

Krakow City Office
Department of Entrepreneurship and Innovation

Survey summary report

Impact of the nationwide
epidemic on running a business in
Krakow

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Table of Contents

Introduction	3
Part I: Analysis of results considering the size structure of enterprises	4
Part II: Analysis of the results considering the division into sectors of the national economy	13
Part III: Distribution of answers divided into districts of the City of Krakow	17
Situation of micro-enterprises	19
Situation of large and medium-sized companies	20
General conclusions	21
Reactivation solutions of the City of Krakow	23
Set of survey questions	25

Introduction

The city of Krakow is actively monitoring the situation in connection with the coronavirus (COVID-19) and aims at minimizing the economic impact of the pandemic. Therefore, a series of studies was initiated on how the COVID-19 pandemic has affected Krakow enterprises, in order to determine to what extent the support and aid measures undertaken by the City so far meet the goals for which they were implemented.

The survey was developed in an electronic version only and was made available on the information websites of the Krakow City Office and social media. It was published on April 5, data was collected until May 3, 2020, inclusively. Overall 278 respondents participated in the survey.

The survey structure consisted of 3 parts:

- The first was to obtain general information about the conducted business activity,
- The second collected information on the company's operations during the pandemic,
- The third contained additional questions to help assess the general financial condition of companies.

In total, 7 questions, both single and multiple choice, were directed to the respondents.

One of the aims of the study was to disseminate information about the city's PAUSE Program, addressed to local entrepreneurs, and to enable them to learn about the available forms of support.

The report has been prepared in 3 parts:

- The first one presents the results of all respondents, broken down into micro, small, large and medium-sized enterprises;
- The second one contains a set of correlations between the variables,
- The third shows the responses in each city district.

The division of companies into three categories was maintained: those employing up to 9 people were classified as micro-entrepreneurs, companies employing up to 49 people were

classified as small companies, and those employing more than 50 people were classified as large and medium-sized companies.

The city tries to dynamically react to what is happening in the socio-economic space and takes action on an ongoing basis from the moment it received the first responses from the survey respondents.

Part I: Analysis of results considering the size structure of enterprises

The first part of this report is a set of questions and answers of the respondents. In order to best reflect the picture of the situation, a division was used taking the size structure into account.

Question no. 1: What industry does your company operate in?

One of the key pieces of information is the business sector of enterprises, as it allows to select the branches of the economy most endangered and vulnerable to a crisis. Considering the extensive structure of the Polish Classification of Activities (PKD), surveying enterprises by section (area of economic activity) was decided.¹

In the scale of all responses, the largest number (27.8%) of companies are involved in service activities. Companies providing accommodation services (17.3%) and enterprises declaring cultural activities as the dominant industry (13.7%) follow. A detailed distribution of responses, considering the size structure of companies, is presented in the table below.

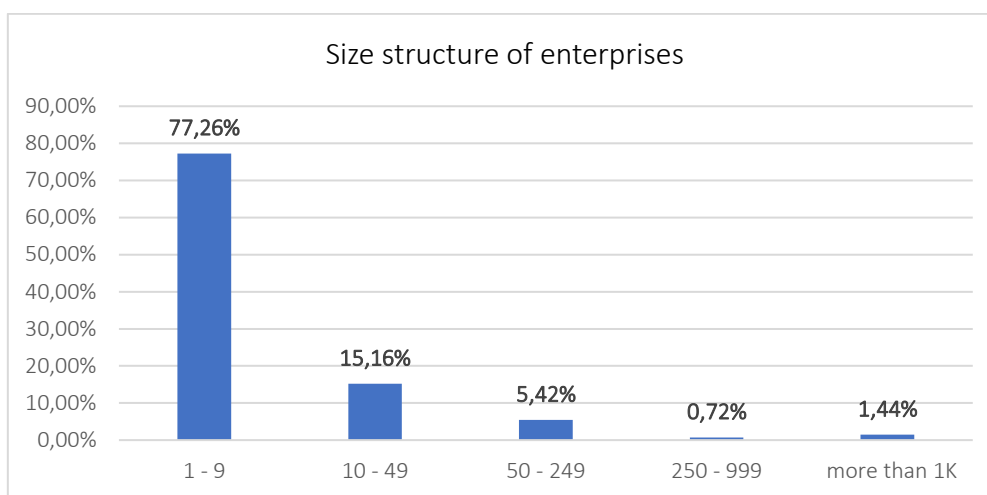
Section name	Micro-enterprises [%]	Small companies [%]	Big and medium-sized companies [%]
transport and warehouse management	2.34%	4.76%	0%
agriculture hunting and fishing	0%	2.38%	4.76%
industrial processing	0.47%	2.38%	4.76%
other service activities	29.44%	16.67%	33.33%
organizations and extraterritorial teams	0.93%	2.38%	4.76%
health care and social assistance	2.34%	2.38%	0%
information and communication	1.87%	4.76%	4.76%
wholesale and retail trade	9.81%	7.14%	0%
education	5.14%	7.14%	0%
accommodation activities	14.02%	33.33%	19.05%
service activities	4.67%	2.38%	0%
cultural activities	16.82%	4.76%	0%
activities in the field of administrative	1.40%	0%	0%

¹ <https://poradnikprzedsiębiorcy.pl/-pkd-prowadzonej-dzialalnosci-gospodarczej>

services			
professional scientific activity	5.61%	2.38%	4.76%
financial and insurance activities	2.80%	0%	0%
water supply, wastewater management	0%	0%	4.76%
construction	2.34%	7.14%	14.29%
public administration and defense	0%	0%	4.76%

Question no. 2: How many employees do you employ in your company?

The responses given to this question are correlated with the total number of entrepreneurs in Krakow, where the largest percentage are micro-enterprises (employing up to 9 people).



Question no. 3: What is the zip code of your company's seat?

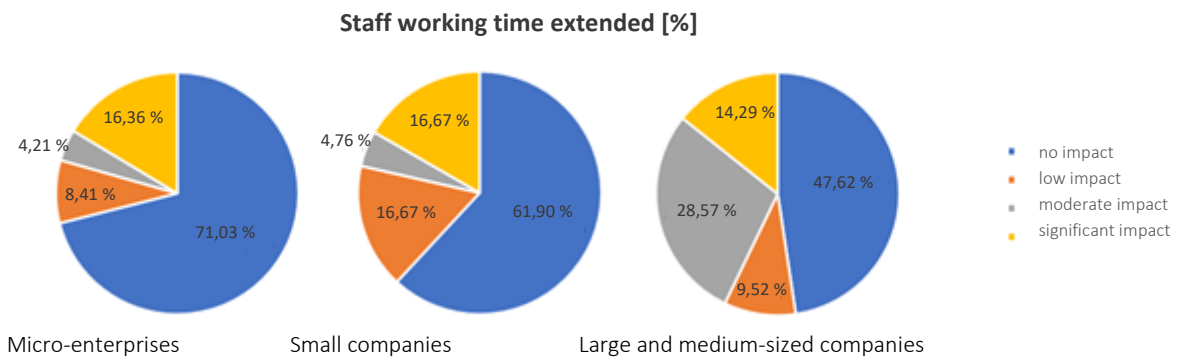
Responses to this question made it possible to illustrate, among others, the spatial distribution with the division into city districts. The obtained results will be presented in the third part of this Report.

