

Mariola Dźwigół-Barosz

Competencies of successors of modern family businesses

The uniqueness of family businesses can be seen in their advantage resulting from a long-term vision, ability to make prompt decisions and their approach based on trust, loyalty and personal relationships.

The market economy is largely based on family businesses, which makes the issue of succession valid and significant [Bracci, Vagnoni, 2011]. The experience shows that 50% of family businesses will cope with the succession-related problems and only 15% will manage to pass the company to the third generation [Sułkowski, Mariański, 2012].

Ł. Sułkowski argues that a family business is an enterprise described as an economic operator, in which the ownership control or the management of the company remains in the hands of the family representatives, and there are more than one family members involved in the functioning of this economic operator [Sułkowski, 2011].

There is a growing awareness that in Poland numerous companies are facing key decisions regarding the transfer of knowledge, power and property. Here comes the first wave of succession transferring the companies from the founders, who undertook the risk, contributed their effort, energy and wealth to create the business. The first-generation change requires the senior and the family to define a new vision of the company, as well

as to establish a new system of values and formal regulations in terms of ownership and power in the family business.

Meanwhile, under highly undetermined conditions, those managing the modern companies must adopt the roles of change leaders, front men, knowledge managers, managers-entrepreneurs, team managers, decision-makers willing to take risks, analysts, coaches, and masters who care about improving their own competencies. It is a sign proving that there are significant changes taking place in the business environment and that the managers are facing increasingly growing challenges.

Managing any company can be compared to navigating a ship on an unfamiliar area of rough sea, among rocky islets and reefs. Additionally, these islets and reefs appear and disappear suddenly as a result of underwater activities of volcanoes that are not on the map. Thus, to navigate the company – apart from textbook sailing skills – it is necessary to have intuition, imagination, courage and determination [Blikle, 2012].

Management in a family business requires a different approach to the functions performed by modern managers and successors. It also requires the development of new models of education “tailored” to the needs of family businesses, which, to a larger extent, will take into account the following issues: shaping of leadership skills, development and im-

provement of employees' competencies, practical motivation skills. In a family business, one can combine business with family by developing entrepreneurial values while upbringing the generation of successors as the future managers [see Janka, 2014].

Owners of family businesses require from their successors to have many interdisciplinary competencies, acquisition of which is a highly time- and work-consuming process, while having those competencies is to provide continuation and development of a family undertaking in accordance with the established strategy.

These competencies include knowledge, skills, talents, styles of action, personality, professed principles, interests and other features, which are used and developed while working, and lead to achieving results in line with the strategic goals of the company [Rostowski, 2006].

Competencies of successors are subject of studies by numerous representatives of the scientific community. Developing a set of successors' competencies, necessary to run a family business, is a very complex and ambiguous process. Family companies, which in their long-term strategy provide for succession processes, should pay their attention to successors' competency profiles. Given the complexity of the business environment, it seems to be fully justified to determine substantial competencies that allow to address the challenges faced by the modern successors of family businesses.

The purpose of this work is to identify key successors' competencies based on the analysis of desk research and the results of own research.

Importance of leadership competencies in a modern company

Having a strong leadership background is a basic condition for the development of each company. It is confirmed by the study *Leadership Competencies*,

conducted by a consultancy firm Deloitte, in which 172 managers of the largest Polish companies were asked about the role of leaders in the modern business. Then, in April 2014, there was a national survey conducted on the same subject, on a representative sample of 1,100 Poles, which, for the first time in Poland, allowed to create a new model of leadership competencies [Thor, Georgijew, 2014].

A group of business experts, scientists, consultants and human resources practitioners selected and defined a Model of Leadership Competencies that are crucial while managing a modern company. There were ten most important competencies identified that are necessary for effective management in the new times, which meet the present and future challenges that the companies face in the post-crisis era.

