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# Succession and Ownership in Family Businesses

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***Abstract:***

***Purpose:*** *We assess the relationship between a potential change in the ownership structure and the change in the scope of control over managing a family business.*
***Design/Methodology/Approach:*** *Analyzing the data characterizing the 500 largest family businesses, correlations between variables were calculated to observe relationships that primarily affect the size of family shares in the company and family impact on management.*
***Findings:*** *The reduction of family shares is also associated with the loss of participation in the company's management board due to increased management board members. This may also result in the CEO changing to a non-family member, which further weakens company management control.*
***Practical Implications:*** *The analysis results show that as the family share in the family business decreases, it loses control over management. Thoughtfully planning and carrying out the succession process to maintain the family's ownership seems to be crucial.*
***Originality/Value:*** *The political transformation in the 1990s in CEE countries resulted in the creation of many private companies, most of which can be considered family businesses. After about 30 years of operation, many of them face transferring ownership and management to the next generation, which may determine their further development. In the case of family businesses, succession is often referred to as the main goal of this enterprise type.*

***Keywords:*** *Family business, succession, ownership.*

***JEL codes:*** *D19, L26, G32.*

***Paper type:*** *Research article.*

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## 1. Introduction

The onset of the 1990s and the period of transformation in Poland and other CEE countries meant a transition to the market economy characterized by the increasing importance of private ownership. A lot of Poles experienced the awakening of entrepreneurial spirit, which gave rise to new businesses. In those days, family businesses, which benefited from novel growth opportunities, became important business entities in Poland. Every year in the period of 1989-1992, it is estimated that approximately approx—600 thousand new family businesses. About 60% of the family businesses set up at the beginning of the transformation have been operating until today (Family Business Foundation, 2019). They are major exporters and employers, as well as considerable contributors to the Polish budget. They face the same problems as other enterprises: rising costs of labor, shortages of the workforce, fiscal changes, or unstable legislature, which translates into their unwillingness to invest.

A particular challenge that is to be encountered by family businesses now, more than ever, refers to the issue of generational succession. Today those who founded family businesses from scratch must decide on the form in which to hand over their assets, powers, and values to the next generations. KPMG's Family Business Barometer demonstrates that 85% of all family business owners consider passing management powers down to their offspring (Bernatek and Barański, 2020). However, such moves require a proper legal framework. Succession, often associated with a change in the ownership structure, is part of the dilemma of separating ownership from the control of company management. This paper proposes the following research hypothesis:

*Hypothesis 1: The lower share of the family in the company's shareholding limits the family's influence on managing the family business.*

The hypothesis thus refers to the problem of ownership separation from management. There is no unequivocal position regarding the benefits or disadvantages of separating ownership from company management. For family businesses, there is a strong relationship between ownership and influence on company management. The goal of succession is to transfer power to subsequent generations, hoping to manage the family business just as effectively as previous generations. The share of the family in the shareholding decreases due to the purchase of shares by an investor from outside the family. Questions remain as to whether, despite the decrease in ownership, the family will retain influence on the family business's management.

### 1.1 The Notion of Family Business

In the Polish economy, family businesses constitute over 30% of all small and medium enterprises. They are particularly conspicuous in the group of microenterprises. Out of over 2.3 million private businesses, over 800 thousand enterprises declare to be family businesses. However, it is estimated that many entrepreneurs are unaware of the family nature of their enterprise. The group of such entrepreneurs may amount to a staggering number of 2.1 million.

On the other hand, the Family Business Institute estimates that approx. 92% of all enterprises are potentially family businesses, yet only 36% identify with this status. There are five classification levels of family businesses:

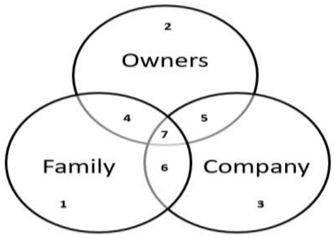
1. Multi-generation family business
2. Family business on the verge of succession
3. Single generation family business
4. Enterprise with family identity
5. Potential family business.

