

# **FAMILY-OWNED COMPANIES IN THE TIMES OF THE INTERNATIONAL SOCIO-ECONOMIC CRISIS**

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## **Abstract**

The coronavirus pandemic has sparked the greatest global crisis of the 21st century. It touched all areas of life, including the economy, and in it particularly severely family businesses. The following article is an attempt to characterize the specificity of family businesses and their specific features that allow them to withstand the crisis. Various forms of economic support in various countries were also presented.

**Keywords:** family-owned company, family business, coronavirus crisis, economic support.

## **Introduction**

Due to the coronavirus pandemic, family-owned companies, which have not been of particular interest to scientists or economists so far, have become the centre of interests of the broadly understood world of economy, in the eye of a cyclone, in a sense. Owners of this type of companies were most affected by the pandemic, it has left a huge mark, and the effects are and will be felt in the next several months. In fact, it can be said that as a crisis, the pandemic has become - according to the Chinese spelling of the word crisis<sup>1</sup> - a threat and an involuntary opportunity for family companies, thanks to which the world of economy focused on their businesses, after realizing their importance, and with fear for their future.

It can be assumed that the current state of affairs was caused by underestimation of the importance of family-owned businesses in the economy, a misunderstanding of the essence of family-owned businesses, and on the one hand, their dispersion, and, on the other hand, mass and universal nature, and very diverse organizational form of functioning family-owned businesses.

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<sup>1</sup> <https://adamdebowski.pl/blog/sukces-w-biznesie/kryzys-to-zagrozenie-ale-takze-szansa/> (access 27 February 2021).

It should be emphasized that according to data provided by Forbes<sup>2</sup>, family-owned businesses generate around 70-90% of the world's GDP. Professor Aleksander Surdej<sup>3</sup> states that family-owned companies generate about 60% of the GDP in the USA, according to Jerzy Buzek, family-owned companies generate over 60% of the GDP in the European Union<sup>4</sup>, and according to the president of the Warsaw Stock Exchange, M. Dietl, family-owned businesses account for about 2/3 of the Polish GDP<sup>5</sup>.

Family-owned businesses are the backbone of national economies. Statistical data confirms that they constitute a very important part of the European or global economy. They are the foundation of these economies. Foundation that is flexible and can be skilfully adapted to changes taking place in its immediate environment. In the global economy, family-owned companies form the largest group of companies, they constitute two thirds of all existing enterprises, they have the largest share in the GDP of the world economy, generating over 70 percent of the global GDP. Family-owned businesses are also the world's largest employer, creating 50-80 percent of all jobs.

The European Organization of Family Businesses reports that family-owned businesses account for 60% up to 90% of companies operating in European countries, and employ 40-50% of all employees<sup>6</sup>. Research conducted and published in 2017 as part of the COSME European Commission Program on a group of seven countries: Bulgaria, Denmark, Finland, Italy, Malta, the Netherlands and Poland have shown that family-owned businesses account for 61.3% of all enterprises operating in these countries. The research also shows that as much as 92% of enterprises in Poland are family-owned companies, however only 36% of enterprises are officially considered to be such<sup>7</sup>, and according to the Grand Thornton report, 828,000 companies in Poland are considered to be family-owned businesses<sup>8</sup>.

Family-owned enterprises mainly include micro-enterprises, medium-sized enterprises, but also giants on a global scale, but this group is not numerous. It is enough to mention that family-owned businesses are Walmart, Ford, Dell, Johnson & Johnson, Marriott Hotels, Mars, Samsung, Honda, Jeronimo Martens (Biedronka), Aldi, Fiat, Ikea, BMW, Volkswagen, and Polish brands such as Grycan, Ziaja, Dr Irena Eris, Mokate, Drutex, as well as Media Expert and Dino stores. On the Warsaw Stock Exchange there are 139 companies, or 32% of all listed companies, that are family-owned businesses<sup>9</sup>.

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<sup>2</sup> <https://www.forbes.pl/forum-firm-rodzinych/2018/firmy-rodzinne-w-polsce-jakie-sa-infografika/x60qctg> (access 27 February 2021).

<sup>3</sup> [https://firmyrodzinne.pl/download/Firmy\\_rodzinne\\_rozwoj\\_gospodarczy\\_Surdej.pdf](https://firmyrodzinne.pl/download/Firmy_rodzinne_rozwoj_gospodarczy_Surdej.pdf) (access 27 February 2021).

<sup>4</sup> <https://familybusiness.ibrpolska.pl/dzialania-na-rzecz-wsparcia-firm-rodzinych-w-unii-europejskiej/> (access 27 February 2021).

<sup>5</sup> <https://filarybiznesu.pl/biznesy-rodzinne-tworza-23-polskiego-pkb-w-pandemii-radza-sobie-lepiej-niz-inne/a9395> (access 27 February 2021).

<sup>6</sup> <https://alebank.pl/firm-rodzinne-generuja-ponad-70-proc-swiatowego-pkb-jak-zaplanowac-rozwoj-przedsiębiorstwa/> (access 27 February 2021).

<sup>7</sup> <http://familybusiness.ibrpolska.pl/przedsiębiorstwa-rodzinne-liczbach/> (access 27 February 2021).

<sup>8</sup> <https://www.dlahandlu.pl/hurt-i-franczyza/wiadomosci/zdecydowana-wiekszosc-przedsiębiorstw-w-polsce-to-firmy-rodzinne,67814.html> (access 27 February 2021).

