



Intergenerational Succession in SMEs Transition
INSIST

CASE STUDY

The WAMECH Company: Producer of Industrial Trucks - Piotr and Albina Wąsik Registered Partnership

Final version

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This case study tells the story of a family company operating in the engineering and metalworking sector. The company manufactures machines which improve the economics of production processes in accordance with lean manufacturing principles. The main focus of operations is on the design and production of road transport vehicles and industrial trucks used for materials handling.

1. Introduction – a short description

Interviewed representatives of the company

Name	Age	Education	Professional career	Role in the succession process
Piotr	58	Technical university degree, Faculty of Mechanical Engineering of the Cracow Technical University, Business School of CCSU and Cracow Technical University	He worked as a designer in a Cracow-based Centre for Research and Development for Construction of Chemical Installations, as an engineer in the Tobacco Factory in Cracow, and then in a building site manager in a private company. He then established his own production company followed.	Family doyen

A short history of the company

The founder of the company Piotr Wąsik is a very pragmatic and business-oriented person with an ability to anticipate the future. Planning for the future coupled with a desire to be independent proved to be the powerful driving force that led him to realise his dream of running his own business. The company is successful from a business point of view and enjoys a strong position in the engineering and metalworking sector.

Prior to establishing the WAMECH company Piotr Wąsik worked as a designer in the Cracow-based Centre for Research and Development for Construction of Chemical Installations in Cracow and later, as an engineer in the Tobacco Factory in Cracow. He then moved to the private sector, joining a private developer, where he was responsible for financial issues, customer care, cost calculations and project implementation. The experience he gained prepared him thoroughly for running his own business.



The WAMECH company was founded in 1989. Operations were initiated in the owner's house taking up the basement, ground floor and garage. The living-room served as the company's office. But the specific character of the metalworking production soon forced Piotr to look for a new location for his production as the noise and dust became a real burden for Piotr's neighbours. In 1995 he moved the company to a new location, where the company operates still today following several expansions. In 2013, serial production was moved to a facility in Skawina, leaving prototype development and manufacture and company offices in the former location.

From the very start, the company has operated as a family firm. Piotr's father-in-law is the engineer Józef Kielar, who helped construct the first prototypes. At the beginning, the business was based on Piotr's own work and that of family members. It took quite a while to establish a design team. Piotr's wife, also an engineer, joined the company to look after the company's finances and to support her husband.

Piotr and his wife have three children and have always dreamt that one day their children would take over the company. The owner started preparations for the succession process some time ago, but the process had to be speeded up due to his illness. In 2010, his son, Wojciech, became the managing director just as the company celebrated 20 years of operation.

Main areas of activity

The company is heavily involved in automotive industry. The company designs, develops prototypes and manufactures equipment for handling materials and on-site transportation, as well as equipment for work stations customised to the individual client needs. The list of clients includes, among others: Daimler AG, Valeo, GKN, MAN, Lear, TRW, Vulkan, Philip Morris, Velux. As much as 75% of production is exported to other European countries, to America, Africa and to Asia.

Ownership structure

The company has completed the process of succession. The founding owners still hold some shares, but their son is now the majority shareholder. Their other children do not work in the company.



Market position

The company is a leader in implementing innovative solutions in the production of road trains for short-range and on-site transport. Services offered by the company are unique in the global market. Competitors are western companies, especially German. There are other businesses with a much bigger potential in Europe, but the WAMECH company puts emphasis on cooperation and not on competition, and so tries to work out ways of cooperating with companies with a similar business profile.

Number of employees and information on their age, sex, education, qualifications and length of employment

Currently, the company employs 77 people with three managers. As many as 57 have full-time employment contracts, and 20 have civil-law service contracts. The company outsources some operations and makes use of employees offered by cooperating businesses. Such a system enables the company to deliver orders during periods of higher production, without hiring new additional employees.

age

- The average age of employees is 32
- The company employs five persons who are more than 50 years old, five persons who are almost 50 and 10 graduates below the age of 24. The remaining employees are in the 24 – 45 years old bracket.

sex

The company employs 12 women. The remaining employees are men. The proportion is a function of the company's profile of business and the fact that men are much more attracted to engineering work.

education

As many as 17 people in the company have university degrees. The remaining employees are graduates of secondary or vocational schools.