In the broadest meaning, a potential family business is such an enterprise where private ownership dominates and that ownership may be ascribed to a particular family. As mentioned above, about 92% of businesses may satisfy that criterion. A more complex nature is found in the group of entrepreneurs who are aware that their business classifies as a family business. It applies to about 36% of business entities. Single generation family businesses make up approx—27% of all entities. There is at least one person from the family responsible for operations management and long-term planning in those companies. On the other hand, a family business on the verge of succession is a kind of enterprise with at least two family members engaged in operations management. The board is clearly intent on performing the procedure of generational succession. Such a situation applies to only 19% of all entities. The highest classification characterizes a multi-generation family business, namely – a company that has already gone through at least one generational succession. That applies to about 5% of enterprises.

For a better understanding of the operational specifics of a family business, it is necessary to realize that, as a matter of fact, they are constituted by three systems: company owners, family, and company employees (Tagiuri and Davis, 1982). The inclusion of a family circle into this model leads to the distinction of other groups whose interests must be reconciled. The intermingling of those systems also results in certain limitations, which may be a potential source of conflicts. Therefore, it seems necessary to identify the areas of the family business organizational structure and manage them properly so that the business may still be competitive against other companies in the market that do not have such constraints. When it comes to the intensity of relations between those entities, based on their different configurations, seven groups may be distinguished (Figure 1).

The first group comprises family members who are neither the staff nor the owners. The second group gathers owners who are external investors, i.e., people who are neither the staff nor the family members. Group three comprises the employees who are not related to the owner's family, nor do they have any stocks/shares in the family business. Group four consists of family members who have shares in the family business but are not its employees. Group five includes the shareholders' staff but who are not related to the owner's family. In group six, there are family members who work for the company but do not have stocks/shares. Finally, group seven consists of people who have vivid interests in analyzed entities. These are the family members directly involved in managing the company and who have stocks/shares in the company (Gnan *et al.* 2005).

***Figure 1.*** *The Three-Circle Model of the Family Business System*




***Source:*** *Own elaboration based on Gnan (2005).*

### 1.2 Family Business Owner and Leadership

In family businesses, in the vast majority of cases, the owner acts as a leader who does not only manage operations but also: points to a convincing vision of growth as an element of the business strategy, adjusts operations, and motivates people to participate in materializing that vision.

An effective leader, irrespective of the adopted management model, should be a partner, rather than an autocrat. It does not mean, however, that she should be compliant. On the contrary, a good leader will be characterized by charisma. She should have strong ideas, rules, and beliefs regarding the direction in which the business develops and how it is managed. On the other hand, a good leader should be open for the employees, showing them that the business power lies in partnership and that everyone works for the sake of the 'greater good.' The spirit of partnership motivates the staff and lets them identify with the organization. It is particularly important in the case of workers who are not members of the family. Not to be forgotten is that it is the leader who takes the most difficult decisions in the enterprise; therefore, she should enjoy common trust, or else those decisions may not be easily accepted by subordinates (Davis, 2014).

Consideration should be given to selecting the leadership model, which would be most suitable for the family business. Should it be traditional leadership, which involves managing at all levels of organizational hierarchy, or should it be strategic leadership associated with leaders at the top of the organizational hierarchy? In the case of a family business, the model of strategic leadership is the most prevalent.

Most often, the owner is the family senior who has the full power to run the business. Strategic leadership is a skill of handling difficult and unpredictable situations arising from a changing environment (Canella, 2001). It seems particularly significant in the case of generational succession, where the successor should, by maintaining the long-term vision of growth, modify that vision according to the changes in circumstances, which in the inter-generational perspective may be considerable (Grzesik, 2011).

