


Zakład Włókienniczy Biliński Sp. J.

16 Jul, 2015



Poland

 Organisation size
50-249

 Establishment size
50-249

Type of restructuring

Business expansion
Internal restructuring
Relocation

Ownership

Private

Involved actors

European Commission
National government
Works council
Banks
Others

Management of change activities

Diagnosis of the situation and designing change procedures
Information and consultation of workers or their representatives
(Re)training of affected employees
Other support for affected employees
Supporting the access to finance of the affected organisation
Reorientation of previous productive resources (site/equipment/etc) and diversification measures
Support of networks/partnerships among organisations

Organisational profile



The present company, Zakład Włókienniczy Biliński Sp. J., was established in 2008 as a legal partnership. It is owned by Waldemar Biliński (father) and Kamil Biliński (son), who co-manages the business with his father. Waldemar Biliński (aged 65 years), a co-owner of the company, started to work 45 years ago in the State Cotton Enterprise, in the dyeing and finishing mill. He gradually followed all the stages of his professional career, from the position of foreman to manager of the dyeing mill (in 1989). The other co-owner, Kamil Biliński (aged 35 years),

Waldemar's son, completed engineering studies at the Technical University in Łódź, specialising in the chemical processing of fibres. Kamil has worked with his father at their family business as its director since he graduated from university.

The company's history goes back to 1991, the first year of the systemic transformation in Poland. In that year, Waldemar Bilinski registered the Farbolux-Bilinski fabric dye-works, financing it partly with borrowed credit (the interest rate at 61.5% p.a.). The textile plant initially had one pressure dyeing machine, which was significantly worn out technically and economically, several second-hand tape dyeing machines, one dryer and a Textima calender, which were purchased from liquidated state textile enterprises. In the first year of its operations, the Farbolux-Biliński company employed eight employees in total, including its owner.

Thanks to the commitment of the owner and the crew, the investment credit borrowed was paid off in the second year of the operations. All the revenues were spent on purchasing more modern and efficient equipment, which facilitated a very dynamic business development. By the late 1990s, the Farbolux-Biliński textile plant had state-of-the-art technical solutions for textile machinery manufactured by such international manufacturers as Thies, MCS, Ferraro, Mario Crosta, etc., and quickly obtained the position of local market leader. Its investments reached €1.5 million (2006).

Background to restructuring events



The year 2007–2008 marked the beginning of swift and intense business restructuring.

In 2007 – the period before major development and modernisation took place – Farbolux – Biliński employed 65 persons and used the whole limited production space, which due to the fact that the facility was located in the city of Łódź, could not be extended and developed.

In 2008, an opportunity to purchase modern dyeing works in the nearby town of Konstanty arose. That facility was equipped with modern equipment and had a large production premises. Waldemar Biliński bought out these dye works (with a large share of Danish capital), and acquired its employees. As a result of the merger of the production plants (departments) the current Zakład Włókienniczy Biliński Sp. Jawna (general partnership) was established.

Both production departments that provided the production base to establish and run the present Zakład Włókienniczy Biliński Sp. Jawna dealt with services involving the dyeing and finishing of knitwear and fabrics. This profile of production and services has been maintained until now (2012). Currently the company provides complex services of dyeing and finishing fabrics, selling 23% on the domestic market, 50% on the local market and the remaining 27% in foreign markets. The company specialises in the finishing of various types of knitwear and fabrics. At present, it provides a very diverse technological profile, including dyeing, bleaching, cleaning, tumble drying, trimming, napping and other operations involving processing textiles made of cotton, viscose, linen and wool fibres, and their mixtures, as well as technical products made of aramid fibres.

The main factors that according to the present owner constituted triggers for restructuring include the desire to improve the company's competitiveness and the owner's wish to upgrade technology and production, which facilitated the provision of new and top quality services to customers cooperating with the company.

Restructuring processes



2008 is considered as the beginning of key changes in the business restructuring. That was when the restructuring process followed the following course:

1. In 2008, the Farbolux-Biliński company (today Zakład Włókienniczy Biliński Sp. Jawna) moved to new production premises, which enabled them to develop the plants and

invest in the field of environmental protection, including the recycling of production waste, industrial sewage treatment, etc. The production space increased four times. In autumn 2008, the production was transferred to modern production buildings which were adapted to new types of operations.

