. This is to ensure that it achieves its main objective of surviving in the market and growing as a whole and meeting competition. The norms and resulting values of the functioning of the family, business and individuals in family businesses are often not feasible at the same time and place. This means working out, building and shaping interpersonal interdependence, applying prevailing norms to business practice and rationally meeting the needs of its participants. These are directions that lead the family business to develop and lay the foundation for its multigenerational nature.

Family businesses have a lot in common with other SME companies. The differences in their functioning mainly concern the ***sphere of values, organizational culture and the hierarchy of goals***. This type of enterprise is characterized by a specific identity and values. Family businesses are more likely to "reinvest in themselves" in order to maintain and multiply assets for future generations. They are also more likely to undertake long-term investments and do not focus on short-term profits, which makes them an important player in stabilizing the economy. They are also characterized by a higher level of responsibility: for family, employees and the local community in which they operate. It should be stressed that family firms often situate themselves in market niches, carrying out special, non-standard orders.

The distinguishing feature of family businesses is the superiority of the long-term objective, i.e. the survival of the business, over the economic objective, typical of all commercial organizations. This objective is a barrier to shortening the time of achieving economic goals, taking risks and

thus enables the creation of favorable conditions for the development of the enterprise in the long term.⁸

Table 2. Standards in the family business by area

Family standards (relationships)	Company (business) standards	Individual (personal) standards
Providing opportunities for relatives, especially children	Employment of qualified staff	To get a well-paid job allowing for development and promotion
Providing support appropriate to needs	Ensuring remuneration adequate to the work input and market conditions	Remuneration in line with expectations, allowing for the realization of individual plans
Seeing each family member as a unique individual, treating siblings equally	Application of universal standards and procedures, universal evaluation system	Seeing oneself as a person with individual needs
Giving everyone the opportunity to learn	Providing opportunities for employee development for company needs	The search for one's own development path
Creating bonds of affection and building positive, strong relationships	Creating a universal organizational culture	Emphasizing one's own uniqueness
Ensuring the achievement of common goals, taking into account the aspirations of individuals	Achieving company objectives aimed at generating profit	Realizing one's own development goals

Source: Więcek-Janka E., Bariery w procesie sukcesji w opinii sukcesorów firm rodzinnych (wyniki badań), *Przedsiębiorczość I Zarządzanie*, 2015.

Family entrepreneurship is characterized by both advantages and weaknesses and threats. The issue of a family business is interdisciplinary, including the fields of economics, finance, management, sociology and psychology. Typically, the organization's culture is power-oriented on the one hand, and takes into account the family's influence on business development on the other. Most problems related to family businesses are typical for the sector of micro, small and medium enterprises. Among the problems specific to family businesses, succession is a key in the long-term development strategy, that aims to ensure business continuity and maintain the

⁸ Dźwigoł-Barosz M., Pojęcie i istota przedsiębiorstwa rodzinnego – uwagi do problemu, *Zeszyty Naukowe Wyższej Szkoły Bankowej w Poznaniu*, 2017; https://papers.wsb.poznan.pl/sites/papers.wsb.poznan.pl/files/ZN_WSB_P_ART/ZNPoz76_M_Dzwigol_Barosz.pdf

enterprise in the family possession. The reorganization process associated with the change of the manager is considered a typical challenge for family enterprises.

4. Challenges and barriers in business succession

In family business development strategies, the business dimension and the family dimension remain interdependent. A key element of the family business development strategy is the succession strategy, in which the following issues should be addressed: the new positioning of the role of each generation in the business development plan; the prevention of conflicts related to ownership and management, sibling rivalry and property repayments; the definition of the stages and timing of the generational change; the evolutionary transfer of business management and the preparation of a plan for the transfer of assets. The family's most important decision regarding succession is to develop a succession model, on which the construction of the succession plan depends. It is possible to choose between variants (combining the preservation or loss of the family character of the company) such as:

- a business from generation to generation;
- family co-ownership with management by a single family member;
- family co-ownership with non-family management;
- family co-ownership with management by multiple family members;
- professionalization of a family business owned by one person;
- loss of family character (e.g. strategy of selling majority stake in family business).

