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An Empirical Investigation into the EU Policy in Favour of Business Succession among Polish Family Firms

Summary

The paper summarizes institutional factors that matter for implementing the policy of support for business succession by European Union member states. Describing challenges for family business in Europe is the starting point for the discussion. The main part focuses on the analysis of the EU documents in favour of ownership transfer and succession of enterprises. Paper provides an analysis of legal, administrative and institutional factors (but from the point of view of economics and management sciences) on the basis of the recommendations made by the European Commission on conducting the policy of support for business succession by member states, worked out on the basis of reports assessing the implementation progress of member states in this scope.

KEYWORDS

succession, family business, ownership transfer, European Union, SMEs

POLITYKA UE W ZAKRESIE WSPIERANIA
SUKCESJI PRZEDSIĘBIORSTW.
ANALIZA WYNIKÓW BADAŃ EMPIRYCZNYCH
WŚRÓD POLSKICH FIRM RODZINNYCH

Streszczenie

Artykuł omawia czynniki instytucjonalne, które mają znaczenie dla kształtowania i realizacji polityki wsparcia sukcesji biznesu przez państwa członkowskie w Unii Europejskiej. Omówienie i analiza wyzwań dla rodzinnego biznesu w Europie jest punktem wyjścia dyskusji. Główna część artykułu koncentruje się na chronologicznej analizie dokumentów źródłowych UE w zakresie przeniesienia własności i dziedziczenia przedsiębiorstw. Artykuł zawiera analizę czynników prawnych, administracyjnych i instytucjonalnych (ale z punktu widzenia nauk ekonomicznych, w tym nauk o zarządzaniu), omawianych w sprawozdaniach ewaluacyjnych postęp wdrażania przez państwa członkowskie zaleceń Komisji Europejskiej w zakresie prowadzenia polityki wsparcia dla biznesu.

SŁOWA KLUCZOWE

sukcesja, firmy rodzinne, transfer własności, Unia Europejska, MSP

1. INTRODUCTION

In 2002 it was estimated that during the next 10 years, as many as one third of enterprises from the 15 countries of the then European Union would change ownership; in fact, this indicator ranged from 25 to 40% in individual member states. In absolute numbers this indicator amounted to about 610,000 small and medium-sized enterprises, out of which nearly half employ workers (about 2.1 million workplaces) [European Commission 2002, p. 7]. At the beginning of 2006, it was estimated for the EU countries that “even 690,000 enterprises a year should find new owners – these enterprises, although small and medium-sized in majority, give 2.8 million workplaces in total” [European Commission 2006b, p. 5]. The quoted data show unequivocally that the question of the continuity of enterprises, especially family ones, is one of the key problems which will make the competitiveness of economy and the dynamics of workplace forming

impaired. Enterprise ownership transfer is a chance for “survival” for many, mainly family, firms.

The main objective of the paper is to present, discuss, analyse and evaluate the institutional factors for business succession in the European Union taking Poland into special consideration. The complex analysis was conducted on the basis of the chronological analysis of the EU documents as well as on the IDIs (in-depth-interviews) on the random sample of 61 Polish family firms.

2. DIRECTIONS IN THE EVOLUTION OF COMMUNITY POLICY IN FAVOUR OF BUSINESS SUCCESSION

As early as the beginning of 1990s, the European Commission noticed the complexity of the enterprise succession problem and its significance for the survival of European enterprises, especially family ones. On 29-30 January 1993 in Brussels, a symposium on the transfer of enterprise ownership took place, organized under the auspices of the European Commission. The symposium allowed the European Commission to identify the main problems connected with enterprise succession in the form of a communication of 29 June 1994, and indicate the best practice in this scope. The communication postulated focusing on several questions, including [European Commission 1994b, p. 1-23]:

- ensuring continuity to partnerships and sole traders,
- preparing enterprises to ownership transfer by adopting the most suitable organizational and legal form,
- supporting the transfer of enterprise ownership by administrative and legislative powers,
- ensuring tax reliefs in the case of enterprise ownership transfer within the family.

On 7 December 1994, the Commission passed, in the form of a recommendation, detailed guidelines on the improvement of the conditions for enterprise ownership transfer in Community member states. These recommendations also concerned numerous areas affecting the transfer of enterprise ownership, such as taxation, the change in legal status of an enterprise, access to transfer financing. The recommendations, which

were directed to individual member states, and included in this legal act were the following [European Commission 1994a, p. 1-9]:

- inducing initiatives which serve to raise awareness, passing information and providing training on how to plan enterprise ownership transfer,
- ensuring a proper financial environment for conducting enterprise ownership transfer,
- providing legal possibilities for enterprise restructuring in order to prepare to ownership transfer, especially with reference to the legal status of an enterprise,
- establishing legal regulations ensuring the continuity of partnerships and sole traders in the case of the death of one of the partners or the owner,
- creating favourable regulations concerning inheritance or donation tax from enterprise ownership transfer in order to ensure their survival,
- facilitating enterprise ownership transfer to third persons by introducing beneficial tax regulations.

The progress in the implementation of the above recommendations by member states was discussed at the forum organized by the Commission on 3-4 February in Lille in France. The working document summing up the debate included 13 conclusions systematized in three groups [European Commission 1997]:

1. Legal measures facilitating transfer of enterprise ownership:
 - facilitations in the scope of transferring partnership enterprises into limited enterprises,
 - introducing simplified forms of limited enterprises,
 - introducing limited companies wholly owned by sole traders
 - ensuring legal continuity to partnerships, especially civil law partnerships,
 - simplifying administrative formalities in the scope of enterprise ownership transfer.
2. Taxation means facilitating enterprise ownership transfer:
 - decreasing tax rates from legacies and donations in the scope of enterprise ownership transfer,
 - exemption from tax or decreasing the burden of tax on capital transfer in the scope of enterprise ownership to the benefit of third persons,

- liquidation of any forms of tax in the scope of enterprise transformation,
- increasing the number of agreements signed between member states on the avoidance of double taxation in the scope of taxes on inheritance and donations,
- ensuring information on tax consequences of enterprise ownership transfer.
- tax reforms should take into account facilitations for enterprise ownership transfer.

