

The succession barometer and the predicted career paths of children from family businesses



WILL THEY STAY OR WILL THEY LEAVE?



FAMILY
BUSINESS
INSTITUTE

PARTNER OF THE REPORT:



The succession barometer and the predicted career paths of children from family businesses





values communication hegemony
Family
team motivation shared responsibility

strategies business models succession
Business
effective activity results profitability

science research knowledge development
Institute
educational paths case studies experiences



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The nature of family businesses is a product of a unique combination of three areas: **the professional running of the company, the ownership of the company by the family and the desire to preserve the family business in generations to come.**

This combination can help a company create a competitive advantage, but can also lead to many problems.

In the face of systemic changes in Poland after 1989, the potential of entrepreneurs was set free. By setting up their companies, they initiated the reconstruction of the Polish private capital. Most of these companies are family businesses.

25 years after that event, our country is on the verge of the first great wave of successions. Will they be completed just as hoped by the owners and their companies will survive to be taken over by the next generations? Will Polish family businesses continue to be the driving force of the national economy? Are children from family businesses prepared for this change and do they have the motivation to continue the work of their parents?

The generational change in a family business is very complex and requires a proper balance between **all the persons involved, i.e. the owners, the family and the company.** Apart from the strictly business problems, there are also problems of emotional nature associated with the aspirations of the doyen and the successor.

We decided to participate in the international research project: **Global University Entrepreneurial Spirit Students' Survey** in order to find out whether the students whose parents run their own businesses have a predisposition for succession. What is the motivation of such students to take over their "patrimony", will they be managing their parents' companies in a few years' time or will they choose a different career path?

We believed it very important to determine the scale of the challenge we were facing. Therefore, we invited 36 renowned universities to cooperate with us within the framework of the 1st Polish edition of the project, which were actively involved in the survey. After several months of collecting responses, we analyzed the data obtained from the **11 860 students** who decided to devote their time to fill out the survey questionnaires.

We hope that the conducted analysis will make the readers aware of the complexity of the issues of succession in family businesses and will help them to better understand the perspective of the children – successors.

Enjoy the reading!



Adrianna Lewandowska, Ph.D.
The President of the Family Business Institute Poland



Łukasz Tylczyński
GUESSS Coordinator in Poland



Mirosław Grabarek
Partner in the Audit Department at KPMG in Poland

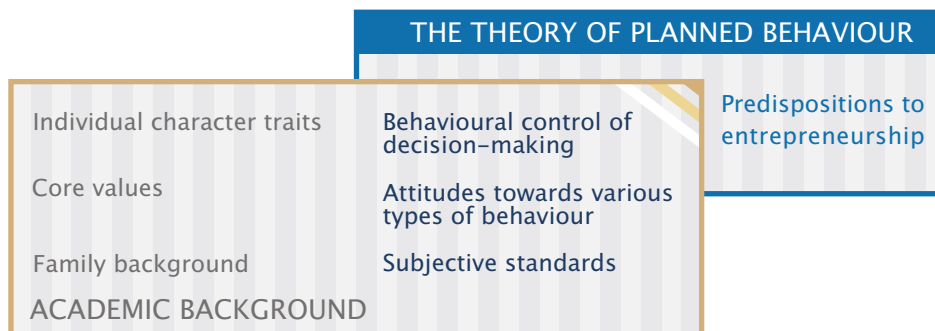
ABOUT THE SURVEY

THE GUESSS PROJECT AND THE RESEARCH PROBLEMS RAISED IN THE REPORT

Global University Entrepreneurial Spirit Students' Survey (GUESSS) is a research project investigating entrepreneurial attitudes among students. Its purpose is to collect and analyze information on student entrepreneurship in different countries. GUESSS was developed at the University of St. Gallen in Switzerland. The survey had been conducted earlier in 2003, 2004, 2006, 2008, 2011, and will be repeated periodically every two years. This edition of the survey, conducted at universities in the period from October to December 2013, is unique in two ways:

- this year's edition enjoyed the highest participation rate of all editions – **109 026** students,
- for the first time the results of the **survey also covered Poland**: this year, the international partners focusing on the issues of family businesses were joined by the Family Business Institute.

The theory of planned behaviour (Ajzen, 2002; Fishbein & Ajzen, 1975) provided the theoretical ground for the GUESSS survey. The main objective of the survey is to determine the factors which influence students' predisposition to entrepreneurship, focusing, in particular, on the impact of universities on the development of entrepreneurial attitudes among young people, and on the promotion of the activities aimed at opening one's own business in the academic environment. Other factors which may have an impact on the entrepreneurship of students and which were taken into consideration in the GUESSS survey include: individual character traits, core values and family background.



source: own work based on P. Sieger, U. Fueglisteller & T. Zellweger, (2011)

Students beginning their university studies have specific individual entrepreneurial predispositions based on their traits of character, core values and family background. Through its specific operation, a higher education institution demands of its students certain specific behaviour, expectations and compliance with the relevant standards, which contributes to the shaping of a specific entrepreneurial attitude. Through the programmes of study, extracurricular classes, scientific circles, workshops, etc., offered, universities may have a significant impact on the proper preparation of students in terms of their aptitude for entrepreneurship.

The right combination of skills such as entrepreneurship, attitudes towards behaviour, and subjective standards, can have a measurable impact in the form of increased entrepreneurial predisposition of students. For the purpose of the analysis presented in this report, Ajzen's theory was expanded to include the topics related to succession and family entrepreneurship.

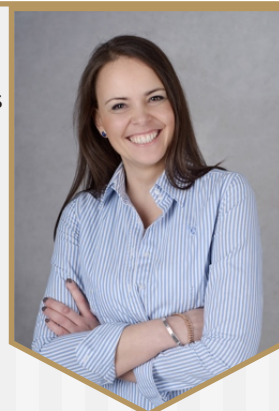
The first one is the desire to examine students in terms of their personal, individual motivation driving them to get involved in the life of their parents' company. Is it a result of entrepreneurial predisposition, or simply of personal convenience connected with taking over an operational, fully-established company?

Yet another theme which is examined are the correlations between succession and a specific profile of a family business. Do children from family business find companies which have a better position on the market or are larger than their competitors more attractive? Does it make the sons and daughters of family businesses more eager to choose a career path as successors? Are there industries in which a specific organizational culture increasing the likelihood of succession has developed? The multiple themes underlying the decisions connected with the entrepreneurship of children from family businesses has proven to be a very interesting research material.

Therefore, Ajzen's theory and the proposed aspects should shed a new light on the problems of succession from the perspective of the next generation.

ABOUT THE AUTHORS

Expert on family business strategies and succession processes. Lecturer and practitioner of business. Managing Partner at Lewandowska & Partners (www.lp7.pl). Founder of the Family Business Institute (www.ibrpolska.pl). Substantive Leader of the succession project: *Value codes – effective succession in Polish family businesses* (www.sukcesja.org.pl). Advisor on family business development and strategy and effective business models, working as a business coach. Member of the International Network of Strategic Advisors in Berlin, Board Executive Advisor at the Internationaler Controller Verein e.V. in Munich, holder of a Ph.D. degree in Economics, graduate from an elite business school ESCP EAP in Berlin (Paris, Madrid, Oxford, Berlin), an MBA programme abroad. Holder of scholarships awarded by the University of St. Gallen at the Center for Family Business and by the Vienna University at Institut für Familienunternehmen. Member of the International Family Enterprise Research Academy (IFERA), bringing together researchers and family businesses from around the world.



