

Managing family businesses in the tourism and hospitality industry: the transitional economy of Poland*

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Abstract

This study's objective is to examine the nature of tourism and hospitality family businesses that operate in the transitional Polish economy and to analyze the environment for development and growth of these entrepreneurial firms in the reforming economy. In order to evaluate and compare firms' development relative to selected external environmental factors affecting entrepreneurial operations, on-site surveys and personal interviews were conducted with Polish entrepreneurs who own and operate family businesses within tourism and hospitality industry. The environmental conditions are grouped into four external environmental factors: political and legal environment, financial environment, non-financial environment, and socio-economic environment, and analyzed based on Kazanjian's (1988) and Gnyawali and Fogel's models (1994). The paper also analyzes the competencies of the owners of the entrepreneurial firms that are important for the firm's success throughout the firm's life cycle. Based on this study results, policy implications are made for assisting the tourism and hospitality firms' growth and development in transitional economy.

Key words: *Transitional economy, tourism, development, entrepreneurship*

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1. Introduction

Family businesses that operate within tourism and hospitality industry have been very important in regional development. According to Kokkranikal (1993), successful family businesses enhance community development, create new jobs, and provide a better quality of life for the residents. They attract new businesses and residents to these areas (Szivas, E, Riley, M., 1999; Hall, C.M., 1996; Reichel, A, Lowengart, O, Milman, A., 2000; Balaz, V., 1996).

Most of the current research on business growth and development focuses on developed economies (Galbraith, J., 1982; Covin, J., Slevin, D., 1989). The objective of this study is to focus on the environment influencing growth and development of small family businesses that operate in the transitional Polish economy. Despite the fact that Poland is regarded as a leader in the process of economic transformation, Polish family businesses face many problems at various stages of their growth and development. At each stage of business growth, it is important to identify and describe the environmental factors perceived to contribute to the problems faced by those businesses operating in a transitional economy.

This paper examines the factors that have enabled the owners of tourism and hospitality businesses to become successful entrepreneurs, the difficulties that were encountered by these businesses while getting started, and the changes that occurred as their firms grew bigger. External environmental factors, such as socio-economic, political, legal, and financial, are examined to evaluate the impact of the environmental forces on entrepreneurial growth and development. The paper identifies the impediments and problems that these firms face during their four stages of development and operational growth. The paper also analyzes four types of management competencies and their importance on influencing the performance of the family businesses at these four different stages of business growth and development.

Policy implications are made for assisting entrepreneurial firms' development in transitional economy. This paper highlights the lessons and some of the requirements for the firms to become successful. It also provides insights into how government agencies can tailor their assistance to promote entrepreneurship within the Polish tourism and hospitality industry.

2. Literature review

The study of entrepreneurship is multi-dimensional (Aldrich, H., Fiol, C., 2001; Bliss, R., Garrat, R., 2001; Learned, K., 1992; Naffziger, D, Hornsby, J., Kuratko, D., 1994; Sarasvathy, S, 2001). An approach now gaining support explains entrepreneurs' success by combining personal characteristics (psychological and physi-

cal predisposition), personal environment (role models, family factors and personal goals), business environment, and business ideas that promote or hamper the creation and development of successful entrepreneurship (Aldrich, H., Fiol, C., 2001; Baron, R., 2000; Corman, J., Lussier, R., Nolan, K., 1996; Frese, M., Brantjes, A., Hoorn, R., 2002; Getz, D., Carlsen, J., 2000; Hannan, M., Freeman, J., 1977; Kuratko, D., Hodgetts, R., 1989; Morrison, A., Breen, J., Ali, S., 2003; Ray, D., 1993; Archer, B., Cooper, C., 1994; Cooper, A., 1970). Morrison and Williams (1999) and Gartner (1990) recommend examining entrepreneurs by analyzing the characteristics of entrepreneurship where elements of innovation, organizational creation, growth, and uniqueness play an important role or by focusing on the outcomes of entrepreneurship via profit, value creation, and gain.

Existing theories demonstrate the inseparability of the external environment and the entrepreneurial process (Fogel, G., 2001; Cameron, M., Massey, C., 1999; Sarasvathy, S., 2001). The concept of the external environment is intended to include those forces and elements external to the organization's boundaries that affect and are affected by an organization's actions. It also includes more general economic, socio-cultural, political-legal, and technological influences that provide the broader context for entrepreneurial growth and development (Dahles, H., 1998; Kay, J., 1995; Zapalska, A., Fogel, G., 1998). For example, Fogel (2001) has found evidence of the effects of government regulations, policies, and procedures as well as political and legal forces, attitudes, and public support for entrepreneurship. These external forces may affect entrepreneurship through the availability of loans, technical assistance, physical facilities, and information on the success of new ventures (Kokkranikal, J., 1993; Gnyawali, D., Fogel, D., 1994).

Several models have been advanced that attempt to label and explain the various stages of development of entrepreneurial firms (Kazanjian, R., 1988; Penrose, E., 1957). Models of organizational lifecycle and stages of development provide information on the types of problems encountered by firms over time and suggest that each stage of development is associated with a unique set of problems (Johnson, S., Storey, D., 1993; Kazanjian, R., 1988; Zapalska, A., 1997).

