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THE ROLE OF PRIVATIZATION AND RESTRUCTURING IN THE DEVELOPMENT OF NATIONAL SUGAR JOINT STOCK COMPANY (KRAJOWA SPÓŁKA CUKROWA S.A.)

Key words: privatization, restructuring process of companies, development, functioning in the international arena, creation of modern enterprises

Abstract:

The paper presents a selected example of privatization and restructuring of the Polish agri - food economies in transition as an example of the National Sugar Company SA. The next steps of the restructuring process of companies which were forced by the necessity of adapting to the requirements and standards of the market economy, as a future great group functioning in the international arena were presented. The research hypothesis that properly designed and adopted a strategy of transformation of privatization led to the creation of modern enterprises was positively verified. Restructuring programs have proved effective and contributed to a significant increase in the value of companies not only in Poland but also abroad.

1. Introduction

Period of six years of the Polish economy in the EU structures can be considered sufficient to attempt to make assessment of the level of privatization and restructuring of agri – food sector, which followed in the phase of transition and transformation and have been necessitated by the need to adapt to the requirements of organizational units and standards of the market economy. Privatisation of state enterprises was launched in 1990, by the enactment of the Law on privatization of state enterprises and the creation of the Office of the Ministry of Privatization¹. In subsequent years, the privatization process was governed by the Law on Commercialization and Privatization of state enterprises, and additional legislation². On the basis of the provisions contained in those instruments used three basic methods of proceeding in the privatization of state enterprises were launched: the commercialization of the company - that is transforming a company wholly owned by the Treasury, direct privatization based on

¹ Ustawa z dnia 13 VII 1990 r. o prywatyzacji przedsiębiorstw państwowych (Act of 13 VII 1990 on the privatization of state enterprises) (Dz. U. Nr 51, poz. 298) z późniejszymi zmianami.

² Ustawa z dnia 30 VIII 1996 r. o komercjalizacji i prywatyzacji przedsiębiorstw państwowych (Act of 30 VIII 1996 on commercialization and privatization of state enterprises) (Dz. U. Nr 118, poz. 561) z późniejszymi zmianami obowiązująca od 8 IV 1997 r., Ustawa z dnia 25 IX 1981 r. o przedsiębiorstwach państwowych (Act of 25 September 1981 on state enterprises) (Dz. U. 1991 Nr 18, poz. 80) z późniejszymi zmianami, Ustawa z dnia 19 X 1991 r. o gospodarowaniu nieruchomościami rolnymi Skarbu Państwa oraz o zmianie niektórych ustaw (Act of 1919 X 1991 agricultural property of the Treasury and amendment of some laws) (jednolity tekst Dz. U. 2001 Nr 57, poz. 603) z późniejszymi zmianami, Ustawa z dnia 30 IV 1993 r. o narodowych funduszach inwestycyjnych i ich prywatyzacji (Act of April 30, 1993 on National Investment Funds and their Privatization) (Dz. U. Nr 44, poz. 202) z późniejszymi zmianami.

the disposal of the assets of the company by the founding body and the liquidation of an enterprise - even by the founding body. The process of privatization is also subject to the assets of former state farms, which were then incorporated into the Agricultural Property Stock of the Treasury³. Seized property, which now has been subject to Agricultural Property Agency, was processed during restructuring process and privatization. The main objective of privatization processes in the Polish economy was to increase the competitiveness of enterprises in the international arena, increase their effectiveness, independence and sovereignty and their allocation of capital through the stock exchange mechanism. They had to bring tangible benefits to the economy by reducing state resources involved in the general activity state, the elimination of subsidies and grants, and focus on free movement of domestic and foreign capital. A step in parallel with privatization process was the restructuring process carried out, which in various dimensions has been introduced in the majority of enterprises privatized. The restructuring process consisted of activities which are diagnostic - a design that had improved the management and executive in the enterprise, taking into account environmental conditions and the proper use of its own potential⁴. As noted by A. Nalepka the effects of restructuring are visible in the long run, because their implementation is an intensive labour, requires overcoming many barriers and to address the nature of organizational, technological and social – psychological aspects of management. Planned changes must take place gradually and in the long term. Restructuring must be action oriented, deliberate, and based upon the experience and precise plan and scheduled activities. Implementation of the restructuring program is the responsibility of company management, which regulates the changes, adopting a different strength, range and direction of actions⁵.

