

A talk with Zdeněk Pelc, CEO of GZ Digital Media a.s.

More and More Consumers Are Getting Back to Vinyl

Ing. Zdeněk Pelc, CSc. is the longest-serving manager in the Czech Republic. He graduated from the Faculty of Economics in Prague. He also studied at the St. Gallen University in Boston and at the Harvard Business School. Zdeněk Pelc became, among other things, Manager of the Year 2000. He is also one of the founders of a strategic management club, the Harvard Club in the Czech Republic. Zdeněk Pelc has been the CEO of GZ Digital Media a.s. since 1983, and since 1995 the president of the board as well. The history of this company goes back to 1949 when the first vinyl record was made. Then, in 1988 the Company produced the first CD in Central Europe, and in 2001 the first DVD disc in Central Europe as well. At present, GZ Digital Media a.s. makes about 100 million optical carriers a year.



Photos: Archive

Ing. Zdeněk Pelc CSc, CEO, GZ Digital Media a.s. in the middle with Prof. Václav Klaus, President of the CR and Karel Vágner, Producer, Composer, and CEO of Multisonic a.s. at Jazz at the Castle

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Ing. Zdeněk Pelc CSc., CEO, GZ Digital Media a.s. in the middle with Prof. Václav Klaus, President of the CR and Karel Vágnr, Producer, Composer, and CEO of Multisonic a.s. at Jazz at the Castle



As one of the few top Czech managers, you joined the company's management long before 1989, and you are still with this company today. Do you consider it to be an advantage?

I have been the CEO of GZ Digital Media for 29 years. I obviously do not find it especially beneficial, as both the company and I had to undergo essential changes in order to remain competitive. On the other hand, a typical modern phenomenon is that a majority of people believe they can be the head of anything without any detailed knowledge (often typical of politicians), which is a terrible mistake.

Did you have to significantly change your managerial skills and customs?

Of course, in the beginning the priority emphasis was put on production, later on sales, and presently on finance. All of these changes were accompanied by personnel problems, a simply never ending process. I found it very helpful studying at Harvard in Boston where I completed a three-year course, the so-called "owner/president management programme".

How has GZ Digital Media been changed by the entry of the American investor?

Private American capital joined our company at the end of 1997, purchasing 100 % of the shares. The investor group was led by Ken Brody, former President of Goldman Sachs and later the governor of New York, and the Export Import Bank. By the way, Ken also helped the Czech government with the financing of Temelín. It was a huge change for me, transitioning from small Czech conditions to the large financial world. Ken Brody is a very generous man, yet with him you need to show results, otherwise his attitude would be perhaps much

worse. Luckily we had those results. Ken still keeps saying that we were one of his most successful acquisitions. I obviously did not gain his confidence immediately, yet after about two years I had a free hand in managing and building a business. For the first time I really felt like a real director who could implement his plans. Of course, the responsibility was burdensome, not only to shareholders but also employees of the company, who always supported me.

How do you manage to cope with the economic crisis?

I do not like economic crises as a citizen, yet I love them as a businessman. They bring more great opportunities than during normal times. In the times of crises, each company is looking for ways to save costs as sales decline. Of course, this also applies to large multinational companies, which are impossible to approach in normal times. This becomes possible during a crisis, obviously provided that you have something to offer as far as 100% quality, superior service, flexibility and cost savings. However, these things cannot be built in a time of crisis. It is a long process, yet a capable management is always ready.

The company recently celebrated 60 years since the production of the first vinyl record. GZ Digital Media, in this respect, has proven that it is presently experiencing a great boom. How do you explain this?

This year the company celebrated 60 years since its foundation and the production of the first album. To the surprise of all, the vinyl record still holds a certain position in the market. It was not always so; in the mid-90's vinyl production was close to zero (200 thousand pcs/



year). Unlike other companies, we did not liquidate the production, and slowly began to break into declining foreign markets where there was tough competition. At present, we produce over 6 million pcs of vinyl records per year, and thus we are the largest manufacturer in the world. To the US alone we have been sending about 6 tonnes each week. This is not just a matter of DJs and their sound effects at discos. More and more consumers, who love music, are getting back to vinyl for its pleasant sound.

The development of new technologies is unstoppable. In what way does it influence your branch?

New technologies affect virtually every manufacturing industry, including our branch. Unfortunately they affect the "vinyl industry" mainly negatively. The internet promotes more and more "TV on demand" or music downloads. Yet, there is no point in crying over spilled milk. A capable management must be able to anticipate these changes and adapt to them. That is why the present turnover and profit focus of our company, although it is generally perceived as a producer of music and film records, stands apart from the original focus. Today we profile ourselves as a supplier of prints and packaging aimed at the IT industry of both hardware and software companies. Everyone just needs to apply the right strategy, but that again is related to the experience, knowledge and diligence of any company's management.

By Pavlína Holancová ■