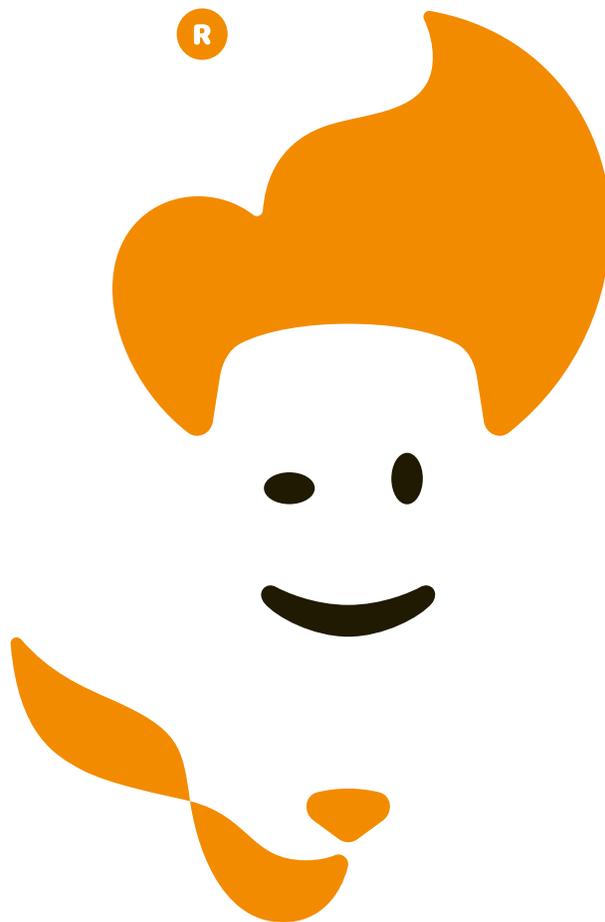


RedHead

THE CORPORATE MAGAZINE OF THE REDHEAD FAMILY CORPORATION

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SPECIAL 2010 SUMMARY ISSUE

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The Main Results of 2010

Vladislav Burda



TRADITIONALLY, EACH YEAR I SUM UP THE YEAR AND TELL OUR EMPLOYEES, COLLEAGUES, PARTNERS, AND SUPPLIERS WHAT MAJOR EVENTS HAPPENED WITH US IN 2010, AND HOW THE ACHIEVEMENTS OF THE PREVIOUS YEAR SHAPE THE CONTOURS OF FUTURE EVENTS.

In 2010 it was decided to reinstate the basic activities of the Adizes system. One key element of the Adizes method is establishing mutual trust and respect (MT&R). The achievement of this goal is facilitated by syndags, synerteams and regular POCs.

Syndag means synergetic diagnostics, which help a company to define several key points. First, the company's weakest areas, called PIPs (Potential Improvement Points). Second, the stage of the life cycle the company is in now. And third, the company determines the main vector of movement for the next year.

A POC is a Participative Organizational Council. After a syndag has revealed the PIPs, they are broken down into models which need to be resolved. The POC meets 11 times a year, once a month. Its main task is to resolve as many of the PIPs for the given year as possible, and only then will the POC be effective.

When formulating PIPs at the 2010 syndag, we had no idea that the «improvement points» for 2011 would be of an entirely different character, and would turn out to be more complex.

Each PIP resolved in essence artificially forces the company to move faster and faster. It's like physical training. By resolving more complex tasks, we continually increase the

load, building our "muscles". And like professional athletes, the more regularly we do this, the better we feel.

In the classical approach, syndags are held once a year. We meet yearly, in January, but it is possible that we may start to shorten this cycle. If we resolve 90-95% of our PIPs, we could hold syndags once every ten or even eight months.

For several years we used a "three by five" format of meetings where we informed each other about the latest events and plans. This year we plan to exchange the "three by five" format for an executive committee format. Now we are transitioning from informing to a plan for action. An executive committee is a narrower group than a POC; it meets once a week, and its tasks include resolving PIPs as quickly as possible.

The Adizes method is good for the company in that we constantly keep ourselves toned. After all, it's well known that problems occur not during difficult times, but when everything is going well and the company starts to relax. This holds true for cash flow as well. When a company doesn't have sufficient funds, it is unlikely to make a mistake. The most serious mistakes occur when there is a surplus of funds. It is during such periods that dubious deals are made, expenses rise, and assets increase.

We also need a unified financial accounting system which will be understood by all and accepted by all; this will enable us to all be speaking the same language.

Last year the largest number of changes was concerning the areas of distribution and finances. Distribution turned out to be the concern's weakest link; based on the corporate syndag, it was determined to have the lowest level of internal MT&R and a low task performance rating. The team was not at all cohesive, and suppliers were not happy to be working with us.

We had to make a lot of changes in distribution, starting at the top. A new director came in: Sergey Filyanin, who already worked in the company as the director of logistics. Aleksandr Vlasov returned to the company, which strengthened distribution considerably and helped it take a leap forward. This year, having resolved practically 100% of its PIPs, distribution showed good growth, and we can already see the vector for further development. The main task now

for the unified distribution department is raising profitability, which, with normal MT&R, is well within reach.

Another vector of development last year was finances. We conducted several significant reforms. Igor Zaslavsky joined the financial division, and Larisa Vikhrenko returned; now our team is well integrated, and it has some serious work ahead of it this year. First of all, reporting and financial data should be consolidated so managers can use them as a decision-making tool.

The reforms we conducted in finance have already borne serious fruit. The working capital situation has improved significantly. We successfully finished the fiscal year. We didn't have a single overdue invoice, we were paid up with all our suppliers, and we continue to keep pace with the pay-

The motto of the branches today is “Decentralization and Integration”. On the one hand, this means more independence; on the other hand, it means more combined efforts between business units to achieve common goals.

ment calendar. I believe that this is a great achievement on which not only the finance division worked, but other divisions as well, by providing us with the needed revenues. We covered all the debts incurred during the crisis period as a result of a sudden change in currency exchange rates.

One area on which our attention was focused last year was our company's branches. Before 2005 the branches were decentralized; their directors developed them at their own discretion. In 2005 we restructured the company and strengthened the position of the central office. This allowed us to make quicker decisions and comment on them on the local level. However, de facto the branches were isolated. **Now we are once again moving toward the process of decentralization**, and our branches will receive more independence. To this end, in each

branch an executive director was chosen. Executive in the sense of a “syndag executive”, a person who monitors the execution of decisions on a local level. We plan to cascade the syndag process downward; Sergey Bystrin will conduct syndags in the branches, and the directors' job is to resolve PIPs at the branch level.

Presently the function of decentralization will be accompanied by a parallel function of integration. The motto of the branches today is “Decentralization and Integration”. On the one hand, this means more independence; on the other hand, it means more combined efforts between business units to achieve common goals. This is also connected with finances, as finances should shape the general format of branch reporting. The branches will now have a common KPI; each branch should be profitable in and of itself.



For me all of last year was marked by studies. Out of 18 months, the largest share of residencies – 6 out of 9 – were in 2010. However, the most significant event for me was the visit of an international group of FB EMBA students to Odessa. This was very important for me because for the first time I had to present my company to twelve students and three instructors. This was not easy to do, as my fellow students have seen a lot in their lives, and it was very difficult to surprise them. I believe we were successful in doing so.

When preparing for the residency, I discovered a new side of Odessa for myself and realized why our city is so popular. All kinds of entertainment are available here,

from yacht cruises to nightclubs. Unfortunately, intensive work in the company prevented me from understanding how attractive our city is from the viewpoint of tourism.

My trip to Chicago deserves special mention; there I had the chance to present the 6-person Ukrainian delegation on behalf of the president of the Association of Family Business Owners. We presented a worthy and unified front. **People from all over the world are learning more and more about Ukraine**, although there is a lot of work yet to be done in this area. This year four Ukrainian families have submitted their companies' cases to the international FBN summit in Singapore.



Last year we worked intensively on choosing a name for our company. We understand that Europroduct, while a good, well-loved name, doesn't quite reflect what we do now. We want to be more vivid and lively; we want to be leaders who are unlike anyone else. Now we are ready to present our company's name, which we like very much – RedHead Family Corporation. Each word and the whole combination have a specific meaning for us.

RedHead evokes a vivid, unusual image. We have two red-headed "good luck charms". The first is Antoshka, our main business unit. The second is the person who thought up Antoshka, Nina. And we hope that the RedHead symbol on the logo will

be our third good luck charm which will help us transition to the next phase of success.

The suffix "Family Corporation" reflects the family status of our company. The family as a social institution is an essential part of the lives of our main consumers: children. The family is a union in which two people think about their continuation. Just as a family business is something which is planned to be continued. A family company undoubtedly should survive its owners, just as children should survive their parents, but on a qualitatively different level. Our children should be more knowledgeable, more educated than we are. And only then is our life full and meaningful. ■

Thanksgiving Day



Vladislav Burda congratulates employees of the Kiev and Kharkov branches who have been working in the company for 10 years

VLADISLAV BURDA SUGGESTED THAT, RATHER THAN CALLING THE SOLEMN OCCASION WHEN SPECIALISTS, DIRECTORS AND MANAGERS FROM ALL THE BRANCHES OF THE CORPORATION GATHER AN END-OF-YEAR MEETING, WE CALL IT THANKSGIVING DAY.

AFTER ALL, THE MEETING IS MORE LIKE A HOLIDAY WHERE THE COMPANY OWNERS CAN EXPRESS THEIR APPRECIATION AND THANK THE PEOPLE WHO WERE UNDER GREAT STRESS ALL YEAR AND THANKS TO WHOM 2010 TURNED OUT TO BE VERY EVENTFUL, JOYFUL AND BRIGHT.

The presentation of an award to the couple who founded FBN in Ukraine



This year the summing up was divided into several stages and was conducted according to the cascade principle. In the branches there is a long-standing tradition of presenting awards to the best employees on the local level; as a rule, this takes place after the general meeting of the concern. This time awards were first given in the corporation's departments. First distribution gathered its best representatives from all branches at Sunshine City, and then retail, boutiques, SCM, and the financial analysis department. After these, the HR, IT, security, legal, and construction and maintenance departments jointly celebrated their 2010 achievements.

Only the employees and executives whose work in the past year was evaluated most highly came to the corporate-level meeting at the central office.

The president of the concern confessed that more and more often he sees employees who create new, significant pages in the history of Europroduct and play no less a role in the company than the owners themselves. It was precisely with awards for those who made the greatest contribution to the history of the company in 2010 that the summing-up ceremony was supposed to start... But the company's top managers seized the initiative from Vladislav Borisovich and Nina Vladimirovna. A video of Joseph Astrachan, family business professor and creator of the Family Business EMBA programme, was presented to the executives of the concern and the meeting participants. His speech was an anticipation of the award which the top managers of Europroduct presented to Vladislav Borisovich and Nina Vladimirovna as the couple who founded FBN in Ukraine.



Dream Team-2011

In his congratulatory speech, Joseph Astrachan said:
“For me it is absolutely clear that Euro-product is a company which will be well-known not only in Eastern Europe, but throughout the world. Vlad and Nina emphasize that people are the main thing, and people are worthy of being developed.

Vlad and Nina have a philosophy which will make it possible for everyone who

goes along with them to flourish, from employees and customers to suppliers and all of society. I think that they are truly exceptional in the sphere of family business and family. Everything they do is aimed at preserving family values in their own lives and in the lives of their employees. This is what every family business should be, according to the opinion of my colleagues in the academic and educational field.”



