



Intergenerational Succession in SMEs Transition  
INSIST

CASE STUDY

The WITEK CENTRE

Final version

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The case study describes the history of a family company operating in the commercial sector. The company sells furniture and household accessories.

## 1. Introduction – a short description

*Interviewed representatives of the company*

Name	Age	Education	Professional career	Role in the succession process
Karolina	76	technical	1957 -1958 – restaurant manager 1958 – 1961- worked on the family farm, in 1961 together with her husband started a poultry breeding farm, 1968 - r. – started a netting manufacturing business, 1989 – preparation for entering a new sector of business activity, 1990 – beginning of retail activity (trading in household goods)	Family doyen

### A short history of the company

Entrepreneurship has always been a part of the family's way of life. The owner's parents moved to Krakow in 1953 and started farming and production activity in the vicinity of the city. They believed that everyone should make his or her own living and taught their children a work ethos from their earliest years, involving them in the family business.

As the doyen of the family, Karolina adopted the model used by her parents to bring up her own children.

Karolina's parents passed on their estate and company to their daughter and son. Karolina and her husband received a building in which they started their own business, independently of her parents who continued with their own business activities. Their first business activity involved running a poultry farm but over time the market situation changed and the business became unprofitable.

During Poland's economic transformation, which began in 1990, Karolina and her husband started a trading business. They started with a small shop (20 m<sup>2</sup>) in the centre of Krakow, in which they sold china and glass crockery. As time went on, they managed to reconstitute another part of Karolina's parents property, which enabled them to extend their business



activity. Growing demand for what they were selling, encouraged them to rent more and more retail space and their company continued to grow.

The last stage of business development involved building a modern retail centre in the vicinity of Krakow, which continues to be expanded and developed. The company's development has not stopped – business activity continues to grow and new investments are being planned, including the building more storage space etc.

### **Main areas of activity**

Retail sector, furniture and decorative accessories for interiors

### **Ownership structure**

Company assets were divided between Karolina and her children at an early stage. Today, each of them runs his or her own business independently, using different legal entities.

The family doyen is self-employed, as is her daughter. Her son runs his business through commercial law companies that he has established.

Each family member runs his and her business at their own risk and expense. The areas of business activity overlap to some extent, but as a rule, they focus on different sectors and do not compete with each other.

### **Market position**

The company is active in the retail sector, selling furniture. The business enjoys a good reputation in the marketplace even though it does not operate a nationwide retail chain. Retail chain shops, such as 'Agata' or 'BRW' offer cheaper, economy products, whereas the companies operated by Karolina and her children sell high quality, unique products, which is unusual in the marketplace, emphasizing high quality service in order to attract premium customers.



**Number of employees and information on their age, sex, education, qualifications and length of employment**

The segmentation of the business between Karolina and her children means that each of them employs his or her own employees. The Witek Centre employs around 60 people, the doyen's daughter employs around 100 people and her son employs around 100 people.

The structure of workforce in the doyen's company is presented below:

***age***

most employees are in their forties. 15 are over fifty.

***sex***

50 % of employees are women and 50 % are men.

***education***

There are 4 people with university degrees, the remainder of the workforce consists of people with secondary and vocational education.

***qualifications***

Qualifications of employees are appropriate to the positions they hold. The company helps its employees to develop their qualifications and trains them in relation to company needs.

***length of employment***

Most employees have worked in the company for more than 15 years. One person has been with the company for 23 years. The employee with the shortest length of employment has been with the company for 2 years.



## 2. The succession process

2.1. The rules for members of the family to enter or exit the company – are the rules formalised or informal?;

- a) Main goals (with respect to the ownership/ management structure), set by the controlling family regarding the succession process;
- b) Criteria for identification and selection (and training) the successor;
- c) Sequence of activities related to selecting and training the successor;'
- d) Methods used in the exit of the previous company owner/ manager (continuity or lack of continuity of ownership control)

Identification of the exit strategy; the role of the leadership style and other factors, including legal and financial barriers;

Karolina has developed the company by adopting her parents' philosophy that everyone has to make his or her own living and learn to be self-reliant. That is why, when her children became adults and were ready to start their own business activity, she divided the company between them, providing them with assets to enable them to develop their own businesses. In the beginning, her daughter took over the toys and stationery branch, whereas her son took over china and glass crockery and accessories, leaving her to trade in household goods. In 1996 they started selling furniture. At this point, Karolina's daughter rented some commercial space from her and started selling carpets. The children continued to rent commercial space from their mother, paying for it from the income earned in their business activities. Thanks to this arrangement and the income generated from her own business activity, Karolina was able to pay off the bank loans she had taken to build the retail centre. From the very beginning, it was assumed that the children would actively participate in their parents' business activity, but that they would strive to build their own independence. As the business developed over time, Karolina turned over part of her estate to the children, who at this time had grown their own businesses. Her son is still engaged in the interior accessory branch, and trades in lighting and crockery, whereas her daughter became involved in the hotel sector and successfully runs a conference venue, hotel, while continuing to sell carpets, wallpapers, curtains, curtain rails etc. Each family member is independent and must take care of his or her own business. Karolina still owns several properties, but has drawn up a will, in which she has assigned properties to her successors. Karolina continues to be actively involved in her business operations. For the moment, her legal successors do not intend to take over her part of the company (furniture).



