BARRIERS TO THE DEVELOPMENT
OF FAMILY BUSINESSES

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Abstract
Family businesses play a significant role in modern economic processes both in developed and developing countries. Family businesses are entities with substantial economic potential and an important social role to play. Irrespective of their core activity, they encounter a variety of both internal and external barriers. The prime goal of the article is to present the barriers to the development of family businesses operating in the Śląskie region. The article presents the analysis of the empirical study results concerning the identification of barriers to the development of family businesses.

The article presents an analysis of the results of empirical research carried out in the form of qualitative research on the identification of barriers to family business development.

Key words: development barriers, family businesses, entrepreneurship.

1. Introduction
Family businesses play a significant role in modern economic processes both in developed and developing countries. Based on the reference literature review, we propose a thesis that such businesses cope well in the course of crises and changes and are capable of surviving in turbulent times. They contribute to economic growth and development. Family businesses are entities with substantial economic potential and an important social role to play. They are becoming increasingly valuable links in the economy, therefore it is worthwhile to study their modes of operation, goals and priorities that they pursue so that their economic and social potential can be unleashed. Irrespective of their core activity, they encounter a variety of both internal

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and external barriers. The prime goal of the article is to present the barriers to the development of family businesses operating in the Śląskie region.

2. The specificity of family businesses

In recent years, the issues relating to family businesses have been gaining ground in Poland. There are studies, publications, conferences and seminars that contribute to the body of knowledge on how family businesses operate. Affected by economic and social factors, the concept of family business and its definitions are undergoing constant change. In the world literature, the American approach prevails, defining a family business as an enterprise that may take any legal form, whose ownership is partially or fully held by a family, at least one family member works in a managerial capacity and there is the intention to keep the business in the hands of the family (Frishkoff, 2005). Chua, Chrisman, and Sharma (1999) define a family business as “a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families”.

Defining the concept of a family business is usually based on two criteria: management and ownership. The way these criteria are delineated, however, tend to vary from country to country.

The analysis of subject literature dominates the definitions of family businesses, which take into account the criterion of the degree of management and impact on decision-making.

The management criterion, embraces soft aspects (such as the influence that a family has on running the business, strong participation of the older generation in managing the business, the fact that the most important decisions are taken by the family, family control in management, at least two generations of control over the business) and hard aspects (such as the fact that a family member is the chairman of the board, more than one member of the board is a family member, the majority of the board is made up of family members) (Mandl, 2008). The definition based on the management criterion was adopted by Donnelley (1964), who argued that “a company may be considered a family business when it has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and the objectives of the family”. Q. Fleming (2000) defines a family business as “any activity that involves at least two members of one family working in a firm owned by one of them”. Ł. Sułkowski, in turn, defines a family business as an entity that has a family structure where strategic control is exercised by the family, the family members participate in management, and more than one generation are involved in running the business (Sułkowski, 2005).
The second group of definitions includes the family-owned definition of family businesses related to ownership. C. Lowe (2002) argues that a family business is an enterprise that can take any legal form and whose ownership is controlled by one family. R. Donckels and E. Fröhlich adopt the ownership criterion, claiming that an enterprise is a family business when family members own at least 60 percent of the equity (Donckels, Fröhlich, 1991).

Differences concern both management practices and the number of family members involved in management, but also which generation runs a business. According to M.C. Shanker and J.H. Astrachan:

— **the most comprehensive and general definitions** emphasize that an enterprise is a family business if its members have a sense of familiness and the family nature of the business and they themselves define the enterprise as a family business;

— **the comprehensive definitions** of a family business recognize that a certain degree of control must be exercised by family members over the strategic direction of a business’s operations;

— **the narrow definitions** underline that an entrepreneur running a family business should be either the founder or the descendant of the founder;

— **the narrowest definitions** state that a family business is the one built over a number of owner generations involved directly in the running of the business; moreover, more than one family member should be in charge of its management (Piecuch, 2012; Piechuch, 2013; Shanker, Astrachan, 1996; Kowalewska, 2009).