Tourism and hospitality businesses are usually affected by the cyclical demand fluctuations (Baum, T., Hagan, L., 1997; Baum, T., Lundtorp, S., 2001). The seasonality in tourism demand results in fluctuations in tourism volumes over the calendar year and must be differentiated from longer-term business cycles and short-term changes related to weekly and daily travel patterns. Seasonality of demand is typically caused by institutional or natural forces with the pattern usually remaining stable over many years. This predictability of seasonality makes it possible for businesses, lenders, and investors to anticipate many seasonal impacts.

Entrepreneurship researchers have devoted much effort to understanding the relationship between the business environment, new venture strategy, and performance

(Covin, J., Slevin, D., 1989; Tsai, W. MacMillan, L., Low, M., 1991). While these relationships have been discussed theoretically and empirically in market economies (Rumelt, R., 1991), it is important to consider the relationship between business success and environment in the transitional economies of Central and Eastern Europe (CEE) (Porter, M., 1989). Given the insufficiency of empirical assessment of small firms' performance measures, this study seeks to add to the understanding of performance issues of small ventures in tourism and hospitality industry by attempting to identify the performance measures given the particular industry conditions and transitional economy environment.

Many aspects of the business environment have been shown to influence new venture performance (Ray, D., 1993; Lerner, M., Haber, S., 2001; Romanelli, E., 1989). Among the environmental influences that have been identified are the presence or availability of such factors as: capital availability (Cooper, A., 1970; Hannan, M., Freeman, J., 1984); other entrepreneurs (Brittain, J., Freeman, J., 1980; Cooper, A., 1978); technically skilled labor (Draheim, K., 1972); suppliers (Shapero, A., 1972); customers; government incentives for business formation (Cooper, A., 1978); universities (Shapero, A., 1972); plant and equipment (Mahar, J., Coddington, D., 1965); supportive local culture (Cooper, A., 1970); support services (Naffziger, D., Hornsby, J., Kuratko, D., 1994); and desirable living conditions (Shapero, A., 1972).

Other studies of various countries' entrepreneurial environments show that nations can increase the likelihood of new venture start-ups, business development, and business growth in a number of ways. These include keeping rules/regulations to a minimum, offering tax breaks and other incentives, and making financial resources, training, and counseling services available to start-up entrepreneurial ventures (Gartner, W., 1990; Gnyawali, D., Fogel, D., 1994; Zapalska, A., 1997).

There are also studies that indicate entrepreneurs face various obstacles such as a lack of information on various aspects of business, excessive taxation, high rates of inflation, and a lack of financial assistance (Smith, K., Mitchell, T., Bruderl, J., Preissendorfer, P., Ziegler, R., 1992; Summer, T., 1985). These findings suggest several policy options for developing small businesses. Policy options may include providing venture capital funds, providing tax-based incentives and government procurement programs, defending proprietary ideas and innovations, fostering entrepreneurship by educational institutions, and minimizing entry barriers (Gnyawali, D., Fogel, D., 1994; Zapalska, A., 1997).

Fogel (1994) argues that differences in social and political structures across transitional economies suggest variation in individual factors affecting the performance of female businesses. Zapalska and Fogel (1998) found that negative public attitudes in Poland discouraged entrepreneurs and small business operators. Bliss and Garratt (2001) analyzed a variety of historical and cultural factors hindering Polish entrepreneurs' efforts to participate successfully in the economic transition and take

advantage of the associated benefits. The authors argue that there is little organizational or governmental support for entrepreneurs in countries moving from socialism to capitalism.

Small businesses in the CEE face various uncertainties due to the continuing instability of fundamental rules of the market economy paradigm, the profile of the environment remains important (Johnson, S., Loveman, G., 1995). Increasing interest exists in measuring the successes and failures of transition processes in CEE countries (Fogel, G., 2001; Zapalska, A., Zapalska, L., 1999). There have been few studies examining family entrepreneurial firms, particularly those operating in the tourism and hospitality industry of a reforming economy (Peng, M., Heath, P., 1996; Butler, R., 1994, 2001). There is a need for a comprehensive analysis of entrepreneurship among family businesses in tourism and hospitality business that operate in CEE. It is believed that the comprehensive and integrated view of Polish entrepreneurs and their firms will provide further insights that are useful in formulating public policy on entrepreneurial development.

3. Background on the Polish tourism and hospitality industry

Among the societies of Central and Eastern Europe, Poland has moved first and most dramatically toward political pluralism and economic transformation. Under central planning, Polish industrial policy was based on the Soviet model of economic development with only its agriculture remaining in private hands (Sachs, J., 1994). Resources were poured into heavy industries, and the consumer sector was neglected. The end result was the creation of consumer unrest that was attributed to chronic shortages of consumer goods and services (Richards, G., 1996). The first economic reforms were introduced early in the 1970s, but the 1980s marked the emergence and development of small family-based entrepreneurial activities. The prolonged economic crisis encouraged Polish entrepreneurs to seek opportunities outside the state sector. Starting from 1990s, Poland offered an excellent example of what was called shock therapy or the “big bang” approach, an immediate change from a centralized to a market economy (Balcerowicz, L., 1995; Zienkowski, L., 2000).

