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## Medical Family Businesses in Poland – Model and Managerial Challenges

### 1. Introduction

The sector of medical services in Poland faces a rapid development of family businesses. The research shows that the share of family businesses in dentistry is significant. Similarly, due to the specificity of the medical sector, there is a large group of family businesses in the case of private doctors. Thus, a research question arises about the characteristics of family enterprises providing medical services. An interesting research issue is the extent to which they resemble family businesses, and to which they are derived from medical service activities.

The article is of theoretical nature and its aim is to propose a model for the functioning of family-owned medical businesses, taking into account the impact of the type of activity and the family organization. The article begins with an attempt to define family businesses and to indicate their most important features in the literature of the subject. Only non-state entities were considered as public health care providers are not supposed to have family structure. In the third part there is a proposal for a model combining both aspects of the functioning of this type of economic entities.

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## 2. Family businesses in Poland

In Poland, family enterprises do not constitute a separate legal category, which makes it difficult to identify them and distinguish their characteristics. There is relatively little representative research analyzing the share of family enterprises in the Polish economy and describing their character. Poland is an example of a free market economy that as a result of the transformations of the 1990s came out from under the central planning system. Market transformations were accompanied by rapid development of small family enterprises, which during the last 25 years have become a dominant type of enterprise in Poland. Paradoxically, we know little about the characteristics of business entities of this type.

The article analyses the characteristics and importance of family SMEs in the Polish economy. It is based on the results of the largest, and so far only, national representative research on family SMEs. The research was concluded in December 2009 and was conducted by a team of authors composed of Ł. Sułkowski, A. Kowalewska, J. Szut, B. Lewandowska, M. Kwiatkowska and A. Marjański, as well as by the Pentor research company, on the commission of the Polish Agency for Enterprise Development (Sułkowski et al. 2009). There is a deficit of data in Poland about characteristics of family enterprises providing medical services.

The economic liberalization in Poland towards the end of the 1980s and the beginning of the 1990s gave people the chance to freely set up their own business entities. At the same time, the weakness of the banking system and high inflation were not favorable conditions for the taking out of loans in order to set up new enterprises, so family financial resources became a natural source of the initial capital necessary to set up a business entity.

The transformations had social and economic results as well, such as a high increase in unemployment, the rate of which during the last two decades amounted to 9-15% (Poland Unemployment rate, 2017). Previously, in the centrally planned economy, there was virtually no unemployment or it was only a marginal phenomenon. The threat of unemployment became one of the motives for setting up small family enterprises, which soon spread in sectors with low capital barriers to entry, such as trade and services. They filled in the gap on the Polish market and created new possibilities for employment, especially for those in a worse situation on the labor market, such as people over 50, women who wanted to come back to work and people looking for their first jobs.

Quick development of small family enterprises was also caused by factors that are deeply rooted in Polish societal culture. According to most sociological research, family values are still considered by the Poles as the most important in the hierarchy of values (Czapiński, Panek 2009, p. 119). S. Nowak believed that there is a “social void” syndrome in Poland, meaning that social values are focused on the family level, and at the same time there are very weak or no civic values (Nowak 1979). Also, research on Polish social capital shows that it is very low in comparison to most developed countries (Czapiński, Panek 2009, p. 119). Thus, the level of social trust is very limited, which is a favorable condition for the development of family enterprises based on family ties.

One of the key cognitive problems requiring a solution before the beginning of empirical research began was formulation of an operational definition of a family enterprise, which would make it possible to identify such entities.

Family organization may be defined based on different criteria. In fact, there is no consensus on the criteria distinguishing family businesses, although the most often indicated criteria are: family structure of the entity’s ownership, strategic control exercised by a family, participation of family members in managing the enterprise, and the involvement of more than one generation in running the enterprise (Handler 1989, pp. 257-276). M.C. Shanker and J.H. Astrachan draw attention to the fact that the definitions of a family enterprise cover a continuum. The broadest definitions adopt a very general and vague description of a family business, based on the following criteria: control over strategic decisions and the intention to keep the enterprise under the control of a family. According to a slightly narrower definition of a family business, the founder of the business or his/her descendants run the business, which remains under the proprietary control of the family members. By contrast, narrow definitions, apart from the above mentioned criteria, require: direct involvement of more than one family member in business management and a multi-generational structure to the enterprise. Depending on the adopted definition, family enterprises are the source of 12%, 30% or 49% of the national income of the US economy (table 1) (Shanker, Astrachan 1996, pp. 107-119). Thus, the differences are of great importance, but even adopting a narrow definition of a family enterprise we end up with a large group of business entities.