The goals of a family business may be, to a greater extent, connected with its long-term survival and keeping it in the hand of the family (Piecuch, 2012; Piecuch 2013; Shanker, Astrachan, 1996). The owners may be perceived as the “guardians” of the business, which also means that the adopted success criteria may be different from straightforward profitability indicators. These criteria may include employment for family members, both in the present (Kellermanns et all, 2008; Chrisman, Chua, Zahra, 2003; Gómez-Mejía et all, 2007) and in the future (Miller, Le Breton-Miller, 2003, 2005).

3. **Barriers to the development of family businesses**

Despite of the unquestionable role that both small and medium-sized businesses play in the economy, they encounter a variety of barriers in their present and future activities. Empirical studies show that family businesses experience many problems that are both related to the SMS sector (or the entire Polish economy) and family ownership and management specific. Many analyses, studies and reports were conducted in order to identify the barriers and their sources as well as propose the ways to dismantle or reduce these barriers. Only precise identification will lead to their elimination or reduce the impact that they have on the growth of small and
medium-sized family businesses. Table 1 presents the most common barriers that family businesses encounter in their activity and development.

**Table 1.** Characteristics of the most common barriers that family businesses encounter in their activity and development

<table>
<thead>
<tr>
<th>Barrier type</th>
<th>Characteristics</th>
</tr>
</thead>
</table>
| **Regulatory barriers** | – complicated procedures of starting a business  
                       – vague and imprecise legal regulations,  
                       – unstable legal system,  
                       – absence of effective legal protection  
                       – ignorance of the Polish and EU legislation  
                       – complicated, time and effort consuming public procurement procedures |
| **Administrative barriers** | – formalities involved in starting and conducting economic activity  
                        – lack of adequately qualified civil servants,  
                        – lack of commitment to supporting entrepreneurship on the side of local governments |
| **Economic barriers**   | – low economic growth rate,  
                        – relatively high inflation rate,  
                        – high interest rates,  
                        – increasing non-wage labor costs,  
                        – competition from the informal economy,  
                        – exchange rate fluctuations |
| **Personnel related barriers** | – low qualified workers,  
                         – high staff turnover,  
                         – no flexitime employment opportunities |
| **Market barriers**     | – competition from the European Union,  
                        – insufficient protection against unfair foreign competition |
| **Fiscal barriers**     | – excessive fiscal government policies,  
                        – tax burden,  
                        – complex, unclear and unstable tax system |
| **Management barriers** | – lack of familiarity with modern management methods and techniques,  
                        – lack of skills involved in acquiring and processing external information,  
                        – lack of readiness to develop and improve qualifications |
| **Technological barriers** | – limited access to advanced technologies, machinery, equipment and technical innovations |
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| Educational barriers                                                                 | – lack of experience and skills of running a business,  
|                                                                                          | – insufficient access to economic and business information,  
|                                                                                          | – no opportunities to employ management, tax, labor law specialists |
| Financial (capital) barriers                                                            | – low start-up capital,  
|                                                                                          | – poor opportunities to raise external funding due to insufficient security |
| Socio-economic and political barriers                                                   | – inadequate organizational culture,  
|                                                                                          | – corruption and distrust in the society towards “private business”  
|                                                                                          | – high rate of capacity utilization,  
|                                                                                          | – lack of adequate infrastructure,  
|                                                                                          | – unstable socio-political situation in the country |


The table shows the barriers to the activity of family businesses at the level of the economy as a whole. A number of barriers, however, are also encountered on a local scale. K. Wach (2008) proposes a list of regional barriers to the growth of small and medium-sized enterprises. In his opinion, the most significant ones are:

– lack of financial backing from the state and local government,
– policies of local governments towards small and medium-sized businesses,
– high rent rates for office space and economic premises,
– unsatisfactory services of regional entrepreneurship support centers,
– no commercial financial backing,
– lack of adequately qualified staff,
– insufficient technical and transport infrastructure,
– low standard of living in local communities,
– insufficient business services (Wach, 2008).