3. Supporting action in the scope of the facilitation of enterprise ownership transfer:

- ensuring proper financing of enterprise ownership transfer and a beneficial loan strategy in this scope by financial institutions,
- ensuring broadly understood counselling in the scope of enterprise ownership transfer, already at the preliminary phase of planning an enterprise succession.

In 1998 the Commission published a report on activities undertaken until 31 December 1996 by member states in the scope of the facilitation of enterprise transfer [European Commission 1998, p. 2-18] which, apart from general conclusions convergent with the Lille conclusions, also included comparative tables and the presentation of the detailed progress of the then 15 countries of the European Union.

In November 2000, the Commission appointed an expert group on transferring small and medium-sized enterprises, who were given the task of drawing up a report assessing the effects of the implementation of recommendations made by the member states after 1998.¹ In May 2002, a final report of the expert group was published, which contained the following recommendations [European Commission 2002b, p. 8 and 44-45]:

- creating the European Centre for Transfer of Enterprises coordinating and facilitating activity in this scope,
- creating a European database of sellers and buyers of enterprises, as well as the improving and updating of existing databases, and inducing the creation of such bases in countries in which they do not yet exist,

¹ The Project was called the Best Project on Transfer of Businesses.

- arranging regular European seminars, meetings and forums on the transfer of enterprises,
- the development of alternative and additional, tailor-made services in the scope of training and managing the process of enterprise ownership transfer,
- initiating programmes of support for enterprise transfer by national authorities, but also research in this scope,
- the attention of decision-makers should be equally divided between the support for setting up new enterprises and the support for the ownership transfer of already existing enterprises.

The report provided for the same means of achieving the effectiveness and efficiency of enterprise transfer, as the means presented in 1997 and 1998, yet their analysis was more detailed. A lot of attention was paid to the awareness of entrepreneurs on the transfer of enterprise ownership and creating the transfer market. To 2002 such markets existed in 4 member states (Austria, Denmark, France, Holland), and partially in another 4 countries (Germany, Luxembourg, Italy, Finland). The report called on the Commission to define, in agreement with the member states, a time frame for the implementation of the experts' recommendations.

On 23-24 September 2002 in Vienna, under the auspices of the Commission, the European Seminar on Enterprise Transfer was organized. The conclusions contained in the summary report were mostly informative. They basically postulated raising the awareness of the problem both among authorities and entrepreneurs, suggesting a number of instruments in this scope [European Commission 2002a, p. 5-6].

On the basis of the Council's decision on 20 December 2000, the Fourth Multiannual Programme for Enterprise and Entrepreneurship and in particular for Small and Medium-Sized Enterprises 2001-2005 was passed [European Council 2000, p. 84-91]. Initially, the programme was intended for 5 years, but then it was prolonged by a year, until the end of 2006, in order that it could agree with the Community's programming period. The programme contained 5 main objectives, and one of them, (the promotion of entrepreneurship) provided for the assistance in establishing new enterprises and help in ownership transfer of already existing enterprises.

In *The Green Book of Entrepreneurship in Europe* published by the Commission in January 2003 [European Commission 2003a], a lot of

space was devoted to enterprise transfer, although this subject was not a separately analyzed area. However, it permanently appeared in all areas indicated in the Book, including the hitherto prevailing postulates in this scope.

In 2003, a handbook of good practice on transferring enterprise ownership was also published by the European Commission [European Commission 2003b].

In October 2002, the Commission appointed another expert group on enterprise transfer (the so-called MAP 2002 Project), the work of which allowed for the publishing in August 2003 of another report assessing progress in the scope of policy for the benefit of enterprise transfer. The report contained six key areas on which the Community policy on enterprise transfer should focus. These were the following areas [European Commission 2003c, p. 8]:

1. Activities facilitating enterprise transfer by third persons.
2. Special activities facilitating transfer of ownership to employees.
3. Special rules in the scope of tax on inheritance and donations from enterprise transfer.
4. Incentives encouraging the “timely” preparation of the process of enterprise transfer.²
5. Tax relief from funds obtained from enterprise ownership transfer, which have been reinvested in another SME.
6. Financial instruments facilitating enterprise transfer.

The report postulated carrying out benchmarking for all identified key areas.

At the beginning of 2004, in the form of an announcement, the Commission proclaimed *Entrepreneurship Action Plan* – EAP (a plan of actions for entrepreneurship) in which among nine indicated key actions, one concerned facilitations in enterprise transfer. The communication claims that

The Commission will continue giving assistance to national and regional decision-makers in order to facilitate enterprise transfer, mainly with the intention of ensuring continuity to many EU family

2 “Timely” and “timely preparation” are terms connected with the necessity of an enterprise owner’s retirement; however, due to employment policy which promotes the professional activeness of people in the retirement age, the Report uses a softer expression, which was clearly emphasized.

firms which have a chance to survive on the market. The Commission will continue to encourage the member states to implement recommendations on enterprise transfer and will increase efforts in raising the awareness of prospective entrepreneurs in the scope of enterprise transfer [European Commission 2004a, p. 10].

