

# Entrepreneurship of Family Businesses in the European Union



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**Abstract** Family entrepreneurship as a form of economic activity plays a significant role in enlargement processes, integration and competitiveness improvement policies of the European Union. Family entities in their business strategies must take into account coping with the rules and practices of the European common market and internationalization as well as solve their specific problems related with family relationships and business and multi-generational perspective of functioning. The specific nature of family entrepreneurship requires an understanding of its nature and criteria for distinguishing these entities from other companies. In EU countries, family businesses have dominated the sector of small and medium-sized enterprises but also they play a significant role among large businesses. Family businesses create most jobs and nearly half of GDP, they are also a source of competition and the development of the market mechanism.

**The key points of the chapter are the following ones:**

1. Nature and understanding of the characteristics of family entrepreneurship
2. Understanding the unique values that family businesses bring to the economy and society of European Union countries
3. Understanding the nature and specificity of the functioning and development of a family business
4. Identification of the role of family enterprises as one of the sources of competitiveness and development of the market mechanism in the economies of the European Union countries
5. Identification of the importance of actions by the EU institutions and the authorities of the EU Member States to the increasingly widespread emphasis on the role and socio-economic importance of family enterprises

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## 1 Introduction

Stormy and dynamic changes that we are facing in the twenty-first century create new challenges for running economic activity. Conducting a business in Europe must take into account both the processes resulting from changes in the global dimension as well as issues related to European integration and European Union policy aimed at improving the competitiveness of enterprises and ensuring economic growth. The processes associated with establishing and maintaining economic activity do not occur in a void but in specific socio-economic circumstances. Entrepreneurship is the foundation of the economies of European Union member countries. Therefore, to ensure the development of entrepreneurship is one of the key challenges of the modern European Union. In this area a special role is played by family entrepreneurship, which fulfilled an important role in the enlargement process of the EU and is one of the key elements in the integration process.

Family businesses, like other economic entities, in order to ensure their continued operation and development have to adapt their business strategies to changing conditions. The creation, development and functioning of family businesses through the generations is crucial for the development of national economies and the EU economy. Solving both operational and strategic management problems, they have to cope with many issues arising from their family specifics. Family businesses must strive to be as well-managed as the best of their professionally managed competitors. For them, the need for a professional approach to business is more necessary than in case of non-family businesses. By using their specific familist features they can achieve a significant competitive advantage. The influence of the family on the functioning of the company is a common point linking all family businesses, but the individual shape of each of them also depends on their size and the sector in which they operate. Family businesses are the organizations through which one can accomplish both: the objectives of the company—the creation of material goods and the realization of the goal of the family—to ensure happiness.

Long-term perspective of doing business by future generations increases the strength of family entities and, since their foundation, gives them a distinct identity in an increasingly anonymous world of business (Cadbury 2000). Recognizing the importance of this problem, it is necessary to determine what are the main issues and mechanisms of family business and to indicate directions, management methods and means of disseminating know-how regarding expanding knowledge of family business management methods (Chrisman et al. 2003).

Currently family businesses are an extremely valuable component of economic life and enjoy a growing interest on the part of science and economic policy. Research on family businesses allow to explore and extract rules and regularities that can contribute to the development of a specific recipe for success, that non-family entities will also benefit from. Undoubtedly, family businesses have their own peculiar characteristics that underlie their competitive advantage (Hoy 2014).

In the European Union, family businesses are one of the basic economic activities and play an increasingly important economic and social role. In many EU economies they represent their core and amaze with high dynamics of development. Family businesses are a source of economic growth and employment stability; they are also firmly embedded in the local communities in which they operate. In the progressive integration processes in the European Union it is noted that family entities in their business strategies must take into account coping with the rules and practices of the European common market and internationalization as well as solve their specific problems related with family relationships and business and multi-generational perspective of functioning. The specific nature of family entrepreneurship requires an understanding of its nature and criteria for distinguishing these entities from other companies. The common feature of all family enterprises is the fact that the business and the family are related in many aspects, which determines the way the business is managed, strategies and values that the business is using. Among the factors that distinguish family businesses from the general population of all companies, the ones most often referred to are as follows: the ownership structure of the business comprised in the hands of a family, the participation of family members in management, the participation of more than one generation in the functioning of the business entity, and the succession i.e. transfer of the business to the next generation of the family (Herrero 2011; Marjański 2015).