ADRIANNA LEWANDOWSKA, Ph.D., MBA
THE PRESIDENT OF THE FAMILY BUSINESS INSTITUTE POLAND

Expert on innovative projects at Lewandowska & Partners (www.lp7.pl). Specialist for the organization of the project: *Value codes– effective succession in Polish family businesses*, co-financed by the European Social Fund and conducted under the supervision of the Polish Agency for Enterprise Development (www.sukcesja.org.pl), responsible for contacts with family entrepreneurs. Graduate from the University of Economics in Poznan and the WSB School of Banking in Poznan. Chief coordinator of the first Polish edition of the Global University Entrepreneurial Spirit Students' Survey (GUESSS). Executor of the FACTS study on succession. Co-organizer of the International Congress of Family Business (www.kongresfirmrodzinnych.pl). Author and co-author of articles in the field of logistics and family entrepreneurship.



ŁUKASZ TYŁCZYŃSKI
RESEARCH AND DEVELOPMENT EXPERT OF THE FAMILY BUSINESS INSTITUTE POLAND

ABOUT THE PARTNERS OF THE REPORT



Partner at KPMG counselling company, certified auditor. He specializes in auditing financial statements, advising on legal requirements in accounting, providing support in the implementation of the system for management information reporting and complete financial reporting, and analyzing and improving internal control in enterprises. For several years, he has coordinates the activities of KPMG within the scope of counselling family businesses in Poland and in Central and Eastern Europe.

MIROSŁAW GRABAREK
PARTNER IN THE AUDIT DEPARTMENT AT KPMG IN POLAND

WHO TOOK PART IN THE SURVEY?

Students from **36 universities** (public and private), a total of **11 860 people**, 33.2% of whom were women and 66.8% were men, took part in the 1st Polish edition of the survey.

This number accounts for 10.9% of the population of the global study, which examined a sample group of 109 026 students at 759 universities.

What is more, in the Polish edition, the questionnaire survey was followed by a focus group study conducted by the employees

of the Family Business Institute in the period from March to April 2014 on seven 5-person groups, in order to carry out an in-depth analysis of some results.

The average age of the GUESSS survey participants in Poland was approx. 22 years, which is an important point of reference for the future of the Polish business, proving that the survey focused on young people who, as a result of choosing a specific major, are (at least in theory) aware of their selected career paths in the future.

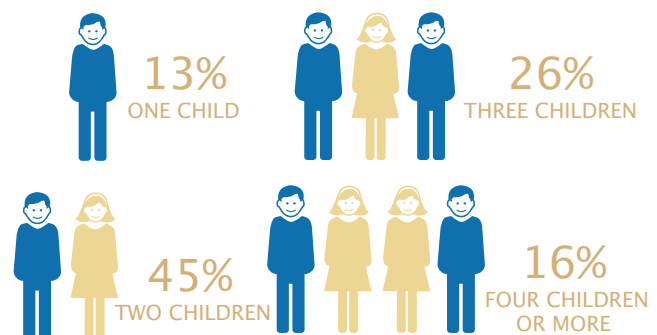
“ Educating next generation members in business families is of utmost importance. These potential successors need to learn as much as they can about what it would mean to follow their parents' footsteps. This includes both positive and negative aspects of becoming a next generation family business entrepreneur. Then, they have to make their own conscious and explicit decision if family business successor is a career path they have the motivation and skills for; if they decide to pursue such a career, the education they have received will certainly increase the likelihood of their future success.



Professor Philipp Sieger
Assistant Professor at the Center for Family Business at the University of St. Gallen
International Expert of the Family Business Institute Poland

SIBLINGS

The vast majority of the respondents have siblings, the dominant family model is one in which there are two, or three children. Families with many children or only one child are a minority. This means that if the parents run a family business, they will have to face the challenge of deciding who to make responsible for the company, in what form, how, and when, in order to give the siblings a sense of fair treatment.



Among the students participating in the GUESSS survey, up to 33% do not have siblings older than themselves, which means that they could potentially be the first persons in the line of succession.

STUDIES

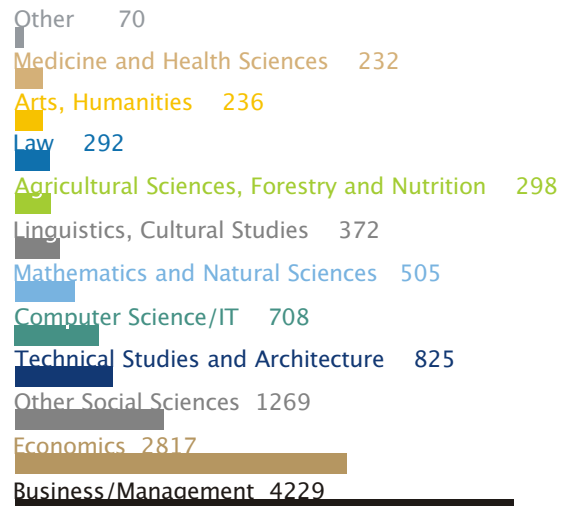
The significance of the results and analyses carried out in the GUESSS survey is evidenced by the fact that the vast majority of students are young people: as much as 71.7% of them are pursuing their undergraduate or engineering studies, while 27% are in the process of completing their graduate studies and, in most cases, will soon enter the labour market. PhD and MBA students constituted only a marginal group.

For all those who shape the entrepreneurial attitudes of young people: university rectors who develop curricula, academic teachers who work with students on a daily basis, and parents, this material can provide some food for thought. There is still time to make changes to further encourage young people to benefit from business independence.

MAJOR

As shown in the structure of majors, the vast majority of the respondents pursue studies in the fields related to business and entrepreneurship (Business / Management and Economics). Given the very essence of the survey, which aims to investigate the entrepreneurial potential of students, it could be assumed that young people with an inner imperative to pursue entrepreneurial activities would choose a strictly business major. The survey confirmed that the vast majority of the future entrepreneurs and potential successors chose

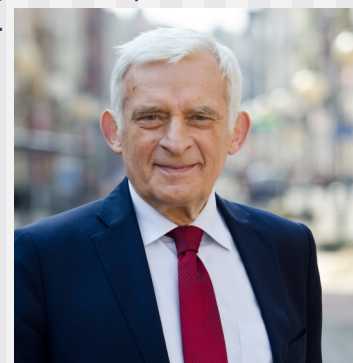
business majors. On the other hand, this evident majority of business students raises the question of whether the major was chosen by the high school graduates themselves, or ... by their parents – the business owners who would like their successors to be "well-educated managers". However, we should keep in mind that a career path in a family business is not the only good option. There are family businesses with a long-standing tradition which first prepare their successors for work in the industry and only later send them to complete managerial studies – usually under a Master of Business Administration programme. One example is the Johnson & Johnson company, which requires of its future successors to specialize in the chemical, physical, biotechnological sectors, etc. Such preparation is aimed at gaining expertise and building an authority in the company.



ACADEMIC RESULTS

The academic results of the GUESSS survey respondents exceed the average results obtained by other students pursuing the same majors: they are persons seriously involved in raising their professional qualifications.