The indicated detailed actions within the framework of this key activity were as follows [European Commission 2004a, p. 10]:

- publishing a new communication from the Commission on enterprise transfer, in which recommended actions will be specified, and assessing the implementation of recommendations of 1994 (the communication was initially planned for 2004, although in fact it was published only in 2006),
- providing the appropriate framework for enterprise transfer market in the member states,
- analyzing the causes of success and failure of the process of enterprise ownership transfer in Europe,
- providing funds for financing enterprise transfer available within the framework of the Community financial instruments.

In the initial report on EAP implementation issued in 2005, the Commission's efforts to implement three out of the four actions indicated above were summed up, since the third action by rotation was cancelled due to a negative decision of the Enterprise Programme Management Committee, EPMC) [European Commission 2004b, p. 7].

By the end of 2004, the Commission appointed another expert group on enterprise transfer within the framework of "Support for Establishing Transparent Market for Enterprise Ownership Transfer" project (the so-called MAP 2004 Project). The final report, entitled *Enterprise Exchange* was published in May 2006 (European Commission, 2006a). The report presented nine models of enterprise exchanges functioning in 8 member states (Belgium,³ Germany, France, Italy, Finland, Luxembourg, Holland, and Austria). The report also discussed the situation occurring in the remaining 10 member states (Bulgaria, the Czech Republic, Greece, Spain, Hungary, Poland, Romania, Slovenia, Sweden, Great Britain, and Turkey as a candidate

³ In Belgium, due to a federal political system two such stock exchanges function – a Flamand and a Walloon one.

country). The essence of the report is the elaboration of the enterprise exchange with an indication of its desired features.

In March 2006, two months before the publication of the evaluation report, the Commission issued a communication entitled “Transferring Enterprise Ownership – Continuity Through a New Beginning.” On the basis of the conducted analysis of the implementation of 1994 recommendation, the Commission drew six recommendations for the future which reinforce the recommendations of 1994 in the areas in which progress is not sufficient, and they are an expression of changes to the economic environment that took place during the last decade. The recommendations are as follows [European Commission 2006a, p. 10-12]:

- Focusing political attention both to the transfer of enterprise ownership and on the newly-set up enterprises.
- Providing proper financial conditions facilitating transfer of enterprise ownership.
- Raising the awareness, taking into account “soft” factors and promoting counselling in the scope of the transfer of enterprise ownership.
- Constituting a transparent market for the transfer of enterprise ownership.
- Providing taxation systems which are conducive to the transfer of enterprise ownership.
- Creating appropriate structures in order to implement Community recommendations in the scope of the transfer of enterprise ownership on a great scale.

At the beginning of 2007, the European Commission appointed an Expert Group on Family Business, EGFB. The result of the experts’ work was a report entitled “Overview of Family Business Relevant Issues” published at the end of 2008. It is worth stressing that the appointment of this expert group significantly changes the hitherto prevailing Community policy, which will treat this problem much more broadly, focusing not only on the question of the transfer of enterprise ownership, but also on the question of family entrepreneurship, one of the key areas of which is enterprise succession (Table 1).

Table 1. Challenges for Family Business in Europe

Challenge	Policy Recommendations	Concerned Level
Lack of awareness by politicians of the economic and social/ societal contribution of family businesses, resulting in a low level of activity to create a family business friendly environment	Provide an operational definition of "family business"	Expert Group on Family Business Relevant Issues
	Conduct and disseminate research on family businesses	National governments, chambers of commerce in cooperation with researchers
	Establish family business representative organisations	Family business sector with the assistance of the European Commission and national governments
	Empower family business representative organisations	European Commission and national governments
Lack of family firms' awareness of the importance of timely planning for intergenerational business transfer (particularly in the NMS and against the changing Framework conditions such as socio-demographic change), resulting in ill-prepared successions endangering the firms' survival	Establish/continue awareness raising measures of the importance of planning business transfers as well as the provision of practical planning tools	European Commission and national governments, in cooperation with chambers of commerce and family business networks, as well as education providers
	Establish training for entrepreneurs and successors to prepare them to cope with the challenges of the transfer process	
Financial obligations	Reduce/abolish inheritance/gift tax	National governments
	Establish access to finance which does not involve the loss of control of business decisions	

Balancing business and family issues, resulting in the need for specific governance instruments	Raise awareness of the importance of governance structures and provide information on/assistance in their design and establishment	European Commission and national governments, in cooperation with chambers of commerce and family business networks
	Provide financial support for the establishment of governance instruments	National and regional governments
Lack of family business specific management and entrepreneurship education	Tailor management and entrepreneurship education towards the specific needs of family business owners/managers (i.e., dealing with specific issues, focusing on practical applicability)	National governments (particularly in the NMS) in cooperation with education providers
Limited access to finance for growth	Establish tax regimes treating retained profits favourably	National governments
Attracting and maintaining a (skilled) workforce	Launch an image campaign	Family business networks, in cooperation with national governments

Source: [Mandl 2008, p. 4-5].

3. NATIONAL INSTRUMENTS OF SUPPORT FOR THE SUCCESSION OF ENTERPRISES

While analyzing the directions of evolution of the European Union Policy in the scope of the transfer of enterprise ownership, we may notice that from the beginning of 1990s to the end of 2008, evolutionary, rather than radical, changes took place in it. During these

two decades, the assumptions and recommendations of 1994 were specified. The actions discussed in the elaboration undoubtedly contributed to conceptualization of the Community policy in this area, which may be now systematically summed up (Table 2).

