

## MANAGEMENT CREDO AND VISION FROM THE HUNGARIAN BANKING SECTOR

*Zoltán Pollák*

Respect for each other, determination, belief in teamwork, modesty and openness to learning – these are the most important characteristics of a great leader according to the executives of domestic credit institutions. As our interview with the first people of banks reveals, success cannot be founded on luck. In order to achieve their goals, in addition to modesty, overwhelming determination and hard work are essential. Besides devotion, a well-qualified and motivated management team is required. Most bank executives also outlined their vision about the banking sector and the Hungarian economy as a whole. The period ahead of us will be characterised by the coexistence of digitalisation and tradition. Based on the leaders' forecast the economic growth in Hungary will be higher than in other countries of the Eurozone in the next 2-3 years.

*JEL codes:* M10, G10

*Keywords:* leadership roles, economic outlook, bank executives

### 1 INTRODUCTION – CYCLE-CHANGING YEARS, PARALLEL BIOGRAPHIES

*Hendrik Scheerlinck*, the CEO of K&H Bank, who resigned recently, considers himself to be a “grey mouse” in a way. But where does this seemingly weird and reserved characterization come from, and what does it mean? Even *Sándor Csányi*, the leader of OTP presents a new shade of the meaning of the colour grey in his interview, according to which he closed his essay in the Hungarian literature school-leaving exam with a famous quotation by Ady: “*I will not be the violinist of the greys...*” This quotation escorted him through his whole career. Due to hard work, he has become the most successful businessman of Hungary over the years. *Mihály Patai*, the leader of UniCredit Bank and the Hungarian Banking Association continued using musical metaphors. He believes that a conductor should not become the best soloist playing string, percussion or wind instruments. He is only responsible for selecting the most excellent musicians and make them give the best performance.

The biographical interview collection entitled *Cycle-Changing Years, Parallel Biographies* published by the Hungarian Banking Association includes similar

backstage secrets directly shared by the most influential people of the Hungarian banking sector. In the first half of my writing, I tried to outline the management credo of Hungarian bank CEOs and present what they think of themselves as managers. In the rest of the essay, the reader can get an insight into the magic ball of the CEOs of credit institutions and receive first-hand information on the prospects of the Hungarian banking sector or, in a broader sense, the Hungarian economy.

## **2 WHAT DO THE LEADERS OF BANKS THINK OF THEMSELVES AS EXECUTIVES?**

Management credo is a recurring topic in the interview collection. What do the CEOs of banks think of themselves as managers? In the next part of my essay, I compiled the leadership roles prioritised by the executives of banks.

### **2.1 Respect for clients and colleagues, humility**

Hendrik Scheerlinck, the CEO of K&H Bank, who resigned recently, emphasised his respect for his colleagues and clients, as well as humble work as his most important virtues as a manager.

*“...by all means, we should work humbly. As a leader, my main guiding principle is that you should respect everybody, from your colleagues to your clients. The main goal is to stay trustworthy. I must work hard with my colleagues to provide our clients a better service. We constantly aim to improve our performance and become an even better counselling bank. I expect my colleagues to behave respectfully, keep in mind the goals of the bank group and work for them. In each case, the need of the client and our ability to react to the changing needs of our clients should have priority.” (Kovács–Sipos, 2017, p. 140)*

Heinz Wiedner, the former CEO of Raiffeisen Bank believes that it should be clearly the client who should be in the focus of attention, as this approach takes the leader closer to the achievement of his goals.

*“The most important thing is to satisfy the clients. Satisfied clients tell their acquaintances how good our bank is, thus attracting new clients to us. In the long run, our clients’ positive opinion is more important than the achievement of our financial goals, as a bank with dissatisfied clients can remain profitable only for a short time.” (op. cit. p. 214)*

In addition to mutual respect, Ádám Balog, the CEO of MKB Bank, emphasises professional knowledge and efficiency as the most important values, and summarises his management credo as follows:

*“I expect the same things from my colleagues and myself, nothing more or less: preparedness, diligence and efficiency in the field of work, and mutual honour and respect in human relationships.” (op. cit. p. 171)*

## **2.2 Determination, hard work, openness to learning**

Sándor Csányi, the President and CEO of OTP Bank, one of the most successful businessmen of Hungary, attributes his personal success, among other things, to determination, openness to learning and modesty.