“ Over 11 million family businesses in whole European Union generate approximately 60% of our GDP and 60% work places in private sector. Surveys show that countries which created beneficial circumstances for innovative development of Small and Medium – mostly family based enterprises – are economic leaders nowadays. Connection of: flexibility, ability for quickly react to market changes and high social responsibility creates the key to spectacular successes of many SMEs. In Committee on Industry, Research and Energy, which I lead in European Parliament, we act for the benefit of small entrepreneurs: we care about their global competitiveness, simplifying regulations, promoting exchange of good practices. Our objective as well is to allow all European companies can fully benefit from the digital revolution – from access to fast, open and safe Internet to conversation and transfer data without chargeable to the budget roaming fees. It is important that the Family Business Institute Poland has successfully engaged in building a platform for exchange of knowledge and experiences about professional family business management. This knowledge will be useful for us – legislators – to be more effective to respond to the needs of small and medium-sized family businesses.



Jerzy Buzek
Member of the European Parliament,
former President of the European Parliament and Prime Minister of Poland

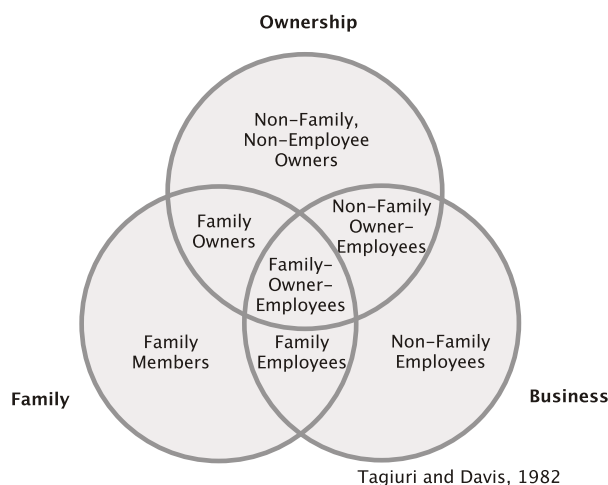


The Three-Circle Model of the Family Business System was developed at Harvard Business School by Professors Renato Tagiuri and John A. Davis in the 1970s. It describes and explains the family business system at a single point in time, helping us to understand the important characteristics of the business, family and ownership group and how these groups interact to influence the performance of the business and the family. It is the dominant paradigm for understanding family business systems worldwide. This framework clarifies, in simple, graphic terms, the three interdependent and overlapping groups (family, business and owners) that comprise the family business system. As a result of the overlap of these groups, there are seven interest groups, each with its own legitimate viewpoints, goals and dynamics. The Model reminds us that the views of each sector must be respected and integrated in order to set direction for the family business system. The long-term success of family business systems depends on the functioning and mutual support of each of these groups. The Three-Circle Model was first published in the Family Business Review in 1982 in Tagiuri and Davis' classic article "Bivalent Attributes of the Family Firm."



Professor John A. Davis
Faculty Chair, Families in Business, Harvard Business School;
Founder and Chairman, Cambridge Institute for Family Enterprise

Three-Circle Model of the Family Business System



A firm, of any size, is a family business, if:



- The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
 - The majority of decision-making rights are indirect or direct.
 - At least one representative of the family or kin is formally involved in the governance of the firm.
 - Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25% of the decisionmaking rights mandated by their share capital.

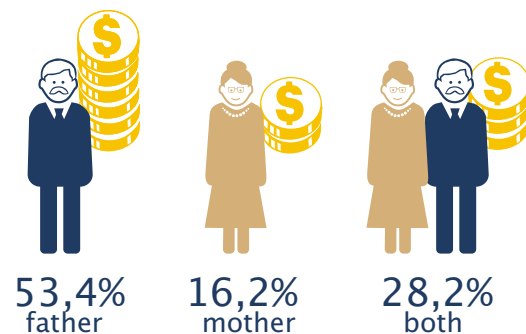
FEATURES OF FAMILY BUSINESSES

The GUESSS survey was aimed at students in general, but an important part of the survey was devoted to those students whose parents run a business.

It is interesting that the proportion of Polish and foreign students coming from family businesses was distributed in a fairly similar way: in Poland it was about 25% of the respondents (2,955 students), and in the international survey – 31% of the respondents. In total, the global survey examined 34 113 children from family businesses. The results analyzing which parent runs the company revealed that more often a family business is run by fathers than by mothers. It is true for both Polish and international results.

MAJORITY SHAREHOLDERS OF A FAMILY BUSINESS

When analyzing the ownership structure of family businesses, the domination of fathers is evident. There are much fewer family businesses in which the mother is the majority shareholder. This division of ownership focused on family owners may be the result of the age of Polish enterprises, which, compared to foreign family businesses, are very young and have not yet entered the phase of development which requires recapitalization. Polish family businesses still rarely use foreign capital and rely on their own growth potential.



Transfer of the rudders of family business to the next generation has always been a difficult moment for the company. Uncertainty as to its future can be effectively reduced if successor is adequately prepared to perform this function. My son, who I consider to be the natural successor for many years is exploring the KROSS company's ins and outs every day. He proves to me that he is born to manage the fate of family business one day. I realize that I am very lucky. Many entrepreneurs cannot or do not want to transfer the company to their children. That is why it is so important to raise the awareness of best practices related with the preparation of successors among Polish family businesses. Successor may be a family member or experienced manager who has built so far the value of the company. This process takes years and is definitely laborious, but without doubt not only promotes the further development of the company, but also its professionalization now and in the future.



Zbigniew Sosnowski, KROSS S.A.
KROSS is the leader of the Polish bicycle market, consistently developing its potential based on the high quality of offered products. The brand is also among the largest in Europe.

The model which dominated both the Polish and international results is one in which the father of the family is the majority shareholder of the company. The mother is the majority shareholder in only 9 out of 100 companies. However, in this analysis, Polish moms have much better results than the "rest of the world", with as many as 16 in 100 holding the majority of shares.



FOREIGN CAPITAL IN A FAMILY BUSINESS

The importance of foreign capital in companies with a longer history is evident from the international results. In Poland, the vast majority of people pursuing business activity are also majority shareholders (97.8%).

The international results, in turn, show that only 57.4% of self-employed persons are in possession of the majority of shares, and nearly 40% of them emphasize the fact that part of the shares in the company belong to external shareholders.



Sometimes the introduction of external capital into the family business is a matter of changing the way of thinking of the owners, who are used to making all decisions independently. They are aware of the fact that along with acquiring some shares, a new shareholder will want to have an influence on the management of the business. In addition, the introduction of external capital requires a greater openness of the company / family, i.e. a greater transparency in matters which often go beyond pure business. This, however, should not cause differences when compared with Western countries.

It seems that one of the main causes of the lower participation of foreign capital in Polish family businesses compared to Western countries lies in the relatively short period of operation of the vast majority of such companies in Poland. We tend to believe that a family business should obtain funds from its own resources, or by taking out loans, while admitting an external partner to the company is a sign of weakness or financial difficulties of the company.

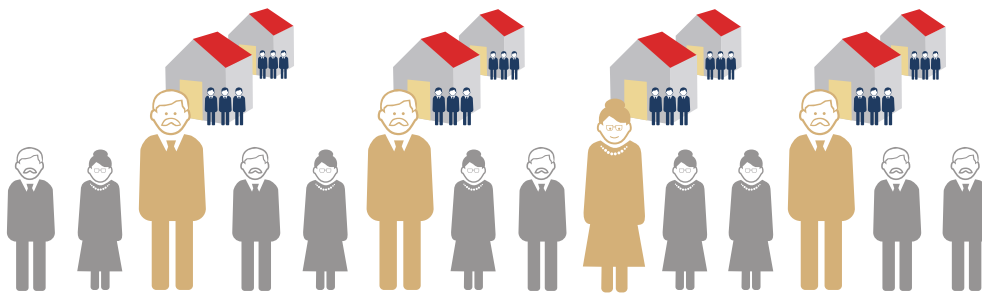
This belief will change over time, along with the inevitable successions in the first large generation of Polish family businesses.