Table 2. The Assumption of Community Policy in the Scope of the Transfer of Enterprise Ownership to be Implemented on the Level of the Member States

Areas of policy	Actions
1. Legal means	1.1. Facilitations in transferring partnerships into companies and <i>vice versa</i> . 1.2. Introduction of simplified forms of companies. 1.3. Introducing companies wholly owned by sole traders 1.4. Ensuring legal continuity of partnerships, especially civil law companies 1.5. Introducing the right of pre-emption of a business by an owner/founder's family members in case of his death or illness. 1.6. Facilitation of administrative formalities concerning the transfer of enterprise ownership.
2. Taxation means	2.1. Decreasing rates of tax on inheritance and donations in the scope of the transfer of enterprise ownership. 2.2. Exemption or decreasing burdens in the scope of tax on capital transfer in the scope of the transfer of enterprise ownership for the benefit of third persons. 2.3. Decreasing burdens in the scope of tax on capital transfer in the scope of the transfer of enterprise ownership by employees. 2.3. Liquidation of all forms of taxation in the scope of business transformation. 2.4. Introducing tax reliefs from funds gained from the transfer of enterprise ownership, which were then reinvested in other small and medium-sized enterprises. 2.5. Introducing reliefs from funds obtained for the transfer of enterprise ownership, which have been invested in pension fund for the initial owner/founder of the business. 2.6. Providing information concerning tax consequences in the scope of the transfer of enterprise ownership. 2.7. Tax reforms should consider facilitations for the transfer of enterprise ownership.

<p>3. Supporting actions</p>	<p>3.1. Raising awareness among entrepreneurs on the transfer of enterprise ownership. Organizing regular European seminars, meetings or forums on business transfer.</p> <p>3.2. Providing proper financing of enterprise ownership and beneficial loan strategy in this scope.</p> <p>3.3. Providing broadly understood counselling on the transfer of enterprise ownership, already at the preliminary stage of planning a succession. The development of alternative and additional tailor-made services on trainings and the management of the transfer of enterprise ownership process.</p> <p>3.4. Support for creating transparent market for the transfer of enterprise ownership (so-called enterprise exchange).</p> <p>3.5. Creating a European database of sellers and buyers of enterprises, as well as the intensification of the existing national database and inducing the creation of such databases where they do not exist yet.</p> <p>3.6. Creating the European Centre for the Transfer of Enterprises, coordinating and facilitating activeness in this scope.</p> <p>3.7. Creating <i>one-stop-shops</i> for enterprise transfer or ensuring that existing shops offer such services of a “one window” type.</p>
<p>4. Best practice</p>	<p>4.1. Promotion of best practice in the scope of planning the process of enterprise ownership transfer.</p> <p>4.2. Promotion of best practice in the scope of training on business transfer.</p> <p>4.3. Promotion of best practice in the scope of business valuation.</p> <p>4.4. Promotion of using experience of initial/former owners of passed businesses.</p>

Source: [Wach 2011]

Table 3. Progress in the Implementation of the Recommendations of 1994 in the Scope of Transfer of Businesses by Member States till the End of 2005

Country	Awareness raising	Financial environment	Change of legal firm	Tax neutral restructuring	Simplification SMEs/PLCs	PLC with one member	Legal principle of continuity	Unanimity not required	Reduced inheritance tax	Deferring inheritance tax	Retirement tax relief	Re-investment tax relief	Sale to employees tax relief	TOTAL + and (+)
B	+	+	+	+	+	0	+	0	+	(+)	+	+	(+)	11
CZ	-	-	+	(+)	+	0	(+)	0	(+)	(+)	+	+	0	8
DK	-	+	(+)	+	+	+	+	-	+	0	+	0	+	9
D	+	+	+	+	+	+	+	0	+	+	+	+	0	11
EE	0	0	+	-	-	+	-	-	+	+	0	0	0	4
EL	-	-	-	-	-	-	-	-	(+)		-	-	-	2
E	(+)	-	+	-	+	+	(+)	-	+	0	-	+	+	9
F	+	+	+	+	-	+	-	-	+	+	+	+	+	9
IRL	(+)	(+)	0	+	+	0	(+)	-	+	+	+	Φ!	+	9
I	+	(+)	+	0	0	+	+	+	+	+	0	0	0	8
CY	(+)	0	+	-	+	(+)	(+)	-	+	+	0	0	0	7
LV	-	0	(+)	(+)	0	+	+	+	-	-	-	-	-	5
LT	(+)	-	+	+	+	+	+	0	+	+	0	0	0	8
L	+	+	+	-	(+)	+	+	0	-	(+)	0	0	0	7
HU	0	0	+	+	0	+	+	+	(+)	-	+	+	+	8
MT	0	0	(+)	+	+	0	(+)	0	+	+	0	0	0	6
NL	+	-	+	+	+	+	+	-	+	+	Φ!	0	0	8
A	+	+	(+)	+	+	+	(+)		+	(+)		0	0	12
PL	-	(+)	+	+	0	+	(+)	0	+	-	0	0	0	6
P	(+)	-	+	-	-	0	+	-	0	0	0	0	0	3
SI	0	0	(+)	+	+	+	(+)	-	-	(+)	0	0	0	6
SK	0	0	(+)	0	0	+	-	0	+	-	0	0	0	3
FIN	+	+	(+)	+	+	+	+	0	+	+	0	0	0	9
S	(+)	-	(+)	+	-	+	0	0	+	+	-	-	0	6
UK	(+)	-	+	-	-	+	-	0	+	+	Φ!			7
EU	15	10	23	16	14	19	19	4	41	18	8	6	8	181

The table shows in which areas measures have been reported by the Member States but does NOT reflect an assessment of measures.

Notes:

- + Recommendation implemented
- (+) Partial or planned implementation
- 0 Recommendation not implemented
- Φ! Former implementation revoked
- no information

Source: [European Commission 2006a, p. 11].

