

## Time for agribusiness to grow its human capital “AgroPortal.ua”

**Kiev, Ukraine** – Large Ukrainian agricultural companies are suffering from a shortage of good executives. AgroPortal.ua asked [Vladimir Kolomoets](#), Country Manager for Ukraine at [Pedersen & Partners](#), about the cause of the personnel shortage, and the strategies that companies should adopt in their quest for professional managers.



**Vladimir, many headhunters talk about a management crisis in Ukrainian agriculture. Do you agree? To what can this situation be attributed?**

**Vladimir Kolomoets:** To understand that, we should analyse the history of the development of the agricultural industry in Ukraine. Given the time constraints, it has not yet been possible to form a professional body of managerial human capital.

It is inaccurate to consider Ukraine's independence as the starting point for this professional class; instead, the countdown should have started from 1996, the year in which Ukraine underwent a massive land reorganisation. Before that, there were Soviet-style farms, and afterwards people were told: "Here's the land – take it and do whatever you want!"

Everyone knew the best tactic was to grab what they could as fast as they could, and that's how the first generation of Ukrainian landlords appeared. These landlords were local leaders who gained control over parcels of land, and initially cultivated it using the approaches of the old Soviet collective and state farms. These new farmers aimed only to grow products, with other companies providing warehousing and storage services, and completely different companies organising logistics. A kind of "agrarian Shanghai" was emerging in Ukraine.

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***Since 1996, the Agricultural-Industrial Complex has grown rapidly, by leaps and bounds...***

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**Vladimir Kolomoets:** Indeed, that was in the early 2000s, when powerful international processing companies such as Bunge and Cargill entered the market. As foreigners, they were the first to provide executive expertise in this field. Since 2003, Ukrainian agricultural companies have had easy access to financing, and this led to the initial formation of national agricultural holdings, with Ukrainian entrepreneurs having learned from their previous errors and acquired the basic principles of management culture from expats in the business community.

The main principle that drove them was the "transparent privatisation" dogma of the Ukrainian economy. An agricultural oligarchy developed, with holdings formed by acquisition and no thought given as to what would be done with the assets.

The next step was international financing. Investment bankers offered listing on the Warsaw Stock Exchange as a quick mechanism to raise funds. However, at the same time, there was a tendency for Ukrainian companies to go public prematurely – some should never have gone public at all – and this created a poor image of Ukrainian investments amongst international investors. None of these launch decisions were informed or deliberative, or even subject to internal discussion, due to the impatience and opportunism of the owners combined with input from excessively money-focused external consultants.

Ukrainian agribusiness is now threatened by "tyrannosaur companies" which are financially unstable and liable to fall at any minute, endangering those close to them. These companies tended to have initial issues with the effective allocation of funding, rather than the acquisition of funds in the first place.

Therefore, when talking about the Ukrainian school of agribusiness management, we should remember the time constraints. None of the companies had considered a forward-looking strategy over the 10-15 years available, and only outlier companies such as Astarta, Kernel and MHP were thoughtful and sensible. These companies were formed in a vacuum and were the only ones that could think strategically and grow quickly, albeit without much competition. MHP, for example, has quickly found its niche, and it will be difficult for any competitor to displace it.

#### ***But how can the rest of the tyrannosaurs remain afloat in the domestic AIC?***

**Vladimir Kolomoets:** Today, almost all large companies have stopped using the land bank volume indicator in favour of the effective usage ration. The owners have begun to realise the significance of the sustainable agriculture concept, and the scale of this strategically important business – they no longer see it as simply an opportunity to collect the annual sunflower harvest. Businessmen are now thinking about industry trends, product diversity and international market development in terms of overall strategy and managerial tasks. Therefore, the agricultural market now faces the challenge of professional executive search.

#### ***Is it possible to attract managers from other industries and countries?***

**Vladimir Kolomoets:** There could be issues if the AIC sources staff from other industries – you cannot go from coaching a hockey team to coaching a football team! Managers need to know the production process – when the new CEO does not understand what the agronomists are talking about, it will be very difficult to find common ground with the team. The CEO of one major agricultural company keeps pots of different crop seedlings in his office, and asks candidates to name them during the interview. These are some basics that you need to know in order to succeed in agriculture.

I also don't believe that expats can become effective executives for Ukrainian agricultural businesses. Our environment is unique, and expats do not realize that Ukraine is another dimension. There are a lot of local peculiarities that they have no idea about and no idea how to handle. Only Brazil and Argentina can compete with us on scale – there's nothing similar in the EU or US, so we can't "import" their managers. Russian and Kazakh expats can't offer anything of sufficient quality – it's more likely that we will export our agricultural leadership and knowledge to them. Operationally, our farms can become training platforms for expats.

***But where should Ukrainian agricultural companies search for good managers?***

**Vladimir Kolomoets:** Potential leaders must be selected from agronomists and engineers, then trained and sent abroad, to enable them to collate the best international practices. They will be able to compare the Ukrainian environment with the best international practices, and then use this in their companies. The agricultural holdings that invest in the systematic development of their people will attract the best managers – but first they need to understand who they want to invest in. Today, there are several ways of training executives: a classic MBA, or the exchange of foreign experience, or domestic university study. Agricultural holdings are now in a state of internal transformation; they are improving their governance, but still need highly-qualified staff.

***Do I understand you correctly - the future GMs will be grown from agronomists?***

**Vladimir Kolomoets:** Yes, CEOs can be raised from either COOs or agronomists. Senior positions are sometimes taken up by executives from Western companies. For example, one GM used to work successfully in confectionery, but then came to agriculture and failed, due to a failure to understand the nature of the business.

