

# Challenges ahead

Wide diversification has made Poland seemingly resilient to an economic crisis which in turn could raise the unemployment rate. However, as Covid-19 cases see a fresh spike across the country, without any government support in sight, fall and winter will be challenging, states **Tomasz Budziak**, VP, Family Business Initiative Association (IFR).

INTERVIEW BY SANKHYAYAN DATTA





**WBJ:** How is the Family Business Initiative Association (IFR) any different than dozens of other trade organizations operating across Poland?

**Tomasz Budziak:** IFR is not a trade organization but an alliance of family entrepreneurs aimed at increasing the chances of not only the survival of a family business but its expansion from one generation to the next. The instruments for overcoming this challenge are increasing specific managerial skills that successfully enable combining family input and assets with a business as well as creating a friendly environment for family entrepreneurship in many dimensions including social, political and educational. IFR does not compete against other trade organizations but looks for allies and connections.

**It's been six months already since the Covid-19 outbreak in Poland. How badly have family businesses been affected? What has it meant in terms of unemployment numbers?**

IFR doesn't have any special researches about that because Poland's stats office GUS or labor offices didn't collect data indicating the state of family business. The level of affliction depends rather on the industry than on being a family business or not. Industries such as gastronomy, hotel, arts and entertainment and tourism have been affected more due to government restrictions than by Covid-19. It's a fact that these industries are mostly run by families. But family farms and agriculture companies have remained relatively unscathed.

In the case of unemployment in family businesses in Covid-19 times, there are two dimensions: first, there are employees, and second, family members are involved in running a daily business. In the latter, they are employed without any formal employment contract. They share profits and losses as owners. Many family microbusinesses run operations without any employees and when affected family members are not reported as unemployed.

**According to a World Bank economist, Poland's economy is more resilient**

**than others in the region and could even benefit from the situation.**

**Unrelated reports have stated that the Polish GDP would be among the least affected in the EU. However, times are not easy for family businesses, states an opinion on Forbes. How optimistic or gloomy is the future for family businesses? Also, IFR board member Agata Hagno said in an interview for Gazeta Wyborcza that it's easier to overcome crises in family businesses?**

The structure of the Polish economy seems very resilient because of wide diversification between many industries and regions. The Polish specialty is manufacturing in SMEs located outside big cities. This makes the control of Covid-19 easier and more efficient. The diversity of the economy combined with quite a large internal consumer market as well as with good local supply chains created probably greater resilience. The additional factors are the Polish spirit of entrepreneurship. Endurance grew from lessons of crises of the late 1980s. And in the case of family businesses, high motivation for survival – their own future and next generation's. In my opinion, the Polish family businesspeople knew that support from the government cannot recover all damages. So essentially, a business should help itself. Moreover, some plans of tax changes could hit many family businesses run in the form of limited partnership business entities (in Polish: spółka komandytowa). We know that at the end of the day, the grants dishied out by the government in the form 'rescue packages/shields,' shall be refinanced by higher taxation of businesses but not regular employees. Therefore, IFR launched many actions supporting family businesses by imparting knowledge and driving inspirations about adapting to the 'new reality,' and enabling sharing and exchanging experiences between family entrepreneurs.

**In April, over 85 percent of Polish family entrepreneurs had a very negative opinion of the actions of the ruling PiS party and the so-called anti-crisis**

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**shield to save jobs and companies in Poland. The results of a survey conducted by IFR and published in April show that more than half of Polish family businesses said that they would not survive the following 12 weeks (July?). It's September already. How do the numbers match?**

The 'rescue packages/shields' only gave first aid to businesses and in most cases enabled surviving the worst weeks. But this has ended already. The government has said that no more grants of such volume would be repeated anymore. So fall and winter will be real challenges. Especially for those entrepreneurs who have not changed their way of doing business. It means deeper digitalization, well-organized remote work, reviewing of supply channels among others. Some industries could suffer when the disease would raise infection numbers in the next weeks and the government would introduce restrictions again but without any support.

**Covid-19 has not only devastated lives and families but people's livelihoods. What can be done to minimize the levels of unemployment and help employees and family entrepreneurs bounce**

**back to pre-pandemic levels? Also, while the hospitality industry (HoReCa) took a severe beating, some others (tech companies such as Zoom) have thrived. How does the situation look from the perspective of family businesses? What are the kinds of family firms that grew due to the pandemic?**

As said by Winston Churchill, never waste a good crisis. In another context, Churchill's insight on human nature can also be applied to the crisis we face today. Entrepreneurs should redefine their business models. It could be that in the HoReCa industry, big and crowded hotels or restaurants would be replaced by spaces enabling social distancing. In heat of the crisis, agrotourism somewhere deep in forests became very popular. This shall take time for changing people's preferences but cheap and massive flight tourism may not come back quickly. As the last summer showed, because of transport restrictions many people spent holidays in Poland and not abroad. This could be an opportunity for Polish family businesses.

**A BBC poll and other data have confirmed that the coronavirus hits the poorest hardest. Closer home, despite Poland's govern-**

**ment efforts, small travel agencies are reportedly terrified of the future. What has been done by PiS to make sure that small family companies stay afloat? Is that enough? If not, what more can be done?**

In my opinion, there are two possible answers depending on future predictions. The first assumes that the world after Covid-19 stays more or less the same as before [pre-pandemic]. In this case, a crucial issue is when it could happen. If quickly, then the government should financially support a standby for keeping workplaces. But if the crises are longer than half a year or the predictions show that the economy would not bounce back to the previous model of services then travel agents should feel encouraged to close their businesses and support opening new ones in other industries. Why the government is keen on financing coal mining but not the tourism industry which brings much more employment and added value than miners? [Poland's miners have traditionally supported PiS.] ●



Tomasz Budziak is vice president of the Family Business Initiative Association (IFR) – a Warsaw-based alliance that groups entrepreneurs who own family businesses, as well as experts and scientists who support this community.