According to the Family Business Barometer, the greatest challenges faced by Polish family businesses are personnel related issues. As many as 63 percent of the respondents identified increasing labor costs as the greatest problem. The second most serious problem is growing competition for qualified staff – it affects 36 percent of the respondents. These issues are also becoming more important in the European perspective. Attracting qualified staff was the second (42 percent) most commonly indicated problem, while labor costs (29 percent) – the third. This reflects the changes in the labor market that are unfavorable to entrepreneurs. The problems involved in recruiting and retaining adequately qualified staff may turn out to be a barrier to the future development of family businesses in Poland and in Europe. The
highest percentage of the European respondents (47 percent) indicated decreasing profitability as a major concern of family businesses. This was the third most common problem indicated by Polish family businesses (30 percent). Another important issue is political instability. Although the Polish respondents indicated it relatively rarely (13 percent) in the 2015 Barometer edition, the year 2016 saw a twofold increase in the number of respondents who recognized it as a serious problem. The lack of political stability is also gaining in importance in Europe – indicated by 27 percent of the respondents. Family businesses based in Poland and in Europe also point to changes in legal regulations (22 and 26 percent respectively). This confirms that they expect to be able to operate in a stable environment and in compliance with clear and predictable regulations (Barometr firm rodzinnych, 2015, 2016).

Research shows that the key problems of family businesses in Poland, specific to this group of companies, are located in the sphere of:
— succession strategies,
— legal and financial problems of succession of family businesses,
— psychosocial management problems,
— difficulties with the professionalism of family businesses,
— the image, identity and organizational culture of family businesses (PARP Report, 2009).

The problem of many family businesses is the lack of knowledge about the opportunities and dangers resulting from the family nature of the company. The faster and more sustainable development of family businesses would be possible through the implementation of effective training and advisory activities.

In addition to the macro- and microeconomic problems, family businesses also have a common area of problems arising from their family related specificity and concerning management and social relationships. These problems mainly comprise:
— conflicts stemming from the family related specificity of the business,
— difficulties involved in intergenerational succession,
— the priorities of the owner family may be in conflict with the goals of the entity that remains under control of the family,
— problems arising from the development, growth and professionalization of family businesses and, as a result, the role of hired managers limited by the owner family members (Andrzejewski, 2011).

On the other hand, A. Zalewska, on the basis of the research conducted, points to the barriers to the development of family businesses, the employment and retention of qualified personnel, succession and related legal issues, and raising capital for further development (Zalewska, 2015). Besides, A. Banasiak particularly stresses the importance of financial barriers to the development of family businesses (2012).
In the world, the most numerous studies are conducted in the USA, Canada, Western Europe, Japan, China and Australia. They can be clearly divided into several areas of interest. Among the most important are:
— searching for the specificity of family businesses, leading to a more precise definition of family business (Sharma, Christman, Chua 2002),
— analysis of problems and conflicts related to the family nature of business (Kaye 2002),
— evaluation of succession and intergenerational transfer (Longenecker, Schoen 2002).

4. Methodology of the empirical study

To complement the quantitative survey conducted on family business entrepreneurship in the Śląskie region, a qualitative study was carried out with 14 family business owners. The data were collected with the use of the partly structured personal interview. The paper presents the analysis of the empirical study results concerning the identification of barriers to the development of family businesses. The characteristics of the research sample and the coding method used in the further parts of the paper are presented in the table below.