Recipients of “The Company’s Most Valuable Assets” diplomas



*Masters of ceremony of the 2010 corporate end-of-year meeting
Natalya Grigorashenko and Vladislav Buber*



Joseph Astrachan, FB EMBA professor

Vladislav Borisovich, taking advantage of the situation, introduced Joseph Astrachan, under whom he has been studying in the past months, as a future member of the external Board of Directors. In the opinion of Vladislav Borisovich, Professor Astrachan will play a leading role in the Board, as his experience and intuition have brought him deserved fame as “the world’s number 1 researcher on family business”. The first meeting of the corporation’s external Board of Directors is planned for September 2011.

Preparation for the last yearly meeting introduced many new changes: an organizational committee was created which was responsible for the official part of the event, compiling nominations for outstanding employees, and creating a corporate film summarizing the year. The organizational committee took these functions from the company owners and left them the role of spectators and honorary masters of ceremony.



Presentation of "Masters of Success" diplomas in the "Master of Influence" category to Yelena Gevlich (gold diploma), Irina Balashova and Svetlana Levchenko (silver diplomas)



Presentation of "Masters of Success" diplomas in the "Flagship" category to Boris Vilkisky (gold diploma), Valentina Bondarenko and Aleksandr Kovalyov (silver diplomas)



Presentation of "Masters of Success" diplomas in the "Visionary" category to Mikhail Lyushnenko (gold diploma), Tatyana Sotskaya and Irina Yatsun (silver diplomas)



Recipients of "The Company's Most Valuable Assets" diplomas



Presentation of "The Company's Most Valuable Assets" awards

This year a new tradition was established. Each part of the meeting had its own pair of masters of ceremonies from among the company's employees. They announced the nominees and winners in the categories "Masters of Success", "The Company's Most Valuable Assets", "10-Year Employees", and the Dream Team - the team of top managers. The best employees and the "veterans" with a 10-year record of service received diplomas and awards from Vladislav Borisovich and Nina Vladimirovna.

The merits of the employees in the categories "Masters of Success" and "Most

Valuable Assets" were described by their immediate superiors. Like last year, the candidates for "Masters of Success" went through a rating of sorts before the three winners in each of 10 categories were determined.

9 of the 10 "Masters of Success" categories, with the exception of the "Debutant of the Year" category, correspond to the 9 leadership competencies. Special attention was devoted to the development of these competencies last year thanks to the implementation of the Thomas 360 Feedback system.



Recipients of the "10 Years in the Company" diploma, employees of the Odessa branch



Presentation of awards to the most active participants of the NEW 15 project



Mark Kestelboym, director of the Motto Agency, during the presentation of the company's new name



Recipients of the "10 Years in the Company" diploma, employees of the Lvov branch

The presentation of the new corporate brand was another part of the meeting which was jointly led by Vladislav Burda and Mark Kestelboym, director of the Motto Agency. During the presentation, awards were given to those who had participated most actively in the NEW 15 project and had demonstrated great creativity in searching for a new name.

Vivacity and fun were the company owners' slogan in addressing the meeting participants. These are two of the basic values formulated by the NEW 15 project which were fundamental in choosing the corporation's new name: RedHead.

You can read more details about this following the presentation of the best employees and the main changes of 2010. ■

Events and Changes in 2010

10 events which left their mark on the history of last year; each department, each division and each employee in Europroduct had their own.

But the 10 changes we mention here affected the company as a whole.

The new structure of the unified distribution

SERGEY FILYANIN,
director of the unified
distribution department:



One of the tools we plan to use this year and already began to use in 2010 is new financial planning based on 6 levels of financial knowledge. We are gradually adjusting our entire system in order to use all six levels in our activities. To make it clear how complicated and unusual this is not only for our concern, but for any Ukrainian company, I will note that at present we have barely passed through the first level of financial knowledge, that is, we have learned to make reports which are understandable not only to those who create them, but also to those who read them and try to make managerial decisions on their basis.

Just imagine that a concern which has been working on the market for many years is already a leader while just now mastering the second level of financial knowledge. And what will happen when we master all six levels of financial knowledge. Not only will we become one of the few companies in Ukraine which have thought about this matter at all; we will gain a huge competitive advantage not only on the level of Ukraine, but on the level of Russia and Europe.

I hope that in 2011-2012 we will navigate the entire path to mastering this knowledge, including the use of specialized software which will enable management to engage in business modelling. And, accordingly, develop decisions and test them preliminarily on specific models. Mastering this software will not only make us the only company on the territory of the former CIS to use such software, but will also give us competitive advantages. It will give us the opportunity to avoid mistakes on the level of planning rather than on the level of implementation, and avoid investments which will turn out to be incorrect.

My wish in the new fiscal year is that everyone will join in the mastery of new knowledge and the use of the new tools we are going to employ, and not resist the changes which are going to be implemented. All of these changes are positive in nature and should help us in our work and make us stronger and more confident leaders in our competitive market situation.

THE STRUCTURE OF THE UNIFIED DISTRIBUTION DEPARTMENT

Marketing division

Advertising (BTL) division

Market research division

Toy and furniture brand development division

Baby food and hygiene product brand development division

Sales division

Retail client relations (General Trade channel) division

Key client relations (VIP channel) division

Distribution development division

Sales support division

Document flow division

Accounts receivable control division

Routine reporting division

Financial reorganization

IGOR ZASLAVSKY,
financial director:



The past fiscal year was a critical one in the history of our company. The main and most valuable thing is that the owner of the business, Vladislav Borisovich Burda, went to get a financial education in one of the best American universities. This resulted in a cardinal change in the perception of the company's finances and, consequently, an almost complete restructuring of the finance department.

Over the course of the past fiscal year we were able to reduce the company's credit portfolio and reduce interest payments on servicing the principal debt, and today the company is in a much healthier financial state than it was March 1 2010, at the beginning of the fiscal year.

We have come to grips with such concepts as turnover and management of inventory reserves; we are seeing a positive tendency toward reduction of inventory and freeing of circulating capital, turning it into money, which is the lifeblood of any business and any company.

This year we have created a financial modelling and business planning division. That means that all new projects, all ideas being considered by top management, undergo financial expert evaluation.

Another important aspect of the financial education Vladislav Borisovich is obtaining is that we can use some of the know-how of American professors when analyzing the effectiveness of projects. When budgeting for the new fiscal year, we built our current model based on the factors suggested to us by the company owner. Planning according to financial factors makes it possible to build a very correct, very

THE STRUCTURE OF THE FINANCIAL ANALYSIS DEPARTMENT

Financial analysis division

Project financing
and budgeting division

Labour and payroll division

Treasury

flexible and healthy business model and conduct a normal budgeting procedure, and I believe that this year will enable the company to transition to its new corporate state. This fiscal year will last 10 months, and I am confident that on January 1 2012, when we will sum up next time, the company will be even better, even healthier financially, and its prospects will be even broader.

Reinstatement of basic Adizes activities

on the level of the concern and in four departments



Along with cascading the Adizes method in the branches, the basic processes were resumed in the central office of the corporation. In 2010 the three phases of the regular cycle – the syndag, the POC and synerteams – were conducted in their entirety on the corporate level and on the level of four subdivisions: three “green” ones (retail, distribution and boutiques) and one “red” one (SCM).

This process was made possible through the participation of a team of integrators from two companies, Europroduct (Sergey Bystrin) and Mirs (Svetlana Potap, Svetlana Ivanova). Collaboration with Mirs has crossed over into the sphere of joint recreation as well; the summer karting competition is remembered by many as the best corporate event of 2010.



Development of SCM – integration of the company's subdivisions

VADIM ORLOV,
SCM director:



Supply chain management (SCM) is a business process which is inseparable from expense optimization and integration of all subdivisions of the concern.

In order to achieve an optimum level of expenditures on purchasing, transporting, storing, clearing and certifying all imported merchandise, we have begun to create a system for evaluating a department's performance indicators, or KPIs. A proper evaluation of the effectiveness of work enables us to improve the quality of service for our clients, which is one of the strategic goals of the SCM department.

Another no less important goal is to increase financial cycle turnover while reducing the coefficient of tied-up capital. In 2010 negotiations were successfully conducted with many of our suppliers of imported merchandise, and payment terms were improved. A special challenge was improving payment terms with suppliers from Asia; we managed this task thanks to the persistence and diplomacy of our import managers.

We implemented the move of the baby food project to a new warehouse with the necessary technical equipment and a shelf storage system. This event was organized as part of a programme for optimizing the use of warehouse space.

In 2010 the first lots of children's clothing under our own brand, Foxy, were produced and delivered.

In a large department like SCM, and all the more so in a company of our size, properly established and maintained



communications are very important. This is facilitated by conducting meetings of our department in which all subdivision directors and colleagues from other divisions participate. Such meetings are held three times a week in the central office.

In 2010 in SCM, the main "red" subdivision of the company, the process of integrating the Adizes method was launched.

We also plan to work on establishing the Enterprise Optimizer (EO) programme, which will make it possible to unify all the KPIs for the company and break them down by subdivision, which, in turn, will help in implementing the 6 levels of financial knowledge into the activities of the company.

2011 will be more intense and dynamic for us. While raising our level of professionalism, we look to the future with confidence.

The launch of the 360 Feedback system and regular evaluations



A new personnel evaluation system based on the Thomas 360 Feedback system has been launched at Europroduct. It began with upper management and will gradually cascade downward.

The implementation of the new system is being directed by Alina Kritina, a manager/consultant from the Jansen Company, Europroduct's long-term partner in personnel training.



In 2010 a large-scale project for creating job passports was launched. All job instructions have been set out in a new unified format in which all information about the position is collected. The employees themselves create their own job profiles and describe the main competencies required; this enables employees to look at their jobs, their goals and tasks, and their obligations and authorities in a new light, which results in a more conscious attitude toward one's work.



Last year the number of training programmes for employees from various departments who wish to develop and raise their level of professionalism increased. Besides sales personnel, the employees of the SCM department and the retail supervisors and line managers underwent additional training. The programmes were devoted not only to developing specific professional skills, but also to developing and maintaining team relations.



Product range committees

STRUCTURE

ACCORDING TO

PRODUCT CATEGORIES:



In 2010, regular meetings of five product range committees in six merchandise groups were established. Developing and maintaining merchandise categories, choosing competitive strategy and strategic suppliers, and achieving a high level of expertise in each merchandise category were the priority goals of the product range committees. This is especially important when one considers that the structure of the corporation is built on the principle of division by sales channels, not by merchandise categories.

The creation of the Europroduct museum



VLADISLAV BURDA, corporation president:

The opening of the Europroduct museum was one of last year's significant events. Those of you who have been to our main office have seen how beautifully and wonderfully it is designed. In the museum one can see how our company developed from year to year, how the first shop opened, how the first consultants came to work with us, how we created divisions, how our shops grew and how their format changed.

The growth of sales volume in the Kiev Daniel boutiques



The Daniel boutique and Daniel stock shop (Kiev, Muzeyny pereulok) accounted for 29% of the total sales volume for the boutique chain in 2010 and exceeded planned figures for each of the 12 months of the 2010 calendar year.

The Daniel boutique showed a 39% annual growth in sales volume.

The Daniel stock shop showed a 23% annual growth in sales volume.

Daniel Kid's Luxury Avenue in the Mandarin Plaza shopping centre accounted for 31% of the total sales volume for the boutique chain and showed a 6.5% growth compared to the figures for last year.

The total share of the Kiev Daniel boutiques in the chain's sales volume was 60%.

