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## Zet Transport, Poland

- Type of restructuring:  
Business expansion
- Employees before restructuring:  
50-249
- Employees after restructuring:  
50-249
- Nace/Sector:  
Transportation / storage
- Country:  
Poland
- Date:  
30/04/2012
- Keywords:  
Globalisation

## Abstract

Increased regulation after Poland joined the EU in 2004, plus growing competition, put pressure on Zet Transport, a transport and freight forwarding business. Its turnover was growing but profit was falling. Two periods of restructuring in 2006–2008 and 2010–2012 saw wide-ranging change, including changing the legal form of the company, extending operations, partial relocation and setting up a subsidiary to service its fleet. The company gained in business and economic terms, although these benefits took some time to become clear.

## Organisational profile

- Transport was established in March 1993 as a private family partnership of Józef, Jan and Józef (junior) Załubscy. Józef and Józef jr. are passive shareholders. Jan Załubski, the company president and main shareholder, had the idea of starting up a business in this form. He holds an MSc in engineering and graduated from Kraków Technical University in 1994. Prior to founding Zet Transport, he had some business experience, as during his studies he ran a small trading company called Bentax.

Zet Transport Sp. z o.o. is a family business specialising in transport services. It is a follow-up of a transport service run by Józef Załubski senior, who was involved in this type of business since 1983. In 1993, two sons, Jan and Józef jr., joined the company wishing to continue the family tradition. The company was originally based in Żbikowice, a village in Łososina Dolna municipality in the Malopolska region. From the start of its operations, the company focused on the development of international transport. Getting an inside knowledge of this trade, careful observation and understanding of economic trends, as well as applying modern technologies allowed the company to build a strong and modern enterprise and its status as a reliable business partner. In a short time, Zet Transport developed its operations with a new office in Nowy Sacz and a transport base for rented vehicles.

From its start-up in 1993, Zet Transport has conducted the same type of activity – the transport of assets and goods, as well as freight forwarding.

The company has branches, in the form of joint ventures, in Slovakia, Ukraine and Austria. The branches are autonomous; they have their own competences and scope of activities. They did not take part in the restructuring, but they complement the Zet Transport offer. The company's staff mainly comprise drivers with a basic education who hold special licences (appropriate driving licence categories) that authorise them to drive trucks. The company is international due to the number of operations carried out in foreign markets, its clients and its suppliers. Only 20% of customers are local, while 30% are national and 50% are foreign (international). The company has a corporate social responsibility policy, which was developed in 2007 in the course of the restructuring process described in this case study. However, it does not have trade unions or employee representatives (employee council).

## Background to restructuring event

Since 2005, company turnover had been growing, while profit was declining. This was a result of a complete change of parameters (new legal regulations after accession to the EU) in the sector, which mainly came into effect following Poland's accession to the EU and increased competition in the sector. That is why the implementation of the restructuring process was necessary. It also allowed the company to ensure the stability of its operations, protect its staff from dismissals and search for new strategies in the new market conditions.

Obtaining outsourcing contracts from SGL Group (one of the world's leading manufacturers of carbon-based products) was a key decision in the corporate development strategy.

Changes occurred as a response to the changing business environment and increased competition in the market. Growing labour costs, on the one hand, and changing requirements for the transport sector and efficiency of its operations, on the other, forced the decision on amending the investment strategy in terms of obtaining vehicles. Decisions on implementing restructuring measures were usually made three to six months in advance by the owner and the board of management, including middle management.

Adapting to the changing market parameters and openness to other options, such as a merger with another transport company, capital injection and so on were the main reasons for restructuring.

## Restructuring processes

The company underwent two stages of restructuring in 2006–2008 and 2010–2012. The restructuring processes involved several measures.

- The legal form and status of the company was changed from private partnership to limited liability company (spółka z ograniczoną odpowiedzialnością or sp. z o.o. in Polish). The change of its legal form resulted from the development strategy adopted. A one-person management was established. The company has no supervisory board or auditing committee.
- The decision to change the legal form was due to both planned investment measures and the need to limit risk. The limited liability company is a universal economic structure, which depending on needs and the specific strategy, may take different approaches to obtaining capital.
- The company's operations were extended through the insourcing of loading and unloading of trucks, and packaging and pallet making. This implemented a management strategy that was modified following the restructuring process, and which involved the generation of alternative revenue earned from activities associated or complementary to the main activities.
- A partial relocation was implemented through establishing joint ventures (search for a new location for the business due to the tax and labour regulations) with local and well-known partners in Slovakia, Ukraine and Austria, to provide services for these markets, and to the east and south of Europe. The aim was to activate an operational structure in these specific countries both to search for additional business through obtaining new customers as well as to provide a better standard of service to current customers.
- Servicing and sale of spare parts have been allocated to Truck Partner Sp. z o.o., a new subsidiary that has 11 employees and developed on the basis of Zet Transport's experience. It was established to service the Zet Transport fleet. Previously, the company's fleet was serviced by Zet Transport to certain extent, or servicing was outsourced. Both companies are managed by Jan Załubski. At the initial stage of developing the fleet, having appropriate support services was of key importance as Zet Transport purchased imported second-hand vehicles.

