

RedHead

THE CORPORATE MAGAZINE OF THE REDHEAD FAMILY CORPORATION

No. 5-6 / 2013



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Results of 2012

Introductory remarks by Vladislav Burda

THE PAST YEAR MARKED THE START OF A NEW NINE-YEAR CYCLE IN THE HISTORY OF REDHEAD — THE CYCLE OF EFFICIENCY.

THE LAUNCHING POINT OF THE NEW CYCLE WAS A STRATEGIC SESSION HELD WITH MIKHAIL WEISBERG DURING WHICH WE SET NEW COORDINATES FOR THE COMPANY'S DEVELOPMENT BY CREATING STRATEGIC INITIATIVES. THE MOST IMPORTANT INITIATIVES INVOLVED A FOCUS ON ACHIEVING EFFICIENCY, IMPROVING THE QUALITY OF CUSTOMER SERVICE, STRENGTHENING BRANDS, AND SOCIAL ENTREPRENEURSHIP.



We want to improve our brands and our service to such an extent so as to be competitive when moving outside the framework of an individual market.

We are strengthening integration with our Russian representative office, the company Rost: its manager attends our “financial days” sessions and takes part in other events. By doing this, we are building a foundation for our international expansion on the core of Rost.

The results listed below are my subjective view of the past year. In such a big company as ours, there were certainly other major events, and I think starting next year we will expand the picture used to present the results jointly with the Dream Team.

The year 2012 can safely be called the year of recovery. I got the feeling that we were starting from scratch. Most events involved neutralizing the after-effects of 2011. We made it through several court cases and won them. The most challenging project in 2012 was the construction of a proper legal structure for the holding, specifically for its Ukrainian division.

In memory of Nina, we set up a memorial at her workplace consisting of her things and photos. A monument was unveiled for Nina at the cemetery on the anniversary of her death, and numerous employees came to honor her memory.

Other events included:

1. *The external Board of Directors is running at full strength: four meetings were held in 2012. I believe the most important achievement was our agreement that I, despite my habit of making rapid and sometimes authoritarian decisions, will not do this with respect to major investments and key personnel without discussing it with the external Board of Directors. The decision-making culture is gradually taking on a greater form of transparency and accountability for the CEO.*
2. *In 2012, we carried out the bulk of the work required to assign the status of a diplomatic mission to our main office in Odessa: the honorary consulate of Slovenia is to open in our building.*
3. *As always, FBN Ukraine had an active year. Three successful events were held: in Cherkassy, Kiev and Odessa. Our delegation also attended the international Family Business Network summit in London.*
4. *We began working with Vostok Bank, which has friendly relations with us and is headed by Vadim Morokhovsky. We determined the strategy for banking institutions with which we cooperate: besides Vostok Bank, this also includes Marfin Bank and the Raiffeisen Group. Vostok also become the main bank of FBN Ukraine.*
5. *One of the main events was the creation of the RedHead corporate website: this was our latest attempt to understand who we are and express this in words, designs, photos and stories.*

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6. *The organization of the regular tennis tournament for the Antoshka Cup.*
 7. *A session on “pipe cleaning” with Alexander Savkin was crucial to improving relations and enhancing respect and trust within the team.*
 8. *I believe involvement in the events dedicated to the 25th anniversary of A.C. Hasse was important. This strengthened our already friendly relations.*
 9. *My trip with Emir Hrkovič to Atlantic Grupa to strengthen relations with the senior management of this company. We took on the commitment to double sales in all Atlantic Grupa product categories in Ukraine within five years.*
 10. *At the end of the year, we finally started moving freight through customs, although for almost the entire year we had to work without imports or with major sales restrictions.*
 11. *The Loss Prevention Department commenced operations. We began analyzing where we have losses and how to prevent them. This innovation is fully consistent with the strategy for the nine-year cycle of efficiency. After all, enhancing efficiency is directly dependent on a reduction in losses. We are also planning to set up a small museum of our losses.*
 12. *Jointly with Oleg Mikhailenko and the two Adizes integrators, Svetlana Potap and Svetlana Ivanova, we launched the format of regular meetings where we discuss issues related to the introduction of Adizes methodology simultaneously at two companies, RedHead and MIRS.*
 13. *The past year was full of presentations and workshops, which allows for significantly expanding networking and also taking a different look at your own business. In 2012, I had five presentations in addition to participating in FBN events: the workshop for the Compe-nion publication in February, a presentation at the marketing directors forum in March, a joint workshop for family business owners with Olga Gutsal and our children, and presentations at Andrei Fyodorov’s “Strategy = Idea” forum and at the first Ukrainian Adizes forum.*

This led me to the idea that we need to set up a corporate university because the level of our knowledge is such that we simply have to share it with our employees. It is especially important to share this knowledge with the new people coming to the company so that we are all in the same information field.

This year I will have at least three workshops. Once again they will be held with Olga Gutsal in the summer. We will compare two different family businesses, and one key top manager will take part in the discussion along with the owners. I will attend the workshop of Ichak Adizes, which is being organized by Irina Bondarenko. At another event, I will speak as a representative of family business versus a representative of non-family businesses.

We continue to evolve, and I am confident that the enormous amount of knowledge that we possess is a unique advantage for us. ▣

External Board of Directors – a key element of corporate governance in a family business

A story by Vladislav Burda

THE MAIN OBJECTIVE OF THE OWNER OF ANY PRIVATE OR FAMILY BUSINESS IS TO ENSURE CONTINUITY. UNLIKE A PERSON, A COMPANY MAY LIVE FOREVER OR AT LEAST FOR A VERY LONG TIME. AND ANY SENSIBLE FAMILY BUSINESS OWNER IS INTERESTED IN THE COMPANY CONTINUING ON AFTER HE/SHE NO LONGER OWNS IT.



Take Hoshi Hotel, for example. This Japanese company was founded in the eighth century and is still going now. This means that there are certain tools and mechanisms that enable a company to survive even if it has been around for several centuries.

Hoshi Hotel – the oldest hotel in the world

A company can be considered successful if business continues after it is handed down to the next generation.

Thus, **succession** is the first and most important principle of corporate governance. Interestingly, in English the root of the word ‘succession’ is ‘success.’

Transparency is the second principle of corporate governance, which is just as important. If we understand that owners may not always be successful managers and that not

all generations may be successful managers, this means that the family will have to hire professional managers to run the corporation and their actions should be transparent for evaluation.

The owner may delegate operational control to a hired CEO and move over to the Board of Directors, for example. If the owner wants to make a contribution to the family business, he/she must be sure to focus on the following five objectives:

1. Building a corporate culture.
2. Identifying the businesses in which the corporation is involved (and also identifying the businesses in which the corporation is not involved).
3. Determining the debt burden and the ratio of borrowed funds to equity.
4. Distributing human and financial resources within the corporation (determining the most effective areas for investment and the areas where the best people should work).
5. The synergy of business units, and searching for and utilizing common points in different areas to improve the efficiency of the corporation as a whole.

Finally, the third principle is **accountability**. The concentration of power in a small circle of family members, and often a single patriarch (although now female dominance is not uncommon either), with the ability to make quick decisions (which is usually the greatest strength of a family business) can backfire and have very serious negative consequences. As Joseph Astrachan likes to say, “Nobody can ever predict when the owner will go crazy!” This is not always to be taken literally. This refers to the possibility that the managing owner or a small group of owners could take swift actions that prove destructive for the company. Any company — even one built over centuries — can be easily destroyed in a year or two. Therefore, a managing owner must be sure to have a system of accountability.

And an external Board of Directors is ideal for these purposes.

Sure, it is a difficult tool to create and control, but it is absolutely necessary in order to prevent the owner from deciding at some point that he/she is a tsar or god and that this is an excuse for always being right about anything he/she does. There should be someone who will point out the

mistakes that are inevitable in business. Therefore, the main criterion for attracting members to the Board of Directors should be as follows: these must be people who the owner will listen to.

The external Board of Directors of RedHead Family Corporation was established in late 2011. It currently includes three people besides me: Joseph Astrachan, Reinout van Lennep and Vadim Margulis. Reinout van Lennep was elected chairman of the Board at a meeting in early 2013. The Board meets four times a year: twice in Odessa and twice in some other place, with one such meeting taking place at the international FBN summit.

The external Board of Directors is involved in making all global decisions, including the dismissal and transfer of top managers. When I intend to do something, I must write a letter to the Board members: this is how accountability is developed. The sale of real estate and the significant disposal of property or ownership are among the issues that can't be resolved without the Board of Directors. We also discuss important things related to family, for example whether to hire a family member. The external Board of Directors is directly in charge of appointing the CEO. No other body can do this, and I can't do it on my own.

The procedure adopted for our Board of Directors is not universal. We simply agreed that it is the most suitable one for our company.



Joseph Astrachan and Vladislav Burda

At the Board meeting in January 2013, we discussed the results and quality of the work done by the Dream Team (a team of top managers) in 2012, reviewed the draft budget for 2013, and took note of the results of the promotion of Smarty Family and the online store project.

The meeting took place at the central RedHead office in Odessa, and the Board members met with the directors of different divisions.

Vadim Margulis proposed new key performance indicators for each department, which expanded and complemented the company's existing indicators.

The directors submitted some proposals on the method used to calculate the company's costs and the direct costs of individual divisions. The new method will enable the “green” departments to get a more accurate picture of their work and ability to improve efficiency. The budgets of the “red” support divisions will be overseen by the Finance Department, which has also taken on the job of explaining the new calculation methods and KPI to the department directors.



Reinout van Lennep and Vladislav Burda

At the end of the meeting, Joseph Astrachan held a highly practical presentation of the Enterprise Optimizer for the top RedHead team. This program is the embodiment of the system of six levels of financial knowledge — one of the key disciplines in the Families in Business Executive MBA course. It assists in making management decisions and has only been introduced at ten companies in the world.

Enterprise Optimizer (EO) can be used to calculate various business models by changing its key parameters, for example input prices or shipping costs.

In the business modeling process, EO uses three criteria: speed, capacity and yield, or the ratio of incoming raw materials to defective products, or the ratio of incoming materials to costs. The EO effect is evaluated in terms of the transition from ‘what if’ to ‘what's best.’

RedHead plans to start using this program in 2013. At present, Vadim Orlov is the person responsible for implementing this project at the company.

The top 7 things that make the external Board of Directors so useful to the owner:

1. *Responsibility for results: how forecasts match up with the actual achievements.*

2. *There is no need to make key decisions regarding your company and your life on your own.*

3. *The external Board of Directors connects you with other people who can change your life.*

4. *The responsibilities of the external Board of Directors include selecting and training a successor who will manage the company in the future.*

5. *The ability to test out the most daring ideas on people whom the owner trusts, who are not afraid to tell the truth, and who are also professionals in their line of work.*

6. *If the owner doesn't have sufficient motivation to do something for himself/herself, he/she will be compelled to do it because "they are watching you:)"*

7. *The opportunity to spend time with intelligent people who have a lot to share in an interesting and productive environment.*

External Board of Directors of RedHead Family Corporation

Joseph Astrachan, USA



Professor of Management and Entrepreneurship at Kennesaw State University (USA), the executive director of the Cox Family Enterprise Center, a specialist in communication and conflict management in family business, the founder of the unique EMBA course for family business owners at Kennesaw University — Executive MBA for Families in Business.

From 1983 to 2007, Joseph Astrachan served as a consultant on management issues for more than 300 companies of varying size in the United States, Western Europe, North Africa and the Middle East. In 2007, Astrachan left the consulting business and decided to focus on educational programs and social activism. He is a member of FBN International, the managing organization of the association of family businesses from more than 50 countries. In addition to RedHead, he is a member of the boards of directors at another seven family businesses.



*Reinout van Lennep,
Switzerland*

An advisor on finance and management issues at family businesses in such countries as Singapore, Pakistan, Russia, England, the United States, and Argentina. Received international banking training at Chase Manhattan Bank in New York. Served as a vice president of the major U.S. bank JP Morgan in Amsterdam and London. Reinout van Lennep has over 20 years of management experience at the Dutch international bank ABN AMRO: he was deputy CEO in Hong Kong, CEO in Taiwan, the United Kingdom and Switzerland, as well as global head of international private banking.

He is also a member of the board of directors of Swiss audit company Infidar Investment Advisory.



*Vadim Margulis,
USA*

Managing owner of the investment and consulting company JGM Group (USA), which is based in New York and operates in Ukraine. Vadim Margulis was raised and educated in Odessa, and then established a successful career for himself in the U.S., working at such leading investment and consulting companies as Accenture, KPMG, McKinsey, Bear Stearns and Equifin Capital Partners before subsequently setting up his own business in the consulting field.

As an investment banker, investor and consultant, Vadim has been involved in analyzing, preparing, implementing and integrating hundreds of mergers and acquisitions with a total value of more than \$100 billion. Vadim also has extensive experience working with the management of different companies on ways to improve financial and operational efficiency, organizational restructuring, establishing management and financial reporting, as well as the development and economic analysis of strategic initiatives.

"Orange Books of Goals"

IN KEEPING WITH THE TONE OF THE CORPORATE STYLE, THE DREAM TEAM MEMBERS RENAMED THE TRADITIONAL LISTS OF THEIR NON-FINANCIAL GOALS "ORANGE BOOKS," WHILE SUCH LISTS CONTINUE TO BE CALLED "BLACK BOOKS" UNDER THE ADIZES METHODOLOGY.



The Orange Book is a tool used to set annual goals and monitor their implementation. It typically contains non-financial goals, although they may be recorded as numerical values as well. For instance, as a goal development may be measured by the number of training sessions held or certificates received.

The Orange Book consists of 10-15 major goals that are expected to be implemented over the course of the year. The goals should be realistic and thus achievable. A good indicator is the implementation of 80% of the Orange Book goals, just like under the synergistic diagnosis (syndag). The remain-

ing 20% is written off due to objective restrictions or circumstances whereby the goals become irrelevant. The implementation of the goals contained in the Orange Book affects the annual performance assessment of top managers.

At the start of the year, each RedHead division director prepares a draft version of key annual goals and presents them to the entire top management team following an online discussion on the internal portal.

The RedHead president and department directors adopted the strategic goals for 2013 at a joint session on January 28.



VLADISLAV BURDA:

In 2013, we improved and modernized the strategy adopted at the session with Mikhail Weisberg in early 2012 by aligning it with the Adizes methodology.

We have highlighted the transformational goals in our Orange Books, or “books of goals.”

The Orange Book consists of an average of ten goals per year. There are a total of 100 goals for our team. Of that number, we selected 20 transformational goals, an average of two from each Orange Book: goals that aim to enhance efficiency, boost profitability, improve customer service, and improve the corporation’s image.

These transformational goals formed the basis of the strategic goals for 2013, which we adopted in January.

Here are a few of my goals for 2013:

1. The external structure of the holding is fully established and functioning efficiently.
2. Antoshka is predominantly mentioned in a positive light in discussions on publicly available sources and forums.
3. The Board of Directors has drawn up the external control procedure and family constitution.
4. The external financial debt level is reduced by 57%.



NIKOLAI GLUKHOV:

The Orange Book is one of the key tools for top managers.

One of the most useful and effective aspects of adopting the Orange Books was that the goals were adopted simultaneously, and each person was able to comment and have a direct effect on the books of colleagues. Some goals underwent significant changes.

For our division, the key goal is to prepare and support the company’s structural security. The second most important objective is to prepare for the basic principles of IFRS (Interna-

tional Financial Reporting Standards). Once again, we are switching to the accounting method of payroll and rent this year: thus, we will have more than 50% of operating expenses reflected in the correct periods, and this already presents a heavy case for switching the remaining amount to accounting.

The accounting method as well as the continuity of operations constitutes a fundamental principle of IFRS.



IVAN LOBOV:

The Orange Book is an excellent tool for planning and development! The fact that we coordinate the “book of goals” together and help one another is a good thing. This time we devoted a separate day to the discussion of the Orange Books. I believe this is the best option.

There are ten goals in my Orange Book for 2013,

but the most important one is the creation of the Antoshka online store. We are talking about forming a new business division, i.e. a new “green” unit, and this will take more time and resources than anything else. The internet business presents new tools, a new market and new opportunities for RedHead.



IVANNA ANDRIANOVA:

The Orange Book is one of the most important documents not only for the department but for the company as a whole. It’s like a traveler’s road map that can be used to verify directions, measure distances, and choose travel companions. And it’s very important that we coordinate and approve all the Orange Books together. It’s important because we know each other’s most important goals, we know which goals we will be interacting on, and we know

which resources belonging to one another that we may use to achieve these goals.

The goals of our department that are important for the entire company were identified as follows:

1. Development of a Training Alliance and the introduction of a self-learning organization.

This goal, in turn, includes several projects:

- 1.1. Training Alliance. Identifying the needs for training, the development of and search for training programs, the exchange of experience, roundtables and conferences with employees of com-

panies with which we have friendly relations as well as companies that are FBN members.