A decalogue of a new leader consists of the following competencies [Thor, Georgijew, 2014, p. 12]:

- Adopting a wide perspective. Understanding the situation of the company in the broad business context; assessing properly its development opportunities, recognizing potential threats and limitations; understanding market trends and being able to use these phenomena for the benefit of the organization.
- Focusing on increasing the company's goodwill. Strong belief in the success of the organization, building its strong market position; setting ambitious goals and striving to achieve them; recognizing new opportunities to build competitive edge and growth; supporting innovation.
- Creating visions and fulfilling them. Being able to present a clear development strategy and fulfilling it with passion.
- Being flexible in running the organization. Being able to act effectively and constructively in stress situations and

under pressure. Ability to adapt to external changing conditions.

- **Leading changes.** Recognizing and promoting advantages resulting from changes (change leader); creating a positive attitude to changes, seeing risks related to changes and being responsible for them.
- **Having a financial perspective.** Using financial analyses while creating strategic objectives and making key decisions.
- **Building effective relationships.** Looking after the networks of effective relations inside and outside the company; adhering to ethical rules; fulfilling declarations and drawing consequences from a declaration and execution.
- **Developing talents.** Creating favourable working conditions, being open to the proposals from within the company, building the image of the employer. Promoting talents and raising successors, delegating competencies to talented managers.
- **Influencing others.** Presenting clear and coherent messages and ideas. Communicating the vision of the company development, taking the role of a leader and authority; engaging in developing concepts and innovative solutions. Energy, passion and commitment.
- **Building a company based on values.** Building a long-term stability. Respecting diversity, business ethics, responsibility for and understanding of CSR standards – these are the distinctive features of a leader.

There is no doubt that the managerial staff is responsible for shaping model behaviour patterns, organisational changes, and learning of new ways of acting. They are also responsible for initiating and promoting knowledge management solutions in the company.

Regardless of the economic situation,

the managing staff still appreciates the ability to manage people most. As much as 65% of the managers surveyed under the *Talent Club* programme, found that the flexibility while facing a problem is the most important feature of a good employee. According to survey respondents, despite functioning in a crisis situation, a manager cannot act ruthlessly, manipulate, authoritatively solve problems, or relentlessly pursue the goal. He or she should be surrounded by people with whom they cooperate well, who create a friendly atmosphere and a strong and effective team. The best results are achieved by managers, who use talents, knowledge and skills of their employees to reach one common goal. The manager must become a leader for their subordinates, show them the goal and leave them the chance to choose the best way. Employers are looking for creative and independent employees, for whom the work is not necessarily a place for a rat race, since the success is achieved by those, who can act together with the managed team. Thus, the managers themselves found the features that some years ago were attributed to the best managerial staff functioning in a brutal and unfeeling world of business as redundant or unnecessary. On the other hand, they found that the necessary qualifications are the features proving the expertise of the person holding a given position – being a specialist in its field, education and talent [Rat race].

One of the key attitude types of a strong leadership was defined by M. Smoliński and L. Zakrzewska [2017]. According to the Authors, an effective leader is someone with personal efficiency, which causes that the leader can be a strategist, executor, talent hunter and a leader. It consists of: knowledge, charisma, integrity, emotional intelligence, stress resistance, and ability to learn. The position of the leader must be developed by one's

behaviour, passion, commitment, manners, and empathy. Such a combination of features contributes to the leadership efficiency and its quality.

Role of competencies in terms of successors' emotional intelligence

There is no such area in life, in which emotional intelligence would not play an important role. It is the emotional intelligence that stimulates the realisation of one's own potential, allows to control bad habits, helps to set interpersonal borders, and contributes to the creation of satisfactory relationships in private and professional life.

Emotional intelligence covers personal competencies of a man, understood as the capacity to recognize emotional states of oneself and of other people, as well as the ability to use one's own emotions and deal with emotional states of others [Mikołajewska, Mikołajewski, 2013]. Thus, it includes the ability to control and adjust one's mood, which allows for dealing with various situations. The ability to understand emotions and their skilful use plays a key role in the human life.