Table 2. Characteristics of the research sample and the coding method for the opinions expressed by the interview respondents

<table>
<thead>
<tr>
<th>Type of business</th>
<th>Characteristics</th>
<th>Coding</th>
</tr>
</thead>
</table>
| Industrial goods manufacturer | – established in 1989  
– micro-business  
– regional scale of operations  
– the current owner aged above 60 | P-1     |
| Industrial goods manufacturer | – established in 1982  
– micro-business  
– European scale of operations  
– owners aged from 28 to 65 | P-2     |
| Industrial goods manufacturer | – established in 1999  
– small business  
– scale of operations – Europe and beyond  
– owners aged from 31 to 60 | P-3     |
| Clothing manufacturer | – established in 1997  
– micro-business  
– nationwide scale of operations  
– the current owner aged between 41 to 50 | O-1     |
<table>
<thead>
<tr>
<th>Enterprise Type</th>
<th>Establishment Year</th>
<th>Business Size</th>
<th>Scale of Operations</th>
<th>Current Owner Age Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing manufacturer</td>
<td>2007</td>
<td>Micro-business</td>
<td>Local</td>
<td>41 to 50</td>
</tr>
<tr>
<td>Food manufacturer</td>
<td>1990</td>
<td>Medium-sized business</td>
<td>Local</td>
<td>31 to 50</td>
</tr>
<tr>
<td>Food manufacturer</td>
<td>1979</td>
<td>Small business</td>
<td>Local</td>
<td>41 to 50</td>
</tr>
<tr>
<td>Food manufacturer</td>
<td>1982</td>
<td>Medium-sized business</td>
<td>European</td>
<td>41 to 50</td>
</tr>
<tr>
<td>Service provider</td>
<td>2002</td>
<td>Small business</td>
<td>Regional</td>
<td>41 to 50</td>
</tr>
<tr>
<td>Service provider</td>
<td>2005</td>
<td>Small business</td>
<td>Regional</td>
<td>31 to 40</td>
</tr>
<tr>
<td>Service provider</td>
<td>2006</td>
<td>Micro-business</td>
<td>Regional</td>
<td>41 to 50</td>
</tr>
<tr>
<td>Service provider</td>
<td>1993</td>
<td>Small business</td>
<td>Local</td>
<td>41 to 50</td>
</tr>
<tr>
<td>Commercial enterprise</td>
<td>2004</td>
<td>Medium-sized business</td>
<td>Regional</td>
<td>25 to 40</td>
</tr>
<tr>
<td>Commercial enterprise</td>
<td>1988</td>
<td>Medium-sized business</td>
<td>European</td>
<td>51 to 60</td>
</tr>
</tbody>
</table>

*Source: own elaboration*
The personal interview was conducted with 14 businesses. Among them, 8 were manufacturing firms, including 3 industrial goods manufacturers, 3 food manufacturers, 2 clothing manufacturers. The remaining firms comprised 3 service providers and 3 commercial enterprises. The important aspect of the research sample is the fact that only 5 firms were established after the year 2000 and the youngest business participating in the study was 9 years old. A few firms were established prior to Poland’s transition to the market economy or immediately after 1989.

5. The analysis of the empirical study results

The analysis of the study results in the area of the identification and characteristics of the barriers to the development of family businesses was conducted through the synthetic description of the barriers indicated by the respondents. The barriers were also classified under the relevant headings presented in the theoretical part of the paper. Additionally, it was indicated which barriers were chosen by the representatives of the particular respondent firms. The analysis is presented in the synthetic approach in the table below.