<sup>9</sup> <https://grantthornton.pl/publikacja/rodzinne-firmy-blyszcza-na-parkiecie/> (access 31 March 2021).

This manuscript will be an attempt to present family-owned businesses, their specificity, functioning during the crisis caused by the coronavirus pandemic, and methods of coping with the resulting difficulties and limitations.

## 1. Family-owned businesses - characteristics

When defining the concepts of family-owned businesses, the very way of determining them is difficult (family-owned company, family business), and attempts to define them only deepen these difficulties, especially since the level of systematizing the knowledge of family businesses is poor, and entrepreneurs themselves often do not they consider themselves to be running a family business. On the one hand, this is probably due to various organizational and legal forms, sizes or forms of ownership of family businesses, and on the other hand, due to the merging of the concepts of company and family, which do not seem to fit together, differ too much in their social function to be combined and identified. The family unit means its members, a common household, ties and feelings uniting family members, and the company unit is an organization focused on economic profit, striving to satisfy and achieve financial benefits for its members.

Family businesses are the first form of human economic activity. As the oldest and most common organizational forms of enterprises, they form the backbone of national economies as their most durable element, resulting from their ability to survive, adaptation skills, and speed in adapting to changes taking place in the environment. They are a driving force due to their potential resulting from universality, diversity and determination in action, as they combine a family character with entrepreneurship. Family-owned businesses are an emanation of entrepreneurship, free market, economic development, adaptive skills and durability.

When defining the concept of a family-owned business, it should be stated that it is a combination of two concepts: a family that produces goods to meet its internal needs, and a company - an enterprise aimed at meeting the needs of external recipients<sup>10</sup>. There are many terms and definitions of a family-owned business in the literature on the subject. According to the author of this manuscript, one of the most accurate says that a family business is an enterprise of any legal form, in which at least two family members are involved, and at least one family member has a significant influence on the company's operations. In family businesses, family members own a majority of the shares<sup>11</sup>.

In American literature, a family-owned business is defined as a business in any legal form where the capital is wholly or largely owned by the family, and at least one family member is involved in running the business with the intention of keeping it family owned.<sup>12</sup> Whereas, R. Donnelley believes that "we

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<sup>10</sup> Sułkowski Ł., Marjański A., (2009), *Family businesses - how to achieve success in the relay race of generations*, POLTEX, Warszawa, pp. 13-14.

<sup>11</sup> Kowalewska, A. (ed.) (2009). *Family businesses in the Polish economy - opportunities and challenges*, PARP. Warszawa, p. 52.

<sup>12</sup> Jeżak, J., Popczyk, W., Winnicka-Popczyk, A. (2004). *Family-owned business. Functioning and development*, Difin, Warszawa, p. 19.

deal with a family-owned business if at least two generations of one family had a significant impact on the company's goals and policy"<sup>13</sup>. Meanwhile, C. Ashley-Cotleur states that "A family-owned business is when at least two family members work in the company, having control over management and finances, and succession has already taken place or is planned"<sup>14</sup>. Scientists from Oregon State University present a less extensive definition of family businesses, stating that if someone considers a company a family business, it means it actually is a family-business<sup>15</sup>.

When analysing the literature on the subject, there is the approach of Ch. Graves, referred to as The Family Universe Bull's Eye, distinguishing three categories of family-owned business definitions depending on the strength of the family's influence on the company. Using this criterion, the definitions of a family business can be divided into three categories:

- broad, characterized by the family's low level of influence and involvement in the company's functioning,
- medium, characterized by the family's mediocre level of influence and involvement in the company's functioning,
- narrow, characterized by the family's high level of influence and involvement in the company's functioning,

The definition of the medium type includes all elements of broad definitions extended with additional criteria, similarly to narrow definitions, apart from own criteria, were extended with elements from the medium type<sup>16</sup>.

Using such criteria to define family-owned businesses, broad definitions are characterized by the family's low level of influence and involvement in business running, while recognizing a marriage, related persons and informal relationships as the family unit. Medium-range definitions characterize a family business as the involvement of at least one family member in the company's functioning, or as having a majority of shares that allow making business-related decisions. Whereas, according to the narrow definition, family-owned businesses are characterized by the involvement of at least two family members in the company's current operations, with at least one generation of transfer taking place, and the company's management remaining in the hands of the family<sup>17</sup>.

Drawing 1. The degree of family involvement as a determinant of the definition of company classification