In her view, the succession process does not pose any financial or legal risks to the company as she has already divided the company between her successors, enabling them to build their own independence and gather appropriate experience related to running business operations.

Each member of the family has developed his or her own style of business management. Karolina's son has travelled a lot and had periods working abroad. This gave him the opportunity to learn new management methods, which he now uses successfully in running his business.

Karolina's daughter runs business operations in accordance with values conveyed to her by her mother, which include taking good care of her employees, maintaining good quality of services offered and building a brand based on customer care, honesty and reliability in running the business.

Over the next four years, business operations currently run by Karolina will be taken over by her children. In case this does not happen, all issues related to inheriting Karolina's properties and companies have been specified in her last will, which will regulate how assets are to be passed on to her successors.

## 2.2. The relation between business and family goals: linking family values and company goals

The meaning of goals such as harmony in the family, family reputation and company image vs. Business profitability.

Similarities/ differences in values of generations; Key formative events in the family and in the company;

In Karolina's family, universal values, such as respect for other people, their dignity and opinions, have always been very important. This has helped ensure good relations between family members, the people managing the companies and their employees. Karolina enjoys working with a very good and loyal team of employees, whom she treats as part of her family. Low employee turnover is strongly linked to the friendly atmosphere in the workplace.

Karolina and her children support each other and can rely on each other, not only in family matters but also when it comes to business issues. The children sometimes ask for her advice but the business model they have selected is based on self-reliance (every one runs their business his or her own way), and advice is only given when someone explicitly asks for it. No one forces others to act according to his or her ways, opinions or beliefs.

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### 2.3. The family presence in the company (organisational and ownership map);

- The company structure vs family structure;
- The perception of the family role in the company;
- Methods for supporting family integrity in relation to business operations;
- Ways of coordinating the family presence in the company;
- The role of women in the family company.

Each member of the family operates his or her own business that he or she manages independently. The family structure is not reflected in the management structure of the company.

Family relations have no direct influence on the company and its employees, as each member of the family runs independent business operations and the employees have no possibility to observe everyday family relations.

Women in the family have always been very active. Karolina is the driving force, who succeeded in building the robust family company with her enthusiasm for work, pro-community attitudes, honesty and reliability in running business. She also set a wonderful example for her children, showing them how to go about achieving success.

The family is perceived positively by employees, who also observe how the successors respect their mother and appreciate not only her business approach but also her qualities in dealing with people.

### 2.4. Engaging the next generation

Getting the next generation ready for running the family company is a factor of critical importance for the succession process.

- Motivation, preparation and strategies of the next generation;
- Emotional aspects and calculations of family members
- Transfer of knowledge between members of the family;
- Network cooperation;

Just as with her parents, Karolina has always assumed that her children would be engaged in the business of their parents. In this spirit, she managed to instill entrepreneurship in her children and involve them in developing her company by encouraging them to undertake their own business activities. Passing on to the children parts of the company early on, resulted in her successors benefiting from the experience of the doyen related to running business prudently, gradually becoming self-reliant. The present financial condition and market position of the businesses run by family members demonstrate that the family has

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succeeded and the operational model it has adopted has proven to be both practical and efficient.

Karolina is ready to support her successors with her knowledge, experience and advice, while at the same time she has transferred to them parts of her business.

She is involved in various community and charity activities as well as associations of family companies which provide opportunities for exchanging experience related to operating a family business. She also likes to share her knowledge related to running the company with younger generations.

### 3. Conclusions

Dividing up the company into separate business units at an early stage can result in tangible benefits. Each family member is involved in a business activity and its development, creating its potential and building its market position.

Having divided her estate and assets between her children early on, the doyen was able to support her successors with her advice and experience. The self-reliance of her successors has given them the opportunity to gain business experience and successfully run their own company. Such model guarantees there will be no risk or element of surprise in the event that a family member dies with respect to the business. This contrasts with the situation where other family members who have not been involved in business operations, have no capability to act and so have to rely on advice of strangers.

Karolina's business achievements and community involvement have won her a number of awards and distinctions, which help also to consolidate the market position of the company.

As she notes: „I feel satisfied with my life and do not want to change anything in it. I have always been lucky and I am far better off than I ever dreamt I would be”.



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