



JOHN J. GABARRO

Wolfgang Keller at Königsbräu-TAK (A)

After a two-month temporary assignment in Brazil, Wolfgang (Wolf) Keller was returning to Europe, where he would meet his family in Switzerland for a 10-day ski vacation. His boss, Dr. Hans Häussler, had insisted that he take the time off before returning to Ukraine, where Keller was managing director¹ of Königsbräu's Ukrainian subsidiary, Königsbräu-TAK A.E. The parent corporation, Königsbräu A.G., was a Munich-based brewer of premium beers with worldwide sales of 10.3 billion Euros (€). Königsbräu was known as one of the best-managed and most profitable brewers of premium beer in the world, and its brand enjoyed high recognition and prestige on almost every continent.

During the flight from Rio to Zurich, Keller decided to review several problems that would need his attention when he returned to Kiev in two weeks. The most pressing problem concerned Dmitri Brodsky, Königsbräu-TAK's commercial director (a title roughly equivalent to vice president of marketing and sales in North America). Brodsky had joined the firm two years earlier, and his performance had increasingly concerned and annoyed Keller. After several difficult discussions with Häussler, Keller felt that he could no longer delay taking action on the matter.

As Keller saw it, he had three options. One option was to fire Brodsky or, at the minimum, not give him an annual salary increase, which might have the same effect. Keller suspected that firing him would not be well received by Königsbräu's corporate headquarters, and Brodsky's voluntary departure might also raise questions. A second alternative was to try, once again, to help Brodsky improve his performance. The third alternative was to try to reorganize around Brodsky to compensate for his inadequacies, perhaps by splitting marketing and sales.

Wolfgang Keller

Wolf Keller was a 34-year-old graduate of the Harvard Business School. His undergraduate work had been in business economics and chemistry at the University of Cologne. Upon finishing business school, Keller joined a large German manufacturer of food products as a strategic planner. This assignment was short-lived, however, and within six months he was made general manager of a small subsidiary in Ukraine that was in serious economic difficulty. Keller turned the subsidiary around in less than two years and was subsequently promoted to general manager of a €29 million

¹Outside of North America, the titles managing director and director were generally equivalent to president and vice president, respectively.

Professor John J. Gabarro prepared this case with the assistance of Research Associates Alison Comings and Jennifer M. Suesse. This case is a revised and disguised version of "Königsbräu-Hellas A.E. (Abridged)" prepared by Professor John J. Gabarro and Research Associate Colleen Kaftan. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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subsidiary in Germany that was also in trouble. By the time he had turned around the second subsidiary, he had a reputation as a successful hands-on manager.

After less than two years in this assignment, Keller left the food manufacturer to join Königsbräu as managing director of its Ukrainian subsidiary, which at the time was losing €2.9 million per year on sales of €116 million. In the three years since taking charge, Keller had increased the Ukrainian subsidiary's earnings to €7 million per year on revenues of €145 million. This effort involved changing the marketing strategy, hiring a new top-management group, restructuring the sales force, and acquiring a fourth brewery in Odessa. Keller was pleased with the results and found the turnaround to be one of the most exciting experiences of his life. He accepted the job with Königsbräu because of the responsibility and challenge it offered, and also because he had very much enjoyed his earlier stay in Ukraine and spoke the language fluently. His friends often joked that he was more Ukrainian than German in both temperament and business style.

Keller loved his three years at Königsbräu-TAK. He also knew that his success in Ukraine had been noticed in Munich, and he had heard rumors that some people saw him as having the potential of someday being promoted to the firm's *Vorstand*. (This consisted of a small group of corporate officers which, under German law, served as a corporation's collective chief executive office. For many German executives, being a member of the *Vorstand* was equivalent to being named CEO in the United States, the United Kingdom or Canada.)

Keller had spent the preceding two months in Brazil as head of a start-up task force for a joint venture that Königsbräu A.G. had begun with a Brazilian brewer. The start-up went smoothly, and its success pleased Keller. Nonetheless, he was eager to get back to Kiev. He had been gone for nearly three months because Häussler had insisted that he take a three-week vacation before leaving for Brazil, arguing that the start-up would be so demanding that he had to arrive well-rested and ready. During most of this time, Keller had no contact with his subsidiary except for a briefing he had received six weeks earlier. This was routine. When an executive was assigned to a task force, he or she was expected to devote full time to the assignment.

Königsbräu-TAK

Königsbräu's Ukrainian subsidiary was founded 12 years earlier as part of the parent company's international expansion effort. For most of the ensuing years, Vladimir Antonov, the company's Ukrainian partner, had managed Königsbräu-TAK. Antonov took the title of chairman when the parent company bought out his share, but he continued to be active in the subsidiary's management.

Keller's predecessor as managing director was transferred back to Germany because of his inability to work with Antonov. Both Keller and Antonov reported directly to Häussler, who was a member of the *Vorstand*. Keller was in charge of all operations, and Antonov was in charge of external relationships with banks, trade associations, and government agencies. Keller believed that this worked quite well, although he suspected that Antonov sometimes missed being involved in daily operations (see **Exhibit 1** for a partial organizational chart).

Commercial Strategy

The keystone of the marketing strategy that Keller introduced was to consolidate and strengthen Königsbräu's distributors and to offer them heavy support and service, even at the retail level. The approach was essentially a high-margin, quality-service, and heavy advertising and promotional strategy with deep information technology support. Distributors were provided with various

services, including information systems and logistics support as well as conventional sales support. Keller felt that because consumer preferences were relatively undifferentiated among premium beers, distributors could play a pivotal role in affecting sales. Moreover, important market trends reinforced his belief in the service-oriented commercial strategy. The number of beer distributors in Ukraine had been steadily increasing as the industry expanded following Ukraine's independence in 1991. In Keller's view, this tendency made it critical to identify and cultivate ties with the distributors most likely to grow. This included helping distributors through stages of rapid growth and making business suggestions that would enhance their ability to scale their operations.