Development of the retail network (Antoshka, Toshka)



3 new Antoshka supermarkets were opened:

In Kharkov - Antoshka on Vernadskogo

In Lvov - Antoshka in the King Cross shopping and entertainment centre

In Kiev - Antoshka on Prospekt Pobedy



One more new Toshka minimarket was opened in Bucha (Kiev branch)



5 Antoshka supermarkets moved to larger spaces and better conditions:

Kiev: The Antoshka from the Alta-Centre shopping centre moved to the Darnitsa area (ul. Malyshko), where it could expand to three floors.

Dnepropetrovsk: The Antoshka from the Pobeda shopping centre moved to a separate space.

Dnepropetrovsk: The Antoshka from the Most shopping centre moved to a separate space in the city centre.

Kiev branch: The Antoshka in the city of Brovary moved from a shopping centre to a separate space.

Kiev branch: The Antoshka in Vinnitsa moved to a larger space in a new shopping centre, which made it possible to open a hair salon, a play zone and creative groups.

A new Antoshka site was launched in the form of an information and entertainment portal.

The site has an average of 3000 visitors a day.

The establishment of the Ukrainian branch of the FBN and the visit of a group from the FB EMBA programme to Odessa



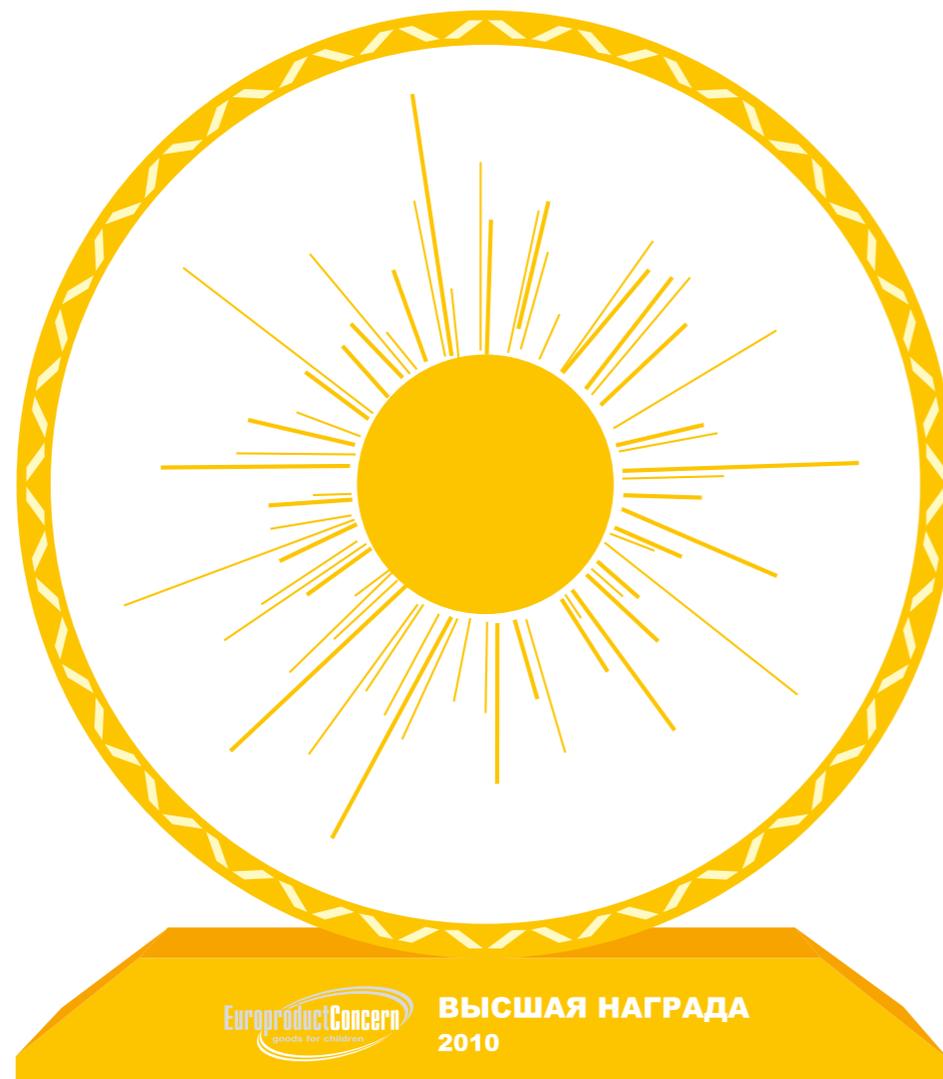
In 2010 the number of Ukrainian family companies in the FBN grew to 30. The programme of the summer FBN Ukraine event was based on the Europroduct Concern with the participation of students from the Family Business EMBA course, family business owners from seven countries.

The main characteristic of Europroduct noted both by the organizers of the FB EMBA programme and by the family company owners is its enormous energy and enthusiasm. According to the guests, all employees, from top managers to shop salespeople, have positive energy. ■



The Best Employees of 2010,

winners of the highest award of the Europroduct Concern



Vladislav BUBER,

Director of business development for toys (Odessa)



Award for the most significant contribution to the profitability of the retail area. For the ability to take risks and justify expectations with respect to supplying retail with the necessary reserve of toys for the season. Achieved 22% growth when the market as a whole was falling. Significantly boosted Antoshka's authority in the eyes of suppliers.

Irina KLIMENKO,

Director of the Antoshka retail chain in the Kiev branch (Kiev)



“Best Kiev branch retail director of all time”. Award for developing the Kiev region to a level worthy of the capital of Ukraine.

Ruslan RADZIKHOVSKY,
Director of the logistics service (Odessa)



Award for creating the first strategic plan for developing storage facilities. For active participation and support in creating the first POC of the “red battle unit” SCM.

Implemented KPIs for storage facility maintenance and kept the growth of expenses down through significant optimization and economy.



Larisa KURCHENKO,
Director of the Antoshka supermarket (Vinnitsa)



A unique and original director who is fully in sync with her city and with Antoshka.

Award for achieving high financial figures under conditions of constant change, even in location. For a unique team consisting of experts and leaders, and also for the fact that Antoshka was named the best shop in Vinnitsa by customers.



Andrey NOVOKRESHCHENOV,
National sales manager in the classic retail channel (Odessa)



Award for the will to win and for overcoming all obstacles. Successfully organized and managed the first focus team. Significantly increased sales volume and direct reimbursement in the retail channel, and also completely fulfilled all monthly and quarterly plans.



Alla GESAL,
Director of the Mega-Antoshka shopping and entertainment centre (Odessa)



The best director of the year, creator of the best team of the year after 6 years of management.

Award for the highest level of leadership qualities and morale. Colossal sense of responsibility and accountability. The greatest contribution to the concern’s product range committees.



Anatoly TYSHKO,
System administrator (Kiev)



Award for the ability to achieve results independently by fulfilling the functions of several subdivisions at the same time. For the unique ability to find effective solutions even in the most hopeless situations. For many years of effective work, irreplaceability and absolute loyalty to the company.



Sergey BARANNIK,
Retail department director (Odessa)



Award for the greatest contribution to the profitability of the concern. Persistence in reaching goals, and consistency and positive single-mindedness in creating the best version of himself and his department.



Aleksandr VLASOV,
Sales director (Odessa)



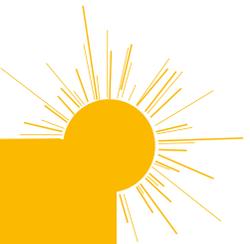
Award for high authority among team members and suppliers, the best Feedback 360 scores among all Europroduct's top managers in 2010, the launch of a new work scheme in distribution according to categorization, and returning all lost networks to the company.



Sergey FILYANIN,
Director of national distribution (Odessa)



For saving distribution, transforming it from near death to healthy youth, exemplary accountability and transparency through a system of daily reports, creation of one of the strongest and closest-knit teams in the concern, influence on all zones of the company's work, development of external communications, and unique diplomatic qualities.



THE CORPORATION'S NEW NAME



RedHead
Family
Corporation

What should the workday begin with?

Some would say, with faith in what we do – in the global sense.

What is the best way to begin an acquaintance, especially if it's an acquaintance with a new business partner?

By telling them about what we do.

What unifies these two things?

Symbols.

Symbols help us analyze our activities and make decisions more quickly; symbols give new acquaintances and partners a better understanding than detailed presentations. Symbols are a bridge from our understanding of our own activity to explaining it to others.

A name is also a symbol, and the name of the Europroduct Concern has begun to lose its symbolism. The company's name was giving rise to more and more questions from new partners during foreign exhibitions ("Do you manufacture products for Europe?"). And the development of several areas of the business had blurred the perception of the corporation as a whole. Employees of the business units were perceived as representatives of different companies ("Who are you, Antoshka, boutiques or the distribution company?") And the employees themselves, perhaps, couldn't have clearly stated the goals and purpose of the company they work in.

These reasons formed the basis for the decision to create a new corporate brand which could unite all the areas of the corporation and give an understanding of its essence to partners, clients and employees.



The decision was made in the year of Europroduct's 15th anniversary. The company's owners, in collaboration with the Motto branding agency, took on the task of setting down the values, mission, and vision of the corporation, from which the new corporate culture, brand and name was to be born. The rebranding became an independent project with its own symbolic name, NEW 15, a sort of forecast of the company's development in the next 15 years of its history.

When we believe in something, we try to do what we can so that those around us will share our faith.

When we care, we begin to come up with questions, and then answers.

If our company is unique, we say so directly. And if our company needs a new, unique name, we look for it!



As part of the NEW 15 project, a competition for finding a new name was announced on the corporate portal (Web site); all employees of the company had the chance to participate.

Over the nine months of the competition, over three hundred names were suggested. Employees in many departments - retail, boutiques, distribution, SCM, HR — thought up new names, experimented with them, and discussed possibilities among themselves.

VALUES AND MISSION

① The global mission is to become a “dream company”, both for children and for employees and partners.

② Children are the company's main target audience. The goal of the company's activity is for children to associate the company with a happy childhood and the most vivid childhood impressions.

③ The company is striving to become an ideal workplace for its staff, where each employee can fully develop his or her creative side and make a contribution to the common cause of happy childhood in this country.

④ The business ambitions of the company consist of expansion into other segments of the children's market with a view to occupying the strongest and most stable leadership position.



Everyone who took part in the competition, suggested dozens of potential names and stood up for their point of view are characterized by drive, faith and... fun, without which the new corporate culture was unthinkable!

From the mass of suggested names several thematic fields emerged, and within each one there were favourites.

THE FUTURE AND CHILDREN (Futureland, Next People, Next Age, New Kids, Family Future)

THE UNIVERSE AND CHILDHOOD (Dream Universe, Kids Universe, Happy Universe, Fun Universe)

PLANET AND SPACE (Planet of Fun, Space of Dream)

WORD PLAY (Lucky Ducky, DimpoTimpo)

CHILDREN FOREVER (Funky Cool Company, Forever Kid, Totally Kiddy)

ALL THE BEST FOR CHILDREN (Kidest, Super Little People)



The following names made the short list:

- *Funtoria*
- *Funny Little World*
- *Jolly Boom*
- *Lead and Kid*
- *Kiddeology*
- *Big Little Company*
- *Detwork*

And at the end of 2010 the owners' choice was made.

RedHead — this was this name that united leadership potential for expansion into foreign markets, joy and happiness, which have been characteristic of all Europroduct's departments and products from the moment of its founding.

This short, succinct, international name embodied the corporation's swift development, its ambitions and its positive outlook.

For Europroduct, red has always been a lucky colour. The symbolic part of the name RedHead, like a good luck charm, has reinforced the success the company has had before the present changes. Two "redheads", the corporation's vice president Nina Galina and the original image of the Antoshka children's shop, have already helped the company to flourish.