The restructuring program is to realize its objectives, which can be divided into economic - for the effective functioning of enterprises in the changing market conditions, and social goals - which were intended to mitigate the negative social impact of the changes carried out. The restructuring program by R. Borowiecki should include elements for the development and modernization of enterprises and system changes that should be linked to:

- Transformation of technical - technological and transformation of range of products (as restructuring in question);
- the transformation of legal, organizational and economic aspects (as restructuring operators)⁶.

At the beginning of transformation processes in Polish economy, many authors treat the restructuring process as an essential element of the transformation that is a “system reconstruction, modernization or upgrading, or contemporization organizational structure and operating principles of business, which has a complex, multidimensional and protracted nature, and its premises are making in emergencies development of structures affected”⁷. The main objective of the restructuring process was to ensure minimum conditions for survival in the longer term move towards the development company operating in a changing, competitive environment. This was to be reflected in the pursuit of improved economic performance, and especially in reducing costs and developing a profit. In the longer term restructuring process

³ Ustawa z dnia 19 października 1991 r. o gospodarowaniu nieruchomościami rolnymi Skarbu Państwa oraz o zmianie niektórych ustaw (Act of 19 October 1991 on the agricultural property of the Treasury and amendment of some laws) (Dz. U. 2004 Nr 208, poz.2128) z późniejszymi zmianami.

⁴ A. Belniak, K. Firlej, T. Bober, *Proces restrukturyzacji polskich przedsiębiorstw w okresie transformacji i jego determinanty w sektorze gastronomicznym*. Zeszyty Naukowe Wydziału Ekonomii i Stosunków Międzynarodowych, Nr 2, Uniwersytet Ekonomiczny w Krakowie, Kraków 2007.

⁵ A. Nalepka, *Zarys problematyki restrukturyzacji przedsiębiorstw*, Antykwa – Kraków 1998, s. 24.

⁶ R. Borowiecki, *Restrukturyzacja a procesy rozwoju i kreowania wartości przedsiębiorstw*, Akademia Ekonomiczna, Kraków 2002, s. 40.

⁷ Borowiecki R., [red.] *Zarządzanie restrukturyzacją procesów gospodarczych. Aspekt teoretyczno-praktyczny*, Difin, Warszawa 2003, s. 73.

was about to increase the competitiveness of the company, build competitive advantage and increase market value of the company. An important aspect was to ensure maximum integration of activities, creation of modern culture and the promotion of innovation.

Period of the Polish economy can be divided into two stages, first among which is the introductory phase of a large community of nearly 500 million European society and the second beginning in 2007, the global economic crisis. The Polish economy has been subjected to at the beginning of integration, therefore, forced to adapt in a general new economic system, to later meet the difficult period of economic crisis experience, which, despite the fact that was launched in the United States, triggered a much more negative effects in most developed countries of the European Union. Managers of many Polish companies have to verify their strategies, which were mostly developed on the basis of many modern management paradigms already in force in the European Union. The initial period of economic crisis has been extremely difficult for many companies that get into debt due to the improper use of its currency options business⁸, or the inability to quickly review their objectives and strategies. Taking into account the disadvantages that stood in the way of businesses managers who participated in restructuring process and privatisation of Polish entities, one can distinguish among them those using the best period of transition for the positioning of both the internal market and international market. In the agri – food industry, it included the privatization of enterprises previously operating under the auspices of the state, which functioning under the various privatization procedures (in food processing, in the 80's, 16,000 craft firms were functioning). The changes of ownership in enterprises of Polish agri - food industry were inevitable, and they were the source of the transformation occurring throughout the industry. Similar targets were also placed on the privatized agencies, and in relation to these entities were the same as for other companies. As an example of the key objectives of microeconomic privatized business units can be presented: the transformation of productive and organizational structure, the modernization of production techniques and technologies, efforts to increase competitiveness and productivity, as well as to stimulate exports. Privatisation of the Polish agri - food industry raises a lot of controversy among economists (e.g. lack of broad participation in the agricultural producers), which both parties can be justified, but on the other hand, remember that it was the only and right way of transformational transformations made in our economy . It is also possible for the purposes of this research to develop a hypothesis that properly designed and adopted, a strategy of transformation of privatization led to the creation of modern enterprises, where restructuring programs have been successful, and despite the fact that sometimes spontaneously followed contributed to a significant increase in their value not only in the country but also internationally. An example of such enterprises in the agri – food industry is the National Sugar Company SA in Torun, which origin and function will provide a background to verify the claim staked.