Distributors, and the brewery's relationship with them, were important to a beer's success, regardless of strategy, because the distributors sold directly to the street vendors, pubs, hotels, restaurants, and other retail outlets that ultimately served the consumer. As an executive of a competing brewer stated:

If there's any business that needs hands-on contact with the distributors, it's the liquor game. They're tough people, entrepreneurs who will play hard. Personal relationships and trust really matter. In a country like Ukraine, you've got the additional problem of converting people from vodka and low-end or home-made brews to premium beer. That's a hard selling task, and you need aggressive distributors for it. It's also a game in which entertaining, eating, and drinking are an important part of doing business.

Keller intended to continue strengthening relationships between the company's sales force and distributors. He believed that salespeople would have to develop and cultivate personal contacts with distributors, concentrating less on trade discounts and emphasizing the help and advice customers could expect from Königsbräu-TAK.

The strategy, though not yet totally implemented, had significantly increased market share and greatly improved profitability. In some respects, Keller felt that the strategy was succeeding despite Brodsky's efforts as commercial director.

Dmitri Brodsky

The highly cultivated and intellectual Brodsky was 10 years older than Keller. He had held influential positions in two large consumer-oriented multinationals. Before joining Königsbräu-TAK, he was the commercial director of the Ukrainian subsidiary of a large U.S.-based toiletries firm. Before that, he had worked in the United States, Ukraine, and France. Brodsky was hired because his experience and maturity would balance the largely young group of managers that Keller had attracted during his first year. Brodsky maintained a distant but cordial relationship with Antonov. Unfortunately, his dealings with Keller were strained and occasionally stormy almost from the outset.

Problems with Brodsky

By the end of Brodsky's first year, Keller had serious reservations about Brodsky's skills and management style. Keller believed that Brodsky had excellent analytical skills and that he had done a superb job of redesigning the sales force organization and of developing a comprehensive set of information and control systems. However, it took him over six months to do so, and Keller suspected that it might have taken even longer, had Keller not put a freeze on sales hires until Brodsky completed it. Brodsky's thoroughness was offset by what Keller saw as an almost total incapacity to react to problems expeditiously. Keller had to step in several times to handle a situation himself, simply because he felt that Brodsky had refused to take action when a deadline seemed

impossible. For example, this happened when the need to register the brand label and brew class of its newly acquired brewery required that the company change its brand and formula within a two week period. The phaseout of the local brand was originally scheduled to occur over a year. Because it was a lower-priced beer, however, Keller felt that they either had to act immediately or be stuck with a lower-margin product.

Keller also believed that Brodsky's formal and distant management style hurt his effectiveness as the commercial director. Brodsky's formality and distance pervaded his dealings with his peers and subordinates as well as with customers, competitors, and other outsiders.

In fact, Keller suspected that Brodsky's emphasis on the use of administrative systems served, above all, to minimize his need for face-to-face contact with subordinates. Keller preferred to create a much closer relationship with his employees and to cultivate their loyalty and enthusiasm through personal contact. He felt that camaraderie was fundamental to the creation of a vigorous and aggressive company. It was partly this concept of management that troubled him about Brodsky's distant management style.

Brodsky's desire to keep his personal life separate from his professional life also bothered Keller. This circumspection was not characteristic of most of the other managers at Königsbräu-TAK. Brodsky rarely talked about his family with his colleagues, even though many of them had met his wife at official company functions, nor did he participate in social outings, such as evening get-togethers, card games or fishing trips with other managers. Even during the workday, Brodsky did not join in when the others lunched together or shared a beer after hours in the company bar while rehashing the day's events. He was the only Management Committee member who declined to use the familiar *ty* form of "you" when addressing his peers. He preferred the formal *Vy*, which the others found slightly stilted in the close working environment at Königsbräu-TAK.

Brodsky's formal interactions also extended to his relationships with the field sales staff and with Königsbräu-TAK's customers. Keller considered this to be more problematic for the company than the reserve Brodsky maintained with his colleagues in Kiev. Keller was convinced that the new commercial strategy required a closer, hands-on management style.

First, the sales force needed considerable guidance during the transition, and Keller thought that Brodsky should spend much of his time in the field. Brodsky, however, did not feel that this was so important. He claimed that the head office should not interfere with the sales function so as to encourage greater autonomy and responsibility in the field. In fact, Keller thought Brodsky purposely refrained from visiting sales representatives to avoid getting involved in the daily sales and marketing problems.

Second, Brodsky's refusal to get his feet wet in dealing with customers annoyed Keller. The distributors were critical to Königsbräu's future in Ukraine. Yet Brodsky was characteristically reluctant to develop personal ties with them: consequently, Keller feared that business would suffer. Thus, Keller intervened with customers in several instances where he thought Brodsky's relationship was inadequate.

Conflicts in Style

These different management styles fed the conflict. Brodsky tended to be analytical and deliberate in his actions and preferred to delegate as much as possible. In contrast, Keller tended to be impatient and action-oriented, using a hands-on approach when dealing with problems. These differences led to several conflicts because Brodsky felt that Keller was intruding on the commercial department's activities.

Keller acknowledged this tendency and knew that it was not confined to Brodsky's department. During one particularly heated meeting, the Management Committee drew up a new "organization chart" while Keller had stepped out of the room. When he saw the chart, he could not help laughing, as it presented a particularly amusing and accurate caricature of his management style. Keller liked it so much that he hung it in his office (see **Exhibit 2**).

Brodsky's First Annual Performance Evaluation

Keller's first annual appraisal of Brodsky's performance took place in an explosive meeting lasting over three hours, while Keller walked through the evaluation form with Brodsky (see **Exhibit 3**). Some items took more time than others because Brodsky sought further explanation or defended himself against Keller's criticisms. He particularly objected to Keller's comments concerning his inability to motivate the sales force because "of a low level of leadership and no personality." Brodsky countered by saying that he could be a leader if only Keller would stop interfering in the sales and marketing functions.