Question no. 4: How is the state of the epidemic in the country affecting your business?

This was a single-choice multi-variant block aimed at answering the above question.

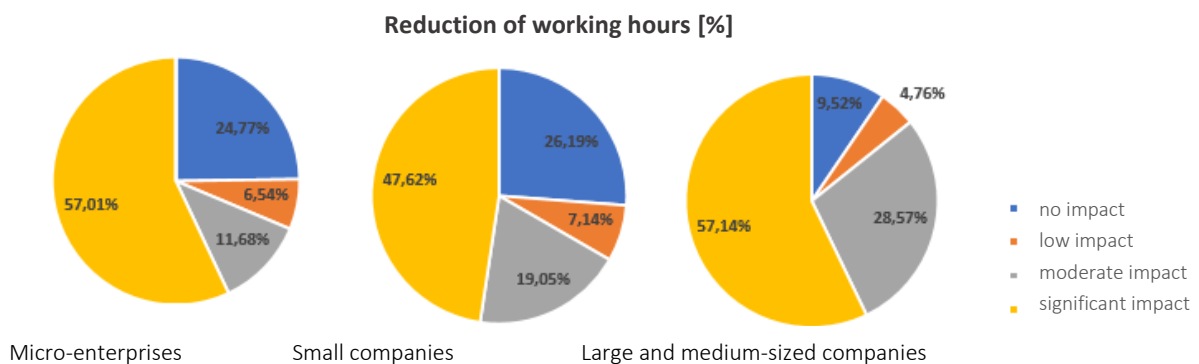
The responses in this section will be presented only by the size structure of companies.

Extended staff hours and / or new staff required



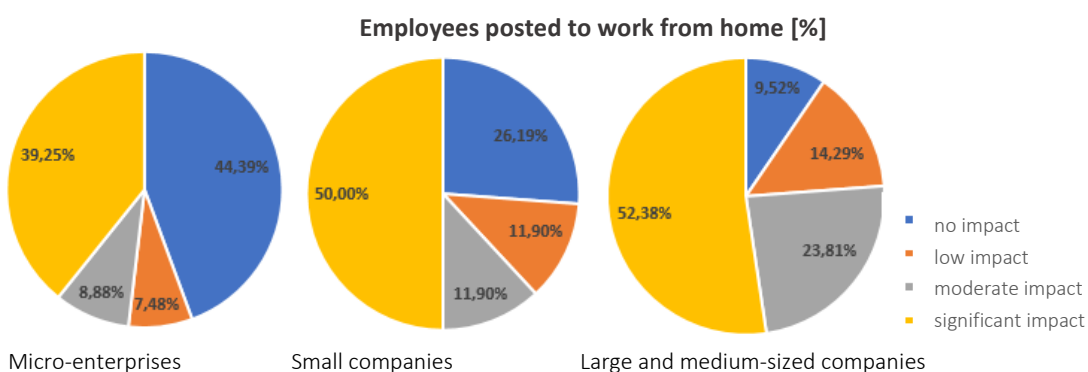
Most entrepreneurs declare that the current extraordinary situation does not affect the decision to extend the working time of their staff. However, a noticeable percentage (14.29% -16.67%) indicates that the impact is significant.

Reduction of working hours



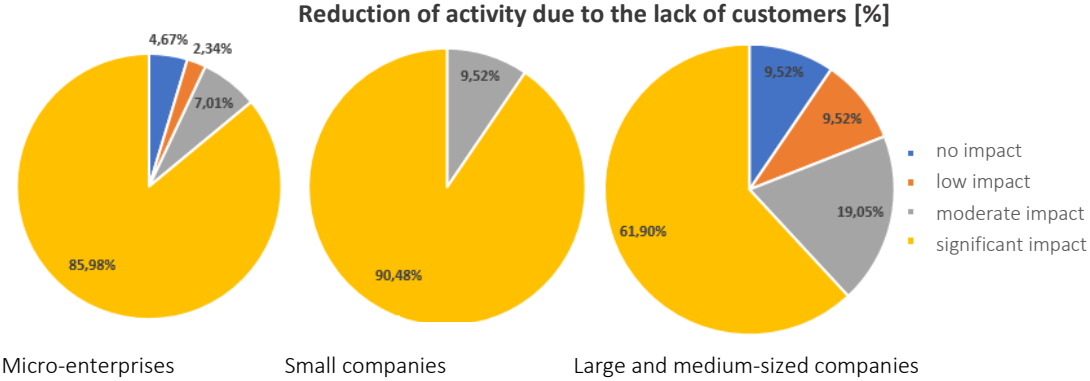
The situation forced employers to shorten working hours. On average, about 70% of employers assessed (moderate and significant impact) that the shortening of working hours was necessary.

Employees posted to work from home



Responses to the question show that employers are forced to post employees to work from home. The responses received prove that, on average, more than half of the employees were required to be posted to work remotely.

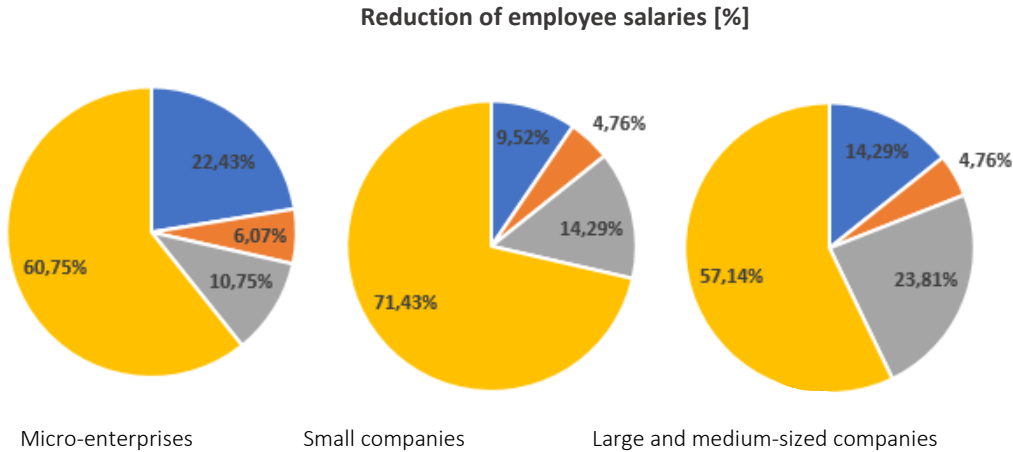
Reduction of activity due to the lack of customers



Unfortunately, a significant share of entrepreneurs is forced or will in the near future be forced to reduce their activities due to smaller numbers of customers.