During the first phase of transition, a great number of entrepreneurs established and started their small businesses in Poland before the implementation of the Balcerowicz Plan in January 1990. Many of those businesses were established by former lower-level state sector workers who quit during the 1980s because they become disillusioned with their state sector employment. A second group of entrepreneurs were former government bureaucrats. A third group gained the necessary skills before the 1990s from work at “secondary jobs” which supplemented their earnings. The development of managerial skills was particularly important in this period, but family businesses and the private sector faced many government regulations and re-

strictions (Richards, G., 1996). Another group includes those whose parents owned and operated entrepreneurial ventures during the 1980s who had gained their experience from their involvement with those family firms.

The structural characteristics of central planning limited the development of the tourism sector (Hall, D., 1995). During the first years of central planning, domestic tourism was very limited. People were unable to afford or gain access to domestic recreation because of their structural and spatial positions within the economy. The structural position, lack of access to hard currency, and a record of non-compliance with the communist party membership also denied them access to vacations to non-bloc countries. The political and bureaucratic elite, however, had access to convertible currency and was able to travel to the capitalist economies (Zapalska, A., 1997).

Several years before the collapse of state socialism, substantial modification of certain economic mechanisms occurred within family businesses. In the accommodation sector, the government permitted private citizens to operate hotels and inns. Joint venture investment in high-quality accommodations was also allowed. Foreign investment in the tourism industry was particularly notable in the hotel sector where international chains began supporting new construction and buying into existing capacity (Balaz, V., 1996).

The distinctive elements of change in the post-communist era tourism business began taking place at the end of the 1980s, but the economic performance of international tourism growth in Poland was still poor by both European and global standards. Dramatic growth in tourist arrivals occurred in the first half of the 1990s as Polish family businesses overcame the shock therapy stage of the economic transition and began to market higher-value niche products (Zienkowski, L., 2000).

Family businesses within the tourism and hospitality industry have developed in all parts of the Polish economy since the 1990s. This sector started as a simple, relatively low-skilled segment of the market that offered accommodations and related services to domestic travelers. Increasing prosperity in Poland has given citizens relatively more leisure time and discretionary income, and more Polish people can now enjoy the benefits and pleasure of domestic and international tourism (Zapalska, A., Fogel, G., 1998).

Today, tourism and hospitality is one of Poland's fastest growing industries, particularly in the country's southern region. It has benefited from people wanting to escape their everyday lives and engage in both domestic and international vacations. This growing trend towards involvement/participation in travel and tourism also came from the increasing number of Western European and North American tourists (Jackson, J., Klich, J., Poznanska, K., Chmiel, J., 1999). Poland's current economic and political stability and the rising affluence of its population will continue to provide

a solid base for sustained growth in the country's tourist services sector that is supported by family-based entrepreneurial firms (Zienkowski, L., 2000). Poland's entry to the EU in May 2004 has created a positive effect on the growth of the sector as well.

4. Model and conceptual framework

This study combines two models, the model of product lifecycle theory of market diffusion and firm growth (Kazanjian, R., 1988, Kazanjian, R., Drazin, R., 1989) and the Gnyawali and Fogel's (1994) integrated model of "entrepreneurial environment" model of new venture creation. The Kazanjian's four-stage lifecycle model is used to examine problems confronted by these businesses at different levels of their growth and development.

Stage one, the Conception and Development Stage, concerns the firm's effort is expended in assessing the feasibility of the business venture, market research, and a preparation of business plan. Finance is needed to allow the entrepreneur to ascertain the viability of the entrepreneurial idea. The firm is faced with raising capital, enlisting labor, and increasing the efficiency of the entrepreneurial venture. Inputs are needed in at least three areas: finance, infrastructure, and information.

In stage two, the Commercialization Stage, a firm has a product that performs well and meets a need in the market place. The firm has the capability to produce and sell, but it must firmly establish its position in the marketplace. The firm has some revenues and some backlog of orders.

Stage three, the Growth Stage, has the firm in a sustainable operating position. The firm now has a single product line and engages in continuous production. At this stage, the entrepreneur faces a concurrent series of challenges. The major internal focus is on how to produce, sell, and distribute the products in volume while maintaining profitability. This invariably calls for external inputs, such as management and marketing skills. At this stage, the entrepreneur will find his multi-task activities in the firm replaced by specialized labor.

The last stage, the Stability Stage, is when the firm's development path dictates increased inputs from all areas. Expanding product or service lines calls for capital inputs and increased demand for infrastructure. In addition, the firm develops second and third generation products and/or new product lines, secures growth funding, achieves larger market shares, and penetrates new geographic territories. It has a formal organization structure, values, and procedures.