*“In hindsight, it is hard to say why my things have gone so well, as my success has no secret. In different situations, decisions, acts and forms of behaviour lead to the goal. As a child, I was already determined. A good example for my determination is the last sentence of my essay in the Hungarian literature school-leaving exam, a quotation by Ady: ‘I will never be the violinist of the grey...’ If I had to list the factors which can contribute to success, in addition to the already mentioned determination, I would say willingness and ability to learn continuously, hard work, fairness and loyalty. Perhaps, in the long run, it is more important that a leader should not be deceived by self-importance and be able to remain modest.” (op. cit. p. 187)*

Instead of luck, the leader of OTP attributes his success to hard work and his reliable colleagues:

*“You cannot build on luck, but on the factors listed above you can. Real results, sustainable success can be achieved only by working hard, therefore, in my opinion, success does not have a recipe, but rather a work diary. As far as OTP is concerned, the only role of luck is that a lot of good experts to whom I can and dare to delegate powers work at the bank.... The most important task of a manager of a company is to find those people who are able to operate the company even without the manager.” (op. cit. p. 188)*

Similarly to Sándor Csányi, József Vida, President CEO of Takarékbank, also expresses and highlights concentration and accuracy as managerial virtues.

*“As I lost my father early, I was forced to grow up fast and take part actively in the work around our house in the countryside. Consequently, I learnt that only persistence and good work lead to results. At the same time, I got closer to animals at an early age. In addition to keeping you busy all the time, they teach you a lot of things, such as unremitting attention, care and thoroughness, all of which are important for a manager” (op. cit. p. 230)*

József Vida expects himself and his colleagues to be equally dedicated to work:

*“In connection with this topic, an old, eternally true saying comes to my mind: you always have to do what you can, but you cannot always do what you have to. Based on this, I expect my colleagues to work in the same way as I do: they should be responsible and dedicated at work, be attached to what they do, even if they cannot achieve everything according to the plans. The latter idea is important, because if someone deals with something a lot, they feel that they own that thing, irrespective of whether they had to pay for it or not. Furthermore, it is very important to hold on even in the most desperate situation and be able to find the way out. However, good things never come easily, therefore I believe in the power of consistent work very much. And the most important idea: if you do something, do it professionally, as otherwise it is not worth doing it.” (op. cit. p. 230)*

Pál Simák, CEO of CIB Bank, believes that motivation and dedication are the keys to the success of his bank:

*“One of my beliefs as a manager is that a well-operating organisation requires dedication from its employees. We not only take effort to turn CIB into a good bank, but we would also like to make it a good workplace, so that our colleagues can be proud of working here. On the other hand, we continuously measure our employees’ commitment, which has been rising over the past 3- 4 years, reaching a record level last year. The fact that Intesa Sanpaolo has a strategy and vision about what it intends to do in Hungary might have contributed to this result. The excellent management team can motivate colleagues, therefore we have returned to a profitable period by now. Everyone can feel that it is good to work at our bank, it is worth the effort, as their work is recognised, and not just in a financial sense. (op. cit. p. 51)*

The interview reveals that when selecting his management team, in addition to professional knowledge, Pál Simák regards the ability to inspire people and independent, creative problem solving as the main criteria. He continues his thoughts as follows:

*“Anyway, I like working with colleagues who are independent, have their own concepts and ideas, which they can also implement. Being excellent in one’s profession is a minimum requirement, but it is equally important how an employee is able to motivate, inspire his/her colleagues. I am trying to help my employees to use the available opportunities with confidence. I like innovation, fresh ideas and expect my colleagues not to look for problems, but find solutions instead.” (op. cit. p. 51)*