Many types of tools are used in succession planning. Selected tools from a family business perspective may include:

- preparation of family and non-family employees for the succession change - personnel strategy, recruitment and selection system, company communication strategy, employee evaluation system, competency profile of the successor, employee development plan, plan of alternative activities of the senior outside the family business, principles of cooperation between the senior and the successor, principles of conflict resolution between the senior and the successor;
- preparation of a business-friendly development path for the family business, accepted by the owner's family - strategy-based business management models, analysis of the

company's strategic potential, analysis of the business environment, mission and strategic goals;

- preparation of the legal status of the company for a smooth transfer of power and ownership, legal protection of the company in the event of death or permanent incapacity of the owner or manager - legal audit and implementation schedule, contingency plan, organizational and legal form of the family company (adapted to the needs of succession), contractual companies (introduction of appropriate provisions in the company's articles of association), sale agreement, donation agreement;
- achieving organizational maturity of the company, facilitating successor's management of the company - organizational structure and regulations, map of business and auxiliary processes;
- preparation of financing options for the succession change - valuation of the company, assessment of the economic and financial situation, financial succession plan, tax optimization.

Succession is one of the biggest changes that business owners face. Every change in the company is met with some resistance on their part. Conversations about succession can be the source of many misunderstandings, making succession a taboo subject. Potential successors want to chart their career paths early and may be distrustful or not believe that they will be given full authority and responsibility for running the family business in the future. Therefore they expect concrete and unchanging declarations from their parents. There are times when parent-owners do not want to lose control of the business and do not prepare their children for running the business. For many of them it becomes typical to fear of the negative effects of intergenerational transfer, including business failure.

Excessive involvement and psychological attachment to the business run by the original owners, as well as, the belief that they cannot be replaced by others (even if with good results for the business and the family) and attempts to avoid the inevitability of the passing of generations become clear barriers. There are concerns about the financial security of the family and the business and also psychological security (the feeling of being sidelined). There is also no guarantee that future successors will not be the proverbial prodigal sons or will not abandon the company after several years of management. Owners may also observe disturbing reasons or motivations for taking over the family business that characterize potential successors, e.g. a morbid need for power, rivalry with siblings, fear of failing in a new role.

In the succession process, it is crucial to combine the transfer of two separate elements: power and assets. The transfer should occur almost simultaneously, but many succession plans have failed precisely due to the failure to transfer these two elements. It is also important to clarify the issues related to the transfer of the business as soon as possible (especially tax issues, including gift tax, inheritance tax, etc.). The financial security of the current business owner who is "stepping down" from the business and the definition of his or her future role in the company are also important in the whole process. If everything is carefully planned and discussed, many misunderstandings about making such a large and significant change in the company can be avoided.⁹

Characteristic weaknesses of the family company are connected with the occurrence of conflicts inherent to the nature of family conflicts, due to the close connection between the professional and family sphere (e.g. transfer of private conflicts to the company, conflicts in the succession process, negative influence of nepotism on interpersonal relations). The challenge facing a family business is to competently, though not easily, separate family and professional relationships and to ensure efficient communication to avoid conflict situations and mitigate their consequences. In some difficult situations, an external intervention, e.g. in the form of **mediation or mentoring**, can be helpful in managing emotions.

Family companies face several barriers in the execution of succession process¹⁰:

- goodwill (difficulties in raising funds, family disputes, gaps in the competences of family workers, too high financial demands of the family, role conflict in the organizational structure, intergenerational conflict);
- family values (lack of time, weak family ties, lack of financial background, lack of love, respect, understanding from other family members, lack of common interests and common goals);
- individual's values (uncertainty, fears, giving up, lack of experience, lack of harmony, professional burnout, lack of competence, lack of financial stability, lack of understanding, lack of mentor, too high demands, lack of development opportunities);