qualifications

The company hires people with qualifications needed for specific positions. Thus, the company's office employees are graduates of management or administration studies, whereas the financial team consists of accounting professionals, while employees working on production floor have technical education. The company stresses the importance of continuously developing its employees so that they are up to date with the latest technological solutions. Thus the owners support their employees in gaining new qualifications and new work experience.

length of employment

The company nurtures its employees and so there are few changes in the workforce. The average length of employment in the company is currently 5 years, but there are employees who have been with the company for nearly 25 years (24 and 23 years). Some have been with the company for a dozen or so years, but there are some who have been with the company for only a few months (the recently hired). The company is characterised by a low employee turn-over.

2. The succession process

2.1. The rules for members of the family to enter or exit the company – are the rules formalised or informal?

a) Main goals (with respect to the ownership/ management structure), set by the controlling family regarding the succession process;

b) Criteria for identification and selection (and training) the successor;

c) Sequence of activities related to selecting and training the successor;

d) Methods used in the exit of the previous company owner/ manager (continuity or lack of continuity of ownership control)

Identification of the exit strategy; the role of the leadership style and other factors, including legal and financial barriers;

The owners of the company have three children. Since their teenage years, the parents have tried to talk to them about a possible future with the company and potential succession. The parents' priority has been to provide their children with an all-round education and give them the opportunity to see the world, so that they will enter the labour market with knowledge, experience, an open mind and self-esteem.

In moving forward the succession process, the doyen has always been keen to mentor his children and support them in areas relevant to managing the company. But as the children grew up, they sought to work out their own way of living. The eldest son decided to start his own business with friends from university. The company has proven successful and he is active in a business sector different to that of his father. The owners' daughter chose medicine as her way in professional life.

The youngest son decided to get involved in the family business. He had been interested in his father's workshop as a child. In consultation with his father, he prepared a plan for his succession in the company. The first step of the plan involved education. This involved gaining practical experience in working in other companies, mainly abroad, through internships and on-the-job training. The assumption was that the person taking over the company should be a graduate of technical and business management studies and be fluent in foreign languages with practical experience of working in other companies.

The plan has been realized successfully. After graduating from faculties that his father thought essential, the son started systematically to take over responsibilities and ownership of the company. When he became a 51% shareholder of the company, he became also its managing director. The shares had been transferred to him formally, allowing him to become a co-owner of the company.

The doyen still works in the company. He is always present and ready to offer his son advice and support. The doyen and his successor split responsibilities between themselves: the doyen looks after the financial security of the company (deals with accounts and payments), helping to solve technical problems and provide advice to his son as needed.

The successor is responsible for operating the company and has prepared his own development strategy, which seeks to modify its profile of operations, which focus on innovative solutions, in order to develop the business further and strengthened its market position.

The owner has not identified any legal barriers in the process of succession, but considers that changing the organisational form of business must be undertaken with a view to assuring financial security of the company and the interests of his family.

The son used the BSC methodology to prepare the business development strategy, which seeks to take into account the interests of all stakeholders in the change process. The

strategy was developed with participation of the company's employees and enabled production processes to move from low profit products towards lean production innovative solutions.

This approach made the employees see new potential of the company and new opportunities for their professional development. It is also helped motivate them to stay with their employer.

2.2. The relation between business and family goals: linking family values and company goals

The meaning of goals such as harmony in the family, family reputation and company image vs. Business profitability.

Similarities/ differences in values of generations; Key formative events in the family and in the company;

The owner of the company has always underscored the importance of such values as honesty, reliability and respect for other people in business activities. Respecting these values helped him to gain the trust and respect of his employees. The result of such an approach to business has been development of a team of employees who are loyal to the company and to its owner – ready to help in hard times and never acting to the detriment of the company or its owner.

The work ethic and principles of honesty and respect have been a part of the owner's home, which means that his children have been not only had the chance to hear about ethics and appropriate behaviour, but also see how these values are lived by their parents.

The company has its own code of ethical behaviour and all employees subscribe to it. The basic principle in the company relates to treating employees with respect. This includes providing for proper remuneration, opportunities to gain new qualifications and support in times of personal hardship. Family members are close to and supportive of each other. All of them subscribe to the values described above.

Good family relations are linked to the company's success in the marketplace. Family members act for the common good in ways that enables the company to grow.