- 1.2. Corporate Training. A project that encompasses all the employee needs for training, advanced training and competence development.
2. Improving customer service in retail and at boutiques.

The components required to achieve this goal involve renovating the store structure, updating the employee profile, and reviewing the standards for service, motivation and personnel evaluation.



LARISA VIKHRENKO:

The Orange Book is above all a tool for organizing the company’s goals with a breakdown by specific

divisions. This time we took a more detailed and profound approach to each Orange Book goal: how can we then put it into numbers? In my opinion, this was the most important discussion of the January 28 session.

I believe the following goals are the most pressing for 2013:

1. Preparing and supporting the company’s structural security.

2. Creating a charity fund as an approximation of “social entrepreneurship.”

Our company has always provided and will continue to provide support to children’s homes, orphanages and other needy organizations. Now we can use a more civilized and advanced tool among the disparate and changing actions used to provide aid.



OLEG YAROVY:

This is the first year that I am using this tool. Loss prevention covers a wide range and thanks to the Orange Book I can focus on the most problematic, key areas and act under the principle of “I see the goal – I don’t see any obstacles.”

When there are no goals, resources become scattered and energy is wasted. My Orange Book has nine goals with three of them marked as top priorities.

The three main objectives of the Loss Prevention Department:

1. An independent inventory of assets in all the divisions of the corporation.
2. Cost optimization and analyzing the optimality of the business

processes taking place in all the branches of the company.

3. Setting up a hotline for employees who can and want to prevent losses.

We regard losses as money we fail to receive, errors and miscalculations that have caused damage to the financial well-being of the company or its reputation. And, of course, people who have left the company.



ALINA KRITINA:

For almost every goal in someone’s Orange Book, there are customers and partners in other departments. This unites the books into a single

integrated system, which is very important for us at this stage.

At our joint session, called Orange Book Day, we adopted almost all the “books of goals” in four hours – quite an achievement. The most useful thing is that we learned to listen to one another and get involved in each other’s goals.

My goals for personnel development at the company include:

1. Developing an individual plan for each top manager to study English.
2. Making a “dream list” of 100 key people at RedHead.
3. Ensuring the top team holds team-building activities at least once a quarter.



VADIM ORLOV:

The “book of goals” is an excellent tool for planning your main objectives and priorities for the year. This was the first instance of the joint and detailed adoption of goals for the year as part of the Dream Team. The joint adoption of goals by all team members enhances integration and provides each person with the opportunity to get a sense of the company’s general direction and recognize the importance of their contributions to the achievement of common goals.

In 2013, the SCM Department has set such goals as introducing the Enterprise Optimizer progressive software, introducing the WMS program for inventory control and the movement of goods, concluding new contracts with import suppliers, organizing the daily supply of goods to Antoshka, and training employees under the MBA program in logistics.



SERGEI FILYANIN:

The purpose of the Orange Book is to record the main goals for the current year and then, tracking the results of the implementation of these goals, to analyze how close we are to what was planned.

For the Retail Department, the main goals for 2013 are:

1. Changing the model for the management of the product range with the use of product mixes.
2. Changing the model for inventory management.

We are currently conducting an experiment

jointly with the Logistics Department on the daily supply of products to stores in order to eliminate surpluses. According to our calculations, this will free up tens of millions of hryvnia that are simply “frozen” at warehouses at the moment.

3. Restyling some stores.

The stores will have a new look, but the former name Antoshka will remain the same.

4. Launching a private label brand in the retail Toys category.
5. Launching a new retail format.

We are tentatively calling it a “baby drug-store”: it will be a combination of a pharmacy and everything else a child under the age of three may need. We are already developing the design and calculating this project relative to the space that we currently have.

Among the priority goals for the Distribution Department, I would note the following:

1. Expanding the Category Management project in new networks.
2. Introducing a system for the centralized management of sales personnel from the company’s main office.
3. Teaching sales skills to the sales team and introducing “field standards” in its work.



VYACHESLAV BICH:

This isn’t the first year that we have used the Orange Book. It’s a convenient system for setting goals and monitoring their implementation in any department. For the new divisions, this provides the ability to record sales plans as well as individual projects which can’t always be evaluated based on their financial indicators but which are essential in the context of business development.

The main goals of the Boutique Department in 2013 include:

1. Updating and expanding the product range, and shifting from a focus on Italian and French brands to the fashion brands of the United States, United Kingdom and the Netherlands.
2. Expanding the retail offering with the introduction of a new category — fashionable accessories for gadgets, primarily for Apple products. We are planning to offer accessories that will be of interest to our customers from the leaders of the fashion industry such as Armani.
3. Optimizing the retail space occupied by Daniel Avenue in Odessa (ul. Rischelevskaya) and Kiev (ul. Basseynaya, Mandarin Plaza shopping center) and the restructuring of certain projects.
4. Unifying the concept of boutique showcases to correspond with Daniel’s image — a project that we continue to develop jointly with Motto Agency.
5. Introducing a mechanism for regular customer feedback through the work of our website and an active presence in social networking.
6. Creating a mobile iPad application in the format of an electronic magazine with news about fashion and the fashion market.

The concept of transformational goals was first introduced at the session of top managers where the “books of goals” for this year were discussed. At the suggestion of Vladislav Burda, each Orange Book identified the goals that are capable of changing the company as a whole.

At the same time, transformational goals are an additional tool for identifying

the best employees of the year, who can expect to receive the highest award. The people selected to achieve the transformational goals have already met certain qualifications. They take on responsibility that requires special efforts, develop new qualities, and learn to use new technologies. And thanks to their work, RedHead is able to maintain its leading position. ■

Summary meeting for 2012

WORDS OF GRATITUDE AND AMBITIOUS DECLARATIONS... HUGS AND SONGS... FANTASTIC HUMOR THAT YOU USUALLY ONLY FIND AT FAMILY GATHERINGS OR AT PARTIES WITH FRIENDS... A JOINT FILM VIEWING... FLOWERS, AWARDS, SURPRISES, FIRECRACKERS AND A TON OF PICTURES...

THIS ALL TOOK PLACE AT THE REDHEAD FINAL MEETING, WHICH THIS TIME FELT LIKE A REAL EVENT AND LASTED TWO DAYS. WE SPENT THE FIRST DAY AT THE CENTRAL OFFICE, AND ON THE SECOND DAY EMPLOYEES RECEIVED AN UNFORGETTABLE GIFT FROM THE COMPANY FOR THE END OF THE FINANCIAL YEAR — AN INVITATION TO A CONCERT BY MIKHAIL KAZINIK AT THE ODESSA PHILHARMONIC.



Larisa Vikhrenko, financial director and guardian of RedHead traditions



The best employees are presented with awards at the RedHead central office at the end of the financial year in several categories: the highest award, “Master of Success” and “Gold Pool.” In addition, awards are given to people who have worked at the company for 15 years, and - for the first time at this summary meeting - special mention was made of the people who left the company over the previous year but also made a significant contribution during their tenure at RedHead.



The “Masters of Success” receive certificates and flowers from the RedHead president



Conference hall of the RedHead central office



At the summary meeting, the awards ceremony traditionally begins following the opening remarks by the RedHead president.

This time, before Vladislav Burda announced the first nominee for the highest award, his son Timofey Burda came out on stage from behind the curtain. Vladislav's team had prepared a surprise for the company owner involving his own personal award and invited the youngest member of the Burda family — a representative of the second generation of RedHead owners — to present it to him.



Timofey Burda:

“Dad, I want to say thank you for founding this company. I am very proud of you and want to present you with this award!”



Vladislav Burda — winner of the highest award of RedHead Family Corporation for the 2012 financial year:

For initiating the establishment of FBN Ukraine, its successful three years of operations and stable development. For his great integrative role in the circle of Ukrainian family business owners thanks to which FBN Ukraine events have become among the most significant for its participants. For handing down leadership qualities to successors and inspiring the younger successor to establish and run the Junior Gen line in Ukraine.

VLADISLAV BURDA:

The idea of the meeting is that the head of the company speaks about the previous year and also shares plans for the coming year.

In family businesses where the managing owner is the head of the company, the meeting is an important factor for transparency and accountability. The meeting itself removes barriers and abolishes the hierarchy that divides people in an organization.

Presenting awards to others is much more natural than receiving an award yourself for any person. And it was only this year that I was truly able to understand what it means to a person to stand on the stage in front of the entire hall and be presented with an award, hear your own personalized music, and receive meaningful words of recognition! I don't even know if Timofey can understand how touching and important it was for me to receive the award from him.

This was the most joyful and moving meeting in the entire history of the company! There are fewer and fewer formalities. And more and more emotions, joy and fun!



Awarding of the "Masters of Success"



Dancing couples whirl around the hall to a romantic song by Alina Kritina



The buffet for the participants of the final meeting was prepared by the company's confectioners – the team of the Sunny City cafeteria



Vladislav Burda speaks about RedHead's values based on the new website and the corporate design



Awarding of «15-years-old» veterans of the company

Vladislav Burda used the company website as a navigator when speaking about the results and plans, and presenting each of the winners of the highest award. The Corporate Culture section contains all 12 of the fundamental principles of RedHead and the pyramid of values which we spoke about frequently during the meeting.

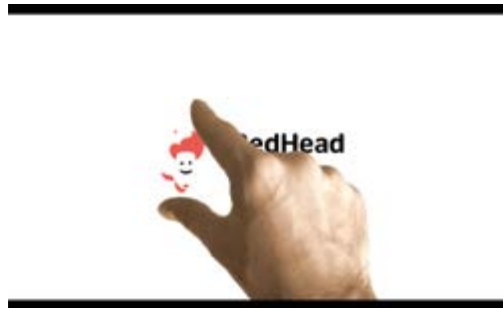
As per tradition, after presenting the highest awards, Vladislav Burda yielded the stage to the presenters of the meeting — Kristina Yeremenko from the HR Department and Dmitry Dragomiretsky from the Financial Department.



Kristina Yeremenko and Dmitry Dragomiretsky were the presenters for the final meeting

They announced the RedHead “Masters of Success” and “Gold Pool” employees and invited people who have worked at the company for 15 years, top managers and the “dream team” on stage for an awards ceremony.

There were a total of ten employees who marked their fifteenth year at the company in 2012. When awarding them certificates and commemorative badges, Vladislav Burda told a story about each veteran of the company. Then he summed things up by saying: “Remember the quote from Rod Laver – ‘It takes five years to learn how to play and ten years to learn how to win’? Now these people will start to win, keep a close eye on them!”



The RedHead corporate film prepared for the meeting provided a more global look back on the previous year. In terms of its format and presentation, it was closer to the popular documentaries in the style of National Geographic and Discovery. Instead of “reports on the work completed” from the company’s departments, a film of reflection about the cyclical nature of RedHead’s history was shown on the screen for employees.



The film was based on the research and insight of Vladislav Burda, who discovered a nine-year pattern in the company’s development. While working on the film, Motto Agency found confirmation of this pattern. Nine, the highest of the single digits, is a core number of numerology: it symbolizes completion and harmony.



Each nine-year cycle has its own special identity and consequences. In the film, Vladislav Burda speaks about the most important moments, while company leaders share their comments about events in which they were involved. The narration of the film is accompanied by inserts from actual world events — events that took place in history alongside RedHead’s own evolution.

The company’s first cycle — the formation cycle — lasted from 1994 through 2003.



This was a time of organized chaos. Over this period, the virtually empty domestic market in the children’s goods segment began to fill up rapidly and systematically. It was during this time that RedHead signed international contracts with such key partners as Bebi, Frutek, Nestlé, Bübchen, Baby-Nova and Pali.

The growth in business highlighted the need for systemic knowledge. And cooperation with Gregory Rayter, the first strategic session at the company, followed by the start of our relationship with the Adizes Institute and obtaining an education at IMD all became symbols of the transition to a new cycle — the cycle of productivity (2003-2012), where knowledge played the decisive role in the scale and quality of expansion.

Images from RedHead’s corporate film for the final meeting of 2013

In 2012, the strategic session was held with Mikhail Weisberg, and the RedHead strategic declaration was adopted in which the corporation’s main vector for development is strengthening its existing private label brands and creating new ones. Business is understood as the successful management of such brands.

After 18 years, the company has entered into its next nine-year cycle — the cycle of efficiency, and in this regard 2012 was a transitional year. After all, the corporation was also renovated as a brand itself.

In the film, the narrator articulates RedHead’s current position: “Having made it through the cycles of formation and productivity, we understand that we are at the beginning of an extremely important phase in the company’s life, when efficiency for us is measured not only in market percentages but also in the way we were able to tell the public how we changed the world around us.”





Sergei Eilyanin, head of sales in the mass market segment, speaking to the meeting participants



When the top managers came out in front of the meeting participants at the end, everyone was already anticipating the emotional fireworks that were to follow.

After a few words of gratitude to everyone who worked to organize this festive event, the Dream Team ... began to sing, and this prompted the entire hall to give them a standing ovation.

Vladislav Burda's dream team infected everyone with its optimism and energy, and gave everyone another positive charge for next year.

The song that united the entire hall touched the heart of each person – it was based on a popular song, but the words were rewritten by all the top managers.



Dream Team-2013

Realizing dreams, the dream team, dream management — these phrases are embodied in the work of the company, which is seeking to become a “dream company” and has found its calling in the creation of happiness.

TOP-12



For RedHead, the year 2012 was devoted to internal integration, the establishment of effective security systems — above all legal and financial, the launch of a private label brand, and improvements in work with the product range through category management.

The people who achieved the greatest success in these key projects received the highest recognition at the end of the 2012 financial year.

The traditional ten nominees for the highest award increased by two this year with 12 people receiving the award.

When presenting the awards during a meeting at the central office, Vladislav Burda dedicated one RedHead principle to each nominee.

The 12 RedHead principles, which are represented in the 2013 corporate calendar, turned into a visual demonstration of the successes and achievements by the company's best employees.



**Aim high.
Lead by example.**



LARISA RUDEVA,
*Director of children's store "Antoshka"
Dnepropetrovsk*

For leadership in sales growth of Dnepropetrovsk branch, and, in particular, for the largest growth (34%) among the stores of «Antoshka -centre» format. For contribution into leadership according to the figures achieved by the regions. For the unique ability in tutorship and training of managers in Retail department.

Comments by Vladislav Burda:

"You personally inspired me with your example and I will gladly go with you through our next nine-year cycle and all the stages that come after that"



**Deliver what you promised.
And better on time!**



MARIA LOBOVA,
Chief of market research and analysis,
Distribution Department.
Odessa

For integration of successful team, involvement and skillful coordination of different divisions and departments, for commitment and dedication to “WIN!” strategy. For the purposeful and faith inspiration, for prosperous launch and promotion of RedHead brand — Smarty Family! For significant contribution to the project of high importance and huge potential.

Comments by Vladislav Burda:

“Masha’s achievement lies in the literal embodiment of Principle No. 2. The implementation of the decision to create private label brands could have been stretched out over an indefinite period, but thanks to Masha our brand appeared on store shelves and was already available for sale in 2012”



**Exceed expectations,
do a little more.**



LARISA VIKHRENKO,
Financial director
Odessa

*For being the energy center that reflects the very core of the company.
For the significance for the Concern, as the Sun for the solar system.
For the outstanding combination of performing the duties (i.e., a high efficiency) with femininity. For protecting of the company's interests in the unstable situation in different levels and government institutions.
For the talent to grant the wishes even before they were formulated.*

Comments by Vladislav Burda:

"I would even reword this principle for Larisa — with respect to her it would sound like this: exceed expectations and do A LOT more. The closer we get to implementing this principle, the easier things will be for us as a company"



**Be responsible for your own health
(mental and physical).**



ANDREI YELNYAKOV,
*Executive director of Dnepropetrovsk branch,
Director of the retail chain of South-Eastern region
Dnepropetrovsk*

For the undisputed authority in the team of Eastern region. For leadership position and inspiration of the team to reach high figures. For reaching maximum sales gain in chain (23,6%) in comparison to the previous year and fulfillment of a plan to 98%. And also for unique combination of charisma and charm.

Comments by Vladislav Burda:

"I doubt you could find another person who is so energetically magnetic and always radiating joy, love and a good mood"



**Balance effectiveness and efficiency.
Be intolerant to waste of resources
(yours, company's and society's).**



TATYANA ALEXEYENKO,
*Deputy Finance Director in Accounting
Odessa*

For ability to work in conditions of hard limitations and upon that to reach the aims using creative approaches; for the balance of softness and persistence, and for graceful mastery in negotiations. For ability in any tight schedule, receive a result with spending of minimum resources. For bringing legal components of trade marks', corporate rights and company's property to the level closed to ideal. And for contribution into the main project of RedHead accordingly.

Comments by Vladislav Burda:

"With minimal means, Tanya fully put all our documentation in order, and now we feel much more confident and protected"



Be responsible to have right people in your team. The best people are needed for the best strategies.



