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PROPERTY

TriGránit: Playing to win

with Sándor Demján



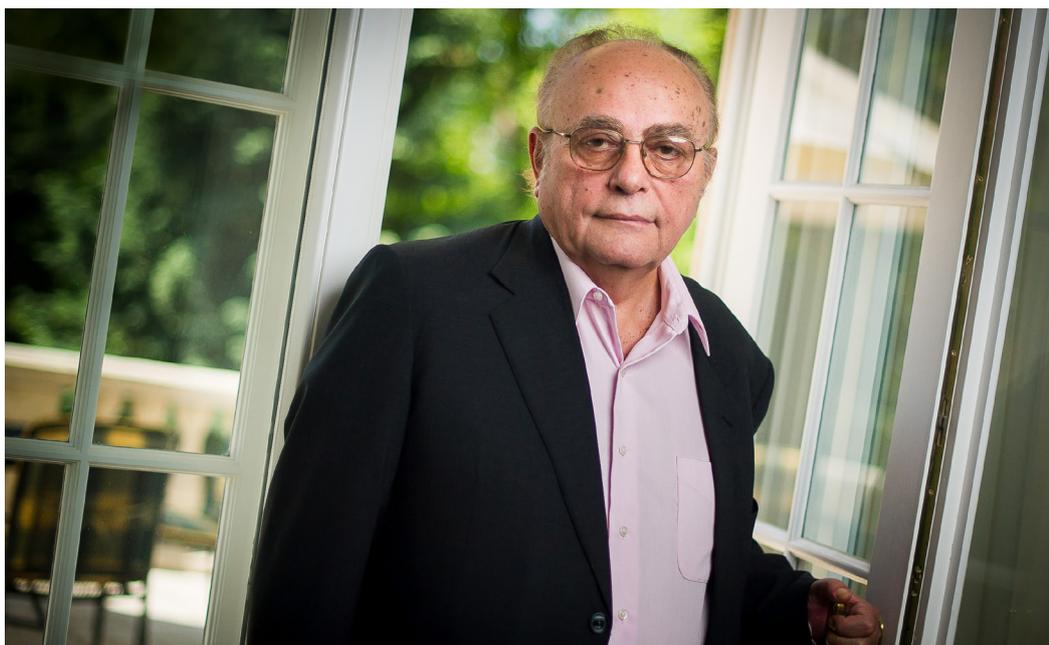
TriGranit: Playing to win

Sándor Demján is one of Hungary's richest men and is also the largest shareholder of TriGránit Holding, one of Europe's leading property development companies. A successful entrepreneur both before and after the transition from communism, his interests span film production, banking, property development, retail and tourism.

His beginnings were humble. Born in 1943, Demján grew up without a father and in poverty. Many thought that his obstinate nature would keep him from getting ahead. However, he knew how to do business even as a kid, selling rabbits and footballs and reinvesting the profit.

His big opportunity came in 1973, when he was asked to manage the founding of a new retail chain, Skála. In many Iron Curtain countries, the shop shelves were empty, while the air-conditioned, well-lit Skála had floors stuffed with a wide array of goods.

Skála was a decade long affair for Demján, who decided to try something completely different in the 1980s when he founded



Sándor Demján, TriGránit Development Corporation

a new bank, Magyar Hitelbank, to provide financial services for industrial firms.

Before the transition from communism, he founded his own consulting firm, and guided the Hungarian investments of giants such as General Electric and Daewoo, an experience he would find very useful in his international business deals. He continued privatization consulting for years in the region with Andrew Sarlos, a Canadian-Hungarian businessman.

In 1995 he worked with TrizecHahn owner Peter Munk and Andrew Sarlos to build one of the symbols of the new capitalist system in Hungary, the downtown Bank Center office building. At this point, he began to see a future in building shopping plazas, an activity which spurred the rapid growth of his property development company, TriGránit.



Headquarters of KBC's K&H Bank, TriGránit's latest built-to-suit project in Hungary





I consider myself a coach. Being in business is in some respects very similar to playing a sport. The coach puts together the team and lets it make the decisions on the field.

Amrop: TriGránit was the best Central Eastern European property developer in 2011 according to the Financial Times, and it has won several other distinguished awards. What role did you and your colleagues' values have in this success?