After a lengthy discussion, Brodsky convinced Keller to change the wording of the remark on sales force motivation. The revision read as follows: "... due to an average level of leadership and personality not completely adequate to our specific situation." Another negotiated change raised Keller's initial overall rating of Brodsky from "sufficient" to "good."

Brodsky did not take advantage of Keller's usual practice of having a follow-up meeting. Instead, he wrote a memorandum for the record and sent it to Keller two weeks later, requesting that it be attached to the official appraisal form that would be filed in Kiev and sent to Häussler in Munich.

The memorandum gave a detailed list of his accomplishments during his first year as commercial director and took issue with Keller's criticisms of his management style. Brodsky also defended his delegatory management style, arguing that it was essential for the development of his subordinates.

Further Problems

Unfortunately, Keller's assessment of Brodsky's performance did not change during the following year, despite the firm's increased growth and profitability. Keller felt that the commercial department's success was less a result of Brodsky's efforts than of his own interventions in problems that Brodsky either had failed to act on or had refused to address. These interventions included Königsbräu's annual distributors' meeting, the collection of bad debts, the resolution of a pending lawsuit by a distributor (which would have cost the Ukrainian subsidiary over €1.3 million per year from that point onward), and Königsbräu-TAK's relationship with several of its key distributors.

For example, on the Friday before the annual distributors' meeting, Keller discovered that over half of their distributors were not planning to attend. By the time Keller reviewed the list, Brodsky had left for the weekend and was unreachable at home. Keller immediately telephoned all the area managers to devise an action plan, because the meeting was scheduled for Monday. He and they spent much of the weekend personally inviting distributors by phone and making arrangements to have them met at the airport or railroad station. Keller felt it was critical that the large and powerful distributors from the rural areas attend. The weekend's effort more than doubled the attendance.

Keller was equally disturbed by Brodsky's handling of the distributor's lawsuit. Brodsky first sent a sales representative to talk to the customer, who was one of the firm's largest distributors. Only after the sales representative had failed did Brodsky himself contact the distributor. As a result of the meeting, Brodsky concluded that the distributor's position was unchangeable. Keller felt that the

issue was too important to drop and made a point of sitting next to the customer en route to the firm's annual convention of top distributors in Munich. By the end of the flight, the customer agreed to drop the suit in its entirety. Keller was certain that Brodsky could have settled the matter had he devoted more time and personal attention to the distributor.

Several other, although admittedly minor, incidents also reflected on Brodsky's lack of judgment and ability. For example, for the flight to Munich that was just described, Brodsky had assigned all the seats in the front of the airplane to Königsbräu's sales and marketing personnel and all the seats in the back to its key distributors, making it impossible for the two groups to communicate with each other.

A second incident related to the Munich trip disturbed Keller even more. During one of the social events, Brodsky joined in when several important distributors and three of Königsbräu's managers decided to switch from calling one another by *Vy* to the more personal *ty*. This was marked by everyone toasting each other with wine. A few weeks later, however, Brodsky declined to join the same group on a weekend fishing excursion. As a gesture of friendship, some of the distributors decided to visit Brodsky at his home after the excursion. One of the distributors told Keller that Brodsky's formality surprised him, especially when Brodsky used the more formal *Vy* after their agreement to use *ty* in Munich.

Another small, but telling, incident concerned a distributor whom Brodsky wrote off as a bad debt of €87,000. Keller urged him to meet with the customer and demand payment. Keller suspected that the distributor was sheltering the money in other businesses while allowing the distributorship to slide into insolvency. He feared that if they did not act quickly they would risk getting nothing when the firm went bankrupt. Brodsky resisted the idea but finally called the customer. He again concluded that nothing could be done until the distributor became solvent or filed for bankruptcy.

Annoyed by Brodsky's response, Keller drove three hours one Friday evening to confront the distributor. After a long and heated discussion, he returned to Kiev with a check for the full amount. Brodsky reacted first with surprise and then with anger at Keller's interference in what he considered a departmental affair.

As the year progressed, another complication arose around Keller's relationship with Brodsky's marketing manager, Ivan Zelenko. Zelenko, a 31-year-old MBA, had previously worked for Keller in the Ukrainian food subsidiary. Over the years, Keller and Zelenko had developed a social relationship that persisted after Zelenko joined the firm. Although Brodsky had hired Zelenko a year earlier, he quickly resented Keller's relationship with him and accused Keller of playing favorites. A confrontation, over this and other issues, resulted in still another exchange of letters for the record in which Brodsky complained specifically about Keller's interference in his operations. These letters went into Brodsky's personnel file.

Because of their personal relationship, Keller felt that he demanded even more from Zelenko than he did from the others. He also notes that Zelenko was heavily involved in both sales and marketing and that several middle managers seemed far more comfortable dealing with Zelenko than with Brodsky. Brodsky explained that this resulted from his delegating tasks appropriately to Zelenko.

Keller had thought of splitting marketing and sales and making Zelenko sales director and Brodsky marketing director, assignments that he felt were better suited to their strengths and styles. He was not yet convinced, however, that Zelenko had the seasoning to do the job, and he was certain that Brodsky would resist the change and make an issue of it with Munich.

Keller's problems with Brodsky had, in fact, become one of several issues that Häussler focused on during Keller's most recent performance appraisal review in Munich. Keller was disappointed with Häussler's overall assessment of "sufficient," which meant that his performance was adequate for his current responsibilities but not promising enough to indicate advancement. Häussler sent a letter to Keller, summarizing the key points of their conversation shortly after the interview (see **Exhibit 4**). Keller, in turn, sent a letter back, thanking him for the feedback and attempting to clarify some of the issues that were raised (see **Exhibit 5**).