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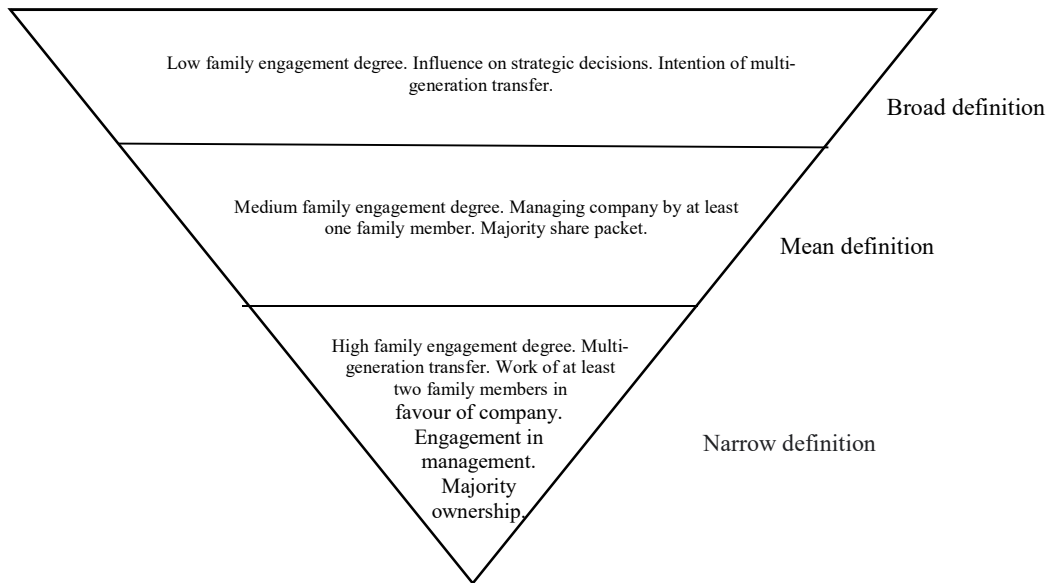
<sup>13</sup> Donnelley R.G., (2002) The Family Business, in: Family Business Sourcebook, op. cit., p. 4.

<sup>14</sup> Ashley-Cotleur C., (1999), Family Business and Relationship Marketing: The Impact of Relationship Marketing in Second Generation Family Business, State University, Frostburg.

<sup>15</sup> Winnicka-Popczyk A., (2002), *The specificity of family business management*, in: *Contemporary management problems*, ed. J. Hołubiec. Publishing House of the Mazovian University of Humanities and Pedagogy in Łowicz, Łowicz, p. 201.

<sup>16</sup> Graves, C.R., *Venturing beyond the backyard: An examination of the internationalization process of Australian small-domatium-sized family-own manufacturing company. Doctoral dissertation*, The University of Adelaide, 2006, pp. 11-12.

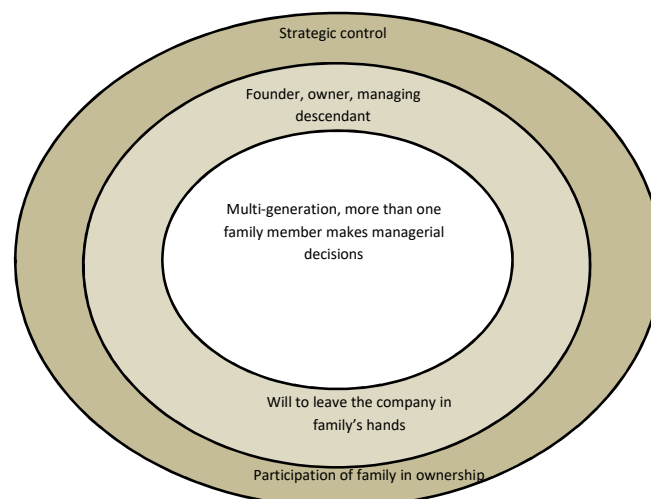
<sup>17</sup> Więcek-Janka E., (2016), *Review of the typology of family enterprises*, Marketing and Management (Problems of Management, Finance and Marketing), No. 2 (43), p. 168.



Source: Więcek-Janka E., (2016), *Review of the typology of family enterprises, Marketing and Management (Problems of Management, Finance and Marketing), No. 2 (43), p. 169.*

Astrakhan and Schanker define family-wned companies in their shield model in a similar way, dividing them into three circles. In this model, the most general concept defines an external circle, determining family-owned businesses as enterprises based on family ownership and strategic supervision. In the middle circle there are family-owned businesses focused on keeping the company in the hands of the family. At the centre of the shield there are family-owned businesses, the functioning and development of which involves many generations, and where more than one person is responsible for the company<sup>18</sup>.

Drawing 2. Astrakhan and Shanker shield model



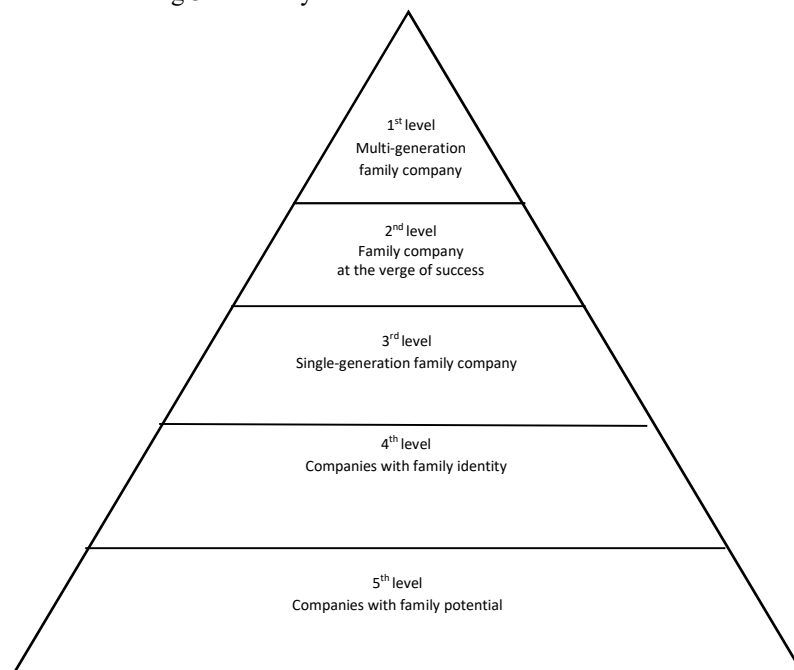
Source: Więcek-Janka E., (2016), *Review of the typology of family enterprises, Marketing and Management (Problems of Management, Finance and Marketing), No. 2 (43), p. 169.*