RedHead

THE CRITERIA FOR A GOOD NAME:

easy to pronounce

must be short

has an international sound
(can be understood in English)

is not an acronym
(abbreviation)

is not generic
(a commonly used name)

is perceived as neutral in Russian
and in English (has no negative
connotations)

easy to remember

In our way of thinking, red is the colour of originality, differentness, directness, and also the colour of those chosen by fate.

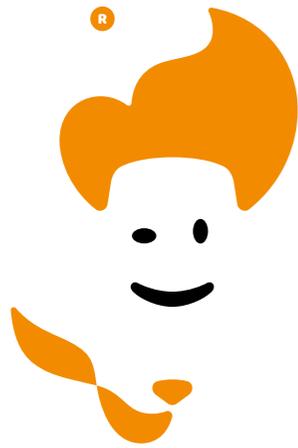
In western markets, RedHead has similar connotations.

*A RedHead is a head in which the most fantastic ideas are born.
It stands for vividness, creativity, non-standard solutions,
boldness and leadership.*

And this is the first time in Ukraine that a company's status as a Family Corporation has been stated in its name.

It is a family company not only because the business is managed by a married couple who are preparing to transfer management to their own heirs. It is a totally different form of ownership which is different from joint stock companies. It includes the development of all the corporation's personnel who share the values of the family business, and makes the continual improvement and preservation of the business a priority over quickly increasing capital.

The name RedHead not only reflects the company's ideology, but the image of the corporation's Antoshka retail chain. It's as if it translates the name Antoshka into the language of the global market. And furthermore, it demonstrates the potential to "export" Antoshka to other countries under the RedHead brand.



RedHead

Family
Corporation

Creating the RedHead Family Corporation logo was the next important stage in the rebranding work, a visualisation of the name and its concept.

On the RedHead logo, a red scarf waves along with a mischievous red forelock; this could only be someone who, despite all obstacles, goes his way with confidence, who believes in his own success and looks to the future with a smile. The smile immortalized in the RedHead image speaks of the optimism and energy typical of the corporation's employees and recognized by all the company's partners.

The new symbol of the corporation and its new name are a bold step, and at the same time the potential right to join other recognized leaders on the global children's merchandise and entertainment market, companies with a unique corporate culture.



RedHead
Family
Corporation



The RedHead corporate brand on the global children's merchandise and entertainment market

The image of the RedHead Family Corporation, a “red-headed”, fast-moving, happy company in which growth, fun and family are valued, is succeeding the Europroduct Concern and opening broad opportunities to master new areas of business and new geographical territories.

The story is just beginning...

To Slovenia with Love



14 DISTRIBUTION EMPLOYEES FROM ALL FIVE BRANCHES OF EUROPRODUCT HAD THE OPPORTUNITY IN THE BEGINNING OF MARCH TO VISIT SLOVENIA, THE HOME OF THE DROGA KOLINSKA COMPANY AND BEBI CEREALS. THIS WAS ONE MORE NOVELTY WITH WHICH THE UNIFIED DISTRIBUTION DEPARTMENT FINISHED OFF THE FINANCIAL YEAR.



Svetlana Levchenko, Head of food and hygiene brands development division (Europroduct)

The trip took place by the invitation of Emir Hrković, the general director of Droga Kolinska in Eastern Europe and Droga Kolinska Russia. The 3-day trip to Slovenia was a reward for high performance in working with the Bebi brand in 2010, and was conceived as an element in the motivational program for Europroduct employees. Recreation at the Kranjska Gora resort and Villa Kolinska, skiing and a descent into the Postojna Cave, and also a trip to the seaside town of Piran; no factory tours, no office meetings.

The starting point for all the trips around the country was Villa Kolinska, the company's own recreation facility in the mountains on the shore of Lake Bled. At the Kranjska Gora resort, participants were able not only to go skiing, but to watch a stage of the European Cup in men's slalom skiing, and at the Postojna Cave they could admire stalactites and stalagmites.

 **Kolinska**

Slovenia is a small country with a population of 2 million. The guests of Villa Kolinska were able to evaluate the advantages of this "compact" country with various options for recreation: they could start the morning at a ski resort, visit the caves in the afternoon, and later that same day be at the seashore.



Emir Hrković and Yulia Kostyuchenko, supervisor in the Europroduct's merchandising division

The entire trip was "enriched" with generous dinners and suppers, as well as the untiring attention and care of Emir Hrković.

As a token of gratitude, Emir was presented with gift books about Odessa and Ukraine, as well as a diploma for leadership in the Ukrainian baby cereal market.

Next year 10-15 of the best employees of Europroduct's unified distribution department will once again set off for Villa Kolinska in Slovenia. This will occur as part of the department's motivational program. ■



A White Fairy Tale in Daniel's Shop Windows

The Victorian aesthetic, with its typical sophistication and reserve, romanticism and austerity, has transformed the shop windows of the Daniel boutiques in the new season with direct references to the grotesque fairytale images of Lewis Carroll.

The style of Daniel's shop windows in spring 2011 is the surreal paper interior of

a fairytale dollhouse. The "paper" theme was chosen deliberately, not only because it is a kind of children's craft, but also thanks to the global "paper" trend in the prêt-à-porter world, the intricate fashion for origami and things made of snow-white paper.

The massive, full-sized, but at the same time weightless furniture looks





as if it had been glued together by the hands of an industrious child. On the snow-white mannequins are intricate and grotesque hats of white paper. The interiors are “lit” by paper chandeliers and lamps. All this white silence is set off by bright clothing with multicoloured accessories and deep purple backdrops with brand-name “scribbles” from designers. Before us, behind the glass, is the “new” Victorian age of the twenty-first century, like a picture book with huge illustrations come to life.

This is how Daniel’s new trademark style, an ironic child’s-eye view of fashion, glamour and chic, is reflected in the conceptually new design of the boutique’s windows. And while Daniel’s brand identity is boldly drawn by a child’s hand, the windows look as if they had been cut out of paper and glued together by children. Because children’s fashion is stronger and more vivid than grown-up fashion; it conquers more and more new areas, and can make bold experiments and use its wild imagination in such a grown-up matter as decorating a boutique! ■



The Adizes Methodology at Europroduct: Successes in 2010

Text: Svetlana POTAP, Svetlana IVANOVA (Mirs),
Sergey BYSTRIN (Europroduct)

JUST LIKE ANY PERSON, EACH COMPANY HAS ITS OWN HISTORY AND ITS OWN LIFE CYCLE. BOTH PEOPLE AND COMPANIES, ACCORDING TO DR. ADIZES, GO THROUGH SIMILAR STAGES: INFANCY, ADOLESCENCE, PRIME, AND AGING.

THE DIFFERENCE IS THAT A PERSON IS BORN, DEVELOPS, REACHES THE HIGH POINT OF HIS DEVELOPMENT, EXPERIENCES A PERIOD OF STABILITY, I.E., MATURITY, AND THEN INEVITABLY BEGINS TO AGE, BUT COMPANIES DON'T HAVE TO AGE. EVEN COMPANIES FOUNDED A LONG TIME AGO ARE NOT NECESSARILY IN THE STAGE OF AGING; THEY CAN BE FULL OF ENERGY AND DETERMINATION. THE OPPOSITE IS ALSO TRUE; COMPANIES WHICH APPEARED RECENTLY CAN BE CHAINED DOWN BY BUREAUCRACY AND CONFLICT, SURE SIGNS OF A COMING DECLINE.

THE MAIN THING IS THAT WHEN ONE UNDERSTANDS WHAT STAGE OF THE LIFE CYCLE A COMPANY IS IN, IT IS POSSIBLE TO CHOOSE THE NEEDED DIRECTION FOR FUTURE MOVEMENT, TO PRESCRIBE THE OPTIMAL "VITAMINS" AND STEPS FOR SUCCESSFUL DEVELOPMENT. IT IS ALSO CURIOUS THAT ONE COMPANY CAN SIMULTANEOUSLY BE AT SEVERAL STAGES, DEPENDING ON WHAT STAGES OF DEVELOPMENT THE DIFFERENT DEPARTMENTS OF THE BUSINESS ARE AT.



Infancy



Active Growth (Go-Go)



Adolescence



Prime



Svetlana Potap (Mirs), Adizes methodology integrator at Europroduct



Sunil Dovedy, Adizes methodology program director at Europroduct



Svetlana Ivanova (Mirs), Adizes methodology integrator at Europroduct



Sergey Bystrin, Adizes methodology integrator at Europroduct

For over seven years the Adizes technology has been helping the Europroduct Concern to grow successfully, bringing new discoveries each year. Thanks to the implementation of a project for the collaboration of integrators from two companies, Europroduct and Mirs, in 2010 it was possible to accomplish the main plan according to the methodology: the process has been launched and is operating continually in four subdivisions of the company. These subdivisions are distribution; retail, where active recruitment of the regions is in progress; boutiques; and SCM. A POC is also operating on the highest level of the concern. This is not all; the methodology will cascade even further, but first let us look carefully at 2010 and at the stages the various subdivisions are at.

THE CORPORATION: A NEW PHASE

Thanks to the drive of the main Executive of the concern, Vladislav Borisovich, after a brief interruption, continual work on the methodology has continued on the highest level of the company.

The key role of the Executive at any event conducted according to the Adizes methodology is to have the needed authority to say “yes” or “no” to each decision made and to take responsibility for the essence and quality of the decisions. He or she needs to say “yes” and “no”, and not only “yes” or only “no”: sometimes one sees cases where “yes” was not said to a decision, but this does not mean that the decision is incorrect, and it is possible that someone’s authority is only sufficient to say “no”.

Thus, on the level of the concern’s top management at the very beginning of 2010, the Executive said the most important “yes”: the process was restarted. **The foundation was laid by the concern’s re-syndag in January 2010, conducted by Sunil Dovedy, Europroduct’s Adizes methodology programme director.** At that time 215 potential improve-

ment points, or PIPs, were gathered; the life cycle stage was determined as Adolescence with a remnant of Infancy; and a plan of action was made.

Continual work was conducted all year: over the course of 13 months, 8 sessions of the organizational council, the top-level POC, were held, and everything was summed up at a re-syndag in February 2011, where the team of top managers were again joined by Sunil Dovedy, as well as Svetlana Potap and Sergey Bystrin.

As at each re-syndag, participants first and foremost looked at what had been done: All of last year’s PIPs were divided into 4 categories according to the technology: “no longer a PIP”, “improved”, “remained the same”, or “became worse”. Thanks to constant POCs and management’s teamwork, over the course of the year around 71% were resolved, in 21% the situation improved, in 7% problems remained on the same level, and only for one of the PIPs, in the team’s opinion, did the situation get worse. This is an excellent result.

In 2010, according to the results of repeat diagnostics, 71% of problems defined at the previous syndag were resolved, and in 21 % the situation improved. This is an excellent result which exceeds the recommended 40+40 ratio.

The re-syndag defined new problems, as well as other aspects of old issues. In the opinion of participants, this year's re-syndag was the first in a long time at which a positive change was felt, first of all in the level of tasks defined and in the specific, measurable formulation of PIPs.

160 potential improvement points were generated. It was clear right away to whom they are addressed, and that they are being put into action, and not pushed aside.

The PIPs have become real goals for the year, and each participant's task is to turn them into reality.

A plan of action for the next period has been laid out; among the first priorities are: financial integration, holding product range committees, regulating the merchandise base, working in the branches, and developing new products.