In the communication from the Commission of 2006, information was passed that the level of the implementation of 1994 recommendations in EU-25 countries amounted only to 65% (although there were significant differences in the recommendation implementation between member states), and the results of this indicator were regarded as insufficient (compare: Table 3). The most advanced in the implementation of the recommendations were three countries: Belgium, Austria and Germany, whereas the least advanced were Greece, Portugal, and Slovakia. Poland, with a result of 6 is placed below the Union's average which is 7.24 (the lowest result is 2, and the highest is 12).

4. EMPIRICAL RESEARCH SAMPLING AND METHODS

The research began with a study of the literature, the aim of which was to make an overview of the research problems, and then their initial evaluation and selection from the point of view of the research problem. The analysis of the literature served as the basis to formulate the research problem. Empirical research was carried out on the basis of a research questionnaire on both the first stage (a survey using a questionnaire) and the second stage (in-depth individual interviews). During the research two questionnaires were used [compare Surdej, Wach 2010, p. 82-91; Surdej, Wach 2011, p. 98-114]:

7. The survey questionnaire included nominally 83 questions, and part of the questions were of a complex character (N = 496).

8. In-depth interview (IDI) questionnaire numbered nominally 36 questions (N = 61).

In both survey questionnaires mainly closed questions were used. Closed questions were based on the set of a respondent's possible answers (the so-called cafeteria-style checklist), which aimed to improve the process of surveying using a questionnaire (shortening the time), but most of all, the possibility to standardize the answers, including deduction and making comparisons. In in-depth interviews open questions were used, which allowed the respondent to give his or her opinions freely, and at the same time more accurately verified the studied reality in some areas.

As a method for operationalization, managerial perception was chosen, which provides acceptable correctness and reliability, and, first of all, exceeds other methods with respect to the practicability of application. Managerial perception is very often used in analogous research [Lyon, Lumpkin and Dess 2000, p. 1055-1085]. The method was used for all qualitative variables [Charmaz 2006]. Thus, questionnaire research was adopted as the main research technique (preceded by a diagnostic survey), accompanied with the technique of observation.

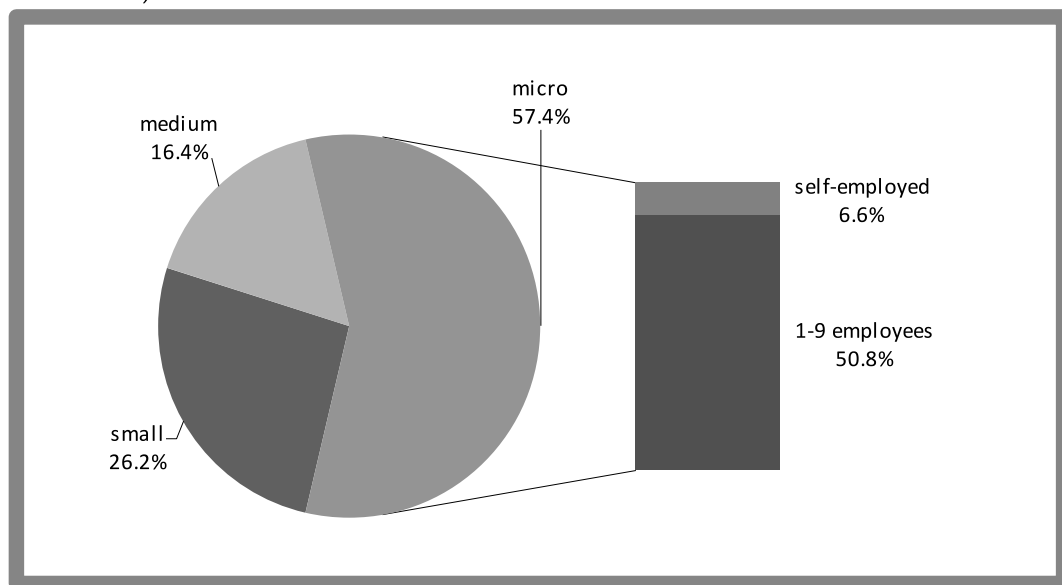
The last stage of the development of the research methodology was defining the research methods and techniques used in the prepared study. In the presented research, both quantitative and qualitative methods were used.

The selection of enterprises for the research sample based on individual interviews (*in-depth-interview*, IDI) was made in a purposeful way. The interviews were conducted during two meetings of family entrepreneurs organized by The Initiative of Family Businesses Association of Poland in late 2009. In total, 66 interviews were conducted in family businesses, regardless of their size; however, in the second stage of the research only those family firms were taken into account which have either finished the succession process or are in the process of planning it. For further statistical processing and deduction, 61 interviews were taken into consideration (the results of 5 were rejected due to big deficiencies or the lack of a succession plan in the near future).

In the research sample only micro-, small and medium-sized enterprises were represented but large enterprises were not taken into

account (Figure 1). The most numerous group was micro-enterprises. The average employment in the studied community was 27 people (minimum 0 people, maximum 200 people). A half of the firms employed not more than 9 people. Only $\frac{1}{4}$ of the studied enterprises employed more than 23 people, and another $\frac{1}{4}$ not more than 3; enterprises employing 1 person (at 9 observations) were the most numerous group.

