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# Perfecting Production PROCESSES

The opening up of the Russian market gave way to increased competition across the country. It was this very motivation that has spurred on Goznak to remain at the forefront of manufacturing and digitisation.

Images courtesy of Goznak

**G**oznak is a unitary enterprise responsible for the production of coins and banknotes in Russia. The organisation has a long history in the country and also supplies security products for many other countries including China, Germany, France, Indonesia, Guinea, Rwanda, Lebanon, Tajikistan and others. The organisation has preserved and is built on the best traditions of the Expedition of Storing State Papers, the forerunner of Goznak, which was founded in 1818. With its long story and rich traditions, Goznak has remained dynamic and innovative in an increasingly competitive market.

Arkady Trachuk, General Director of Goznak, comes from a strong background in finance and economics. He's a professor of the Department of Management at the Financial University and a member of the Expert Council at the Government of the Russian Federation. "My experience started in university. After graduating from the university with a specialisation in radio engineering I had a short experience of working according to my education.

"After the period of transformation into open market in Russia, I decided to try myself in business. By that time I had started my second education in finance. I also got some experience working in the banking sector and later in the electric power industry. I worked in finance and marketing at Lenenergo [a large electric power company based in St Petersburg]. In 2001 I was invited to join Goznak, and since that time my destiny has been connected with this company.

Since taking up his position at Goznak, there have been three key challenges that Arkady and his organisation have faced. "The first one is from the post-Soviet status of the company. This doesn't necessarily mean the enterprise was in a bad condition, but it was in a condition that didn't correspond to the market. Our structure of production and equipment was not flexible enough to respond to the new market's requests.

"The second aspect of this challenge was our relationship with the customers. Previously Goznak dominated the domestic market and, mostly, the customers had no other options to get

security printing products. This was typical not only for Goznak, but also for many other companies working within a planned economy. But 10 years after the open market appeared in Russia, Goznak began to lose its domestic clients.

The second challenge for the enterprise at that time was the simultaneous loss of its share in the international market of security printing products.

"The third challenge is the growth of the developing digital economy. Now I can tell that we more or less succeeded with the first two challenges. Today Goznak is the biggest and one of the most dynamic companies in the domestic market of security products. Within the past five years we've also expanded our role and our presence on the international market. For example, in 2013 we produced more than 1.3-billion banknotes for other countries.

"Banknotes made by Goznak are in circulation in many countries: Guinea, Rwanda, Yemen, Guatemala, Malaysia, Middle East countries such as Lebanon and others. Our enterprise is also one of the leading suppliers of the >



banknote paper. This product produced by Goznak is used in 20 countries, the biggest of which are Indonesia and Nigeria, as well as banknote producers in Germany, France, and Canada. Today we are mostly focused on the third challenge, the digital economy challenge, and we're currently working hard to find solutions to face this challenge and cope with it."

Goznak has had to develop with the course of time, particularly since the world of payment and security documents has become increasingly digitised. "Many refuse to deal with paper documents. Those documents that remain usually take on additional functions. For example, many modern passports and ID cards are now digital data carriers with microchips. The same can be said about payments: their digital forms are growing very fast right now. For example, in Russia, about four years ago the share of digital payments in retail was about 3 per cent of total payments; today it's about 15 per cent. As we know, there are even a number of countries in northern Europe which are discussing the possibility of abandoning the use of cash."

The development of new solutions for digital payments and production of documents with digital data carriers is one of the possible growth strategies for Goznak. "Today we produce tens of millions of banking payment cards and various documents with microchips yearly. We also propose complex solutions regarding the storage and processing of digital data. That's what we're already doing today, but we're still working with new ideas and projects in this sphere."

With the Russian marketplace opening to competition, customers now have choice. "Formally, even the Bank of Russia is not obliged to place all of its orders at Goznak. Thus, we understand that if we want to stay useful for our customers, we have to propose complex solutions that meet their objectives and help to reach their final goals."

"Banknotes made by Goznak are in circulation in many countries. Our enterprise is also one of the leading suppliers of the banknote paper."

— Arkady Trachuk



"To achieve these results, we develop new joint projects with our clients, where the idea of a new product comes from the customer. In such projects we assess the functional value of the product (if it can help to reach customer's goal or not) and the cost of such product at every stage of its lifecycle, from its production to its decommissioning. Finally, since 2012 our own management quality system was recognised as fully compliant with ISO 9001:2008 standard."

Arkady believes the work Goznak does with its suppliers is as important as the work it does for customers. "First of all, our suppliers supply not only materials and semi-finished products, they supply new ideas to us. And it is very important that during the last few years we have created new solutions together with them, like new technologies and new security elements. For example, we developed a new printing solution called 2D-Iris in cooperation with KBA Notasys, and a number of other solutions."

Goznak collaborates closely with many of its key customers, particularly the Bank of Russia, which is one of the company's largest clients. "The products for the Bank of Russia comprise about 25 per cent of our sales volume, and we certainly cooperate with the Bank of Russia on many matters at all levels, starting with experts and up to the Bank's top management."

"But the Bank of Russia is only our customer. It doesn't influence the top management of Goznak directly. Unlike the Government, which is the owner of Goznak. Every year the Government approves Goznak's development strategy and planned key indicators. On other aspects, such as operative, daily activities of Goznak, those are the responsibility of Goznak's top management. The Government does not influence that activity directly."

According to Arkady, Goznak is entering into a very interesting period in the company's history. "The Government of the Russian Federation has taken the decision to change Goznak's organisational form, and in a year we are to become a joint-stock company. The Government of the Russian Federation will own the shares as before, but the corporate governance will change a lot. There will be a board of directors, an administration, and the company will be oriented at the market results."

"That means that the Government will not only demand reaching separate key indexes, it will also be interested in the dividend rate which we will transfer to the Government as the owner. But besides the organisational changes, we will certainly preserve the market policy we are realising now; we will be very active on the international market and will certainly look for new solutions in response to the challenges of the digital economy." •

## PEOPLE & TECHNOLOGY



**WHEN EXCEPTIONALLY DEDICATED PEOPLE AND INNOVATIVE TECHNOLOGY ARE BROUGHT TOGETHER BEAUTIFUL THINGS CAN HAPPEN.**

**KBA-NOTASYS IS PROUD TO WORK WITH ARKADY TRACHUK AND HIS TEAM AT GOZNAK.**

**THEY ARE AN EXAMPLE THAT PEOPLE DO MAKE THE DIFFERENCE. OUR PARTNERSHIP GOES FURTHER THAN JUST SUPPLYING MACHINERY. THE PEOPLE INVOLVED AT GOZNAK AND KBA-NOTASYS ENCOURAGE EACH OTHER TO CREATE NEW DEVELOPMENTS, TO ENVISAGE PROCESSES DIFFERENTLY, AND FIND NEW SOLUTIONS. PEOPLE AND TECHNOLOGY, TOGETHER SHAPING THE FUTURE.**



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