**Table 1. Family business definitions depending on the level of family involvement**

| Criterion                          | Broad definitions         | Medium definitions                                | Narrow definitions                    |
|------------------------------------|---------------------------|---|---------------------------------------|
| Ownership structure                | Large family share        | Controlling family shares                         | Majority family shares                |
| Strategic and management control   | Minimum strategic control | Strategic control and participation in management | Strategic control and full management |
| Inter-generational structure       | Not required              | Planned family succession                         | A multi-generational entity           |
| Involvement of family members      | Low                       | Medium  | High                                  |
| Percent of produced GDP in the USA | 49%                       | 30%   | 12%                                   |
| Employment in the USA              | 59%                       | 37%   | 15%                                   |

**Source:** own work based on Shanker, Astrachan 1996, pp. 107-119

Among the most important criteria allowing definition of a business entity as a family enterprise are: ownership, management, family involvement in the enterprise and family succession. R.K.Z. Heck and E.S. Trent compare the criteria in relation to subject literature (table 2).

**Table 2. Summary of definitions of family enterprises, based on the subject literature**

| The essence of definitions according to the listed authors           | Variables researched in the National Family Business Survey 1997  |
|--|---|
| 1. Ownership or management   | The status or structure of ownership, joint ownership, co-owners and those making key decisions or having control or ownership of shares.   |
| 2. Involvement of the family in the enterprise (system correlations) | Number of family members working in the family enterprise, paid and unpaid relatives who do not live in the same household.   |
| 3. Family succession (intergenerational transfer)                    | Generations in the family enterprise, the planned change of ownership structure in the family enterprise within 5 years, striving to keep the enterprise within the family in the future. |

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4. Multi-criteria

Combination of at least two criteria listed in points 1, 2 and 3.

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**Source:** Heck, Trent 2002, p. 610

### 3. Characteristics of Polish family entrepreneurship

The size structure of family enterprises reflects the structure of the SME sector, with a prevailing number of micro enterprises (90%). Nearly every tenth (9%) of family enterprises are entities employing between 10 and 49 workers, and only 1% qualify as medium enterprises. The average number of employees in family enterprises is 5.8, where 2.4 are family members.

The prevailing legal form in Polish family entrepreneurship is the business activity of a natural person (81% of family enterprises). The average age of a family enterprise is about 14 years (which is similar to non-family enterprises). The largest group includes enterprises present on the market for 11-20 years (42%) but there are also numerous companies aged 6-10 and over 20 (about 20%).

Family enterprises can be most often found in the following sectors of the economy: H (hotels and restaurants), D (processing industry), I (transport and warehouse management) and G (wholesale and retail trade). In total, 76% of family enterprises are related to these sectors, and especially to sector G (45%). The founding of a large percentage of the family enterprises in the above trades may probably be attributable to the low costs of entering the market. In most cases, family enterprises function in the nearest markets (on a local and voivodeship level). At the moment, there are only 2% of small family enterprises on the international market.

Family enterprises, just like all other enterprises in the SME sector, are not 'financial sharks'. Last year's turnover was, for most of them, below one million PLN, and the turnover of the prevailing number of such enterprises did not exceed 500,000 PLN. The investment activities undertaken by family enterprises are not different from similar activities of other enterprises from the SME sector. Modernization activities (purchasing new machines and equipment) are the definite priority, there is a low interest in training and counseling services, and there is virtually no interest in research and development investments.

Over the last two years, use of training and counseling services was uncommon (about 15% of family enterprises used such services), while the variable that diversified the extent to which such investments in an enterprise's development

were implemented, was the enterprise's size. The more people are employed by the given enterprise, the higher the probability that there will be soft investments among the investment activities undertaken.

It is clear that family enterprises are more prone than non-family enterprises to financial investments using loans. This phenomenon can easily be explained by the limited financial resources of family enterprises (reflected by, among other things, their lower turnovers), which in most cases function as business entities owned by natural persons. Undertaking activities in areas that require higher financial outlays means such persons must resort to bank credit and loans.

**Ownership and management in Polish family enterprises** is, in most cases, kept in the hands of the founder (or the founder's family). In most cases (93%) families have majority interests in the researched enterprises (family enterprises, excluding business entities being natural persons). Most often these are entities where all shares are owned by the founder's family (52%) and enterprises where the amount of shares is between 50% and 70% (23%). An average amount of shares owned by the family is 87%.