Brodsky's Second Annual Performance Appraisal

Before departing for Brazil, Keller held performance appraisal interviews with all of his subordinates throughout November. With Brodsky, however, he decided not to finalize the appraisal and to withhold the actual form (see **Exhibit 6**). Instead, he prepared a letter (see **Exhibit 7**) to use as a basis for the interview and told Brodsky that he would not discuss or submit the final form until he returned from Brazil. Keller did this for two reasons. First, it enabled him to go over Brodsky's performance problems without having to commit a final judgment on his performance to the personnel file (and, therefore, to Munich). Second, Brodsky's efforts and cooperation with other departments during the preparation of the budget had impressed him. The budget had required considerable work by everyone. Profits were projected to be €1.5 million less than the preceding year because of problems with the newly acquired brewery in Odessa.

Brodsky's reactions to the letter and his overall evaluation of "sufficient" were more explosive than they had been a year earlier. He argued that his performance had improved during his second year and that the company's results showed it. They also clashed over Keller's evaluation of Brodsky's leadership ability and Keller's intrusions into the commercial department's activities. Keller finally agreed to change the wording of "you are not a leader for the sales force" to "you are not a charismatic leader for the sales force." Nonetheless, the session ended with little agreement on any of these major issues. After the meeting, Brodsky responded, as he had a year earlier, by writing a memo for the record, contesting the drop on his overall evaluation from "good" to "sufficient" and asserting that Keller's interventions were constraining his actions.

Weighing the Decision

As March approached, Keller felt that he could no longer delay finalizing Brodsky's performance appraisal once he returned to Kiev. Antonov had urged Keller to fire Brodsky, but Keller knew that it would be difficult to find a qualified replacement. The only internal candidate, Zelenko, was not yet ready to take over the sales function, let alone the entire commercial department. In addition, the job market for English-speaking candidates had been on an upward trajectory for some time, and in the past couple of years it had gotten even harder to attract the right personnel. Not firing Brodsky, however, would require a plan of action for improving his performance, either through coaching or reorganizing or both. Moreover, if Brodsky stayed, Keller still had to decide how much of an increase to give him. In Ukraine's current economy, not giving Brodsky an increase was equivalent to a pay cut. If that happened, Keller thought Brodsky would probably leave once he secured another job. If Keller gave him an increase, however, he would have to be careful not to send Brodsky mixed signals about his performance.