### 2.3 Team building, ability to cooperate

György Zolnai, the former President CEO of Budapest Bank considers himself to be an operative manager in the first place. Similarly to Pál Simák, he believes that the key factors that contribute to a bank executive's success are team building and professional expertise. He summarised his sophisticated management style as follows:

*"... I believe that the CEO should not be a diplomat. He should rather be the first quality controller, compliance controller or the first controller of the company. Of course, in addition, he should build a team. The latter required strong GE experience. I probably could not have become a successful GE manager if I did not believe in strong team work. Similarly to turbine builders and aircraft engine engineers, bank executives have to live in the same corporate culture, they have to work in a team. Transparent benchmarking, cooperative teamwork, open questioning and a relatively flat hierarchy imbue the organisation. I grew up in this culture, so I prefer it. I strongly believe that professional expertise can seriously help the management of a bank."* (op. cit. p. 45)

In the years of the crisis and the ensuing period, except for the year 2014, Budapest Bank was able to make a profit. György Zolnai attributes the success to humble and accurate work ethic:

*"The bank manager or bank management team that is in the office from Monday morning to Friday afternoon, works diligently, manages the bank according to rational principles and pays attention to small details cannot avoid good results in the following years. Where this is not the case, spectacularly bad results will come very soon, within 2-3 years. The Hungarian banking sector is a good example for this."* (op. cit. p. 46)

Radovan Jelašić, the CEO of Erste Bank emphasises that an appropriately selected team is the key to success.

*"I must build a good team, in which the individual managers know professionally more than me. It is something that you should not be afraid of. You should be delighted about it, as it inspires, improves me as a leader, as well. I will not have to build my team on individuals, which would be very dangerous."* (op. cit. p. 88)

Mihály Patai, President CEO of UniCredit Bank, believes in colleagues who are open to learning, able to motivate others and are outstanding in their fields. The main task of a leader is to create conditions which allow the members of the team to do their best.

Reacting to the metaphor brought up by Sándor Csányi (*"I will not be the violinist of the grey..."*), Mihály Patai said that instead of being the best violinist, a conductor has to synchronise the most excellent musicians.

*“I have always striven to select the best colleagues who are ready to cooperate, open to learning, have high energy level, therefore they are able to motivate others and form the events. Here, I must return to a thing I learnt through self-understanding when I was a school-age child: I do not have to be the best. What is more, I should not be the best! Of course, my colleagues are better in their fields, but I have to provide the conditions which enable them to find self-fulfilment in their relationships with each other and the clients. A conductor never wants to be the best string, percussion or wind instrument soloist, neither does he want to read the score instead of the musicians. His task is to make the most of the cooperation of the musicians he has selected. I would like to mention that once I saw a television broadcast in which the camera consistently focused on the musicians, and the conductor was never shown. I enjoyed the concert very much!”* (op. cit. p. 238)

### 3 HOW DO BANK CEOS SEE THE FUTURE?

In the collection of interviews, most bank executives also outline their vision about the banking sector and the Hungarian economy as a whole. In the next part of my essay, I collected the most important trends, challenges and predictions mentioned by the CEOs of credit institutions.

#### 3.1 The symbiosis of tradition and innovation in the banking sector

Levente Kovács, secretary general of the Hungarian Banking Association, forecasts in the introduction to the interview collection that *“the process of digitalisation will deeply affect and fundamentally change the Hungarian banking system.”* (op. cit. p. 25)

Pál Simák is of the same opinion. In the centre of his fundamental vision is *“a universal bank that is sustainable in the long run.”* He emphasises the following pillars of implementation:

*“One of the most important acquisitions is client acquisition, dynamic growth in the retail and corporate segments. Our key elements include innovation and digitalisation, which we attach great importance to. The clients arrange whatever they can on the Internet or through mobile applications, which we must adapt to.”* (op. cit. p. 51)

Ádám Balogh also draws attention to the ongoing change. At the same time, in his opinion, banks should not forget their traditional values either. As far as the bank managed by him is concerned, he emphasises that