In family businesses, it is a generational succession that becomes the major element of leadership. The family business leader's main role is to ensure strategic and operating continuity, which is, at the same time, the aim of generational succession. The family business owner must, indeed, play several roles in the organisation to manage it effectively. These include (Więcek-Janka, 2013):

- business owner,
- manager,
- co-worker and colleague,
- parent,
- wizard,
- watchman,
- fire fighter.

As the business owner, i.e., from the perspective of the ownership strategy being a person who maximizes the business value, she should take care of the assets, which – at the same time – are the family assets. The main aim is to multiply the assets, and the absolute minimum is to counteract value losses. Thus, on the one hand, the owner will make decisions that are supposed to increase the value of the assets through long-term investment decisions; on the other hand, the owner will strive to counter any loss in the value of the assets by being careful while deciding about new ventures. Hence, it is evident that the owner faces a dilemma regarding development-related decisions in this main function. As a manager, must should pay attention to decisions' effectiveness from the strategic, operating, and tactical point of view. What comes as essential skills in this function are planning and organizational skills.

Taking on the part of a family member means that the owner must bear the goals and needs of other family members. In this role, it is tough to separate professional and private matters. The problems of the right time for holidays or corporate assets division will be significant, both for the business and the family.

Human capital management in the organization is one of the key elements responsible for success. It is thanks to the well-chosen team and manager that the chance of completing the project increases. Another important thing is to maintain close relations with co-workers (Goździewska-Nowicka *et al.* 2018). As a work colleague, the owner knows her employees' families and often shares their hardships and successes. On the other hand, participating in after-work meetings, she will frequently bring up work-related topics.

The owner is also an innovator who needs to strive to improve processes in the enterprise constantly. Noteworthy is that the very establishment of a family business relates to ingenious adaptation to the market environment. From the point of view of the family or the environment, the success of a family business is, often, seen as a creation of something from nothing, as if by magic (Drewniak, 2020).

Finally, the owner often needs to take on the role of a watchman monitoring law and order. Despite informal relations at the family level and the co-worker level, the owner cannot forget that she is the boss who should require and enforce the completion of tasks assigned to her subordinates. The owner will frequently have to settle conflicts, often being the head of the family at the same time. As a person who can handle a crisis, the owner must act as a firefighter. She should show courage and determination and gain relevant experience and knowledge, which will reduce the risk of erroneous decisions.

### 1.3 Succession in a Family Business and its Stages

The intra-generational transfer of knowledge and ownership is one of the key issues in managing family businesses. The process of business handover to the next generation is incredibly important. The thoughtfully planned and performed succession is the only method to ensure continuity for the subsequent generations. Its improper execution may, in extreme cases, lead to bankruptcy or a hostile takeover of the business (Stępniewska, 2013). Succession is a process that is particularly well reflected in family businesses, which differentiates them from other business entities. The sense of family may determine the competitive edge of family businesses; however, in the face of both a generational change and transfer of knowledge and ownership, the sense of family can cause difficulties in executing that process. Therefore, it is important to plan generational succession well in advance, based on several frameworks from organizational and legal rules to social norms.

The notion of succession is defined as passing individual functions held by an entrepreneur down to her successors over a period of time. This is a carefully planned process. Rather than being a one-off process, it is to be assumed that it is a recurring process. Also, a business cannot be handed over overnight, therefore, the transfer should be planned well in advance. Maintenance of the strategic and operating continuity of the business should be the key aim of succession. The following stages can be distinguished in the process of generational succession (Stępniewska, 2013):

1. Engagement of family members.

2. Appointment of the successor.
3. Criteria for selecting the successor.
4. Choosing the moment of succession.
5. Definition of formal and legal conditions of succession.
6. Proper communication with the staff.
7. Choosing functions to be held by outgoing seniors.

