Probuild Group, Poland

Type of restructuring:	Internal restructuring
Employees before restructuring:	10-49
Employees after restructuring:	10-49
Nace/Sector: Construction	
Country:	Poland
Date:	03/11/2011
Keywords:	Recession/Crisis

Abstract

The process of internal restructuring in the Probuild Group was carried out as a reaction to the collapse of the market for professional real estate services in Poland, which had been badly affected by the crisis in the global economy. Ultimately, the restructuring has strengthened the group, leading to improved specialisation, productivity, motivation and confidence in performing in specialised areas. The qualifications of newly employed staff are also more systematically evaluated and checked for their compatibility to the new business profile.

Organisational profile

Adam Trybusz founded Probuild in Poznań in 1993. In 2001, he co-founded another company LT Service (in which he has a 70% stake) that works closely with Probuild – and thus the Probuild Group was set up. Mr Trybusz is supported by two senior executive officers in managing the Poznan-based group. It provides services to the Polish real estate market in the field of construction and investment project management consulting, such as:

- feasibility studies;
- evaluation of investment profitability;
- conversion planning;
- value engineering;
- technical due diligence;
- interior design;
- construction supervision;
- project and construction management;
- financial inspections.

The group was involved in creating and implementing major projects in the Polish market, whose total value exceeds €150 million. The group's clients include many well-known and reputable companies, such as: Von der Heyden Group, Franklin Templeton Investments, Dalkia Poland, BZ WBK, Ernst & Young, PZU AM, and Knight Frank. Moreover, Probuild Group has been honoured three times in the 'Builder of the Year' competition organised by the Polish Association of Construction Engineers and Technicians. It won the prize for the

Background to restructuring event

Until 2008, the Probuild Group was in a highly competitive market dominated by large international players. It had a good reputation and was steadily increasing turnover and employment. However, as the financial crisis hit, although the Polish economy did not fall formally into recession, many of its sectors, including real estate investment, were clearly affected.

Table 1: Gross Domestic Product (GDP) and Sales of construction and assembly output

	2006	2007	2008	2009	2010

Sales of construction and assembly output	118.1	115.5	112.1	105.1	103.3
GDP (previous year = 100, constant prices)	106.2	106.8	105.1	101.6	103.8

Source: Central Statistical Office (GUS) and the Concise Statistical Yearbook of Poland, 2011, p366 (in Polish and English, 7Mb PDF)

The group's management, who had been monitoring the capital investment market in Poland and observing the signals from experts

Restructuring processes

The process of internal restructuring within the Probuild Group lasted from the last quarter of 2008 until February 2010. It was carried out as a reaction to the collapse of the market for professional real estate services in Poland, which had been badly affected by the crisis in the global economy. The group was hit when banks withheld the funding for major construction (Andersia Business Centre Hotel in Poznan and Gdansk Długi Targ) for which it was project manager. As a result, the group lost a lot of its planned revenue and had to slash operating costs to guarantee financial liquidity. The restructuring measures it took were:

- changing standard contracts of employment into managementcontracts (semi-self-employment);
- the closure of two departments (furniture fixtures andequipment, and interior design) with the loss of four jobs;
- the maintenance department was reorganised and fivetechnical staff members were hired by the new employer, who took over this areafrom the group;
- all salaries were cut by 30% through amendments toemployment contracts;
- suspension of payments of bonuses and allowances;
- budgets for training, equipment, representation,advertising and marketing were cut;
- limiting the hiring of external specialists.

However, employer-paid private health insurance and subsidised lunches were not abolished, and working time was not cut. Employees did not participate in the development of the restructuring plan and were informed about it only in October 2008. The owner and senior management met each employee individually, proposing either adoption of the revised terms or termination of their employment. The owner and the management were open to any inquiries and suggestions, and the employees, aware of consequences of the market collapse adopted the proposed changes with great understanding.