⁸ W większości inwestycje te polegały na zawarciu z bankiem umowy na złożone instrumenty pochodne nazwane „zerokosztowymi”. Przedsiębiorstwo stawalo się nabywcą opcji typu Put i jednocześnie wystawcą opcji typu Call. Obie opcje były zawierane na innym kursie EUR/PLN i nie były symetryczne. Opcja Call, w większości wypadków, opiewała na 2 razy większą pozycję niż opcja Put. Silne osłabienie kursu złotego spowodowało, że inwestorzy ponieśli straty, co w niektórych przypadkach doprowadziło ich do upadłości. In most of these investments consisted of the conclusion of the agreement with the bank to complex derivatives called „unpaid”. The company became a buyer of a Put option, while a call option issuer. Both options were made on another exchange rate EUR / PLN and were not symmetrical. Call option, in most cases, amounted to 2 times greater than the option position Put. Strong depreciation of the zloty exchange rate meant that investors have suffered losses, which in some cases led them to bankruptcy.

2. National Sugar Company SA – factography

National Sugar Company SA in Torun was founded in August 2002 and is currently the largest in Poland and eighth-largest sugar producer in Europe⁹, as well as the largest company in the agri – food industry. The first year of the National Sugar Company, the company competed with large unpaid debts and obligations taken over from the sugar factories with outdated infrastructure facilities was very difficult for it. The company then had to operate in deregulated and volatile sugar market, and in a precarious legal - organizational situation. At that time, its main purpose was to pay off the resulting drop in the acquired plants of debt, build and implement of the restructuring process, the creation of new patterns of trade, addressing new markets and begin the process of investments in sugar factories seized. The value of the share capital at the time of the creation was PLN 478,056,226.00, which after five years of operation has doubled. It is the company resulting from the consolidation of the three primary sugar companies that were merged into a holding company under the decision of the Minister of the Treasury. After a year of operation on 30th September 2003, the company was transformed into a corporation, composed of 23 sugar mills operating entered as joint stock companies. The share of companies in the domestic market of nearly 40 percent, and in terms of sales revenue and capital is one of a hundred largest companies in Poland. Since 30th September 2003, the company operates as a single nationwide corporation, which includes eight previously separate branches of joint stock companies. The Company also holds a majority stake in a sugar factory Leśmierz SA. National Sugar Company SA, as plants has extensive experience in the market and is located in eight provinces¹⁰. The performance of the company involved more than 18,000 growers from nearly 75 thousand hectares area, who supply over 3 million tonnes of beet annually. All plants produce sugar, which corresponds to European standards, whose clients are both considered to Polish companies and prestigious international companies¹¹. The leading purpose of the National Sugar Company SA since the beginning of taking action is aimed at developing high quality standards and high positioning the company internationally. To achieve the target, the company in 2003 launched a process of profound restructuring, which was to reduce costs, improve profitability and concentration of production in the biggest and strongest of its plants. One of the stages of restructuring process was carried out in the National Sugar Company SA is to implement a comprehensive investment program in Polish sugar factories, whose value exceeded 300 million PLN. National Sugar Company SA from year to year is getting higher rankings the top 500 companies prepared by Rzeczpospolita daily and weekly “Polityka”. NSC, as one of the best businesses and exporters, which are taken into account, such as economic size: the size of revenue, indicator of profitability and net income, or employment and investment. The company is also among the 100 most valuable companies in Poland, which ranking is published by “Newsweek”.

⁹ Krajowa Spółka Cukrowa S.A., <http://www.polski-cukier.pl/index.php?strona=5>, dostęp 1.06.2010 r.

¹⁰ W skład Krajowej Spółki Cukrowej S.A. w Toruniu wchodzi następujące zakłady: (The National Sugar Company SA in Torun, includes the following establishments:), „Cukrownia Dobrzelin” w Dobrzelinie, Fabryka Cukierków „Pszczółka” w Lublinie, Cukrownia „Kluczewo” w Stargardzie Szczecińskim, Cukrownia „Krasnystaw” w Siennicy Nadolnej, Cukrownia „Kruszwica” w Kruszwicy, Cukrownia „Malbork” w Malborku, Cukrownia „Nakło” w Nakle, Cukrownia „Werbkowice” w Werbkowicach. Ponadto Krajowa Spółka Cukrowa jest większościowym akcjonariuszem Cukrowni „Leśmierz” S.A/ w Leśmierz oraz Cukrowni „Mełno” w Mełnie.

¹¹ Ibidem.