In EU countries, family businesses have dominated the sector of small and medium-sized enterprises but also they play a significant role among large businesses. The role of family businesses in the common market and the EU member states should be considered in the macro and micro scale. Family businesses create most jobs and nearly half of GDP, they are also a source of competition and the development of the market mechanism and have proved that they are able to meet the globalization processes in an increasingly integrating global economy. Family businesses create most jobs and nearly half of GDP, as well as a source of competition and the development of the market mechanism. They can also compete with companies from the most developed countries and have proved that they are able to meet the globalization processes in an increasingly integrating global economy.

During the analysis of the processes of the development of family businesses in the EU, it is noted that they are an interesting example of the relationships that exist between the family having a dominant influence on the business conducted and the business entity as well as the society and the economy, which are the context for the operation of the business. This is due to the fact that in the process of managing a family business in addition to the rational economic arguments the needs and interests of the family and its members are always taken into account. Since the very beginning family-owned businesses have benefited from human resources, intellectual, financial and material capital of the family. The family is also the first and often the only line of criticism and correction of entrepreneur's ideas. Management process is related to taking risks and involving family resources and often requires the acceptance by family members—e.g. the spouse. Family members are involved not only formally, but also informally in the business activity. In addition,

family members involved in running the business perform simultaneously several social roles, such as the father and boss of the company, daughter of the owner and employee of the company, which often leads to a number of difficulties. It is therefore important to keep the balance between the interest of the family and the interest of the business and to be aware that family businesses are constantly undergoing change, passing through various phases, and roles of family members involved in running a business are bound to vary.

The importance of family businesses for the EU is also important for the reason that they can be a source of ethical conduct, sensitivity to the needs of other human beings, developing teamwork skills and a sense of community and loyalty. Their functioning also shows ways to combine work and family life. Only in the case of small family businesses there is no complete separation of these two seemingly different forms of the organization of social life, i.e. the family and household, from the form of doing such business as a family enterprise.

The chapter presents the problems of the phenomenon and the importance of family entrepreneurship as a form of economic activity and the role family businesses play in enlargement processes, integration and competitiveness improvement policies of the European Union.

## 2 Nature of a Family Business

Family businesses are a heterogeneous group of companies, whose separation is made based on a number of criteria basically indicating the relationships between the ownership and management of the company and the family executing the control of this company. Family entrepreneurship is historically the oldest form of entrepreneurship, the first records of which date back to the third millennium BC (Gasoon et al. 1988). The functioning of family businesses is recorded in all historical cultures around the world. Family businesses have become the subject of growing interest of the scientific community as well as the economic policies in the mid 1970s of the twentieth century. Research area of family entrepreneurship has a multidisciplinary character and stands out due to the paradoxes created by the involvement of the family involvement in the business (Sharma et al. 2014).

When analyzing the nature of the functioning and development of family entrepreneurship, it is noted that they are an interesting example of the relationships that exist between the family having a dominant influence on the business conducted and the business entity as well as the society and the economy, which are the context for the operation of the business. This area shows the specifics of family entrepreneurship which make the processes of creating, managing and building strategies differ from other entities. The determining factor is the fact that in the case of a family business in addition to the rational economic arguments the needs and interests of the family as a whole, but also those of its individual members, are always taken into account. The issue of a family business refers mainly of entities controlled by one family but the issues of the relationship between family ties and the organization are broader.

Unique values represented by family businesses such as a long-term horizon of action, a unique organizational culture based on the values promoted by the family stakeholders are more and more commonly recognized and appreciated. These values translate into a high level of trust in family businesses and high quality of services and products offered. An important factor is the high commitment and input in the development of local communities (PARP 2009).

An important issue is the way of understanding a family business because a unified perception and definition of these types of entities has not been reached. The reason for this is the great diversity and multifacetedness resulting from two naturally separate entities, that is the family and the business operating in one organism and the lack of uniform differentiation criteria (Safin 2007). In the literature of the countries where studies on family entrepreneurship are conducted, a universal definition is not provided.