Family enterprises most often employ representatives of the first generation (nearly 90%) who are also, in most cases, the owners. Joint ownership (much rarer) can often be found in the case of representatives of the first and second generations. The second generation is more often involved in working for the company (33%) than owning it (15%).

In most cases, owners manage their enterprises in person (or with the help of family members). In companies employing representatives of more than one generation, founders have the largest influence on the decision-making process – in nearly 9 out of 10 researched enterprises the influence is large, and in over a half of the cases their influence is very large. Founders of family enterprises usually use a paternalistic management style. Such management is one-person, charismatic and power-oriented. Enterprise founders who have broad decision-making rights have to take care of their enterprise's development and provide wealth to their families and employees. On the one hand, the paternalistic style may offer a greater sense of security and stability to employees, but on the other it may strongly limit their decision-making processes and promote the 'learned helplessness syndrome'.

Employees who are not family members have very little influence on the decision-making process in the company. Only in 11% of enterprises was the influence of 'non-family' members on the decision-making process described as large or very large. At the same time, 38% of the respondents declared that such employees have no influence on the process.

Certain differences between managers from the family and those outside the family were also revealed in relation to views on managing a company, and these differences may be a source of potential conflicts concerning the directions of development of a family enterprise. Owners are more conservative when it comes to management. Decision-making employees who are not family members are more often of the opinion that investments should be based on the company's own capital (59%, in comparison to 43% of the respondents who are not family members), and that the company should develop following small steps (59% and 43% respectively), possibly in accordance with old, proven methods (42%, 29%). Consequently, they have different visions of the company's perspectives – owners, more often than people who are not family members (33% and 15% respectively), declare that their enterprise focuses on survival rather than development. This is similar in the case of medium enterprises.

Employees who are not family members have more 'sober' views of the enterprise and they tend to depict the enterprise in a less idyllic way than the owners, as they less often attribute ethics of conducting business (50%, 58% in case of owners) and a larger ability to implement innovative solutions (41% and 49% respectively) to family enterprises as features that make them better than non-family enterprises.

**Family succession** is one of the most important manifestations of functioning as a family business. In the case of family enterprises, successful succession is a crucial process, as it influences the whole development of the enterprise. Taking into consideration the relatively short tradition of Polish entrepreneurship, it is difficult to find a family enterprise that has already undergone an intergenerational transfer (about 20%). However, most family enterprises are willing to hand the company over to descendants (58%), although this is more a general declaration than a specific plan. The scope of knowledge about planning the succession is very limited. Managers draw their knowledge from their own experience and intuition, so they often make such mistakes, such as not preparing their potential successor. The enterprises researched would then face a serious succession problem, if the succession is a consequence of a sudden, unforeseen event.

Although the family's character is seen as a positive value (the respondents think highly of family enterprises, and in most cases they see family character as a factor supporting the business), the fact that an enterprise is a family business is not strongly emphasized in business relations – just 27% of the enterprises researched admitted that they often emphasize the fact that they are family enterprises. A similar percentage (26%) of the respondents declared that they

sometimes do, while 14% rarely do. Nearly one third (32%) of the companies researched never emphasize the fact that they are family enterprises.

#### 4. Ethos of medical professions in relation to business and economic logics of an organization

Reflecting on the ethos of medical professions in relation to the business and economic logics of organizations leads to a comparison of the personality of the physician and the manager that influences the decision-making in the medical unit (table 3).

The following criteria were identified in the comparison: responsibility, basic fidelity to interests, professional dependency, time frame and tolerance to uncertainty and ambiguity. Differences are visible and significant, as exemplified by the criteria of responsibility and fidelity to interests. The doctor has personal responsibility and the most important thing is the patient's wellbeing, while the manager bears the collective responsibility and the success of the organization is what matters most.

**Table 3. Comparison of mentality (personality) of the physician and the manager**

| Features/criteria                      | Physician's personality  | Manager's personality  |
|--|--------------------------|------------------------|
| Responsibility                         | Personal responsibility  | Group responsibility   |
| Basic fidelity to the interests of     | Client - patient         | Organization           |
| Professional dependency                | Hierarchic - horizontal  | Hierarchic - vertical  |
| Time frame                             | Short term (the present) | Long term (the future) |
| Tolerance to uncertainty and ambiguity | Small                    | Large                  |

**Source:** own work based on Jończyk 2008, p. 55

K. Walshe and J. Smith (2011, pp. 599-601) take the view that managers managing health care organizations do not have an easy task in the face of the challenges that have emerged in the 21st century. The main factor that influences this situation is the variable environment that makes planning difficult. Health care decisions are important to all citizens, and hospital management is only one of many stakeholder groups. In order to overcome the greatest challenges in the healthcare sector, healthcare managers should:



- adopt a consistent and competent approach to making financial decisions,
- develop diplomatic and political skills that will allow to work out, influence and ultimately manage a strategy,
- understand and adopt an approach to evaluation and assessment of innovative medical technologies,
- balance the decision-making approach in developing health care services,
- change the existing management of the treatment of chronic diseases,
- develop a coherent plan for dealing with contagious diseases,
- allow both service and financial providers to cooperate with other organizations when implementing the strategy.