The final decision was made by the owner and company's board of management. It was focused on implementation of a follow-up development strategy after the restructuring, which was based on the company's own concept and implemented independently, excluding any capital injection, which had been initially considered.

Restructuring measures commenced without any formal (that is, written) restructuring plan. However, they were all delivered based on an informally defined plan and assumed objectives. The timetable of specific measures was modified in accordance with changing market conditions.

The company had to address economic situation and changing market and political conditions and correct the restructuring process as it proceeded. Examples of that approach include responding to the need of a key customer to receive the additional service of loading and unloading goods in this customer's premises, and extending operations with making pallets and packaging. The decision on joint organisation of the Euro 2012 football championship by Poland and Ukraine was another key element – the company perceived this event as an opportunity to increase the volume of cargo and trade outside of EU territory. It was an additional argument for establishing a company in Ukraine. (These changes were part of restructuring process and were associated with insourcing and relocation.)

The Truck Partner company was established to meet Zet Transport's service needs and is located in the local market. It continually developed its operation and provides services to other transport companies in the region.

Financial restructuring was delivered exclusively with the company's own funds and through a modified form of leasing. New vehicles were financed through a new and 'special' structure for financing the leasing of vehicles developed by the company's board of management and delivered by Millennium Leasing. This enabled the company to complete the financing of a given vehicle at any time (without the need to wait until the end of the financing period laid down in the contract). This helped to reduce technical costs generated by use of the vehicles under the warranty period.

Employees were informed of planned changes and measures to be implemented during information meetings that took place prior to and during restructuring. In general, they demonstrated understanding and active participation (without strikes) in the restructuring process. The favourable approach of the employees towards the planned restructuring resulted from the fact that the company pursued an active information policy and encouraged acceptance of the restructuring strategy adopted. That allowed the company to maintain the same number of staff, upgrade working standards and improve the company's position.

Each department implemented the restructuring measures allocated to it. The company's organisational units implement the strategy according to the separation of corporate duties and responsibilities. The operational tasks of the freight forwarding department had to be optimised in terms of availability of vehicles, emphasising the maximum use of working time by the drivers, reducing the so-called empty kilometres and amending fuel policy. Those changes required that the former financial settlement process, information flow had to be modified, and workflow developed and implemented. The other departments of the enterprise were involved in drafting new guidelines, and, where necessary, staff underwent IT training in computer software and new solutions.

## **Challenges and constraints of restructuring**

The main problems related to human resources, that is lack of knowledge and skills among the staff. New tasks required employees to change their way of working. Other problems concerned legislative changes and adaptation to EU requirements.

Another element that caused modifications to the planned restructuring process was the lack of stability in the euro exchange rate, which in the Polish economy strongly affects both the price of fuels and the balance of the cargo mass intended for transport on the market.

## **Restructuring advice and support**

In the course of the restructuring process, the company sought IT support, access to know-how and training. It received EU-funded support under the Phare 2002 programme for the 'purchase of hardware and software to modernise teleinformation network'. Cofinancing granted by the Polish Agency for Enterprise Development reached 50%, with the same level of match funding.

In order to address changing market conditions and when starting the restructuring, the company made efforts to upgrade vocational qualifications of its staff through professional training. In this context, training cofinanced by EU funding was also used. In 2007, management took part in the Interpersonal Communication and Motivation course. In 2008, all staff of the freight forwarding department, the company's operational department, were trained in selling techniques for the freight forwarding sector. In parallel, commercial transport-related training was made available in response to changes in areas such as new EU legislation, on an ongoing basis.

The owner is of the opinion that obtaining funds is difficult due to the obligatory procedures. Many EU cofinanced projects also exclude participation of transport companies – or immediately reduce the scoring in an evaluation if an applicant operates in the transport sector. Funding provided under this type of assistance may not be spent on purchase of new vehicles.

## **Outcomes of the restructuring**

Restructuring followed in accordance with the restructuring plan adopted. It accomplished the goals set both for the company and its employees. Maintaining the same number of staff and avoiding dismissals was one of the objectives successfully accomplished that were of importance to employees.

The structure of management was also changed by changing the legal form of the company into a limited liability company. The strategy of actions and restructuring plans convinced the owner that it would be easier to restructure the company by changing its legal form. Moreover, as has already been explained, it provided a formal structure to facilitate any future capital solutions.

The outcomes included the requalification and reorganisation of staff. Staff were trained in how to operate in the open EU market. The way drivers used their working time had to be reorganised, and this was facilitated by a specially developed, dedicated tool for carriers to help them to plan their work. It enabled online tracking of both the vehicle and driver's available working time in order to select appropriate tasks, which contributed to increased efficiency in vehicle use. Working hours and time of the company's staff remained unchanged.

Among various outcomes achieved, the introduction of an incentive scheme (bonuses) for operational staff is worth emphasising. Acquiring new skills and competences resulting from changes in work organisation is also of importance. In order to address challenges, the board decided upon providing the staff of the shipment department with Transics software tools to support the operational process. In this context, the shipment

department staff and drivers had to undergo training to learn to use the equipment and change their structure of operations. The use of modern information technologies in planning and freight forwarding enhanced the quality of services. Transics software also facilitated exchange of information among employees.