Sándor Demján: Indeed, we have won the FT's award several times. We were also awarded the "best cultural building in the world" title for the Budapest Palace of Arts in the Hungarian capital. This is an honor that was previously won by other great buildings, such as the Guggenheim Museum in Bilbao and the refurbished Louvre in Paris. I think it is also remarkable that in 15 years TriGránit, a CEE company, was able to grow to compete with Western companies with several hundreds of years of history. It is now the third or fourth largest property developer in Europe.

All this was achieved through the work of a team. This is a very inclusive international company, where two-thirds of the staff is not Hungarian. We work in many countries at the same time and our staff has been predominantly North American from the very beginning. Our team has amassed much knowledge and utilizes it to succeed internationally.

In a way, the crisis also contributed to our success. In tough times, the weak fall, and even those left standing were only able to do so with the help of a state bank. TriGránit, however, did not need such measures.

Our business philosophy is also an important factor. We have always delivered very high quality work, and the market knows this. In fact, we do not need to advertise to fill up commercial developments – tenants ask for space.

Amrop: And what did you personally add to TriGránit?

Sándor Demján: I consider myself a coach. Being in business is in some respects very similar to playing a sport. The coach puts together the team and lets it make the decisions on the field. I just need to make sure there are always able substitutes on the bench and that there is always a new, already trained generation to follow this one.

As a coach, you need to let people celebrate whoever shot the winning goal – and not you. You also need to let people miss, because if making a mistake is considered very bad, then people will only play half-heartedly because they are trying to avoid mistakes.

In business, too, you need to see who the real team-players are and who is selfish. You should build your strategy on the strengths of your players, always making sure that several people have the opportunity to learn several roles.

Usually, I will just pay attention to the management of firms, and leave them to build the various companies' microclimate. I feel that in the end, it is always the appointer who is responsible, not the appointee. Few people have a deep knowledge of themselves, so, as a coach,



ABOUT TRIGRÁNIT

TriGránit was founded 15 years ago by the fusion of Demján's Gránit Polus and Peter Munk's TrizecHahn. It now operates in 12 CEE countries and has EUR 2 billion worth of finished, high-value projects to showcase. It has about EUR 4 billion worth of development projects in the pipeline.

The firm has won several awards with its innovative and transformative projects. It has built dozens of plazas, office complexes, residential projects and even hotels and resorts in the region.

The West End City Center in Budapest (*on photo*) was one of its first flagship retail projects, later used as a model in many of TriGránit's city center developments.

I usually need to decide what role suits a given person. Of course, this is a very complex task with many things to factor in – if I hit one out of three, I am happy.

I also try to make sure there is a balance in age: if the head of a company is older, then I will appoint a younger substitute and vice versa.

Amrop: Is age important?

Sándor Demján: Well, I became a manager very young, and it was a fertile period for me. But I think age is generally important. For example, if I am contemplating a joint venture with a firm, I will check out its age profile. If it is not balanced, I tend to steer clear of the firm.

I do like young people very much. I always tell them to find a partner, cooperate and jump into business for themselves as soon as possible. If someone is only appointed a manager above 40, he or she is almost sure to be a bad boss in my opinion. Gaining the experience you need to become a good boss can only be done when you are young and able to absorb the unavoidable failures and learn from them.

I disapprove of firms that have a policy of promotions that is predictable. This leads to a company that is managed by bureaucrats, a sure way to put a firm into decline. This is especially true for multinational firms.

Amrop: What would make you not hire someone?

Sándor Demján: Too many academic degrees, for one. I never hire people who are overqualified for a job, because such a person will feel the job is beneath them and will not be motivated. This could be detrimental to morale at the company.



As a child I was intractable and ungovernable, but I read a lot, and this became important.

Having more than one – unconnected – university degree is another warning sign. If a candidate has a degree and has done further studies in a particular field, that is fine. If, however, a candidate was still sitting in a school at the age of 30, he or she is probably a slacker - even if it is an MBA course.

Studying for such a long time is basically the same as avoiding the commencement of your working life. Whoever can do so is probably well-off, and will not be motivated when he or she is employed. Of course, there have been exceptions to this rule, and I have met some of them.

In general, there are always exceptions to these rules. However, they work well enough 99 percent of the time, and I do not seek to find the 1 percent.

Amrop: Do you look for anything in particular when hiring?

Sándor Demján: In a word: creativity. Of course, a leader also has to make sure that the balance between creative types and diligent workers is maintained. If you do not get the mix right, the company could suffer. And this is not limited to business. If the proportion of creative people is too high or too low, a country, or even a continent can be in trouble. I think this is happening to Europe today.

Amrop: Once you have chosen your team, how do you manage them?