The mere appointment of the successor is not enough for the execution of a generational change. It is essential that family members are engaged and that the process is commenced in due course of time. Would-be successors should be gradually introduced into the management of the business by the older generation. They should be educated to take responsibility for their decisions, which will determine the survival of the business and the family. The matter of the right upbringing/education of future successors in the spirit of entrepreneurship and respect for the values which constituted the foundations of the family business will inspire in them passion and ambition in managing the family business, rather than making them feel forced or punished (Casillas *et al.* 2005).

Also, the stage of education and formation of future successors should begin at an early age. Family seniors ought to notice which of their offspring exhibits the features which will let him or her take over the business in the future. At the right time, potential successors should receive suitable formal education and be prepared for this role (Stalk and Foley, 2012).

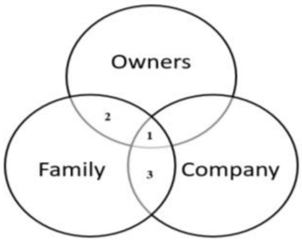
Additionally, it is advisable to choose a good moment for the handover. Known are cases where owners procrastinated too long with the transfer of powers in their business or where they did it prematurely, and their successors were unprepared. What is important here is the enterprise's financial situation – the situation which, to a large extent, is also determined by external factors. Thus, external conditions and a market situation are further aspects to be considered while choosing the right moment for generational succession.

Moreover, extreme importance is also ascribed to formal and legal issues. They refer to the very process of the business handover and the human resource policies, change in the ownership structure, or the financing policy. At this stage, it would be worthwhile to consider using the services of a professional consulting company.

After the family business's handover of powers, the successor should build her position and win employees' trust as soon as possible. Another essential thing is to ensure the right climate of relations with employees and to avoid unnecessary speculations. At the right time and form, the staff should be advised of the owners' business handover intention to the next generation.

The last stage envisions consideration of the functions held by the outgoing owners in the enterprise or family. Will they still have any influence on business management? Will they retain part of their shares? Will their role be active or passive? Or will they completely resign from getting engaged in the family business? Issues of this kind depend on business specifics and family relations; not to be ignored, however, are also traditions and the business model characteristic of a particular region or country. Still, it would be recommendable to think of new activities for the seniors, attentively listen to their needs, and maybe enable them to pursue the dreams and passions they lacked time when they were fully involved in running the business. Generational succession in a family business where the owner hands over her enterprise to her offspring may take one of the three forms (Figure 2).

***Figure 2.*** *Variants of generational succession in a family business based on the Three-Circle Model*




***Source:*** *Own elaboration based on Gnan (2005).*

The first case presents a situation when generational succession is completed. The successor takes over the shares in the family business and becomes the board president, shouldering full responsibility for the management of the family business. The second case illustrates a situation when the next generation takes over only the shares, while the management is transferred to people from outside the company. That can happen if successors are relatively young and neither mature nor competent enough to manage the business independently. The owner may also choose this kind of business handover to introduce professional managers into the organization for the sake of future challenges. Model 3 exemplifies a situation when the successor transfers the management of the business to her younger generation. These are often family members who grew up under the successor's guardianship and became familiar with its functioning from an early age. Under the owner's tutelage, they gained key competencies enabling them to take charge of the family business on their own. However, in this case, there is no transfer of ownership in the family business. It remains in the hands of the senior, who thus retains her influence on the enterprise's strategic decisions. It is an interesting model of generational succession as it makes it possible to verify whether the handover decision was right and whether the managers are heading in the right direction.

### 1.4 Legal Regulations

Performance of succession in a family business used to be riddled with serious legal limitations. Some of the matters were clarified only by the Act of 5 July 2018 on private persons as succession managers in an enterprise. Relevant legal regulations are also included in the Act of 28 July 1983 on tax on inheritance and donations, in the Civil Code, the Commercial Companies Code, and the Commercial Code. Succession can be performed on the condition that a succession manager is appointed. In the best of cases, she should be appointed when the owner is still alive. A company proxy can also hold this function. Another option is the appointment of a succession manager by inheritors. Such an event requires a statement made before a notary public. Thanks to succession managers, it is possible to continue the business under the foregoing business name, based on the Taxpayer Identification Number (NIP) and an entry into the Central Registration and Information on Business (CEiDG). Then the enterprise is managed by the succession manager within the scope of ordinary business. The enterprise under succession management is still owned by the inheritors and the spouse of the late entrepreneur. If it is necessary to make decisions that exceed the ordinary business, business owners must grant their approval.