ALINA KRITINA,
*Project Manager of Personnel Development
Moscow*

For the recognized contribution in implementation of new technologies in HR, for recruiting and attracting new interesting employees and partners. For efficient and accurate implementation of KPI among members of Dream Team. And also for the sincere curiosity, restlessness, huge zest for life and lots of new discoveries! And finally, for the creation and the revival of the concept of Dream Manager in our company!

Comments by Vladislav Burda:

“Alina not only knows how to keep the right people on the team, but also how to attract such people. Her criteria is not limited to the company itself: last year Alina managed to attract the FBN Forum integrator”



Support transparency and accountability on all levels.



NIKOLAI GLUKHOV,
*Deputy Finance Director of Economy and Finance
Odessa*

For continuous aspiration forward, for high standards, for leadership position, for providing financial stability, effective planning and analysis, for strength, self-mastery and responsibility in managing new and labour-intensive processes, for generation and implementation of ideas. For unique intention to personal and professional development. As well as for high integrity.

Comments by Vladislav Burda:

“Kolya is a person who you can ask anything at any time and receive a very precise reply. Kolya always says that we should be even more transparent as a company”



**Be authentic. Find your own way.
Do what you can do best
and what is natural for you.**



YEKATERINA CHATSKAYA,
*Chief of purchase and supply of garment line
Odessa*

For unique combination of charisma and tenderness, for universal love of suppliers to multiple personality. For unconditional authenticity and leadership in “garment” category and for the integration of efforts of Retail department, SCM department and suppliers.

For the excellent ability to take responsible decisions and for the greatest potential in growth among all product categories.

Comments by Vladislav Burda:

“Katya is an example of absolute authenticity in her profession. She has been in her position for many years and does not hide her happiness”



Move company to Prime by developing yourself.



ALEXANDER STRUK,
Import and export director
Odessa

For providing the company with strategic product assortment in 2012. For the ability to find the way out in the most complicated and intricate situations in working with customs authorities as well as for persistence and constant activity in organizing the alternative methods of customs clearance of the goods all over Ukraine. For efficiency to defend the interests of the company heroically and achieve the best results.

Comments by Vladislav Burda:

"The fact that our retail sector experienced almost none of the difficulties that arose with customs last year was a huge achievement by the SCM and Sasha directly. He used his incredible willpower, mental strength and everything you can imagine to make sure that we ultimately had the product"



**Nurture mutual trust
and respect around you.**



VLADIMIR VIKOL,
Head of IT projects

AND LYUDMILA SAPOZHNIKOVA,
Chief of Financial Analysis Department
Odessa

Reward to the most effective couple of RedHead. For the unique ability of these two people to build harmonious professional and creative relationships, which can be called family relationship, regardless of the departments in which they work and the projects they are involved into. For giving care, sensitivity and love to everything. For the unique ability to give birth to children and ideas without interrupting the working process.

Comments by Vladislav Burda:

“This principle is precisely what is needed in the family and is very important in work. If you don’t have at least one of these two elements, there won’t be any family or work”



Break down bureaucracy and barriers between people; don't build them.



SVETLANA ABUSHAYEVA,
Building Maintenance Engineer
Odessa

For extraordinary entrepreneurial sense, for incredible combination of external women's fragility and strong spirit, for the ability to solve problems that seems to be just unmanageable. For the application of years of experience, gained in the company, to solve issues in the best and most harmonious way. For a significant contribution in implementation of the main RedHead project .

Comments by Vladislav Burda:

"It's as if this principle was made especially for Sveta: a better fighter against bureaucracy than her has yet to be found. And the 'project of the year' that we spoke about involves the recreation of the entire document system with which our legal companies and the entire holding will be able to function"



Show real care for those we serve.



LYUBOV MIKHAILENKO,
Director of children's store "Antoshka"
Kiev

For long-term contribution to the development of Antoshka stores, for unique ability to direct shops to leading positions. For the ability to increase sales (growth 27%) while reducing the store's area. For creating cohesive team that achieves high results as well as participates in social activities. And finally for incredible combination of two features: director-leader and director-mentor.

Comments by Vladislav Burda:

"The people who have been to Skazka or Antoshka on Prospekt Pobedy and seen how Lyubov interacts with the customers and salespeople have no doubts that she is the most vivid example of the embodiment of this principle"

Mikhail Kazinik's "Secret signs of culture"

MIKHAIL KAZINIK'S PERFORMANCE AT THE ODESSA PHILHARMONIC ON FEBRUARY 8, 2013 WAS A GIFT FROM REDHEAD TO ITS EMPLOYEES AND THEIR FAMILIES, PARTNERS AND FRIENDS. THE CONCERT PROGRAM, CALLED "SECRET SIGNS OF CULTURE," FILLED THE HALL WITH THOUSANDS OF PEOPLE. EMPLOYEES FROM THE REGIONAL BRANCHES WHO ARRIVED THE DAY BEFORE THE FINAL MEETING AT THE CENTRAL OFFICE WERE ALSO ABLE TO ATTEND THE EVENT.

THE MEETING WITH MIKHAIL KAZINIK CONCLUDED WITH A WORKSHOP FOR THE TOP REDHEAD TEAM AT WHICH WE TOOK THE FIRST STEPS TOWARDS CREATING THE CORPORATION'S OWN ANTHEM.



*Vladislav Burda and Alina Kritina
open the performance by Mikhail
Kazinik*

...Why was his performance such a big deal? How did Mikhail Kazinik become a guest of RedHead, and why was his arrival timed to coincide with the company's main ceremonial event?

Who is he? A musician? A teacher? A public figure? No matter what title or rank is attached to Mikhail Kazinik, it would only signify a small part of the activities in which he is involved.

Mikhail Kazinik has lived in Sweden since 1991. He was a presenter at Nobel concerts and a teacher at the International Business School of Scandinavia. Mikhail Kazinik is now in demand as a presenter of workshops and seminars that renew people's spirits. He is invited to speak at universities and major banks. He moderates programs on the radio and Russian television. He is setting up an experimental school based on his own methodology of complex wave lessons. He conducts an international training school for the wealthy several times a year: in Rome, Paris and Venice.

Mikhail Kazinik reveals his concept of art perception in dozens of made-for-television films devoted to various periods and prominent people in the history of music and literature. On several occasions in his republished book *Secrets of Geniuses*, Mikhail Kazinik appeals to "people who have not yet lost their genetic memory" and together with them rediscovers famous works of culture, revealing unexpected coincidences, parallels and signs.

Kazinik calls earth "the planet of Mozart" and believes that only the beauty of classical music is capable of saving civilization from decline. For this reason, he devotes special attention in his work to what women listen to during pregnancy and what children listen to. Kazinik has recorded several albums and created numerous methodological materials to support the harmonious development of the next generation.

Kazinik has visited Odessa on several occasions. In 2007, he took part in preparing the opera theater for opening following reconstruction. He has worked with young Odessa musicians and been on the jury for several musical competitions.

The performance at the Philharmonic on February 8, 2013 was Mikhail Kazinik's first meeting with RedHead employees and the company's partners, members of FBN Ukraine. The audience included the owners and managers of MIRS Corporation and Transinvestservice (TIS) transport company.

The "Secret signs of culture" program is a fascinating story about famous composers, poets, historical events in music culture and their connection to our present and our way of thinking.

Also participating in the workshop and performance with Mikhail Kazinik was his student Inessa Chernyavskaya, a musician and psychologist from Cherkassy.



“How important it is to understand: classical music is a game geniuses play with God; it’s the rejection of death; it’s a way out of depression to a world of joy and beauty.”

For Mikhail Kazinik, a sign of civilization is the ability to ask questions. In places where seemingly everything has been evident for a long time and no further explanations are required.

He engaged the audience in a cultural investigation of The Four Seasons by Vivaldi and Eugene Onegin by Pushkin.

He spoke about his experience conducting Nobel concerts, quoting one of the laureate's replies to a question about his favorite composer: "Bach is the brain of anyone who thinks." Bach's music is a grand structure. It regulates the conscience.

Mikhail Kazinik's performance shifted from dramatic moments of cultural development to joyous and comedic moments. With childlike intonations, Kazinik imitated a young Jascha Heifetz, who wanted "to ride on a donkey" at the same time several thousand people were waiting for the six year-old boy to perform the concerto of Felix Mendelssohn Bartholdy.

He told the story of Maxim Berezovsky, a Russian composer from the Ukrainian city of Glukhov, who was awarded the title of member of the Bologna Philharmonic Academy at almost the same time as Mozart.

It turns out that the word 'baroque,' a symbol of the Renaissance, is one of the strongest insults in Sweden, the "land of the bores," which does not accept 'eccentricities' (as translated from the Italian word 'barocco').

One touching memory was a story about Pyotr Stolyarsky, the founder of the Russian Empire's first music boarding school in Odessa. While dealing with evacuation in Sverdlovsk during World War II, Pyotr died right in the street. But as Mikhail Kazinik told his stunned audience, Stolyarsky died of joy: while out walking, he heard from the loudspeaker that Odessa had been liberated, and his heart was unable to withstand the long-awaited news.



REVIEWS OF MIKHAIL KAZINIK'S PERFORMANCE

NIKOLAI GLUKHOV (*RedHead, Odessa*):

"It was a very inspiring event: the energy was off the charts. Even though it is impossible to confine Mikhail to a single theme — his brain is comparable to a supercomputer that is ready to provide information based on any tags — the lecture with the musical blocks was very organic.

After attending the concert, a quote by Vsevolod Mikhaltsev became especially apropos: 'Develop the ability to search for and find new things in the familiar. This enriches your experience and brings variety to life.'"



Marina Matyukhina (*RedHead*) — the author of one of the best questions for Mikhail Kazinik

The audience members were able to ask Mikhail Kazinik questions: notes were passed up on stage throughout the entire performance. At the end, the maestro answered a few of the questions and selected the best two. Mikhail Kazinik and Alina Kritina presented the authors of the questions with the latest version of his book *Secrets of Geniuses*. Mikhail Kazinik said the book is encoded: it not only talks about geniuses, but is also designed to reveal the brilliant perception of art in the readers themselves.

Mikhail Kazinik with the directors of *Antoshka* supermarkets



LYUBOV MIKHAILENKO (*RedHead, Kiev*):

"Full of synergy!

Of course, the effect primarily came from this bright, extraordinary and highly charismatic individual. From the first minutes he spoke, he took up all the space in the enormous hall and all the minds of the audience.

His personal credo is the creative enlightenment of individuals and communities for the sake of creating a well-developed person who is capable of thinking and dreaming.

During this concert, he succeeded in his mission!"



Ivanna Andrianova (RedHead) with her husband

IVANNA ANDRIANOVA (RedHead, Odessa):

"Mikhail Kazinik's philosophy is a window into the infinite, vast world of music, art, literature and the cosmic world of perfect harmony. Mikhail is the guide to this wonderful world, a cosmic envoy. He has such an extraordinary gift to penetrate into the very essence of the phenomenon of music, into the secrets of the birth of musical composition, an understanding of the logic of thought and the feelings of geniuses. He believes so sincerely in the power of music that he inspires this belief in others and ignites hope in their hearts — the hope for the revival of spirituality."

**ANNA MAKOLKINA
(Motto Agency, Odessa):**

"After the concert, I realized that people must bring their children to such performances! Mikhail Kazinik speaks about art in an interesting and entertaining form — children are more receptive to such a performance: when they are inspired, it's easier for them to remember things."

MARIA LOBOVA (RedHead, Odessa):

"I love events in life that bring past experience and knowledge into focus and prompt you to take a fresh look at things that have long been familiar as well as discover new horizons. Most of the subjects touched upon that evening were too ambitious to be examined deeply in a few hours. Therefore, for me this evening was simply my first meeting with this remarkable person and it opened the door to his amazing world. This meeting was interesting and intriguing, so I am already finishing up Mikhail Kazinik's book, watching his films, and once again listening to long-familiar music with a new perception..."

Laura Levitskaya and Anna Makolkina
(Motto Agency)

OLGA KOSTYUK (RedHead, Dnepropetrovsk):

"Emotional, unbridled, enthusiastic... And it's obvious that Mikhail still enjoys such audiences and people despite thousands of such meetings... I was most struck by his violin playing — an angel touched my heart and mind with its wing."

IGOR LYSENKO (RedHead, Odessa):

"Kazinik is a bomb with a positive charge."



At the conclusion of the concerto, Vladislav Burda addressed the audience from the stage:

“For me, the result of any event is the fact that people learned something together during the event. That evening, I would venture to guess, the people in this hall learned how to understand culture and through this understanding they became closer to one another — at the level of partner companies, at the level of departments, and above all at the level of human interaction.”

Musical workshop for the RedHead team

The next day Mikhail Kazinik met with key RedHead executives at the small philharmonic hall for a workshop that was designed to assist senior managers in creating an anthem for the corporation.

This workshop had a deeper focus on the relationship between various systems – economic, cultural and social – than his previous presentation. Using the writing of famous musical compositions as an example, Mikhail Kazinik revealed for the audience the origins and reasons why sonatas and symphonies appeared during a certain era in a given country. The musical structures served as a springboard for a discussion of the structural approach to business.

VLADISLAV BURDA:

“Before we got down to the collective writing of a musical composition for the company, Mikhail conducted quite a bit of preliminary work with us. Leading us deep into the world of music, he convinced us that people without hearing do not exist. There are people with internal or zonal hearing. Then he opened things up to the participants, thus demonstrating that you can only cross the path to creativity if you lift constraints and release our natural ‘I,’ liberated from the usual fears.

It's not always possible to get rid of fear on our own. Finding the path to your inner expert requires great willpower and motivation to work on yourself.”

In order to reveal a person's true creativity, his/her stereotypical, video clip-style thinking stimulated by contemporary pop culture and mass culture must be switched to a kind of panoramic thinking that includes an historical, geopolitical and sociocultural context.

In his interaction with the top managers, Mikhail jumpstarted their creative energy with the knowledge of the principles of harmony required to create a musical composition and, by teaching them basic techniques, gave them the opportunity to express their feelings about RedHead's mission in sounds and notes that served as the foundation of the anthem.



At the end of the workshop, Mikhail Kazinik answered a few questions for the RedHead corporate magazine.

With your intense schedule, where do you find the resources for recovery?

In people. I give them energy, but I receive it in return. I feel their love and their reluctance to leave after a concert and after meetings. And I continue to speak with them.

If I ever were to perform and not feel a connection with the audience, I would feel like I was dying, I would be completely devastated. So feedback is always very important to me. I have to know that I am doing something very important for people today, something much more important than just educating them. I am simply making fundamental changes to many things in the course of their lives, as it seems to me. They will never be the same after our meetings as they were before. Of course, this takes a considerable amount of energy.

Demand for my meetings and concerts is currently growing like an avalanche — take a look at my schedule on the website, and that's only half of it. It doesn't indicate that I have a meeting with employees from a major Moscow bank or that I will be holding workshops at the International Bach Competition in Narva, where I am the chair of the jury. Then I have Vyksa and Riga followed by England and America.

I am well aware that I don't have as much time left as I would like. There is still much I want to say, write and do. But I don't always have the strength.

Is your family involved in your activities?

Absolutely. I wouldn't be able to live with people who weren't involved in my activities. My wife travels with me most of the time, corresponding and calling my students. I haven't published a single article or book that was not edited by her. She has a tremendous feel for subtleties, and I fully trust her.



My son Boris is an outstanding violinist and is 37 years old. He is my producer in European countries. He often travels with me on tour and comes to Moscow. He has performed at the House of Music and the Great Hall at Gnesins College. Perhaps the two of us will come to our next meeting in Odessa to play a duet of Bach, Vivaldi and Corelli.

My mother follows my performances, broadcasts and television shows. Despite the fact that she is 90 years old, she still has a clear and lucid mind.

What are your impressions from interacting with the RedHead team?

These people were creative, bright and in love with the things for which we gathered.

The anthem is two-fold. On the one hand, you have music; on the other, you have text. The text should be powerful — it should arouse significant feelings in the human heart and environment.

The verses were written by Inessa Chernyavskaya, a true poet. Inessa studied the RedHead principles and expressed them very succinctly in her poems.

We agreed that unless the team provides an alternative text, I will write the music for this text, and RedHead will have its own composition.

*In the heart of the world lies inspiration,
And life is filled with warmth,
Service with devoted enthusiasm
Will lead us to our lofty goals.*

*And your unconventional redheaded path
Will burst into bright light,
Shining gold over us,
And helping us to peek into the fairytale.*



*Your sunny childhood shines there,
And there's a smile on your soul,
Our happy children are there,
And life is bright and beautiful!*

*Antoshka sunflowers are growing
They're just about to reach the sky!
Little feet are pattering around
Both here and there, both here and there.*

*We exceed expectations,
Nurturing children's dreams,
And there are no distance barriers
To the promotion of kindness.*

Choral singing is very important in the West, in such countries like Sweden. When people sing together, they are united and close.

If managers sing their anthem prior to meetings, this can really help to discipline them, focus their thinking, and create an artistic effect.

Every company should have an anthem as well as a brand.

Modern managers, top managers, contemporary thinkers and business people should work closely with culture and art.