H. Gardner [1989] initiated the studies on emotional intelligence, and included in it:

- Intrapersonal intelligence, containing the skills related to understanding and controlling one's own emotions (relations with oneself),
- Interpersonal intelligence, consisting in the ability to understand and deal with interpersonal relations (relations with others).

Interpersonal intelligence, also known as social intelligence, means the ability to get along with people and to encourage them to cooperate. It is also the empathy, the ability to easily enter into deep relationships with people, understanding their needs, and stimulating the desired

attitudes and reactions. Social intelligence is composed also of reading other people's emotions and building trust.

The importance of social intelligence in family businesses has been confirmed by the results of the report *Kompetencje przyszłości w firmach rodzinnych 2017* (Competencies of the future in the family businesses 2017) [Raport, 2017]. The analysis of responses of all companies shows that the most desired competence of the future is the social intelligence. The desire and need to develop this competence are declared by over 3/4 of the surveyed businesspeople.

The studies on the specific character of diagnosis and evaluation of the use of successors' competencies confirm that competencies in the field of emotional intelligence are essential in the succession process.

The list of successors competencies that are useful in the succession process, elaborated on the basis of the study conducted by E. Więcek-Janka and A. Hadryś-Nowak [2016] in 2014, contains 20 competencies, of which as many as 11 applies to emotional intelligence. They include: diligence, communication skills, organizational skills, accuracy, entrepreneurship, commitment, stress resistance, firmness, ambition, motivation, and courage. They also drew attention to the fact that the most frequently indicated competencies include, among others, diligence and commitment and the highest average mark was obtained by diligence. Moreover, Polish successors of family businesses found the competencies related to adaptation to the closer and more remote environment of the company as the most useful in the succession process. Adaptability, i.e. the ability to change and the ability to act and make decisions, are also competencies from the field of emotional intelligence.

The classification of successors' com-

Table 1 Significant successors competencies related to emotional intelligence

| No. | Competencies |
|-----|---|
| 1 | self-esteem |
| 2 | self-efficacy |
| 3 | awareness of one's own abilities and skills |
| 4 | awareness of one's own limitations |
| 5 | ability to consciously control one's own emotional states |
| 6 | ability to deal with stress |
| 7 | ability to refuse in an unsubmitive way, which does not harm others |
| 8 | argumentation skills |
| 9 | effective communication |
| 10 | ability to settle conflicts |
| 11 | ability to create visions and stimulate human motivation to fulfil them |
| 12 | ability to win supporters |
| 13 | charisma |
| 14 | ability to work in a group towards common goals |
| 15 | optimism |
| 16 | ability to change |
| 17 | ability to act and make decisions |
| 18 | ability to act and make decisions under pressure |
| 19 | ability to take responsibility for tasks and their execution |

Source: own elaboration.

petencies used in the succession process indicates their various origins. Ensuring that a family company is multigenerational, that it develops and maintains a high operational efficiency, largely depends on an appropriate competency potential of the successors. Family businesses preparing for succession should pay attention to the desirable successor competencies, taking into account the important role of competencies related to emotional intelligence.

This is confirmed by the Author's own research, carried out in the Silesia Province from September 2016 to February 2017. The survey included 27 successors who manage family businesses at least as the second generation. Among 33 competencies of 11 competency groups related to emotional intelligence, the surveyed successors selected 19 competencies, which in the opinion of the successors are of the greatest importance in the process of succession of family businesses (Table 1).

The significance of competencies related to emotional intelligence is also stressed by L. Weroniczak, who as psy-

chosocial skills, necessary to create space that promotes an intergenerational dialogue that exists in the succession process [Weroniczak, 2012, p. 81] lists the following:

- communication skills,
- empathic perception,
- ability to solve conflicts through cooperation,
- understanding of change processes,
- seeing diversity as a resource,
- regarding the company and the family as intertwining systems.