The modification of the Gnyawali and Fogel's (1994) conceptual framework represents an integrated framework of "entrepreneurial environment" that includes four

external variables of entrepreneurial firm at four different stages of the firm's growth and development. Each of the four elements of new venture creation is connected to build a specific entrepreneurial environmental and used to examine the environmental conditions that include: (1) political and legal environment; (2) financial environment; (3) non-financial environment; and (4) socioeconomic environment. This approach allows measuring various problems that tourism and hospitality businesses face during their four different stages of development and growth. This model is limited in its scope because it examines the perception of external variables of the entrepreneurial firm development without examining the management expertise and the competencies necessary for the successful growth and development of an entrepreneurial firm. Despite these limitations, its theoretical framework can be used to examine the process of entrepreneurial development and the progress of economic reforms from central planning to a market economy.

5. Research methodology

A questionnaire was developed and pre-tested that served as the primary data-gathering device. The selected region, a voivodship six located in the southern region of Poland, had a gross value per capita that was one of the highest in a country (Zienkowski, L., 2000) and a high concentration of small family oriented businesses (Urząd Miasta Krakowa, 2002). The population included about 96,915 small- and medium-sized family businesses located and operating in the region at the end of 2001. In this population, 2.7 percent operated tourism, hospitality, and hotel business (Urząd Miasta Krakowa, 2002). The data for this analysis were collected by telephone surveys of 100 family businesses in March and April 2002. All family businesses included in this study operate at the last stage (the Stability Stage) of the firm's growth and development.

Survey instruments were sent to each of the owner-managers prior to telephone survey. The letters informed the businesses about their selection and provided them with information on the reasons and the goal of the research project and the confidentiality of the results. The telephone survey resulted in a high response rate (100 percent) where several statements relating to the family business background and the political, financial, socio-economic, and non-financial environment were presented. Each respondent was asked to describe the most important problems faced at each stage. Responses identified the sources of information that could be used to address the problems.

6. Empirical findings

The family businesses that operate in tourism and hospitality industry in the southern region of Poland included in this study expressed that Poland's culture, location and its geographical location and increasing role in European Union have all helped encouraging the development of tourism and hospitality. The successful development of tourism and hospitality industry was created in an unpolluted, natural environment and provided opportunities to enjoy water sports, hunting, horseback riding, biking, or hiking trips. Poland still boasts an abundance of folk traditions and customs that are still very much alive. This coupled with nature, holidays on real farms, and ecotourism, means tourists can enjoy recreational holidays in peace and quiet. The unique nature of various places in Poland is underscored by the fact that some sites been included in the UNESCO World Cultural and Natural Heritage List or the UNESCO Biosphere Reserve List. The Biosphere Reserve list includes six of twenty-three Polish national parks and a nature reserve (Wojcik, G., 2006).

This diversity of tourist attractions is perhaps the reason why Poland is rediscovered again and again and not only by Polish tourists. The increasing interest and demand for tourism and hospitality pushed many families into the development of small family businesses that could serve and meet the needs of increasing tourism and hospitality industry. The businesses included in this study represent the following activities: family owned and operated hotels (22 percent), coffee shops and restaurants (27 percent), bed and breakfasts (14 percent), transportation (11 percent), gift shops (10 percent), hunting (10 percent), fishing (8 percent), horse farm with horse back riding vacations (5 percent), and other (3 percent).

According to the survey results, the respondents are found to be well educated with good technical and engineering skills, possibly because these qualifications were highly prized during the central planning era. Forty-two percent had a college or university degree, fifty-five percent had a technical degree or diploma, and three percent had a high school or lesser education. Thirty-seven percent of businesses report having former business training or experience, twenty-seven percent have family training, and thirty-six percent are self-trained. Most owners indicate many years of experience working in managerial positions at state-owned enterprises prior to venturing on their own (Table 1).

Table 1: Profiles of respondents

Category	Positive Responses (in %)
Length of Time of Business Venture	
More than 25 years	25
More than 15 years	20
More than ten year	15
Ten years	29
More than five years	11
Size of Business	
Less than 10 employees	45
10-30 employees	42
More than 30 employees	13
Reasons for Starting Business	
Be Independent	98
Supplement Family Income	90
Recognized Market Opportunity	84
Unemployment/Company Layoff	59
Financial Resources/Start-up Capital	
Personal Savings	80
Borrowing From Friends or Family	42
Bank Loans	5
Owner's Education/ Business Training	
Formal Business Training/Experience	37
Family Training	27
Self-training	36
College or University Degree	42
Technical Degree or Diploma	55
High School or less	03

Sources: Alina M. Zapalska. Division of Finance and Economics, Lewis College of Business, Marshall University, WV. U.S.A., March 2002.

The majority of businesses surveyed are small operations. Forty-five percent of firms have fewer than ten employees, forty-two percent have from ten to thirty employees, and thirteen percent have more than 30 employees. Each respondent's decision to set up a business was a deliberate choice. The primary reasons for starting a business were to supplement family income (90 percent), take advantage of market opportunities (84 percent), offset unemployment and company layoffs (59 percent), and satisfying a strong desire for independence (98 percent). Twenty-five percent of the businesses were set up before the 1980s when restrictions on most private activities were lifted.

The primary source of financing is personal savings (80 percent). Borrowing from friends and family (42 percent) is a second source of capital for development and

growth. Some of the savings came from speculative trading profits associated with rents and chronic shortages in the pre-reform period. Due to the limited financing options for start-up capital, many family business owners maintained full-time employment to be able to support their business. Only a few family businesses (5 percent) received bank loans.