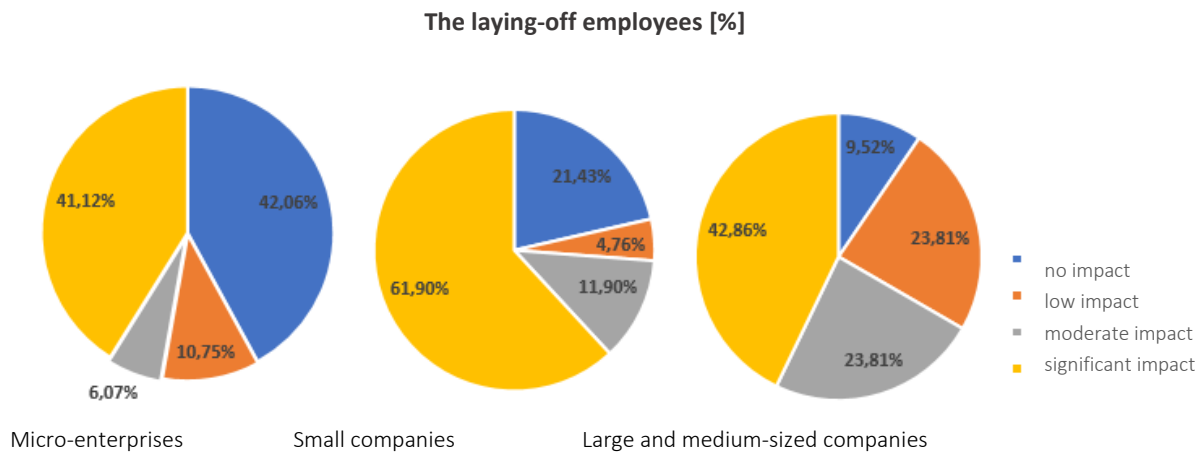
Reduction of employee salaries

Entrepreneurs judge that in this situation a reduction in staff salaries is necessary. The most difficult situation is recorded among the smallest businesses.



The laying-off employees

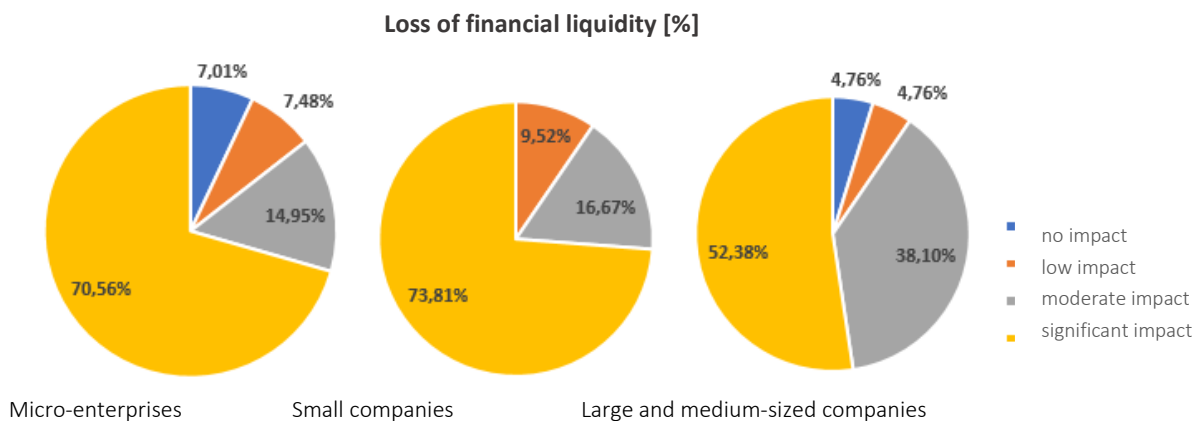
The presented results show that most companies, regardless of the size structure, face the dilemma of layoffs.



Loss of financial liquidity (rent, overheads, taxes, working capital)

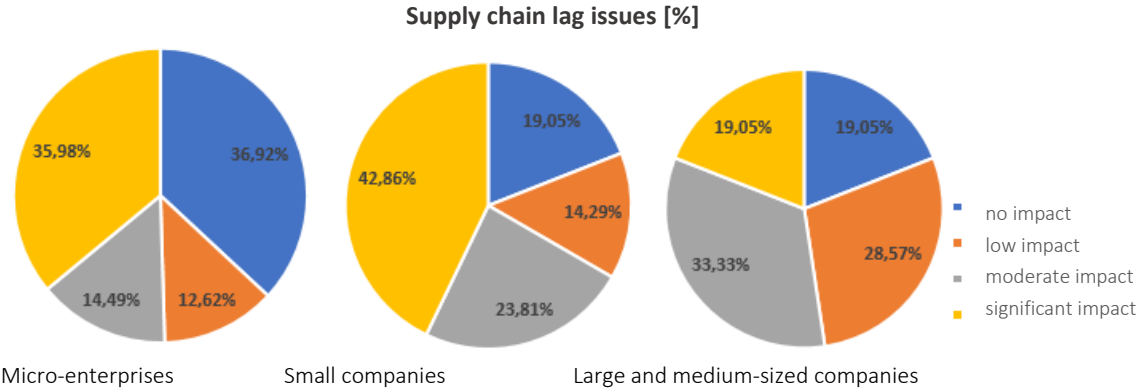
Financial liquidity is the ability of an entity to meet its obligations. It is also one of the elements of assessing the financial condition of companies.

Unfortunately, lost financial liquidity affects Krakow entrepreneurs, regardless of their size. The smallest companies assessed that the current situation has a significant and moderate impact (approx. 85%) on their financial liquidity, while other companies estimate that they feel this impact in as much as 90%.



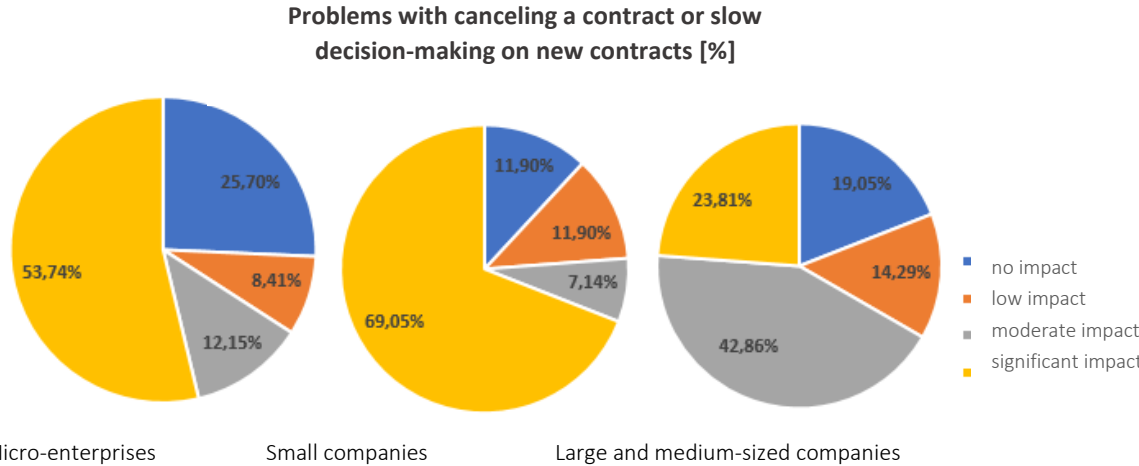
Supply chain lag issues, logistics and getting goods to market

The supply chain consists of entities involved in the delivery of products from the manufacturer to the final customer. Delays in one of these elements (e.g. deliveries) may have a negative impact on the economic operator, in the long term.