3. National Sugar Company SA as an example of transformation of privatization and restructuring process

The origins of the National Sugar Company SA are to be found as early as 2000, when work began on the creation of the “Polish Sugar”. From the end of 2000 the Treasury has entered into a conditional agreement to sell 95% stake in the Silesian Sugar Company SA, to a French company moose Saint Louis Sucre International SA, which controlled the 16 sugar mills, and had almost 17% share in the domestic production of sugar and was the only one of the four sugar companies privatized as a whole, because other companies were included in the regional privatization program¹². In 2001, after the entry into force of the Law of 21 June 2001 on the sugar market¹³ a National Sugar Company SA was established, whose members were to enter factories, which at that time had not yet been privatized. This Act was amended on 26 March 2002, and subsequently adopted by the Council of Ministers. Its content is assumed to merge into a single holding company, “Polish Sugar”; all sugar companies, both companies with 100% state-owned sugar refineries, along with where it has at least 75% of the shares. Thus was created to combine sugar companies, in which its shares could also have employees and growers, who began issuing shares¹⁴. Thus began the implementation of a strategy to create the most powerful entity in the sugar market, with the aim of controlling it by employees and growers. Implementation of this strategy was to run three steps, and in the beginning there were no indications of any difficulties that would occur in practice its implementation. The consolidation process proceeded according to the following steps:

- First stage - with its combination of sugar and sugar free issue of shares to eligible employees and growers. The result of that consolidation was supposed to be linking workers and growers, the National Sugar Company SA, an entity which is owned by them.
- Second stage - the sale of shares paid for sugar companies (when combined with sugar refineries) to employees and farmers, so that the share of the Treasury in the company of sugar does not exceed 50% of the total number of shares.
- Third stage - the creation of a single entity in which workers and growers will have the majority of the shares as a result of the merger of sugar, which took at least 50% of the shares. The new entity was to be called “Sugar Polish Joint Stock Company”¹⁵.

The difficulties occurred in the case of the Silesian Sugar Company SA, as its shares have been blocked by a court to secure the actions, which for the creation of the National Sugar Company “Polish Sugar” was necessary to amend the Act on the sugar market. For this reason, until 26th August 2002 the National Sugar Company Sugar Polish SA was not created, which was an increase in the share capital of Mazowsze-Kujawy SA Sugar Company by contribution in kind, belonging to the Treasury, shares of the two sugar companies such as Lublin-Małopolska Company Sugar SA and Poznańsko-Pomeranian Sugar Company SA¹⁶.

¹² *Ocena przebiegu prywatyzacji majątku Skarbu Państwa w 2000 roku*, <http://prywatyzacja.msp.gov.pl/download.php?s=5&id=8>, dostęp 5.06.2010 r. (Assess the course of privatization of assets of the Treasury in 2006)

¹³ Dz.U. Nr 76, poz. 810.

¹⁴ Ogółem w 2000 r. w procesie nieodpłatnego udostępniania akcji/udziałów, w oparciu o wszystkie ww. ustawy uprawnieni rolnicy i plantatorzy 15,4 mln akcji/udziałów o wartości nominalnej 0,1 mld zł. (Overall in 2000 in the free sharing of shares, based on all the above. Act empowered farmers and growers of 15.4 million shares with a nominal value of 0.1 billion zł), <http://prywatyzacja.msp.gov.pl/download.php?s=5&id=8>, dostęp 5.06.2010 r.

¹⁵ *Ocena przebiegu prywatyzacji majątku Skarbu Państwa w 2001 roku*, <http://prywatyzacja.msp.gov.pl/download.php?s=5&id=7>, dostęp 5.06.2010 r. (Assess the course of privatization of assets of the Treasury in 2006)

¹⁶ *Ocena przebiegu prywatyzacji majątku Skarbu Państwa w 2002 roku*, <http://prywatyzacja.msp.gov.pl/download.php?s=5&id=6>, dostęp 5.06.2010 r. (Assess the course of privatization of assets of the Treasury in 2006)