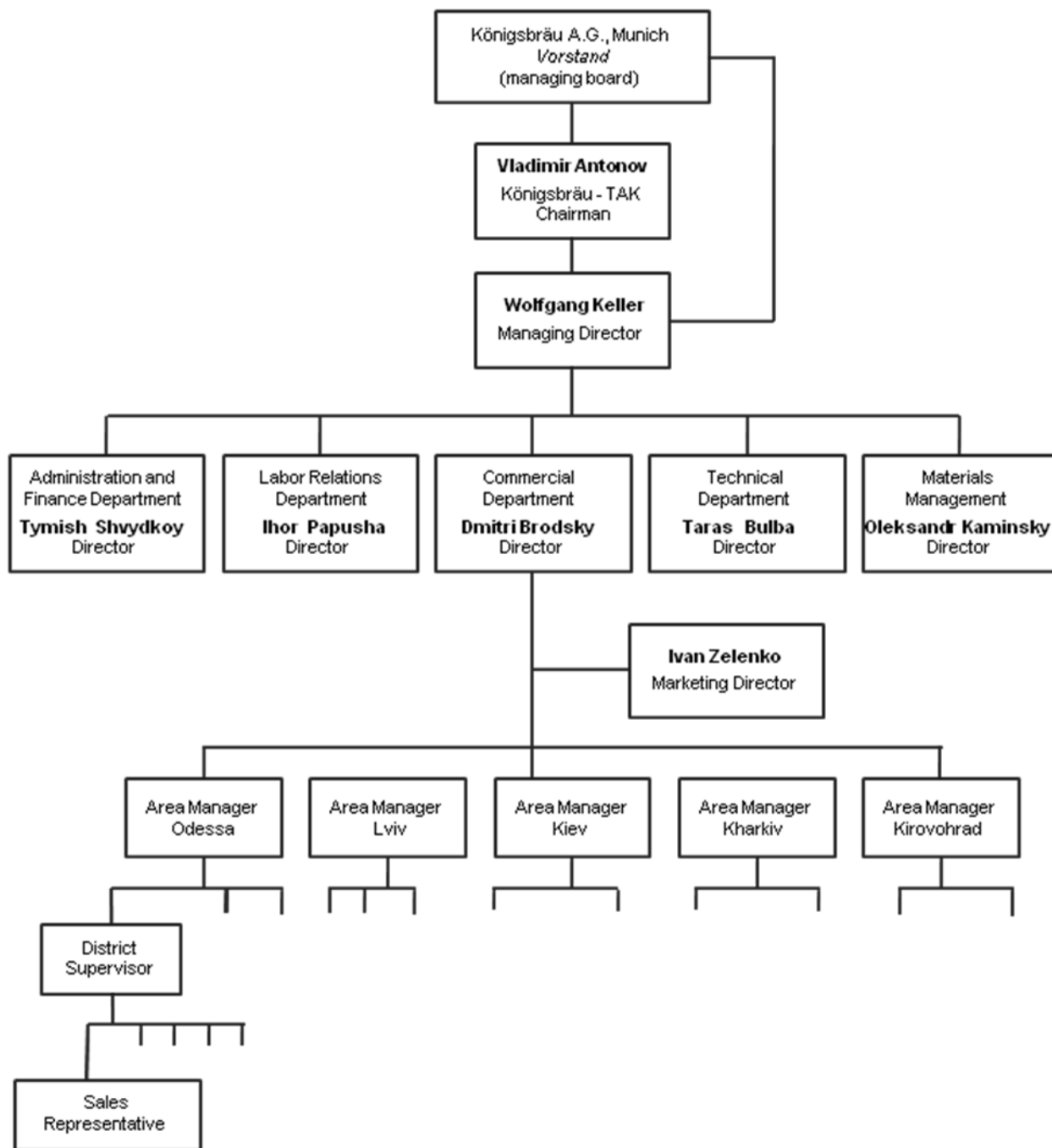
Exhibit 1 Partial Organization Chart

Exhibit 2 Organization Chart Hung in Keller's Office

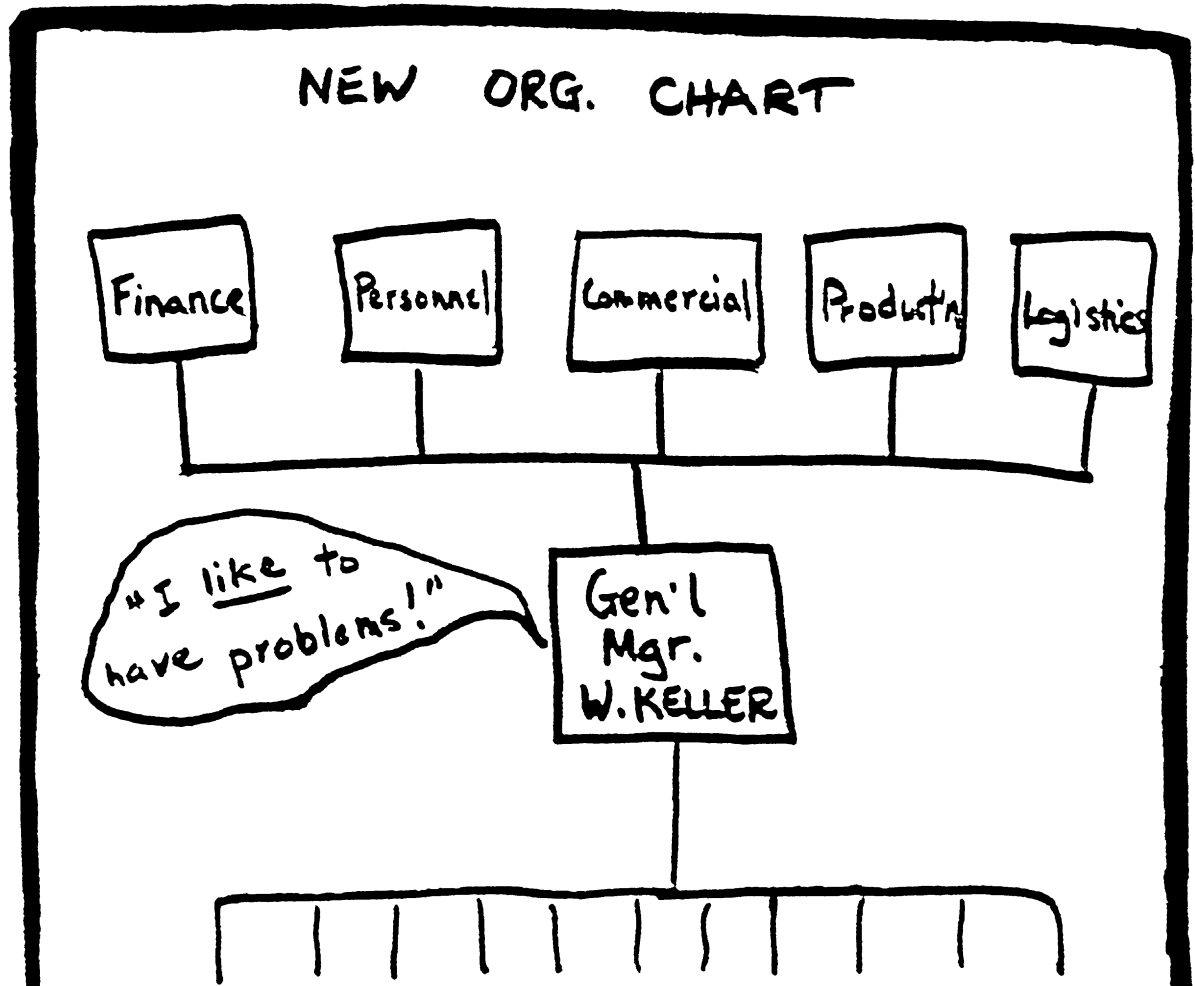


Exhibit 3 Brodsky's First Annual Performance Appraisal Review (Original Comments)

KÖNIGSBRÄU - TAK A.E. EXECUTIVE PERFORMANCE REVIEW FORM

NAME	Dmitri BRODSKY	EVALUATED BY	Wolfgang KELLER
DEPARTMENT	Commercial Department	POSITION	Managing Director
POSITION	Commercial Director	SECOND-LEVEL SUPERVISOR	Hanspeter HAUSSELER