<sup>18</sup> Ibidem, p. 168

According to the *Model of Five Levels of Defining a Family Business* by Lewandowska, Więcek-Janka, Hadryś-Nowak, Wojewoda, family businesses can be classified according to the following order:

- level 5 - *Potentially family-owned companies*. The company is in family hands (for small and medium-sized enterprises 50.1% and more, for joint-stock companies a minimum of 25.1%).
- level 4 - *Companies with a family identity*. Having the characteristics of level 5, as well as the inner belief by the owners of being a family business.
- level 3 - *One-generation family-owned companies*. They have level 4 characteristics and also involve at least one family member - apart from the owner - who is involved in the company's operational activities and strategic cooperation.
- level 2 - *Family businesses on the verge of succession*. It has level 3 characteristics, succession-based company management, as well as the involvement of at least two people in daily management and involvement of family members in the management board's activities with a specific intention of succession.
- level 1 - *Multi-generation family-owned companies*. It has level 2 characteristics and a completed succession<sup>19</sup>.

Drawing 3. A family business - a model of five definition levels



Source: Lewandowska, Więcek-Janka, Hadryś-Nowak, Wojewoda, (2017) *Model of five levels of defining a family business*, *Entrepreneurship and Management*, Wydawnictwo Społecznej Akademii Nauk, Łódź, 18 (6)/2, p. 166.

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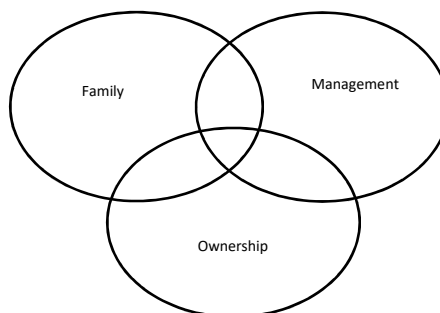
<sup>19</sup> Lewandowska, Więcek-Janka, Hadryś-Nowak, Wojewoda, (2017) *Model of five levels of defining a family business*, *Entrepreneurship and Management*, Wydawnictwo Społecznej Akademii Nauk, Łódź, 18 (6)/2, pp. 159-177, p. 165.

It seems that a family-owned business can be defined as an enterprise characterized by several adjectives: private, family, multi-generation, profitable (being a source of income for the family), dependent (on the family), dominated (by families), and also being a kind of inheritance mass that has already been inherited or will be inherited by descendants. Family businesses are the foundation stone of the economy, its driving force, its most enduring link. They are the most diverse form of economic activity, combining a family character with entrepreneurship.

What characterizes a family business is the family unit with its specificity, individuality, relationships, with virtues and flaws of its members, which translate into the company's functioning, its development, successes and failures. In family businesses, there is no clear line between the company and the family. A company is a family, and a family is a company that is at the centre of family life, is its essence, workplace, source of income, and its duration and development is the family's goal. The family manages the company or influences its management, maintains direct or indirect control over it, and the values cultivated in the family translate into the company's shape, making each family business different and characteristic. Ties within the family, emotions between its members, mutual respect, and tradition affect the company's functioning, management, decisions, relations with the environment, employees, contractors, freedom and flexibility at work<sup>20</sup>.

The characteristics of family businesses indicate how the family (owner or owners), who act as managers in their own company, determine the company's functioning. These are specific companies that are both unique and common. They are the most common form of companies in the economic space, and at the same time they are the most diverse companies in which three areas interpenetrate: family, company management and ownership structure<sup>21</sup>.

Drawing 4. John Davies's Three Circles



Source: Kenyon-Rouvinez, D., Ward J.L. (2005), *Family business key issues*, Palgrave, New York. p. 6.

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<sup>20</sup> Stradomski M., (2013) *Dark sides of a family business*, in: *Family Businesses - Global and Local Challenges Part II*, ed. Marjański A., Piasecki B., ENTREPRENEURSHIP AND MANAGEMENT VOL. 14, ISSUE 6, PART II, Publishing House of the Social University of Entrepreneurship and Management in Łódź, Łódź, p. 18.

<sup>21</sup> Lipiec J., (2011), *The Constitution of the Roleski Family Company as an example of the first family ownership supervision in Poland*, in: *FAMILY BUSINESSES - DETERMINANTS OF FUNCTIONING AND DEVELOPMENT, Development and change management*, edited by Marjański A., ENTREPRENEURSHIP AND MANAGEMENT VOL. 12, ISSUE 7, PART II, Publishing House of the Social University of Entrepreneurship and Management in Łódź, Łódź, p. 34.