In order to build a basic psychological profile of family business owners and operators, eight commonly used characteristics of entrepreneurs were measured. The respondents were asked to indicate how various entrepreneurial characteristics played a role in their business success. Respondents were asked to rank themselves on a five-point scale (5 = highly, 1 = not at all) in terms of these attributes.

Table 2: Management expertise (Percentage of occurrences)

Category	1 (Not at all)	2	3	4	5 (highly)
Motivated by success	-	-	-	-	100
Motivated by money	5	18	27	35	15
Adopt new idea(s)	4	12	2	35	47
Like taking risks	-	-	7	3	90
Innovative	-	6	23	35	36
Possessing high level of energy	-	-	-	5	95
Need for achievement	-	-	-	15	85
Locus of control	-	1	-	-	99
Tolerance for ambiguity	-	-	-	-	100

Sources: Alina M. Zapalska. Division of Finance and Economics, Lewis College of Business, Marshall University, WV. U.S.A., March 2002.

Table 2 shows the percentages of positive responses indicating that most respondents ranked themselves highly on most attributes. *Motivated by success*, *tolerance for ambiguity*, *like taking risks*, *possessing a high level of energy*, and *locus of control* were the most highly rated, and *motivated by money* was the least important. The high score for *like taking risks* was expected since virtually all definitions of an entrepreneur contain a risk-taking component. Respondents stated that they were accepting risks and always trying to calculate them.

A small family business entrepreneur is a moderate risk taker (Carland, J., Hoy, F., Carland, J., 1984). If an individual considers starting his own business and is worried about its success, its source of financing, and other factors, the best advice for that person is not to start the business. Risk exists and should be given serious consideration. However, the successful family business entrepreneur just does not see failure as a real possibility or does not give it much serious thought. Risk is acknowledged, but the overwhelming majority of the respondents displayed a “so what” attitude.”

Ninety-five percent of entrepreneurs interviewed spent an average of seventy hours per week working. Even they found it hard to sustain this level of commitment to the growth of their family businesses. They stated that possessing a high energy level allows them to complete their goals and achieve business success. Eighty-five percent stated that they have a high drive and need to achieve. They like to set ambitious targets that challenge them. Ninety-nine percent of the respondents believed that they have control of their life and are prepared to take the future into their own hands; they believe that they have to make things happen themselves.

All respondents stated that they were good at making decisions in an uncertain and ambiguous environment. They were able to tolerate ambiguity and stick to fundamental issues. They also stated that their businesses had to operate with constraints on financial resources, lack of suitably trained staff, and a short-term perspective imposed by operating in a transitional economy. These family business entrepreneurs said that confidence in one's ability as a businessperson, one's propensity for risk taking, and valuing new ways of doing things appear to enhance innovative behavior. New services and products are more likely to be provided when owners are more confident about their success and value new ways of doing things.

The family business entrepreneurs studied also shared several other personality traits and personal experiences which seem to have affected and molded their nature. Individuals who started their own businesses have an optimistic, positive attitude about the present and the future; they seldom dwell on the past. When asked about their own future or the future of their businesses, they responded with talk about a new business or an expansion of the current business. They often expressed that they might sell their current business in order to start another one that is more personally fulfilling and economically successful. Similar to the general population of small business entrepreneurs in well established market economies, Polish small entrepreneurs never "die" since they will just continue to look for new business somewhere else (Carland, J., Hoy, F., Carland, J., 1984).

7. Problem areas

The Polish tourist and hospitality entrepreneurial firms operating within transitional economy are not isolated from problems. They all have been facing problems that are related to the process of transitioning from central planning to a market economy. Table 3 presents the relative frequencies of occurrence of problems encountered by family businesses at different stages of development and growth. Despite the fact that the majority of problems constraining family businesses occurred during the first three stages of conception and development, commercialization, and growth, almost ninety-eight percent of firms managed to intensify their business activities, increase their growth, and reach the stability stage.

Table 3: Problem areas associated with different stages of business development

Problem Areas	Percentage of occurrences according to the stage:			
	Stage I: Conception and Development	Stage II: Commercializa- tion	Stage III: Growth	Stage IV: Stability
Political and Legal Environment				
Lack of government support & small business networks	78	67	43	22
Laws and regulations	70	84	73	67
Filing Requirement and transaction costs	66	67	44	34
Taxation (Incentives and Exemptions)	97	90	95	89
Unfavorable credit terms	99	89	96	100
Access to foreign markets	26	48	36	23
Lack of properly developed property rights	91	76	24	5
Transaction burdens	90	94	92	89
Financial Environment				
Access to Financial Assistance	89	78	59	30
Unfamiliarity of lenders	89	97	47	34
Excessive collateral	99	87	56	27
High interest rates	82	90	89	90
Attitude of banks to small business	53	38	89	97
Lack of information about financial options	95	87	65	98
Lack of internal financial expertise	76	87	65	67
Lack of resources to pursue financial options	67	54	56	76
Availability of capital	98	89	59	52
Non-financial Environment				
Lack of tax incentives	76	68	52	49
Lack of venture capital/project financing	96	89	56	25
Access to technology	45	16	23	38
Cash flow problems	75	68	46	40
Managerial problems	42	56	67	89
Marketing problems	39	59	72	83
Socio-Economic Environment				
Lack of preference for small business	98	78	53	32
Domestic competition	67	56	45	61
Foreign competition	45	23	57	63
Availability of skilled labor	79	64	55	45
Domestic demand	90	89	44	23
State of Economy	82	90	71	27
Exchange rates	45	25	95	100
Labor and other costs	88	75	45	29