1. MAJOR RESPONSIBILITIES AND RESULTS

A. RESPONSIBILITY ITEM	B. DEGREE OF AUTHORITY (MARK WITH X)	C. EFFECTIVENESS IN OBTAINING RESULTS (MARK WITH X)	D. COMMENTS																
(1) Market and Sales Planning	<table border="1"> <tr> <td>ACTS ON INSTRUCTIONS</td> <td>ACTS AFTER SUPERVISOR</td> <td>ACTS INDEPENDENTLY</td> <td>ACTS ENTIRELY INDEPENDENTLY</td> </tr> <tr> <td>X</td> <td></td> <td></td> <td></td> </tr> </table>	ACTS ON INSTRUCTIONS	ACTS AFTER SUPERVISOR	ACTS INDEPENDENTLY	ACTS ENTIRELY INDEPENDENTLY	X				<table border="1"> <tr> <td>UNSATISFACTORY</td> <td>SUFFICIENT</td> <td>GOOD</td> <td>EXCELLENT</td> </tr> <tr> <td></td> <td>X</td> <td></td> <td></td> </tr> </table>	UNSATISFACTORY	SUFFICIENT	GOOD	EXCELLENT		X			(1)
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(2) Development and Implementation: - Marketing organization - Marketing strategy	<table border="1"> <tr> <td>ACTS ON INSTRUCTIONS</td> <td>ACTS AFTER SUPERVISOR</td> <td>ACTS INDEPENDENTLY</td> <td>ACTS ENTIRELY INDEPENDENTLY</td> </tr> <tr> <td>X</td> <td></td> <td></td> <td></td> </tr> </table>	ACTS ON INSTRUCTIONS	ACTS AFTER SUPERVISOR	ACTS INDEPENDENTLY	ACTS ENTIRELY INDEPENDENTLY	X				<table border="1"> <tr> <td>UNSATISFACTORY</td> <td>SUFFICIENT</td> <td>GOOD</td> <td>EXCELLENT</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table>	UNSATISFACTORY	SUFFICIENT	GOOD	EXCELLENT					(2)
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(3) Plan and Implement Sales Force Reorganization: - job descriptions - objectives, responsibilities	<table border="1"> <tr> <td>ACTS ON INSTRUCTIONS</td> <td>ACTS AFTER SUPERVISOR</td> <td>ACTS INDEPENDENTLY</td> <td>ACTS ENTIRELY INDEPENDENTLY</td> </tr> <tr> <td>X</td> <td></td> <td></td> <td></td> </tr> </table>	ACTS ON INSTRUCTIONS	ACTS AFTER SUPERVISOR	ACTS INDEPENDENTLY	ACTS ENTIRELY INDEPENDENTLY	X				<table border="1"> <tr> <td>UNSATISFACTORY</td> <td>SUFFICIENT</td> <td>GOOD</td> <td>EXCELLENT</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table>	UNSATISFACTORY	SUFFICIENT	GOOD	EXCELLENT					(3)
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(4) Develop and Implement Credit Control Objectives	<table border="1"> <tr> <td>ACTS ON INSTRUCTIONS</td> <td>ACTS AFTER SUPERVISOR</td> <td>ACTS INDEPENDENTLY</td> <td>ACTS ENTIRELY INDEPENDENTLY</td> </tr> <tr> <td>X</td> <td></td> <td></td> <td></td> </tr> </table>	ACTS ON INSTRUCTIONS	ACTS AFTER SUPERVISOR	ACTS INDEPENDENTLY	ACTS ENTIRELY INDEPENDENTLY	X				<table border="1"> <tr> <td>UNSATISFACTORY</td> <td>SUFFICIENT</td> <td>GOOD</td> <td>EXCELLENT</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table>	UNSATISFACTORY	SUFFICIENT	GOOD	EXCELLENT					(4)
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(5) Sales Plan Implementation: - Quality (prices/margins, etc.) - Quantity (volume)	<table border="1"> <tr> <td>ACTS ON INSTRUCTIONS</td> <td>ACTS AFTER SUPERVISOR</td> <td>ACTS INDEPENDENTLY</td> <td>ACTS ENTIRELY INDEPENDENTLY</td> </tr> <tr> <td>X</td> <td></td> <td></td> <td></td> </tr> </table>	ACTS ON INSTRUCTIONS	ACTS AFTER SUPERVISOR	ACTS INDEPENDENTLY	ACTS ENTIRELY INDEPENDENTLY	X				<table border="1"> <tr> <td>UNSATISFACTORY</td> <td>SUFFICIENT</td> <td>GOOD</td> <td>EXCELLENT</td> </tr> <tr> <td></td> <td>X</td> <td></td> <td></td> </tr> </table>	UNSATISFACTORY	SUFFICIENT	GOOD	EXCELLENT		X			(5)
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Exhibit 3 (continued)

KÖNIGSBRÄU-TAK A.E.

EXECUTIVE PERFORMANCE REVIEW FORM P.2.

II. OVERALL EVALUATION OF JOB PERFORMANCE

- A. OBSERVED STRENGTHS
Calm and methodical, skilled in
standardizing and programming his
work. Makes decisions based on data.
- B. OBSERVED WEAKNESSES
Average personality and
leadership in his specific
situation.

C. OVERALL RATING OF RESULTS AND EFFECTIVENESS

UNSATISFACTORY	SUFFICIENT	GOOD	EXCELLENT
	X		

III. DEVELOPMENTAL REVIEW

- A. HAS THE EXECUTIVE'S PERFORMANCE IMPROVED, DECLINED, OR
 REMAINED CONSTANT SINCE THE LAST REVIEW?

Remained constant.

- B. WHAT IS YOUR OPINION OF THE EXECUTIVE'S POTENTIAL FOR
 ADVANCEMENT WITHIN THE KÖNIGSBRÄU GROUP?

He has the potential for a career within Königsbräu-TAK or abroad.

- C. WHAT DEVELOPMENTAL ACTIVITIES WOULD YOU SUGGEST?

More regular contacts in the field, with Sales Force and customers.Mr. Brodsky should also try to hire people with stronger personalitiesto work in his department, as a way of offsetting his weakness.

TRAINING RECOMMENDATIONS	<u>A public speaking or leadership</u>
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course might be helpful.

RECOMMENDED JOB EXPERIENCES	
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- D. PLEASE EVALUATE THE EXECUTIVE'S ABILITY TO DEVELOP
 MANAGERIAL TALENT AMONG HIS SUBORDINATES.

Good.

SUPERIOR'S INITIAL		EXECUTIVE'S INITIAL
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EXECUTIVE'S COMMENTS

Exhibit 4 Summary Letter Following Keller's Performance Review^a

Dr. Hanspeter Häussler
Mitglied des Vorstandes der
Königsbräu A.G.

Herrn Dipl. -Kfm
Wolfgang Keller
Königsbräu-TAK A.E.