The process of managing a family business is undoubtedly a test of successors' competencies. Competencies related to emotional intelligence are of great importance for those in management positions. The managers shape the culture of the entire organisation, set its development trends and motivate the team to work more effectively. Creating the empathy-based atmosphere at work, which is often the condition for a team stability, is one of the key competencies of contemporary entrepreneurs. People holding managerial

positions, who act wisely and maintain teams around them, are able to proceed and expand their family businesses.

Profile of successor competencies in a contemporary family business

The successors of the contemporary companies have to face numerous challenges, and they are often considered by the seniors as a chance to maintain the company, develop it, and frequently to restore it.

The most essential traits of character, from the point of view of the entrepreneurial process, include the willingness to take risks, motivation for achievement and inner control location, which makes the business person convinced of their ability to affect the environment and control the undertaken actions. What is more, determination and persistence to reach one's goals, passion and ability to inspire others, conscientiousness and ability to make decisions are listed as the features of effective entrepreneurs. Many of them are shaped, not entirely consciously, by parents in the environment of the family business [Gutkova, 2014].

More and more family businesses are facing a decision to launch a succession process, which is mainly connected with

taking over the responsibility and management, and for that purpose, it is necessary for the future managers to have the specified competencies. It should be noted that the specific character of the family business management entails the need to take into consideration not only economic aspects, but also to broadly understand interpersonal relations.

Selecting a successor requires from the seniors to be able to objectively assess candidates, not only through the prism of family bonds, but mainly through their competencies.

The studies on specific character of diagnosis and assessment of the use of successors' competencies under the first succession in the family businesses in Poland was conducted by E. Więcek-Janka in 2014.

The study, which involved 106 successors and potential successors of family businesses, gave the results of evaluation of suitability of successors' features and competencies. 20 features and competencies were assessed.

The obtained data may be divided into two groups: traits related to character (connected with inborn features) and other traits related to upbringing and so-

Figure 1 Results of selected features and competencies

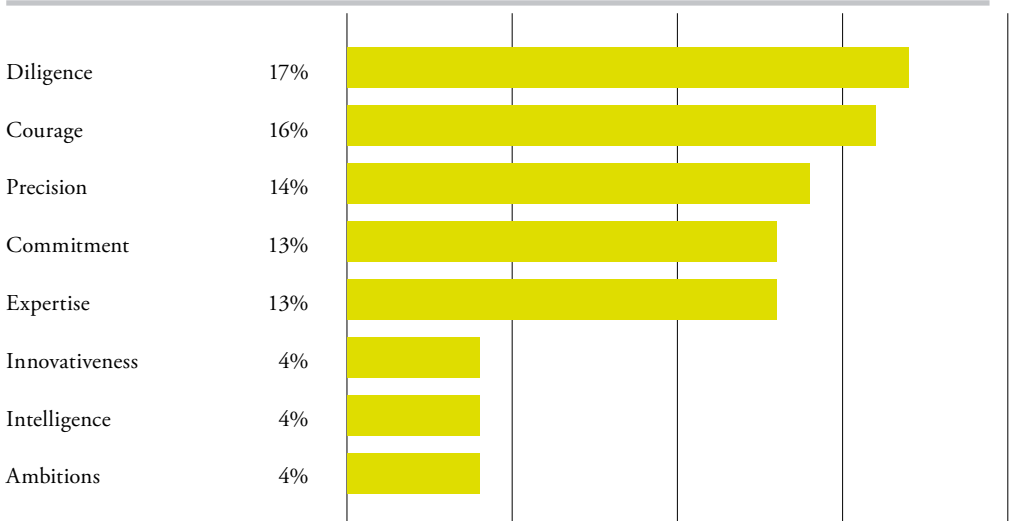
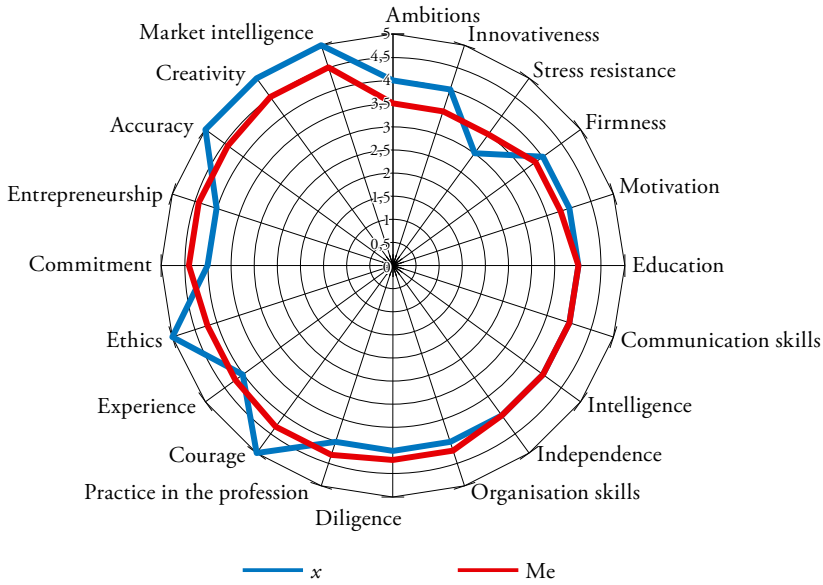