***What will persuade owners to invest in developing the management skills and qualifications of their executives?***

**Vladimir Kolomoets:** Decreasing incomes, and the threat of losing business for good. It takes critical situations to make us think differently. Under extraordinary circumstances, people either draw on unexpected internal resources, or fall into a stupor and fail. Once the financial losses become obvious, it is time for an investigation. Initially, the owner will lay the blame at the feet of the people running his business. There are two possible scenarios: either the owner concludes that all his managers are idiots and retakes sole control of the business, or else he appoints new managers, sets targets and moves away from governance, leaving the new managers to run the business.

***How can businesses develop corporate governance in a state of crisis?***

**Vladimir Kolomoets:** In Ukraine, corporate governance is in a state of infancy, and going through a painful growth spurt. Ukrainians are accustomed to basing governance on an emotional trust-based approach, as is common for emerging nations. Our crisis of business confidence is derived from our crisis of national confidence. Corporate governance without confidence is doomed to failure, which is why we need to build corporate governance systemically.

This is a headache for the business owners. Thus, they must choose: establish a formal structure of manual corporate governance while keeping full control of the company, or show courage by implementing mechanisms that protect the business against losses while building real working corporate governance, keeping in mind that the latter path is a trial-and-error method. For the first few years, the owner must make many careful decisions, and therefore it is necessary for advisors to explain the absolute necessity of corporate governance for corporate survival.

***Are there any Ukrainian agricultural holding companies with reliable corporate governance?***

**Vladimir Kolomoets:** I haven't yet seen an agrarian company with a classically built-in corporate code that is working effectively. The main point of classical corporate governance is to limit the powers of both the

management and the owner, so that they need to cooperate. Proper corporate governance is not a headache for the owner, but strengthens his ability to make informed and sound strategic decisions. It helps to avoid situations where the owner has sole responsibility for all decisions, good or fatal.

***Who would you suggest as an example of a successful manager?***

**Vladimir Kolomoets:** Henry Ford – one of the founding pillars of management. I really like his book "My Life". He had a very simple approach to the formation of values. He gathered a team of inspectors, who shared the lists of workers and went to their homes on a regular basis, especially after payday. Inspectors examined the appearance of the worker's wife and children, whether they were satisfied, how clean their houses were. They were then able to draw conclusions about the purchasing habits of the workers and their family values. If everything was fine, the company raised their wages, but if the employees seemed to be spending money on drink or beating their wives, they could be dismissed or denied pay rises. This is a perfect way to nurture the values and build strong teams.

Running an agricultural business consists of the creation of value. It will be great when our companies reach the level of processing enterprises, but until then we must plan year by year. Ukrainian companies currently live in the moment without much strategic thinking, but it is misguided to sit and wait – you must work now if you want a better future. Ukrainian executives should use a strategic approach if they want the best for their children.

***How companies should promote corporate values in the regions?***

**Vladimir Kolomoets:** How can we speak about the corporate values of a mechanical engineer, for example, when it's so difficult for companies to find one on-site? I guess that nowadays, the least we can ask in terms of corporate conduct is for the employees to be sober during the shift. I don't think it takes a regional HR department to convey this principle to the employees. In this case, the best approach for the company is to keep its workers confident and job-focused by proving its solvency; to show that there is a direct connection between focusing on work and being paid. If the company does not let its staff down, employee loyalty will grow organically.

***How can companies retain effective executives? With high salaries alone?***

**Vladimir Kolomoets:** If a manager accepts a higher salary offer, either he is far too money-oriented and no longer interested in his current company, or else he doesn't feel that he is necessary within the company – he does not get to make project decisions, but he is eager to gain short-term responsibilities. There are many managers in Ukraine who talk and represent, but don't execute. Some can spend three to six years in a holding pattern like this, picking the right moment to leave. Companies are unwilling to air dirty laundry in public, so these employees are given mostly positive references, and it is extremely difficult to find out what they actually achieved. The Ukrainian agrarian sector is now realising the importance of effective, transparent business, and those who are quick enough to understand this and build a working team on the basis of these principles will benefit in the long run.

***The learning process – is it lifelong for executives?***

**Vladimir Kolomoets:** Executives should never stop learning – and at the same time, people should be learning from them. I believe in mentoring within the company – together with the exchange of experience, it is a very powerful corporate tool. Managers and agronomists need to understand their roles. Managers of foreign

companies are used to delegating functional authority, but this is not applicable in the Ukrainian agricultural sector. Managers and agronomists must work together and move towards the same goal – long-term strategies rather than increasing yields by 10%! Ukraine has many executives, but not enough leaders.

***Which agrarian companies have great teams – teams that employees are reluctant to leave?***

**Vladimir Kolomoets:** HarvEast has a well-managed team. Dmitry Skornyakov is both a leader and an effective manager. AgroGeneration has a strong team. Alex Lissitsa realised long ago that people need to be educated and trained, and their new Chief Operating Officer is a great example. Alex doesn't seek support from headhunters because he doesn't need it – people don't leave him.



[Vladimir Kolomoets](#) is a Client Partner and the Country Manager for Ukraine at [Pedersen & Partners](#). Mr. Kolomoets has more than 15 years of extensive experience in the field, with over 300 Executive Search and recruitment assignments across all practice groups. He puts a particular emphasis on the Industrial (Heavy Industry, Mining, Metallurgy, Agribusiness), Telecommunications, Technology, and Consumer Products sectors across the CIS region. Prior to re-joining the firm, Mr. Kolomoets held senior roles with two international Executive Search firms in which he served as Partner and Client Manager.

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