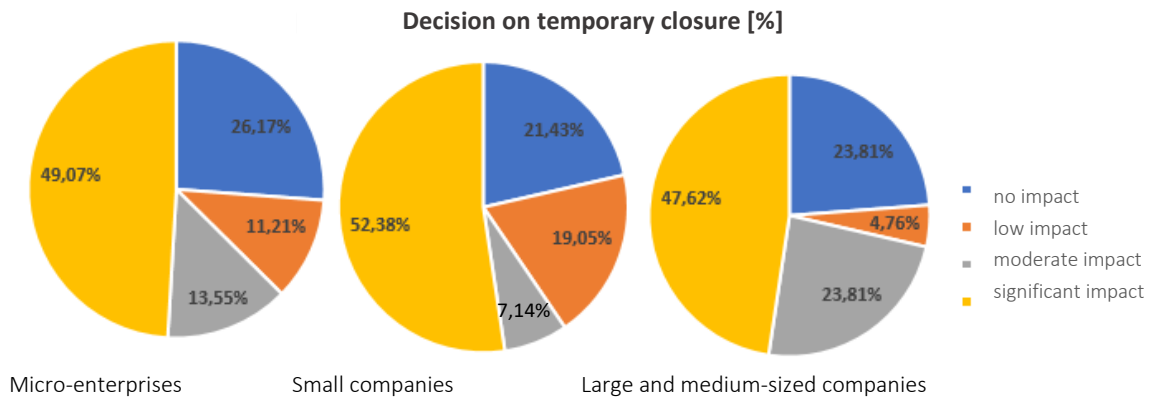
Problems with canceling a contract or slow decision-making on new contracts

Krakov entrepreneurs face the problem of canceling contracts with customers and slowing down in initiating new contracts. Micro-entrepreneurs and small companies significantly experience negative effects in the conducted business activity, at the level of 53.74% and 69.05%, respectively. On the other hand, large and medium-sized companies show greater resistance to the situation, assessing the impact as being much smaller.

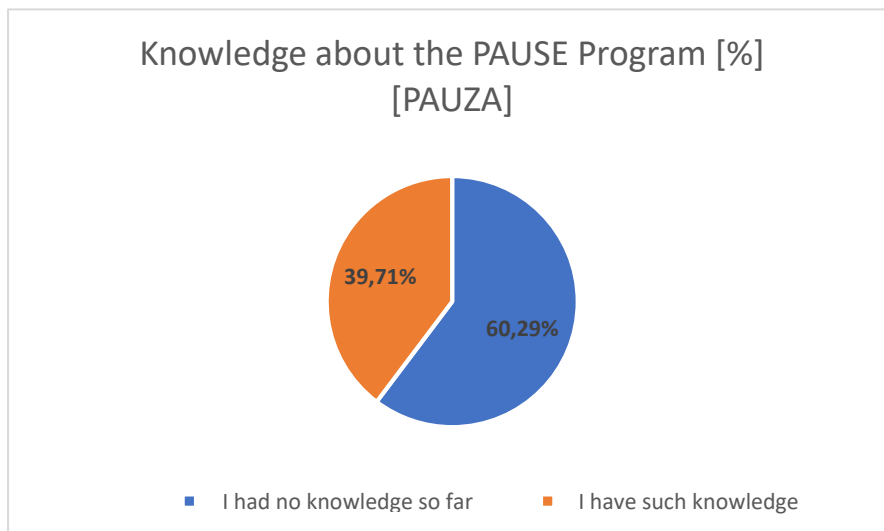


Decision on temporary closure

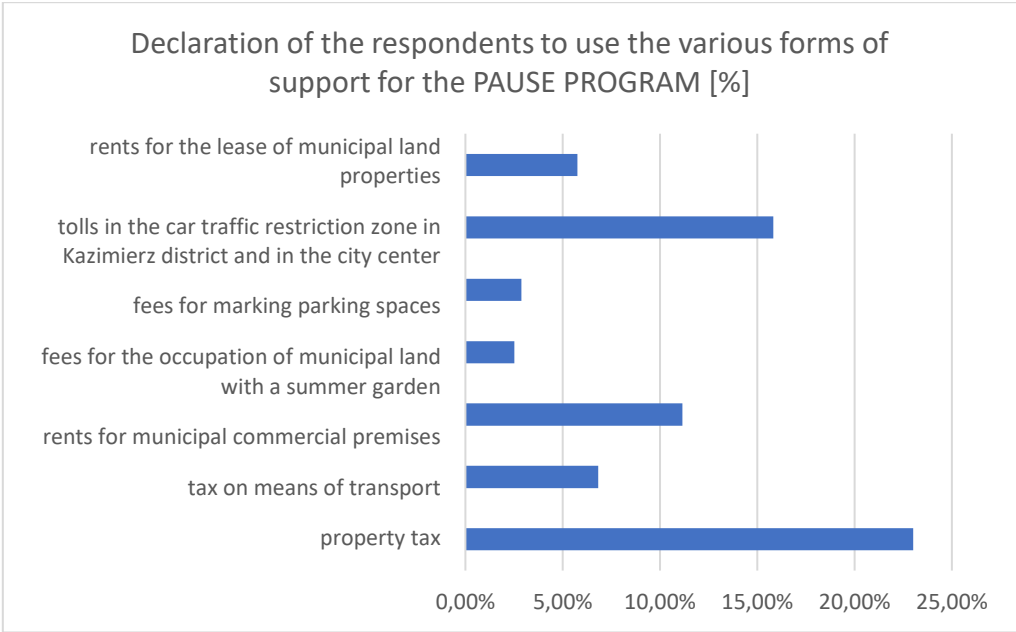
Closing companies or stopping production is the worst-case scenario that always adversely affects the local community. More than half of entrepreneurs believe that the current epidemiological situation will significantly contribute to the closure of businesses in Krakow.



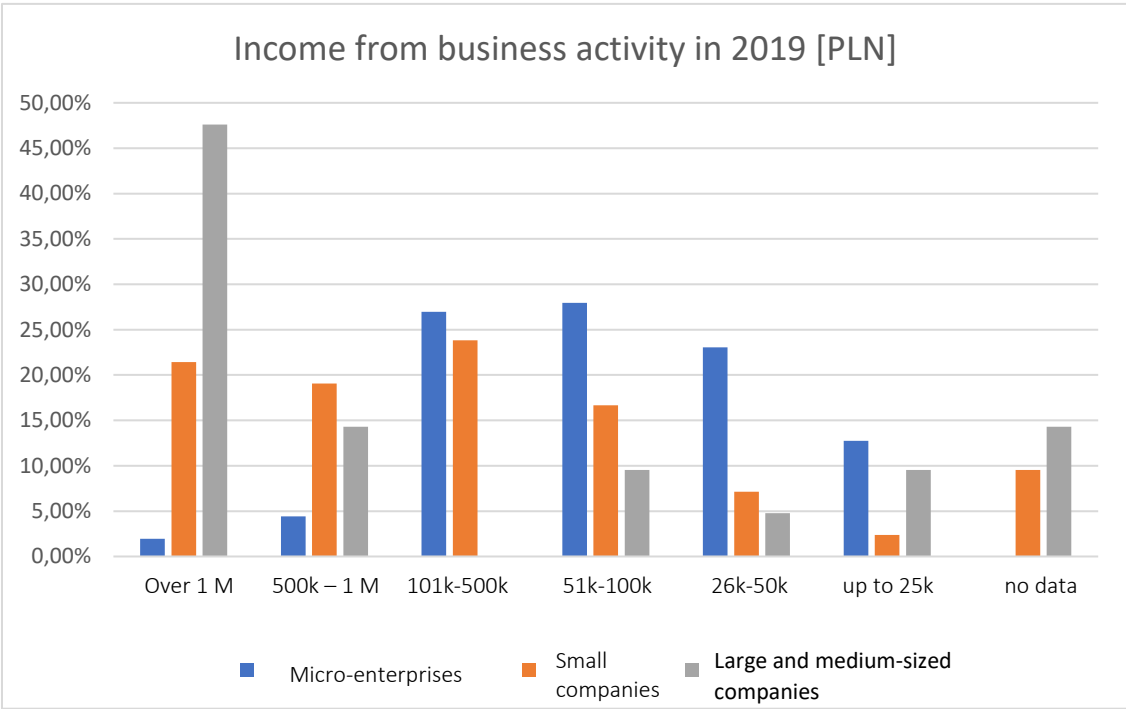
Question 5: Have you heard of the economic support that the City of Krakow announced to help businesses affected by COVID-19?