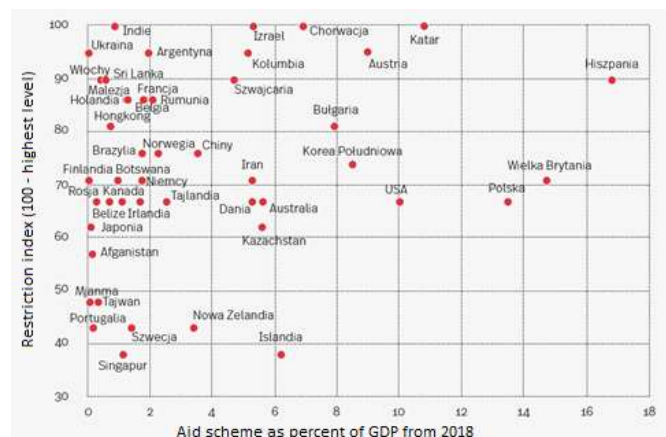
## 2. The Coronavirus Crisis

The coronavirus pandemic caused the greatest crisis around the world, even greater than the 2008 crisis, and comparable to the socio-economic crisis that was the result of the Spanish flu pandemic of 1918-1920, without sparing companies from various industries. Even two hundred-year-old companies have gone bankrupt. Hertz, one of the largest car rental companies in the world, which had been operating since 1918 in one hundred and fifty countries, disappeared from the market. The manufacturer of suits, Brooks Brothers, which had been dressing most of the US presidents for two centuries since 1818 and operating worldwide, had collapsed. Whiting Petroleum, once the largest oil producer in North Dakota, went bankrupt, as did Chesapeake Energy, a shale tycoon in the US, as well as telecommunications companies, Frontier Communications and Intelsat, the J.C. Penney department store chain that had been operating since 1902. Eighty thousand family businesses in the US shut down in four months, according to Yelp<sup>22</sup>. In Poland, in March 2020, the first month of the pandemic and national quarantine, sixty thousand companies closed down<sup>23</sup>.

According to the analyses of the Polish Economic Institute from April 2020<sup>24</sup>, the restrictions that were introduced affected 1/3 of the world's population in 188 countries. In all countries of the European Union, except Sweden, restrictions on movement, on conducting economic activity, and restrictions on gathering in public places were introduced, schools and universities were closed.

Central banks in 65 countries lowered interest rates. The governments of almost all countries in the world have introduced aid programs to ease the restrictions and protect the economy from the unforeseeable effects of the pandemic and the introduced restrictions.

Graph 1. The amount of aid programs in individual countries and the index of restrictiveness of the introduced restrictions



Source: *Pandenomics - A set of fiscal and monetary tools in the times of crises*, PIE's own elaboration based on the following data: Hale et al. (2020); World Bank (2019).

<sup>22</sup> <https://www.parkiet.com/Parkiet-PLUS/308299984-Znane-na-swiecie-firmy-nie-daly-rady-i-przez-Covid-bankrutowaly.html> (access 2 March 2021).

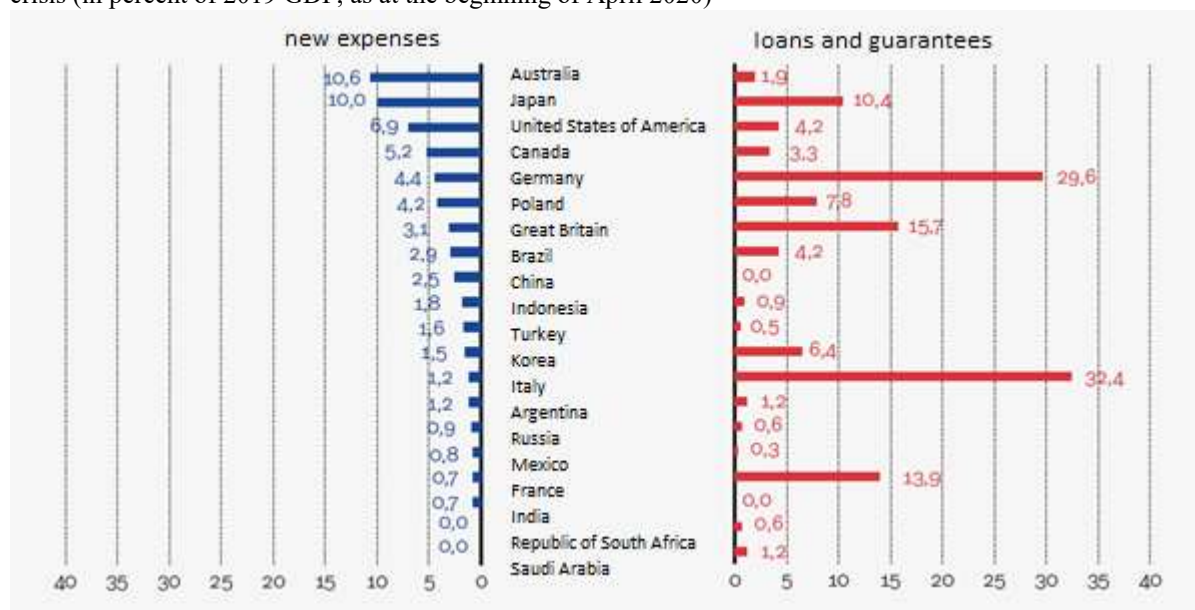
<sup>23</sup> <https://businessinsider.com.pl/firmy/koronawirus-zawieszone-i-zamkniete-firmy-w-polsce/38fx6r2> (access 2 March 2021).

<sup>24</sup> <https://pie.net.pl/wp-content/uploads/2020/04/PIE-Pandenomics.pdf> (access 2 March 2021).