Figure 2 Successor competencies profile



Source: Więcek-Janka E., Hadryś-Nowak A. [2016], *Kompetencje sukcesorskie – profil wstępny*, „Przedsiębiorczość i Zarządzanie”, Wydawnictwo SAN, Volume XVII, Journal 6, part III, Łódź-Warszawa, p. 67.

cialisation. Figure 1 presents the results of percentage share of the selected features assessed as “I have and I use in practice” (the highest mark on the applied scale).

While analysing the findings of the Author’s research, it can be stated that diligence, courage, precision, commitment and expertise were most often evaluated by the successors as very useful. With regard to the features evaluated as very useful, most often highlighted were those that can be shaped mainly through upbringing and socialisation. The surveyed emphasised that the expertise they acquired while working in a family business, opportunities to make independent decisions affect their commitment at work. In their opinion, commitment leads to diligence, whereas the latter leads to precision. Courage was linked by the respondents with the upbringing in a family. In the upbringing process, parents shape their childrens courage to make decisions and their attitude to self-determination, which directly affects courage (13-17% of the surveyed selected these features as the most useful ones).

Three features were selected as the

least used in the succession process: ambition, intelligence, and innovativeness. These features are connected with inborn personal attributes of people (barely 4% of the surveyed found them as the most useful in the succession process). The presented percentage data of the features considered very useful mean that the successors think that the traits and competencies acquired during the upbringing process in a family business have a larger share in developing of entrepreneurial competencies, and increase their succession potential, when compared to personal traits.

The study conducted by the Author allowed to develop a successors’ competency model useful in the succession process of Polish family businesses (Figure 2).

When analysing the model of successors competencies useful in the succession process, their order is noticeable. Diligence was selected as the most useful competence, which interpreted as perseverance and determination to execute undertaken tasks, is particularly important during succession. Without this competence, the successors subject to pressures from their parents, on the one hand, and

pressures from the employees, on the other hand, could not be able to deal with the time of tensions and frequent conflicts. Successors emphasized that without the so-understood diligence, it would be difficult for them to overcome crises and conflicts that appear in the course of succession. The second competence with highest marks was practice in the profession, indicating to the need to involve potential successors in practical aspects related to their future profession. Experience in the industry is connected, by shaping professional skills, with the professional experience, which indicates the importance of upbringing children in the business culture. Additionally, the successors highly valued the usefulness of ethical behaviours in the succession process, which may be connected with the awareness of the need to carry out the succession process in a transparent way and an attitude focusing on finding a solution, which will protect interests of the parties involved in the succession. Other competencies rated as needed in the succession process are courage and creativity (both competencies are indicated in the aforementioned studies as particularly important). The remaining examined competencies were