Question 6: Below you will find selected activities falling within the scope of the PAUSE Program. Please select those that you have used or are planning to use.

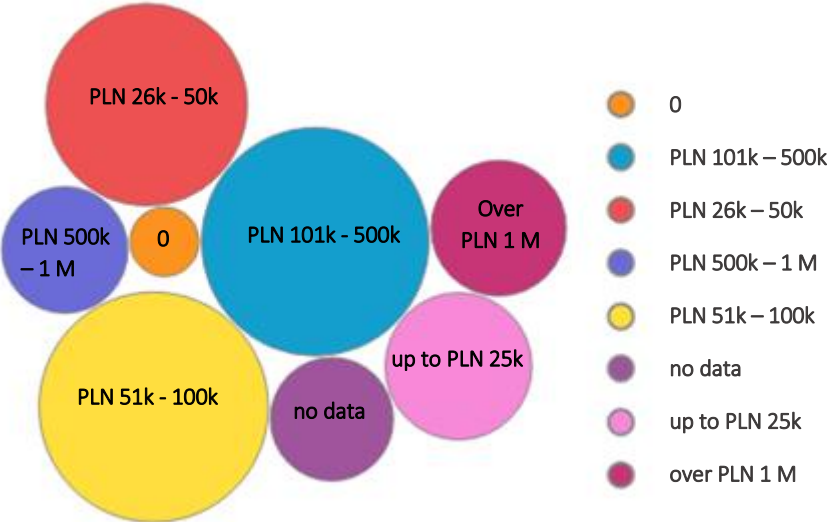


Question 7a: What was your operating income last year?

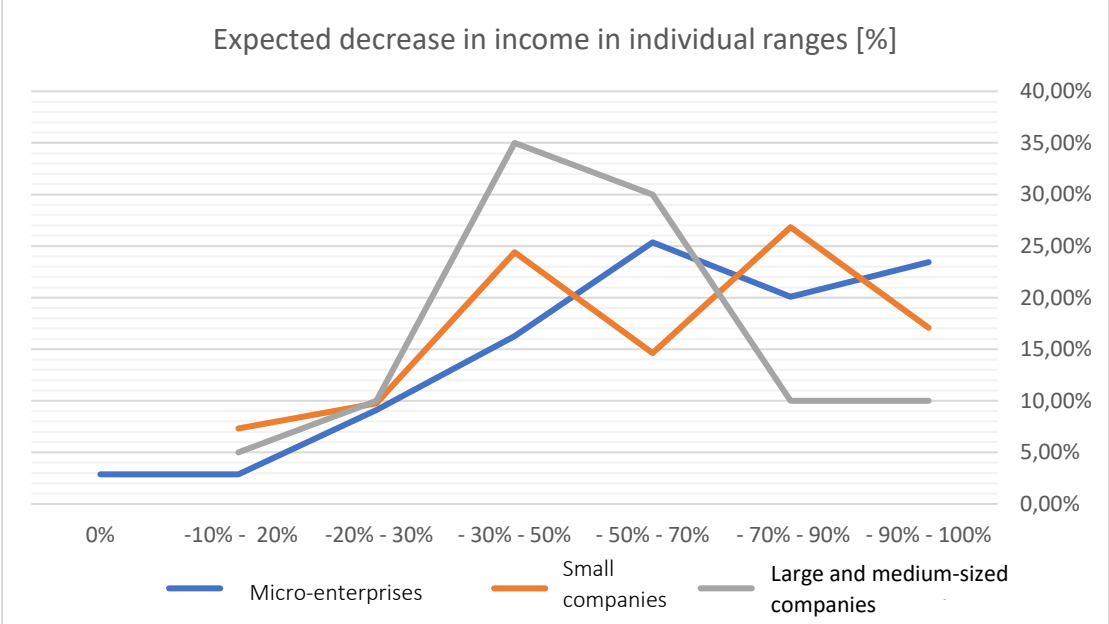


The illustration below shows the income structure of Krakow entrepreneurs for 2019.

The posed question was of an auxiliary nature, aimed at showing the scale of the negative impact of the epidemiological situation on the financial condition of enterprises. The illustration below also shows the income structure of economic entities in 2019.



Question 7b: How much do you expect your income to drop due to this situation?



Part II: Analysis of the results considering the division into sectors of the national economy

The analyses in this part were performed using INSIGHT ESRI software. Based on the received and processed data, the following conclusions can be drawn:

Analysis of companies from the Services sector: companies involved in service activities constitute 27% of all companies participating in the survey.

Industries included in the service activity
Activities of commercial organizations and employers
Activities of professional organizations
Activities of trade unions
Activities of religious organizations
Activities of political organizations
Activities of other membership organizations not elsewhere classified
Repair and maintenance of (tele) communication equipment
Repair and maintenance of consumer electronic equipment
Repair and maintenance of household appliances as well as home and garden equipment
Repair of shoes and leather goods
Repair and maintenance of furniture and home appliances
Repair of clocks, watches and jewelry
Repair of other personal and household goods
Washing and cleaning of textiles and fur
Hairdressing and other cosmetic procedures
Funerals and related activities
Service activities related to the improvement of physical condition
Other service activities not elsewhere classified

- 81% of the service sector companies are micro-enterprises, and 9% are small businesses,
- almost 40% of companies believe that the current situation significantly influences their decision to temporarily close the company,
- 87% expect to make decisions to reduce operations due to the lack of customers,
- Almost 60% will make decisions to reduce employee salaries,
- Over 41% of companies will decide to lay off employees.

Analysis of companies in the accommodation and food service sector: Companies operating in the accommodation business account for more than 17% of all companies participating in the survey.

Industries included in the accommodation and food service activities
Hotels and similar accommodation
Tourist accommodation facilities and short-term accommodation
Camping sites (including motorhomes) and campsites
Other accommodation
Restaurants and other permanent catering establishments
Mobile catering establishments

Preparing and delivering food to external recipients (catering) Other catering service activities Preparation and serving beverages

- 62% of the accommodation sector companies are micro-enterprises and 29% are small businesses,
- almost 83% of companies believe that the current situation significantly influences the decision to temporarily close the company,
- 95% expect to make decisions to reduce operations due to the lack of customers,
- Almost 77% will make decisions to reduce the employee salaries,
- Over 70% of companies will decide to lay off workers.