Under succession management, the business runs unchanged in terms of fiscal matters, administrative decisions in the form of licenses, concessions, or permits remain in force. What is important for the staff is that their employment agreements and civil-law contracts retain validity. Additionally, agreements related to business financing – such as credit agreements, leasing agreements, or European Union subsidies – are also continued.

Throughout the ten months following the act entering into force, approx. 10 thousand succession managements were registered. As of 1 January 2020, amendments were made to the act on succession managers, which allow for divestment of a family business during its owner; also, clarifications were made about the corporate assets included in the dying owner's bequest. The former situation, in particular, required a more detailed presentation: a business can be handed over to the successor using a donation or upon retirement.

## 2. Literature Review

Interesting studies that deepen the subject of succession relate to the dynamics of the succession process (Le Breton-Miller *et al.,* 2004) and entrepreneurship's role in succession (Dyer and Handler, 1994). The succession problem is crucial for the continuation and success of every family business, often depicted as one of the basic goals.

According to Nordqvist, succession is "a process in which new owners, from within or outside the owner family, enter the business as owners and add new capital and resources that have consequences for company processes and outcomes such as innovation, entrepreneurial orientation, and growth." (Nordqvist *et al.,* 2013). As a result of this process, which is usually spread out in time, the founder or current manager gradually transfers the power to the next generation successor (Dyer and Handler, 1994).

In the process of succession, it is also important to define the intention and inherent motivation to join the company by a successor outside the family (Bird *et al*., 2002). Succession studies must take a broad, interdisciplinary view, be supported by high-quality data sources, and include multi-level analysis (Benavides-Velasco *et al*. 2013). The authors also pay attention to personal qualities important in the succession process. Gender may be one of these factors. We can see differences in the attitude to earnings or the approach to decision making by men and women (Rowe *et al.,* 1993; Aragon-Mendoza *et al.,* 2016).

Formal education is another factor. It turns out that better-educated successors are more likely to transfer money. Better education also contributes to improving profits, sales, and employment growth (Light, 2001; Fairlie and Robb, 2009). The last often analysed factor is the owner's age, especially in the context of choosing the right moment to transfer the company to the successor (Lansberg, 1998; Murphy and Lambrecht, 2015; Morris *et al.,* 1997).

In the literature related to family businesses, the need to separate ownership from control is emphasized. Owners (shareholders) and managers are different groups. The former does not have the skills, knowledge, or time needed to run a company, which results in employing the latter. Davis (2014) in his three-circle model, presented 3 dimensions of the family business. They include family, ownership, and business dimensions. For the first time, Berle and Means (1932) described the problem of separation of ownership and management, which is considered the basic feature of a modern capitalist corporation. This sort of separation can lead to conflicts of interest known in the literature as the principal-agent problem or agency problem. Managers can pursue their own interests to the detriment of shareholders' interests, which can hurt the company's performance.

Managers who are not under pressure from their owners show greater flexibility in terms of decisions that favor the interests of the company, not the owners. The separation of ownership from management helps to attract qualified specialists and the ability to apply accountability mechanisms. On the other hand, especially in the case of relatively smaller family businesses, there may be a problem with finding suitably qualified professionals, not to mention the cost of recruiting and employing such an employee.

Altruism in relations between shareholders and management, which is characteristic for family businesses, confirms their separateness. Also, the characteristic is the family's strong involvement in management and the intention to maintain ownership (Poza, 2004).