Sándor Demján: I have never wanted to tell my team how to play, how to pass the ball from left to right on the field; I just let them do their jobs. I just sit back, watch and approve their decisions. I even allow my managers to say no to me three times a year if they do not agree with me. Of course, this does not mean that I do not get someone else to do the task.

If someone is inept, I will replace him or her. This usually becomes obvious if someone makes the same mistake more than once. Making a mistake is fine, it is a natural part of the learning process, but not understanding the lesson is a sin.

Amrop: What made you who you are?

Sándor Demján: My childhood. I was partly raised in an orphanage and then fostered out. I was hungry all the time. Not because my foster family starved me...they were starving as well. Still, it was a good lesson.

I also became very strong physically, since I had to haul water from two kilometers away at the age of six or seven. As a child I was intractable and ungovernable, but I read a lot, and this became important.

Today, we have modern visualization equipment such as monitors, but back then, if I read about a pyramid, I had to picture it in my imagina-



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The Lakeside Park complex in Bratislava

tion to see it. Looking at a video of a pyramid, on the other hand, does not require that you use your creativity to visualize it. Chess and playing sports also made me more creative.

All in all, I am very grateful to Fate for my “bad” childhood.

Amrop: Who were your role models as a child and who are they today?

Sándor Demján: As a child, the heroes of literature awed me – I loved Mór Jókai (Hungarian author of Romantic fiction) and the French Romantics.

An elderly teacher of mine once told an anecdote about me. I had been misbehaving, and he slapped me and asked: “Sanyika (the diminutive of Sándor), what will become of you?” “A hero,” I said with conviction.

I was physically punished every day in grade school, and looking back, I have to say I agree with this. The way kids are raised today is a tragedy: education is too soft; it does not prepare you for life. This could in my opinion lead to the fall of Western civilization.

Amrop: Who would you set as a role model for young people?

Sándor Demján: Young people see soccer players and musicians as heroes. They all want to become Einsteins or world-famous stars. They are not interested in becoming entrepreneurs, toiling away on the edge of profitability, who can go bankrupt any day with a single bad decision.

The business world might seem like a grey and boring place to many young people, but this is what I know and enjoy. I have had the opportunity to meet many of the world’s richest men, and I have learned a lot from them. George Soros (a Hungarian-born investor), for example, is someone who has a lot to teach. I learned much from him when we worked together to build the Skála Management School and later, the Management Academy. (Skála was a Hungarian department store chain in the Communist era, which was successfully founded and managed by Demján.)

Amrop: TriGránit is a holding company comprised of many firms, and these often form joint ventures for a given project. You personally are, at any one time, involved in a wide variety of projects – from promoting Chinese tourism to Hungary to building a railway to the Budapest Airport or establishing a green-field commercial bank. How do you make sure these diverse projects are realized according to your vision?

Sándor Demján: As I said, I hire a team to get a project done. If they do well, the company profits, if they don’t, then we make a loss. You need a wide portfolio in order to be crisis-resistant. Also, with such a wide array of projects, we are looking for the roads the future will take.



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The Poznan City Center (left) and the Emonika City Center in Ljubljana (right) as well as the Bonarka City Center (below) are built next to a central transportation hub, just like their prototype, the West End City Center



Looking back, Sztráda Skála was a good example of how the success of a small project can be a precursor to a really big business. Set next to a motorway, Sztráda Skála was basically the first Hungarian hypermarket. At the time, there were only a few such outlets even in Austria or France. Now the country is full of them. (And many of them were built by TriGránit.)

I think catering to Chinese tourists will also become a big business. The way I see it, human civilization is unfortunately not interested in cooperating to decrease its energy uptake. Instead, we seem to be heading for one last big party. So I think tourism and entertainment will be the big businesses of this century. As a businessman, entering these fields is a good prospect.

Amrop: What kind of firm is TriGránit? You own a large chunk of the firm, but it is not a family-owned company typical in Spain and Germany, where family members take an active role in management. Who will lead the firm once you retire? What role will your family take?

Sándor Demján: I am no longer the captain of the team, just a more active shareholder. Still, once the time comes for me to fully retire, I will be able to choose a replacement from my staff. I have been watching them work, so I know who is capable of taking over.

I am not a majority shareholder in TriGránit, just its biggest shareholder. I have no intention of gaining majority. I built TriGránit for the long run; it needs to remain an international company. It is too big to be a traditional family business. Also, in today's competitive environment, no firm would survive it if its leaders were chosen according to their parentage instead of their ability.