The threat scale is illustrated by the increase in unemployment in the United States, where sixteen million unemployed were registered within three weeks, and by the amount of funds to combat the effects of the pandemic, the sum of which is to amount to one trillion dollars<sup>25</sup> in the United States only. To help the national economies, the G20 countries (including Poland) allocated over USD 4,300 billion to secure loans and financial guarantees, while the European Union to limit the socio-economic effects of the pandemic implemented an aid package including funds from the Cohesion Fund in the amount of EUR 37 billion; from the European Union Solidarity Fund - EUR 800 million; funds to deal with the crisis caused by COVID-19 - EUR 3.1 billion; funds from the European Investment Fund to provide liquidity to enterprises - EUR 8 billion; SURE<sup>32</sup> instrument to help protect jobs and workers through favourable loans - EUR 100 bn; resources for the guarantee fund of the European Investment Bank for small and medium-sized enterprises in a particularly difficult situation for liquidity support from the emergency support package - EUR 200 billion; funds made available by the European Central Bank under the Pandemic Emergency Purchasing Program for the purchase of private and public securities during the crisis - EUR 750 billion. On 27 May 2020, the European Commission proposed a recovery fund called the "New EU Generation" in which subsidies and loans for each EU Member State amount to EUR 500 billion and EUR 250 billion, respectively.<sup>26</sup>

Graph 2. The size of the fiscal packages announced by the G20 countries and Poland in response to the COVID crisis (in percent of 2019 GDP, as at the beginning of April 2020)



Source: *Pandemonics - A set of fiscal and monetary tools in the era of crises*, PIE's own elaboration based on IMF data (April 2020 Fiscal Monitor and Policy-Responses to COVID-19 database), <https://pie.net.pl/wp-content/uploads/2020/04/PIE-Pandemonics.pdf> (accessed 2 March 2021).

<sup>25</sup> <https://tvn24.pl/swiat/koronawirus-a-gospodarka-ile-przeznaczaja-na-pomoc-inne-panstwa-4362504> (access 2 March 2021).

<sup>26</sup> [https://newdirection.online/2018-publications-pdf/Koronawirus\\_a\\_gospodarka\\_Wplyw\\_na\\_wybrane\\_kraje\\_Unii\\_Europejskiej\\_Impact\\_of\\_the\\_covid\\_19\\_pandemic\\_on\\_selected\\_EU\\_countries-Maciej\\_Smigiel\\_Jakub\\_Lyjak-ND\\_Raport.pdf](https://newdirection.online/2018-publications-pdf/Koronawirus_a_gospodarka_Wplyw_na_wybrane_kraje_Unii_Europejskiej_Impact_of_the_covid_19_pandemic_on_selected_EU_countries-Maciej_Smigiel_Jakub_Lyjak-ND_Raport.pdf) (access 2 March 2021).

As part of the EU budget - the Multiannual Financial Framework and the European Instrument for Reconstruction, Poland is to receive approximately EUR 139 billion in subsidies and EUR 34 billion in loans over a period of six years, which translates into over PLN 776 billion, including: PLN 623 billion in the form of subsidies and PLN 153 billion in the form of low-interest loans<sup>27</sup>.

As in the rest of the world, also in Europe, individual countries have launched various forms of economic support. The European Commission has agreed to give almost EUR 2 trillion in public aid for enterprises<sup>28</sup> in the Member States. The largest economy in Europe, Germany, allocated EUR 750 billion in the first weeks of the pandemic, including EUR 50 billion for micro-entrepreneurs and the self-employed in the form of non-repayable grants and interest-free loans<sup>29</sup>. France prepared an aid package for entrepreneurs, the second largest after Germany, amounting to EUR 42 billion, covering additional expenditure and EUR 315 billion of guarantees for corporate expenditure<sup>30</sup>. Italy, where small and medium-sized enterprises account for as much as 99.9 percent of all companies, have approved aid packages of EUR 32 billion, and each company will receive an average of EUR 3,700 in support<sup>31</sup>. Portugal will allocate EUR 25 billion to aid Portuguese companies, including EUR 1.1 billion for gastronomy. Spain has given EUR 200 billion to support the economy, including compensation for benefits lost in the pandemic for individuals or small businesses. The United Kingdom has given GBP 330 billion, including small business grants of GBP 10,000 or more up to 25 thousand pounds<sup>32</sup>. Belgium spends nearly EUR 70 billion on economic support, including EUR 1.5 billion on sole proprietorships, the Netherlands around EUR 30 billion, including nearly EUR 3 billion for companies that had to be closed due to restrictions<sup>33</sup>.

It seems that the crisis caused by the coronavirus pandemic, lockdown and social restrictions has affected family businesses in Poland the most. Starting from trade, transport, through the fitness industry, culture, art, wedding and stage industries, to gastronomy, hotel industry and tourism. As a result of the national quarantine and the introduced restrictions, companies operating in these sectors have been temporarily closed or severely limited, and thus their revenues and income have dropped

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<sup>27</sup> <https://www.funduszeuropejskie.gov.pl/strony/o-funduszach/fe-koronawirus/750-mld-zl-w-latach-2021-2027-jest-sukces-na-szczycie-rady-europejskiej/> (access 2 March 2021).

<sup>28</sup> <https://businessinsider.com.pl/wiadomosci/koronawirus-w-europie-pomoc-publiczna-dla-firm-w-panstwach/fqb21kq> (access 2 March 2021).