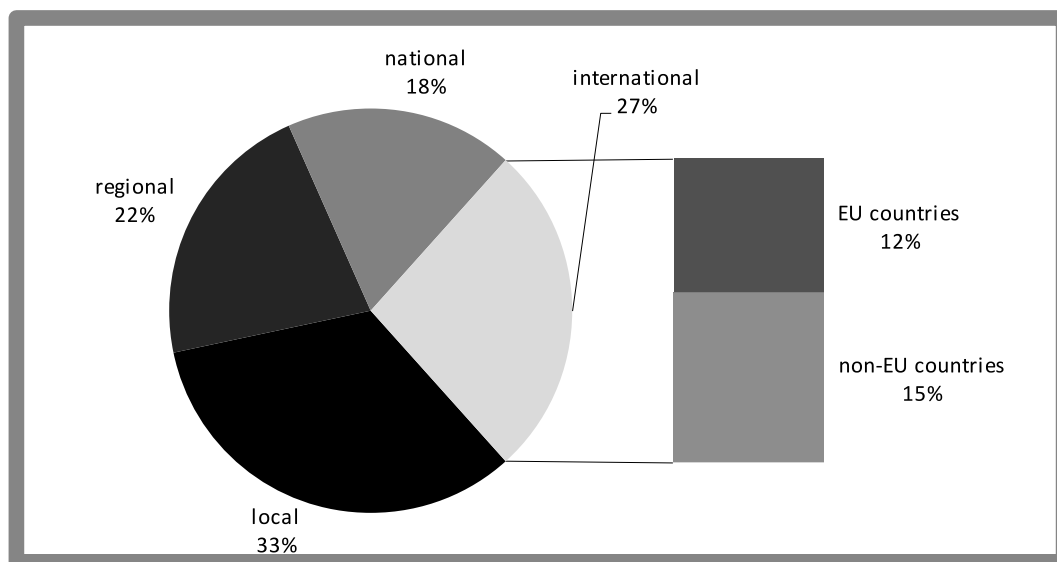
Figure 1. The Structure of the Studied Community by Enterprise Size (in %, N = 61)



The youngest enterprise was 1 year old; the oldest was 87 years old. The average age of the studied enterprises did not exceed 16 years of activity, and enterprises functioning on the market for 20 years (at 8) constituted the most numerous group. Only $\frac{1}{4}$ of the firms conducted their activity for over 20 years, whereas the same number of the firms conducted their activity for at most 9 years.

The scope of activity of the studied enterprises was diverse and mostly local and regional (Figure 2). The same number of the studied family businesses conducted their activity in the international market.

Figure 2. The Structure of the Studied Community by the Scope of Businesses' Activity (in %, N = 61)



The studied enterprises, in relation to the research procedure, comprised with its scope mainly the area of Małopolskie Voivodship, the share of entities from other regions amounted only to 31.15%.

The prevailing legal form of the studied enterprises was economic activity on their own account. Furthermore, the most popular legal forms are in sequence civil proprietorships, general partnerships and limited liability companies, which correspond with the economic reality in Poland.

By sectors, services prevailed and they constituted 72.9% of the research sample, and then industry – 23.7%, whereas agriculture was represented only by two enterprises (3.4% of the research sample). Due to the subjective character of activity in accordance with GDP-2007 codes two industries prevailed, namely trade and repairs (section G) and other services (S); in the industrial sector both industries were represented by an identical number of enterprises, and these were production and industrial processing (section C) and construction (section F) (see Table 4).

Table 4. The Structure of the Studied Community by the Kind of Activity (N=61)

Sectors and Sections according to NACE*	Total	Number of Enterprises		
		micro	small	medium
Sector I – Agriculture <i>including:</i>	3.4%	2	0	0
agriculture, forestry and fishing (A)	3.4%	2	0	0
Sector II – Industry <i>including:</i>	23.7%	2	6	6
manufacturing (C)	11.9%	1	3	3
construction (F)	11.9%	1	3	3
Sector III – Services <i>including:</i>	72.9%	28	11	4
electricity, gas, steam and air conditioning supply (D)	1.7%	1	0	0
water supply, waste management and remediation (E)	1.7%	0	0	1
wholesale and retail trade as well as repair (G)	20.3%	8	3	1
transportation and storage (H)	5.1%	2	0	1
accommodation and food service activities (I)	5.1%	2	0	1
financial and insurance activities (K)	3.4%	0	2	0
real estate activities (L)	3.4%	1	1	0
arts, entertainment and recreation (R)	5.1%	2	1	0
other service activities (S)	28.8%	13	4	0

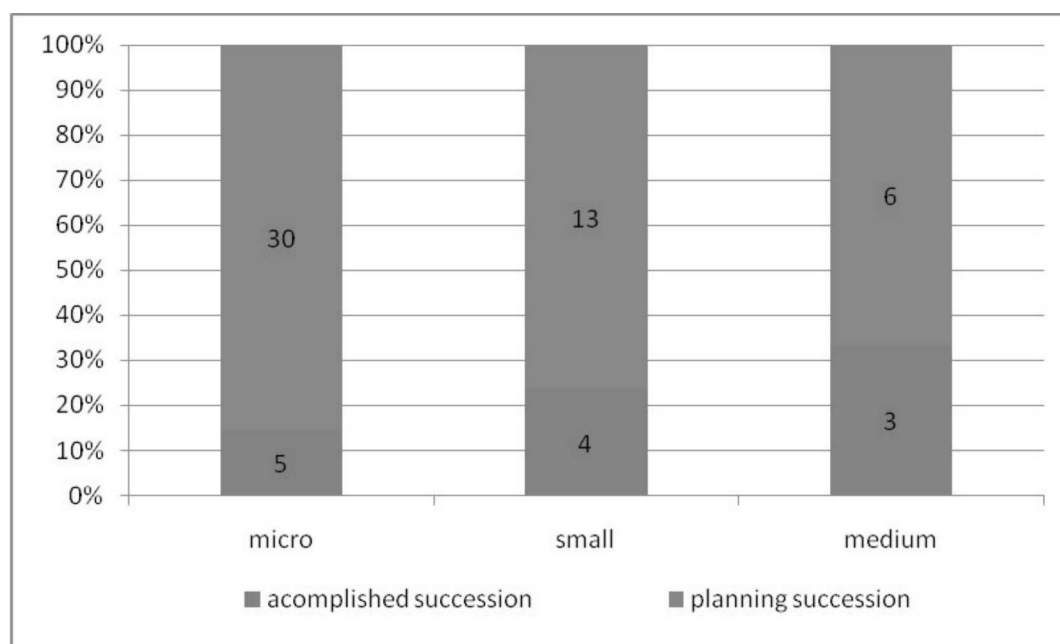
*A few indications or the lack of an indication was marked in 2 cases (they were not taken into consideration while calculating percentage values) .