If they don't, we will find ourselves in very difficult times.

Vladislav Burda says he can't live without such meetings, without music and without art - yet he is the head of a major company. When leaders are creative, they surround themselves with creative people and don't allow them to die, get lost, or lose their creativity.

Vladislav is certainly charismatic and everyone can feel this. Goodness, light and fairytales simply emanate in the



Antoshka stores. At the workshop, we discussed and planned what Mozart music could be played in these stores.

It is very important for people to be exposed to art and culture throughout their entire lives, starting from birth and even when the mother is pregnant.

Art should be higher than religion and ideology. I speak about this a lot and unfortunately it causes resentment. All religions divide people, all ideologies divide, all politics divide. Culture is the only thing that unites people. As Kant said, this is this ultimate and sole proof of God's existence.

The RedHead top managers at our meeting traveled the same path as the executives of various companies at the Swedish Business School in my workshops.

I completely filled up two days of our meeting with music and culture in the broadest meaning of this word.

We spoke about art and also joked and laughed a lot at the same time. There were outbursts of laughter. The top managers said that the two days there had eased their souls significantly and that they felt a special feeling of happiness and a sense of discovery.

They will go home, share their experiences with their loved ones, and will take into account our common discoveries in the upbringing of their children — this simply must be conveyed, remembered, and continued because today there is no alternative to continuing spirituality.

For people who have material wealth and financial wellbeing — I call this "conscience and money in one pocket" — they are able to survive in this civilization. A poor person who loves art and culture can love it only for himself/herself and loved ones. A well-to-do and successful person who has achieved something, loves art and culture, and wants to share this with the surrounding world is highly valued in our world today. ■



How to dream effectively

Interview with Alina Kritina

ALINA KRITINA IS KNOWN AT REDHEAD FOR HER WORK ON THE “EVALUATION 360” PROJECT. FOLLOWING HER CONSULTING ACTIVITIES AT JANSEN CAPITAL MANAGEMENT, ALINA MOVED TO MOSCOW FOR FURTHER EDUCATION IN HR AS WELL AS TO GAIN NEW PROFESSIONAL EXPERIENCE. IN SPRING 2012, AT THE INVITATION OF VLADISLAV BURDA, SHE RESUMED HER WORK AT REDHEAD, ONLY THIS TIME AS A FULL-TIME COMPANY EMPLOYEE. ALINA WAS PUT IN CHARGE OF OVERSEEING PERSONNEL DEVELOPMENT PROJECTS AND CORPORATE PROGRAMS FOR THE HIRING AND DEVELOPMENT OF TALENT AT REDHEAD IN ADDITION TO ENHANCING EMPLOYEE INVOLVEMENT AND EFFICIENCY.

ALINA RECENTLY SPOKE ABOUT HER GOALS AND ROLE AT REDHEAD IN A BRIEF INTERVIEW.

“

My first task when I joined RedHead was a project to develop the key performance indicators for the top-level structure of the company. Jointly with a team of top managers, we spent a great deal of effort to get these figures and start measuring them on a regular basis. Now each division has specific performance criteria. These indicators are monitored monthly using top-notch quality assurance programs, and they also determine the personal performance of each department director using a single concise figure.

The new objectives pinpointed the areas of the company’s work that require special attention. In particular, it became obvious that we would be unable to achieve success if changes weren’t made to the organizational structure.

Changing goals and structure require people with a qualitatively new outlook and skills.

We began conducting a kind of “talent inventory” — we organized evaluation and development centers for employees: a group format that combines business games, exercises in astuteness, tests and individual presentations by participants. The first ones to take part in this project were regional directors as well as the Antoshka directors of the Kiev and Odessa branches. Such a work format makes it possible to see people’s talents that do not come out in their daily activities, evaluate the potential of our employees, and plan their further development. We plan to continue this practice with other departments.

In addition to supporting the reforms and searching for talent within the company, I am constantly exploring the talent market of major cities in Ukraine and Moscow as well as establishing connections with key recruiting companies so that we can hire the best people at RedHead and continuously enhance our “gold pool.” Vladislav and I are constantly thinking about new partnership formats with talented and unconventional people who suit us in terms

of their values and are already working on their own projects. I hope that in the near future our company will be able to make more active use of the latest HR practices involving flexible employment, a flexible schedule and flexible career planning.

One of the latest know-how advances in HR is the establishment of training alliances: several companies uniting to organize joint training programs for their employees.

When I first heard about this idea back in December 2011, I thought to myself: this is the future and it definitely needs to be done. Thanks to FBN, it's easy for us to introduce such advanced HR practices.

Just recently a joint training course was held for employees of the Daniel boutiques and Abrikos jewelry stores during which people from the two different companies had the opportunity not only to hear a famous trainer from the luxury industry, but to also exchange experience and speak about the solutions that they employ at their own companies. Thanks to the proximity of the business contexts and the unconventional training format, the course earned a resounding "wow"!

In March, training was wrapped up for a group consisting of employees from RedHead and the other company Mirs under the guidance of Svetlana Potap and Svetlana Ivanova. Managers from both companies studied the approach to leadership of Dr. Ichak Adizes, visited each other's homes, and solved practical tasks. This is an invaluable experience — exchanging ideas and technologies. It makes sense to continue it.

At the same time, I am studying in the International Human Resource Management program in Moscow. This program is conducted by the Russian Presidential Academy of National Economy and Public Administration jointly with Kingston University (London). We study the most advanced practices in human resource management.

The subject of my dissertation is the incentive system, in particular the development of an incentive system for the top management team in a family business. The incentive system is a very important issue for any company, and each system is unique. If it is based on the company's values and long-term vision, it directly affects performance. I see a well-formed incentive system for the top management of RedHead as a result of my work.

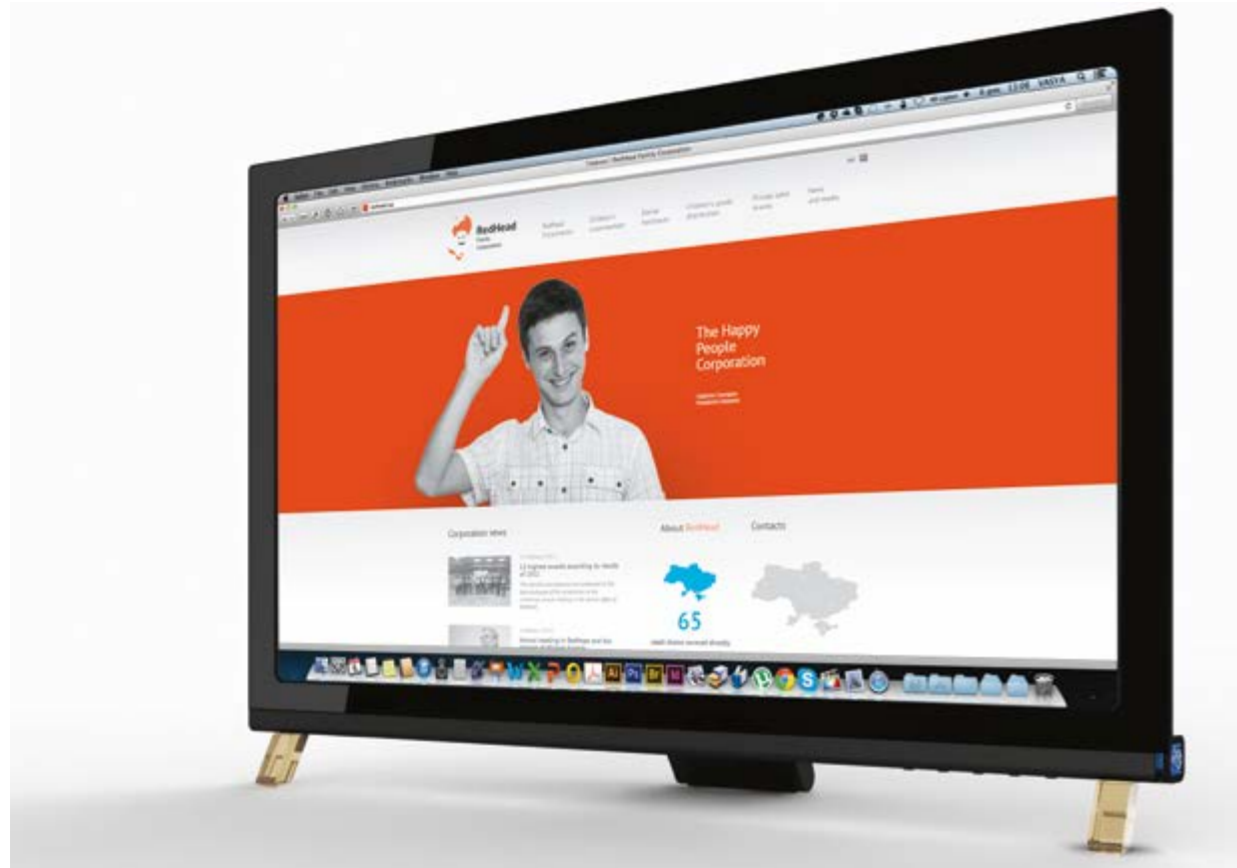


As part of the "Evaluation 360" project, I am moderating communication between the company's top managers and president, and am in charge of making sure that each side is able to express itself and be heard, and also that a path for further development is planned for the very important people at our company who are responsible for the business and for each employee on their team. The success of the business depends on their condition, health and desires. At the end of our meetings, the top managers usually talk about what kind of support they need, what they would like to do in their lives, what they would like to achieve. We talk about dreams. We try to "stretch ourselves out" by dreaming in broad terms. This is especially important for top managers. Many adults have a hard time dreaming. They forget how to do it and stop themselves from dreaming about something bright, tasty and juicy. They set the goal of buying a two-room apartment instead of a one-room flat, a jeep instead of a minivan... And people have to be taught how to dream big again.

When a person has a dream, he/she can express it in terms of the time and means required to achieve it – in this way the dream becomes a goal. When the person starts working towards that goal, it will most likely be achieved. This is precisely how we become successful because we "succeed" at doing what is important for us, our dream. This also makes us happy because our life is filled with what we truly want. ■

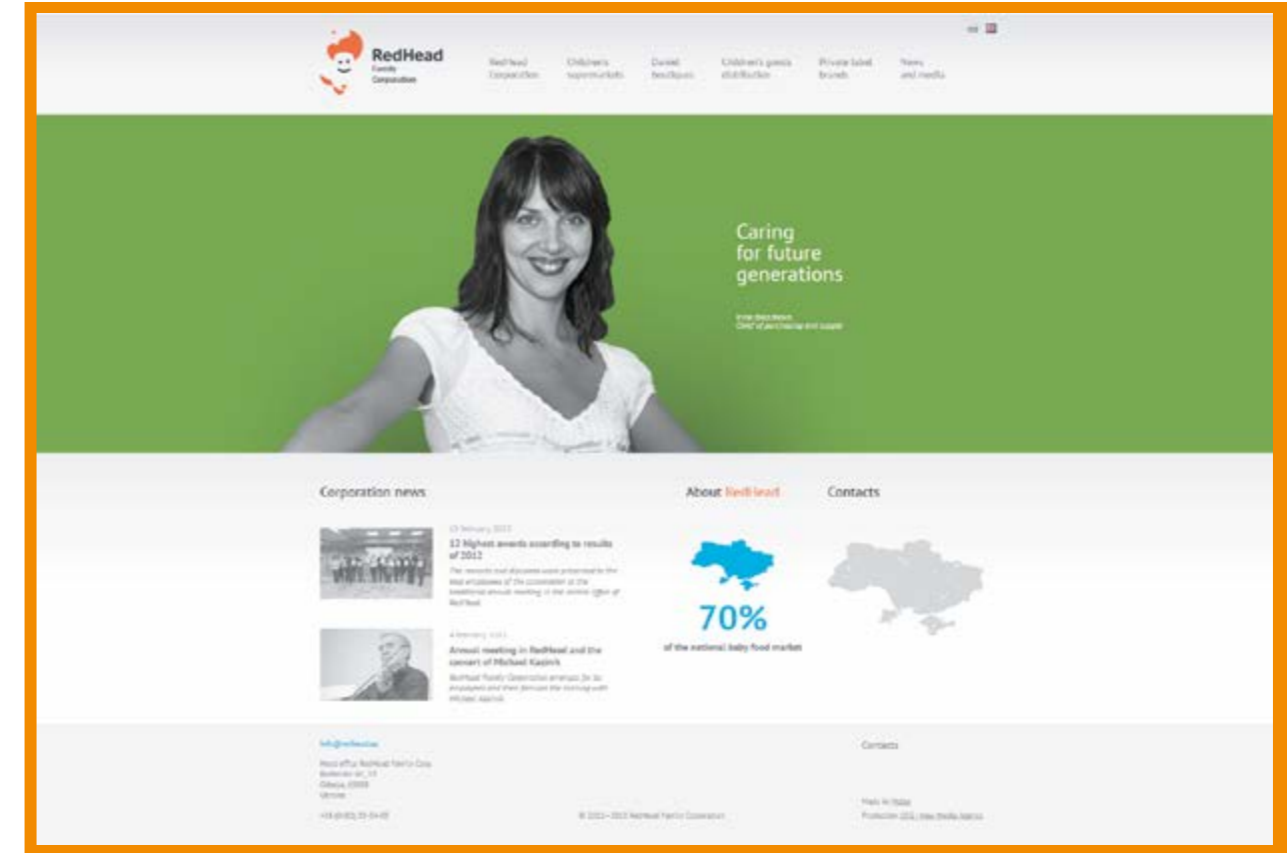


Corporate website of RedHead Family Corporation: Information in a fun style



In the run-up to the new year of 2013, RedHead gave all its employees and business partners a wonderful gift – a new corporate website.

The website at the address RedHead.ua is the new face of the company. It is lively, dynamic, stylish, bright and full of regularly updated information. It fully and vividly reflects the corporate spirit, philosophy and values of RedHead. The desire to evolve, grow and innovate as well as the element of fun and family values – this is all reflected in the design, layout, style and presentation of the information and the website content.



The RedHead.ua home page features the latest news and key facts about the company

The home page serves as the company's business card on a global scale. All the major corporations typically greet us with serious, pretentious, absolutely dry, impersonal home pages. But RedHead lives and works in a fun style, which means that the company's home page should be lively and emotive.

The introduction to the RedHead website starts with an introduction to the company's team: real people smile at us and speak about their work using inspirational aphorisms. The "dream company" employs cheerful, inspired and beautiful people — and we can see this right away.



The principles of the RedHead team on the “Corporation | Culture” page are animated and equipped with distinctive icons

The website is packed full of information. This information is not simply posted or presented — it is alive: it moves, crawls, turns, falls, floats, goes way, and scrolls up and down. An abundance of photo galleries, illustrations, interactive charts and graphics as well as especially nifty, diverse and vivid animated and icon graphics all create the effect of active interaction with the user due to the variety of forms and methods used to present the information.

The website structure includes six main sections devoted to the corporation, its philosophy, culture and history, followed by: Antoshka children’s supermarkets and Daniel boutiques, the distribution of children’s goods, our own brands, and finally, a full news portal with a corporate blog. The general principle used to develop the website sections is a convenient layout and built-in photo galleries.




The corporate section provides an idea of the essence of the company in a few pages from different points of view: structure, culture, knowledge and history.

The page devoted to family and the family business reveals the company’s core family values and presents the mission of RedHead as a family company. Here you can find basic information about the Family Business Network established in Ukraine at the initiative of the RedHead founder and also go directly to the personal blog of Vladislav Burda.

Consultants

The organization of management in a family company is a science in itself, as is the participation of spouses or several generations of a family in managing the business.

Many world-famous scholars and specialists on family business are familiar with RedHead, thanks to the public activities of the company's president. The most experienced of them have become mentors to the leadership of RedHead.




Joseph Astrachan
USA

A leading world specialist on family business issues and the resolution of family conflicts in business, creator of a special EMBA course for family business owners.

Joseph Astrachan is the executive director of the Cox Family Enterprise Center (CFEC) and gives lectures on family business at Kennebec State University, USA.

He is also a member of the external Board of Directors of RedHead and of 6 other family companies and publishes the Journal of Family Business Strategy.




George Manners
USA

Professor of Accounting and Management at Kennebec State University.

One of the organizers of the Cox Family Enterprise Center (CFEC). Since 1987, the work of the Center has been dedicated to studying the field of family enterprises.

One of the Center's programmes teaches owners of family companies to manage their businesses on the basis of an Executive MBA course. In this EMBA for Families in Business course, Professor Manners teaches his own method of managing finances, the 6 levels of financial knowledge.




Orenia Yaffe-Yanai
Israel

A unique specialist in the field of career development diagnostics. Orenia has a doctorate in psychology from London University, as well as a master's degree in clinical psychology from Tel Aviv University.

Dr. Yanai has been giving consultations to family companies and financial and government organizations in Israel, Jordan, the U.S.A. and several European countries over the course of 30 years.