⁹ Piekarski W., Rudzińska J., Znaczenie procesu sukcesji w polskich firmach rodzinnych. Logistyka, 2012; www.logistyka.net.pl/bank-wiedzy/e-gospodarka/item/download/78535_a726b8045c267894318eab1580c69792 (10.05.2021);

¹⁰ Więcek-Janka E., Bariery w procesie sukcesji w opinii sukcesorów firm rodzinnych (wyniki badań). W: Firmy Rodzinne – doświadczenia i perspektywy, 2015;

- the family nature of the company can cause barriers such as limited professionalism, nepotism in personnel management, autocracy, domination of family goals over business goals.¹¹

Family companies as a component of the SME sector encounter barriers which are characteristic for the whole sector. These barriers are, in particular, the following: financial barriers (difficulties in obtaining capital), tax barriers (fiscal burdens), technological barriers (lack of access to modern technologies), barriers to obtaining highly qualified staff and legal and administrative barriers (limiting flexibility of operation).

5. Education and Mentoring in the succession process of family businesses

Proper planning and execution of the succession process related to proper successor preparation to the role of running the company significantly increases the chance for further functioning of the company and gives chances and opportunities of its further development. Determinants of an effective succession process are the further functioning of the company taking place in main areas, i.e. continuation of personal strategic, organizational and financial policy. The successor should realize that activities in these areas should be treated holistically and not separately. The interactions are quite significant and the successor should not neglect any of mentioned areas, but influence them within the framework of the adopted strategy in combination with its own vision and mission (often transformed or completely redefined by the successor).¹²

5.1. Succession process in the SME sector

Managing a small and medium-sized enterprise under conditions of globalization and internationalization requires a new approach, taking into account the new conditions of competition. Entrepreneurship is probably the most important factor of economic development in the age of knowledge-intensive economy. Management and entrepreneurship assume particular importance in the aspect of family companies preparing to carry out or in the process of carrying

¹¹ Żukowska J., Pindelski M., Szanse i ograniczenia innowacyjnej strategii rozwoju firm rodzinnych. Współczesne Zarządzanie, 2012;

¹² Ratajczak D., Determinanty w strategii funkcjonowania i rozwoju małych i średnich przedsiębiorstw w procesie sukcesji". Ekonomiczne Problemy Usług, 2015;

out a succession process. Succession in a family business can be defined as handing over the management of the company by the founder-owner to a successor, who may be both a family member and a person from outside the family (e.g. a professional manager).

A properly conducted succession process should be a strategic activity, connected with further functioning of the company in a given period. Proper succession determines to a large extent on further proper functioning and development of a given enterprise, and in the case of its lack or improper performance, it may decide to terminate its activity and close the family business. In the aspect of Polish economy, it becomes critical as family companies constitute 1/3 of all Polish enterprises (38% among micro-enterprises, 28% among small enterprises, 14% among medium enterprises)¹³. Therefore, in the context of development and further functioning of family enterprises on the Polish market, it becomes very important to appropriately and correctly plan and conduct the succession process in order to pass the business to the next generation or generations. Some researchers indicate that one of the most important problems faced by family business owners is their reluctance to strategically plan the succession process. The intergenerational succession process at the transferring power stage in the company should be a strategic process on which the further functioning of the company on the market and its development will depend.

During succession planning, there are inevitably tensions surrounding the highly emotional issues of power, responsibility, money, justice, loyalty and even love. When both family and company represent values for the owner, one cannot afford to act spontaneously in deciding the future fate of the company. In order to exclude as many mistakes as possible, it is necessary to be aware of the most important issues conditioning the successful conduct of the company through the succession phase. For this purpose it is necessary to determine the most important objectives to be achieved in the succession process itself. In order to consider the transfer of ownership as successful one should: strive to retain key employees, know the right tax regulation, establish the right legal regulation, keep in mind the further development of the company. When looking for a successor, it is important to be driven by his/her commitment and passion, keep the safety of the seniors in mind, and do it all with a sense of fairness. The implementation of these objectives is certainly complicated by the fact that they are perceived differently by each stakeholder group. Additionally, these goals intersect, are in constant flux, and change in meaning. Working out an effective way to achieve these goals is crucial to the process' success. To facilitate this, the owner