Analysis of companies from the sector of activities related to culture, entertainment and recreation: companies engaged in this activity constitute over 13% of all companies participating in the survey.

Industries included in the activities related to culture, entertainment and recreation
Activities related to staging artistic performances
Activities supporting the staging of artistic performances
Artistic and literary creative activity
Activities of cultural facilities
Library activities
Archives activity
Activity of museums
Operation of historic sites and buildings and similar tourist attractions
Activities of botanical and zoological gardens as well as nature protection areas and objects
Activities related to games of chance and betting
Activities of sports facilities
Activities of sports clubs
Activities of facilities used to improve physical condition
Other sports related activities
Activities of amusement parks and amusement parks
Other entertainment and recreational activities

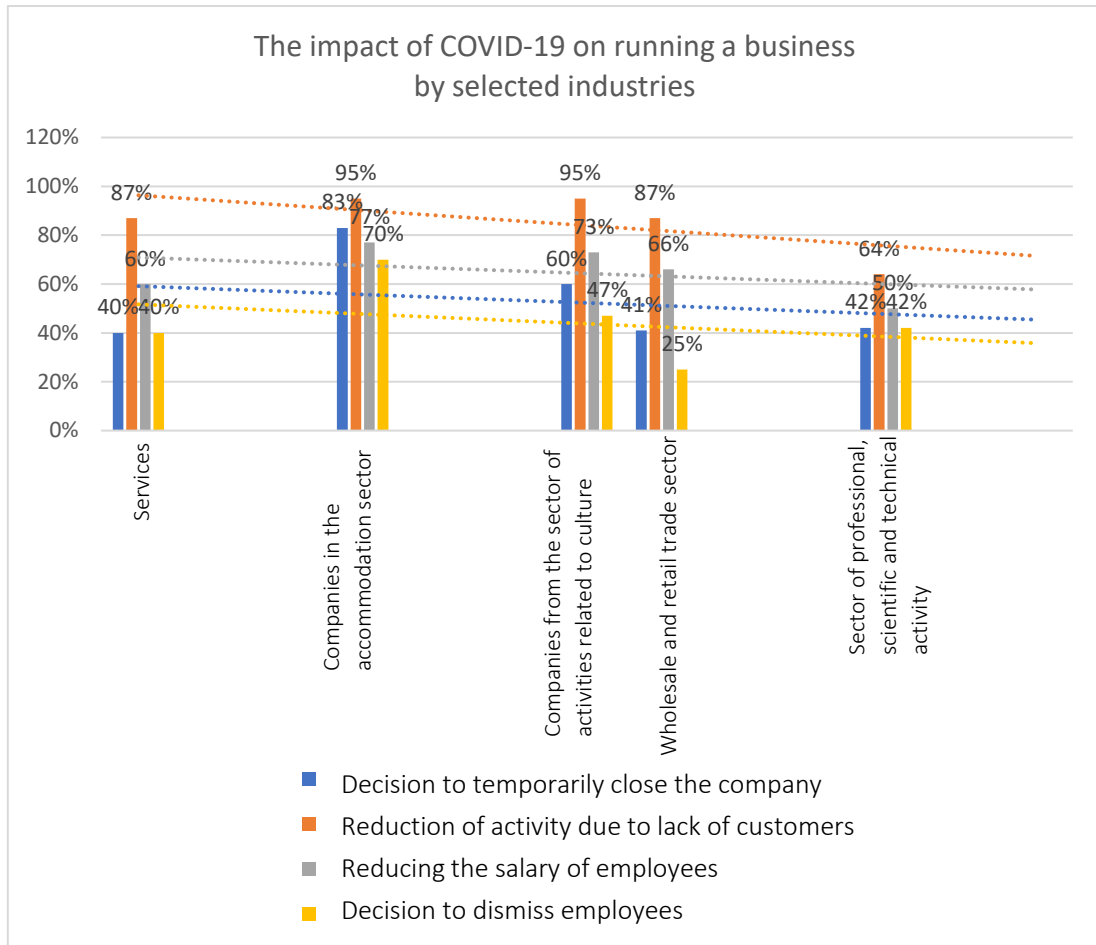
- 95% of the culture-related companies are micro-enterprises and 5% are small businesses,
- almost 60% of companies believe that the current situation significantly influences the decision to temporarily close the company,
- 95% expect to significantly reduce their business due to the lack of customers
- Almost 73% will make decisions to reduce employee salaries,
- Over 47% of companies will decide to lay off workers.

Analysis of companies from the wholesale and retail trade sector: companies involved in this activity constitute almost 9% of all companies participating in the survey.

- 87% of companies from the wholesale and retail sector are micro-enterprises, and 13% are small businesses,
- almost 41% of companies estimate that the current situation significantly influences their decision to temporarily close the company,
- 87% expect to make decisions to reduce operations due to the lack of customers,
- Almost 66% will make decisions to reduce the employee salaries,
- Over 25% of companies will decide to lay off employees.

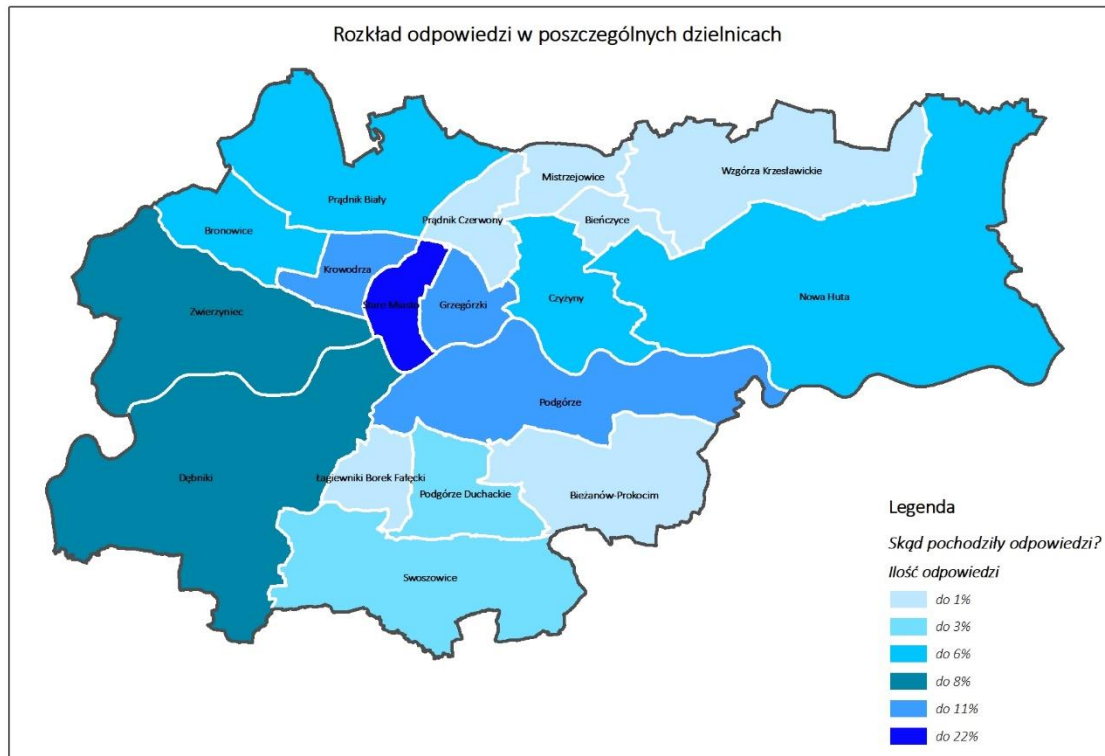
Analysis of companies from the sector of professional, scientific and technical activity: companies involved in this activity constitute almost 5% of all companies participating in the survey.