Since 2007 Orenia has been a personal consultant to Vladislav Burda on issues of business management by members of one family.



Orenia Yaffe-Yanai — is the author of the bestseller "Every Person Has A Path". This book was published in Russian under the title *Geneticheskiy kod lichnosti* with the assistance of Vladislav Burda, president of the RedHead Corporation and president of FBN Ukraine.

The company's key consultants are presented on the "Knowledge" and "Family Business" pages ("Corporation" section)

The core corporate values are growth and development because the experience of working with famous business and strategic planning gurus is extremely important for RedHead. The website provides extensive information about the training experience the company obtained from famous consultants such as Ichak Adizes, Joseph Astrachan and Gregory Rayter. The gallery presents the company's key consultants whose portraits are accompanied by links to their publications.



Information about the company's corporate culture, values and philosophy is vividly displayed in the form of interactive charts. The story of the company's formation is notable for the fact that all the materials are presented in a simple lively format with an abundance of exclusive corporate photos and illustrations.

2012 year



The group of RedHead's strategic planning session

3rd company strategy Brand development.

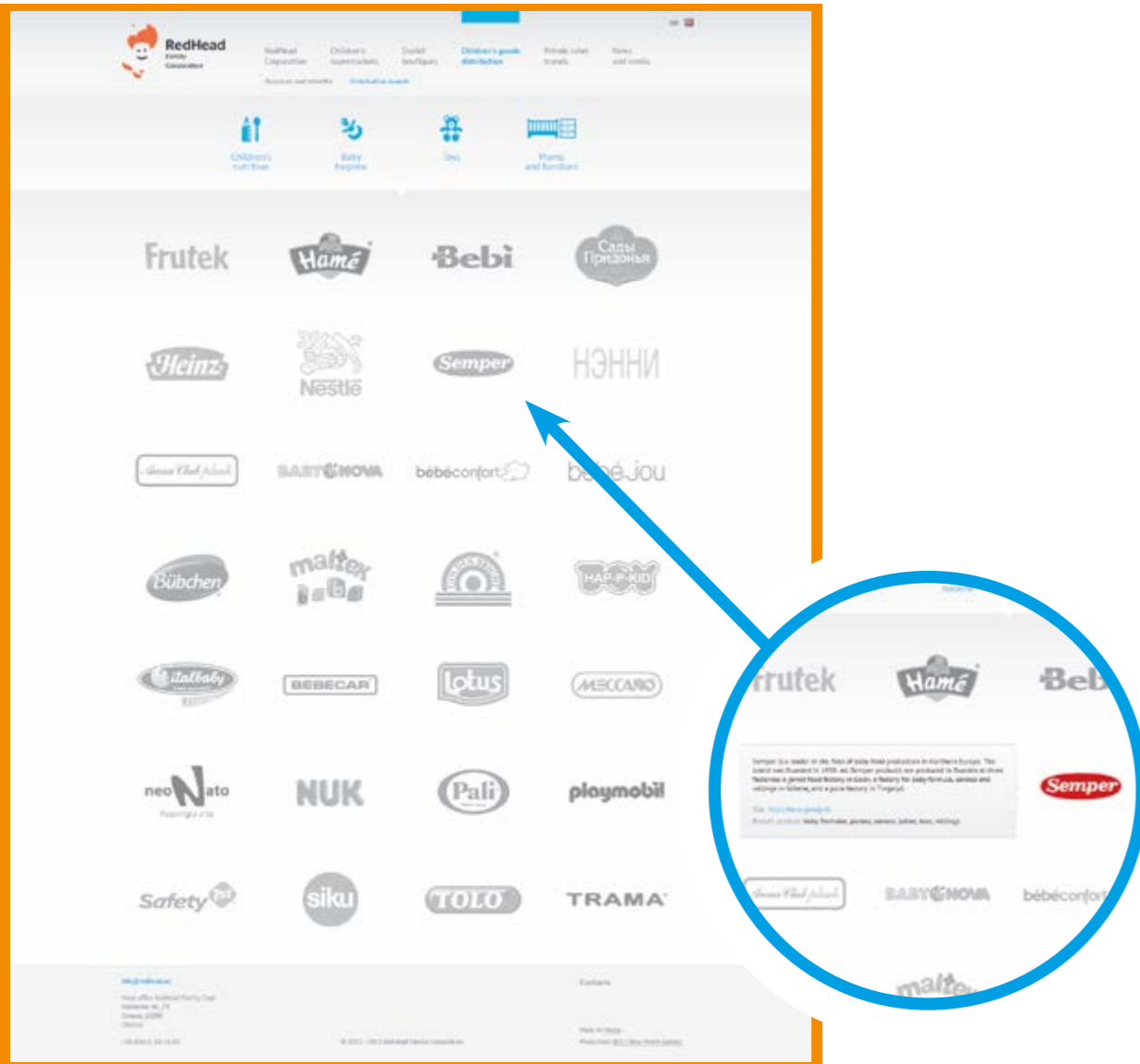
The new strategy is the development and new key areas at brands - RedHead, ANZONKA and LILLY as well as the creation of private label brands of baby food.

2012 Creation of RedHead's strategic declaration

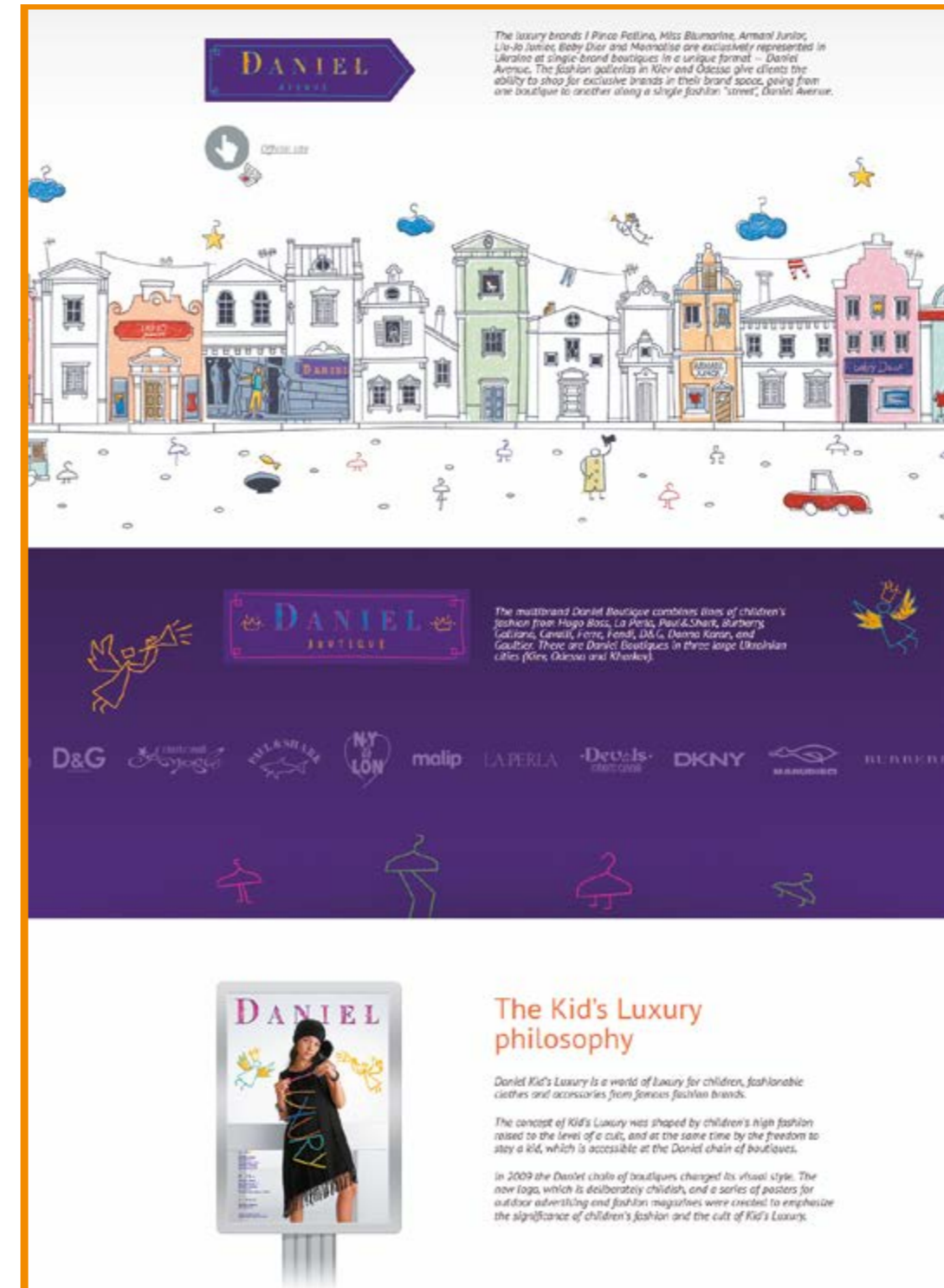
At the beginning of 2012 the top managers of RedHead held a strategic planning session with business trainer and moderator Hvala. Holding it was necessary for documents a vision for the further development of the corporation, and the declaration of RedHead's strategic goals adopted at the session documented the most important areas on which the company will focus for the next several years.

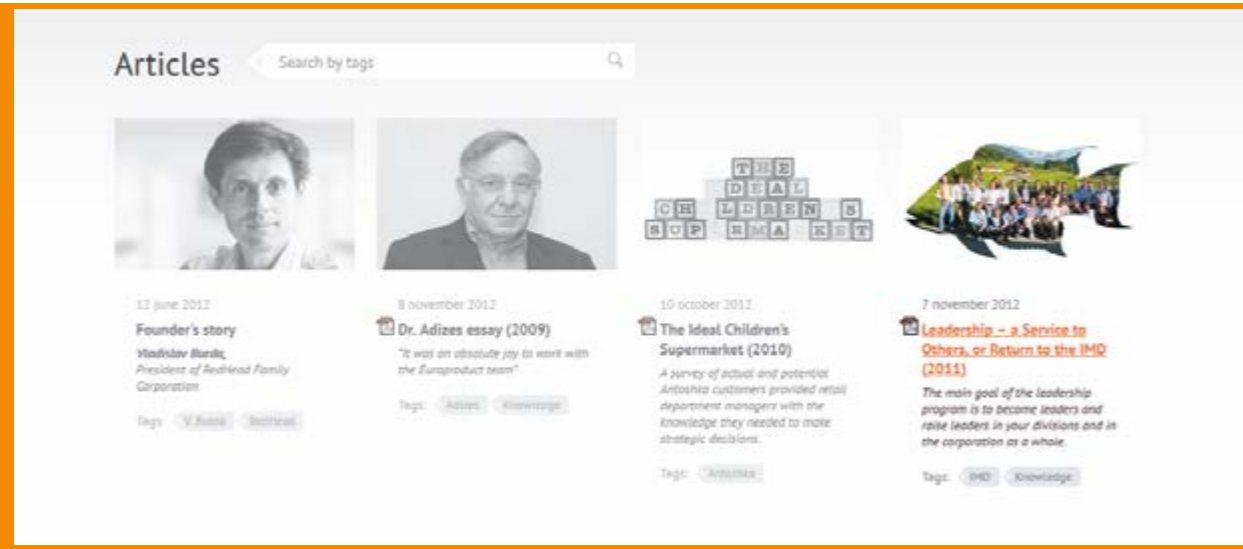


The creation of a private label brand in the baby food segment - Smarty Family

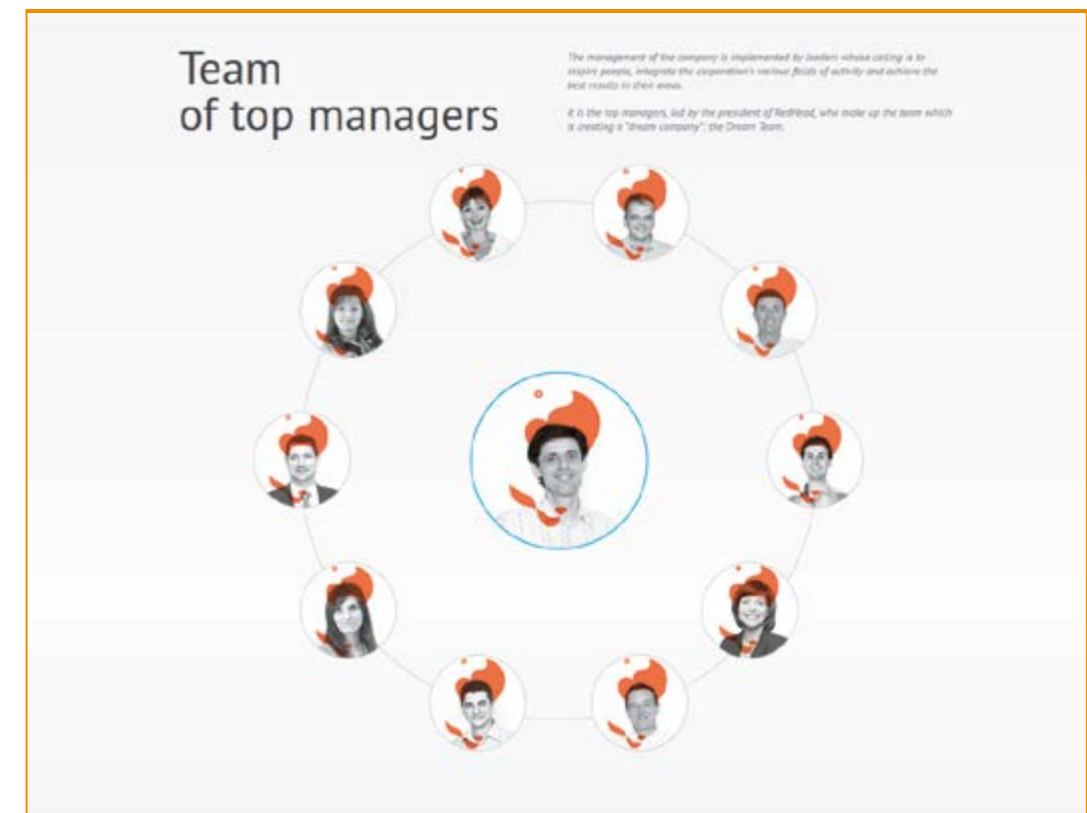


The sections presenting the business lines of RedHead offer updated and conveniently structured information about the Distribution Department, Antoshka stores and Daniel boutiques. In the distribution section, it is easy to select brands by product category: the website groups the logos so they can be accessed with a single click of the mouse. The Daniel section presents all the boutique chain's brands and a gallery of advertising campaigns from previous years.





You can also get a business education on the website with freely available analytical articles and archives of corporate publications. One important feature is that sampling is built into each article with tags. While reading materials, you can see that the website has already selected similar interesting articles on a given subject just for you.



A “dream company,” a family company and a company comprised of a community of inspired creative individuals who in some ways resemble the little red-headed person in the corporate logo in terms of their spirit and attitude — this is what makes up the identity of RedHead. This is why all the people at the company, including the top managers, are wearing the same little red wigs in their corporate photos.

The RedHead website is uniquely innovative, not only in terms of its design, but also its user features. The emotive, information-rich and interactive RedHead website vividly presents the essence of the company to the whole world in a fun style that can be seen in both its form and content. The website offers numerous opportunities: study, entertain yourself, get useful information from various areas of business, find a job ... you can practically live there! This virtual office with its fun style is online and ready for use. ■



Atlantic Grupa: Meeting in Croatia

IN OCTOBER 2012, REDHEAD PRESIDENT VLADISLAV BURDA VISITED CROATIA, WHERE HE HELD NEGOTIATIONS ON STRATEGIC COOPERATION WITH THE ATLANTIC GRUPA TOGETHER WITH EMIR HRKOVIĆ, A LONG-TERM PARTNER OF REDHEAD. THE PURPOSE OF THE NEGOTIATIONS WAS TO EXPAND THE RANGE OF REDHEAD DISTRIBUTION CATEGORIES.



Atlantic Grupa is a major Croatian distributor and manufacturer of foods, cosmetics and sports supplements. The company's geographical coverage ranges from the Balkans to Western Europe and Russia.

The family of founder Emil Tedeschi owns 56% of the corporation's shares. Atlantic Grupa is on a list of the most promising family companies in the former Soviet bloc. Over the last three years, the company has demonstrated

extremely high profit growth rates (115.1%). It also held an IPO and became one of 24 companies included in the CROBEX share index.

Atlantic Grupa launched its operations immediately after the Balkan crisis of 1991, taking over the distribution of Wrigley chewing gum in the former countries of Yugoslavia. It was a small enterprise that rented a one-room office in Italy. Today the company's distribution portfolio includes major European brands:

Nestle coffee, Ferrero and Manner candy, Hipp baby food, Vivera muesli, Johnson & Johnson and Scholl skincare, Lorenz snacks, Duracell batteries and Red Bull energy drink.