Sources: Alina M. Zapalska. Division of Finance and Economics, Lewis College of Business, Marshall University, WV. U.S.A., March 2002.

7.1. Political and legal environment

Small family businesses were asked to state their level of satisfaction with eight items identified as the political and legal environment that could affect their activities at different stages of their growth. Low levels of satisfaction at all stages were reported on four items: credit terms, transaction burdens, law and regulation, and the taxation system. Unfavorable laws and regulations and attitudes toward small business seemed to be an important difficulty after several years of transition.

Respondents stated that there are no longer problems with property rights that could lead to high costs of conducting business. The risk of property loss is no longer a substantial entry barrier for prospective small business entrepreneurs and potential outside investors in new ventures. The major stumbling blocks such as uncertainty as to the actual owners of property and transactions have been minimized if not eliminated. There are no longer restrictions that render much private activity to be illegal. The respondents stated that the elimination of these obstacles made it possible to enter enforceable and legally binding business agreements.

Firms have not been subject to any price setting or other form of state intervention for at least the last ten years. They operate largely in a market-oriented manner, facing a highly competitive environment and hard budget constraints. As entrepreneurial activity in general carries a high risk of failure, the transitional government has started providing incentives for people to take such risks. A coherent strategy to benefit the entrepreneurial sector, laws and regulations and numerous licensing requirements, administrative discretion, the repressive state of taxation, and the prohibitive high-interest, short-term loans, should be addressed.

7.2. Financial environment

Entrepreneurs require financial assistance for at least one of three purposes: to diversify or spread the start-up risk, to accumulate start-up capital, and to finance growth and expansion (Gnyawali, D., Fogel, D., 1994). While the availability of financial resources can be a major predictor of the frequency of business start-ups, many lenders are unwilling to invest in high-risk projects or tend to withhold support until the firm has been established successfully (Pennings, J., 1982).

A stable political structure and the presence of an adequate legal framework have resulted in the development of financial markets which are recognized as a necessary precondition for successful privatization and entrepreneurial development. Small family businesses often must depend on private and often informal sources of credit that are limited and only available at high interest rates. The results of a 1997 survey of 100 small businesses in Poland showed that more than seventy percent had experienced financial problems in the start-up, but only one fourth of the businesses were able to obtain bank loans (Zapalska, A., 1997).

Respondents expressed dissatisfaction with access to capital, financial assistance, and institutional barriers including collateral requirements, lack of information regarding financing options, problems of sourcing local capital, problems of perceived financial expertise, lenders' familiarity with small businesses, resources to pursue financing, and problems relating to lenders' interest in family businesses at all four stages of growth and development. Most entrepreneurs see financial limitations as a main barrier to growth. Other specific barriers mentioned include trouble with the attitudes of incompetent bureaucrats and bank officers. The lack of a well-developed modern commercial banking system is one of the biggest obstacles to the success of economic reform.

In mid-2000, commercial lending rates were between 17 percent and 26 percent, with inflation running at 10 percent per annum (National Statistics, 2005). According to respondents, their family businesses development would have been more rapid if respondents could borrow. Most family firms had only a small amount of its own fixed capital, and most of the money was tied up as working capital. This problem has declined in importance over the years as the private sector developed and its accumulated capital.

Access to financial assistance, unfamiliarity of lenders, and excessive collateral are problems at all stages of growth, but these problems have not been as acute in later stages as in the earlier stages of firm growth and development. Access to capital and financial information, problems with availability of resources, and concerns about foreign trade are important impediments to expansion. New small businesses were able to stay in business due to their high personal and family savings that provided enough cash to start the business. In spite of the commonly held belief that an inability to access capital constitutes an impediment to growth, the firms that recorded growth in this sample did not rate access to capital significantly more serious in further stages of their development.

7.3. Non-financial environment

Entrepreneurship prospers if society views it with a favorable attitude. Entrepreneurial role models encourage people to go into business, and support by close networks of family members and relatives is of great importance (Khan, A., 1986; Rohit, D., Parasuvaman, A., 1996). Programs that develop societal awareness of entrepreneurship have a positive effect on small business development and growth. Research shows that tax and other start-up incentives have a positive impact on small business establishments and growth (Davidsson, P., 1991). The level of technical and business skills is also a major factor in successfully starting and developing a small business (Davidsson, P., 1991). Unless entrepreneurs are well equipped with technical and business skills, they may not be able to overcome problems at different stages of their firm's development.