Amrop: And the firm's biggest challenges?

Sándor Demján: There is one priority: it needs to survive. The property market is in a bad place now, and TriGránit has to be able to wait this

period out. The fact that we have always invested into high quality and our independence from the state could be key to this.

TriGránit is the only developer who is capable of building a whole city: we have built everything from sports arenas, churches, theaters, universities to commercial property and offices. We have prototypes of these to show prospective clients our skill and dedication to quality.

Amrop: What is your opinion of Public Private Partnerships? Are they good business opportunities?

Sándor Demjén: I don't like PPPs, they are simply not good business. I will not earn 8-10 percent on a PPP-deal, and my money will be locked down for 30 years, which is a really bad thing. We were not the ones that wanted to build the Budapest Palace of Arts (*on photo*) under a PPP contract. What we wanted to do was to build it, hand it over and get paid. But it was an interesting project for me, and it was in Hungary, after all – my business partners always tell me not to go Hungarian on them, but that does count.

In the end, the Palace of Arts was a financial disaster. The original deal was for 32,000 square meters, and we ended up building 52,000 square meters with the same amount of funding. However, we did build a concert hall that is considered the best in the world, so I have no doubt that we will get invited to tenders because of this prototype.

Amrop: Do you see a future for PPP development in the CEE region?

Sándor Demjén: Most states are becoming poorer, so it is likely that they will find PPPs attractive. But I am not overjoyed by this prospect.



History will repeat itself. Better demographics and more motivated people will allow the poorer East to surpass the richer west, just like in Ancient Rome.

Amrop: How do you see the economic environment in the CEE region? Would it be going overboard to say that the area had lost its allure even before the crisis and that foreign investors were looking for opportunities in other places?

Sándor Demján: The one trend that is defining today's world is globalization. Despite its many thorns, globalization is a truly even-handed redistributer of wealth: it uplifts poor areas by pulling them into global business deals with investments.

Central Eastern Europe, which is still a poorer area, will overtake Western Europe both in terms of economy and even social stability. In this, history will repeat itself. Better demographics and more motivated people will allow the poorer East to surpass the richer west, just like in Ancient Rome. To see signs of this happening already, just take a look at the UK today, where many youngsters are living on the wealth their ancestors accumulated.

Amrop: Do you see Poland as the main driving force in the region?

Sándor Demján: It will certainly be a leading force. It could have been Hungary, but politics have ruined the country. Hungary is on a downhill slope, and, unfortunately, it is likely to become the poorest country in the region in my opinion. Eventually, this will change, too. If Hungary becomes very poor, then investors will find it cheap to invest here. However, as a Hungarian, I find this very sad. The road to poverty is paved with personal tragedies and could lead to talented people abandoning the country in the interval.

Amrop: Where did Hungary go wrong?

Sándor Demján: It made a lot of bad, wasteful decisions. Much social spending that the Greeks are being penalized for by international opinion was originally cooked up by Hungarian politicians. It is so easy to ruin a country with 100-day programs. Meanwhile, rebuilding one could take a decade. Although in that time, wonders can truly be achieved.

Today's big question is what will happen to production in Hungary. Focusing on research and development is chasing an illusion. Research is important, but it is by nature a high-risk game. You should not base the future of a country on whether a discovery will be made or not. What you need is to find a way for the country to succeed with classical, sweaty work.

This is not just our problem. Real work is looked down upon, just as in Ancient Greece or Rome. Surely there was a need in Rome for both musicians and laborers, but the balance increasingly shifted towards the former. In the end, no-one wanted to do physical work. The grain was waiting in the port to be hauled into the city, but people chose to starve instead of lifting weight as Roman citizens. Also, they were not willing to have children.

To spur growth, the government needs to focus all of its resources on industrial and agricultural production, tourism, logistics and helping Hungarian firms to invest abroad. This needs a highly selective development strategy and savvy managers.

Both great civilizations were choked by a creeping poverty. A wealthy and a wide middle class is necessary for democracy. If the former wastes away, so will the latter.

In today's interconnected world, everything happens faster, and I fear democracy will be swept aside much faster, too. If poverty strikes, land will become much more valuable again, as Europe will want to grow its own food again instead of importing it – it simply won't have the money to buy imported foodstuffs.

Amrop: In light of this, how do you see the future of politics in Hungary? What is likely to happen in the next few years?