¹³ Badanie firm rodzinnych. Raport końcowy, red. A. Kowalewska, PARP –PENTOR, Warszawa, 2009;

planning the succession needs to stay true to his or her own values throughout the process and be aware of his or her own hopes and fears.¹⁴

5.2. Steps in the succession process¹⁵

Due to its multifaceted nature, long time horizon and high impact on the further functioning of the company, succession is an ongoing process. To complete it successfully, a detailed plan is necessary. Due to the long implementation time, the plan must be divided into stages.

The first element of succession planning is the commitment to the process itself. For the transfer of ownership and power to take place properly, the will of all family members associated with the family is essential. A common mistake of seniors is to take too little interest in succession, relying on the assumption that the mere presence of a successor is enough to achieve success. The role of parents is to raise their children properly, to ensure that they do not associate the family business only with hard work and lack of time for loved ones, but also with passion and fulfilment of their own ambitions. It is also important that, at this stage, the outgoing generation passes on necessary information about the company and its rich experience. The successor generation should, in turn, use this time to acquire the necessary education, identify their strengths and areas for development. This is also the time to familiarize themselves with the company and perhaps also to gain experience in another company or as an independent entrepreneur. Cooperation between the younger and older generations is essential for this stage to be successful. The key is to combine the strengths of one and the other: energy, creativity, strength and experience, knowledge and wisdom must result in a synergy used for effective transfer of ownership and power.

The second element necessary for a successful succession is the education and creation of a successor. Every person as a social unit is guided in life by certain social norms and patterns. The world of these values and norms is most often introduced by the family. Starting at an early age, parents should also bring up their children as future successors. In this context, it is important, in the process of growing, to pay attention to awakening leadership qualities in children, teaching them to bear the consequences of decisions made, enabling the development of skills and interests and instilling the principles of personal culture and respect for others.

¹⁴Stępniewska.A., Elementy procesu sukcesji w wybranych polskich przedsiębiorstwach rodzinnych. Przedsiębiorstwo we współczesnej gospodarce – teoria i praktyka, 2013;

¹⁵Based on: Stępniewska.A., Elementy procesu sukcesji w wybranych polskich przedsiębiorstwach rodzinnych. Przedsiębiorstwo we współczesnej gospodarce – teoria i praktyka, 2013;

The third element that must necessarily be included in the succession plan is the criteria for selecting the right successor. It would be *good practice* to hire a recruitment firm to evaluate top management candidates to create an objective assessment of their effectiveness and potential. The result of such an exercise may be to find specific areas for development and to target individual candidates for specialized training in terms of their suitability for the family business. Determining readiness is a very difficult task, as it is subject to subjective assessments. To facilitate the answer to the successor's question: "when will I be ready (ready)?" four criteria can be adopted:

- **education** - certainly the larger the company, the less need for specialized education and the greater the need for knowledge of management principles. Moreover, it will be easier to run the company for those with higher specialized and management education. Theoretical knowledge of various management practices will certainly, when skillfully applied, influence the professionalism of the function performed in the company;
- **experience** - in many companies it is considered experience if a potential successor has passed through all levels. Other owners, on the other hand, believe that in order to manage a company skillfully, it is not necessary to know the shop floor, but the structures, processes, culture and rules that operate in the company. In the latter case, successors are often required to have several years of experience gained in other companies or running their own separate businesses;
- **self-confidence** - the ability to be a leader, the ability to pull employees along may be innate, but it certainly still needs developing and time to establish;
- **distance** - the pressure of having to live up to your parents' legacy and the ambition to not only maintain the business but to grow it can undermine any effort. The right distance and respect for mistakes, the ability to admit ignorance and the open use of can make it easier to achieve success.