Mirosław Grabarek
Partner in the Audit Department at KPMG in Poland



DO OTHER FAMILY MEMBERS RUN THEIR OWN BUSINESSES?

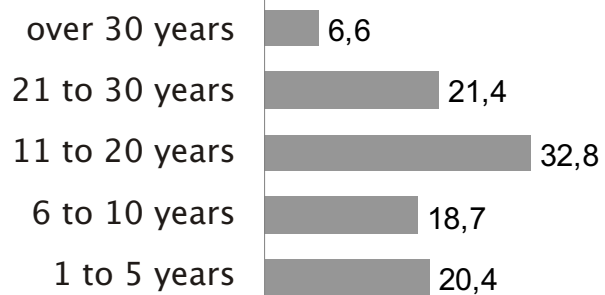
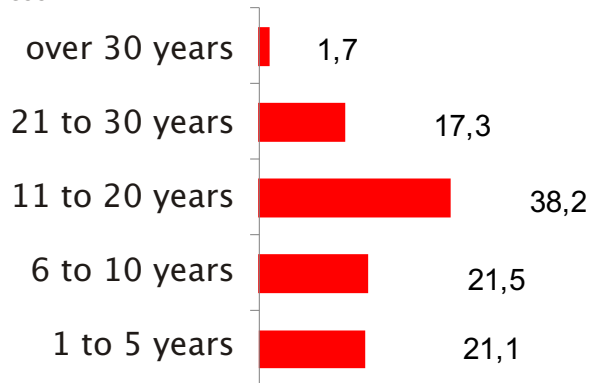
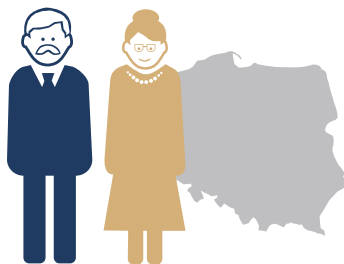


Nearly 1/3 of the respondents have a person owning a family business among their friends and relatives. This allows a conclusion that not only can young successors look at family businesses from the perspective of their parents, but they can also witness their operation in the environment of their relatives, and thus learn entrepreneurship among their closest ones.



COMPANY HISTORY

How long have the parents owned the business?



25 years ago, the Polish economic freedom unleashed entrepreneurial potential and caused the flourishing of family business. Nearly 20% of the children come from companies which are at least 21 years old today. However, assuming that the succession process should last for at least 7–10 years, the parents of more than half of the analyzed students should be preparing themselves for succession.

FAMILY HOME AND ENTREPRENEURSHIP

When analyzing entrepreneurial attitudes, including students' inclination to take over the family businesses, it was also worth having a look at whether there is a link, and if so, what is the impact of the family background on taking the risk associated with running a business. For instance, does the fact that children live longer with their parents make them more likely to remain in their parents' companies, and are the children who quickly move out more independent and do they set up their own businesses? Polish students (50%) more often consider living with their parents until the wedding day as a normal thing than their foreign colleagues (45%). This difference may result not only from the "family culture" and the Polish tradition supporting family ties, but also from strictly economic aspects. The students participating in the focus group study emphasized that sometimes leaving home later pays off.

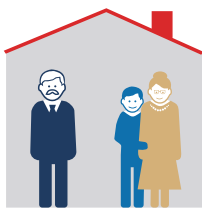
“

Succession is the ultimate challenge for every single family business: without a successful succession process, there is no success in family business. When one of my American colleagues speaks about succession, he says: "It is the final test of greatness".

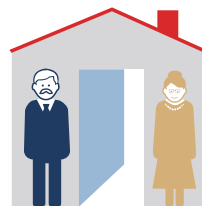


In order to succeed, the whole family needs to get together and develop a compelling succession strategy. "Family Education" that is targeted to training for forthcoming tasks as Responsible Owner, Board Member or Managing Partner, is an indispensable part of a succession concept.

Professor Peter May
founder of INTES, in network with Lewandowska & Partners



14% of boys set up
their own businesses



17% of boys set up
their own businesses

The boys who declare that they will live with their parents at least until the wedding day are less likely to set up their own businesses and less often want to be successors, preferring contract work.

The time spent under the parents' roof has virtually no effect on the entrepreneurship of girls and their decisions concerning succession.

“

Entrepreneurship is a trait of character which can be developed by anyone, on the basis of which they can build their skills and shape their career. Entrepreneurship can also be a determinant of success and an ability to seek out opportunities to achieve it. The creation of new businesses and new jobs by young people is a proof of existence of entrepreneurship in every sense of the word.



Ewa Więcek-Janka, Ph.D. and Eng.
GUESSS Coordinator at the Poznań University of Technology
Expert of the Family Business Institute Poland



SUCCESSION FROM THE PERSPECTIVE OF CHILDREN FROM FAMILY BUSINESSES

Choosing a career path by students is more than just making a decision about what they will be doing in the next few years. It is a kind of investment that will bear visible fruit in the future, since their choice will have a bearing on their future, i.e. it will impact their job security, salary, job satisfaction and sense of fulfilment in life.

Succession – a dynamic process happening between two basic groups (the transferring and the accepting/receiving group), the purpose of which is to pass down the knowledge, power and ownership to the next generation.



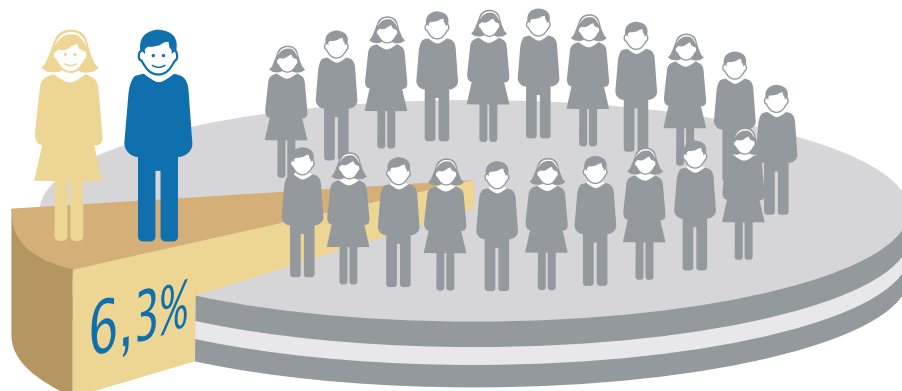
CAREER PATHS OF CHILDREN FROM FAMILY BUSINESS

One of the main conclusions of the study is that when thinking about their future, children from family businesses a lot more often opt for independence and setting up their own business than taking over the businesses of their parents.



LESS THAN ONE IN TEN

Only 6.3% of the respondents declare that they are interested in succession.



According to the survey, less than 1 in 10 young successors declares their willingness to take over home business. Frequently it results from the higher ambitions of educated young man, desire to test themselves in large international companies and aversion to make the daily effort and constant risk arising from running family business. It is also often a strong need to build own authority on the basis of own experiences and successes.