Respondents stated that specialization and focus on core activities played an important role in their entrepreneurial activities. Successful entrepreneurial firms were those that focused early on products for which demand was steady or rising. Making the right choice involved a combination of luck, managerial ability, and having effectively used the available human capital. Respondents indicated that problems with managing their firms and marketing their products and services became more acute as the firms grew larger. These results are consistent with research that suggest that financial and management expertise and the ability to plan are strongly associated with firm growth (Birley, S., Westhead, P., 1990; Cooper, A., Woo, C., Dunkelberg, W., 1988) in firms that operate under hard budget constraints. The majority of the respondents mentioned that the government should improve the entrepreneurial and small business environment. More entrepreneurial training, workshops, and seminars are needed for accounting, management, and marketing.

The need for training programs is greater in countries where external assistance and preferences for small business are limited. In Sweden, both business-related experience and business education were highly correlated with the entrepreneur's ability to start and manage a business (Davidsson, P., 1991). Training and educational services are particularly important in emerging market economics because entrepreneurs lack basic business skills (Fogel, G., 1994, 2001). Swanson and Webster (1992) found that thirty percent of the Czech entrepreneurs surveyed requested training in the areas of preparing business plans, decision-making, negotiating, pricing, market penetration, handling of cash-flow, organization, and managing the business. Small family businesses need assistance in conducting market studies, preparing business plans, and getting loans. Business incubators can play a major role in providing services to start-up entrepreneurs (Hoy, F., Wisniewski, J., Gate, E., Bryan, L., Patel, L., 1991), especially in areas where infrastructure is not well developed or where modern physical facilities are costly.

Development of networks can also serve another important source of non-financial assistance (Kornai, J., 1995). These businesses spent nearly half their time during the start-up phase in developing contacts and networks with other entrepreneurs and related agencies. The respondents expressed that the networks should provide assistance to entrepreneurs for (1) support and motivation; (2) examples and role models; (3) expert opinion and counseling; and (4) access to opportunities, information, and resources. The establishment of formal entrepreneurial training and educational opportunities must be an important element of the government policy.

Firms indicated that after more than ten years of transitional changes, there is still a lack of preference for small business among older groups of the society. A broader cultural acceptance of small businesses and enterprising behavior is necessary for continued growth of these businesses. Understanding risk-taking and entrepreneurial decision-making requires major cultural changes. The government must create

more of an “entrepreneurial culture” that promotes and encourages risk-taking and innovation.

7.4. Socio-economic conditions

Polish family businesses are based on human capital development and people realizing their dreams and developing their potential. The best people, the most highly skilled workers and managers, voluntarily left the state sector to start their own companies or to work for someone else. Successful family businesses realized that management was an essential and scarce resource in the post-communist environment. Those family firms that diversified had the advantage of spreading their risks to some extent, but they had the danger of becoming unfocused. The strategy they took was to focus on a particular part of the product or service market and to make sure the internal structure and compensation systems were appropriate.

According to the respondents, there was no significant impact of seasonality of tourism and hospitality industry on the performance of their businesses. The primary explanation for this is provided by the nature of tourism and tourism industry in the transitional economy. The tourism and hospitality industry in Poland is young but already provides tourist attractions throughout the entire year. The increasing income of domestic consumers with increasing demand for Polish tourist attractions throughout entire year eliminates the issue of seasonality, and the continuous increase in foreign demand for Polish tourism also eliminates seasonality throughout the whole year. This result is in contrast to the research presented by Butler (1994, 2001), Baum and Hogan (1997), and Baum and Lundtorp (2001).

The list of problems faced by the respondents included concerns about domestic state of the economy, exchange rates, labor costs, labor relations, labor skills, taxes, access to foreign markets and domestic and foreign competition. The concern regarding the availability of skilled labor decreased as the number of reliable and qualified workers increased over time due to the increasing number of layoffs that pushed highly qualified workers into the private small business sector. These findings support the existing literature regarding organizational life-cycle and stages of development. Kazanjian (1988) suggested that marketing and financial problems characterize the start-up stage while administrative, managerial, and strategic problems characterize the growth stage. Galbraith (1982) also suggested that the growth stage is more likely to be associated with problems related to management and organizational design.

The majority of respondents surveyed requested training in the areas of preparing business plans, decision-making, negotiating, pricing, market penetration, handling of cash-flow, organization, and managing the business. Research shows that the need for training programs is greater in countries where external assistance and preferences for small business are limited (Swanson, D., Webster, L., 1992). In Sweden, both

business-related experience and business education were highly correlated with the entrepreneur's ability to start and manage a business (Davidsson, P., 1991). Training and educational services are particularly important in emerging market economics because entrepreneurs lack basic business skills (Zapalska, A., 1997; Zapalska, A., Zapalska, L., 1999).

8. Conclusions

The family businesses operating in Poland have proven to be one of the key mechanisms in the economic transition. Economic reforms unleashed the potential for entrepreneurial development in a direction that assisted macro-economic stability and competitive market behavior. Although family businesses are still faced with many difficulties, this study found that these businesses continue to develop. Successful family businesses were found to be focusing on a particular product or niche market, developing a strong competitive advantage offering high quality, and superior service and products.