In 2003, construction began on a preset schedule, and consistent with the target structure of the National Sugar Company SA process involving the incorporation of its subsidiaries. On May 30th, 2003 has been called “a great merger”, or call of 24 factories in a large corporation, which was the first of such large scale in Poland¹⁷. With the merger the National Sugar Company SA it acquired their wealth with all their rights and obligations which have contributed to the unification of legal and organizational structure of the company. On this day, over 100 thousand growers and more than 12 thousand co-workers has become a national concern in the design standards in many EU countries. The merger is called the incorporation of subsidiaries accounted for the beginning and necessary condition for the further transformation of a restructuring that whereas a difficult financial situation of some sugar mills and the difficult market situation, displayed a surplus of sugar and low prices, forced the company to seek opportunities and financial support from external sources. In addition, incorporation of companies in the group NSC Polish Sugar SA led to the creation of one of the largest Polish companies belonging to the 20 - hundred largest in terms of amount of capital (more than 800 million PLN) and at 85th place in terms of sales (nearly 1.5 billion PLN net), which employs more than six thousand people and in possession of nearly 40-percent share of the domestic sugar market¹⁸.

In addition to the launch, the incorporation of previously developed a restructuring program that was required to obtain and take a competitive position in the sector has begun. During this period, the process of transforming the National Sugar Company SA used the aid to finance both the restructuring processes in the areas of employment, as well as property and finances. Litigation in relation to the subordinate factories was also fought (such as the Silesian Sugar Company SA), whose shares were sold. National Sugar Company SA has also introduced in 2003, a modern management system “Egeria” prepared by ComArch SA, whose task was to ensure communication between the IT company headquartered in Toruń, with the remaining sugar plants, which operate throughout the Polish area¹⁹. The program implemented by the company ComArch not only improved the management at headquarters

¹⁷W skład koncernu weszły: (The group included:) Cukrownia „Borowiczki S.A.” w Płocku, Cukrownia „Brześć Kujawski S.A.” w Brześciu Kujawskim, Cukrownia „Częstocice S.A.” w Częstocicach, Cukrownia „Dobrzelin S.A.” w Dobrzelinie, „Cukrownia Janikowo” w Janikowie, Cukrownia „Klemensów” w Klemensowie, Cukrownia „Krasnystaw” w Siennicy Nadolnej, Cukrownia „Kruszwica” S.A w Kruszwicy, Cukrownia „Leśmierz” S.A. w Ozorkowie, Cukrownia „Lublin” S.A. w Lublinie, Cukrownia „Łapy” S.A. w Łapach, Cukrownia „Malbork” S.A. w Malborku, Cukrownia „Mała Wieś” S.A. w Małej Wsi, „Cukrownia Nakło” S.A. w Nakle, Cukrownia „Nowy Staw” w Nowym Stawie, Cukrownia „Opole” S.A. w Opolu Lubelskim, Cukrownia „Ostrowy” S.A. w Ostrowach, Cukrownia „Rejowiec” S.A. w Rejowcu, Cukrownia „Sokołów” S.A. w Sokołowie Podlaskim, Fabryka Cukru w Tucznie, „Cukrownia Werbkowice” z siedzibą w Werbkowicach, Cukrownia „Woźuczyn” S.A. w Woźuczynie, Cukrownia „Żnin” S.A. w Żninie oraz spółki usługowo-handlowej „Cukrownie Toruńskie” S.A. w Toruniu.

¹⁸ www.polski-cukier.eu/index.php?strona=85&wiecej=428, dostęp 8.06.2010 r.

¹⁹ „Egeria” jest nowoczesnym systemem, którego głównym zadaniem jest wspomaganie nowoczesnego zarządzania średnim i dużym przedsiębiorstwem. „Comarch Egeria” został stworzony w oparciu o przepisy i standardy polskiego prawa z uwzględnieniem wymogów stawianych przed nowoczesnymi systemami informatycznymi wspomagającymi zarządzanie. System jest zgodny z obowiązującym stanem prawnym, w zakresie ogólnie obowiązujących przepisów prawa, jak również szczegółowych regulacji dotyczących podmiotów sektora publicznego. System posiada budowę modułową oraz charakteryzuje się wysokim stopniem konfigurowalności, co pozwala na dostosowanie go do indywidualnych potrzeb i wymagań instytucji publicznych. („Egeria” is a modern system, whose main task is to support modern management of medium and large enterprise. „Comarch Egeria” was created based on rules and standards of the Polish law with the requirements of the modern information systems which support the management. The system is compatible with the current legal status, the general provisions of law, as well as the detailed arrangements for public sector entities. The system is modular and is characterized by a high degree of configurability, which allows you to customize it to their individual needs and requirements of public institutions.) http://www.comarch.pl/administracja_publiczna/produkty/administracja_publiczna/comarch_egeria, dostęp 6.06.2010 r.