Sebastian Margalski
Expert of the Family Business Institute Poland

Career path right after graduation



7,2% I want to be the **SUCCESSOR**
 19% I want to be the **OWNER**
 63,4% I want to be an **EMPLOYEE**
 10,5% **OTHER**

Career path 5 years after graduation

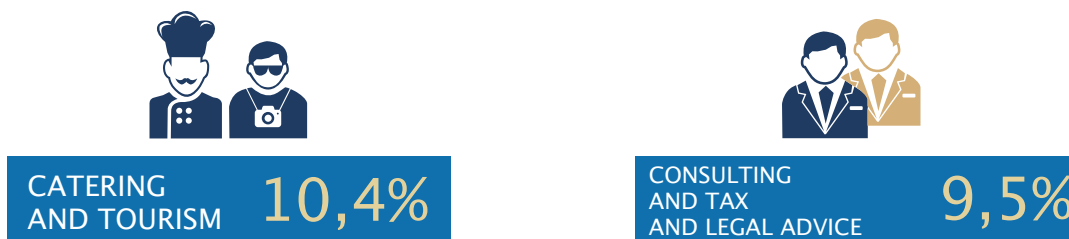


6,3% I want to be the **SUCCESSOR**
 48,4% I want to be the **OWNER**
 33% I want to be an **EMPLOYEE**
 12,3% **OTHER**

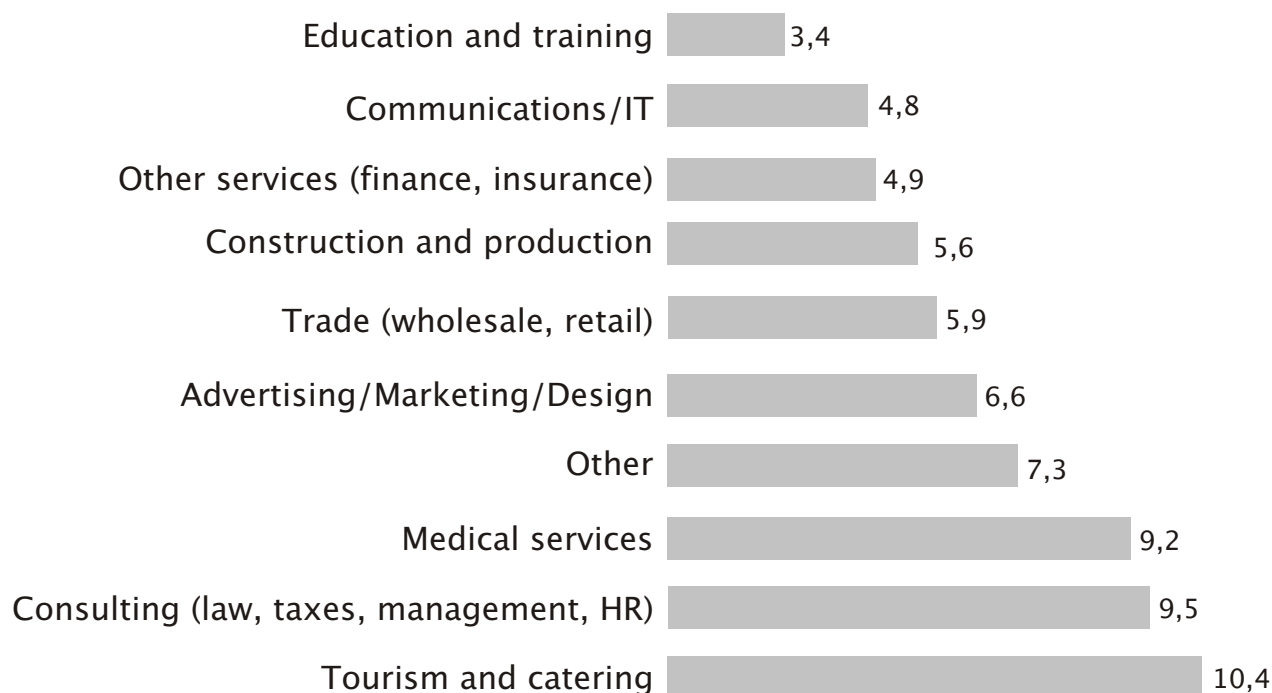
! There are two very sensitive variables in the process of succession:
very few persons interested in succession
very late planning of the process by the parents.

INCLINATION TO SUCCESSION IN VARIOUS INDUSTRIES

It is worth analyzing whether the inclination of the younger generation to continue the work of their parents depends on the industry in which the family business operates or not. The results of the survey show that, indeed, such a relationship does exist. Parents operating in the following industries have a better chance of convincing their successors to take over the company:



the smallest chance was recorded for: EDUCATION AND TRAINING 3,4%



The study conducted by the Institute for Family Business shows that in the coming years, the process of succession in family enterprises can be expected to continue or even intensify. On the other hand, the impossibility of succession or its ineffectiveness may lead to an increased activity of family businesses on the audit market.



Professor Maciej Stradomski
CMT Advisory, Member of the Programme Board of the Family Business Institute Poland

INTERNATIONAL COMPARISON – SELECTED COUNTRIES

This low level of readiness for succession, however, is not specific to Poland only – the average result for this variable in the GUESSS survey was 6.3%.

The international results are quite similar in Europe, and only in Australia, Belgium, France, Canada, Liechtenstein, Mexico and Italy more than 1 in 10 students coming from family businesses wants to take over the family business. In no country, however, the result is as high as 2 in 10.

Country	Owner		Successor + 5 years	
	Successor	Owner	Successor	Owner
Argentina	20,4	6,5	64,8	7,4
Australia	9,6	6,2	52,7	17,1
Austria	3,5	1,1	21,8	5,6
Belgium	5,7	5,7	39,0	12,2
Brazil	7,7	4,7	35,4	7,8
Canada	5,6	4,8	38,5	10,4
Colombia	12,3	4,4	56,4	5,7
Denmark	4,8	1,6	20,8	4,0
England	8,7	1,4	29,2	6,6
Estonia	9,7	3,9	38,9	7,8
Finland	6,5	2,0	29,9	5,5
France	4,1	0,8	31,4	10,7
Germany	4,0	1,0	22,0	6,3
Greece	3,2	7,4	26,6	9,6
Hungary	8,0	5,1	42,7	9,4
Israel	2,9	1,5	29,7	3,2
Italy	5,4	6,4	39,2	11,3
Japan	3,5	2,0	19,2	9,1
Lichtenstein	13,6	8,0	45,5	11,4
Luxembourg	4,0	4,0	32,0	6,0
Malaysia	8,3	7,2	36,9	13,5
Mexico	17,6	10,9	64,4	17,1
POLAND	19,0	7,2	48,4	6,3
Portugal	11,8	0,0	38,2	4,4
Romania	3,3	1,7	38,3	6,7
Russia	11,7	9,6	53,5	9,9
Scotland	3,1	1,0	20,6	5,2
Singapore	3,6	1,5	27,7	6,8
Slovenia	6,6	9,4	38,2	9,9
Spain	6,0	5,3	36,3	7,0
Switzerland	2,3	1,1	20,1	6,5
The Netherlands	5,8	2,0	32,4	6,6
USA	5,3	2,6	26,3	7,9

It can be seen that in developed countries with a long family tradition (Switzerland, Germany, France) children from family businesses are more aware of the fact how important it is to work in a place other than the family business right after graduation. The idea is to gain knowledge, practice and experience, which not only affects the development of professional skills, but also increases the sense of independence and builds the successor's authority – at the moment of entering the family business he or she has already "achieved" something outside of it.

It is an important conclusion for Polish students from family businesses who are thinking of taking over their parents' companies and want to do it immediately after graduation.