In addition to distributing leading brands in the countries of Southeast Europe, Atlantic Grupa specializes in the successful production and promotion of products of regional origin. Atlantic Grupa gradually amassed control over the main production facilities throughout the former territory of Yugoslavia and now the company has operations in Croatia, Slovenia, Serbia and Macedonia.



Emil Tedeschi, the CEO of Atlantic Grupa, believes one of the reasons why his company has had success is the fact that Atlantic Grupa products managed in the past to identify and satisfy the demands of the local population for a regional product. Indeed, the lion's share of profit on the Croatian market comes from former Yugoslavia brands, which won over the hearts of consumers back in communist times. Tedeschi notes, however, that his company does not

sell "memorabilia," and even if it does play up the retro mania to some degree, its main consumers are not only the older generation, but their children. It is their needs on which Atlantic Grupa is focusing as it develops new products while improving and updating the familiar "nostalgic" products, he said.

In 2006, Atlantic Grupa was transformed into a joint-stock company. In 2010, the company made a massive leap in its development, and after several successful expansions on the regional market, it acquired the major concern Droga Kolinska with the support of the EBRD. The purchase of Droga Kolinska has firmly cemented the position of Atlantic Grupa in the international business arena by supplementing its brand portfolio with a range of popular regional brands with European potential: *Argeta* pate, *Barcaffé* and *Grand Kafa* coffee, *Cockta* cola, *Donat Mg* mineral water and *Bebi* children's water, a brand that is popular on the Russian and Ukrainian markets.

By manufacturing and distributing high-quality and modern products that are produced locally, Atlantic Grupa is not only giving a boost to the economy of the south-east region, but is also improving its image in Europe, where until recently the attitude towards goods exported from countries of the former Soviet bloc was not particularly friendly.

DROGA KOLINSKA



One of the most developed areas of the socially responsible business strategy of Atlantic Grupa is its support for professional sports. Scholarships for swimmers, a basketball club, support for the Croatian Olympic Committee and sponsorship for various sporting events in Croatia and Germany are only some of the company's activities in this area.

Atlantic Grupa is a vivid example of how it is possible to create a major successful company under difficult economic conditions by skillfully finding a balance in the combination of familiar and radically new ideas, traditional and unfamiliar things. Aware of the mentality and demands of its customers as well as the current situation on the market, Atlantic Grupa managed to successfully preserve and develop national brands that are already familiar to customers and also offer the world's best products in various consumer segments.



At the October meeting in Split with Atlantic Grupa Vice President Srećko Nakić, Vladislav Burda and Emir Hrković discussed several goals for the Ukrainian market.

The RedHead Distribution Department feels confident on this market thanks in large part to its long-term cooperation with Droga Kolinska, whose brands RedHead sells exclusively. According to AC Nielsen, Droga Kolinska products (Bebi) held a 30% share of the children's cereal market in Ukraine (June–July 2012). The range of cereal expanded throughout 2012 due to new items in the Bebi product line: the desert "Cereal for an Afternoon Snack" and the vitamin-enriched "7 Grains" and "7 Grains with Blueberries."

Last fall, the RedHead Distribution Department unveiled a new product from Bebi for the Ukrainian market — "Bebiki" cookies for infants. Some 2 tons of "Bebiki" cookies were sold in one month, which equaled about 2% of the total volume of Bebi baby food in Ukraine.

Sales of Donat Mg mineral water have also been launched.

The successful promotion and growth rates of the Croatian brands distributed in Ukraine are becoming a key for fruitful cooperation between RedHead Family Corporation and Atlantic Grupa.



Vladislav Burda and Emir Hrković at a partnership lunch in Split, Croatia

Vladislav Burda:

"Today we are selling roughly 5 million euros worth of Atlantic Grupa products, and over the next five years we plan to double sales, using all of their products in all categories."





SMARTY FAMILY

of children's products

THE YEAR 2012 WILL GO DOWN IN THE HISTORY OF REDHEAD AS THE YEAR WHEN THE COMPANY'S OWN PRIVATE LABEL BRAND APPEARED ON THE MARKET — SMARTY FAMILY. THE FIRST PRODUCT UNDER THIS BRAND IS A UNIQUE FORM OF CEREAL MADE FROM GOAT'S MILK, WHICH HAD NOT PREVIOUSLY BEEN OFFERED ON THE UKRAINIAN MARKET. THE CORPORATION'S RETAIL CHAIN, ANTOSHKА AND ALL THE LEADING RETAIL NETWORK OPERATORS HAVE PICKED UP THIS NEW PRODUCT, AND THE GROWING SALES DYNAMICS INDICATE THAT THE COMPANY CORRECTLY SELECTED AND POSITIONED THE PRODUCT. UKRAINIAN KIDS HAVE TAKEN A LIKING TO SMARTY FAMILY, AND WE CAN ALREADY CONCLUDE THAT THIS PROJECT IS "DOOMED FOR SUCCESS."

The brand of an expert

The creation of a private label brand at RedHead Family Corporation was the natural result of the experience and expertise the company has gained on the market for children's products.

RedHead has developed a clear understanding over the years of how to work in customer segments and product line niches, how to find a balance in a competitive environment while also avoiding direct competition between brands in its own portfolio. By combining the experience of manufacturers, suppliers, its own retail chain and user feedback, RedHead has a high level of expertise on the baby food market, where it has a share of 70%.

Smarty means "smart"

The search for the name of the brand did not begin with a statement of a specific product's advantages, but with the search for key values and philosophy. The values of RedHead Corporation — family, happiness and a healthy lifestyle — became the keys for the company's own brand: Smarty Family.

The name Smarty Family has multiple meanings and is ideological. With a family-like spirit, concept and development strategy, Smarty Family represents a "family" of advanced, "smart" items among children's products.

Each item in the Smarty Family range is unique and innovative. This above all

A major distributor of baby food, RedHead has the resources to both create a private label brand and effectively promote it. This was one of the points of the RedHead strategic declaration adopted in early 2012.

A private label brand offers prospects for the company to retain its leading position on the market. Without restricting the brand to a single narrow category, we won't become hostage to the market or a product — an umbrella brand provides the opportunity for further expansion, the release of new products, and access to segments related to baby food.

concerns the recipe of the actual product, while the design and promotion reinforce the novelty and surprise effect. Smarty Family sounds like a complement to a customer: a product for a rational, informed family choice.

The story of Smarty Family begins with cereal made from goat's milk, which had previously never been available in Ukraine. This is largely because the production process is more complex than for other children's products. The RedHead team working on the Smarty Family project found a virtually ideal manufacturer specializing in baby food that was fully suitable for the production of cereal from goat's milk.



Maria Lobova,

Head of the Market Research and Analysis Department:



"Our company is one of the originators of the baby food market in Ukraine and has occupied leading positions on this market for several years. It is obvious that something fundamentally new needs to be contributed to the business and offered to the customer in order to maintain this high standard. It was this understanding that served as the driving force for the creation of a product under a private label brand, which was initiated by the RedHead Distribution Department under the guidance of Sergei Filyanin.

Today the baby food market is oversaturated. Moreover, despite estimates by experts about the great potential of this market in Ukraine, it is well known that industrially manufactured baby food is less popular among Ukrainian consumers as compared to European countries. Therefore, in order to create private label brand we needed a good idea. Everything depended on this.

Thanks to several years of working with the "Nanny" formula made from goat's milk, we knew that there was high demand for this product even despite its rather high cost. Goat's milk is closer to breast milk in terms of its structure, better physiologically for a baby, less allergenic, and easier to digest, but there were no other products made from goat's milk on the baby food market.

Therefore, focusing on cereal made from goat's milk, we obtained a product that was healthy, first of all, and most importantly – exclusive! After all, our product wasn't simply based on goat's milk, but on an adapted formula made from goat's milk, i.e. it is highly suitable for infants. Once we had this, we could confidently go to the consumers and win over their attention. This was essential since the new brand was basically supposed to become the company's calling card on the market, and this is a huge responsibility.

But we can already say that everything worked out! It certainly wasn't easy and didn't happen as quickly as we would have liked. But once the product hit the stores, it immediately generated interest among customers, as evidenced by the sales on the very first day. For a completely new brand, this constitutes an unequivocal success."



*Written on the wobblers:
For the first time –
made with goat's milk*

Baby-faced brand

A product that was new in so many respects required the creation of a design that was no less innovative — above all in terms of the segment of children's products. Motto Agency reviewed the concept of packaging for children's products as a whole. What exactly constituted a "children's" design? Motto contrasted the traditional "children's" packaging featuring multiple characters and colors with its own vision — a fresh, simple, concise design that conjures up associations with healthy, beneficial and natural concepts.

The packaging is not tied to the formula or product category — it speaks about the brand itself, about the idea of the brand. The Smarty Family line consists of a photo gallery of cute children's faces. Each item in the line is another new portrait of a child. In this way, Smarty Family

presents a gallery of the country's healthy gene pool.

Most importantly, though, the children's faces also serve as an emotional anchor, a reason to draw attention to the store shelf with the new product. A person sees the sweet child's face and smiles without knowing why. And then that person decides to give the product a try and buys it!

The individuals from the Smarty Family packaging also became the heroes of the advertising campaign. Posters, wobblers and stoppers adorned outlets selling the children's cereal throughout all of Ukraine. Smarty Family tastings were held in all cities where the Antoshka chain operates. A clever ad playing up the "goat" aspect found support among parents and added a cheerful mood to the purchase of the new children's item.





Svetlana Levchenko,

Head of the Baby Food and Hygiene Brand Development Department:

"The children created the maximum degree of emotion. After all, it's not as hard to get customers to make repeat purchases as it is to make that first one. But with this it's simply impossible to walk on by! This packaging is so emotive that you just have to try it!"

Maria Lobova,

Head of the Market Research and Analysis Department:

"I can confidently say that the choice of the children was truly a great success. Nobody can react indifferently to them. This can be said about the label as a whole."

The appearance of this innovative brand was further strengthened by publications about the benefits of cereal made from goat's milk in magazines for young mothers as well as the promotion of the product among professional pediatricians. Distribution specialists along with RedHead medical consultants took part in the Ukrainian National Congress of Pediatricians, where the Smarty Family cereal from goat's milk received favorable

reviews. In late September 2012, the Smarty Family line of cereals was presented at the "Sound Baby Food – A Healthy Future!" conference and exhibition in Kiev, which was organized by the Association of Pediatrician-Gastroenterologists and Nutritionists of Ukraine as well as the Dietitians Association of Ukraine. The exhibition was attended by 150 pediatricians.



4
tons

over the first 3 months of sales

Smarty Family cereal is in demand in all major Ukrainian cities: 40% of the distribution network clients of RedHead make repeat orders

The team that has been working on the project, which consists of experienced RedHead distribution managers and Motto Agency, does not plan to rest on its laurels.

By the time you read this issue, there will already be two new Smarty Family products on the store shelves — children's drinking water with an increased content of dissolved oxygen and children's tea based on licensed organic elements.

In the near future, RedHead Corporation's Smarty Family brand will enter neighboring markets. The Distribution Department is already making preparations for this crucial step, which is fully justified by the company's entire previous history. ■

Semper

Your delicious credo?
– Always!



THIS IS HOW THE FAMOUS BRAND ANSWERS QUESTIONS ABOUT ITS CREDO. 'SEMPER' IN LATIN MEANS 'ALWAYS.' 'ALWAYS' TASTY, HEALTHY AND IDEAL IN TERMS OF ITS REPUTATION AND THE QUALITY OF FOOD FOR INFANTS.

THE NAME OF THE SEMPER BRAND IS DERIVED FROM THE COMPANY'S ORIGINAL NAME SMP - SVENSKA MJÖLKPRODUKTER AB. THE COMPANY WAS FOUNDED BY SWEDISH ENTREPRENEUR AXEL WENNER-GREN, WHO WAS INSPIRED BY NUTRITIONIST NINNI KRONBERG'S IDEA ABOUT DRY MILK-BASED FOOD. THE FIRST BATCH OF DRY MILK, WHICH WAS PRODUCED IN 1939, MARKED THE START OF THE SEMPER BRAND.



Semper headquarters, research lab center, Stockholm, 1966

The Semper founders immediately began focusing on research and development as well as building a solid reputation in professional circles. The company worked closely with researchers, pediatricians, dieticians and food industry engineers. This cooperation resulted in the creation of Baby-Semp, the world's first complete industrially manufactured infant formula, which appeared on the market in 1948. In this way, Semper established itself as a manufacturer with all the latest technological and scientific capabilities for the development and production of baby food.



The first Semper fruit puree, 1960s

Today, Semper is a growing and developing brand with ambitions and a broad outlook.

After merging with the major industrial food group Hero AG in 2006, Semper has firmly established itself on the global market.

Hero Group is an international company founded in 1886 in Lenzburg, Switzerland.

Profile: consumer food production.

Main product groups: baby food, products made from fresh fruits, jam and preserves, and cereals.

Most famous brands: Semper, Schwartau, Juvela, Beech Nut, Sunar, Corny.

Hero Group has production facilities in Europe, North America, the Middle East, Turkey and Central Asia.

Its products are sold in more than 30 countries.

Semper has had successful operations in Russia since 1997.



At present, all Semper brand products are tested at the Institute for Infant Nutrition, which collaborates with leading global experts on child nutrition and pediatrics. More than 60 studies at 20 universities and 13 research centers of Europe in recent years have launched the International Program of the Institute for Infant Nutrition: “Proper nutrition — the foundation of health,” which includes the development of an integrated approach to infant feeding and the nutrition of grown children taking into account the latest scientific research. It is based on the idea of proper and balanced nutrition, which not only helps a child to grow up healthy and develop properly, but also lays the foundation for future health.

The word ‘always’ in the company’s name emphasizes the main goal and mission facing the brand: to create and give people the products they need, fully and always meeting their needs for healthy and environmentally friendly food. For this reason, moms around the world choose the red and white Semper symbol as a sign of indisputable quality.

So what does Semper offer young mothers today? Above all, tasty, diverse and appetizing options for child nutrition.

The brand’s knowhow involves the use of healthy β -palmitic acid (palm oil fractions just like in a mother’s breast milk), which helps to keep the needed calcium in the child’s body.

In the range of cereals, which includes dairy and non-dairy cereals, the Semper BIO natur line stands out with a component that is unique to cereals — grape juice, which helps to improve digestion.

One unique product is meatballs: no analogue exists among other manufacturers.

An extensive menu is offered for children’s puree: vegetable, fruit, meat, fish... Nutritious natural juices... Yummy and healthy children’s tea...



Corny bars in Antoshka children’s supermarkets

Ukrainian mothers were introduced to Semper eight years ago. RedHead (Europroduct) was one of seven regional distributors of the brand, and Semper products were offered at all Antoshka stores from the very beginning.

Starting from mid-2011, RedHead national distribution began promoting Semper simultaneously with the other brands of the Hero Group – Schwartau (jam and sauces) and Corny (granola bars).

In 2011, Hero AG signed a unique memorandum with RedHead on long-term cooperation. Meanwhile, six retail chains continued to receive Semper products directly from the manufacturer.

However, in summer 2012 an event occurred that was unprecedented in the distribution practice of foreign companies: the Hero Group’s commercial representative office in Ukraine shut down and transferred all brand promotion powers to the RedHead Distribution Department.



In fall 2012, Vladislav Burda visited the Hero Group's central office and the company's museum in Lenzburg, Switzerland. He shared the story about his introduction to Hero:

One of my favorite activities is visiting the corporate museums of family businesses around the globe. They are all so different from one another, just like the owners themselves are different. After visiting the BMW museum and especially Lactalis, I thought it would be difficult to surprise me. However, the Swiss family business Hero managed to do so to the full extent. This is the only museum that wasn't built at the initiative of the owners. It is located on the territory of the city museum and was set up at the initiative of the Lenzburg mayor, who felt that the history and architectural design of the company's head office is the main attraction of this small Zurich suburb. Therefore, the main focus at this museum is not on the family values of the owners, but on the history of the development of one of the first and what is today one of the largest vertically integrated jam manufacturers in Europe.

After visiting the Hero museum, I posed the same question to all the company employees with whom I met: what is the origin of the corporation's name? I didn't get a correct answer from anyone, which prompted Hero Vice President Hans Huistra, who was accompanying me, to ponder the need for all company employees to visit the museum.

The story was as follows. In 1996, Mr. Henkel met his college friend in Lenzburg and they happened to find out that land was being sold in this city. They decided to invest 20,000 francs each in the land and start an industrial and agricultural business to process fruit. The first seven years were filled with agony and losses. Mr. Henkel's friend and partner was unable to withstand the difficult years and died.

One of the company's key employees, Mr. Roth, took a bank loan for 15,000 francs and with Mr. Henkel's approval bought the stake of his friend and partner. Since then the company began to be called Hero based on the first two letters of the co-owners' names: Henkel & Roth.

The question that tormented me was: what happened with the family of the deceased partner? The answer demonstrates to me the humanity, creativity and diversity of the concept of family business. Mr. Henkel married the widow of his friend and partner and adopted their two year-old son, thus assuring that the family of the company's co-founder would continue to be taken care of for the rest of their lives".