and various branches of the company, but also harmonized business processes and raised the quality of customer service. A positive aspect of the program was the introduction of full integration of the company, including the flow of data about its finances, as well as accounting and all activities related to logistics and sales across all functioning in the country's organizational units. These were considered as very important and significantly contributing to the innovative restructuring of the company, and its transformation in modern managed a large and consistent nationwide company, that successfully finds its place among the other sugar-producing companies in the international arena. As part of the company's privatization process began issuing free 15 percent of shares to workers and growers, which resulted from the provisions of the amended Act on the sugar market, the Law on the Agricultural Market Agency and the organization of some agricultural markets. Operation was carried out to ensure that workers and growers ownership stake in the National Sugar Company SA, and reciprocal free trade in shares.

In 2004, wide-ranging activities of a restructuring have started, aimed at reducing production costs by optimizing spare capacities and proceeded to the practical completion of the implementation of the total extinction of sugar production provided for the years 2003 to 2004 in seven sugar factories. These activities were made possible under the Act of 26th August 1994 for ownership transformations in the sugar industry, which was used by the Council of Ministers and, which on 30th November 2004 issued an ordinance concerning the privatization program of the National Sugar Company and the mode of disposal of shares in the company's sugar beet growers and workers²⁰. On the basis of this regulation has been established:

- the privatization program of the National Sugar Company SA;
- the mode of disposal of shares in NSC SA only to sugar beet growers, production contracts associated with that company and its employees;
- a way to pay for shares in NSC SA in instalments²¹.

At the same time a modernization program was launched and implemented, which aimed to improve the competitiveness of the National Sugar Company SA, a program of social protection and utilization of redundant assets in a manner enabling the creation of new jobs outside the sugar industry. In implementing a restructuring program four factors were taken off sugar production in 2004, that were the following plants: Sugar "Borowiczki SA" in Plock, Sugar "Klemensów" in Klemensow, Sugar "Sokolow SA" in Sokolow Podlaski, and Sugar "Žnin SA" in Žnin. The decision and the choice of these factories were analyzed in detail on many factors such as: the distance from the beet farm, sugar production capacity, their capacity for development and economic performance. There were also attempts to minimize the effects of restructuring in relation to workers made redundant by running alternative economic activities in the sugar factories being wound and providing specific actions of a sheath. It was also confirmed that the growers will retain the opportunity to supply raw material to the National Sugar Company SA and will retain the existing *status quo* as suppliers.

The year 2005 for the National Sugar Company SA is the action to complete the incorporation of the company, which was based on a combination of companies²². At the same time their mode of disposal of shares in the company's sugar beet growers and workers

²⁰ Dz.U. z 2004 r. Nr 264, poz. 2628.

²¹ *Ocena przebiegu prywatyzacji majątku Skarbu Państwa w 2004 roku*, <http://prywatyzacja.msp.gov.pl/download.php?s=5&id=3040>, dostęp 5,06,2010 r. (Assess the course of privatization of assets of the Treasury in 2006).

²² Na podstawie art. 11a ustawy z dnia 26 sierpnia 1994 r. o przekształceniach art. 11a ustawy z dnia 26 sierpnia 1994 r. o przekształceniach własnościowych w przemyśle cukrowniczym (Pursuant to Art. 11 Law of 26 August 1994 Article on transformations. 11 Law of 26 August 1994 for ownership transformations in the sugar industry) (Dz. U. nr 98, poz. 473 ze zm.).

was changed²³. On the basis of the Council of Ministers of 27th September 2005, in 2006, the National Sugar Company SA has carried out activities of a restructuring process, which were consistent with the adopted restructuring programs and development. Processes of change were implemented in the medium term actions and were included in two key documents:

1 / Restructuring Plan (Action points) NSC SA for 2003-2005;

2 / Strategic Plan (the restructuring) NSC SA for 2006-2008²⁴.

The restructuring plan of the National Sugar Company SA for 2003-2005 in its assumptions presented guidelines for the use of the property after the restructured sugar factories and enforces the provision of jobs to redundant employees. On one hand, the National Sugar Company SA was responsible for employing over 6,000 workers and gathered around it a group of around 44.5 thousand growers, which enforced its management according to the social and ethical business principles. At the same time, it had to implement a restructuring program of the repair and development, to which gained legitimacy based on the selection of the main directions of restructuring process and adopted by the Board of the "Programme for restructuring and business plan for 2003 -2008". Assessing the structure and objectives of the restructuring program of the National Sugar Company for the benefit should be considered that it has been drawn up taking into account the multiple numbers of criteria, which greatly helped in its practical implementation. The priority action in the company was to optimize production costs, which aimed to achieve a high and competitive market position. Constructed this way, the objective of the action can be considered trivial, but in conjunction with the phased implementation by at least 5-8 years should be regarded as appropriate. Such a long period of implementation of the restructuring process resulted from the need to mitigate its effects for many communities of entities belonging to the National Sugar Company SA and, above all sugar refineries that belonged to it and had to quench the production of sugar.