This was not "easy work", like at the first syndag in 2004, which brought relief and joy, as many long-term problems were exposed. The 2011 syndag is a complex stage in becoming conscious of integration and disintegration, client-orientation and the unacceptability of making complex decisions autocratically, conflicts of style and conflicts of interest. It is natural that this process should be painful, as this is a transition to a qualitatively new level. It is a transitional stage, getting rid of the remnant of Infancy and taking a step into adult life, toward a healthy Adolescence, when the company can implement all its plans. Such is the stage of the concern's development at present. The main thing is that the participants have heard each other and understood what they want, and have found the strength in themselves to expose problems and talk about them.



Comments from Vladislav Burda,
Executive of the corporate syndag:

We conducted the 2011 re-syndag over two and a half days, and during this time we not only held a syndag, but also examined the structure. Sunil Dovedy is one of those rare certified specialists who is able to look at the entire structure as a whole, and we tried to conduct our meeting as productively and rationally as possible.

Igor Zaslavsky and Ruslan Radzikhovsky were new to the corporate-level syndag. The rest of those present already had experience in participating in a syndag. Through our joint efforts we were able to generate about 160 PIPs. Two main vectors were marked out: finances and branches. The first priority in finances is to get reporting into order, and for the branches it is decentralization through integration. The PIPs generated seem to us to be fairly clear, and we are going to work on them.

As for the resolution of last year's PIPs, we exhibited very high performance in executing them. Many PIPs have disappeared, and many have become irrelevant. In fact, when the list was read, it felt a little strange, as over the course of the past year we have moved so far ahead that sometimes we didn't understand what they were talking about. The general practice of Adizes is that "40+40" is considered a good result, i.e., 40 PIPs were resolved or have become irrelevant, and 40 were improved. We are significantly ahead and have much better figures than 40+40.

After updating last year's models, we generated new PIPs. Each group participant could suggest an unlimited number of them. The main idea of generating PIPs is that specialists are given the opportunity to have their say in an open format. That way, the people themselves become part of the solution to

The main task of a manager and at the same time of a syndag Executive is to listen attentively and not miss the things which directly influence the company's productivity.

the problem, and consequently have a completely different attitude towards it.

After the PIPs have been generated, we decide which have the highest priority according to the models, and then in the POC we begin to look for solutions together. The PIPs defined become our property. It's not like an order from above, "go there, take that, do this"; that's the main essence, and that's why it works so well. The main task of a manager, which is what the syndag Executive is too, is to listen attentively to what his subordinates are saying, and try not to miss the things that are important and that directly influence the company's productivity. Such joint work greatly increases MT&R, or mutual trust and respect. We listen to each person

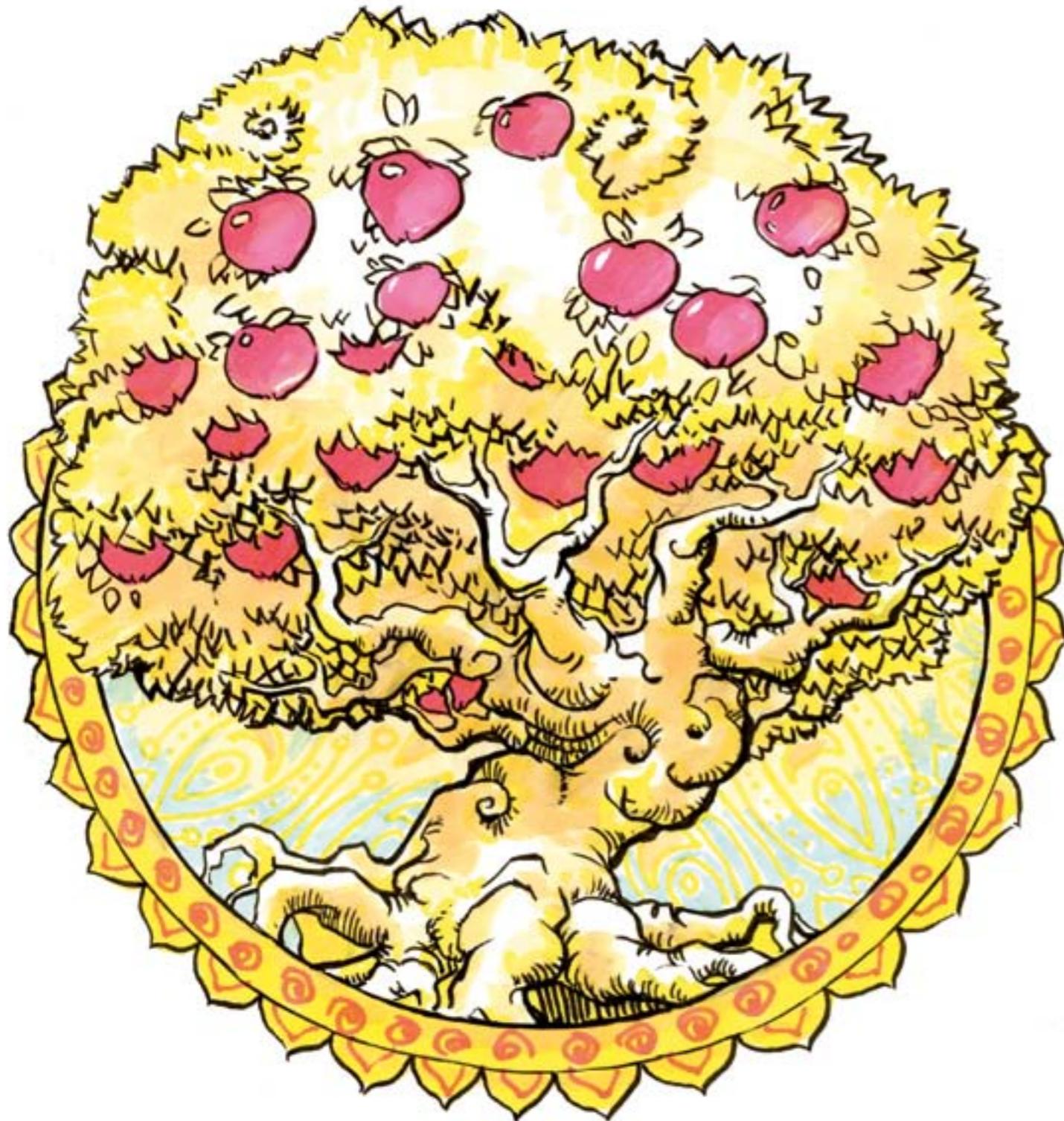
until he says "pass" three times, and only after the third time does the generation of PIPs stop. On the next day the work continues, and we have the chance to generate more PIPs. Thus we have several chances so as not to miss anything.

With each passing year more and more PIPs appear which are complex in their phrasing, and thus are more difficult to resolve. But such solutions are what make us stronger. Of course, in order to develop, we need to always be dissatisfied with something. If everything suits you, then there will be zero PIPs, and thus there will be nowhere to go, since all problems are solved, all questions are closed, and there's no sense in assembling syndags and POCs.



The 2011 corporate re-syndag

If everything suits you, there's nowhere to develop; there will be zero improvement points, all questions are closed, and there's no sense in assembling syndags and POCs.



RETAIL: SUCCESS WHICH HAS BECOME A RULE

The first syndag in the retail department of the Europroduct Concern took place in November 2006. Since then the process of transformation according to Adizes has been taking place continually, in yearly cycles. Each year syndags are held, at which current and long-term issues of the performance and effectiveness of department management are diagnosed afresh. POCs (bodies for implementing the methodology and monitoring the transformation) meet on a strict monthly basis and keep track of the work on PIPs that were generated at the syndags or identified separately. Synergetic teams, or synerteams, work constantly on complex groups of problems. Synerteams are created when the competency of one person is insufficient for developing a solution and ensuring it is implemented.

For three yearly cycles in a row, the percent of "closed" PIPs in the retail department exceeds 80%. The most notable aspects of retail's work on Adizes in 2010 can be

expressed in the following words: responsibility, continuity, interconnection.

Responsibility is evident in the mature approach to generating PIPs. Department employees first of all focus their attention not on the quantity, but on the quality of the content of the PIPs generated; all of these together are understood to be the foundation for the current plan of action in the coming time period. Practically all the potential improvement points generated are precise, specific, measurable, executable, and within the control of the team, and the tasks set in relation to them correspond to the four imperatives of Adizes (what must be done, how, by what time, and by whom.) The generation of PIPs is not limited to syndags. It is a constant process which continues at each of the division's monthly POCs. With each year the proportion of PIPs which become part of models for which synerteams are appointed increases; individual tasks are assigned as well.

Synerteams are created when the competency of one person is insufficient for developing a solution and ensuring it is implemented.



Work is conducted continually throughout the year. The most important tool used in our constant transformation is synerteams, formed on the basis of capi (coalesced authority, power and influence). **Retail synerteams operate in accordance with the Adizes principles of teamwork** and have a real influence on the achievement of the four goals of the Adizes methodology:

- solving problems;
- building teams and developing teamwork;
- enriching managers' personal styles;
- developing management quality.

The work of the synerteams in the retail department in 2010 was conducted in accordance with the Adizes methodology's eight steps for decision-making: defreeze, accumulate, deliberate, incubate, illumi-

nate, accommodate, finalize, and reinforce (for more details on the 8 steps for making team decisions, see the Glossary in Europroduct Review No. 35). This provided a favourable environment for working out a sound solution based on accounting for the various interests of participants and the use of differences in their personal styles, and the prerequisites for later effective implementation were created, which is practically impossible when working out a solution in a workgroup.

Synerteams in the retail department have become a real tool for forming and developing a culture of mutual trust and respect (MT&R) not only among retail employees, but also when working in groups in which employees from various departments of the concern participate.

In 2010 the Adizes process in the central office of the retail department is more



and more interconnected with the Adizes processes in the branches. This connection can be seen in joint work on PIPs, in "cross-pollination" between the Odessa and branch synerteams, and in mutual assistance when carrying out individual tasks. Retail supervised training and helped develop branch integrators and supported the efforts of branch POC implementers who participated in the work of the retail department POC in Odessa.

With few exceptions, in 2010 practically all the individual tasks set in retail were accomplished. In the work of the synerteams, it is worth highlighting the formation and implementation of solutions related to the integrated motivational system for various categories of retail employees; the technical service system for the shops in all regions; the development plan for the new Toshka format of children's shops; and the plan for promoting new



Antoshka shops, which includes optimization of expenses and a significant increase in the shops' brand awareness.

Retail's success in work on Adizes in 2010 is the result of group effort. However, it is worth highlighting the participation and leadership roles of Sergey Barannik, Natalya Bakhchivanzhi, Boris Vilkinsky, and Oksana Dubinkina in Odessa, the branch implementers Irina Klimenko, Vladimir Shimansky, Yelena Gevlich, Andrey Yelnyakov and Tatyana Kryuchkova, and the branch integrators.

The plans for retail's future work on Adizes in 2011 are ambitious: regularly repeating the over-80-percent figure for closing of PIPs, effective operation of up to twenty synerteams, and strengthening interconnections with the branches (which will also be facilitated by the already existing practice of holding field POCs).



A REVOLUTION IN DISTRIBUTION

This year was truly unusual for the distribution subdivision: after having encountered many problems at the beginning of the year, having undergone restructuring, and having set a precise course, the department broke records for the speed and quality of its work on the Adizes methodology in 2010. Distribution was ready for a re-syndag only 8 months after the syndag in January, while the usual cycle of organizational transformations takes about a year.

Restructuring with the clear allocation of roles and introduction of new functions, formulation of the department's mission and goals, goal-oriented movement according to precisely defined priorities – the evolution of all these aspects can be observed in the department throughout the year.

At any of the distribution POCs it was difficult not to be infected with drive; each participant was energetic and focused on specific goals and tasks. Perhaps this determination to achieve in a situation where it is absolutely clear which way to go is the subdivision's distinctive feature now. Such energy, of course, bears fruit, and it is no accident that the distribution department has achieved an absolute monthly maximum of sales during this period of its history.