Chrisman *et al.* (2004) examined the impact of family involvement in ownership, management, and succession. They found that family involvement reduced overall agency costs and increased results, measured by short-term sales growth.

Research results do not always coincide. Some authors confirm the impact of family involvement on company performance (Lee, 2006). In turn, others find that management involvement reduces the efficiency of family businesses (Lauterbach and Vaninsky, 1999; Sciascia and Mazzola, 2008). Family members who are also the enterprise owners are more motivated to control the managers, often performing these functions themselves (Villalonga and Amit, 2006).

In turn, Yung *et al.* (2016) state that the negative impact of management control of the family and the hierarchical structure of ownership is reduced due to institutional restructuring. It was also found that institutional improvement promotes outside corporate governance by domestic institutional investors.

## 3. Research Methodology

The paper's main aim was to explore the correlations between variables that characterize the biggest family businesses. The data was obtained from the Global Family Business Index, a global ranking of family-owned businesses compiled by Ernst and Young and the Center of Family Business of the University of St. Gallen, Switzerland. In the third edition of the index, the 500 biggest family businesses were ranked by revenues.

***Table 1.*** *Characteristic of variables*

| Variable | Description |
|---|---|
| **PUBLIC** | A measure indicating if the firm is public then takes value 1 or private and taking value 0 |
| **FS IN BOARD** | Family share in management board |
| **CEO M/F** | A measure indicating if the CEO is a man then takes value 1 or women and taking value 0 |
| **SHARE** | Family voting rights, share in % |
| **CEO FM/NFM** | A measure indicating if the CEO is a family member then takes value 1 or not family member and taking value 0 |
| **AGE** | Age of the company |
| **REV** | Revenue at the end of 2017 in bn USD |
| **N. OF BM** | Number of management board members |

***Source:*** *Authors' calculations.*

Quantitative and qualitative variables were analysed (Table 1). Therefore, Kendall's correlation coefficient was chosen to determine the relationship between variables. Kendall's tau coefficient is based on the difference between the probability that two variables are in the same order (for the observed data) and the probability that their order is different. The coefficient proposed by Kendall (1955) requires that variable values can be ordered (variables must be measured at least on the ordinal scale). Kendall's tau factor assumes values specified in the range -1.1. The lower limit of the coefficient specificity is reached if the random variables (X, Y) are monotonous. In contrast, the upper limit if and only if the random variables (X, Y) are co-monotonic. Also, Kendall's tau coefficient assumes a value of zero for independent random variables. However, as in the (linear) correlation coefficient, the tau coefficient may assume values oscillating around zero for random variables, which are not independent.

## 4. Results

The results of correlation analysis are presented in Table 2. 28 correlations were analyzed based on available data. 14 of them are statistically significant at the level of alpha = 0.05. The strongest correlation occurred between the variables characterizing the company's publicity and the share of the family in the shareholding (r = -0.6). There is also a significant correlation between the public disclosure of the company and the number of members of the board (r = 0.35) or the participation of the family in the board and the holding of the function of CEO by a family member (r = 0.29) and the participation of the family in the board and the number of board members (r = -0.30).