The typical family business entrepreneur is the first-born child of middle class parents, a self-employed head-of-family. The biggest start-up problems are with finance, credit, and a lack of business training. Once the family business is in operation, the lack of financial planning experience is its greatest difficulty.

The chances that an entrepreneurial family business will survive and grow during the different stages of development are a function of the barriers to operation that it is likely to encounter. The main problems encountered by family entrepreneurs in Podkarpacie were those arising from lack of management experience and limited business skills, the failure to control or exploit community relationships, lack of sufficient financial resources, and limited marketing skills.

Survey results do show dramatic changes from the first three stages of development to the stability stage. Despite the fact that the majority of problems constraining entrepreneurs occurred during the first three stages, conception and development, commercialization, and growth, almost eighty-nine percent of firms managed to intensify their business activities and increase their growth.

This study found that in order to assure the future growth of family businesses the Polish government should adopt policies and regulations that provide a broader scope of opportunities. Economic policies that allow people to exercise their entrepreneurial talents and develop business skills should be encouraged. The government should address the needs for preferences, incentives, and low-cost and long-term credit financing options. These measures will further accelerate family business development. Especially important are the offer of financial assistance to new family business creation and the development and establishment of incubator centers and industrial parks where resources and facilities can be shared.

Capital enables small enterprises to innovate and use advanced technology. It is also the primary means of growth. Polish small businesses can benefit substantially from developing export capabilities, but in order to develop competitiveness in export categories, Polish small family businesses must innovate, invest in technology, and use market-based management and marketing practices.

The newly created family entrepreneurial businesses had to create and maintain a high level of performance to accomplish both process and product innovation. Respondents typically focused on an innovative aspect of their business strategy, product, or niche market to develop a strong competitive advantage. Offering new products and services of higher quality was usually the key to their rapid growth.

This study provides tentative support for the contention that growth of family businesses proceeds in a stepwise fashion. Although further refinement of these problem categories is needed, some of this information could be useful to agencies and institutions seeking ways to foster small family business growth. For example, the need to improve financial expertise and to provide micro- and mini-firm owners with financial information is necessary. Training agencies and financial institutions might focus on fiscal planning in programs aimed at small business start-ups. Alternative sources of capital, informal equity financing, venture capital, and leasing may be appropriate training topics for more established business owners who intend to expand.

The Polish government has done well in the macroeconomic management area that has been essential for the growth of the economy. The increasingly stable monetary environment will make it possible for the family businesses to grow and concentrate on productive rather than speculative investments. One vital lesson is that a transitional economy can do well by sticking to the fundamentals, macroeconomic stability, outward orientation, and sustained investment in physical infrastructure and primary education.

Family business development in Poland has been hindered by lack of preferential treatment, high taxation, and the lack of low-cost, long-term financing to improve the entrepreneurial process, and it is recommended that: (1) family businesses be given opportunities for low-cost borrowing and venture capital funds; (2) technical support and access to technology should be made a priority for small business development; (3) more entrepreneurial and business training programs should be made available; (4) the government should offer tax incentives and other special programs for small business and should reduce reporting requirements; and (5) financial and regulatory institutions in the country should create a more enterprise-friendly culture that supports entrepreneurs not only financially but also through networks, training, and business information systems.

Further analysis of family businesses in the CEE is needed and will help provide a better understanding of the importance of this sector in increasing the region's

prosperity and economic growth. Research should focus on developing incentives that improve access to credit and help organized credit systems to deliver financial services to families interested in running a business. It should also focus on promoting tourism development as a source of new job creation, supporting and providing training programs and incubator centers, expanding financial networks, building on existing networks, promoting attractive opportunities for savings, and ensuring equitable access to credit.

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Upravljanje obiteljskim poduzećima u turizmu i hotelijerstvu: tranzicijsko gospodarstvo Poljske

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Sažetak

Cilj rada je ispitati prirodu obiteljskih poduzeća u turizmu i hotelijerstvu u poljskom tranzicijskom gospodarstvu i analizirati poslovno okruženje za razvoj i rast ovih poduzetničkih tvrtki u gospodarstvu koje se reformira. Za procjenu i usporedbu razvoja obiteljskih poduzeća na čije poslovanje utječu određeni čimbenici okruženja, provedene su ankete i intervjui s poljskim poduzetnicima, vlasnicima i djelatnicima obiteljskih poduzeća u turizmu i hotelijerstvu. Uvjeti okruženja grupirani su u četiri čimbenika eksternog okruženja: političko i pravno, financijsko, neprofitno okruženje i društveno ekonomsko okruženje. Analiza se temelji na modelima Kazajniana (1988), Gnyawalia i Fogela (1994). U radu se također analizira kompetencije vlasnika poduzetničkih tvrtki koje su bitne za uspješno poslovanje tvrtki u njihovom cjelokupnom životnom ciklusu. Rezultati istraživanja pružaju uvid u implikacije politike poslovanja turističkih i hotelijerskih poduzeća što pomaže u njihovom razvoju i rastu u tranzicijskom gospodarstvu.

Ključne riječi: tranzicijska ekonomija, razvoj, poduzetništvo

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