The fourth element is the choice of the succession moment. While the time of the transfer of assets and power is crucial to the success of the company, it is very difficult to determinate. Especially since this choice is driven by the subjective feelings of family members. The successor readiness criteria described above can be helpful: education, experience, self-confidence, distance. It would be optimal to use the moment when the senior enters the period of fatigue and weariness with company matters and the junior is full of strength and energy to take on new challenges. It is certainly better to transfer a strong company with a sufficiently stable financial

situation. However, there is no universal method for this, it is important that both the leader and the successor mature and prepare well for this decision.

The fifth element is the determination of formal and legal conditions of succession. In the succession process, it is important to be aware of the legal conditions and to find an optimal solution, for the strategic plans of the company and the family situation of the owners. The choice of the succession method is also important. The strategy of the company after the succession requires precise arrangements. What can be preserved and what can be changed? What will be the personnel policy towards employees connected with the senior owner? What should be the participation of seniors in company management? At this stage it is also necessary to determine the terms of remuneration of the senior ex-owner.

The sixth, and critical element is a communication with company employees. This includes those directly involved in the succession process as well as its silent observers outside the family. The succession process and its consequences for the fate of the company concern all employees, and any attempts to end conversation within the owner family may end in unnecessary speculation, discomfort, spoiling the atmosphere, which affects the quality of work and reduces the competitiveness of the company on the market.

The seventh element of a successful succession is planning and organizing alternative activities for seniors. As an above-average active person, each of them cannot imagine a life without work, but like every human being, they have a "to-do list" that their company responsibilities do not allow them to complete. It is important to carefully define the role of the senior in the company and to plan in what form he or she will receive his/her salary, pension. It is good practice to involve such people in social activities. There are many places where their extensive experience and knowledge can be very useful.

5.3. The importance of education for the continuation of the enterprise¹⁶

Successor preparation to manage the company's employees is a critical determinant in the small and medium-sized enterprises in Poland. The employees with whom the founders of family businesses started after 1989 are still working for the company. These are often people in close and friendly relations with the previous owner, often fulfilling important roles in the activity of the enterprise (in particular in companies based on production, e.g. production managers). In

¹⁶ Based on: Ratajczak D., Determinanty w strategii funkcjonowania i rozwoju małych i średnich przedsiębiorstw w procesie sukcesji, *Ekonomiczne Problemy Usług*, 2015;

addition, there are situations where trusted employees receive additional remuneration that is not officially included in the company's official remuneration system and is mainly known by the owner (especially in the case of small companies). In this aspect during the succession process there are risks related to the uncertainty and fears of such employees, which can also have a negative impact on the whole team. In common language - especially in the area of leadership training - it has become commonplace to say that "employees come for the brand of the company, and they leave because of the boss". Therefore it is important, during the succession process, to build up the awareness of the most important (preferably all) employees by the new successor, e.g. about the continuation of the existing HR policy; remuneration; personnel policy, at least in the initial period. Any implemented changes should be carried out preferably sometime after the completion of the succession process and each time with a clear presentation of the implemented changes. This type of process requires introducing the successor to the secrets of remuneration and management of key company persons by the previous owner. This is important at least during the succession process, as well as for a certain period after its completion e the end of the process.

Another aspect is the use of proven tools and methods from the field of people management and leadership. A new leader (successor) should have his authority pre-built by the previous owner, and also gradually build it on his own, e.g. as a result of earlier involvement in the company's activity and getting to know its employees. Taking into account that the successor becomes, in a way, the new boss of the company, he should have knowledge and skills, as well as proper attitudes characteristic of an effective leader. *Preparation for this role should take place from an early age¹⁷*, however in practice it often does not happen, therefore it is worthwhile to take care of leadership skills for the successor already before the process of succession and also during its course. A proven and effective method is the use of various methods, e.g.:

- **relevant education** in the field (MBA; human resources management; leadership; economics; management);
- **courses, trainings, conferences, seminars**, related to leadership and leading, coaching, people management; process management;

¹⁷ Recommendations concerning education of family entrepreneurs children have also been proposed by the European Commission (European Commission, 2009). EC experts in their report indicated that since most businesses start as family businesses, education should include family business issues such as ownership, succession and family business management in order to better preparation of future entrepreneurs to successfully run the company. Family business management education should not be limited to business schools. Entrepreneurship education should support new family entrepreneurs and also promote entrepreneurial behavior among potential heirs of existing family businesses.