***Table 2.*** *Kendall test of correlations for the independent variables*

| | | PUBLIC | FS IN BOARD | CEO M/F | SHARE | CEO FM/NFM | AGE | REV | N. OF BM |
|---|---|---|---|---|---|---|---|---|---|
| PUBLIC | r | 1 | **-0.20** | 0.08 | **-0.60** | -0.04 | **-0.12** | **0.09** | **0.35** |
| | Sign. | | **p<0.001** | 0.100 | **p<0.001** | 0.465 | **0.005** | **0.024** | **p<0.001** |
| FS IN BOARD | r | **-0.20** | 1 | 0.00 | **0.17** | **0.29** | -0.04 | -0.07 | **-0.30** |
| | Sign. | **p<0.001** | | 0.916 | **p<0.001** | **p<0.001** | 0.271 | 0.057 | **p<0.001** |
| CEO M/F | r | 0.08 | 0.00 | 1 | -0.05 | -0.07 | 0.03 | 0.05 | 0.07 |
| | Sign. | 0.100 | 0.916 | | 0.270 | 0.151 | 0.447 | 0.246 | 0.084 |
| SHARE | r | **-0.60** | **0.17** | -0.05 | 1 | 0.03 | **0.12** | **-0.11** | **-0.22** |
| | Sign. | **p<0.001** | **p<0.001** | 0.270 | | 0.450 | **0.001** | **0.001** | **p<0.001** |
| CEO FM/NFM | r | -0.04 | **0.29** | -0.07 | 0.03 | 1 | **-0.12** | -0.07 | **-0.13** |
| | Sign. | 0.465 | **p<0.001** | 0.151 | 0.450 | | **0.005** | 0.070 | **0.002** |
| AGE | r | **-0.12** | -0.04 | 0.03 | **0.12** | **-0.12** | 1 | -0.04 | **0.08** |
| | Sign. | **0.005** | 0.271 | 0.447 | **0.001** | **0.005** | | 0.228 | **0.016** |
| REV | r | **0.09** | -0.07 | 0.05 | **-0.11** | -0.07 | -0.04 | 1 | 0.053 |
| | Sign. | **0.024** | 0.057 | 0.246 | **0.001** | 0.070 | 0.228 | | 0.290 |
| N. OF BM | r | **0.35** | **-0.30** | 0.07 | **-0.22** | **-0.13** | **0.08** | 0.053 | 1 |
| | Sign. | **p<0.001** | **p<0.001** | 0.084 | **p<0.001** | **0.002** | **0.016** | 0.290 | |

***Source:*** *Authors' calculations.*

From the perspective of changing the ownership structure in a family business, the most interesting variables are family participation in the company, family participation in the company's management board, and CEO position - whether she is a family member or a person outside the family. In the case of ownership, the focus should be on analyzing the variable, illustrating the family's share in shareholding. In turn, the most important thing about the management aspect seems to be the family's participation in the company's management board or CEO and his relationship with succession.

To verify the research hypothesis, it should be noted that with the decrease in family shareholding, and the loss of ownership, the number of board members increases. Also, as the number of board members increases, the share of family representatives on the board decreases, and the CEO is increasingly elected from outside the family. Therefore, it can be concluded that as the family share in the company decreases, the ability of the family to control the board decreases.

## 5. Discussion

Successors of a family business emphasize the need for implementation of a strategy of sustainable development. What can stand in the way to do so is insufficiently developed relations with the environment, particularly with the local community. A sustainable development strategy may help future generations take over the business more smoothly. Simultaneously, the well-formed relations with the environment will make staying on the course defined by previous generations more likely. Family businesses should also introduce a more participatory model of management where the staff would be involved in completing optimization projects.

For these purposes, space is needed to become committed and have possibilities to implement their ideas on improving the business. It is recommended to create working groups. In the case of a family business, it is also advisable to nurture healthy family relations. They will find their reflection in sound relations in the firm and minimize the risk of different conflicts. Healthy family relations based on trust, love, and harmony bring peace and calm in business operations and breed widespread acceptance of business decisions. A family business should look for a successor endowed with a leader's personality, a person with charisma. It is not desired to search for a successor who would be an ideal copy of the present owner.

One should realize that a generational change may result in the implementation of a new model of management. Thus, such an approach refers to the notion of a charismatic leader who, on the one hand, should have a clear vision of the future and, on the other hand, should have a goal that she strives to achieve in business activities. By the same token, she should demand a lot from her subordinates, setting them ambitious objectives. For another thing, it is advisable for a charismatic leader to be a mentor, to provide an energy boost to other people and ensure they have a sense of security, showing them success stories to prove that even the most intimidating challenges are surmountable.