The restructuring measures protected the staff from dismissals, and since 2006, the number of staff has been growing steadily. In 2006, it reached 125, with 89 drivers, 6 involved in loading and unloading and 30 others. Currently (2012), the company employs 155 people where 103 are drivers, 16 are loading team staff and make pallets, and 36 work elsewhere in the business.

Positive outcomes of the restructuring measures, economic ones in particular, were not immediately apparent. It was a long-term process that is easier to assess from a longer perspective. A small improvement in the company's financial situation was observed in 2007, when a loss smaller than in 2006 was recorded. In the second stage of restructuring, which took place between 2010 and 2012, net income was significantly better. In 2011 the company recorded a profit, which facilitated capital investments including purchase of new trucks.

## Commentary

In general, the outcomes of restructuring were beneficial as market potential was extended. Employees' career prospects improved, due to the acquisition of new skills, opportunities for professional development and new responsibilities. In its strategic plans, the company expects to enter into new markets and to enhance its market offering, and in terms of its staff, opportunities for further upgrading of their qualifications and new skills acquisition through vocational training and courses.

Listing key differences between restructuring of SMEs and large enterprises, the owner stressed that in small and medium-sized enterprises, the restructuring process is faster than in large enterprises.

Disadvantages for SMEs include the lack of relevant knowledge, know-how and funds to finance restructuring processes, while advantages include less company 'inertia' and accelerated decision-making process and execution of the decisions.

The recent experience of Zet Transport indicates that restructuring should be implemented more dynamically. Introducing restructuring changes faster would save time and resources.

Mr Załubski thinks that the key issue that should be recommended in terms of public support for planning and implementing restructuring by businesses is greater tax flexibility for restructuring enterprises and introducing 'friendly' procedures and service from public authorities. 'Careful observation of the business environment, monitoring market trends, benchmarking and anticipating changes on the market' were further recommendations.

1. Kogut, an employee (35 years of age), shared her opinion on Zet Transport restructuring. Ms Kogut has worked for Zet Transport for five and a half years as the board's representative responsible for the quality management system. (Before joining Zet Transport, she worked in a school and in the brewery industry.) She took part in the restructuring process, and had direct contact with the staff of the freight forwarding, finance, IT and human resources departments as well as with the company's board. Ms Kogut benefited from the process by gaining restructuring-related know-how and experience. Her role in the restructuring process involved dissemination of information, training and overseeing introduced changes. In connection with the quality management system, she took part in amending the existing procedures or developing new ones. Drafts were developed in cooperation with representatives of the specific departments. Presenting new solutions and training in the field of new methodology of operations was another stage.

Ms Kogut thinks that due to the restructuring, the company gained benefits through insourcing of loading and unloading of goods and making pallets and packaging, which allowed it to keep its current customers. Similar benefits were gained as a result of the partial relocation to Slovakia, Ukraine and Austria. Implementation of the Transics IT system was another benefit. The system reorganised work of the company's staff and additionally prepared the operational structure for additional vehicles, without the need of employing extra administrative staff.

Employees were not involved in the decision on implementing restructuring. However, they were informed and familiarised with the restructuring projects planned. They were able to present their conclusions, comments and even doubts, which were considered by the management. That process took the form of consultations with the staff concerning operational potential in terms of implementation of restructuring plan. It was attempted to identify tools necessary to accomplish that objective – for example, access to data via remote desktop (in case of Zet Transport Ukraine or Zet Transport Slovakia), or a single programme to manage repairs in case of Truck Partner.

There were no staff dismissals or reductions. Employees received support to requalify in the form of training and courses. As a result of information meetings organised by the management, the employees started to understand the process and actively supported implementation of the changes. The company employed staff responsible for preparing and training new employees from the branches in Slovakia and Ukraine. Their stay in the company's base in Nowy Sacz provided an opportunity to get familiar with the procedures and general operational rules enforced in the transport and freight forwarding company. The IT department received the task of developing a platform for sharing information about loads and vacant vehicles, which gave a competitive advantage of the company.

Mutual cooperation was also translated into other areas of the company's operations, such as recruitment of drivers from Ukraine. Opening of European markets resulted in the migration of Polish drivers to the EU states, thus drivers from the east became an alternative. In this context, the HR department staff had to learn procedures of recruiting staff from non-EU states.

Staff showed creativity and entrepreneurial behaviours. They acquired new skills and competences. Rapid development of the company between

2004 and 2008 resulted in a problem of recruiting drivers holding required vocational qualifications. The changes were implemented in an optimum manner, during the process of planning and implementation.

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## Information sources

### Interviews

1. Załubski, President and main shareholder
2. Kogut, Quality Manager

### Company address

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### Company website

1. [www.zettransport.pl](http://www.zettransport.pl)
- [European Monitoring Centre on Change - EMCC](#)
    - [About EMCC](#)
    - [European Restructuring Monitor](#)
      - [About the European Restructuring Monitor](#)
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    - [Future of Manufacturing in Europe \(FOME\)](#)
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