Many researchers present diverse approaches and emphasizing different aspects of the phenomenon of the family business, Lansberg (1983) pointed to the fact that the family executing the control of the company shapes the business in such a manner that family members in companies not owned by the family would as a key factor for the need to identify a research area. Family involvement in the business means that family entrepreneurship is different from the others and there is a need for the separation and research of this area (Miller and Rice 1968).

In the literature of the subject, there is a multiplicity of definitions of a family business trying to explain its socio-economic specifics. It is worthwhile to quote a few examples:

- We deal with a family business ‘when at least two generations of one family have a significant influence on company policy and objectives’ (Donnelley 2002).
- Family business can have any legal form, the capital of the company is wholly or in decisive part in the hands of the family and at least one family member has a decisive influence on the management or holds the managerial function, with the intent to permanently maintain the venture in the hands of the family (Frishkoff 1995).
- Family business is managed with the ownership supervision of the family and (or) managers with the intention of forming and (or) continuing the vision of the company by the coalition controlled by members of one or more families in a way that allows the maintenance of the vision between the generations (Chua et al. 1999).

In broad terms, the concept of the family business is recognized by Marjański in the context of the family and the business: ‘The family business is the economic organization based on family ties and relationships, which tends, in the future, to permanently sustain a decisive influence on the business through participation in the ownership, management and responsibilities with the intention of passing it on to future generations’. Another group of definitions shows the concept of business oriented at supervisory and ownership criteria. For Sułkowski a family business is: an ‘economic entity of any legal form, in which a family succession occurred, or: at least two family members work together in this company; at least one family

member has a significant influence on the management; family members have a significant or majority stake in the company'. A similar approach is proposed by Jeżak: 'Family business is an economic entity in which the family has a dominant share in its ownership structure, key business decision making process and performing supervisory functions—with the intention of long-term development and with future generations in mind' (Więcek-Janka 2013).

The differentiation of family business definitions is associated with adopting multiple criteria of 'familism' (Litz 1995). These include, among others, the issues of: ownership, management, family succession and self-awareness of the family business (Sharma 2004; Handler 1989). M.C. Shanker and J.H. Astrachan point out that the term family business is located on the continuum. The broadest definitions take very general and vague definition of a family business based on the criteria such as: control over strategic decisions and the intention to leave the company under the control of the family. Slightly narrower family business definitions indicate that: the founder or his descendants run the company, which remains under the ownership control of the family members. On the other hand, narrow definitions require, in addition to these criteria: direct involvement of the family in the management of the company of more than one person in the family and the multigenerational company (Astrachan et al. 2002).

A multi-criteria definition indicated: 'family business is a business controlled and/or managed with the intention of shaping and implementing the vision of the company by the members of a family or small group of people from several families in a way that is potentially sustainable for all generations of the family or families' (Chua et al. 1999, 22). The differences in the understanding of family businesses are therefore significant but we always have to deal with a significant group of economic entities playing a significant role in the economy.

Family businesses are an example of the occurrence of the relationship between family ties and an economic entity related with the issue of social trust, dominant patterns of power in small groups, social roles, mechanisms of governance, the rules of succession, the issue of nepotism and many others. Family businesses are an example of diverse relationships between: the family that controls the company, economic organization, society and the economy which are the context for the functioning of the organization. In any family business there are people working, who are united by bonds much stronger than a business relationship.

Using the definitions of family businesses and the available research and literature on the subject, one can point out a few characteristics of a family business which are important from the point of view of management practices that allow to show their essence:

- interdependence of family ownership and the family business;
- participation of the family in the ownership of the business;
- participation of the family in the management of the business;
- participation of the family in the employment and family-based system of human resource management;
- awareness of the family nature of the business;

- strategies and methods to carry out the succession;
- striving to preserve the family nature of the business by transferring the ownership and management to the next generation;
- familist organizational culture;
- merging the objectives of family and business in the implemented strategy of the company.

These features have different degrees of tension and do not always occur together in family businesses. Thus they form a kind of a continuum, ranging from entities representing a high level of intensity ‘familism’ and ending with the entities characterized by only weak ‘familism’ features.