If you look at the Adizes methodology figures, 82% of PIPs have disappeared completely, in 18% the situation has improved, and in none of them has the situation remained the same or gotten worse.

A re-syndag took place in early November 2010, but **it was difficult to believe that this was the same department as in the beginning of the year.** During the re-syndag many participants noted fundamental changes in the atmosphere: there was no internal marketing, i.e., internal disintegration. According to the Adizes formula, success depends on the proportion of internal integration to internal disintegration (see also "The Success Formula" in the Glossary in this issue). The less "sweat, blood and tears" we spend on coming to an agreement among ourselves within the company, the more energy we have left to direct towards the market and our clients.

Over the course of this year, the team has moved its focus from internal conflicts to the external environment and has become more and more active with regard to the market, clients and suppliers. This has freed up the potential for generating new, noticeably higher-quality PIPs, a third of which fell into the "Client interface" category, into which everything related to sales and marketing falls.

We create value for our clients, suppliers, employees and owners

Distribution does not fail to surprise everyone with the quantity of its PIPs as well: at the re-syndag 377 potential improvement points were collected (292 at the syndag at the beginning of 2010). But now the problems themselves are different; they are specific and measurable points, and by moving correctly through them, a direct course to new achievements can be plotted.

By remaining true to itself while striving towards performance, innovation, and the inclusion of the FUN factor in every action, the distribution team passed through the

re-syndag easily. It used a slightly modified technique of collecting PIPs, getting inspiration for generating them from funny video clips and at the end receiving their caricature portraits as a souvenir.

It is natural that the subdivision's position in the life cycle has changed as well, but the size of the change is impressive.

From a stage of premature Aging, the department moved to a stage of developed Adolescence, and there are already some signs of moving into early Prime. Bravo, distribution!

It would be no exaggeration to call the joint syndag of Europroduct's distribution department and Nestlé a unique event, as the problems of two different systems were diagnosed at once

Comments

from Sergey BYSTRIN:

In December 2010 a repeat joint syndag of the Europroduct Concern's distribution department and Nestlé took place. The goal of the syndag was to diagnose problems in the collaboration of the two companies and determine opportunities for future prospective collaboration. The managers of the concern's distribution department took part in the event, as well as leading managers of Nestlé's national office in Ukraine. It would be no exaggeration to call this event unique, as the problems of two different systems whose interests conflict

to a certain degree were diagnosed at once. By applying the principles of MT&R, it was possible to give this natural conflict a constructive character and facilitate the generation of quality PIPs. Group and individual work on these improvement points will make it possible in the foreseeable future to strengthen and develop collaboration between Europroduct and Nestlé. A list of individual PIP tasks has been created, and the synerteams whose work will begin in the near future have also been confirmed.



BOUTIQUES: A STYLISH IMPLEMENTATION OF ADIZES

In 2010 the boutique subdivision continued its work on the Adizes methodology, and in April the department held a re-syndag, conducted by a team of integrators: Svetlana Ivanova (Mirs) and Sergey Bystrin (Europroduct).

It was determined that on the life cycle curve, the boutiques are in the Infancy stage. And if you follow the history of the chain's development, this is a regression after a stage of Active Growth, rather than a situation of birth and survival at any cost.

Knowing that successfully overcoming the difficulties of the Infancy stage will allow them to transition to the next stage of development, the Go-Go stage,

the boutique team went to work with a will.

An inter-city POC headed by Executive Vyacheslav Bich worked steadily throughout the year. All key employees in the department took part in the POC, including shop directors from Kharkov, Kiev and Odessa. Towards the end of the year, the Adizes methodology clearly marked out an aspiration on the part of the boutique directors to take responsibility and solve problems independently.

The subdivision's permanent POC turned out to be very mobile, and several times over the course of the year it moved from Odessa to Kiev to get a fresh look at the processes in the department.

Towards the end of the year, the Adizes methodology clearly marked out an aspiration on the part of the boutique directors to take responsibility and solve problems independently.



Svetlana Ivanova (Mirs)



Sergey Bystrin

As part of the continuing work on integration in the boutiques, such synerteams as “Personnel training and evaluation system”, “Interaction between the boutiques and SCM”, and “Document flow in shops” were launched and effectively finished their work. **Development of a site for the Daniel chain was also initiated.**

For deeper immersion in the Adizes philosophy of management, the team arranged for showings of lectures from the TopLeaf (Top Leadership Forum) course at all POCs. At each meeting, after a portion of simple,

invaluable wisdom from Dr Adizes, POC participants would get to work on discussing their priorities, RA assignments and synerteam tasks.

The team began to enjoy the fast-paced work, which the boutique department’s re-syndag in early March 2011 showed. The figures for carrying out the 193 PIPs collected in 2010 were as follows: 64% of the PIPs went away completely, in 18% the situation improved, in 17% it remained the same, and only in 1% did it get worse. During the review it was determined that

Significant improvements have taken place in the culture, structure and management processes of the boutique chain department.

significant improvements had taken place in the culture, structure, and management processes of the department, including general planning and the internal flow of management information. However, for the PIPs where the situation did not change, there is a need to strengthen orientation on the market, on the client and on employee training. The re-syndag participants left these PIPs for further work in the new year.

In all, the team collected 131 PIPs at the 2011 re-syndag. Based on attributing the PIPs,

grouping them in models and identifying the chain of cause and effect, it was determined that the boutique chain department is still in the Infancy stage. The clearest indicator of this is insufficient sales for the different areas of the subdivision.

Now the boutique department needs first of all to strengthen its entrepreneur function (E) and add more energy to producing results (P), and “turning on” the style of the next stage of the life cycle, Go-Go, will help the subdivision to move towards this stage.



SUPPLY CHAIN MANAGEMENT (SCM): THE GREAT “REDS”

The concern's first “red” department to initiate the launch of the transformation process according to the Adizes methodology is ready to announce its results!

When the Adizes methodology begins to operate in a new subdivision, over the course of two days key team members have their first deep immersion: synergetic diagnostics, or a syndag. That happened in this case, too. The starting point for the team of the young unified SCM subdivision was a syndag, which took place in late February 2010 and was led by its Executive, Vadim Orlov, with the assistance of Svetlana Potap and Svetlana Ivanova as integrators. At that time over 260 potential improvement points were found and it was determined that the department is approaching the Go-Go stage, leaving the Infancy period. **SCM had the complex task in front of it of getting into the Adizes process** and successfully moving forward towards the development of the department.

From the very beginning the tendency for SCM department POC participants to be independent was constantly apparent; POC reports showed a large number of individual RA assignments. Participants took the resolution of such separate issues as “The high cost of logistic services in the

branches” and “Mistakes in certificates and untimely acquisition of certificates” on themselves, and work was constantly being done on the “Slow and incorrect acceptance of merchandise into the warehouse” PIP.

Teamwork was conducted in synerteams to resolve such issues as, for example, “Changing the import scheme”, “Buying procedure” and “Budgeting”.

The permanent POC members were periodically joined by representatives from the regions, which made it possible to see the picture from different angles.

In all divisions of SCM – in both internal and external logistics, in warehouse logistics, and in the import division – PIPs were being resolved, releasing energy for more effective service of the subdivision's clients, business sales departments.

Respect and trust are perceived as the norm at each meeting according to the Adizes technique, but they are also always supported by rules which the participants themselves determine: not to be late, not to talk on the telephone during sessions... all the usual things; the only unusual thing is fines for violations, either money or exercises: push-ups for men, squats for women.



The SCM department's 2011 re-syndag

There are “soft rules” and “hard” ones, for which fines are enforced across the board. The SCM department has turned out to be champions in push-ups and squats: sometimes it was necessary to enforce “hard rules” in order to maintain discipline, and the participants were only glad of the chance to warm up and show off their physical form. But whatever happened at the meetings and however heated the arguments might have gotten, respect for one another was always evident.

In late March 2011 a re-syndag took place at which the results of the first year of the Adizes methodology in the SCM department were summed up. Out of 260 PIPs for 2010, 42% disappeared, in 32% the situation improved, in 24% it did not change, and in 2% it became worse. For 2011 the subdivision generated an even greater number of potential improvement points – 294.

Often the stage of the life cycle is easier to determine for a company or a profit-



earning subdivision; there all the signs and normal and abnormal problems are more visible. But with respect to the SCM department, even during the stage of preparation for the re-syndag, a fairly clear picture started to take shape. And after the new potential improvement points were accumulated and all connections were established, it was determined conclusively that **the subdivision is in the Go-Go stage, characterized by bubbling energy** and an aspiration to develop

and improve many areas of its activity. SCM's results are a shining example of how a “red” service subdivision can look during the Active growth stage. The way to Adolescence can already be seen, and such signs of a transitional stage as the establishment of a clear organizational structure and trying to recruit new competent specialists are appearing. The SCM department can continue moving with its customary drive and reinforce the results it has achieved.



The Adizes methodology for transformational changes within company subdivisions is being successfully implemented. Not only the central office, but the branches participate in the joint work: the process of cascading the technology in the regions is proceeding very actively. Including more and more new participants in the process and finding and resolving more complex problems brings each subdivision and the corporation as a whole to the height of achievement, the Prime stage, and helps it remain there long-term. ■

Glossary



THE SUCCESS FORMULA

The success of any system – whether it is micro or macro, whether it is a single human being, a family, an organization, or a society – can be predicted by one factor: the ratio between external integration and internal disintegration.

External integration, which Dr Adizes defines as “external marketing”, is the amount of resources

an organization invests in identifying and satisfying client needs. In business this involves market segmentation and product differentiation.

Internal integration, or “internal marketing”, is the amount of managerial energy needed to make something happen within the organization. Internal marketing is a function of mutual trust and respect (MT&R).

If there is little or no mutual respect or trust, the energy spent on internal marketing will be very high.

Consequently, the more energy is spent within the organization, the less energy is available for external integration, for interaction with the client. And in the end, this reduces the success of the organization, or of any other system. ■

FB EMBA:

A Course in Effective Ownership
of a Family Business

Order of flights to the
Family Business EMBA course



THE PRESIDENT OF EUROPRODUCT (NOW THE REDHEAD FAMILY CORPORATION) FINISHED HIS EDUCATION FOR MANAGING OWNERS OF FAMILY COMPANIES THROUGH KENNESAW UNIVERSITY (USA). IT IS CERTAIN THAT THIS UNIQUE EDUCATIONAL PROGRAMME AND THE EMBA DEGREE WILL INTRODUCE NEW MODELS OF MANAGEMENT TO OUR CORPORATION. VLADISLAV BURDA TELLS ABOUT THE FIRST RESULTS OF THE FAMILY BUSINESS EMBA COURSE HE COMPLETED.



The final learning module of the FB EMBA, February 2011. Jerez, Spain



Andrew Keyt and Joseph Astrachan

The past 18 months have probably been the most complicated stage in my life for the last 15 years. Although I had a lot of experience with studies in various programmes, courses and trainings, I understood for the first time what receiving a degree in the American educational system means. The level of knowledge and approaches to teaching students turned out to be completely different, and I would like to tell about the main advantages of studies in the EMBA system.



