

Chatroom

Business is Never Routine

Marianna Lukács founded one of the largest Hungarian health funds, converting family heritage to corporate assets. The founder of the Patika Group, with turnover now reaching 8 billion forints, says that control is one of the key managerial strategies. Every businessperson needs a confidante, who is supportive of her good decisions and makes note of bad ideas.

In Hungary it is not common for someone to build from the foundations and become a prosperous businessperson. Eighty per cent of the Hungarian wealthy consist of people who took over a corporate empire and the related assets, and only 20% of them built their companies from the ground up and made them successful. Marianna Lukács, in her forties, belongs to the latter group.

“In a developed democracy, wealth is accumulated faster. The healthy ratio is somewhere around 50-50%. Fifty per cent take over the reins of a family company and 50% independently build up a successful company. I also had a supportive family background. Although I did not inherit an entire company and billions of forints, but enough capital to launch my own health fund at the age of 33. I not only received financial support from my family, but also a mentality. My parents were very committed to providing me with a good education, so by the age of 18, I already spoke four languages. It was similarly important in my life that members of my family, who had lived abroad for a while, passed on business know-how to me, which had been scarce in Hungary in the nineties. As a child I was never told that I would not succeed in something or that I’m not good enough in something. I was brought up to know that I could accomplish what I wanted. This is why it never crossed my mind that I would not succeed in something I resolved. Now I am obviously aware of my limits, but to have the courage to build up a company I needed the self-confidence I had gained in my childhood. According to every survey and statistic, a significantly higher number of young people in America plan to go into business than in Hungary. To a certain extent this has to do with the fact that children in American schools are taught that it is all right and even necessary to fail, and if something doesn't work out, it doesn't mean that you're not good enough. This is the mentality I was given at home in addition to wealth. In fact, if I think back, this is also the time I learned to manage assets. I had real estate and land in my name, and each year the family sat down and we assessed the revenues and expenditures. I was given a savings deposit, and I was free to choose what to invest my money in. We then analysed the yields. My godfather, who was a merchant, taught me a sales philosophy. We didn't play Monopoly, but traded Zsolnay porcelain mugs, buttons and socks – he was the buyer and I stood behind the counter. He bought something from me, and I had to decide on the price of the things I sold and what to do with the money. I also learned from him that if someone wants to buy up my entire inventory at half price, I should strike the deal because stockpiling also costs money.”

So you were brought up to become a businesswoman, yet you started working as an employee after graduating from university.

“It was not a clear choice for me to become a businesswoman. My first job was in Germany at a sickness insurance company, where I learned how health insurance works in a developed democracy. But Rudolf Andorka, the rector of the Budapest University of Economic Sciences at the time, lured me back to Hungary. I soon realised that research isn’t really for me. I then worked at the Hungarian Financial Supervisory Authority, the Pension Reform Committee of the Ministry of Finance and at Allianz Insurance Company. All of my jobs navigated me toward the health fund sector.”

One would think that health funds are the playing field of big business. Banks and corporations set up funds, not a young woman. What was the business opportunity you saw in the Hungarian fund sector, which was still at a fledgling stage?

“I never thought that this was the playing field of big business because I was always thinking big. I believed that I possessed all of the necessary skills to do something successfully in this sector, to do it better than the existing market participants. In Germany I learned the skills of organising a health insurance company in a country with a more developed health and financial culture, during the two years at the ministry of finance I gathered experience in drafting legislation, and at Allianz I observed successful implementation in Hungary. Business is successful if there is demand and quality service that responds to real needs. I had no doubts about the demand side. I grew up with doctors, nurses and pharmacists, and I learned that there are no healthy people, only poorly examined patients. As I found myself in possession of my family inheritance, I had a very clear purpose of investing it. I launched Patika Health Fund in 1999.”

Big business carries the risk of a big failure. Especially in a sector of which we now know that it is very much exposed to the tax policies of the prevailing government.

“It never occurred to me that I could fail and lose the family wealth that had been flourishing for generations. I truly believe that a good service that creates value for many people is the foundation of successful business. Obviously, the devil is in the detail, and a business model can fail, but mistakes can be corrected. Today Patika has more than 10,000 service providers, we have contracts with almost 10,000 employers and our customers are satisfied. This speaks for itself: we are good in doing good. But it’s fair to say that I did not foresee the country risk associated with Hungary. Regulators have a strong influence over this market in both a positive and negative direction, and tax laws have been changed very frequently in recent years. This poses a threat to even the best business models. Politics, however, also takes a risk by allowing regulators to interfere with the operation of the market to such an extent. This way the Hungarian population will never become mature and take conscious financial decisions affecting their lives as by citizens of developed economies. And this also weakens politics.”

Business schools teach students to start a business on a small scale. What is a small-scale business model like at a health fund?