### 3 Specific Character of Family Entrepreneurship

The functioning of each family business is based on constant interdependence of business and family that controls the company. It is a source of some advantages, but also limitations. An effective solution is to use family ties to strengthen the competitiveness of the family business. The interdependence of businesses and families is based on the importance of the founding family, which initially finances the business, supplies it with human resources and the idea to conduct business, is involved in the decision-making process. Equally important, however, is the reverse impact, i.e. the influence of the business on the family. The company is becoming a way of life of family members, which means that they often mix up professional and private categories. The authority is transferred from the company to the household and vice versa. Family members, mostly successors, have a fixed career path in the form of the acquisition of management and ownership of the company. Business becomes a source of income for the family, but most of all: the binder, object of pride, identity and prestige. The relationships between the family and the company are shown in Table 1.

The functioning of the family business is based on two different logics: emotional logic of caring for the loved ones and business logic which is based on limited economic rationality. For example, the long-term prospect of running the business and the will to pass it on to the next generation means that the company’s growth

**Table 1** Relationships between the family and family business

Influence of the business on the family	Influence of the family on the business
Centre of family life	Source of founding ideas
Professional career path	Source of key human resources
Source of income	Source of founding finance
Source of power and influence	Decision and controlling centre
Object of pride and identity	Foundation of corporate culture value
Family binder	Source of nepotism
Rational component of activity	Emotional component of activity

Source: Authors’ own

strategy is spread over generations. Most family businesses are managed from the perspective of the owner, not a hired manager. There is also a parallel planning process for the development of the enterprise and the family. Family social capital is created on the basis of family values.

Family businesses draw from family financial, human and intellectual resources. The entrepreneur often consults business ideas with the family, which is the first, and usually the only one line of criticism and correction of new ideas. The process of setting up a business involves taking a risk and involvement of family financial resources, which usually requires the acceptance of family members (e.g. the spouse). They are also formally or informally employed to perform a variety of works for the new organization. In most cases family members are also the trusted 'business council', which supports strategic decision-making. As the business expands, a degree of family involvement in the business is usually determined. Some family members are directly involved in the business, while others deal with other occupations and engage in the family business operations indirectly. In the long term, the business can become a 'family treasure' which generously repays the family for their commitment during the founding stage. It is important, however, not to undermine the fragile balance between the interest of the family and the interest of the company.

One of the most important features of family businesses is the desire to maintain the continuity of generations in management or ownership of the economic entity. This means creating and implementing succession strategies that will allow efficient transmission of power to the younger generation. These strategies take the planning or emergent form. Planning strategies are characterized by the use of formal tools of succession in the form of: determining career paths and education of successors, legal documents formalizing the succession and organizational documents forming the order of succession. Emergent strategies are intuitive and not formalized. The family or managers identify and encourage the successor to prepare to take over the business. The proper conduct of succession is a challenge for administrators, successors, family and the entire company.

Family businesses, which by their nature are often long-lived, in many cases, take a leadership role in their local communities. Behind every company there is a particular family, which is known in the local community. And it is the family that becomes the guarantor of the quality of products and services offered by the company, since the negative opinion about the activities of the company is transferred to the family. The common perception is that it is the family that is most often associated with persistence, trust, reciprocity, good relations with relatives and provision of assistance in difficult situations. These features are naturally transmitted to the family-run company. The reputation and image of the company is associated with the honour of the family, and customers see a particular family through the company. In many cases the local community is not only a place of running business, but it is often also the family residence for generations (Szul 2013). The owners of family businesses attach more importance to the image and reputation than institutional investors, which extends the perspective of business and gives their business partners a stronger guarantee of the stability of the company (Surdej and Wach 2010).

Running a family business means that it grows into the local community which translates into a sense of responsibility for the environment. Studies confirm that



companies operating in the market for a long time are much more likely to engage in philanthropic activities for the local community. This is particularly more evident in developed countries with well-established tradition of family entrepreneurship than developing countries (Credit Suisse 2012).