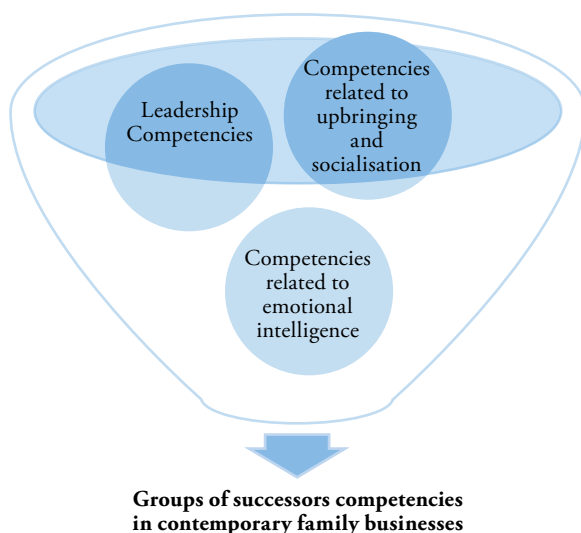
given average marks [Więcek-Janka and Hadryś-Nowak, 2016].

While analysing the studies by the Authors cited in this paper and the results of the Author's own research concerning successors competencies determining effective management of modern family companies, the particular importance of three competency groups presented in Figure 3 is highlighted.

It should be stressed that managing a family business requires – apart from traditional entrepreneurial competencies to manage such companies – to take into account the role of competencies, resulting from the specific character of the companies, with a particular focus on emotional intelligence. Differences between family and non-family entities relate mainly to the sphere of values, organisational culture and hierarchy of goals. This type of companies has a specific identity and values together with advantages and problems of this kind of business activity conducted.

Managing a family business is more difficult than a non-family business, as well as than “managing” a family which is not connected to a company. It turns out that the level of difficulty in manag-

Figure 3 **Groups of successors competencies in contemporary family businesses**



ing a family business is not a simple sum of the levels of difficulty in managing a company and a family, but it is something much greater, as every failure in the company immediately affects the family, and every crisis in the family affects the company [Blikle, 2012].

Apart from market rights, typically economic and financial aspects, apart from strategic aspects of management, there appear streams of non-tangible resources of a specific nature. In these entities, a specific role is played by family bonds, attachment to family values and determination to continue the entrepreneurial “dynasty” [Tomski, 2011]. This, among others, causes that the challenges the family business successors have to face are constantly growing, at the same time forcing the successors to possess competencies specified by them.

Summary

Family companies are the oldest way of doing business and they constitute one of the pillars of the world-wide economy. Their creation, operation and fall has a considerable impact on the development of both national and global economies. A long-term perspective of running a company by future generations, as well as combining family and managerial functions, provide a clear identification to such entities [Sułkowski, Marjański, 2009].

Effective addressing of challenges of contemporary companies requires significantly greater competencies than just effective, managerial administering of tasks. It requires interpersonal skills, gathering of committed people around oneself, and a transparent system of values. In such conditions, there is also a growing need to find more appropriate predictors of professional success and life achievements other than traditional skills.

A wide range of leadership competencies of family business successors determines the ability to effectively recognise market opportunities and to achieve business goals. The upbringing in the atmosphere of a family business, knowledge of the specific character of operating the company, fresh look, willingness to change the status quo, courage and determination of young successors can be the source of recognizing opportunities for the development of the family business.

More and more family businesses are facing a decision to launch a succession process, which is mainly connected with taking over the responsibility and management, and for that purpose, it is necessary for the future managers to have the specified competencies. It should be noted that the specific character of the family business management entails the need to consider not only economic aspects, but also to broadly understand interpersonal relations.

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Dr **Mariola Dźwigoł-Barosz**, Faculty of Organization and Management, Institute of Management, Administration and Logistics, Silesian University of Technology
 Translated by: mgr Monika Borawska