<sup>29</sup> <https://businessinsider.com.pl/finanse/koronawirus-pakiet-pomocowy-niemiec-750-mld-euro/v70n44r> (access 2 March 2021).

<sup>30</sup> <https://www.euractiv.pl/section/bezpieczenstwo-i-obrona/opinion/francja-i-covid-19-emmanuel-macron-europejski-fundusz-odbudowy/> (access 2 March 2021).

<sup>31</sup> <https://www.money.pl/gospodarka/wlochy-walczą-z-kryzysem-32-mld-euro-pomocy-6619902901598880a.html> (access 2 March 2021).

<sup>32</sup> <https://tvn24.pl/swiat/koronawirus-a-gospodarka-ile-przeznaczaja-na-pomoc-inne-panstwa-4362504> (access 2 March 2021).

<sup>33</sup> [https://newdirection.online/2018-publications-pdf/Koronawirus\\_a\\_gospodarka\\_Wplyw\\_na\\_wybrane\\_kraje\\_Unii\\_Europejskiej\\_Impact\\_of\\_the\\_covid\\_19\\_pandemic\\_on\\_selected\\_EU\\_countries-Maciej\\_Smigiel\\_Jakub\\_Lyjak-ND\\_Raport.pdf](https://newdirection.online/2018-publications-pdf/Koronawirus_a_gospodarka_Wplyw_na_wybrane_kraje_Unii_Europejskiej_Impact_of_the_covid_19_pandemic_on_selected_EU_countries-Maciej_Smigiel_Jakub_Lyjak-ND_Raport.pdf) (access 2 March 2021).

significantly, and in some industries, such as fitness, to zero. The problem affected not only small companies, but also giants such as the Gołębiewski Hotel chain<sup>34</sup>.

Report of the Family Businesses Foundation of 18 March 2020<sup>35</sup> (i.e. from the beginning of the lockdown in Poland) concerning the scale of the threat to Polish companies with an economic blockade due to the coronavirus epidemic showed that, firstly, for 83% of entrepreneurs, the company is the only source of income for their family, and secondly, more than half of the companies were afraid that they would not survive longer than a month without laying off workers, thirdly, entrepreneurs have some important expectations of the state.

Graph 3. The most important expectations of entrepreneurs regarding state aid



Source: Family Businesses Foundation, <https://ffr.pl/wp-content/uploads/2020/03/ffr-skala-zagrozenia-blokada-gospodarcza.pdf> (access 2 March 2021).

The research was also conducted by the Family Business Initiative Association on 31 March - 2 April 2010, which showed that during the research “most entrepreneurs running family businesses expect the worst-case scenario. 57.7 percent of those surveyed expect the end of operations within 12 weeks. 44.3% of those who expect bankruptcies within 9 weeks see the future in even darker colours”<sup>36</sup>.

In response to the pandemic, the introduced restrictions and broadly understood social expectations, the government introduced an aid package in the amount of 4.2% GDP, the first part of which entered into force on 31 March 2020, and which in terms of relation to GDP was the 6th largest package in the group of G20 + Poland<sup>37</sup>. In total, until 19 April 2021, over PLN 212 billion was allocated to help under the anti-crisis shield for protection of jobs and the economy, and PLN 100 billion as additional funds under the Financial Shield, which gives a total of PLN 312 billion.<sup>38</sup>

<sup>34</sup> <https://www.forbes.pl/biznes/hotele-golebiewski-w-czasie-koronawirusa-tadeusz-golebiewski-zastawil-majatek-by/dbnw4vj> (access 2 March 2021).

<sup>35</sup> <https://ffr.pl/wp-content/uploads/2020/03/ffr-skala-zagrozenia-blokada-gospodarcza.pdf> (access 2 March 2021).

<sup>36</sup> [https://ffr.pl/pl/firmy-rodzinne-po-okresie-epidemii-koronawirusa/#\\_ftn6](https://ffr.pl/pl/firmy-rodzinne-po-okresie-epidemii-koronawirusa/#_ftn6) (access 2 March 2021).

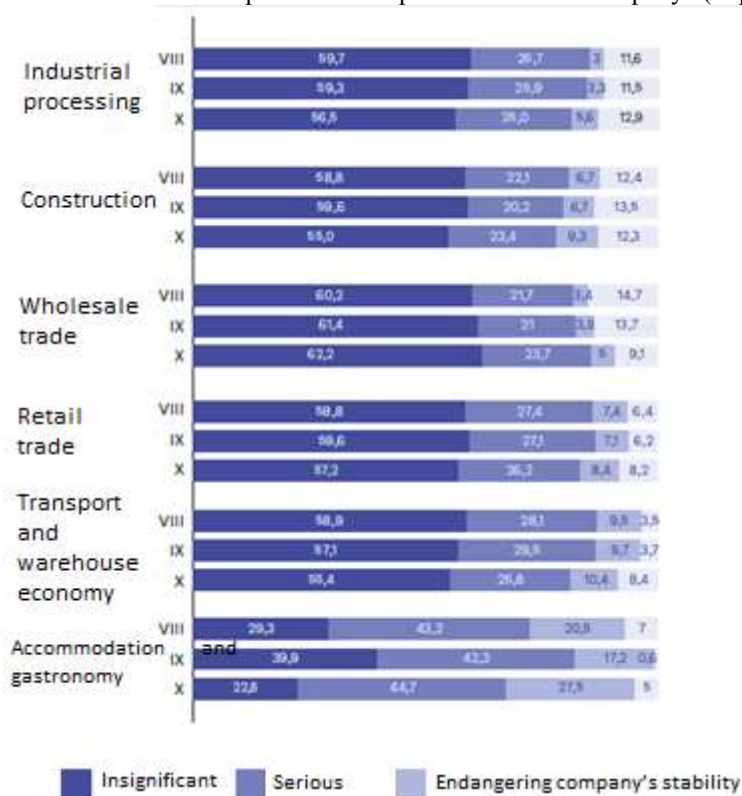
<sup>37</sup> <https://pie.net.pl/pandenomics-zestaw-narzedzi-fiskalnych-i-monetarnych-w-czasach-kryzysow/> (access 2 March 2021).