Distinguishing features of family businesses is that in their activities they are based on ethical principles and values, often stressing that the business cannot exist without values. These family relationships are a source of ethical behaviour and the expression of particular sensitivity to the needs of others and teamwork skills, a sense of community and loyalty. In case of companies with a multi-generational tradition values are their cultural heritage. Principles and values are an extremely valuable element of the organizational culture of family businesses and the strategic objectives of the family business.

An analysis of the dimensions of the organizational culture of family businesses indicates the formation of a specific configuration depending on which generation runs the business. The most characteristic is the organizational culture of enterprises controlled by the first generation, in next generations family identity may be reduced in favour of professionalization. Significant differences are observed in the degree of familism of family business related to e.g. the size of the entity, type of activity, personality manager and many other factors (Sułkowski and Marjański 2011).

It turns out that the changes resulting from globalization and European integration as well as increasingly progressive internationalization of the activities of family businesses do not cause negative changes in the observed principles and values manifested in the good quality of products and services, a high level of trust, honesty, willingness to hard and persistent work and the pursuit to satisfy the stakeholders. With regard to family businesses it can be assumed that they are the type of businesses where values occupy a position equivalent with profit making. In fact, it is difficult to talk about family businesses which would operate solely for the purpose of generating profit. Multigenerational perspective of the operation involves the transfer of the company in the hands of well-trained successors and stable operation of the company in the long term perspective.

Family company means also creating a team whose members come up to their responsibilities willingly and with work ethic. Working with family members, in the team, where one likes to stay and work results give the joy of its effects are all undoubtedly important features that distinguish family businesses.

## **4 Family Businesses in the European Union**

One of the key achievements in the process of European enlargement and integration was the development of family entrepreneurship in the new countries that are members of the EU. Currently, the EU family businesses dominate the sector of small and medium-sized enterprises, but also play a significant role among large businesses. Large family businesses are increasingly visible also in the countries that joined the EU after 2000. It is estimated that in Europe, family businesses

account for over 60% of all businesses, both large and small, and employ approx. 50% of total employment (European Commission 2009). Family businesses create most jobs and half of GDP, they are also one of the sources of competition and the development of the market mechanism.

The special role of family entrepreneurship is evident in small and medium-sized enterprises, which represent 99.8% of all companies operating in the European Union and create approx. 67% of jobs in the private sector, make up 60% of the value-added industry, which makes them a very important link in the economy. Micro-enterprises play a special role representing as much as 92.1% of European businesses (Putting Small Business First 2008). It seems that the role of family businesses within the common market and the individual EU member states should be considered in the macro and micro scale.

Family businesses in the European Union member states have different traditions in historical perspective, e.g. in Germany and Italy entrepreneurship family is well established, and origins of many companies often date back for many generations before, and in the countries where market economy has been developing since the changes begun in 1989, there are few companies with multi-generational past. As can be seen Europe's turbulent history has left its mark on family businesses as well. At present there are more than 14 million family businesses in Europe that make up 60 million jobs that are present in all industry sectors and company sizes. For example, 40% of big European corporations in Germany and France are family businesses (KPMG 2015).

Despite such a significant share in the EU economy, family businesses were not sufficiently recognized by the EU institutions and rarely appeared in the adopted policies and programs. The question of supporting the development of family businesses became a subject of political discussion in the European Union in the mid 1990s of the twentieth century, but only the first decade of the twenty-first century has brought concrete solutions (Wach 2013).

An important EU document is a report by Mandl, which comprehensively discusses the functioning of family businesses in Europe in terms of their economic and institutional impact. The report also formulates recommendations to encourage to take action to support family businesses:

- to develop and adopt an operational definition of the family business;
- to conduct research and promote the research results on family businesses;
- to create and appreciate organizations representing the interests of family businesses on EU-level;
- to undertake training for entrepreneurs and successors in the area of planning and carrying out the succession;
- to reduce or eliminate taxes on inheriting enterprises;
- to facilitate access to finance allowing to maintain control over the family business;
- to raise awareness and finance the implementation of family supervision of the business;

- to support education in the area of entrepreneurship and management focused on family businesses;
- to support businesses that accumulate profits;
- to conduct image campaigns for family businesses (Mandl 2008).