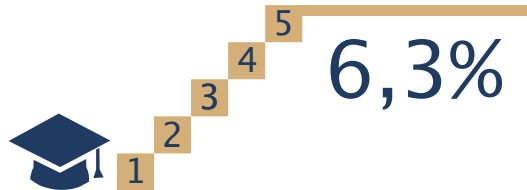


Source: Sieger, P., Fueglistaller, U. & Zellweger, T. (2014). Student Entrepreneurship Across the Globe: A Look at Intentions and Activities. St. Gallen: Swiss Research Institute of Small Business and Entrepreneurship at the University of St. Gallen (KMU-HSG).

Poland is the only country among the analyzed ones, where there are more children from family businesses who want to start working in the business immediately after graduation, than those who are still willing to take over the responsibility for the company 5 years after graduation.



I want to be the successor:
Immediately after graduation 7,2%



5 years after graduation 6,3%

The focus group study aimed at exploring this subject yielded the following results:

I can learn a lot in my father's company, get to know the people in the industry, and only then will I set up my own business.

I want to help my parents to develop their business, but I will not stay in it. I have my own plans.

It is easier to join the family business than to look for a job, but if I find something, I will definitely chose to work away from my parents.



Conducting a succession process of company and family wealth from generation to generation has always been a challenge. Succession is a highly intricate process and cannot be conducted apart from existing legal, tax and financial conditions. Properly planned process is an assurance of family business continuation and growth. It is also important for proper family wealth management and to secure all needs of family members. Well-planned succession process is necessary to keep the business integrity and it is also a protection against disputes and legal consequences of economic and personal risks such as death or work disability.



Łukasz Martyniec
lawyer and succession advisor, Expert of the Family Business Institute Poland,
Owner at Martyniec Succession Office

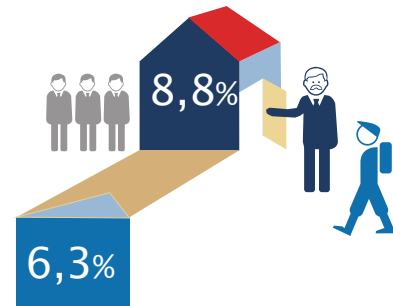


DO YOU WANT TO INCREASE YOUR CHANCE OF SUCCESSION WITHIN THE FAMILY?



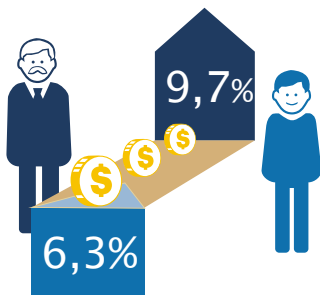
1. GET YOUR CHILDREN INVOLVED IN THE LIFE OF THE COMPANY

These results are further enhanced when the youth from family businesses (under 18 years of age) are actively involved in the life of the company. It turned out that if parents encouraged their children to work for the company (training, minor office work, production work, etc.), their declared desire of succession was greater.



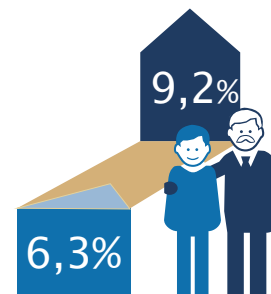
2. INTRODUCE YOUR CHILDREN TO THE WORLD OF FINANCE

Students who have access to the financial results of their parents' companies often decide to pursue their careers in the family business. It is connected with involving children in the life of the company and increasing their business awareness. Joint discussions on strictly financial topics have an impact on involvement and strengthen the sense of responsibility in children.



3. BOOST AND SHOW PRIDE IN ACHIEVEMENTS

Students who do not feel the support of their parents a lot less often choose a professional career within the family business. The vast majority of young people who do not feel the emotional support of their parents indicated that they would prefer "some other job" to taking over the company. Parents who show their pride in their children have a greater chance of having a successor.



In the first 25 years of Polish capitalism, historical and cultural factors with economic and business conditioning formed an authoritarian, sometimes even "grange" style of running the business. Owners of these companies were often overworked, admittedly with more or less family atmosphere, during work they "squeezed" from their employees "as much as possible". Adult children – potential successors were witnesses of that – and today, with all the respect to their parents, they say: "I do not want to live like that". Young people believe that in Western corporations or their own start-ups, they will find better work-life balance, more open communication and partnership relations. Even if they realize that this may be an illusion – they want to check other possibilities than those, which they see in their parents family business.



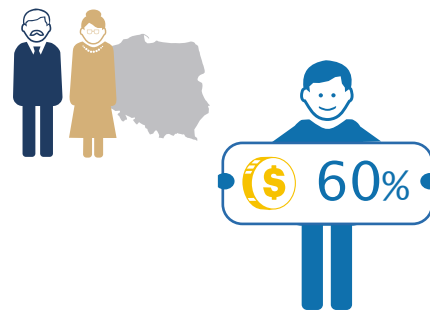
Jacek Santorski
founder of Academy of Leadership Psychology
at the Warsaw University of Technology Business School

OWNERSHIP AFTER SUCCESSION

Nearly 54% of the surveyed respondents from family businesses believe that their parents will want to retain some shares in the company once the succession process has been completed. It is rather typical of succession processes – it is important, however, that ultimately, along with the taking over of the responsibility for the business by the children, the part of shares conferring the right to independent decision-making was also transferred onto them.

SHARES IN THE COMPANY – I WILL SELL THEM AT A BARGAIN PRICE

Assuming that the parents would be able to sell the company to an outside investor for the equivalent of 100 units, in order obtain the ownership of the family business, a young successor would have to pay approx. **60% of this amount**, according to the respondents.



These favourable terms offered to children are understandable. In Poland, the model of buying out the parents' shares, popular e.g. in the United States, is hardly ever seen in practice. The international results indicate that the price which the children would have to pay for the shares in their parent's business would be **80% of their value**.



The results of the studies of family businesses, both in Poland and abroad, show that the problem of succession is complex and associated with a number of risks. What is particularly meaningful is the small percentage of children from family businesses who see themselves as future continuators of their parents' work. Therefore, in the case of many companies, the generational "changing of the guard" will be associated with selling the business to an investor from the outside.

Finding the right investor for a business is a long and complicated process, therefore, one should be well prepared for it and plan it in advance. Both creating the optimal legal structure of the company and preparing the company's managers in an adequate way constitute important elements of such planning. It is equally important to plan the company's operations and finances in the coming years in such a way, so as to maximize the value of shares at the moment of their sale. Such a conscious preparation for the change of the company's ownership gives the entrepreneur time to find a new owner who will ensure its prosperity, and helps to avoid a lot of perturbations during the selling process.

Piotr Grauer
Head of the Corporate Finance Department at KPMG in Poland



FEMALE ENTREPRENEURSHIP

HEIRESSES: GIVE US A CHANCE!

The most common problem associated with passing the company down to the next generation is following the principle of primogeniture – the right of the firstborn child to inherit the throne. It involves the transfer of the business from father to son, usually the firstborn one.

The perspective of children is different: girls are more willing to take over the business!

