

Poland has seen family businesses appear and disappear as the country faced invasion and communism. Now the climate has changed for the better and family firms look set to prosper

Family business in Poland

By Eugeniusz Niedbala

THE HISTORY OF POLAND has been extremely difficult and painful. Over a period of 1,000 years, Poland has disappeared and reappeared twice on the map of Europe, and the history of family businesses has followed the same course. Will the third time bring lasting success for these businesses?

Origins

The archetypes of family businesses can be found in the Middle Ages, at the time of Poland's birth. During the reign of the first prince of Poland, Mieszko I (960-992), Poland's settlements consisted of families that offered their services to the royal court – forming the origins of what we consider family firms today. These were, of course, not family firms in the current sense, as the families did not have the formal ownership and organisational mechanisms that define firms today. The families manufactured specific products and one man from each family managed and took responsibility for the work of his relatives.

At the beginning of the 11th century, prince Kazimierz I the Renovator started bestowing lands on his knights. This action constituted the start of family farms, in which the land belonged to the family of the knight, who was also the manager. Although his subordinates began to work for him, it took a few centuries before the family enterprises fully developed. Magnates, the richest social class, built the first industrial plants in the 17th century: the Leszczyński family built cloth plants; Hetman Sieniawski's wife,



AP Photos



ABOVE:
Examples of amber, gold and platinum
jewellery made by W Kruk.

Elzbieta, developed galmei mining on her property; Hetman (a commander-in-chief of the Polish army in the 16-18th century) Stanislaw Koniecpolski set up an enterprise producing wool and silk fabrics with gold and silver thread; the Radziwill family developed workshops making glass, ceramics, cloth, linen, belts and carpets.

It is unlikely that these families have continued their businesses through to the present day, as the end of the 18th century brought about the partitions of Poland (in 1772, 1793, 1795) among three neighbouring states and liquidation of the Commonwealth (the Kingdom of Poland and the Grand Duchy of Lithuania). Thus, some of the original Polish family businesses would have become part of other countries.

The 20th century

The end of World War I brought freedom for Poland and once again the conditions of running the family businesses changed. Businesses that were established during the partitions could freely develop and new firms could also be set up. But the situation for large and small family farms was not so good due to the first acts of the new Polish government. A 1919 resolution reduced the maximum size of a farm to 180 hectares (the reason being that the government determined that 25-hectare farms would be the basis of its agricultural system); surplus land was parcelled out (with exchange compensation) and given to small-holders and those without land.

The country was free for less than 20 years when 1939 brought World War II and occupation by invading forces. Repressive measures aimed at family businesses meant that only small firms belonging to craftsmen were able to keep their independence and, as a rule, large firms were nationalised by the invaders. Those that had managed to live through the partitions found it difficult to survive in the war years, but it was the Communist government of the post-war period that dealt them the final blow.

Polish entrepreneurs and families came to realise that the greatest enemy for communists were families and private property. It was an extremely painful period for family businesses, and it is due to their strength, endurance, obstinacy, entrepreneurship and intelligence that they did not disappear completely.

In the spring of 1947, the "battle of trade" began, aimed at private trade and carried out by means of taxes and admin-

istrative measures. Nevertheless, the authorities allowed the existence of some small private enterprises because the state firms were not capable of providing some consumer goods and services. The limits set by the Nationalisation Act prevented private firms from employing more than 50 workers. Thus, there was limited room for growth and very few firms approached the upper level of employment, fearing surtaxes.

Family businesses, like other private firms, also had limited access to deliveries, which were rationed at that time. Furthermore, they were deprived of entering into delivery agreements for the state. As a result, family businesses became concentrated in trades such as craftsmanship (repair shops, furniture and shoes), services (tailoring), building services (small building firms, renovating), transport (removals), light industry (plastics production, spare parts, machine parts), catering (bars), hotels and retail.

Despite this commercial activity, at that time Poland was primarily an agricultural country based on family farm production. These farms were the main target of the authorities' attacks and in 1951 the government launched the process of collectivisation, which forced family farms to join cooperative state-owned farms. This was done under the banner of limiting and displacing capitalists from the country. The authorities applied surtaxes, confiscated livestock, arrested farmers, and limited access to chemical fertilisers, agricultural tools and farm machinery.

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Nevertheless, private family farm production exceeded that of state-owned farms, and collectivisation met greater resistance from Polish farmers than in other communist countries.

The 1970s and the 1980s were a period of some liberalisation and family firms faced less persecution from the authorities. It became easier to set up a new family or non-family business, although the same regulations were still in force. However, the dawn of freedom didn't really start until 1988 when the Sejm (the lower

house of the Polish Parliament) passed the new Economic Activity Act, which meant that anyone who wanted to set up a firm could do so freely. Thus, this period is characterised by the establishment of high numbers of new family firms. These family businesses were and still are, as a rule, small and based in the trade and services sectors. But they have been successful and large family holdings have grown from them, and their owners are now among the wealthiest in Poland.

W Kruk

In 1840 Jan Skrzetuski, a goldsmith from Poznan, opened a workshop to produce liturgical equipment and jewellery; within 30 years he had become a well-known supplier of these goods. In the meantime, he brought up Wladek, his sister's son, who revealed real talent and diligence. Twenty-three years later, after his uncle's death, Wladek took over the firm and only then did the firm become a real family business.

Wladek married the daughter of a well-known merchant and they started to expand the business. The couple opened a new shop specialising in the goldsmithery-horology trade and, in 1900, they moved the firm into the Rzymyński Hotel. The firm soon released an illustrated catalogue, one of the first of that type published in Poland.