Despite the fact that actual and large-scale operation of a restructuring plan was implemented before 2005, already in 2004, and was later modified, a document "The restructuring plan (the measures) of the National Sugar Company SA for 2003-2005", which was actually short-term, action plan, variation-based restructuring program. In its content, this document emphasized the regularity and scope of decisions to concentration of production and as a priority assumed lower operating costs across the company. Management of the National Sugar Company was also required to assume that in order to obtain a highly competitive position in the sugar market; the company should adjust to the standards prevailing among other manufacturers, especially those with foreign capital. The actions of an executive outlined a restructuring program consisted of the reconstruction of net working capital, as well as determining the measures to reduce the costs of the company. Practical implementation of the program also involved financial restructuring and consolidation and concentration of production in plants, which pose the greatest hope for the future and will be the size of the company. Therefore, the company was forced to liquidate unprofitable

²³ §4 Rozporządzenie Rady Ministrów z dnia 27 września 2005 r. (Dz. U. 05.200.1648) zmieniające rozporządzenie w sprawie programu prywatyzacji Krajowej Spółki Cukrowej oraz trybu zbywania akcji tej spółki plantatorom buraków cukrowych oraz pracownikom, co nakładało na Ministra Skarbu Państwa obowiązek ogłoszenia w terminie 12 miesięcy od dnia zakończenia połączenia oferty zbycia akcji Krajowej Spółki Cukrowej osobom uprawnionym. (Council of Ministers of 27 September 2005 (Journal of Laws 05.200.1648) amending the ordinance on the privatization program of the National Sugar Company and the mode of disposal of shares in the company's sugar beet growers and workers, which required the Minister of the Treasury obligation to announce the date 12 months after the termination of an offer to sell shares of the National Sugar Company to the recipient.)<http://prywatyzacja.msp.gov.pl/download.php?s=5&id=3040>.

²⁴ *Ocena przebiegu prywatyzacji majątku Skarbu Państwa w 2006 roku*, <http://prywatyzacja.msp.gov.pl/download.php?s=5&id=944>, dostęp 5.06.2010 r. (Assess the course of privatization of assets of the Treasury in 2006)

factories, which in turn required the checks to ensure its welfare and compensation to dismissed workers.

4. Effective implementation of the objectives of the restructuring program of the National Sugar Company SA

Turning to the basic assumptions that were made in the restructuring of the National Sugar Company, the most important may be:

- to create a single, large company, so the consolidation of many smaller factories and the formation of their new organizational structure based on what the future will optimize the concentration of sugar production, to increase the scope of negotiation for the entire company and to create a coherent and transparent system of organization and management necessary for a functioning modern multi-employer businesses;
- elimination of surplus capacity of all the factories that were part of the composition, which in practice allocates a much smaller quantity and the need to reconcile with the extinction of production in sugar factories that have little hope for the prospects of development;
- the designation of the level of production for 70-80 thousand tons, which in practice was to allow a favourable production costs and optimize the company's positioning in the market;
- to determine the optimal duration of the sugar campaign in the interval from 85 to 90 days, which was considered sufficient for a rational and reasonable allocation of fixed costs of sugar and a suit of climatic conditions in our country;
- designate the time interval of the restructuring process, which by definition are likely to be in the range of 5-8 years and the commitment of the National Sugar Company SA to extinguish the production of sugar factories in liquidated in the range from 1 to 5 years;
- taking account of regional criteria, which were established in sugar production as premier, which in practice meant that hitherto growers will not be deprived of opportunities for cooperation, because the limits of sugar production in the region will not change;
- the adoption of reasonable and precisely tailored selection criteria of leading units, which take into account both in its content selection criteria for the production of sugar, as well as the development directions of establishments identified as forward-looking, their conditions, as logistical and social;
- to determine how the company's debt restructuring and the appointment of the repayment schedule of existing obligations owed to sugar beet growers supplying the raw material company.