GRC – Kiev

München, den 20, May

Dear Mr. Keller,

Further to our meeting last week, I would like to summarize the highlights of our discussion about your personal development as a Königsbräu manager.

Let me repeat my overall evaluation that your performance for the last year has been sufficient. You have tremendous capacity and enthusiasm for work, and you always try to make sure that Königsbräu comes out on top. Aside from these dynamic qualities we have also appreciated your willingness to admit you have made errors and to accept criticism, at least in your relationship with corporate headquarters. I believe that this openness will allow you to avoid misinterpreting corporate policies and provide us with more frequent and ample reports in the future than in the past.

We understand that you may occasionally feel caught between two cultures; that is, between the orderly directness of our German style and the more flexible attitude you must have to be successful in Ukraine. Even so, you must bear in mind that Königsbräu-TAK is an integral part of the total corporation and must be articulated into its operations like all other non-German operations. Working together with corporate staff and service functions is a case in point. I am confident that you are skillful enough to bridge the gap when necessary.

Because you have been so busy trying to restore financial health at Königsbräu-TAK, I have not always felt fully informed about your working relationships there. However, I hope you will keep in mind that this company is bigger than the ones you have managed for your previous employers and that you may have to force yourself to delegate more authority than you learned to do in the past. I have observed that you seem to prefer to have direct personal contacts with most of your employees and important customers and that you enjoy doing many jobs yourself. Although this can be a good quality it also sometimes gives us the impression that you don't believe in "teamwork."

You may also have to pay more attention to your way of working with Mr. Antonov. I mentioned to you that I think co-managing an enterprise with him could be a difficult job in itself. But you must remember you are not Ukrainian and there may be some situations in which he, as an older man, knows better what to do in Ukraine than you do. My advice is to try to involve him more fully in the general management work, and especially to keep him informed of your activities.

You can see that whatever flaws I have mentioned are actually the "other side" of your many strong points. Indeed, it might be difficult for you to change the weaknesses without affecting your overall positive performance, but I am confident that you will try to do so.

I would like to repeat that we feel you have contributed very adequately to the company over the past year. I am eager to follow your progress as you develop your managerial skills further within the Königsbräu organization.

Let me also transmit the *Vorstand's* best wishes for success in your forthcoming temporary assignment with the Königsbräu start-up team on the Brazilian joint venture.

With best greetings,

Häussler

^aThis letter's text has been translated from the original German.

Exhibit 5 Keller's Letter, A Response to His Performance Review^a

Königsbräu-TAK A.E.
Wolfgang Keller
Managing Director

Herrn Dr. Hanspeter Häussler
Mitglied des Vorstandes der
Königsbräu A.G.

D – München

Kiev, May 25

Dear Dr. Häussler,

First of all let me thank you for your frank and thoughtful review of my activities during the past year. I would like to take some time to respond to some of the details of our discussion and to tell you informally about my own position. I'll organize my comments according to a few themes from our interview.

Delegation of Authority at Königsbräu-TAK

Your remarks did not surprise me because I've been thinking about the question for a long time. Of course, each incident is a special case, so it would be a waste of time to try to explain further each one of the episodes you mentioned. As far as Brodsky is concerned, I believe our problems are normal in any boss-subordinate relationship, although my actions may sometimes be controversial. I have behaved exactly the same way towards my other subordinates and have never had problems with them. Even though I may occasionally make errors in my analysis or judgment, I believe I have always acted in an honest and professional way.

I agree completely with your conclusion that I have interfered too often in line responsibilities. Part of the reason is my background in smaller companies, as you suggested. Here at Königsbräu-TAK it is not the same, and I need to learn to step back from functional responsibilities. But there are also other reasons for my direct management style:

1. I *love* being involved in operations. I enjoy it; I think it's fun.
2. I can't sit still if I see a problem that could have real financial consequences. I need to hammer away at it until things get done the way I think they should be.
3. We had so many things to change in the beginning that I worried more about getting the job done than about lines of responsibility. This tendency got even stronger since most of my managers were new.
4. Things move too slowly for me sometimes (or maybe I'm too fast and don't give the others time to be convinced and to follow me).

^aThis letter's text has been translated from the original German.

My Plans for Improvement

1. I intend to try to take things more slowly and to step back if possible from immediate problems.
2. I'll also make an effort to allow others to do things their own way, even if I disagree, provided the results are there.

There is, of course, a danger that we will become a bit sluggish as an organization and that we will make mistakes or miss opportunities. But I do agree with you that Königsbräu-TAK is no longer an urgent difficulty and that I should turn my attention to general management rather than to keep worrying about day-to-day details.

Contacts with Munich

When you explained to me some of the mistakes I have made in my dealings with corporate staff, I understood that I should be more careful in this area. As a result, I shall try to pay more attention to the staff people's recommendations in the future. To tell you the truth, I am quite sensitive to criticism and I am eager to have good working relationships within the company.

Admitting My Shortcomings

You said this was one of my strong points. I have always found it very easy to confess my faults, perhaps because I am young and not handicapped by my experience. I sometimes tell my managers that a wise man has a different opinion every day. I hope to stay this way. Incidentally, you are the first person to tell me to consider this a positive trait.

Working with Vladimir Antonov

I've thought it over again since we talked, and I'm convinced our current division of responsibilities is the best one. I *do* keep him involved in my plans. If he agrees (as he always told me he does), I'd like to continue working under our present arrangement.

I'd like to thank you again and to tell you I'm very pleased to have been chosen to head Königsbräu's task force for the new Brazilian joint venture. I'm looking forward to the project with great pleasure.