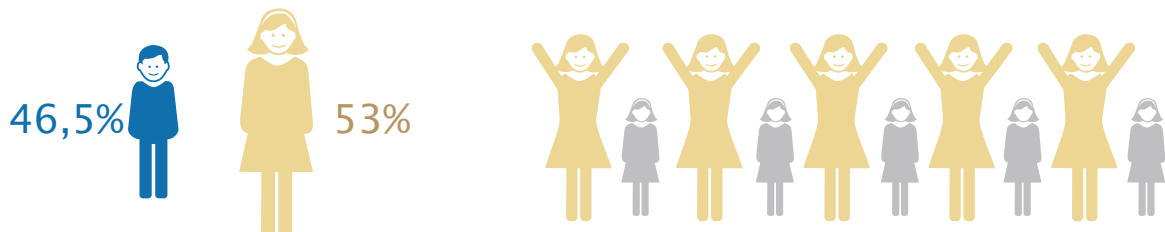


Confronting this further with the results of succession studies conducted among the owners of family businesses, the results of which indicate that most owners often do not take women (daughters) into consideration when choosing a successor – most often (40% of cases) the eldest son becomes the successor – it is worth paying attention to the unused potential of women!


ENTREPRENEURIAL GIRLS!

Every other girl wants to start a business!

Not only are girls more willing to take responsibility for managing the family business, but they are also more enterprising! The career paths of the children from family businesses five years after graduation show that every other woman surveyed is planning to act on her own!



“ Today, many young women also take up the challenge of running or continuing the family business. Over the past 25 years, there has been a big change, especially of thinking, re-evaluating old stereotypes. 25 years ago, companies were founded mainly by men, most of the students graduating from universities in Poland were also men, women accounted only for a small proportion of graduates. But today, more than 70% of graduates are women. Moreover, women in managerial positions are considered as a normal thing and not as an exception that proves the rule. Employees, in turn, do not mind working in a company headed by a woman. 25 years ago it was not so obvious. It seems that the "glass ceiling" is finally breaking. Hopefully, it will break for good.



Alicja Hadryś – Nowak, Ph.D.
GUESSS Coordinator at the Poznań University of Economics
Expert of the Family Business Institute Poland

A STORY OF A SON

Hortimex is a professional representative of the world's leading manufacturers of food additives and ingredients.

The company's mission is to prepare the Polish market for the products and solutions offered by its Partners – worldwide manufacturers of such raw materials, as well as to share the knowledge of additives in food production and consumption.

The company was established in 1988 and is a family enterprise, which means that it conducts business responsibly, respecting the law, the society's best interests and the environment.



Succession in our company was moderately planned and distributed over time. Moderately, because my dad knew he wanted to pass the company down to me and I, growing up along with the company, could not imagine any other scenario. No specific dates had been scheduled nor particular steps defined. The time was a conducive factor. I went through subsequent steps in the company: I worked as an administrative assistant, tradesman, head of a department, and Vice-President. I had enough time to gain experience, confidence, and finally to actually take over leadership. This time also allowed me to understand some of the values that my dad was trying to inculcate in me. I learned a lot from him, but I did not understand it all right away.

Poor communication made it more difficult. My father did not openly inform us about the details of his plans with regard to succession, and I was too embarrassed to ask. When he finally revealed his plans, it turned out that they were different from what I had imagined. The lack of dialogue made it necessary to change the plans. Later on, in the course of succession, an insufficient amount of information provided to the team of employees sometimes confused people. We found it quite difficult to deal with family disagreements on company grounds. This caused a significant crisis in our relationships.

Paradoxically, my involvement in the company, which I pointed out as an advantage, was also my burden. The lack of professional experience outside the family business sometimes made me try to reinvent the wheel, and the pre-determined future was the cause of frustration due to the lack of alternatives. Fortunately, thanks to our determination and consistency, but also with the help of our friends, we were able to overcome these adversities.

What I found most difficult was the transition from the role of administrator to the role of leader. At some point it occurred to me that I had no idea what to do with the company. I knew how to manage it, but I did not know in which direction to steer it. Dad got involved in other projects, the company went on by force of habit, but I felt that it was not enough.

Help came, quite by chance, from the outside. I took part in a programme dedicated to family businesses, which finally allowed me to go beyond my limitations. I do not know if I would have managed without this support from the outside.

“

Hortimex company's history shows how important in the succession process is communication and conscious planning. The solution to the problems that the company is facing to start the succession process from the creation of strategy that will provide a combination of visions of the nestor and future successor. Successor will be responsible for implementing the strategy he co-founded, while nestor can release position, because he knows that his life's work will be continued and developed over successive generations. This approach solves the communication problems and significantly increases the chances of successful completion of the whole process.



Szymon Słomiński
Business Analyst at Lewandowska & Partners
A graduate from Poznań University of Economics



A STORY OF A DAUGHTER



Mikomax Smart Office is a Polish company with over 22 years of experience in office space interior design.

It provides customers with solutions for a comprehensive organization of workplaces, which increases the efficiency of employees and the entire company.

The company's offer is tailored to the needs of various industries. It includes services supporting project implementation, from the beginning of the process of cooperation to the implementation of particular solutions, e.g. work space design, transport and installation, training in the principles of ergonomics.



WHAT HELPED ME

A family business is a challenge for the whole family – both those family members who work directly for the company, as well as those who have chosen a different career. The main challenge for me was to balance the sense of responsibility towards my parents' company, and the desire to prove myself "somewhere else". We had always joked with my dad that we would never be able to work together. We both have strong personalities and each of us likes to get their way.

Therefore, at the beginning I wasn't planning on working in the family business. I studied and lived in Warsaw and I was convinced that I would stay there and build my career e.g. in a large corporation. But it turned out that such a working environment did not give me a sense of fulfilment – I like to have an impact on what is happening around me, and in such large and well-organized organizations it is not easy to exert influence on the direction in which they are heading. So, after two years, I decided to go back to Łódź and work with my parents.

And perhaps most importantly, I wanted to do it, rather than felt that I had to do it. I do not work in the family business because I could not find any other job. I work there because I want to! It gives me great motivation and energy.

I also got help from some amazing people that I met on my way. I was very lucky to work with people who wanted me to grow and who saw my potential. I had a great mentor, with whom I'm still in touch. She showed me the value of work and how important it is to understand what you are doing.

WHAT I FOUND DIFFICULT

When I first started working in the family business, it was difficult for me to break with the image of "the President's daughter" and build my own authority. Many people have known me since I was a child, and when I came to the company, they still saw me that way. The fact that I had graduated from the Warsaw School of Economics and had worked for well-known brands did not help me at all. I was 25 when I came to the company – the staff were all older than me, with more experience and a better understanding of the market. Finding my place and building authority were my biggest challenges.

Yet another challenge was the adjustment of family relationships at work. I work with my Mom, Dad and Brother. It is not always easy to separate private life from professional life, especially in a family business. At first, changing the way of thinking and realizing that I'm not talking to my Dad, but to the President, not to my Mom, but to the Vice President, and not to my brother, but to the director, was not easy. But after four years of working in the company, we found a good model of cooperation, I think. My parents have always believed that the next person in the Management Board should be an added value, instead of replacing the persons who are already there. And this gives me room to grow!

WHAT WOULD I HAVE CHANGED, HAVING THE KNOWLEDGE AND EXPERIENCE THAT I HAVE TODAY

More humility and a greater understanding of the people I worked with before I began to introduce changes. As a result, it was difficult for me to introduce them alone, because I didn't have any allies. I'm still working on improving our relationships so that we have more trust in one another and in what we do.