The doyen's illness was a private life event which influenced family relations and led directly to speeding up the succession process. This situation demonstrates that in the case of family firms, private life events can strongly influence the company and the way it functions.

2.3. The family presence in the company (organisational and ownership map);

- The company structure vs family structure;
- The perception of the family role in the company;
- Methods for supporting family integrity in relation to business operations;
- Ways of coordinating the family presence in the company;
- The role of women in the family company.

The family consists of five persons: two parents and three children.

Currently, one of the sons is engaged in the company operations. He is the managing director and holds 51% of its shares.

The company employs 80 people. Decisions on various aspects of ongoing company operations are taken by department managers. They are people from outside of the family. Financial decisions on larger expenditure items and investments are taken by the management board.

The family enjoys a positive image in the company. The successor has been engaged in the company since his early years and this facilitated also a smooth succession in the company. There was no resistance on the part of employees. During the five years that he has been managing the company, his position in the company has strengthened and his decisions have proven positive.

Family decisions relating to the company have been agreed upon by family members. The participants of the succession process live and work together which means that they can rely on and support each other.

The founder's wife has been supporting her husband since the very beginning of the company and has herself been engaged in the family business. She learned book-keeping and accounting in order to help her husband in running the company.

Their daughter-in-law is gradually becoming also involved in the company. She wanted to gain some experience in other companies first, but has now decided to join the firm of her husband and father-in-law. She works with her mother-in-law on financial issues of the company (book-keeping, remunerations, human resources etc.).



2.4. Engaging the next generation

Getting the next generation ready for running the family company is a factor of critical importance for the succession process.

- Motivation, preparation and strategies of the next generation;
- Emotional aspects and calculations of family members
- Transfer of knowledge between members of the family;
- Network cooperation;

It is important to plan the succession process well in advance. This gives the opportunity to prepare the successor in an appropriate way, equipping him or her with the right education and necessary skills and competences. For the doyen, who worked hard on developing the company, it is natural to prepare for transferring the company to the next generation.

In the case of the WAMECH Company the succession plan and its successive stages were clear to family members and employees. The result was a smooth and easy process of changing leadership of the company.

The founder of the WAMECH company took the view that the successor should not wait too long to take over running the company. The doyen was nevertheless committed to staying on with the company as a mentor for his successor, who can provide support and advice as needed.

Those transferring running a company to the next generation need to appreciate the potential of youth and the new ideas that come from the next generation. On the other hand, the successor should make the most of the doyen's experience. Such a solution enables the doyen to feel needed and useful, and not to leave the company from one day to the next. In turn, the successor can test his skills, competences and potential under supervision of the experienced doyen, who can help in avoiding fundamental mistakes.

The ability to listen to the needs of the next generation brought very good results. The company has expanded and continues to be state-of-the-art, having got involved in the development of innovative solutions for its industry. All this has strengthened the company's market position.

Early succession is an evolution and not a revolution. Parties engaged in the succession process have enough time to adapt to the needs of the company. The process is gentle and there is no shock to employees, the budget or to the company as a whole. Late succession, on the other hand, can lead to an unwanted revolution.

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The owners of the company still get involved in activities related to the development and promotion of the idea of family firms. They access experience of other people running similar companies and gladly share their own experience with others.

3. Conclusions

Early succession is the direction family companies should follow. A well-planned succession can be a gentle process, smooth for all stakeholders. It gives the doyen a chance to transfer his experience to the successor, which protects the company from unnecessary risks or shocks.

Handing over the company early on, takes most of the operational responsibilities off the doyen's shoulders but at the same time allows him to stay active and involved in the company. The doyen can still feel needed, useful, and important in supporting the development of a younger generation with his knowledge and experience, which cannot be found in books.

Observing how one's own child copes with challenges can give a lot of satisfaction, especially when the child is doing very well. It is also very comforting and reassuring to know that after the doyen's death his family will be secure financially.

“I always wanted to go to work when I wished and for as long as I wished and not when I had to. I like my job and want to be needed. I am proud that I have successors who will take over my company. The company's development confirms that it was a good decision to hand over running of the company. The process of succession never stops, so I already try to instil entrepreneurial values in my grandchildren, as the succession situation will be repeated in 25 years”.



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