**Table 3.** Barriers to the development of family businesses based on the personal interviews

<table>
<thead>
<tr>
<th>Barrier type</th>
<th>Synthetic characteristics based on the interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory barriers</td>
<td></td>
</tr>
<tr>
<td>Administrative barriers</td>
<td></td>
</tr>
<tr>
<td>Economic barriers</td>
<td>– excessive tax burden (P-2)</td>
</tr>
<tr>
<td></td>
<td>– high labor costs (P-2)</td>
</tr>
<tr>
<td></td>
<td>– high labor costs (U-2)</td>
</tr>
<tr>
<td></td>
<td>– competition operating in the grey economy (U-3)</td>
</tr>
<tr>
<td></td>
<td>– high labor costs (H-3)</td>
</tr>
<tr>
<td>Personnel barriers</td>
<td>– shortages in the labor market (P-3)</td>
</tr>
<tr>
<td></td>
<td>– problems with finding qualified personnel (O-1)</td>
</tr>
<tr>
<td></td>
<td>– employing people from family circles only (O-2)</td>
</tr>
<tr>
<td></td>
<td>– problem with finding qualifies personnel (S-2)</td>
</tr>
<tr>
<td></td>
<td>– time needed to educate personnel (U-1)</td>
</tr>
<tr>
<td></td>
<td>– shortages of qualified personnel (U-2)</td>
</tr>
</tbody>
</table>
## Market barriers
- strong competition (P-1)
- large retail centers (O-1)
- competition from Chinese producers (O-1)
- competition from large companies (O-2)
- strong competition between family businesses (S-1)
- unfair positioning of the competition as firms drawing on family traditions (S-1)
- competition from chains (S-2)
- shortage of repeat orders (U-3)
- strong competition (H-3)
- low profit margins in the market (H-3)

## Fiscal barriers
- unclear tax system (O-2)

## Management barriers
- too many partners causing problems in management processes (P-2)
- no decision maker in the business (P-3)
- lack of an adequate organizational structure (P-3)
- no decentralized management in the business (O-1)
- reluctance to adopt modern management methods (S-1)
- lack of an adequate organizational structure (S-2)
- organizational flaws (S-3)
- inadequate division of responsibilities causing conflicts in the family (U-1)
- absence of procedures regulating management processes (H-3)
- no training system (H-3)

## Technological barriers
- uncomfortable working space (P-3)
- low manufacturing capacity (O-1)
- no product innovations (O-2)

## Educational barriers
- lack of the optimal tax strategy (P-2)

## Financial (capital) barriers
- low working capital (P-3)
- reluctance to launch investments (O-1)
- high overhead costs (U-2)
- passive investment policy (H-2)
Barriers to the development of family businesses

Socio-economic and political barriers

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Source: own elaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>– conflicts in the family (P-1)</td>
<td></td>
</tr>
<tr>
<td>– poor cooperation between the owners (P-3)</td>
<td></td>
</tr>
<tr>
<td>– conflicts in the family (S-1)</td>
<td></td>
</tr>
<tr>
<td>– weak involvement in running the business on the side of no-family</td>
<td></td>
</tr>
<tr>
<td>workers (S-1)</td>
<td></td>
</tr>
<tr>
<td>– no team working skills (S-2)</td>
<td></td>
</tr>
<tr>
<td>– overlapping family and business matters (S-3)</td>
<td></td>
</tr>
<tr>
<td>– difficulties in stimulating effectiveness from family members (S-3)</td>
<td></td>
</tr>
<tr>
<td>– no acceptance for the owners’ children working in the business (U-1)</td>
<td></td>
</tr>
<tr>
<td>– poor image of the family business as an employer (U-1)</td>
<td></td>
</tr>
<tr>
<td>– overlapping family and business matters (U-1)</td>
<td></td>
</tr>
<tr>
<td>– fear of passing the business over to the younger generation (U-2)</td>
<td></td>
</tr>
<tr>
<td>– conflicts (U-2)</td>
<td></td>
</tr>
<tr>
<td>– employment limited to family members (H-1)</td>
<td></td>
</tr>
<tr>
<td>– overfamiliarity between staff leading to lower efficiency (H-3)</td>
<td></td>
</tr>
</tbody>
</table>

The analysis of the study results allows for the formulation of the following conclusions:

1. The long life of the respondent family businesses is likely to have caused that they do not encounter regulatory or administrative barriers. This may also stem from the fact that experience in running the business causes that the difficulties encountered in these areas are not perceived as significant barriers.