In case of top-level managers in the medical sector there is a division into two groups (Alexander et al. 2001, pp. 162-193):

- managers with educational background in medicine or nursing,
- managers with managerial background: economists, lawyers, management experts.

The first group of top-level managers in the medical sector has extensive knowledge of the organization and delivery of medical services and usually places individual needs above the organization's goals. Managers with administrative education, on the other hand, rely on their economic, legal and managerial education and the primary objective for them is the financial result of the managed entity (table 4).

The above considerations are very important in the case of family businesses in the medical sector. The challenge is to combine the role of the manager and the physician, but in a multi-generational family business with a well-thought-out strategy of succession, this can lead to market success.

**Table 4. Characteristics of hospital managers with medical and managerial education**

| Manageris with medical education  | Managers with managerial education  |
|---|---|
| <ul style="list-style-type: none"> <li>• They have knowledge of the provision and organization of medical services that they use in their managerial practice.</li> <li>• In most cases, individual needs of patients are a priority, often in spite of the overriding objectives of the organization.</li> </ul> | <ul style="list-style-type: none"> <li>• They have knowledge of economy, management, which has a major influence on decisions made.</li> <li>• The primary goal is the interest of the managed entity, and the interests of the individual patients are in the second place.</li> </ul> |

**Source:** own work based on: Carmeli et al. 2012, pp. 31–54, Davies et al. 2007, pp. 46–65

## 5. Family model of medical services

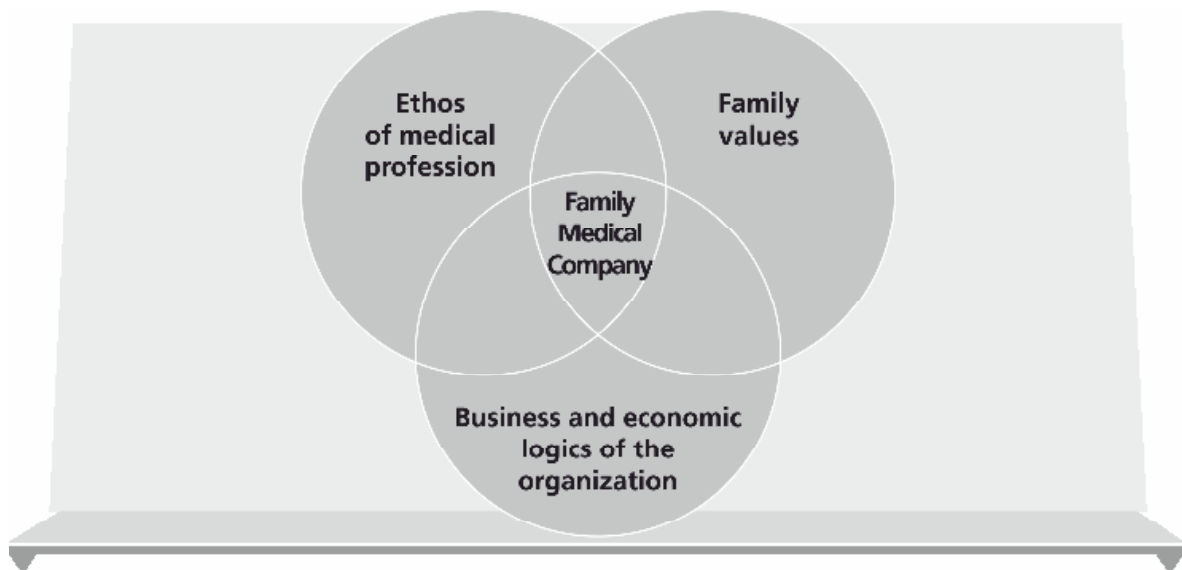
Family businesses have unique advantages that have a significant impact on gaining competitive advantage over other economic entities. In case dental surgery they are, among others (Bukowska-Piastrzyńska 2014, pp. 63-70):

- personalization of organizational bonds and trust to co-workers related to it,
- caring for the heritage ('preserving good reputation' - dentist's brand),
- focus on the future.