Challenges and constraints of restructuring

These restructuring activities were not preceded by a period of analysis and planning, as the group's substantial loss of income required quick and decisive reaction to ensure its survival. No other party, such as the local employment office or the Chamber of Commerce was involved in the restructuring, which was funded solely from the group's own supplementary capital and reserves accumulated during the boom. This was possible thanks to the responsible approach to financial management consistently pursued by the owner and managers of the group. In the opinion of the owner and senior manager interviewed, the fact of having built up its own financial reserves was of decisive importance for the company's survival in the period of market collapse.

Redundant workers were not offered any support in the form of outplacement, training or services of the employment agencies, because they were already highly skilled specialists who were not interested in changing career. Other employees whose employment conditions changed, could count on the owner's and senior management's support, because of the integral culture of the company.

Restructuring advice and support

The only external advice and support came from legal experts who prepared the agreements to amend staff contracts in the very first phase of restructuring.

Management say the reason for not getting any other kind of outside support was simply that, because the crisis hit the construction sector so early, the group had begun restructuring months before anti-crisis measures were implemented by the public authorities. There was also a lack of information on what support there was. As a result, public suport was not even considered by the management during the internal restructuring process which focused on the need to reduce costs in order to ensure liquidity.

The owner and senior manager stress that important success factors in the restructuring were staff loyalty and commitment. They say this stems from the staff's employment stability, mutual trust, flexibility of management and the benefits package retained during restructuring.

Outcomes of restructuring

The restructuring was carried out within its deadline, and its objectives were achieved, as the group's reduced workforce has maintained the same level of output and is well regarded in the market. Management feel the solidarity experienced throughout a very demanding period has contributed to increased levels of commitment and efficiency from staff. In the early days of restructuring, the atmosphere at work deteriorated and motivation decreased, caused by the redundancies and a temporary loss of confidence in the employer. However, confidence and motivation have been rebuilt. New employees have been hired and a new, more specialised team has emerged, contributing to the group's improved quality of work and services. Initially, the restructuring resulted in a limited amount of services offered by the group, but this allowed a focus on selected areas of activity. Later, the group again began to expand its services, such as technical due diligence.

Management feel that although the restructuring has not directly affected the wealth or social networks of the owner and senior managers, it has to some extent affected everyone involved with the group, their families and friends, and its business partners and customers. Ultimately, however, restructuring has strengthened the group, as it has led to improved specialisation, productivity, motivation and confidence in performing in specialised areas. The business profile has refocused on the most profitable areas. The qualifications of newly employed staff are also more systematically evaluated and checked for their compatibility to the new business profile. Their capacity for self-development has also been more carefully examined.

The restructuring process has not undergone any formal evaluation although, as can be seen, some conclusions have been drawn. These are reflected in the human resource management policies and the group's plans for further diversification. These plans assume further growth in new business areas (such as due diligence): systematic investment in upgrading employees' skills, particularly in marketing and PR, and the networking of staff with mostly technical and engineering backgrounds. A system of employee-assessment plus a new recruitment and selection policy have been developed, as well as contingency plans in case more restructuring is necessary.

Overall, management are positive about the restructuring process. Employees who decided to stay with the company throughout a difficult period are thought to feel the same way, as they can now contribute to new projects and expect a systematic increase of salaries plus the return of other benefits.

Commentary

The management say restructuring a small business is more difficult than in a large corporation, due to the stronger emotional bond between employees and employers. Moreover, in a small firm like theirs, the success of restructuring largely depends on the support of a few well-educated and specialised workers who have to be willing to take on a more diverse range of activities, such as administrative, financial and directly executive roles. The crisis also meant that access to financial and human resources for small businesses was significantly reduced. All these factors resulted in the need for greater effort in communicating with employees. Management feel it is also important that, as soon as possible after a company regains its financial health, it should at least partially compensate its employees for lost revenues or other benefits. At Probuild, the owner and senior manager's openness towards the team and their readiness to respond to questions were absolutely essential.

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Information sources

Interviews

Adam Trybusz, founder and owner of Probuild Group

Antoni Chałupka, CEO of Probuild Sp. z o.o.

Secondary sources

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