2. New and continuously developed production departments started operations, providing new types of production services, particularly in the field of knitwear finishing, cleaning, napping, trimming, digital printing of fabrics, etc.
3. State-of-the-art and digitally controlled production equipment was purchased.
4. In consultation with the Technical University of Łódź, a laboratory to deliver research and technical services, including analyses of industrial sewage began operations.
5. The owners were worried that the Polish market for production services was too narrow after it had increased its production capacity, especially since the company was now able to provide technologically highly advanced services. That knowledge stimulated them to search for and initiate commercial contacts with foreign enterprises, and the new technology facilitated their expansion on foreign markets. Exports to the following new foreign markets began: Scandinavian countries, Belarus, Czech Republic, Slovakia and the United Kingdom.
6. The size and structure of employment was significantly changed. The number of staff was reduced to 200 persons (following the merger of the two production departments) acquired together with the purchased company to the current level (178 persons in 2011), maintaining the same sales volume due to modernisation and purchase of modern machinery, which improved work efficiency. The staff's vocational and qualification-related structure was also significantly changed in terms of expertise. Currently the crew is composed of: 25% of employees with university degrees (engineers specialising in chemistry and mechatronics, etc. in particular), 50% of employees with secondary and basic vocational education, and 25% of employees with elementary education.

All the restructuring-related measures were delivered by the owners based on multi-year plans, which were discussed with the Council of Employees and in production meetings with highly educated and specialised technical staff of the company.

Employees were informed of plans concerning the start-up of the new types of operations and organisational changes in daily production (technical) meetings. In the case of the purchase of new equipment, the manufacturers organise relevant training in their respective countries or in Poland. The plant also organises its own internal training. Apart from daily technical meetings, given the lack of trade unions, employees take part in the business management process through their elected Council of Employees composed of seven members. The scope of the Council's operations and its functions are provided for in the Council Rules of Procedure. It performs the function of an advisory body in the process of planning the use of funds, including social funds.

The restructuring plans involved moving the production facility from Łódź to the production site purchased in Konstantynów (distance of around 30 km), and they were developed in detail as moving machinery and production could not interfere with continuity of delivery of production orders, otherwise the company would be at risk of losing its customers.

The main sources of financing for the development of production and investment purchases included the company's own income and bank credit of a total value of €2,302,277 in 2008. In 2012, the company received state aid (under the EU Structural Funds) amounting to €153,846,00. That funding was spent exclusively on the purchase of a state-of-the-art digital printer.

Challenges and constraints of restructuring



The owner listed the following key problems that occurred during planning and implementation of the restructuring:

- Long waiting time for the decisions on granting Structural Funds aid, and
- Problems of untimely payment of amounts due for services rendered to domestic companies as well as some companies from Belarus and Norway.

Restructuring advice and support



Apart from the Structural Funds used for the purchase of the digital printer, which will facilitate the provision of other types of services and open up new markets, the company did not receive any other external assistance. Any legal, financial and other services used by the company (lawyers, tax consultants, IT and mechatronics specialists) were subcontracted to commercial entities with whom the company had already had long-term cooperation. They were paid for with the company's own income.

Outcome of the restructuring

The restructuring process started in 2008 was implemented throughout that period up to 2012. The plan to shift location and replace the existing machinery and equipment with new and technologically highly advanced assets with high efficiency was continued. New types of production services were launched.

The outcomes of the restructuring that have been accomplished so far, apart from increasing assets of the company and its owners, include:

- A significant increase in production capacity and modernising of production, which significantly extended the scale of operations. Also, the development of contacts, including contacts with foreign suppliers of materials and semi-products, and buyers of finished products.
- Enhanced qualifications of staff and competence of the technical supervision, due to such factors as training courses organised by the company, which were necessary in connection with the purchase and launch of new and more modern machinery and equipment, as well training delivered foreign companies regarding manufacturing machinery and equipment purchased from foreign manufacturers, and then installed and launched by the staff of the selling entity.
- Significant improvement of working conditions resulting from moving the company to new and well-equipped production buildings, the use of a modern production infrastructure, and elimination of harmfulness of the production to the environment accomplished also due to changes in some types of manufacturing activities involving the change of chemical processing into mechanical. In terms of safety at work and working conditions, the separation of the 'wet' processing related to dyeing from the 'dry' mechanical one, is more favourable for staff.
- Higher income earned by staff.

