

A MAN-TO-MAN TALK

Eight months later, the firm was unrecognizable and gaining momentum fast. Respect for customers, flexible pricing, and strict accountability for commitments — these were new qualities the market had never seen before, and they drew clients in steadily, month after month.

I believed our firm needed a clear set of internal guidelines spelling out how people should operate. Every Soviet enterprise had in-house regulations, of course, but they were shaped by the logic of a planned economy. We were boldly breaking new ground. I proposed guidelines based on new principles in the spirit of the free market and the emerging standards of entrepreneurship in the country. Where did I get all this? Nowhere, really. I simply reasoned logically and built our workflow on that basis.

Everyone knows that the shortest distance between two points is a straight line. The same holds true for any kind of work. Typically, factories employ many people whose roles have no real impact on production. Moreover, even within a single worker's duties, there are numerous pointless actions resembling a zigzag path between two points. Eliminate the zigzags, and you get a straight line. And how do you do that? By thinking things through logically.



The Ikarus bus bought from the October Banner plant. 1990



Repairing the Ikarus. 1990



The Ikarus bus repaired. 1990

I repeatedly urged my colleagues that we must work “by the book,” not “by understandings.” “By the book” means having written, approved “rules of the game” and following them in practice. “By understandings” means that nothing is written down, but everyone follows unwritten conventions.

“You can operate ‘by understandings’ if your company has two or three people, four at most,” I told them. “It’s unacceptable for a firm of over 150 people to function that way.”

Implementing this was not easy. People were willing to work differently, but they could not grasp “why all this paperwork.” On this point, however, I was firm: “We will not operate without proper documentation for everything.”

One incident at the firm made my position clear to everyone. One day, the chief of the Kirovsky District tax office brought his personal car in for repairs. That evening, I received an angry, domineering call from the tax office: “What on earth is going on over there?”

I tried to get an explanation from the chief, but it was useless. So I went to the repair bay, found out what had happened, got in my car, and drove to the tax office. There I found the chief, drunk and furious. I kept my composure and persuaded him to come back to the firm and see for himself that his car was fine. On the way, he grew even more enraged.

“I’ll tear your damn company apart,” he shouted. “I used to be chairman of the Party Control Commission. You know what that means?”

That did it.

“Shove your Party Control up,” I snapped back. “You’re stinking drunk, and instead of checking things out, you’re screaming like a lunatic? Go find out first. I’m telling you, there’s no problem. You’ll see for yourself in a minute.”

“I’ll send my inspectors after you tomorrow,” he threatened.

“I don’t give a damn. My records are in perfect order — inspect all you want,” I shot back.

After that man-to-man exchange, we both calmed down. At the firm, I showed him everything. He saw all was in order, and we parted as friends.

I could afford to speak to him that way for two reasons. First, we truly had all the necessary documents, and followed them precisely. Second, at that time, even government officials didn’t fully understand the new rules and were still afraid to openly break the law.



Repair unit



Car painting at the company

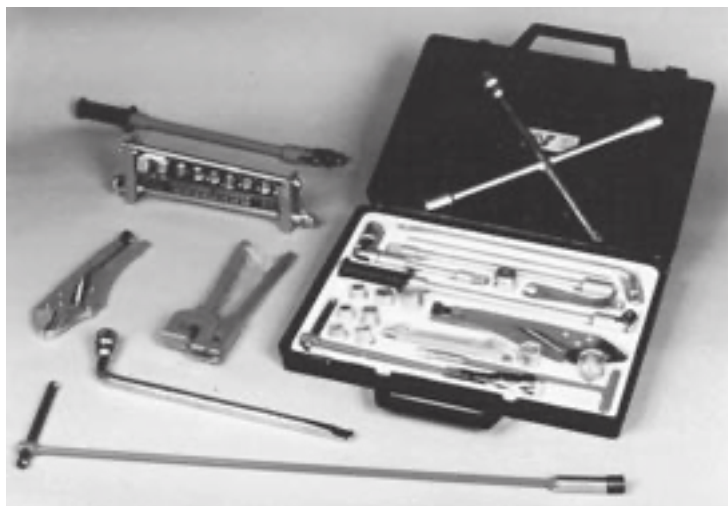
POWER IS THERE, BUT WHAT TO DO WITH IT?

The year 1990 was, on the whole, a successful one for the company. The Tools division began producing more than just tools. On its foundation, we established a mechanical assembly shop — MAS for short.