The production of the Semper brand went global in September 2012. Initially, all the products were manufactured in Sweden, but now only infant formula and juices are produced there. Semper tea is manufactured at a factory in the Czech Republic, cereals and some types of puree are produced in Turkey, and puree and meatballs are made in Spain.

RedHead plans to increase sales of Semper products by 18% in 2013 and will continue cooperation on the Hero Group's other brands, strengthening their position on the Ukrainian and neighboring markets. ■

Energy for change

Launch of the assessment project with directors of Antoshka stores and retail branches



What kind of people should the leaders of modern retail be?

Store director is one of the most key and responsible positions in retail.

The most important attributes for today's store directors are entrepreneurial skills, social intelligence, and the ability to

establish feedback with customers and personnel.

The high level of competition on the children's retail market as well as RedHead's own plans demand that retail directors engage in strategic thinking and take a creative approach to their daily responsibilities. It is essential that managers have the ability of so-called "helicopter" vision

(an impartial assessment of a situation from above) and the ability to take a meta position, making it possible to objectively analyze a situation involving customers, personnel, the actual stores or the company as a whole.

In order for stores to operate effectively, directors must be heavily involved in resolving priority retail objectives: sales management at the product mix level, creating an effective layout, customization, and establishing a customer feedback system.

Training and motivation for the management team have always been priority

objectives at RedHead. The launch of the assessment project for regional directors and Antoshka directors is the next stage in the development of the skills that are in demand in today's market conditions.

The assessment is a tool for analysis and motivation. To carry out the project, Sergei Filyanin, the director of the retail department, and Alina Kritina, the head of personnel development projects, invited in a team led by Yulia Lutayenko from the LOCUS psychological center, which specializes in such events.

YULIA LUTAYENKO,

who led the assessment project, is the head of the LOCUS psychological center, a coach, business trainer, and human resources consultant:



Quickly adapting to changes and rapid orientation are essential for any manager but are particularly in demand at a company that views itself as the market leader.

The effectiveness of each leader in the current market conditions is directly related to such a skill as entrepreneurial thinking. The assessment makes it possible to identify this skill as well as other qualities, abilities and management skills in addition to "revising" them.

Just because a person has knowledge does not mean that he/she knows how to use it. A person may know a lot but be unable to apply that knowledge even in ordinary situations, let alone transitional periods, which will trigger the same behavioral patterns.



At Mega-Antoshka store,
Odessa, 2012

Learning as well as changing one's views and actions is a difficult task for adults who are confident that their actions are the correct ones.

When performing practical assignments during the assessment, the participants receive feedback (from colleagues and a manager watching a video recording of the exercises), which gives them the opportunity to understand their behavioral patterns and their effectiveness as well as draw their own conclusions. In cases when actual behavior differs from the desired behavior, or when a person is truly unhappy about something, motivation arises for change and development, and the person is no longer too lazy to make an effort, leave his/her comfort zone, learn or become interesting in something new.

In the current conditions on the labor market, an effective manager must constantly work to improve communicative and managerial competence, knowledge of economics and finances as well as other special skills, and only then will that person manager to stay atop "the crest of the wave."

Assessment training includes individual assignments, group discussions, roleplaying and business games that simulate the most important situations in professional activities and are relevant to one's professional skills.

The performance of these assignments is evaluated by experts — the immediate superiors of the assessment participants,

psychologists and HR specialists. Above all, they analyze behavior in a certain situation: it's not enough to simply have knowledge — you must have knowledge and be able to act.

During the assignments, the assessment participants identify strengths and note the attributes that need to be corrected — the so-called "lacking" skills.

The first stage of the assessment project among RedHead retail directors took place in November 2012. An agenda for further measures to evaluate and train retail directors is now being prepared. We will bring you an update in one of the next magazine issues.

Sergei Filyanin,
director of the retail department:



The assessment project that we started is definitely a positive thing. When we launched it, we set certain goals: to evaluate the potential of store directors, to reduce the resistance to changes that occurs, and to create motivation for development.

Following the assessment with the directors of the Kiev branch and the southern region, we can see that these goals are fully achievable. In addition, we now have the opportunity to identify leaders within our retail business and understand exactly how much we can rely on them. We plan to continue the assessment project in Kharkov, Lvov and Dnepropetrovsk.

Along with the HR Department, we will prepare individual development plans for the directors, primarily paying attention to lacking skills that were identified in the assessment.

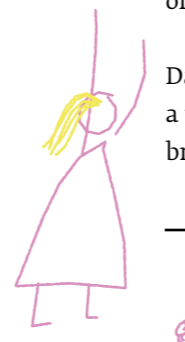
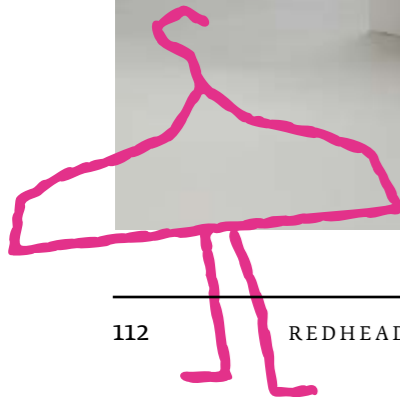
I suggest two areas for continuing such work and the further development of directors — training sessions and seminars organized by our HR specialists and invited trainers as well as my personal meetings with the directors in order to increase the speed of feedback, exchange relevant information, and convey new knowledge to the directors about economics, service and customer-focused trends. ■

RESURGENT IDENTITY OF
DANIEL

**Trendy ad campaign
for 2012-2013**

THE NEW ADVERTISING CAMPAIGN
FOR DANIEL BOUTIQUES IN 2012-2013
CALLS FOR COMPLETELY DOING AWAY
WITH ALL STEREOTYPES AND STARTING
THE YEAR WITH A CLEAN SLATE.
LITERALLY.





Against a dazzling white (yes, white can be dazzling!) background, small urban trendsetters all decked out in the latest fashions dance, rage, laugh and pose. Along with them, all the designer scribbles from Daniel's trademark style come to life and break into dance. Letters, crowns, cats and angels are all part of the game known as "fashion"! Catch an angel by the toe, tease a cat, try on a crown — and buy more of the overwhelmingly beautiful and stylish outfits. This is the rough mini-program for mini-fashionable dressers for the coming year of fashion.

Daniel is setting the trend for fashion in 2013: mischief, games and experiments. With a trend towards boldness, audacity and freedom of choice of absolutely any image (artistic, bright, glamorous). No boundaries. No rules. No age restrictions. Children can have it all!







It's a simple principle: each day is a holiday, so why not dress up for a parade, catwalk and photo shoot all at the same time? We create a look and offer the best features of various fashion eras. A trim pink fur coat says greetings from the rebellious 1960s. A romantic retro look with a straw hat in the Victorian style. A discreet preppy, audacious urban dandy, a delicate ballerina, a capricious princess, an actress from a silent film... And a sea of details: fur and feathers, lace and fringe, pearls and rhinestones, bright checkered patterns, huge prints and colorful polka dots.

Daniel invites you to come play this wonderful fashion game. Select roles, make up the rules, design your own images, combine brands, and — have fun! ■



Luxury in detail

Learning the art of luxury style sales



In order to sell items in the luxury class — special things for special people — you have to be special yourself: an expert inspired by a creative idea, love for each item, each detail, and love of what you do.

The directors and administration of the Daniel boutique chain recently had the opportunity for personal training with such a specialist — Jean-Claude Roustant, who for more than 10 years has held the position of personnel training director at Louis Vuitton.

Vyacheslav Bich and Svetlana Lylyk came up with the idea of inviting Roustant to RedHead to conduct a personal training session after attending his workshop “Sales and building service in the luxury segment” in Kiev last year.

This time the training session turned out to be an exclusive one thanks to the participation and interaction of employees from the two partner companies – the Daniel boutique chain and the Abrikos jewelry store chain.



Jean-Claude Roustant has worked in the fashion, hotel, jewelry and watch industries for more than 20 years. The list of his titles is impressive: business consultant for Chanel, Bonpoint, Sofitel, Relais et Chateaux, Maurice Lacroix, and Ebel; a professor in the Luxury MBA program at ESSEC Business School; a professor in the Luxury Marketing MBA program at the Institut Supérieur de Gestion; a lecturer at European Business School... However, his calling card is his 13-year career as the director of personnel training for Louis Vuitton. The cult status of a brand-name bag which has been causing a furor for the past several decades is in part the achievement of each salesperson who has gone through Jean-Claude Roustant's school.

JEAN-CLAUDE ROUSTANT:

“Luxury is ideal. It is either ideal, or it is not luxury. Luxury is different from the routine and everyday. Luxury is not better than something else. Luxury is something special, different...”

Luxury is the sum of ideal personnel and an ideal atmosphere in the shop, which is created by a multitude of ideal, individualized, carefully thought-out details. And it is these strategies and details that create the “ideal” that Jean-Claude Roustant teaches.

Luxury begins right at the doors of the store, from the time the customer enters. The main subtlety and idea for effectively approaching a luxury customer is a special, reverent attitude from the boutique personnel — ideal behavior in terms of psychology by the salesperson, who at the time of the sale is not only selling an item, but is serving as the face of an individual brand. This means that the salesperson should above all be knowledgeable about the issues concerning the brand, know it, understand it and be capable of presenting it.

Jean-Claude Roustant's workshop offered a structured coaching approach armed with specific advice and instructions that aimed for the personal development of the salespeople and consultants. In particular, the workshop participants decided in the future to develop a system of voice modules united into a “sales book” with brief descriptions about each individual brand, original data as well as the legend of the brand, its philosophy and its distinctive features. This book will be used by Daniel salespeople as the foundation for preparing and presenting the products of each brand as well as a tool for training new employees.

Luxury implies a subtle understanding of a customer's psychology and desires, and there can be no mistakes here. In order to better understand the psychology of a wealthy client, properly establish a rapport with him/her, and develop mechanisms for communication as well as the skills of the actual salespeople, special short training videos on coaching were shown during the training session.

These brief, clever videos, which show the mistakes and complex, unforeseen situations that can arise when dealing with a client, are the most effective method for demonstrating information about how to properly react. Everyone liked the method of visual video instructions so much that the Daniel project managers are planning to film their own similar training video in the near future.

Coaching and the purposeful increasing of awareness, responsibility and motivation of sales associates in presenting merchandise to the customer and in effective communication with the customer will be the most relevant area of work at Daniel in 2013 year.

Two of RedHead's business trainers, Natalia Muravenko and Kristina Yeremenko, also visited the training session for the employees of Daniel and Abrikos. Thanks to their participation, the main points of Monsieur Roustant's training will be used in the training program for all the sales associates of the Daniel chain.

Vyacheslav Bich, Director of the Boutique Chain:

“I was personally thrilled about the idea of creating our own training films based on the video shown by Jean-Claude Roustant. The experience that salespeople get from watching them cannot be compared to anything else. We need professional actors for such filming in order to avoid bias. Perhaps we will once again join forces with our colleagues from Abrikos.”

Svetlana Lylyk, Director of the Daniel line:

“The coaching aspect of the workshop received the most feedback from both teams — Daniel and Abrikos. While viewing the short films on coaching, we identified a list of mistakes in customer service, and were very pleased when our guru Jean-Claude Roustant noted that the list was in fact a comprehensive one. This workshop helped us understand that we are moving in the right direction by applying and using all the same technologies as such major players in the luxury segment as Louis Vuitton, YSL and Bonpoint.”

Natalia Muravenko, RedHead business trainer:

“At present, several directors of our boutiques are already intuitively applying the elements of the coaching approach in work with their employees. The goal is to make coaching into an effective system. In order to achieve this, we need to conduct the appropriate training for the boutique directors, establish the necessary documentation to conveniently record the work results and analyze an employee's dynamics, and also determine the frequency of such work with personnel in addition to the existing form.”





In luxury service, everything matters — each individual element, every small detail. Together they create a single impression in the customer's perception. The design of the stores and showcases, the proper presentation of items, and particularly the creation of a pleasant atmosphere that is conducive to shopping with the help of lighting, scents, music — this is all incredibly important.

JEAN-CLAUDE ROUSTANT:

“Details are a sign of your passion! The more attention to detail, the further you will go. Over time it is this knowledge of details that will enable you to qualitatively and professionally differentiate yourself from others. Details help to convey emotion and sensuality. Details should be a competitive advantage. Details are the droplets that set the waves in motion.”

The art of selling luxury is precisely the art of “setting the waves in motion”: creating a mood, emotion and impression through communication. An emotional sale was another important point that was emphasized in the training session. Some people give customers something particularly nice, some people treat them to a cup of coffee or send them flowers on their child's birthday... The important thing is to have your own individual, original and special appeal, no matter how insignificant, when creating emotions for shoppers.

In terms of theory, it would seem sales in the Louis Vuitton style are not so difficult. Much of it is already familiar, and a great deal of experience has been accumulated and tested. In practice, however, Daniel still has to master numerous subtle details and personnel training techniques as well as develop and implement its own special system of incentive for customers, its own ideas for creating an emotionally charged backdrop and details that sink into their hearts... Of course, this is a potential area for improvement that we have to work on. ■

TopLeaF – a joint forum

TOPLAUF (TOP LEADERSHIP FORUM) IS A PROGRAM USING THE ADIZES TRAINING METHODOLOGY THAT ENGAGES DIFFERENT COMPANY EMPLOYEES IN A LIVELY DISCUSSION BASED ON A VIDEO LECTURE GIVEN BY DR. ICHAK ADIZES.



Live interaction provides the opportunity to supplement the lecture content with new examples and see the subject matter from different points of view. In this way, a synergistic effect is achieved — one of the goals of employing the Adizes methodology at companies.

Upon completing training and passing a final test, all the participants received international standard certificates signed by Dr. Adizes and both leaders of the partner companies, Vladislav Burda and Oleg Mikhailenko.



The concept of TopLeaF is not unique to RedHead or MIRS, but in 2012 the companies decided to establish a joint forum. The program's core value is the integration of the experience of employees from the two companies.

Typically, each meeting focuses on one or more of the concepts of the Adizes methodology. The first advantage the trainees receive is the inimitable presentation of information by the creator of the methodology himself. This helps the forum participants see how the concepts can be practically applied to various areas of their professional and personal lives.



Yevgenia Kunitskaya, RedHead:

I managed to break away from the “operational view” and see my area of responsibility from the outside. In this way, I was able to identify the missing pieces more clearly and focus my main efforts there with this new knowledge.



Stanislav Gresev, MIRS:

I think this course is useful for everybody – both ordinary managers, as it enables them to look above and beyond, and business owners, as it helps them draw conclusions and find the right areas to develop their organizations. ■

What is social entrepreneurship?

SOCIAL ENTREPRENEURSHIP IS A SUBJECT THAT HAS NOT BEEN EXPLORED OR CONSIDERED MUCH IN THE NATIONAL MEDIA. IN UKRAINE, ONLY A VERY FEW PEOPLE ARE TALKING ABOUT IT, AND AS EXAMPLES THEY PRIMARILY CITE ACHIEVEMENTS BY COMPANIES IN MORE AFFLUENT COUNTRIES. FOR REDHEAD, HOWEVER, THIS SUBJECT IS BECOMING INCREASINGLY IMPORTANT. HERE WE WILL PROVIDE A FEW OF THE REASONS WHY.



VLADISLAV BURDA:

“The essence of social entrepreneurship is that people who are not indifferent to the improper use of resources as well as the injustice and illiteracy in society try to eliminate this gap. They usually operate with small resources, but are fired up with great enthusiasm and a mission to change the world for the better. That is to say, social entrepreneurs are above all entrepreneurs who identify the hidden or obvious needs of society that are not being met and originate in the process of ‘harmful’ actions or side effects resulting from the activities of traditional companies.

Charity and social entrepreneurship are the lowest and highest stages of the spiritual process of ‘giving.’ The lowest stage is when you simply give away money you have earned with a vague idea of what benefits it may bring. And the highest stage is when you invest all your knowledge, intellectual, human and financial capital, utilizing the concrete advantages of your team in order to produce socially important products and services, while also maintaining a spiritual connection with your clients and the public.

Of course, there are also intermediate levels between these two stages.”



When you drink One, Africa drinks too.



The main principle of the company Global Ethics (the One brand) is to contribute 100% of its profit to social projects in Africa.

Duncan Goose, the founder of Global Ethics and a young man with an affinity for adventure, traveled around the world on a motor-cycle in 1998-2000. In the eastern hemisphere, his route mainly passed through Arab countries. He was struck by the disparity in the quality of life as compared to the wealth in Europe, Africa and Asia.

After the trip, which changed his entire life, Duncan Goose founded a company to manufacture various food products and household goods – Global Ethics. Their quality is no different from the premium European brands. They were set apart by something else: no advertising and a lower cost compared to their well-known counterparts. The products of the One brand were shipped to impoverished nations and all the profit was spent on the social needs of a particular country. For example, profit from water sales is spent on drilling wells in North Africa, while profit from the sale of hygiene products is used to buy medicine and build schools. Moreover, the purpose of the profit distribution is marked on the product label so the buyer knows exactly which sector he/she is supporting.