In 2009 the European Commission published a second and so far the last report of the expert group relating to family businesses. European Commission experts raised the issues of definition, which are important because of the possibility of conducting comparative analyses and the application of uniform criteria for funding. Also the challenges faced by family businesses were pointed out and publications of the Commission that may be useful for family businesses were indicated, e.g. the support for young entrepreneurs, the problems of succession and the organization of the entrepreneurship week. These recommendations were not addressed directly to family businesses and the Commission's experts recommended the adoption and implementation of a uniform definition of the family business by Member States. The definition of a family business indicates an economic entity, regardless of its size, in which:

1. the majority of vote is held by the individual person(s), who founded the company or acquired shares or owned by family members or direct heirs;
2. majority vote can be direct or indirect;
3. at least one representative of the family or relative is involved in the management of the company;
4. in the case of listed companies family businesses are the ones where the founding family or a family, which acquired the shares in the company or their descendants have at least 25% of the votes resulting from their capital.

The report calls on the European Commission to promote and disseminate information about family businesses by publishing examples of good practice and encourages the governments of the Member States to support family businesses through the use of various instruments available, e.g. tax policies. The authors of the report as a document edited by I. Mandl show the key role which the organizations and other bodies representing and supporting the interests of family businesses they have to meet (European Commission 2009). The need to develop family entrepreneurship is referred to in the Entrepreneurship 2020 Action Plan (Entrepreneurship 2013) pointing to the challenges to be taken in promoting the entrepreneurial spirit. However, in 2015, a group in the European Economic and Social Committee was established, whose task was to prepare an opinion on family businesses (Klimek and Lipiec 2015).

The EU Member States have a number of regulations relating to family businesses in a variety of often specific documents. Legislative solutions applied in individual EU Member States refer to the possibility of supporting family entrepreneurship in very different degrees. Actions taken have led to increasingly widespread attention of EU institutions and the authorities of the EU Member States on the role and socio-economic importance of family enterprises.

The need to take measures aimed at creating the best possible conditions in which entrepreneurs and family businesses could thrive is increasingly frequently pointed to. Determining the size of the share of family businesses in the economy is difficult and based on the results of research or estimates, which are based on the research process adopted in the definition of a family business. By now, the family business category does not function in the European statistics (Eurostat) (Opinion 2015).

Despite the proposals submitted in the European Union there is no single universally applicable definition of the family business. These entities are often defined differently depending on the subject of research as well as political and economic interests guiding conducted research and analyses. The European Commission recognizes the important role of family entrepreneurship in the European Union economy and takes measures to create a favourable environment conducive to the development of family businesses. As the main challenges for family businesses, the European Commission sees:

- the need to raise awareness of the needs of family businesses and their contribution to the economy and society;
- addressing tax and financial issues;
- the importance of early preparation of succession processes;
- ensuring governance order in family-enterprise relations;
- attracting and retaining qualified employees;
- education in the area of family entrepreneurship highlighting its specificity.

An important prerequisite for actions to support family entrepreneurship is the fact that many companies lose the family character because of the lack of a successor or non-implementation of the strategy of succession. Succession is also a long-term process that requires many years of preparation for the successor to take over the ownership and the managerial function. Currently, small and medium-sized family businesses are entitled to all the support available to this sector. The European Commission promotes business environment for families with children, helps disseminate information and fosters the exchange of best practices between the EU countries. The EU also encourages national governments to accept tax and business laws that are friendly to family businesses and to support entrepreneurship education. In many documents of the European Commission, for example, Small Business Act (2008) or Cosme program the role of the family businesses and the need to use their full potential is emphasized ([ec.europa.eu](http://ec.europa.eu)).

The problems that arise in the functioning of family businesses result from the lack of ability to adapt to market changes and the lack of stable legal frameworks taking their specificity into account. Too little attention is given to ensure favourable conditions for their development and to ensure their continuity by carrying out a successful succession.

Other barriers to the development of the companies result from the issue of limited managerial skills and lack of perspective thinking and focus on the current activities by entrepreneurs. They are reflected in the weakness in the management system and the division of labour in the enterprise, inability to build a vision,

mission and strategy of the company that would take into account the objectives of the company and the family.