The year 2006 was a very important period for carrying out many activities of the restructuring program of the National Sugar Company, it marked the deadline for phasing of sugar production in the 11 sugar factories (it was named the first stage of restructuring), with the understanding that they will be implemented without investments. Further measures included in the second stage of restructuring and modernization investments in nature were concerned the carrying out of consecutive concentration of production and extinction of sugar production in the next sugar factories.

The restructuring program of the National Sugar Company SA also provided courses of action which were to mitigate the social consequences of what was contained in the scheduler. In the "Voluntary Retirement Scheme" it assumed that it has met the essential role of workforce optimization tools. In 2003 it benefited from its 502 employees, and simultaneously launched the "Social Package" that provided a guarantee of employment of employees of the company for a period of 36 months. Prepared in a severance package for this purpose until 2006 when the early termination of employment contracts amounted to 123.5 million PLN. Efforts were also on the development of the liquidated assets of factories involving reallocation of production assets and allocate them to the continuing modernization

of the sugar. They involved the creation of new storage facilities built on the property of transformed or expanded storage yards which greatly optimized logistics, supply and sales. The area remaining after the closed sugar mills was used to develop alternative production. In this way, they were created in place of existing jobs, which resulted in their environment to avoid unemployment. One portion of their property has been sold, leased or liquidated and transferred to the Treasury or local authorities. Decision was taken concerning the disposal of minority stakes, which were owned by private factories. The operation on the conversion of professional staff was commenced, consisting of conducting all kinds of courses and training on adaptation and activation, developed scheme based on the use of redundant assets, sought new investors interested in the use of that property and establishment of a broad range of cooperation with local self-government organizations. In 2008, successively in several sugar factories periodically HACCP certification was introduced²⁵ and followed the implementation of Integrated Quality Management System and Food Security based on ISO 9001:2000 and ISO 22000:2005 that provide the highest standards in the manufacture of finished products and ensure the highest quality. In 2009, the company presented a new strategy taking into account the conditions of European Union regulations, which include a cut in sugar production throughout the Union by the year 2010 by 6 million tonnes. Approval is scheduled for the end of the turn of the year 2013/2014 more than 800 million for investment in sugar factories, seven belonging to the Company (including the corresponding investment in the area related to environmental protection around 55 mln PLN), and use approximately 225 million PLN on acquisitions²⁶. At the same time one of the main goals was reduction of costs generated by the factories closed, the sale of redundant assets and increase sales volume.

5. Conclusions

The aim of the presented study was to evaluate the role of privatization and restructuring process of agri – food industry that had to occur simultaneously in transition and transformation of the Polish economy. A case for a transformation of the National Sugar Company SA was presented, and demonstrated need for planned changes, that occur as a necessity in the adaptation of organizational units to the requirements and standards prevailing in the market economy. Programmed activities of a restructuring process were matched to the privatization and restructuring intended to meet the expectations of most of the managers of the company. The following actions, which were run in successive time intervals, consisted of the positive outcome of the restructuring process of the company:

- conducting a series of regional consultations aimed at bringing the restructuring program;
- incorporation of the acquired factories, together with all their takeover of assets and liabilities, which resulted in the acquisition by their co-workers and growers' rights to free shares company Polish Sugar NSC SA;
- improving economic conditions and competitiveness of the acquired company's factories and the whole in relation to foreign companies and its positioning on the international market;
- a concentration of production in the best and biggest sugar refineries, restructuring finances, as well as ongoing investments in new technologies and introduction of modern quality management;

²⁵ Zdobyć certyfikatu systemu HACCP (Hazard Analysis and Critical Control Points) dla cukrowni oznacza objęcie całego cyklu procesu produkcji cukru białego począwszy od przyjęcia surowców, aż do wydania gotowego wyrobu z magazynu. Certification to HACCP (Hazard Analysis and Critical Control Points) for sugar means covering the entire cycle of production of white sugar from the adoption of the raw materials to finished product release from the store.

²⁶ http://www.polski-cukier.pl/index.php?wiecej=1074&wiecej_news=1¹, dostęp 10.06.2010 r.

- appointment of special teams and the preparation and solving social problems, financial and related to the provision of alternative production in local communities, and the resulting extinction of production in closed factories.

Harmonization of these activities in time, state financial aid, and professionalism in their conduct contributed to the positive evaluation of the restructuring measures that were outlined in the strategy of restructuring the National Sugar Company SA. The above analysis, strategy and restructuring program shows that the research hypothesis adopted at the beginning of this article has been positively verified.

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