In 1927 the firm was taken over by Henryk, the younger son. Under his management, the family business grew dynamically with an increase in the production of expensive gold and platinum jewellery. Henryk introduced new patterns of jewellery, with precious stones imported directly by the firm, and the firm became very profitable. In 1937 the firm moved to new, exclusive premises, but the outbreak of war put a stop to its success.

The firm was put under German surveillance and Henryk went to prison for refusing to sign the Volkslista. He was set free after a year and went to Warsaw where he set up a new workshop and store. When the war ended, he returned to Poznan and tried to rebuild the firm. But, in 1947, as a result of the "battle of trade", he lost his shop. But he did not stop making jewellery.

The situation improved only in 1974, when Henryk's son, Wojciech, took over. He introduced new technologies and broadened the production activity. Four years later, the first store to open after the war was established. Turnover grew

rapidly and the firm soon had many regular customers.

By the early 1980s demand had outstripped capacity and in 1989, a year of great change in Poland, the firm opened an exclusive jewellery boutique in Poznan. Wojciech set up a network of boutiques across the country, offering exclusive jewellery and watches. At the same time, the firm found an investor –

Wojciech and his wife Ewa became members of the supervisory board to take care of and foster family traditions

the Polish-American Entrepreneurship Fund – that brought new management methods as well as capital, and Wojciech became CEO.

The firm acquired a factory and in the 1990s developed a sales network. Wojciech and his wife Ewa became members of the supervisory board, to take care of and foster family traditions as well as respect for solid work.

Party Serwis Catering sc

In 1994 Jan and Emilia Melon set up a civil partnership, Party Serwis Catering sc (they are 50/50 owners). But they started their first firm, called Euro Berek, in 1989 after Jan was fired after 25 years of work in the exclusive Kameralna restaurant and Klub Dyplomatyczny (Diplomatic Club) in Jablonna. He decided to do what he did best – organise receptions. "I was one of very few appointed to service VIPs," he says.

In the Melon family's opinion, a family company has the ideal organisational structure: the father takes strategic decisions, the daughter negotiates agreements, the son is responsible for equipment and transport, and the mother looks after the finances. Today, the firm operates in the competitive Warsaw market, organising receptions, meetings, banquets and outdoor entertainment. This includes food and drink preparation, waiter service, restaurant rental, decoration, sound amplification and so on.

"We form a restaurant when it is needed," says Tomasz, Jan's son. "We have good relations with advertising and PR agencies, and we are also in direct contact



ABOVE:
Examples of gold and silver jewellery made by W Kruk.



with our customers,” says Emilia, Jan’s daughter. Furthermore, they are always at their customers’ disposal.

Thanks to confidence and a good division of labour, they are able to organise an event in the middle of nowhere or prepare a sumptuous reception the day after receiving an order. They have eight full-time employees (cooks, drivers and attendants) and 150 part-time workers. An outside firm looks after the accounts and all the profits are reinvested. They do not intend to set up new branches outside Warsaw. “We would not be a family company then,” they say.

Nowy Styl SA

The history of the Krzanowski brothers’ company exemplifies the myth “from nothing to a millionaire”. They started with US\$10,000 and, together with their wives, their mother and one employee, they began upholstering chairs for cafés, restaurants and waiting rooms. The elder brother, Adam, gained experience in upholstery during his stay in the USA where he worked for a family firm. Jerzy, the younger brother, was working in a restaurant in Israel at that time.

After returning to Poland, Adam decided to use the skills he gained and set up a firm with his brother. His American



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employers helped him establish the company and, thanks to this partnership, the firm was able to obtain credit. At first they imported chairs from Italy, but they soon realised that they had little chance of selling them and decided instead to produce them.

“We are the first firm in the Central and Eastern Europe to assemble and upholster chairs,” says Adam. First they started to make simple metal frames, then seats and armrests. When they were starting out, says Jerzy, “we produced 5,000 chairs per month.” Now they make that many in one day. They have seven plants and a sales office, and they employ about 1,800 workers. Each plant is an independent joint stock company with a board of

Key facts: Poland (2001)

- GDP: US\$177 billion (ordinary prices)
- GDP growth: 1.0 %
- Inflation: 5.5 %
- Unemployment: 17.4 %
- Exchange rate: PLN/US\$4.09
- Twenty-one of the 100 richest Poles run family firms
- Of the 100 richest Poles, the first and second positions are occupied by family firm owners

directors, and each specialises in the production of individual elements. The brothers sit on the supervisory boards of the companies. This division into independent organisms facilitates the business management and cuts costs. The brothers do not feel the need to go public as their financial standing is very good and their profits are reinvested. Currently, they are thinking of expanding into the North American market.

Lasting success

Polish family firms face the problem of succession. Young people, especially in small towns and villages, are tempted by careers in big cities working for multinational corporations, which are perceived as sources of prestige, social promotion and high wages. The small businesses of their parents do not hold any attraction, even if the number of workplaces in large companies is limited. They do not realise that working with relatives and participating actively in a firm’s development, as well as knowing that the business could one day be theirs, is actually a better alternative.

Many young people do not appreciate the prestige of working in a traditional family business because no one speaks highly of these firms. In fact, they are rarely mentioned despite the fact that examples of successful Polish family businesses are easy to find. The success of these family businesses will last and they will continue to grow in size, wealth and stature. Perhaps this “third chance” for family businesses will finally prove to be the charm. ■

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ABOVE:
Office chairs manufactured by Nowy Styl.