The measures implemented significantly contributed to the current high image of this company. Efforts undertaken by the owners were acknowledged through the award of numerous prizes. The company received the following certificates: Eurocertificate of Corporate Reliability and a range of quality certificates (ISO 2001, 2003). The owner was awarded the title of Textile Leader 2007, Professional Manager of Łódzkie Province, among others.

The direct restructuring outcomes for the company's employees included a pay rise, maintaining a similar employment levels following acquisition of the plant in Konstantynow in 2008, improved staff competence and qualification levels, and maintaining forms of employment favourable to staff: indefinite contracts of employment, although the work is performed under a three-shift system, which is necessary due to the nature of the production process.

From the start of the restructuring measures, major changes in the field of sales, employment and capital purchases took place. They were accompanied by significant changes in the levels of staff salary, which are now higher than the average salary level in the overall textiles industry. These changes are presented in the following table:

• in €				
• in €				
• in €				
• (persons)				
• remuneration in €				

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Staff reactions to the restructuring were different, depending on their years of service and positions. However, there was some resistance to the modernisation of production and the installation of new machinery and equipment in particular, fuelled by the fear of losing one's job, the need for more education and learning how to operate more complex machinery and equipment. In the later period, the staff attitude changed as a result of active awareness-raising measures implemented by the owners and management, which encouraged the staff to identify themselves better with their company. Consequently, efficiency was improved and production flexibility was also greater, due to the need to enter new markets.

Unfortunately some 10% of employees were unable to learn how to operate more modern machinery and to adjust to new production processes. Accordingly, those employees either terminated their employment contracts themselves or were dismissed by the company. Some employees opted to end their employment contracts due to the difficulty and time needed to get from Łódź to the new facility, which was located much further from their place of residence.

New plans concerning business development involve:

- development of the plant and launching a new department (the first one in Poland) for digital printer and cooperating appliances;
- recruiting new and highly educated employees;
- raising the qualifications of the current staff through, for example, training abroad (Italy or Japan).

The owner is of the opinion that the restructuring process was implemented according to the plan that was enforced by developing the appropriate documentation (business plans) required both by the banks in order to receive credits and the institutions which awarded the EU grants.

Commentary

According to the owner, the experience has taught him many lessons, including the differences between restructuring carried out in SMEs and in large companies:

- It is much easier to eliminate personal conflicts in SMEs. As a result of more direct contact with employees, it is also relatively easier to get rid of employee resistance to change and obtain acceptance for such changes.
- There is a shorter path of towards implementing changes and time for their delivery.
- Less bureaucratic burden in the process of application development and fund management.
- Lack of trade unions and supervisory boards in SMEs in comparison to large enterprises.
- Disadvantages include lower credit capacity in SMEs. They also lack their own specialists, including the ones specialising in developing of materials and documentation necessary to obtain external funding. As a result, persons from external organisations have to be hired, which results in increased costs incurred.

The key recommendations regarding public support include the need for assistance in planning and technological know-how transfer as well as development of various forms of consultations in this field. SMEs are left alone to search for such knowledge. The interviewee stated that communication and contacts with the company's staff are of top importance. At first, they are not pleasant, however with time, staff awareness concerning the plans is exceptionally useful in the process of changes. All efforts should be taken in order to convince people about such changes.

An employee who was interviewed on the subject also positively assessed the changes implemented at the Zakład Włókienniczy Biliński company. A 52 year old mechanic with 30 years of service, he had worked at the Farbolux–Bilinski fabric dye-works for 15 years (prior to that he had worked in a large state-owned enterprise). He had no comments or reservations in regard to the planning and restructuring of the company. He emphasised that as a result of restructuring the company did not lose its customers and their number is growing. He stated that the benefits in the case of a smaller company, in comparison to a large one, mainly include better communication and smoother relations among staff, management and company owner.

Author

- Piasecki, University of Łódź

Information sources

Interviews

Co-owner and chairman and an employee of Zakład Włókienniczy Biliński Sp. J.

Company address

Zakład Włókienniczy Biliński Sp. J.

ul Adama Mickiewicza 29

95-050 Konstantynów Łódzki

Company website

www.farbiarniabilinski.pl (<http://www.farbiarniabilinski.pl>)

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Greening