MyBnk

1.5 trillion pounds sterling — this is the total amount of private debt of all UK citizens, which is significantly higher than the country’s GDP. Most of this debt will probably never be repaid in full. This is obviously a problem that could take on national proportions.

Lily Lapenna, a young Englishwoman who had the opportunity to work in Bangladesh and Zimbabwe, decided to teach her young compatriots basic financial knowledge so that they could not only repay their debts, but also save money and distinguish useful debt (for example, for education) from toxic debt (for consumer goods and real estate), making sure that such debt is commensurate with their ability to repay loans.

Lapenna named her program MyBnk. She secured the support of influential figures such as Lord Mayor of London Roger Gifford and president of H&M fashion company Karl-Johan Pearson. This led to the wide dissemination of MyBnk training and financial programs — initially in London and then in Europe. Today some 50,000 young people from age 11 to 25 are involved in the activities of MyBnk. Moreover, MyBnk programs are now popular in some of the most impoverished countries of Africa. When asked



what exactly they are saving if cash is rarely used in such places, Lily replies, “Stones.” The point is not to save money, but to learn how to calculate things and to stop taking what you can’t afford. The lessons learned by Lily also apply perfectly to traditional business: “If you start purchasing things you don’t need, you’ll have to start selling the things you do need!”

What we are doing

In November 2012, the Social Entrepreneurship Center opened in Odessa — the first of its kind in Ukraine. The example used as the basis for the center was HUB, a place that unites entrepreneurs, freelancers and all creative people who think about positive, creative processes for society. HUB is a global network that was established in London in 2005 to support social initiatives. Today HUB is comprised of about 30 centers located on five continents.



Julia Hieber

The Odessa Social Entrepreneurship Center was opened at the initiative of the Stavnitser family, who are active participants in the Family Business Network. The opening ceremony was also attended by Julia Hieber, a social entrepreneurship activist in Europe who hosted a seminar on this subject at the RedHead central office in summer 2011.

The center is equipped with the latest communication equipment and can accommodate up to 200 creative minds. The structure that has taken shape and the ideological masterminds behind the project will make it possible to build a strong foundation for research and development by conventional entrepreneurs with the goal of making their business more socially and client-focused. This means contributing to the creation of a motivated and responsible society. ■



Connecting the leadership of generations: Results of the FBN international summit in London



IN EARLY OCTOBER 2012, LONDON PLAYED HOST TO ANOTHER BIG EVENT FOLLOWING THE SUMMER OLYMPICS — THE INTERNATIONAL FAMILY BUSINESS SUMMIT. SOME 800 PEOPLE FROM 40 COUNTRIES ATTENDED THE 23RD SUMMIT. THE NUMBER OF PARTICIPANTS IS CONSTANTLY GROWING AND THIS YEAR ALMOST DOUBLED AS COMPARED TO 2006.

Ministry of family business

In contemporary England, the subject of family business is particularly relevant. Family businesses make up two-thirds of the country's economy, yet each year 100,000 companies suffer because of a breakdown in continuity. When ownership and management are handed down unsuccessfully, this kills the business along with all the accumulated knowledge and experi-

ence, invaluable contacts and, of course, jobs. According to forecasts, medium-sized family businesses alone will provide net organic growth for the economy of more than 50 billion pounds by 2020. However, this is under the condition that the transfer of the businesses will proceed smoothly. This is why the British

government is planning to introduce the position of minister of family business and take over some of the work of owners, while making sure the family businesses are more attractive for potential and existing employees in addition to successors. This will be the first instance of family businesses receiving support at the government level in the world.

Vladislav Burda:

“Boosting the appeal of family businesses has another very pragmatic goal for the UK — to draw some of the attention away from the popular transnational corporations whose taxes from operations go to the budgets of the nations where they are registered. In this way, it's like loss prevention on a national scale.”

Leadership with support

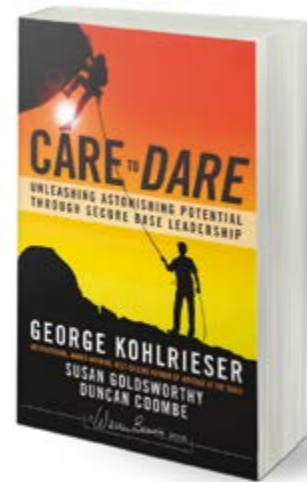
The international meeting of the FBN at its highest level was also attended by UK Minister of Trade and Investment

Lord Stephen Green and IMD Professor George Kohlrieser. At the plenary session on the opening day of the sum-

mit, Professor Kohlrieser addressed the largest audience in the 23-year history of the FBN World Summit — 800 people.



Plenary session at the 23rd FBN Summit



Next Generation Honors

Interaction between generations in a family business and the joint search for ways to develop a family business was the dominant theme among the consultants who were invited to speak and the presentation of family cases. In this changing global environ-

ment, it is equally important for both parents and children to find a source of leadership as well as resources to continue the family business.

One of the incentives for this search is Next Generation Honors, an award

Kohlrieser, who previously worked as a hostage rescue specialist, is one of the most popular teachers at IMD on the subject of leadership. In 2010 and 2011, five top managers from RedHead Family Corporation attended his leadership program.

During his speech at the London summit, Kohlrieser once again spoke about the topic of a secure base that he believes supports the development and support of leadership qualities. The secure base performs the function of a foundation in partnership and family relations, and makes it possible to find a balance between risk and comfort.

Within the context of this subject, Professor Kohlrieser presented his new book, which he co-wrote with Susan Goldsworthy and Duncan Coombe. The book is based on interviews with and the stories of more than a thousand executives around the world. *Care To Dare: Unleashing Astonishing Potential through Secure Base Leadership, 2012* uses examples to illustrate how care and support inspire potential leaders, while their absence is the reason why leadership can wither away while still in the initial stages. This book helps to determine how one person can become a secure base for others in professional and family life.

that has been presented at the summit since 2009 to a representative of the Next Generation for the most outstanding example of entrepreneurship and the integration of the entrepreneurial approach with a family business. The winner of the award

is invited to present his/her own project during the summit. In addition, the winner receives the support of global family business experts, a cash prize and tremendous opportunities for interaction with other family companies.

This year, FBN Next Generation Honors were awarded to the company Private in Public as represented by its founder and chief executive Caroline Abdon (Sweden).



Caroline Abdon, the winner of the Family Business Next Generation Award 2012



ALEXANDER MIKHAÏLENKO, NextGen leader in Ukraine:

“The goal of the Next Generation award is to identify the most progressive and successful start-up with a social focus that complies with the Green Business concept, i.e. it should be a business that causes minimum damage to the environment.

The case presented by Caroline Abdon was probably the most inspiring at the recent summit in London.

She established a company to develop and produce creative and environmentally friendly disposable products for the healthcare market as well as for the cosmetics and personal hygiene markets.

Caroline explained how to create a business if you don't have any special equipment in the area where you would like to succeed. She said that even if you don't understand all the specifics of the matter that you are working on, you can find competent partners. That's what she did. In her company, Caroline handles the development of product concepts and their patents, while delegating sales and production control to a team of professionals.

For her start-up, Caroline Abdon used the tools described in the book *Business Model Generation* by Alexander Osterwalder and Yves Pigneur. We also have a copy of this book at our company. One of the most accessible and convenient examples is the Canvas model with which you can place all the information about a planned project on a single sheet of A4 paper and see its prospects and risks.

Caroline Abdon was infectious in her desire to create an independent business. Along with realizing her own dream, she retained ties to the family company: Caroline is a member of the board of directors at Abdon Mills, one of the largest grain traders in Sweden.

We were inspired by this presentation and decided to invite Caroline Abdon to speak to Ukrainian owners at the event in December.”



The gala dinner for the 23rd FBN Summit was held at London's Royal Albert Hall

Company of the year

The summit culminated with the presentation of the annual award for best family company, which is conferred jointly by IMD and the financial organization Lombard Odier. In 2012, France's Bel Group received the award as confirmation

of its lofty family, business and succession values. This company was established in 1865 and is one of the biggest cheese producers in the world. It sells products under the well-known brands The Laughing Cow, Babybel, Leerdammer and Boursin.



Vladislav Burda:



“It is extremely rare for a company as big and old as Bel to have a family member in the role of CEO. At Bel, this is already the fifth generation of owners. One interesting feature of this company is that the family owns 75% of the company, while the remaining 25% belongs to their direct competitor, Lactalis. The company has turnover of more than 3 billion dollars. They serve 450 million customers around the world and plan to reach 1 billion customers by 2020. I'm sure you have tried these wonderful cheeses with their red packaging and the happy cow wearing earrings ☺. The advertising campaigns for the Bel brand are always very bright and cheerful.”

At the London summit, Ukraine was represented by nine members of FBN Ukraine, a record number in the three-year history of the association. The delegation included the owners and NextGen of the

family businesses RedHead Family Corporation, MIRS, Almaz Group, Camion Oil and Project Invest XXI.

In a year, owners from around the world will gather again for the next

FBN World Summit. This time it will be held in Rio de Janeiro, Brazil. The 24th summit will take place from October 9–11, 2013. Preparations are already under way. ■

The 10 principles of motivation of George Manners



George Manners is a professor of accounting and management at Kennesaw University and one of the authors of a unique training course for owners of family businesses. In 2011, Vladislav Burda completed the FB EMBA course, and in 2013 RedHead SCM Director Vadim Orlov will earn another Kennesaw University diploma for the company. The graduating class of FB EMBA 2013 is the last one Professor Manners will teach before retiring.

George Manners is finishing a 40-year career in management and teaching, leaving behind a number of innovative theories in management. The 6 levels of financial knowledge is an exclusive tool created by George Manners to manage family-operated companies that the business owners receive in the FB EMBA course.

Prior to his teaching career, Dr. Manners served as Director of Organization Development and Director of Technology Services at James River Corporation in the United States. Based on his own experience in management and the experience of some of the largest American companies that he advised, Dr. Manners came up with 10 principles for motivating employees.

George Manners and Vladislav Burda: meeting in Odessa, July 2010



Vladislav Burda shares his comments about the application of these principles in his own experience.

Principle No. 1. Difficulty.

“Motivation isn’t easy. But it’s worth the effort! This is very difficult – adding additional excitement and joy to the work of your employees. Be ready to spend a lot of effort. The good news is that your competitors will probably be too lazy to do so. And this increases your chances of attracting others. It’s much easier to hire a person who doesn’t need to be motivated because he/she has internal motivation to perform a certain job. This is precisely what you have to figure out!”

Principle No. 2. Fat happy rats, don’t run mazes.

“Most research on psychology and motivation is rooted in lab experiments on rats. This is how we learned that the well-fed subjects of the experiments were less inclined to move around. In order to find cheese, you have to want to find it. If you start recruiting people who are thinking about how to add value, the game begins to change fundamentally. The key is that they have a motive for changing the existing situation for the better. Naturally, this is directly related to ambition. However, by no means are ambitions always related to money. Therefore, choose a person’s BEHAVIOR, ATTITUDE and CHARACTER. Skills can be taught.”



Principle No. 3. Motivation has low intellectual content.

“Any information usually has an intellectual and emotional component. At the same time, as you well know, emotions have very little intellectual content. If you think that the main motivator is money, that’s not true. A simple example: our girls gave the top managers a three-hour game of billiards. I’m sure it was cheap, but the joy we received was off the charts. In addition, the girls from the financial department gave their boys tickets to Vaya con Dios. You should have seen the happy look on their faces! So the third principle is that you need to add more emotion!”

Principle No. 4. Hedonism. People seek pleasure and avoid pain.

“The only thing we have left to do is to get to know our people well. What may be a pleasure for one employee could be a total annoyance for another. The biggest mistake you can make is to generalize what causes pleasure in the principles. They are quite unique. We have now begun the centralized collection and sharing of dreams. After all, what may be unachievable for one person may be perfectly easy for another.”

Principle No. 5. Protection of self.

“This means nothing more than protection against the possibility of failure or its consequences. The more an organization draws attention to and penalizes employees for failure, the more fear this causes precisely at those moments when you need to take responsibility and take a risk.

Reward and recognize achievements. The human mind always keeps track of what management is focusing on. If a manager uses punishment to motivate, the mind sees only a threat. A motivation system based on reward for success may be extremely expensive. A motivation system based on punishments may be very cheap, that is, until the downside surfaces.



If you treat your people with dignity — you get their attention. I am very grateful to Principle No. 5, which has helped me restrain my emotions on several occasions. Indeed, observing this principle is so important for people to continue to be creative and take risks. Make mistakes and make discoveries. The main thing is not to be afraid of assuming responsibility. That is to say, the ideal management system is when the manager sends the signal: take a risk and I’ll have your back if you make a mistake. In the words of the famous American fighter pilot John Boyd: ‘Defeat is just a learning experience.’”

Principle No. 6. Enhancement.

“It’s an inherently human trait – looking for distinctive features of success or status. For the military, it’s stars on the shoulder boards. In civilian life it could be an article in a corporate newspaper, creating a ‘walk of fame’ with your heroes, a nomination for the ‘Highest Award of the Company,’ diplomas, certificates or even stars on a personal page of the corporate website. Besides this whole list of tools, I also make a habit of writing an article about the people who have made the greatest contribution to the company’s development once every 5 years.

Incidentally, here is another important point. A lot of time must be spent on separating the result from the attempt. Only the result should be incentivized, recognized and rewarded. Trying is good, but not enough. Rewarding effort can result in a major increase in attempts and fewer results. This is not a case of quantity always turning into quality. But the result must definitely be recognized without sparing time or effort.”



Principle No. 7. Social Relativity.

“Satisfaction at work is a relative concept. When we compare the mechanism used to minimize dissatisfaction with the mechanism used to maximize satisfaction, we get 2 big differences, as they say in Odessa! Those who work poorly need to be controlled. Those who work well need to be motivated. And this is where managers decide for themselves where exactly they want to invest their time. This is entirely an individual decision. The main thing is to maintain a continuous level of meritocracy, i.e. rewards for achievements. There is nothing as demotivating as rewards being given to people who most certainly do not deserve them!”

Principle No. 8. Satiation and variability.

“In the battle between uniformity and variety, variety always wins out in the long run. Adizes, for instance, says that only a company that generates 80% of its revenue from business, products and services created over the last 5 years may assume that it is guaranteeing its revenue against outside changes. A company cannot be in Prime without complying with this criterion.

I recall an example frequently cited by one of my external directors, Reinout van Lennep, who was previously on the Board of Directors of the world’s only company that prints Dutch guilders. For 300 years, this family business knew no problems and was extremely profitable. But it violated the key principle of Adizes’ Prime (earning 80% of income from new activities), and after the Netherlands joined the European Union in 2002 and switched to the euro, the company lost all its income in a single day. It’s the same with motivation. It must be periodically changed and revised, although not too frequently: not more than once a year is best. Change not only the reward system, but also the methods for the distribution and actual presentation of the rewards. Be creative. Surprise your people!”



Principle No. 9. Jox to position.

“This principle suggests that a manager should be skilled at finding things that can be recognized right away. This means comparing facts, achievements (or improvements) and the contribution of a specific employee. Incidentally, there is a highly appropriate word in English — ‘appreciation,’ which means two things at once: ‘to notice’ and ‘to note.’ Essentially, the ability to do both is what distinguishes a good manager from a bad one. And it’s important that the delay between the action and the act of gratitude is minimal. How minimal? As minimal as possible ☺!”

Principle No. 10. Expectations.

“Motivation is a function of variable expectations. The actual motivation process is as successful as management is close to reducing the gap between expectations and reality. One could say there is a directly proportional relationship between meeting expectations and satisfaction.”



Virtually all the organizational consultants, from Adizes to Manners, only provide motivation at the very end of their methods. For Adizes, it’s the eleventh of eleven cycles, i.e. the last one. George Manners only addresses motivation in his ninth training module. The question arises: why put off such an important thing for later? Is it not worthy of coming at the beginning?

The answer is obvious. Without understanding what we are motivating, what kind of structure we have, what we are selling, and what the business units look like, there is a high probability that we will motivate the wrong thing! Therefore, it is only when all the other pieces of the puzzle are put together that can we begin to provide motivation. ■

This issue was prepared by:

“Motto” agency:



Concept, design and makeup

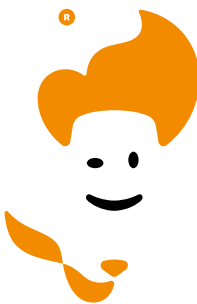
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RedHead

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This issue used photos provided by the marketing division of the Distribution Department as well as photos from the personal archives of the company’s employees and managers.

*Corporate magazine of RedHead Family Corporation (Europroduct until 2011), Issue No. 5-6 (41-42), 2013.
Published since 2001*

www.redhead.ua/en