The second stage of the research, which used in-depth interviews as the main research tool, comprised family businesses which have conducted or are going to conduct succession (61 cases altogether) Due to this criterion; the research sample included the following cases:

- 20% that is 12 family businesses which have already carried out the succession,
- 80% that is 49 family businesses which are planning the succession process during the next years.

The distribution of the research sample due to two variables is very interesting, namely both the succession stage and the enterprise size (Figure 3).

Figure 3. The Structure of the Studied Community by Succession Horizon and the Size of the Family Firm (in %, N = 61)



5. THE EMPIRICAL INVESTIGATION AMONG POLISH FAMILY FIRMS AND ITS RESULTS

At the stage of in-depth research the entrepreneurs were asked for detailed assessment of changes in administrative and legal conditions of the succession in Poland during the last 3 years. For the assessment the five- point Likert scale was used. The factors were chosen on the basis of an analysis of the Community source documents including a recommendation on shaping the policy and instruments of support in the scope of enterprise transfer, including family enterprise succession. The detailed methodology of the selection of assessed factors is discussed in Chapter Four of this paper. The collective results of these evaluates are presented in Table 5. One may assume that the results achieved in this way are much more reliable than the European Commission's results which are based only on the declarations

of member states checking if a given instrument has been or has not been implemented in the national legal order.

In total, 25 different instruments were assessed, grouped in four thematic groups (legal means, taxation means, supportive actions, promotion of good practice). The respondents were asked not only for the assessment of the changes (positive changes, negative changes, no changes), but also for the assessment of the significance of these factors for the succession in the scale from 1 to 5, where 1 means completely insignificant, and 5 is a very significant action. On this basis it was possible to arrange individual factors from the most significant (1) to the least significant (25), which was marked in the table. In addition, arithmetic means calculated for this group allow them to be arranged. It turns out that according to the respondents, tax means play the most significant role (3.17), then legal means (3.12), and supporting activities (2.09), whereas the least important is the promotion of good practice (3.03). It should be emphasized that the results of the self-evaluation of these factors, the significance are very close to each other and oscillate from 3.03 to 3.17.

Table 5. The Assessment of Administrative and Legal Conditions of Succession in Poland (Managerial Perception in 2009, N = 61)

<i>Significance</i>		<i>evaluating factors / actions</i>	<i>positive changes</i>	<i>no changes</i>	<i>negative changes</i>	<i>no opinion</i>
<i>Place</i>	<i>Average</i>					
Group 1: Legal means						
18	2.94	1.1. Facilitations in transferring partnerships into companies and vice versa.	31.7%	23.3%	8.3%	36.7%
23	2.87	1.2. Introduction of simplified forms of companies.	31.7%	16.7%	5.0%	46.7%
19	2.90	1.3. Introducing companies wholly owned by sole traders	33.3%	11.7%	3.3%	51.7%
13	3.04	1.4. Ensuring legal continuity of partnerships, especially civil law companies	30.5%	20.3%	3.4%	45.8%