“I was never thinking on a small scale. Maybe it was a mistake. In Germany I saw major private insurance companies at a time when in Hungary it was inconceivable to have other market participants other than the OEP (National Health Insurance Fund). When we launched Patika and we were the first to issue the Patika card that allowed convenient payment, I thought that our product was so good that we would have 100,000 fund members already in the first year. I was wrong. There were only 500. But I still think today that during the start-up, the processes should be planned so as to serve the future growth of the company. Beyond outstanding service, patience is also needed in the fund sector for business to become profitable. We a membership of 100,000 in ten years. Until then I did not withdraw money

from the company. I was very fortunate to have been in a financial position to invest a significant proportion of revenue on development, and I managed to achieve that the Patika Group now stands on several pillars. Financial service companies can be successful in the long term only if they offer several services to their partners – to service providers, employers and members. This is what we do now.”

All pillars are profitable?

“No, but apart from the investment, Patika has never been unprofitable at group level. We always managed to balance revenues and expenditures. A business should invest and make use of money. To this day we reinvest substantial amounts each year. Investments are manageable with a good business plan, unless the legislator changes the business environment at the last minute, as was the case with the SZÉP card, for example. So a 170 million forint development is not generating money to this day. Businesses become cautious in a country where this can happen.”

In 2011 you bought a stake in MediaCity Magyarország Kft., which also publishes Figyelő. What prompted your move to media from the health fund business?

“I shouldn't have taken that step. The lawsuits are still under way. My mother always encouraged me to stand on at least two feet in business. When she died, I invested the last part of the inheritance in media because I believed that the press plays a very important role in a developed democracy. I thought that with a ten-year vision it is possible to build up a media portfolio that is fair, objective and is very useful for the country and businesses. My mistake was partnering with a business partner whom I had known for a long time, but I failed to notice that he had changed in the meantime. The shareholder war resulted in a serious disappointment and a loss of 250 million forints. It is very discouraging to lose so much, but I learned a lot from my mistake.”

Would you still invest in media?

“Yes, but not in Hungary.

What makes a good businessperson?

“Patience, openness and logical thinking. Someone who plans on setting up a business should think in terms of at least ten years. Of course, the result can be negative, as in my case in relation to MediaCity, which I should have exited much sooner. My main mistake in the MediaCity investment was that I was carried away with the events. I did not stop and question situations that seemed strange, but kept on pumping money into the company. Children intuitively ask something they don't understand. In business, too, you have to immediately question something that you find illogical or fail to understand. You should never ignore unclear connections out of convenience. Because this either means that our information is deficient or that we made the wrong decision. Both are risky in business. Business is never routine! In business it is also important to be able to quickly size up our opponent. I have to admit that you receive many more bruises from partners than from competitors. I nevertheless believe in joining forces. No one is a genius on their own. You need to partner and combine the knowledge of 2-3 people to create something new. I think having checks is also very important. Everybody in a decision-making position needs someone to share ideas with, someone who is impartial, is trusted and whose opinion is accepted. This can be someone with whom you have daily contact, but also someone with whom you talk once in a decade, but you trust his or her opinion of a given matter. You can avoid very many disappointments by having checks in place. And you should never give up and give yourself time.”

What's the role of the company manager in success?

“When I was appointed branch manager at Allianz, I said that I will sign above my name, but nothing else. In other words, I will take responsibility, but each co-worker needs to have a grasp of the responsibilities and how he or she can contribute to the company's success. I built up a team that consisted of independent staff. I did the same when starting up my own business. I define the strategy, but then keep a distance from the company and let my co-workers do their job. I don't want to interfere with everything and deal with the details because I trust my appointed middle managers. I think that my co-workers are very grateful for this. I am not suitable anyway to control everything, but I do insist on surrounding myself with the best managers.”

Will there be another pillar to replace media?

“Yes, because I had made a promise to my mother. But I am still looking for a sector to invest in. At the present, however, Hungary's environment does not encourage investment at all, so I might be looking beyond the borders. There are golden rules in business. For example, you should never invest in a crisis. Hungary is still in crisis, despite the fact that most of the world has recovered from the low of 2008. The economic trends in Hungary show a different picture and prompt belt-tightening. This is a serious problem because the economic slowdown will affect growth and competitiveness in Hungary in the long term. Last year the government collected 850 billion forints more in tax revenue, which is a 7% rise, than in 2014. It seems that the whitening of the economy is thwarting growth. The state, on the other hand, is not necessarily efficient in spending revenues.”

What role will the Patika Group play in the Hungarian economy in five years?

“Just now, when the existing cafeteria system has been changed, it is very difficult to answer this question. Nevertheless, I think that the cafeteria market has become so large and rooted, mobilising money accounting for 1.5% of the GDP, that not even state controls can slow it down. In terms of the fund's pillars, the future relies on the individualism of Hungarians, who share a belief in securing and controlling their own future. The government needs to realise that continuing pressure on the funds is risky because employers' care plans play a very important role in the 21st century knowledge based society.”

Orsolya Sebők