A slowdown in the development of family businesses is also influenced by their specificity resulting from the conflicts in the family, including the intergenerational ones, difficulties in reconciling work and time devoted to the family, performing simultaneously many roles, e.g. the management company, being the husband and father (Jaskiewicz et al. 2013). The most common reasons for conflicts in family businesses result from the following functional areas: business and family, family and ownership, ownership and the business as well as disturbance of the model of the family by the appearance of people from the outside in the company. In the process of the development of the business it is necessary to take into account the life cycle stages of both the family and the company.

New extremely valuable aspect in the entrepreneurship of family businesses is the increase of the level of internationalization. An increasing number of family businesses are looking for opportunities to expand into foreign markets seeing new opportunities with a view to growth. Studies show that the decisions of entering the foreign markets are more often due to entrepreneurial attitudes rather than to exhausting the possibilities of action on national markets (Daszkiewicz 2014).

## 5 Summary

Contemporary economy in the European Union is characterized by high dynamics of changes in economic conditions and the diversity of functioning actors. It turns out that family businesses cope best in these difficult conditions. Currently they constitute the largest and most rapidly growing group of economic entities. The role of family businesses in the European Union is still gaining importance. It is widely recognized they are characterized by a large contribution to the economy in the dimension of the European community, individual member states as well as economies and local communities. Attention to the development of family entrepreneurship in the EU is part of the efforts to increase the competitiveness and dynamism of the economy, providing more and better jobs and a higher level of social cohesion. Modern family businesses, regardless of where in the EU they operate, must be well prepared to benefit from the opportunities of globalization, the acceleration of technological change and the opportunities offered by the functioning in the common market.

Despite the lack of a uniform definition of the concept of the family business, there is consensus as to the fact that it is conducting business at the interface between family life and business. It can be said that the management of this type of entity is distinguished by specific features associated with the ownership, management, and identity, which is based on values and family ties. It can be assumed that in most cases they face challenges related to the specifics of the SME sector and, like any other economic entity, must face market challenges conducted with running a business.

Family businesses are distinguished by a number of specific features, peculiar only to them, in the areas of ownership and management, family involvement in running the business and the issue of a successful succession and maintaining business continuity during the generational change. The specificity of the family business includes both the sphere of management and social relations, and includes mainly:

- problems and conflicts arising from the family nature of the business;
- the effectiveness of the succession strategy;
- the ability to design and implement a strategy including both the goals of the ownership family and the objectives of the company;
- problems related to the stages of development, growth and professionalization of the family business;
- problems of financing the enterprise;
- psychological and social problems associated with the founder, the successor and family members working in the enterprise,
- management of the employees who are not the ownership family members.

The effectiveness of the operation of the family business is determined by maintaining the balance between the family involvement in business activities, the values of the family members and the realization of its objectives. It is necessary to keep the special nature, organizational culture and individual characteristics contributed to the entity by both family members and non-family employees in the vision, mission and strategy. It is necessary to maintain a long-term perspective on the functioning of the company on the market, taking into account the values and needs of all stakeholders of the family business.

Research results show that the level of knowledge and experience of managers in terms of understanding the specificity and acquiring skills to solve specific problems of the family business is limited. It is necessary to build a system to support the development of family businesses, including support and advice to enable them coping with their specific barriers and problems in the process of their development (Sułkowski and Marjański 2015). It can be said that the impact of familism on the entrepreneurship of family businesses is a special feature that distinguishes them from non-family entities and always determines their strategic behaviours.

### **Questions and Activities**

1. What is the nature of a family business and the criteria for distinguishing it from all economic entities?
2. What are the characteristic features of a family business?
3. Can you discuss the unique values characterizing family businesses?
4. What are the relationships between the ownership family and the company?
5. What is the significance of succession and maintaining the continuity of the business despite changing owners' generations for a family business?
6. What is the importance of family businesses in the economy of the European Union?

7. What are the activities of the European Commission related to the need to promote and development of family entrepreneurship?
8. Why is ensuring the development of entrepreneurship one of the key challenges faced by the European Union today?

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