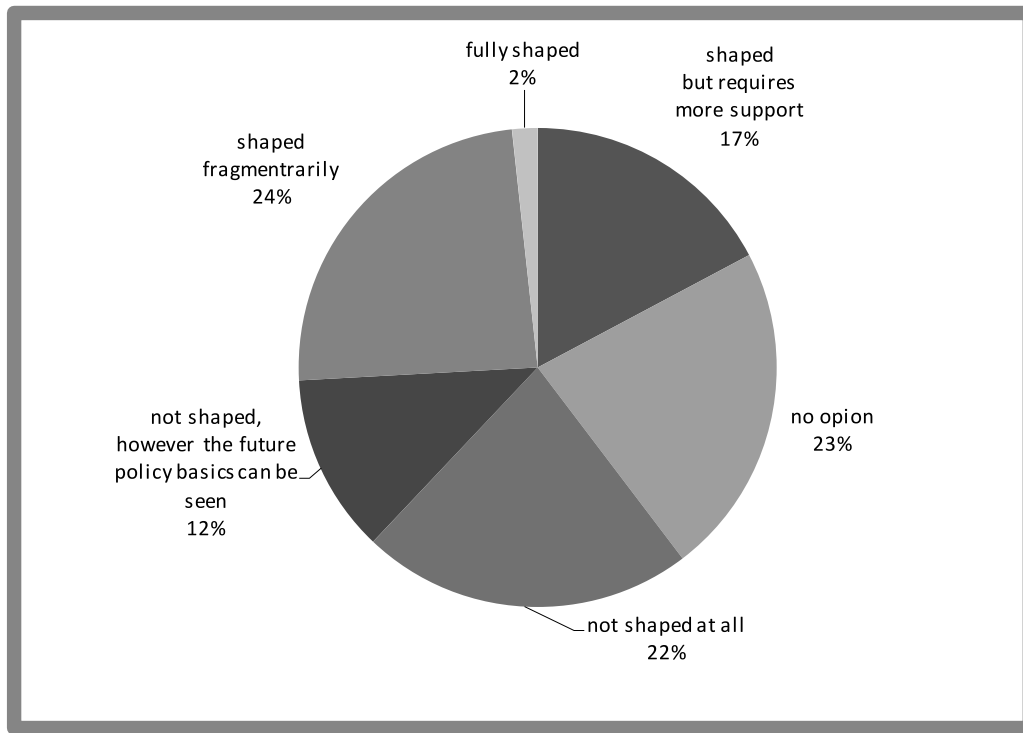
2	3.59	1.5. Introducing right of pre-emption of a business by an owner/founder's family members in case of his death or illness.	45.8%	20.3%	1.7%	32.2%
5	3.39	1.6. Facilitation of administrative formalities concerning the transfer of enterprise ownership.	21.7%	28.3%	10.0%	38.3%
Group 2: Taxation means						
1	3.72	2.1. Decreasing rates of tax on inheritance and donations in the scope of the transfer of enterprise ownership.	50.0%	19.0%	1.7%	29.3%
12	3.05	2.2. Exemption or decreasing burdens in the scope of tax on capital transfer in the scope of the transfer of enterprise ownership for the benefit of third persons.	25.4%	28.8%	6.8%	39.0%
25	2.58	2.3. Decreasing burdens in the scope of tax on capital transfer in the scope of the transfer of enterprise ownership by employees.	13.8%	24.1%	5.2%	56.9%
20	2.90	2.3. Liquidation of all forms of taxation in the scope of business transformation.	25.9%	24.1%	3.4%	46.6%
8	3.30	2.4. Introducing tax reliefs from funds gained from the transfer of enterprise ownership, which were then reinvested in other small and medium-sized enterprises.	27.6%	15.5%	5.2%	51.7%
14	3.00	2.5. Introducing reliefs from funds obtained for the transfer of enterprise ownership, which have been invested in pension fund for the initial owner/founder of the business.	15.3%	23.7%	6.8%	54.2%
6	3.33	2.6. Providing information concerning tax consequences in the scope of the transfer of enterprise ownership.	30.5%	25.4%	6.8%	37.3%

4	3.44	2.7. Tax reforms should consider facilitations for the transfer of enterprise ownership.	25.9%	29.3%	0.0%	44.8%
Group 3: Supporting action						
9	3.16	3.1. Raising awareness among entrepreneurs on the transfer of enterprise ownership. Organizing regular European seminars, meetings or forums on business transfer.	37.9%	32.8%	6.9%	22.4%
11	3.14	3.2. Providing proper financing of enterprise ownership and beneficial loan strategy in this scope.	29.3%	31.0%	8.6%	31.0%
10	3.14	3.3. Providing broadly understood counselling on the transfer of enterprise ownership, already at the preliminary stage of planning a succession. The development of alternative and additional tailor-made services on trainings and the management of the transfer of enterprise ownership process.	24.6%	24.6%	5.3%	45.6%
15	3.00	3.4. Support for creating transparent market for the transfer of enterprise ownership (so-called enterprise exchange).	17.2%	32.8%	3.4%	46.6%
17	2.98	3.5. Creating a European database of sellers and buyers of enterprises, as well as the intensification of the existing national database and inducing the creation of such databases where they do not exist yet.	25.9%	27.6%	3.4%	43.1%
24	2.72	3.6. Creating the European Centre for the Transfer of Enterprises, coordinating and facilitating activeness in this scope.	28.6%	19.6%	3.6%	48.2%

3	3.54	3.7. Creating <i>one-stop-shops</i> for enterprise transfer or offering such services by the exiting shops of „one window” type.	29.3%	37.9%	5.2%	27.6%
Group 4: Best practices						
16	3.00	4.1. Promotion of best practice in the scope of planning the process of enterprise ownership transfer.	15.8%	35.1%	0.0%	49.1%
21	2.90	4.2. Promotion of best practice in the scope of trainings on business transfer.	25.9%	32.8%	1.7%	39.7%
22	2.89	4.3. Promotion of best practice in the scope of business valuation.	22.8%	36.8%	1.8%	38.6%
7	3.31	4.4. Promotion of using experience of initial/former owners of passed businesses.	29.3%	34.5%	1.7%	34.5%

At the end of the interview, 61 representatives of family businesses were asked whether in their opinion, during the last few years, the policy of support for family businesses has been shaped, including the support for succession processes. The responses that it has been shaped fully were sporadic (2% of the research sample). The prevailing opinion was that that it has been shaped but it still requires support or that it has been shaped fragmentarily (respectively 17% and 24%). The percentage of the respondents who think that such a policy has not shaped at all is high (Figure 4).

Figure 4. The Assessment of Policy of Support for Family Businesses in Poland (N=61)



6. CONCLUSIONS

On the basis of gathered and presented material let us draw a conclusion that the Community policy in the scope of the transfer of the ownership of businesses boils down to the Commission's recommendations, and it is not developed and "equipped" enough. In spite of this, the implementation and improvement of these recommendations will certainly improve the support for the continuity of European enterprises, especially small and medium-sized family businesses. We should add that the actions of individual member states are insufficient. The implementation of the recommendations indicated above could contribute to the improvement of the transfer of businesses process; that is, it could increase the survival rate of European enterprises, especially family ones. Everything lies in the competence of the national governments of individual member states because policy in the scope of the transfer of the ownership of businesses is based only on recommendations issued by Community bodies, which, however, are known not to be binding.

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