- 85% of companies from the sector dealing with professional, scientific and technical activities are micro-enterprises, and 7% are small companies,
- almost 42% of companies estimate that the current situation significantly influences their decision to temporarily close the company,
- 64% expect to make decisions to reduce operations due to the lack of customers,
- Almost 50% will make decisions to reduce employee salaries,
- Over 42% of companies declare that they will decide to lay off employees.



Part III: Distribution of answers divided into districts of the City of Krakow

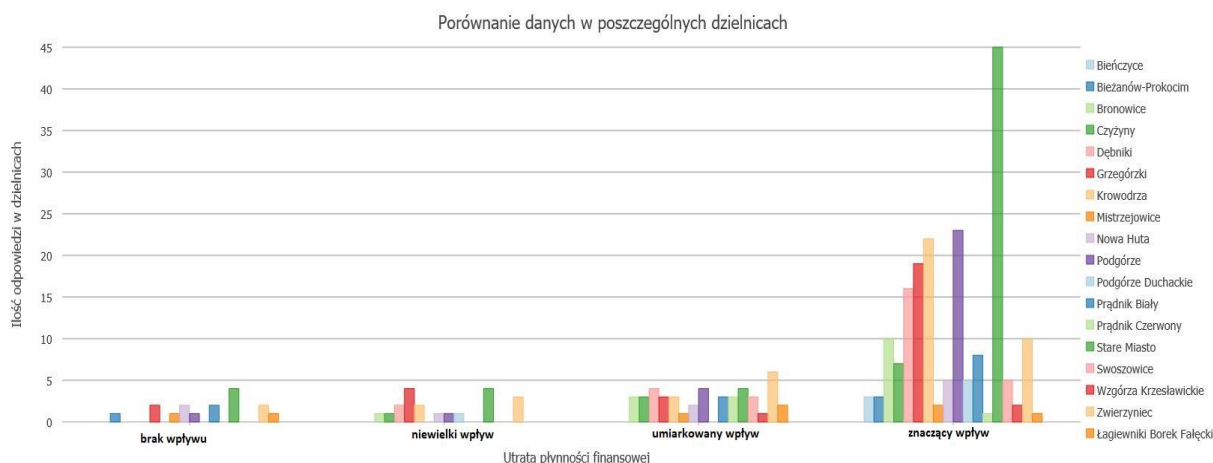
The third part is devoted to the analysis of responses divided into districts of the City of Krakow. The illustration below shows that most responses come from Entrepreneurs based in the Old Town district.



The data visualization in the form of a spatial distribution of responses was possible thanks to the knowledge of postal codes - the place of provided services declared by entrepreneurs.

Then, knowing exactly which district the entrepreneurs come from and how they responded, the following charts were prepared. They present selected indicators broken down by the degree of influence of the epidemiological situation on the current activity.

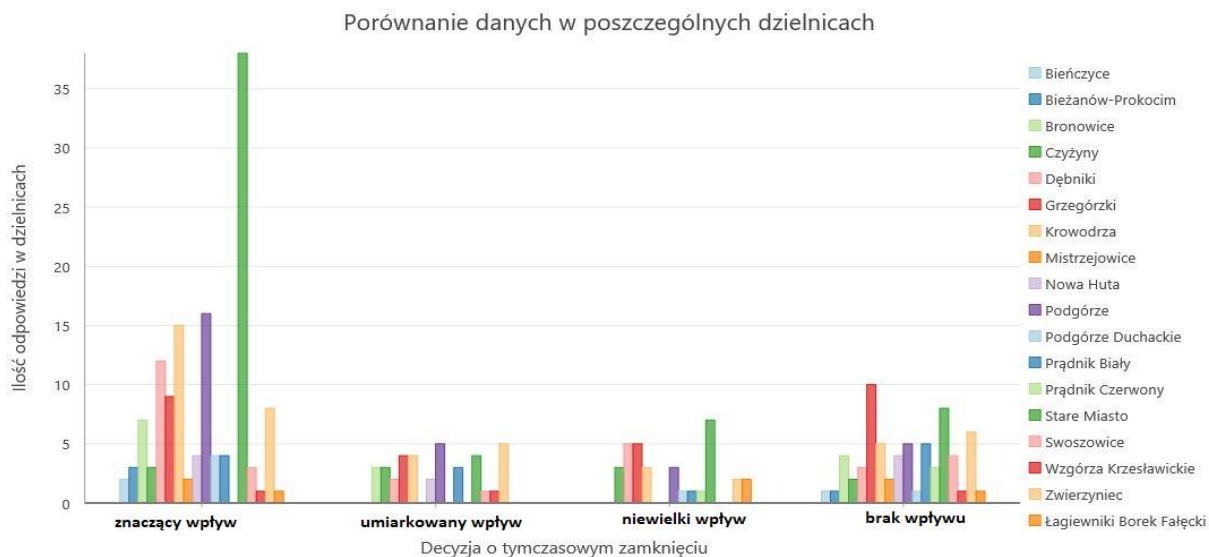
The first one concerns lost financial liquidity (rent, overheads, taxes, working capital). Almost 70% of all respondents indicate that the current epidemiological situation has significantly contributed to the loss of financial liquidity, which is also confirmed by the attached chart.



Another indicator showing the negative impact of the epidemic on the socio-economic situation of the city concerns layoffs. However, in this case, responses are not one-sidedly dominant, as approximately 47% of all respondents stated that the current situation had no or little impact on layoffs, and 53% indicated that it had a significant or moderate impact.



The least expected indicator, with generally the greatest impact on the local economy, concerns decisions to temporarily close a business. Almost 50% of all entrepreneurs face the risk of closing their businesses. The most serious situation is recorded in the districts of: Old Town, Podgórze and Krowodrza.



Situation of micro-enterprises

Almost 77% of all enterprises participating in the survey are micro-enterprises employing up to 9 people. Among this large group, 30% of them deal with, among others, service activities, 17% cultural activities, 14% activities related to accommodation and 9% trade.

Entrepreneurs from this group responded as follows to matters significantly affecting the functioning of businesses:

- 70% believe it is necessary to extend the working time of staff, at the same time 57% declare the possibility of shortening working hours,
- 39% post employees to work from home,
- 86% expect a reduction in activity due to a lack of customers
- 60% intend to reduce employee salaries,
- 41% are considering laying-off employees,
- 70% lost financial liquidity,
- 36% have problems with delay in the supply chain,
- 54% indicate problems with contract cancellation or a slowdown in entering new contracts,
- 49% indicate decisions to temporarily close.