Yours sincerely,

Wolfgang Keller

Exhibit 6 Second Annual Performance Appraisal Review for Brodsky (unfiled as of March)

KÖNIGSBRÄU - TAK A.E. EXECUTIVE PERFORMANCE REVIEW FORM

NAME	Dmitri BRODSKY	EVALUATED BY	Wolfgang KELLER
DEPARTMENT	Commercial Department	POSITION	Managing Director
POSITION	Commercial Director	SECOND-LEVEL SUPERVISOR	Hanspeter HAUSSLER

1. MAJOR RESPONSIBILITIES AND RESULTS

A. RESPONSIBILITY ITEM B. DEGREE OF AUTHORITY (MARK WITH X) C. EFFECTIVENESS IN OBTAINING RESULTS D. COMMENTS (MARK WITH X)

(1) Market and Sales	ACTS ON INSTRUCTIONS		ACTS AFTER CONSULTING SUPERVISOR		ACTS INDEPENDENTLY - ENTIRELY		ACTS INDEPENDENTLY - ENTIRELY		UNSATISFACTORY SUFFICIENT GOOD EXCELLENT			(1)	
Planning					X						X		
Development and Implementation of Marketing Strategy					X						X		
Implement Sales Force reorganization; guide and develop sales personnel			X						X				
Develop and Implement credit control objectives					X					X			
Implement Sales Plan: - quality (prices/margins) - quantity (volume) - sales and distribution					X					X			

(2) *See explanatory letter

(3) *See explanatory letter:

Mr. Brodsky designed an excellent plan, but we need to see the results now.

(4)

(5) Excellent and thorough plan now needs to be carried out with Sales Force.

Exhibit 6 (continued)

KÖNIGSBRÄU-TAK A.E.

EXECUTIVE PERFORMANCE REVIEW FORM P.2.

II. OVERALL EVALUATION OF JOB PERFORMANCE

- A. OBSERVED STRENGTHS Good, methodical analysis, able to standardize and program his work.
- B. OBSERVED WEAKNESSES Low personality and leadership. Low creativity and fears change. Insecure and consequently slow in making decisions.

- C. OVERALL RATING OF RESULTS AND EFFECTIVENESS
- | | | | |
|----------------|------------|------|-----------|
| UNSATISFACTORY | SUFFICIENT | GOOD | EXCELLENT |
| | X | | |

III. DEVELOPMENTAL REVIEW

- A. HAS THE EXECUTIVE'S PERFORMANCE IMPROVED, DECLINED, OR REMAINED CONSTANT SINCE THE LAST REVIEW?

Remained constant.

- B. WHAT IS YOUR OPINION OF THE EXECUTIVE'S POTENTIAL FOR ADVANCEMENT WITHIN THE KÖNIGSBRÄU GROUP?

Mr. Brodsky is more suited to a staff position than to line

responsibilities. He could work in the central staff at higher levels.

- C. WHAT DEVELOPMENTAL ACTIVITIES WOULD YOU SUGGEST?

--

- D. PLEASE EVALUATE THE EXECUTIVE'S ABILITY TO DEVELOP MANAGERIAL TALENT AMONG HIS SUBORDINATES.

--

TRAINING RECOMMENDATIONS

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SUPERIOR'S INITIAL EXECUTIVE'S INITIAL

RECOMMENDED JOB EXPERIENCES

EXECUTIVE'S COMMENTS

Exhibit 7 Explanatory Letter for Brodsky's Second Annual Performance Review (original wording)

Königsbräu-TAK A.E.
Wolfgang Keller
Managing Director

Mr. Dmitri Brodsky
Commercial Director
Königsbräu-TAK A.E.

Kiev, November

Dear Mr. Brodsky,

As we approach the end of your second year with us here at Königsbräu-TAK, I should like to express to you my impressions of your performance in the role of commercial director.

First of all I would like to congratulate you on the excellence of the systems and plans you created within your department. However, it will come as no surprise to you that I have not been as happy with your ability to handle the implementation aspects of your duties. My overall evaluation of your results for the year is that they are sufficient.

In the remarks that follow I shall try to give you a more detailed review of your performance.

Strengths

You are a good analyst and you prepare your plans and reports in a sound, complete way. Theoretically most of them are perfect. You are also a very loyal employee, and you give adequate follow up even when you have to implement a decision with which you were not initially in agreement.

I feel that it is not necessary to discuss more in detail strong points, but rather to spend some time illustrating your weaker sides.

Weaknesses

You are not a "leader" for the sales force, and you seldom act directly with them. The same goes for your internal department. Your personality is not fit to maintain personal contacts with our most important customers and to serve as a guide for the sales force. Consequently, you never solve problems personally and avoid dealing with complicated questions on the spot. You do not like personal contacts with customers and the sales force, and you rarely have them. Perhaps because of this propensity and your resulting lack of experience in the field, you are slow in decision making.

You are not well-integrated into the management team. You give the impression that you do not accept suggestions, ideas, or collaborative efforts from your colleagues within your functional areas, perhaps out of fear that you will be unable to control their influence as a result.

Consequences

1. Due to these weaknesses, you tend to manage your department not as a line manager/leader, but rather in a more staff-oriented way. You over-organize your department with rules, procedures, and hierarchy.
2. Since I am aware of these weaknesses, I do not give you complete autonomy for the operations of your department. I try to compensate for your deficiencies whenever possible and to check closely on your activities where there are risks involved for the company.

Personality Differences Keller-Brodsky

I am aware of the fact that my personality and style of leadership can condition your performance. In the last eight months I have tried to interfere only when I believed it was absolutely necessary for the benefit of the company.

Steps to Be Taken

In my opinion, three things would help you:

1. Integrate and collaborate closely with Zelenko, who has an easier contact with the sales force and the customers.
2. Integrate and involve your colleagues from the Management Committee. Every problem always has another functional aspect, and together you will be able to find sound solutions quickly.
3. Plan and make "field trips" on a regular basis, so as to have the needed contact with the sales force and customers.

Being certain that it will be possible to achieve a better performance and collaboration, especially after the results of the last weeks and our recent discussions, I remain,

Yours sincerely,

Wolfgang Keller