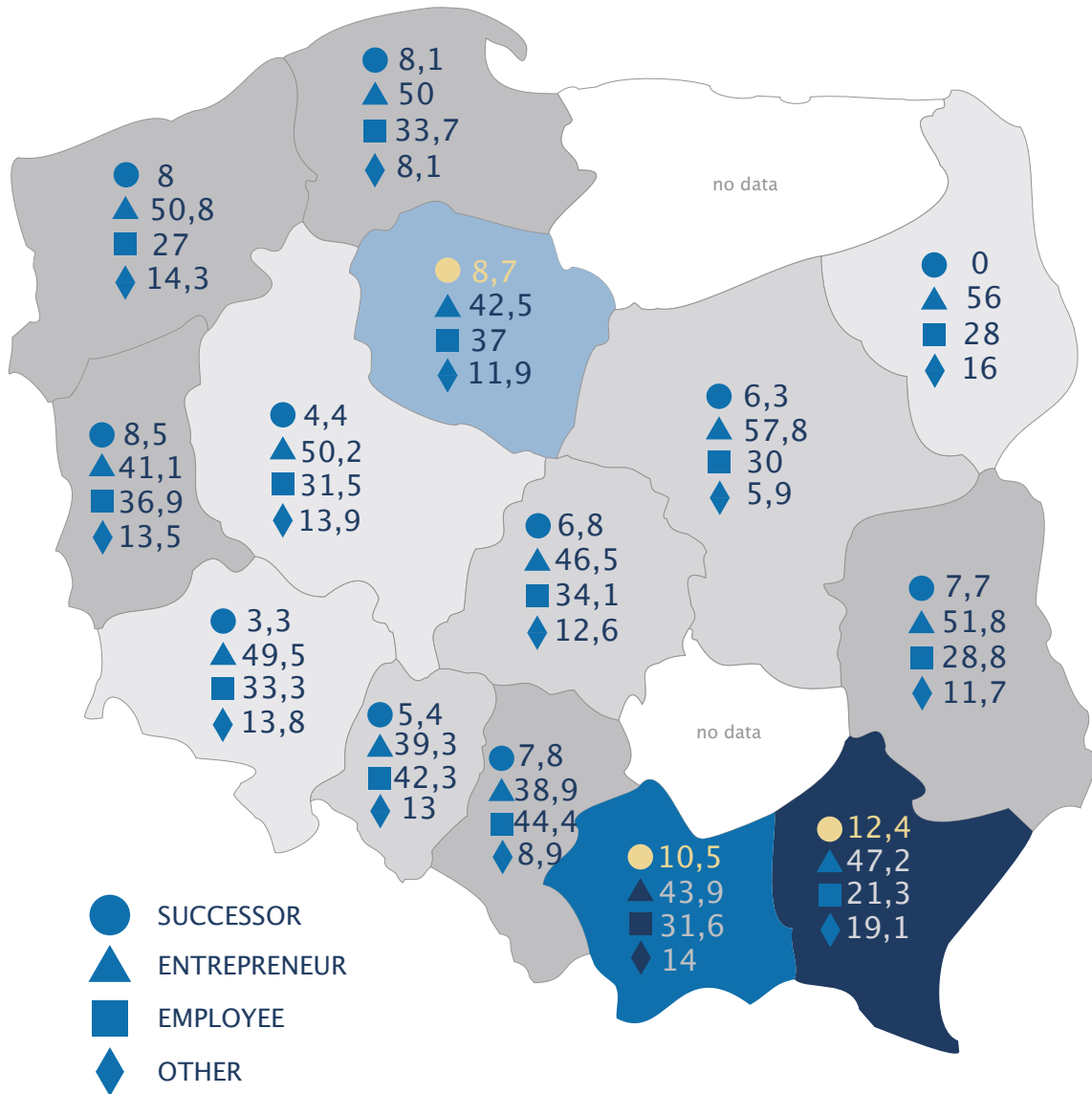


“
Successors need to build their credibility: Many successors struggle with the image of the "owners' child" in the eyes of employees. One of the most important task that awaits nestors before they transfer the decision making area in the company to their next generation, is to transfer the successor authority. Only after building successor's authority which effects on other workers, successor will be able to develop the family business responsibly and with all his passion and commitment supported by his crew. Therefore the key to effective succession is to build successor's management and self confidence.

Michał Wojewoda
Expert of the Family Business Institute Poland, Business Analyst at Lewandowska & Partners

GEOGRAPHY OF SUCCESSION

Career paths 5 years after graduation also very depending on the region (%).



! Career paths also vary depending on the geographical region: work in a corporation is favoured by the students from Silesia, the most entrepreneurial students study in Warsaw, and most children willing to take over their parent's companies study in the Subcarpathian region.

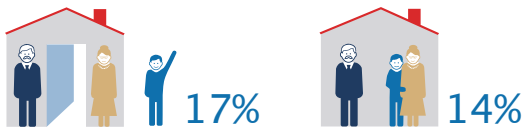
SUMMARY – 10 MOST IMPORTANT CONCLUSIONS

1. TALKS ARE HIGHLY RECOMMENDED!

Assuming that the process of succession should last for at least 7–10 years, the parents of more than 50% of the respondents should be getting ready for succession. **Start talking about it!**

2. LIVING WITH ONE'S PARENTS IS NOT CONDUCTIVE TO ENTREPRENEURSHIP

The boys who declare that they will live with their parents at least until the wedding day are less likely to set up their own businesses and **less often want to be successors**, preferring contract work. The time spent under the parents' roof has virtually no effect on the entrepreneurship of girls and their decisions concerning succession.

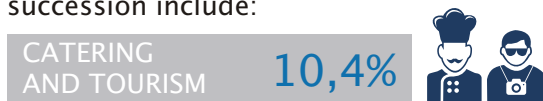


3. LESS THAN ONE IN TEN

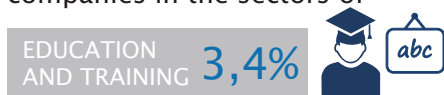
Only 6.3% of the respondents declare that they are interested in succession.

4. SUCCESSION BY INDUSTRIES

Industries with a higher likelihood of succession include:



Children are the least willing to take over companies in the sectors of



5. SUCCESSION? I WILL GET IN AND OUT

Poland is the only country among the analyzed ones where there are more children from family businesses who want to start working in a family business immediately after graduation than those who are still willing to take over the company 5 years after graduation.



6. CAREER BY REGIONS

Students from **Silesia** most often see themselves as **employees** (44%), **Mazowieckie** province is the most **entrepreneurial** region (58%) and **Subcarpathia** is where most **successors** live (12%) !

7. DO YOU WANT TO INCREASE YOUR CHANCE OF SUCCESSION WITHIN THE FAMILY?

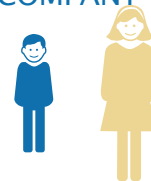


8. SALE OF SHARES TO CHILDREN

Polish parents would sell the shares in their companies to their children for 60% of their actual value, while the parents of the children surveyed outside of Poland – for 80% of their value.

9. GIRLS ARE MORE WILLING TO TAKE OVER THE COMPANY

Girls show a greater inclination to succession.



10. EVERY OTHER GIRL WANTS TO START HER OWN BUSINESS!

The planned career paths of the children from family businesses five years after graduation broken down by gender show that **every other girl is planning on working on her own!**



SCHOOLS AND UNIVERSITIES WHICH TOOK PART IN THE SURVEY

Kozminski University
in Warsaw

Magdalena Kusmierz



Lódz University of
Technology

Marek Matejun, Ph.D. and Eng.



Kashubia and Pomerania
School of Higher Education
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Poznan University of
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The State University of
Applied Sciences
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