Julia Hieber

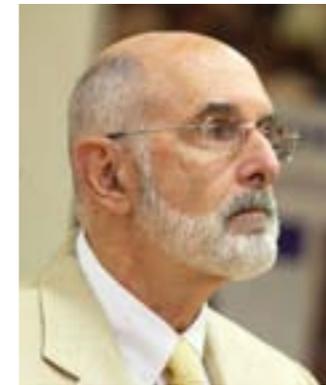
During my studies I built firm, friendly relations with twelve students from seven countries. **These are owners and co owners of large family companies, some of them in the second generation, some in the fifth or even the sixth.** Three students in my group turned out to be FBN activists: Andrew Keyt, director of FBN USA; Julia Hieber, director of the programme for social entrepreneurship, and me, the director of the Ukrainian division of FBN. The level of training and the intensity of the programme were so high that only 11 of the 15 students who entered were able to graduate.



Joseph Astrachan

Professor Joseph Astrachan had one important goal in creating the Family Business MBA programme: to show owners how managing a family company is different from any other kind of management.

As the number one researcher who has dealt with an enormous number of family companies, Joseph makes it his goal to show owners that their family and their family business are authentic, and that it is extremely important to understand its roots.



George Manners

That is why the course started with each of us constructing a family genogram, a family tree through the third generation. This enabled us to see the models which brought our families and businesses to the state they are in now.

At first glance, this assignment seemed very simple. However, it consisted of more than listing the birth dates of relatives. The most important thing turned out to be describing all the types of relationships which existed in the family. Tracing models had begun even at the stage of constructing genograms. When making a detailed analysis later, I was amazed by the number of models in my family and by how deeply and subconsciously a family works as a system, based on its models and beliefs. By understanding and tracing the models of your own family you can literally predict changes occurring in the family and in the family business.

Joseph worked together with George Manners, the FB EMBA programme's finance professor. George is the creator of the 6 levels of financial knowledge system. During my studies I came to understand its power, and **I believe that the implementation of this knowledge, which we are working on, can be just as effective for us as the Adizes system,** which we implemented first in Ukraine in 2003-2004.

The EMBA was also interesting to me because all nine of the residencies took place in different countries and in different families, and all this time the professors were with us.





Vladislav Burda and Henrik Bjornberg, ex-owner of the Myllykoski paper factory (Finland). Near a water mill in Damascus, Syria



Near a stand showing the joint achievements of the Burda publishing house and the Myllykoski factory. Munich, Germany

We studied a lot of theoretical and lecture material, and theory was always closely interwoven with practice. We visited family factories, print shops, and wineries, and what is especially important is that we were invited to homes, and often lived there, giving us a unique opportunity to study family traditions. I don't know of a single program like this where we could have interacted so closely with families and learned about them from the inside. We felt like members of one family; we were received like the closest of relatives.

We saw completely different formats of family business and enterprises with various financial, managerial and development potentials.

I can say with confidence that after 18 months of intensive study, I have come to understand the financial system, approaches to family business and family business itself much more deeply.

Over the course of the entire period of study, we had to write five large papers, similar to term papers, connected to strategies: general corporate strategy, business unit strategy, product strategy, corporate management strategy and the strategy of owning a family business. These papers required a fairly large amount of concentration, as the task was to articulate things which had either never been articulated before, or which existed in the form of thoughts and had never been put down on paper. I noted a great many things which made up the foundation of the sixth and final document, the general plan. I was able to do what I hadn't done before: imagine the development of the company, even down to financial figures, over the next 10 years. Of course, it will be very interesting to compare the plan that was created with the real development of our company.

A very important event was when FB EMBA participants came to Odessa and met my family, and also that all my fellow students became part of the Ukrainian FBN.





Damascus, Syria



FB EMBA participants in head office of Europroduct (Odessa)



This was beneficial for everyone; I got several recommendations from Andrew Keyt.

But perhaps the main result for me is that this summer Joseph Astrachan will become a member of our Board of Directors. And I am very glad that through my commitment and study I was able to win his trust. ■

FBN Ukraine: Event in Kiev



EIGHTEEN FAMILIES, PARTICIPANTS IN THE ASSOCIATION OF FAMILY BUSINESS OWNERS OF UKRAINE, TOOK PART IN THE FIFTH FBN UKRAINE EVENT. THE MEETING OF BUSINESS OWNERS FROM KIEV, ODESSA, DNEPROPETROVSK, DONETSK AND KHARKOV TOOK PLACE 2-3 DECEMBER 2010 IN THE CAPITAL OF UKRAINE. THE MAIN TOPIC OF THE EVENT WAS THE INTERNATIONAL INTEGRATION OF UKRAINIAN FAMILY COMPANIES AND THE INTERRELATIONS OF TWO GENERATIONS OF OWNERS IN A FAMILY BUSINESS.



The presentation of the rating of 100 family companies, which was published in FBN International's periodical

Association participants were able to share their impressions from the trip to the international FBN summit in Chicago and discuss the rating of family businesses presented for the first time by FBN International. The president of FBN Ukraine, Vladislav Burda, elucidated the stages of preparation for the next international summit in Singapore and spoke about the role of the CEO in a family company.

VLADISLAV BURDA: *Now a trend of placing the CEO in the position of Chairman of the Board can be observed. If we look at large public companies, even in such monsters as Nestlé we can see the two roles being combined. But for family companies these positions are completely different.*

When a company reaches a certain size, the owner transitions to the role of Chairman of the Board, and a new CEO takes his former place. This could be a hired professional manager or the company owner's groomed heir.

The educational part of the fifth FBN Ukraine event consisted of a presentation by Joachim Schwass on generations working together and a viewing of an episode of the series Undercover Boss.

Joachim Schwass is the director of the Leading the Family Business programme at the IMD Institute (Switzerland). The main educational focus of the programme is directed towards the most critical point in the life cycle of a family business — effective planning of succession. Professor Schwass is a member of the Board of Directors of the FBN, and for 10 years has held the post of Executive Director of FBN International. He is also a consultant to such European family companies as Lego and Hermès and the author of the book Wise Growth Strategies in Leading Family Businesses.



Joachim Schwass

The planned lecture by Joachim Schwass was held in an unexpected format. Due to bad weather, Professor Schwass was unable to fly out of Switzerland, and his presentation took place on-line via Skype.



Joachim Schwass' lecture for FBN Ukraine participants took place via Skype. Kiev, December 2010

In his presentation, professor Schwass sets forth the three main questions that arise for each generation of a business: "Who are we?", "What do we want?" and "How do we make decisions, how should we manage?" Along with his listeners, Joachim Schwass looks for answers to these questions, which are important for any family business.

VLADISLAV BURDA: *There were two very interesting thoughts in this presentation. Joachim Schwass believes that if there are several heirs, they must be prepared as a team. If they are prepared individually, it will be as if they were sitting in the same boat, but rowing in different directions.*

The second important theme of this presentation touches on education. The truth is that founding owners quite often have no special education (and sometimes have no higher education at all! ☺). This enables them to think untraditionally and create innovative business models.

But they try to give their children the best education possible. And the children, having received this education, recreate the standard models they learned in schools and from textbooks. This plays a cruel joke on them. Heirs are not always capable of creating a new model; for that they must be trained. This is the greatest difficulty for owners, who are often more focused on the business than on their families.

The joint viewing of the episode of Undercover Boss, which was also included in the event programme, served to spark a lively discussion on the topic of the publicity of family companies.

Undercover Boss is a television film in a reality show format, launched by the British television company CBS in 2009, and then an American version of it launched by the American network CBS. The central subject of each episode is the work of the general director or owner of a large company who has gone to work incognito at a rank-and-file job in one of his own businesses. Thus the chief executive of a company gets the chance to learn impartially how the system in his organization works and how employees work in this system.



Joel Manby, CEO of Herschend Family Entertainment (a shot from the series Undercover Boss)

Joel Manby, CEO of Herschend Family Entertainment, one of the largest American family corporations and the owner of 25 amusement parks, participated in one episode of this series.

It was the episode of Undercover Boss featuring Joel Manby that was first shown in Ukraine at the meeting of family business owners. The storyline of this episode unfolds in the amusement parks belonging to Herschend Family Entertainment and in the offices of the corporation.

First Joel Manby, having changed his appearance and taken a pseudonym, is hired as a driver, then he becomes a janitor on the territory of a park and a waiter. The cameramen explained the presence of video cameras around him by saying that the management had assigned them to make a documentary about the company's operation.

After returning to his real position, Joel Manby and the directors of various departments make decisions to reward the hard-working employees with whom he had interacted while working "undercover" and whose stories he had heard. Besides giving rewards for company loyalty, Joel Manby suggested motivating the best employees by promoting them and offering them additional resources for greater effectiveness.

The film was a confirmation of the high level of culture and trust which exists towards employees.

Millions of viewers watched the broadcast of Undercover Boss on CBS. An unexpected effect of such attention was an increase in visitors to the parks belonging to Herschend Family Entertainment.

«I wanted to show the company owners that transparency makes a company more popular,» commented Vladislav Burda on the inclusion of this film in the event programme.



Discussion of the Undercover Boss episode. Mikhail Weisberg (left) and Vladislav Burda



Olga Gutsal presents her products to Dmitry Burda and Nina Galina

The host of the Kiev FBN Ukraine event was Camion Oil. Olga Gutsal, owner and general director of Camion Oil, is also the founder of a chain of jewellery salons, Abrikos. An introduction to these two different businesses was divided between two days.



Oleg Brusilovsky (Megas), Olga Ovchinnikova (Kiddisvit) and Vladislav Burda at the Camion Oil presentation

Camion Oil, the exclusive distributor of the German brand Liqui Moly, is part of a family company which has been in existence for 16 years and presently is doing business in sales of technological fluids in 37 countries. A visit to the office of Camion Oil acquainted the family business owners with the production and sale of motor oils and automotive filters.

The meeting at Abrikos the next day opened a world of jewellery from the best jewellery houses — a beautiful business dedicated to women. Olga Gutsal spoke about why a woman should choose her own jewellery, and the difference between jewellery brands and jewellery houses. Brands,



Dmitry Gutsal, general director of the Abrikos chain of jewellery salons

such as Bvlgari, Chopard, Omega or Cartier, supply identical pieces to all corners of the world; to them the concept of a “collection” is most applicable. The products of jewellery houses are exclusive; the buyer can be certain that no other such piece exists.

The Abrikos presentation was conducted by Olga and her son, Dmitry Gutsal, general director of the Abrikos chain.

Succession is one of the features characteristic of jewellery houses which connects them with the world of family companies.

OLGA GUTSAL: *The questions I was asked and the degree to which the guests got involved in the conversation gave me the chance to speak again about things which I had thought I understood, but it turned out that I had not really thought about some of them or had not given them enough attention. For example, the level of knowledge of the products I represent on the market, the level of knowledge about them among the guests, quite clearly showed me the mistakes or omissions in my marketing policy. Such meetings with intelligent, active, interested and equal people like the participants of the Association give rise to new thoughts and plans.*

Now preparation for the international family business summit which will take place in Singapore in late October is the centre of attention for the Association participants. Four participants submitted their presentations for inclusion in the summit programme. In April the names of the family companies which will go to Singapore and present their businesses – and at the same time present Ukraine – were announced.

And the family companies have two new tools for quickly resolving common problems and helping each other: the Forum system and Vladislav Burda’s blog on the Association’s site (www.fbn-ukraine.com). ■

REDHEAD FAMILY No. 1



THIS TIME THE TRADITIONAL “FAMILY COLUMN” WILL ACQUAINT READERS WITH A FAMILY WHERE THE EDUCATION OF THE CHILDREN, THE HOME, HOBBIES AND PLANS ARE INSEPARABLY INTERTWINED WITH BUSINESS.

THE VOICES OF TWO GENERATIONS OF THE OWNERS OF THE REDHEAD FAMILY CORPORATION MAY BE HEARD AT THIS MEETING, AND EACH OF THE GENERATIONS EVALUATED THE OTHER.