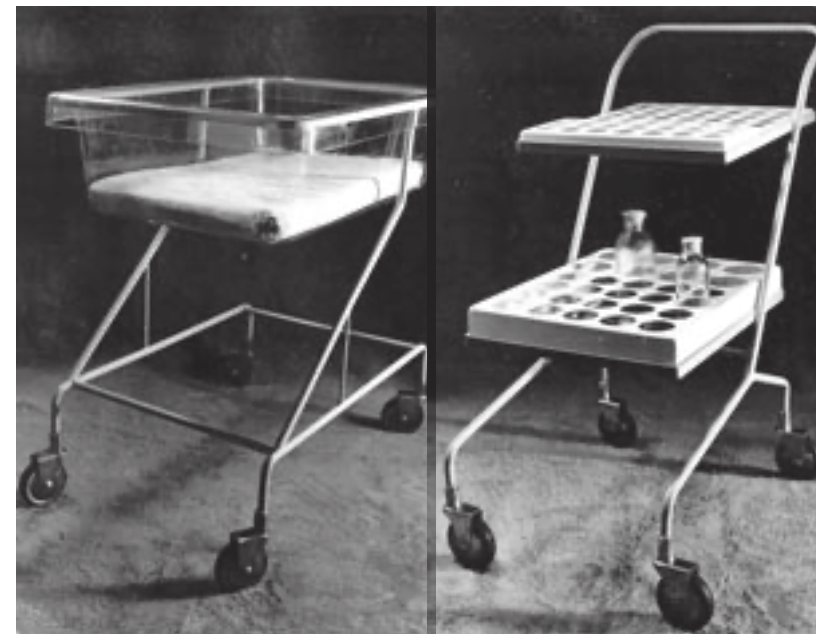
Revenue was growing, though not as fast as we would have liked. I reinvested every ruble of profit back into the company, but the demand for capital kept rising, and this prevented us from achieving the growth rate we wanted. Meanwhile, the line of people eager to work for us never shrank. Management had plenty of candidates to choose from.

Sasha, who had joined the firm from the computer center at the October Banner plant, proposed that we develop a Comprehensive Information System, or CIS, as he called it. I understood nothing about computers at the time, but I sensed that there could be no future without them, so I gave the go-ahead.

The year 1991 began with surprises. The country was in turmoil. Financial infusions into state enterprises were not helping the economy; they were simply funneling the lion's share of national funds into the pockets of the businessmen connected to the authorities. This sharply increased the



The company's products. 1990–1992



The company's products. 1990–1992

money supply. But with store shelves empty, people had nowhere to spend it.

The thunder struck on Tuesday, January 22. Late that evening, the news program *Vremya* announced a monetary reform. The largest bills — 50 and 100 rubles — would be exchanged for new notes, but only within an extremely short window: until the end of that week. That left just three business days to complete the exchange. Enterprises could only exchange the amount of cash officially recorded on their balance sheets.

Within an hour, by 10:00 p.m., the entire management team was back at the office. I proposed forming two mobile groups. One, led by the chief accountant, would prepare the necessary accounting records and documentation. The other would stand in line at the bank entrance starting that night. The employees whom we could reach by phone and who still held old bills were asked to exchange them at the accounting office for smaller denominations before 8:00 a.m. Both groups worked through the night. Thanks to the efforts of Nina and Sveta, all large-denomination bills were collected and properly documented by morning. As a result, neither the firm nor its employees lost a single ruble.

The August coup was a shock. For several hours, confusion reigned at the firm. I called my relative Valera, who had recently launched a joint venture with a Swede.

“Valera, do you know anything?” I asked.

“Listen,” I heard his agitated voice, “Yeltsin just issued a decree declaring this coup illegal.”

“How can I get a copy?” I asked eagerly.

“You got a fax machine?”

“Yes, send it to 186-0000.”

I had bought a fax machine just two days earlier but hadn’t used it once yet. A minute later, the decree was in my hands. I made copies and posted them in all the main rooms of the firm.

The situation grew more tense by the hour. Troops had entered Moscow, and the Leningrad Military District headquarters was preparing to do the same. The next day, Anatoly Sobchak flew in from Moscow to Leningrad, and thanks to his decisive actions, the entry of troops into the city was halted. That morning, he addressed Leningraders on television, urging

them not to recognize the State Committee on the State of Emergency and to gather for a rally at Palace Square at 5:00 p.m.

I gathered the core team, and we all headed to Palace Square — some in passenger cars, others in cargo trucks. The square was packed. From the second-floor windows of the military district headquarters, next to the Hermitage, a massive banner stretched across nearly the entire façade, over a hundred meters long. It read: “THE ARMY IS WITH YOU!!!” Such unity inspired hope.

The next day, the coup collapsed. Its leaders were arrested, the statue of “Iron” Felix Dzerzhinsky was toppled from its pedestal, and the KGB suffered a devastating blow. I celebrated the victory. I had always despised the old Soviet symbols, so to mark the occasion, I ordered that we fly the new, though not yet official, Russian flag: the white, blue, and red tricolor that had recently been the subject of intense public debate. We sewed the flag immediately. It was likely the first Russian tricolor in the city to fly proudly over a private enterprise — six months before it was formally adopted as the national flag.

“Now economic reforms must be started,” I thought, and waited for them impatiently. But time passed, and nothing changed. “What’s Yeltsin waiting for?” I worried. “This is the perfect moment.” How could I have known then that Yeltsin was “waiting” for just one reason: he had gained power, but he didn’t know what to do with it.

DEFENSES AGAINST THE CROWBAR

Business is a living organism.

Just because an organism is born does not mean it will necessarily grow big and strong. Think of all the poplar fluff that flies through the air each spring: how many new trees actually sprout from it? Do all animals and birds in the wild live to maturity? Has human life expectancy always been the same? The answers are obvious.

The same holds true for business. A company has been started — fine, but then it needs “vaccinations” to protect it from “parasites.” If it “falls ill” after something has been mishandled, you first have to diagnose the problem, and then “treat” it. That was exactly how I ran my business, nurturing it like a child.