Additionally, a charismatic leader should motivate her subordinates, support them to raise their skills, or enhance their capabilities. What is important in building proper relations is imagining oneself in someone else's shoes and enjoying mutual trust (Griffin 2004). Based on the presented results of studies by other authors, it can be stated unambiguously that most entrepreneurs who run family businesses would like to pass their businesses down to the next generation. Most entrepreneurs can indicate a would-be successor.

Succession is often associated with a change in the ownership structure and/or a reduction in the company's family ownership. The analysis of this situation can be particularly interesting from the point of view of the desire to maintain as many shares as possible in the family's hands. In the case of factors affecting family participation, it is worth noting that the longer the family business has, the greater the family's shareholding. Of course, at the time of establishment, most shares are also owned by the family. Still, it can be concluded that in the early periods of activity, family businesses undergo dynamic changes in the ownership structure. Family businesses with an established tradition and longer business history will attach more importance to maintaining a relatively higher family share in the company. The next application concerns the number of board members. The number of board members increases as the family share in the company decreases.

Therefore, when deciding to introduce additional investors to the company, the family company should expect an increase in board members. In a situation where most shares are in the hands of the family, they may be represented on the board by a narrow group of representatives. In turn, additional investors outside the family will require a position on the company's management board. When analyzing the family's share in the company's management board, it can be stated that the family holds more shares. This is also justified in the previous application. Greater family participation in the company - a smaller management board, in which most shares are in the hands of family members. We can also conclude that companies with a lower family share generate relatively higher revenues. This situation may be opening the company to new markets by including external investors in the shareholding focused on increasing the value of the company. Thus, reducing the family's share in the company may positively impact its financial position. Finally, we can observe a strong relationship between the company's listing on the stock exchange. It is associated with reducing family shares in a company by joining stock market investors and/or investment companies. Of course, transactions on the capital market are subject to several regulations regarding even the block of shares sold. On the other hand, the family may buy back shares and increase its shareholding in the company.

An important variable in the context of exercising control over the company by the family is the CEO. The natural course of things is that with high family shares on the board, the CEO is also a family member. In turn, the entry of external investors into the company and the increase in the number of members of the management board mean that a person performs the function of the CEO from outside the family. As the years go by and the company develops, the CEO's function may be more often performed by someone outside the family.

It can be stated that the decrease in family shares in the company increases the number of board members and a decrease in the family's share in the company's board. Moreover, if a family loses shares in the company and on the company's management board, the functions of the CEO may be taken over by a person outside the family. However, it should be noted that family businesses with a long history attach importance to maintaining high shares in the company. Therefore, significant changes in the ownership structure occur in the early years of operation. The introduction of external investors to the company is correlated with the increase in revenues, which may argue that sometimes it is worth giving the reins in a family business to people outside the company.

## 6. Conclusion

The essence of a family business is its permanence. It entails the necessity to develop business competencies and the skill to effectuate a successful generational change. With this respect, it is crucial to develop capacity in young leaders. The closest family, who gives emotional support to the youngsters who are about to take over the family business's responsibility, notices a gap between the importance of substantive preparation of successors and everyday reality. Adult children of business owners often do not have marked out career paths, nor do they have mentors who would prepare them for that function. They are left on their own. The process of generational succession is complex; it leads to the transfer of power, ownership, values, and – as emphasized by some authors – knowledge. The decrease in the company's shareholding results in a decrease in the company's management and also a change in the position of CEO. As a result, the family's control over management is decreasing. Carrying out effective succession to maintain participation in the family's hands may result in building a long-term structure rooted in tradition, referring to intergenerational values and goals. If the family loses the controlling interest, it can be expected that it will not be so determined to hand the company over to the next generation; the family will rather satisfy themselves with the transfer of the minority shareholding, and people from outside the family may wield both the power and ownership.

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