IT SEEMS THIS IS THE FIRST TIME ON THE PAGES OF THE CORPORATE MAGAZINE THAT CHILDREN SPEAK OF THEIR PARENTS WITH NO LESS ENTHUSIASM THAN THE PARENTS SPEAK ABOUT THEIR CHILDREN.



DMITRY

Has been studying in Great Britain since the age of 12. His main A-Level subjects this academic year are economics, business and mathematics.

Last year he worked as a salesman in the toy department of Mega-Antoshka in Odessa.

His last internship at RedHead was in the import manager division of SCM.



IGOR

After working in RedHead’s transport logistics department, in early 2011 transferred to the certification department (SCM).

Previously worked in Europroduct before his last year of school for two months as a “junior manager” in the toy department.

Attends international and Ukrainian FBN events along with his family. He considers the most important part of these events to be the chance to see new and unusual places and meet interesting people.

His favourite films are *I Stride through Moscow*, *Across the Universe* (a musical based on songs by the Beatles), *Piter FM* and *The Chungking Express*.

Among writers he prefers Bernard Werber, Iain Banks, China Mieville, and David Weber. Occasionally he reads classic literature, but mostly just to “fill in the spaces”.



TIMOFEY

Besides school he engages in judo and basketball and studies English and guitar. He dreams of opening a restaurant for children in Mega-Antoshka and being the chef there.

His mum, Nina Vladimirovna, says the following about him:

— Timka is very hard-working. He's busy from morning to evening, and still manages to have a lot of friends. He is a very good organizer. He unites our older sons as well, and can easily create a team from his friends. Once we got a call from the laser club saying that there would be a competition for children aged 10 to 12. And even though it was the holidays, Timofey immediately gathered some other kids, and the next morning they went to the competition.

The sons are 7 years apart. Igor is now 24, Dmitry is 17, and Timofey is 10.

Two of them have a common father, and two have a common mother.

They also have common interests: playing with the iPhone, iMac and Lego.

And the brothers often argue about which of them their boxer dog, Gina, really belongs to.



Vladislav Borisovich, dad
(V.B.):

— Timofey has a favourite game with the dog: someone holds tightly to Gina's leash, and I grab Timofey under the arms and start to drag him over the grass. Gina thinks I've taken a hostage, and she's supposed to rescue him. She pulls loose from the leash and starts to jump on me and trample Timofey, who is absolutely ecstatic about this. Gina licks him all over, and he's all dirty and black, but laughing.

Nina Vladimirovna, mum
(N.V.):

— And I'm just horrified when I see that.

— We also have fish and a talking parrot, Zhorik. I gave him to all the men in our family as a gift on Fatherland Defenders' Day several years ago.

— ***Do you have some kind of common hobbies?***

N.V.:

— Igor and Timofey collect coins together. Igor has become an almost fanatical collector. As soon as he learns that a new coin has come out, he starts looking for it... Timofey hasn't gotten so absorbed in it yet. Coins are coins.

V.B.:

— Timofey has stickers, which are really the same as coins.

N.V.:

— Stickers are a way to keep up with the times and do what all the children are doing. One moment it's an album with Shrek cards, next it's one with football players - everyone buys them. But these stickers used to be small, and now I buy Timka huge ones to stick on the wall.



The family never misses a premiere of a children's cartoon or film.

And in the evening at home they sometimes watch entertaining TV-shows.



V.B.: — On weekends we go bowling or play billiards or tennis, depending on the time of year. At our dacha we have a whole amusement park. We go to the cinema for all the children's premieres. But Timofey sometimes doesn't have the patience to wait until I or Dima are there, and he manages to go earlier with his nanny. Recently Dima and I missed Megamind, which we were looking forward to. The most interesting thing is that sometimes Timofey can watch a cartoon several times that I can hardly watch once. Timka went to see Rango twice, and I could barely sit through it one time.

N.V.: — For us Sunday is parents' day, when there's no nanny. And then Vlad has a tough job. He spends his time with the children from morning to evening. They often go to their favourite sauna; it's made of wood and has a steam room. They like it when Dima visits, and they all go together, rent it and spend about three hours there.

V.B.: — That sauna was built by our distributor on money from sales of baby food. He earned the money in Kherson, but built the sauna in Odessa. We always try to deal with our clients.

When the conversation touches on business, it is interesting to learn what the children like about what their parents have created.

Timofey: — I like that at Mega-Antoshka there are a lot of toys.

— The office is good. And at the office I like the yoga room most of all. It's big!

Igor: — I would say the good execution of the general concept that was taken on and really was implemented very well, from the office to Mega-Antoshka. The office is even similar to Mega-Antoshka in some ways. That concept of the presence of all-encompassing, constant merriment - that's what I like.

N.V.: — That fun.

Dmitry: — I think that Mega-Antoshka is the best brand shop. Partly because it offers the widest assortment of Lego and everything I liked to play with as a child, and partly because of the atmosphere inside. If you compare it to Daniel, Mega-Antoshka is a more lively space where you can touch everything and have a good time.





V.B.: — And what else do you like besides Mega-Antoshka?

Dmitry: — I really like the connections you've created. The people we know; they're very nice and cheerful, and we would never have met them if not for the business.

— As a child I dreamed of opening my own business and starting from scratch. For me that was very important... I liked baby food, but I was always more interested in things like extreme sports and cinemas.



— Now that I have decided to try working in the import manager division in SCM, I am comparing this job with working at Mega-Antoshka. At first I thought that selling things myself, directly, was much more difficult, because you have to stand on the shop floor and constantly interact with people. But working in the shop turned out to have more to it than I expected: each day I learned something new. I had never suspected how much dust can collect on one box of Lego. And I had never even thought about the fact that salespeople have to wipe off this dust in order for the product to look good. If I had not tried that job, I would never have known how important this is.

But when I came to SCM, it turned out that working there involves much more responsibility; you feel pressure from the shops - there's not enough merchandise, give us some more... Here my work was to find new suppliers, send them mailings and try to find the best deal, but their brand had to be of good quality. It's very subtle.

— What do the parents like out of what their children create?

V.B.: — What our children create? In the business?

— *In life!* ☺

V.B.: — Timofey creates an atmosphere of constant fun, joy and worry; he torments everyone, disturbs everyone, and doesn't give anyone any peace. He fills so much space that without him, life stands still. That is, he creates a special atmosphere of life in our family, and he is the only one of us five who tries to somehow combine and balance all of this. He is the most interested in everything staying as it is, unified, inviolable and long-term. That, I would say, is his main mission.

— Igor is very stable. It is difficult to throw Igor out of equilibrium, and if that inertia is already created, it is quite problematic to channel it in a different direction.

Igor is very loyal to the family, especially to his mother. You can count on him, he's reliable, he won't betray you, he's very... domestic. He is probably the most family-oriented of all of us.

And even though it's difficult to convince Igor of something or persuade him to do something, if you do persuade him, he will do it. Even if the work is totally routine. I, for example, am not sure that Dima or Timofey would have gone to work in a warehouse for two months; maybe I'm wrong, but that's what I think. I know that I definitely wouldn't have worked at the warehouse.

N.V.: — At a certain point in time we decided that Igor should work in each division in order to learn how the business and business processes are built. And to see what area of the business is to his liking, where he can make use of his abilities.

He also helps a lot in domestic matters. When their grandmother was in the hospital and something needed to be brought or taken away, Igor was simply irreplaceable. Such support is very pleasant.

Igor loves Timofey very much and tries to develop him; they often assemble Lego together. He's very worried that Timofey sits at the computer or watches TV too long... I like their relationship.

V.B.:

— Dima is the most independent of them all; he very clearly knows what he wants. He is very strongly oriented on business, perhaps more so than I would like. I'm as much of a business fanatic as Dima, and I understand that this severely limits your world view. Maybe it would make sense, at least in the early stage, to broaden it. At the meeting with Mikhail Kazinik (*at the FBN Ukraine event in April 2011*), I simply felt how much depth there is in classical music, and what a huge area of life we lose when we don't bring it into our lives.



Dima has amazing charm and ease of communication. For him it is no problem to build any contact or resolve any issue. But a kind of illusion arises that it's going to be just as easy everywhere, especially considering that he has papa and Nina... I've gone through that myself: things that come to you very easily later become colossal obstacles, because you overestimate the areas where you need to work more in order to obtain a qualitatively different result.

Dima has a great interest in life, and in innovations, especially in technical equipment. And that forces me to move forward, feeling like a dinosaur, because sometimes the innovations Dima implements should have been implemented ten years ago, but I kept resisting.

For me the feedback I got from the EMBA students about Dima was a big revelation (*referring to the visit of the FBEMBA*

group to Odessa in August 2010). They all told me that Dima has good organizational abilities. I was completely absorbed in the programme itself, but he gathered them all and sent them on a bus to all the events after our studies... That is, he feels at ease with a group of people who are significantly older than him and much more experienced. Confidence is a very good quality.



V.B.:

— *What are the family's immediate plans?*

— We are waiting for our children to eventually start to take life and the business seriously, to start bringing real benefit, and then there will be very strong integration, because we will work together, live together and spend leisure time together.

But before the family gets bigger and daughters-in-law and grandchildren appear, we must clear up several issues.

When there are two owners in a business, that is, a husband and wife who create a company, and they have children, that's called a nuclear family. It's a small, compact family with a high degree of loyalty and strong connections.

But when daughters-in-law appear, that's a so-called "common family". After all, daughters-in-law can come and go. And for any woman marrying an heir there exists a very important question: What are the rules of the game for her? That is, she's basically entering a kingdom, and what will be her rights in that kingdom? This all needs to be discussed before the children begin to get married, because then it could be too late.

Time now is what they call "compressed"; everything contracts, and relationships become more functional. But what are functional relationships? Love can be a function; it can have some kind of transitory significance, often short-lived. The implementation of the function "children" may be even shorter-lived.

I have seen a great many genograms (*charts of family connections*), and changes in the family radically influence family strategy and business strategy. I understand that in the next five years our family will not increase significantly, and until then I would like the children to understand their responsibility for what will happen when they create their own families.



Besides that, our children will need to reinvent our business. And they will need to go through a stage of life with us in order to sense what that is.

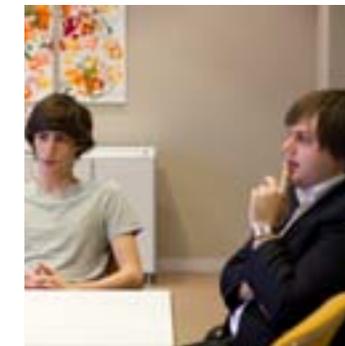
We are already losing the speed and mobility we had in the beginning when we had just created the business. And now we already have a fairly large thing that we're trying to restrain. We are prepared for the children to redo it completely, because they will need a more mobile and dynamic organization. But before that we need to transmit at least our ability to communicate and build relationships. And that will enable them to preserve the business, take it on their own shoulders and then transmit it to their own children, that is, our grandchildren.

N.V.:

— Of course we would very much like the children to continue our work, but... It's very complicated.

After all, we started from scratch, little by little; that's why we know our business in every detail. And in order for the children to begin managing the business, they also need to go through this school. I think the faster they come to work for us - not as managers! - the more we can teach them and transmit our knowledge, our experience.

— But in all we have a usual, normal family which has both problems and joys. Children are children; each of them has many merits, and each has flaws. The fact that we have a business doesn't change anything. ■



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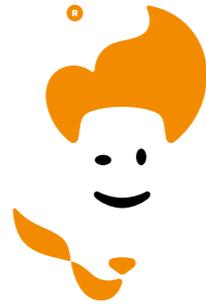
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