<sup>38</sup> <https://www.gov.pl/web/tarczaantykryzysowa> (access 19 April 2021)

The CSO research conducted in October last year shows that over 90% of companies felt the negative effects of the pandemic. The most difficult situation still prevails in the following industries: tourism, hotel, transport, catering, and above all, the fitness industry, which has been completely closed since autumn 2020. This situation is deepened by the fact that the aid has been assigned to the business activity code, which deprives some of the entrepreneurs running a broader business activity or having a different leading code from the possibility of receiving aid from subsequent shields.

As can be seen in the chart below, entrepreneurs were not optimistic at the time of the survey.

Graph 4. What are the consequences of the pandemic for the company? (in percent)

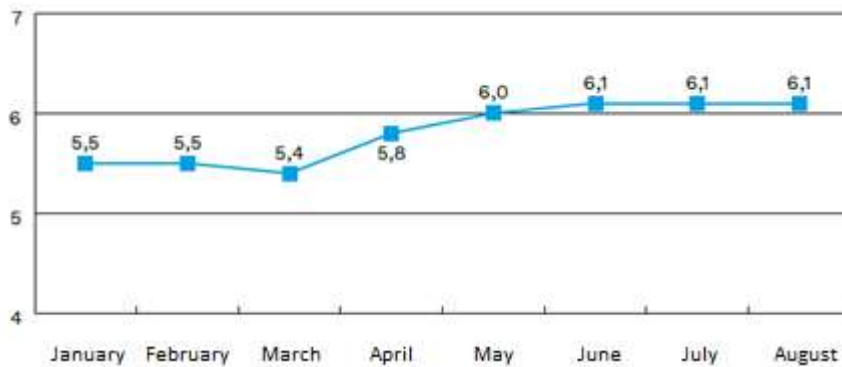


Source: BUSINESS REPORT What's next in business? How the pandemic changed the management of companies and people, from the Central Statistical Office of October 2020, [https://oees.pl/wp-content/uploads/2021/01/raport\\_biznes\\_nowy.pdf](https://oees.pl/wp-content/uploads/2021/01/raport_biznes_nowy.pdf) (accessed on 2 March 2021).

One year after the beginning of the economic crisis caused by the covid-19 pandemic, when analysing economic data, it can be concluded that entrepreneurs are doing better and better than experts predicted a few months ago. According to the Regon database, as at 31 December 2020 there were 4,663,378 companies registered, approximately 73 percent of which are natural persons running a business. 330,000 new business entities were established, while over 170,000 companies ended their activities, which is less than in 2019, when 226,921 entities were deregistered throughout the year. What may wonder is the number of companies whose activities have been suspended. As of 31 December

2020, there were 510,302 such companies<sup>39</sup>. Unemployment, which rose by around 180,000 at the start of the pandemic, is not increasing.

Graph 5. Registered unemployment rate in 2020 (in percent)



Source: *ECONOMY REPORT The pandemic does not justify mistakes. Economic policy and economic credibility of Poland, following the Central Statistical Office. Registered unemployment in Q1 – Q2 2020*, [https://oees.pl/wp-content/uploads/2021/01/raport\\_gospodarka\\_nowy.pdf](https://oees.pl/wp-content/uploads/2021/01/raport_gospodarka_nowy.pdf) (accessed on 2 March 2021).

### 3. Conclusion

The situation of family-owned businesses, although very difficult at present, seems to be relatively stable, despite the very limited and insufficient state aid, and the poorly selected criteria qualifying companies to obtain the aid, for example, the previously mentioned business activity codes or aid for owners of a specific, unsold quantity of chrysanthemums in the period of 1 November, excluding even candle owners, who were also deprived of trading at this point. Not to mention other companies whose turnover has dropped drastically, such as wedding dress studios, companies dealing with decorating banquet halls for celebrations, owners of wedding car rentals.

However, despite all these difficulties, we can see determination and strength of family businesses to survive, maintain employment and the assets of their businesses. For now, it is difficult to determine and predict long-term effects of the pandemic, but there are also positive signs, such as the commissioning of 222,000 new apartments. This is the highest figure since 1980<sup>40</sup>.

The strength of family businesses lies in intra-company relations and is based on trust within the organization. Such an economic entity will survive the difficult business situation in the event of postponing employee remuneration in a short time, even when having problems with current liquidity. That is why horizontal and vertical trust in a family business plays such an important role. This value cannot be overestimated.

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<sup>40</sup> <https://businessinsider.com.pl/firmy/polskie-firmy-ktore-rosly-w-czasie-pandemii-koronawirusa-/15fqc6z> (access 2 March 2021).

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