- **in-company practice**, e.g. joint decision-making; introducing the successor to working with people; practice and internships in other companies, including internships abroad;
- **coaching** - during which the successor has opportunity to prepare for a new role in an individual coaching process under the supervision of a professional coach;
- **mentoring and counselling** at any time the successor may consult and discuss a given situation with a person trusted and being an authority in this field.

The successor should be aware of and determined to acquire knowledge and skills in this area. Indeed, even for the most talented people, the process of becoming a leader is a challenging but rewarding journey of continuous learning and self-development. If the successor is reluctant or unmotivated, performance requirements and leadership goals can be set, nevertheless the key is to work on the successor's motivation and values (e.g. in a coaching process).

5.4. The role of universities in Poland in shaping succession attitudes

There was a research in Poland in 2020 that examined the educational context of preparing potential successors to take over and run a family business ¹⁸. The main objective of the research was an attempt to answer the question: *What are the possibilities and ways of creating and strengthening the intention to choose the successor's professional path by higher schools educating at economic faculties?*

The researchers concluded from the analysis of foreign literature that succession attitudes, which are a type of entrepreneurial attitudes, may be shaped within the framework of informal education (i.e. upbringing in a family running its own business, occasional or continuous acquisition of professional experience in a family company; contacts with peers/acquaintances who participate in the management of such a company; participation in meetings/conventions of entrepreneurs representing family businesses) and formal education - through a chosen path of studies, participation in trainings, courses, workshops, use of professional advisory services provided by university career offices. It should be stressed, however, that the actual impact of these two forms of education on succession attitudes has not yet been recognized. The knowledge gap also concerns such areas as the intention to choose a successor's career and the formation of successor competences. From this point of view of family business management, succession, i.e. the transfer of power and ownership of a company into the hands of the younger generation, is a challenge of strategic importance. Its efficient and effective implementation is determined by two

¹⁸ Klimek J., Leszczewska K., Sadkowska J., żelazko B., Rola edukacji w kształtowaniu postaw sukcesyjnych studentów kierunków ekonomicznych, SGH, 2020;

kinds of factors: selection and preparation of the successor/s and readiness of the owner/s to resign from the power and property of the company. Taking into account the fact that the community of Polish entrepreneurs is dominated by persons of retirement and pre-retirement age, carrying out succession in the companies managed by them seems to be an urgent problem. At the same time, an increasing number of higher education institutions, especially those offering studies in economics, must face the task of adapting their educational offer to the economy needs. The implementation of an offer conducive to the formation of a "graduate-successor profile" can be indicated as one of the measures taken to this end.

In accordance to the consideration presented so far, it should be concluded that by creating a teaching offer and providing additional services, e.g. such as incubation and consultancy, it is possible to stimulate interest in a successor's career and thus strengthen successor attitudes of e.g. students of economic faculties. There is no clear orientation of the educational offer and didactic and advisory projects to the needs of the family business sector in Poland. The reason for this state of affairs may be, on the one hand, low awareness of expectations and problems of family businesses and, on the other hand, poor involvement of family businesses in building relations with universities. Increasing the activity of family businesses as stakeholders of higher education institutions could significantly affect the increased role of formal education provided by higher education institutions in shaping students' interest in the successor career path.

Taking into consideration the above mentioned conditions, it becomes a priority to look for solutions to overcome the mentioned limitations in the development of family businesses. There are still unresolved important research questions about the succession attitudes of young people who could become successors to family businesses in the future and thus, using the education they have acquired, stimulate the growth of innovation in this group of enterprises.

5.5. The role of universities in shaping succession attitudes in EU

This section needs to be completed with input from Success Road Project Partners - please add your input (per region) by Thursday, May 20