Sándor Demján: In crises, radicals always gain ground. I am a social democrat because of family affiliations and my personal philosophy, but there is no such party in Hungary at the moment. The past socialist and liberal governments were so bad, that the opposition received a two-thirds majority. So if the current government should fall, we will be in big trouble: there is no-one left to vote for from the middle. This means that the far right and the far left will be the only choices. Hungarians have always voted according to their emotions, not their interests.

Amrop: What do you think Hungary needs?

Sándor Demján: In order to pay back its debt, it needs to grow. European leaders were wrong in 2010. They should have let the Hungarian government take on more debt to push growth. Of course, when I say growth, I am talking about the real thing, not a fake rise in GDP when the state borrows money and spends it on welfare and social measures.

To spur growth, the government needs to focus all of its resources on industrial and agricultural production, tourism, logistics and helping Hungarian firms to invest abroad. This needs a highly selective development strategy and savvy managers. The state should start founding companies, because businesses are too poor to do so. To do this, you need a very inexpensive state. I don't know if this can be achieved.

Amrop: You paint a pretty dark picture.

Sándor Demján: Yes, and not just about Hungary. The whole of Europe will suffer. Still, in time, the East is bound to rise. It is too bad that politics has been detrimental to Hungary, but even this is only an interim situation. In 40 or 50 years, people in Hungary will be much better off than the citizens of France or England.

Amrop: You have a foundation. What are your thoughts on philanthropy? How would you like the world to remember you? What will your legacy be in Hungary and the region?



ABOUT ISTVÁN SZÉCHENYI

István Széchenyi was one of Hungary's greatest 19th century statesmen, an aristocrat who traveled the world in search of ideas for making Hungary a better place.

As a writer of several still-quoted books on capital and financial services, Széchenyi wanted to convince quasi-feudalist Hungary that the way to progress was to build a capitalist democracy.

He actively helped the foundation of the Hungarian Academy of Sciences and supported the construction of the first permanent bridge linking Buda and Pest, "The Széchenyi Lánchíd", which still stands today.

Sándor Demján: I am a great fan of Széchenyi, he is my God, my role model (see box). So I want to do something for society. Poverty is a big problem for everyone, because if you are not given a chance by someone, you will never be able to break out of it on your own.

I was fortunate. I was offered help. There was a priest, who gave me a book, and there was a library in my village. There were many others who helped me. For example, I was only able to attend college because the financial cooperatives of the time gave me a scholarship. In remembrance of this, I work as the chairman of the financial cooperatives for a symbolic 1 forint.

As my own example shows, if a child is able to break out of poverty, he or she will be a more motivated leader than someone who has grown up in a comfortable lifestyle. If, however, poverty is a brick wall in a society that no-one can break through, then only the comfortable will get ahead. Thus, I consider it my duty to help those who are as poor as I was, those who are not given a chance by others. I do this not just in Hungary, but in Russia and Poland as well.

My foundation is just closing its first 5-year cycle: 7-8,000 very poor kids from two of the least advanced parts of Hungary received regular financial aid from the foundation in various forms. The foundation also gave 2,500 talented, but poor university or college students a scholarship amounting to double the state scholarship for 5 years in cooperation with student organizations.

In fact, we let the students decide who would get the grant. I am also very happy that I was able to help many talented students extend their studies abroad, on the condition that they use the knowledge they gained abroad in Hungary, to benefit all of us.

The other thing I find very important is supporting the arts. Increasing poverty means that there is no money to support culture. Yet I believe that high culture, is cardinal in the upkeep of a sense of nationhood.

Amrop: You used the soccer metaphor for business throughout the interview. However, you also play poker at a high level. Is there a poker-business connection in your life?

Sándor Demján: I learned to play cards at a very young age and I still enjoy it very much. I even told a group of Polish kids in church care that they should learn how to play cards and chess because they will become more creative and a better judge of what risks are acceptable. The only problem with playing cards is if it becomes the goal of your life.

Being a good poker player is also a question of having a long track record. A competition day is 12 hours long. If you are not a profes-

sional, who trains for this throughout the year, concentrating for such a long time is very difficult. For an amateur like me, achieving the sixth place among the 40 best poker players in the world in Nassau was a huge accomplishment.

As regards how I use poker in business: if someone is unwilling to play a game and compete seriously, then that person is probably not a good manager, either. You need to be able to play. 🌈



David Young (left) and Richard Kohlmann (right) of Amrop Hungary with Sándor Demján, the founder of TriGránit Development Corporation (center)

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