Microentrepreneurs indicated a significant impact of COVID-19 on the shortening of their employees' working hours (57%) and the need for performing their official duties in the form of remote work (39%). Decreased financial stability of micro-enterprises was largely caused by a reduction in the number of customers - as many as 86% respondents indicated this criterion as significantly affecting the conducted activity - only 4.67% indicated no influence. Among entrepreneurs employing up to 9 employees, the current epidemic has also had a significant impact on the reduction of employees' salaries (61%) and layoffs (41%). The current situation also results in a possible loss of financial liquidity by micro-enterprises - 70.56% of them show a significant impact, while only 7% of micro-enterprises show no impact. The negative effects of the pandemic also include significant problems related to supply chain delay (36%) and contract cancellation or a slowdown in decision-making on new contracts (54%). Moreover, almost half of the surveyed micro-entrepreneurs (49%) also consider / or decided to temporarily close their business.

Situation of large and medium-sized companies

Entrepreneurs operating within large and medium-sized companies indicated the impact of COVID-19 on the need for posting employees to work from home in as much as 90.48%. The ease of using remote work may be related to the already existing infrastructure and / or no need for providing services in direct contact, as in most micro-companies. What is more, large and medium-sized companies that participated in the survey indicated that as many as 9.52% of them did not feel the impact of the pandemic on their operations at all and do not consider reducing their activities due to the lack of customers, which exceeds the values obtained during the study of micro-entrepreneurs and small companies. According to the other respondents, among entrepreneurs employing over 50 employees, the pandemic has a slight (9.52%) or moderate (19.05%) impact on their business activity. On the other hand, a significant impact is declared by 61.90% of representatives of large and medium-sized enterprises, which should be assessed positively from the point of view of micro-entrepreneurs, among whom as many as 85.98% of respondents supported the significant impact of the pandemic on their operations. Large and medium-sized companies less often indicate the epidemic situation in the country as significantly reducing the salaries of their employees (57.14% as compared to micro-enterprises - 60.75% and small enterprises - 71.43%). They are also the best in terms of the potential loss of financial liquidity, where a

significant impact of COVID-19 was indicated by 52.38% of respondents, while among micro-enterprises this percentage was 70.56%, and in small businesses - 73.81%. Considering the collected data, it can also be noticed that significant problems with delay in supply chains affect only 19.05% of representatives of large and medium-sized companies. This problem is of greater importance among representatives of microenterprises (35.98%) and small enterprises (42.86%). However, entrepreneurs employing more than 50 people, to a small (14.29%) and moderate (42.86%) degree, suffer from problems with contract cancellation or a slowdown in making decisions on new contracts. However, among the people running the largest enterprises that participated in the survey, only 23.81% say that the impact of the pandemic on such activities is significant. On the other hand, 47.62% of representatives of large and medium-sized companies supported the significant impact of the current economic slowdown on the decision to temporarily close their business, while among the surveyed micro-entrepreneurs, 49.07% claimed to have such a necessity, and among small companies - as many as 52.38 %.

General conclusions

- **The situation of enterprises is not stable**

The data obtained through the survey in question clearly indicates that the threat related to the global coronavirus pandemic had a negative impact on the operations of all businesses in Krakow, regardless of their size and industry.

- **Difficult times for micro-enterprises**

However, the most severely affected by the current situation are companies employing up to 9 people (77% of all respondents to the survey). Micro-entrepreneurs are struggling with many problems related to maintaining financial liquidity and hiring employees that occurred as a result of COVID-19. Micro-entrepreneurs are also the most numerous group on the local and national market, whose activities are most often based on direct contact with the customer at their headquarters / position, which is currently impossible, limited

- **Service activities - the sector most at risk**

It is worth pointing out that in the survey the largest group of respondents turned out to be entrepreneurs operating in the service sector (27.8% of all survey participants), of which 87% are micro-entrepreneurs. This sector has been one of the most important

economic areas in Krakow for many years - including due to the widely developed recreational and business tourism, many entrepreneurs have decided to start a business or move it to the capital of the Malopolska Region.

- **Large and medium-sized companies are much more resistant to the current epidemiological situation**

The current epidemiological situation affects all business representatives, regardless of the size of the enterprise, however, the negative effects of the pandemic are less noticeable for large and medium-sized companies employing more than 50 employees than for micro-entrepreneurs. The data collected based on the survey also shows a statistically better situation for representatives of large and medium-sized companies, as compared to micro and small enterprises. This is due to having more capital, often developed on a global scale, the supply chain, which also requires a greater number of employees, which translate into an increase in the number of contractors and business customers.

Reactivation solutions of the City of Krakow

In order to counteract the negative effects of the COVID-19 pandemic, which largely affected Krakow's enterprises, Krakow undertook several support and aid measures. These activities are aimed at entrepreneurs (micro, small, medium and large) suffering the consequences of the economic slowdown caused by the pandemic, operating in particular in the tourism industry, cultural activities, sports activities, activities in the field of housing resource management and public benefit activities and volunteering in pursuant to the law of April 24, 2003.

On April 16, 2020, [ORDER No. 910/2020 of the MAYOR OF THE CITY OF KRAKOW](#) on the adoption of special aid solutions to support residents and entrepreneurs operating in the City of Krakow entered into force. Bearing in mind the deteriorating financial situation of residents and entrepreneurs operating in the City of Krakow in connection with the negative economic and social consequences resulting from the above situation, a number of aid measures were adopted for implementation, concerning key areas from the point of view of the functioning of the City and its residents, including the following:

- The **Pause Program** has been extended, including tax and fee reliefs and deferrals,
- A dedicated **Municipal Information Service** was created, aggregating information for Entrepreneurs,
- **Crisis Advisory Points** were established, both entrepreneurs, non-governmental organizations and residents can obtain professional assistance in the field of functioning municipal solutions there, including the available financed packages from regional European funds, and will also receive support in the process of using the provisions of the so-called "Anti-crisis shield",
- **The I am ACTIVE** interactive map service was launched, thanks to which the City of Krakow helps local companies which, despite the difficult situation caused by the epidemic, still offer their products and services. Their location, industry, basic information about the offer and contact details have been marked on the interactive map of Krakow.
- **Fees for restaurant/pub gardens** were reduced and the procedure related to the subsequent conclusion of contracts for the organization of **restaurant/pub gardens**

was simplified for Entrepreneurs-Restaurateurs. Entrepreneurs will start up gardens first, and then sign contracts with the Department of Administrative Affairs.

Set of survey questions

Question 1: What industry does your company operate in?

Question 2: How many employees does your company employ?

Question 3: What is the zip code of your company's seat?

Question 4: How is the state of the epidemic in the country affecting your business?

How does the state of the epidemic in the country affect your business?	no impact	low impact	moderate impact	significant impact
Extended staff hours and / or new staff required				
Reduction of working hours				
Employees posted to work from home				
Reduction of activity due to the lack of customers				
Reduction of employee remuneration				
The laying-off employees				
Lost financial liquidity (rent, overheads, taxes, working capital)				
Supply chain lag issues, logistics and getting goods to market				
Problems with canceling a contract or slow decision-making on new contracts				
Decision on temporary closure				

Question 5: Have you heard of the economic support that the City of Krakow announced to help businesses affected by COVID-19?

Question 6: Below you will find selected activities falling within the scope of the PAUSE Program. Please select those that you have used or are planning to use.

Question 7a: What was your operating income last year?

Question 7b: How much do you expect your income to drop due to this situation?