*“... our two most important characteristics are the coexistence of tradition and innovation. MKB has been in the market for 65 years, which provides significant stability. Nowadays, everything is about innovation, but as finances constitute the most conservative industry, we should not dismiss traditional banking values. Adherence to the classic system of banking values is still an important feature of the world’s most significant banks. We entered into a world in which those who do not adapt immediately lag behind. Irrespective of their background, clients are used to getting more when they hold an account or take out a loan. They need a partner, an advisor, in particular in the current interest rate environment. MKB Bank offers them all these services, but it is not enough. We have to satisfy their needs through modern channels which are fast, simple and secure at the same time. This is the reason why we support fintech innovations that develop the banks and banking opportunities of the future with considerable amounts.” (op. cit. p. 171)*

Sándor Csányi’s words correspond to the opinion of Ádám Balog, who emphasises that not all generations are able to go through the process of conscious digitalisation at the same speed, which projects the coexistence of traditional and innovative solutions in the future. Clients will be able to choose from old or new services.

*“Of course, OTP is a real people’s bank with more than 3 million clients belonging to different age groups, from different life situations and with the most diverse corporate clientele. The habits of such a colourful community of users will not change overnight, therefore OTP should not be turned into a digital bank at one sweep. At the same time, in addition to the usual services offered in our branches, we are introducing a wide range of pioneering digital innovations available to a lot of people, as an increasing number of clients expect from a bank to offer them a choice between traditional and digital services. The aim of our digital innovations is to ensure that all of our clients can use our products and services according to their own habits and needs. Everyone should go through the phases of digitalisation at their own pace and find the most accessible OTP banking service of the highest quality in each phase.” (op. cit. p. 188)*

### **3.2 Reducing the use of cash**

In connection with digitalisation, only Hendrik Scheerlinck mentioned a specific innovation. He believes that one of the most important future goals is the reduction of the use of cash. In order to achieve this common goal, K&H Bank is making serious efforts, but the current regulation does not help market participants in this area.

*“... currently, we have five cash-free branches in Hungary, but by the end of the year, we are expected to have seven. These are open-plan branches, which are more attractive to clients in many respects. 70% of the transactions are still conducted in cash in the country. This percentage should be reduced. Basically, the use of cash should be reduced. Currently, the Hungarian regulatory environment does not support this move. For example, the introduction of the transaction duty has further increased the use of cash. At the time, we drew attention to this risk, and we were right.”* (op. cit. p. 141)

### **3.3 Conservative risk management and responsible lending**

The interviews reveal that most bank executives have drawn the adequate conclusions from the financial crisis and aim to avoid that processes similar to foreign currency lending take place in Hungary again.

Sándor Csányi stresses that OTP Bank owes his current leading role and achieved results to conservative risk-taking and the responsible attitude of the lenders:

*“When talking of the present and the future of OTP, it is important to remember that OTP could manage the financial crisis in a stable manner, without the help of the state. Furthermore, we closed each year with significant operating profit. The basis of this success is our conservative business policy – in particular the conservative risk management and lending attitude that is perhaps the most important tradition of OTP and the main source of our clients’ confidence. Due to this business philosophy and practice, OTP Bank has become one of the most stable European banks with the best capital and liquidity situation.”* (op. cit. p. 188)

Similarly to Sándor Csányi, Mihály Patai also draws attention to responsible behaviour of lenders, which could be a key value in the future:

*“In our country, the risk management culture excludes the following of dangerous market trends. This culture is our mutual treasure with our clients, which contributes to the fact that we will be able to rely on each other for decades.”* (op. cit. p. 238)

### **3.4 Financial culture requires further development**

Sándor Csányi, as the only CEO representing large banks, draws attention to the underdevelopment of the domestic financial culture and the poor financial knowledge of borrowers. Long-lasting, well-balanced development in the banking sector would require improvement in this area.