An important issue is the penetration of family and economic ties in family businesses, which is both a source of advantage but also a constraint on the development of these entities. Likewise, this may be the case for dental practices in which descendants are employed. An important advantage of the medical practice as a family business is the ability to learn, in particular from experienced family members, which is confirmed in the research conducted - this applies both to the strictly medical services, as well as the non-medical aspect of functioning of the business (Bukowska-Piastrzyńska 2014, pp. 63-70).

Figure 1 presents the proposed model of family medical services showing the combination of three components:

- ethos of medical professions,
- family values,



**Figure 1. Proposed model of family medical services**

Source: own study

- business and economic logics of the organization.

The proposed model of family medical services assumes that the combination of these three components can lead to the emergence of a Family Medical Company that will face the challenges of a competitive healthcare market, and, on the other hand, will offer the added value of an innovative hybrid that with the potential to create lasting competitive advantage on the market of medical services. There are many examples of family businesses in the medical sector in Poland that have survived several or a few dozen years and are at the peak of development.

## 6. Conclusion

As a result of the above theoretical considerations concerning family businesses in Poland, the ethos of medical professions and the business and economic logics of the organization, a model of family medical services has been proposed. In the end, it assumes the establishment of a Family Medical Company, which may be a small medical practice as well as a large non-public medical unit providing a wide range of medical services. Numerous health care reforms that do not bring about significant change and the constantly changing environment in the medical sector are undoubtedly a chance for this type of companies. Another factor that can undoubtedly affect the success of family businesses in the medical sector is the change of the attitude of the client of medical care, who expects a high standard of service and appropriate patient approach. In the case of a well-managed Family Medical Company, all of the above are present and can contribute to a lasting competitive advantage in the long run.

## Summary

### **Medical Family Businesses in Poland - Model and Managerial Challenges**

There is a deficit of data in Poland about characteristics of family enterprises providing medical services. The medical sector in Poland faces a rapid development of family businesses and is diverse because it encompasses various size business entities that specialize in many possible aspects of the medical business. The article is about the characteristics of family enterprises providing medical services and extent to which they resemble family businesses, and to which they are derived from medical service activities. The article is of theoretical nature and its aim

is to propose the model for the functioning of family-owned medical businesses, taking into account the impact of the type of activity and the family organization. The first part of the article is focuses on characteristics of family businesses, there is relatively little representative research analyzing the share of family enterprises in the Polish economy and describing their character. The second part of the article is the problem of ethos of medical professions in relation to business and economic logics of an organization. In the third of the article part there is a proposal for a model combining both aspects of the functioning of this type of economic entities.

**Key words:** *medical family businesses, sector of medical services, health sector in Poland, managerial challenges, model of family medical services.*

### **Streszczenie**

#### **Medyczne firmy rodzinne w Polsce - model i wyzwania kierownicze**

W Polsce występuje deficyt danych o cechach przedsiębiorstw rodzinnych świadczących usługi medyczne. Sektor medyczny w Polsce stoi w obliczu szybkiego rozwoju firm rodzinnych i jest zróżnicowany, ponieważ obejmuje różne wielkości podmiotów gospodarczych, które specjalizują się w wielu możliwych aspektach branży medycznej. Artykuł dotyczy cech przedsiębiorstw rodzinnych świadczących usługi medyczne oraz zakresu, w jakim przypominają one firmy rodzinne i do których wywodzą się z działalności usług medycznych. Artykuł ma charakter teoretyczny i jego celem jest zaprezentowanie modelu funkcjonowania rodzinnych firm medycznych, biorąc pod uwagę wpływ rodzaju działalności i organizacji rodzinnej. Pierwsza część artykułu koncentruje się na charakterystyce firm rodzinnych, stosunkowo mało jest reprezentatywnych badań analizujących udział przedsiębiorstw rodzinnych w polskiej gospodarce i opisujących ich charakter. Druga część artykułu to problem etosu zawodów medycznych w odniesieniu do logiki biznesowej i ekonomicznej organizacji. W trzeciej części artykułu znajduje się propozycja modelu łączącego oba aspekty funkcjonowania tego typu podmiotów gospodarczych.

## Słowa

**kluczowe:** *medyczne firmy rodzinne, sektor usług medycznych, sektor zdrowia w Polsce, wyzwania menedżerskie, model rodzinnych usług medycznych.*

**JEL:** MOO

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