2. At least one respondent in each group of businesses represented in the study indicated high labor costs as a barrier.

3. The businesses encounter problems with recruiting qualified personnel, especially in manufacturing.

4. Market barriers are a major obstacle in the operations of manufacturing family businesses.

5. Fiscal barriers are not a major obstacle in the development of the respondent family businesses.

6. Management barriers are a significant threat to the development of family businesses. They are primarily connected with the fact that the management system does not evolve or grow in the area of organizational structure, process-based approach, or decentralized management practices.

7. Technological and financial barriers do not present an obstacle to their growth of most respondent firms.

8. Social barriers, especially in the areas of effectiveness and cooperation oriented organizational culture, conflict management, and overlapping family and business matters, are serious obstacles to the development of family businesses.

   The study provides the basis to draw both theoretical and practical implications.
The theoretical implications encourage further research into the relationships between development barriers and the stage of a business’s organizational growth (the age of a business, degree of management professionalism). Another interesting research area would be the issue concerning conflict management in family businesses (Prince, 1990), also in connection with a succession strategy adopted by a business (Handler, 1994). It is also worthwhile to recognize the value of qualitative research techniques in this research area.

The practical implications reveal the necessity to professionalize management practices in family businesses in terms of both modern and basic management rules (Chittoor et al., 2007). Another problem that was identified in the course of the study concerns the difficulties in managing the size of a business and the mismatch between organizational structures and the growth rate of business (Mazzola et al., 2008; Carlock, Ward, 2001). Finally, family businesses find it difficult to build organizational culture that would be both conducive to the development of a family business and embrace employees from beyond family circles, allowing their integration with the firm (Denison et al., 2004; Vallejo-Martos, 2011).

6. Conclusion

The empirical study identified the barriers to the development of family businesses in the Śląskie region. It should be emphasized that the outcomes of the study are generally consistent with the results of the surveys conducted in this field (for example, the results of the Family Business Barometer).

It should be emphasized, however, that some of the identified barriers are characteristic for all small and medium-sized businesses, including family ones. Such barriers include: high labour costs, problems with finding qualified personnel, competition from large companies, low profit margins in the market, unclear tax system, low working capital. The barriers specific to family businesses, including in particular management barriers and socio-economic and political barriers, can also be identified. In particular they are: inadequate division of responsibilities causing conflicts in the family, conflicts in the family, weak involvement in running the business on the side of no-family workers, overlapping family and business matters, poor image of the family business as an employer, fear of passing the business over to the younger generation, employment limited to family members, overfamiliarity between staff leading to lower efficiency.

Moreover, the barriers of the development of family businesses indicated in the review of empirical research are identical to those identified in the research conducted by the authors. However, attention should be paid to the case study method used and to the relatively small size of the study.

The theoretical and practical implications show future directions for research on family businesses and offer family business owners a reference point for reflec-
tion on the management system in their firms. The methodology used in the study may be applied to a larger sample in the future, which might contribute to the formulation of more objective conclusions.

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**Przedsiębiorstwo we współczesnej gospodarce / Research on enterprise in modern economy**
Streszczenie

Przedsiębiorstwa rodzinne odgrywają znaczącą rolę we współczesnych procesach gospodarczych zarówno w krajach rozwiniętych, jak i rozwijających się. Są one podmiotami o znacznym potencjale gospodarczym i odgrywają ważną rolę społeczną. Jednak w swojej działalności napotykają różne bariery wewnętrzne i zewnętrzne. Głównym celem artykułu jest przedstawienie barier rozwoju rodzinnych firm działających na terenie województwa śląskiego.

W artykule zaprezentowano analizę wyników badań empirycznych przeprowadzonych w formie badań jakościowych dotyczących identyfikacji barier rozwoju rodzinnych firm.

Słowa kluczowe: bariery rozwoju, firmy rodzinne, przedsiębiorczość.