*“Unfortunately, this risk did not disappear after the crisis. If there were no change in this area, we would not be protected from recurring social landslides. As a re-*



*sult of this realisation, OTP has invested and will continuously invest billions of forints into the financial training of pupils taking part in public education. The OK Programme of the OTP Fáy András Foundation provides free financial education to 20,000 pupils annually. This programme has gained serious international recognition by now. As the programmes has already proven successful in Hungary, this year, local OK Centres are to be opened in Slovakia and Romania, as well, because the improvement of financial culture is not only an actual issue to be supported in Hungary, but it is also a goal in the interest of the whole region.”* (op. cit. p. 189)

### 3.5 Optimistic vision with a little warning

Almost all bank executives are optimistic about the future of the banking sector and the Hungarian economy. For example, Heinz Wiedner downright declares that *“the hard period came to an end in 2014. The next period will be more well-balanced for the banks.”* (op. cit. p. 212)

Similarly to his colleague, Mihály Patai also forecasts the beginning of a new period characterised by strong state control:

*“This is different and more than a new cycle. In the next decade or perhaps decades, the powerful hands of politics and similar regulation and articulation of consumers’ interests will remain with us and determine the operation of the banking system.”* (op. cit. p. 238)

József Vida also places the banking sector into the focus of the state, which can be considered as an attractive future opportunity:

*“The macroeconomic environment is excellent, which obviously favours the credit institution sector. Besides, it is apparent that the domestic banking sector has become an important sector to the government, as well, and receives special attention. We have to take advantage of this opportunity, as the circumstances for well-balanced development are given at the moment.”* (op. cit. p. 231)

Heinz Wiedner draws up a very optimistic vision, as well. At the same time, he draws attention to the fact that Hungary has a small and open economy, therefore an external shock can turn the currently convergent prospects any time:

*“Now, the prospects are very positive. All the credit rating agencies have upgraded the country, the budgetary deficit is low and the balance of trade is positive. All the indices seem to be positive, sometimes even too positive. Some experts even doubt whether this development can be sustainable in the long run. I am optimistic about the next 2-3 years, as the Hungarian economy is expected to grow at a higher rate than the Eurozone. Of course, a stronger external shock may always arrive, for example from the Eurozone or China, which Hungary will not be able to isolate itself from, and it could have a negative effect on the local economy.”* (op. cit. p. 213)

#### 4 SUMMARY

The interviews with bank executives reveal the characteristics of a good leader, which have helped the CEOs on their way to success. Everything is based on respect for clients and colleagues, as without satisfied clients, a bank cannot be profitable in the long run. It is also important that success should not be based on luck. Success requires overwhelming determination, diligence and hard work. Despite tremendous dedication, nobody can go far without a well-selected and reliable team. The ideal members of the management team are independent, have their own ideas and continuously look for solutions instead of problems. A good leader cannot be the best in all areas. He/she has to excel in the delegation of tasks and the motivation of colleagues instead. Finally, perhaps the most important piece of advice: despite his/her success, a good leader should stay modest under all circumstances.

In the collection of interviews, in addition to declaring their management credo, most bank executives also share their predictions about the banking sector and the Hungarian economy as a whole. In their opinion, the next decades will primarily be about the coexistence of tradition and innovation, while digitalisation will be spreading and fundamentally change our ideas about banks. If an institution does not adapt immediately and becomes the pioneer of change, it may easily drop behind. One of the main goals of the digital revolution could be the reduction of the use of cash in the future. In the glamour of digitalisation and fintech, conservative risk management, responsible lending behaviour and the development of citizens' poor financial knowledge remain important, as these factors are required for well-balanced development.

Undoubtedly, the long-lasting economic crisis has been left behind. Almost all bank executives are optimistic about the future of the banking sector and Hungarian economy, which will be determined by the powerful presence of the state. However, we should remember that a new external shock can arrive anytime with ripple effect on Hungary.

#### REFERENCES

- KOVÁCS LEVENTE – SIPOS JÓZSEF (2017): *Cycle-Changing Years, Parallel Biographies. Portraits from the Hungarian Financial Sector, 2014-2016* [Ciklusváltó évek, párhuzamos életrajzok. Arcképek a magyar pénzügyi szektorból, 2014–2016]. Budapest: Hungarian Banking Association – Semmelweis Publishing House.