

**January 2014**

***Interview with Steve Maras of the Maras Group***

**Building a Sustainable Property Group:  
an Entrepreneur's Perspective**

(Interview by Martin Haese; editing and commentary by Chad Perry)

**Introduction**

*This is the third in our series of interviews with successful entrepreneurs. Mr Steve Maras answered questions from AIB's Martin Haese on 26 August 2013. Mr Maras is the Managing Director of the Maras Group, a South Australian retail and commercial property investment and development company that is considered by many to be a 'pace-setter' in its market. Mr Maras offers valuable insights into five areas:*

- A. Overview: past and present***
- B. The future and strategic planning***
- C. Entrepreneurship: what is it, are entrepreneurs born or made, and what is an entrepreneur's motivation and education?***
- D. The Maras Group today: a family business, achievements, staff, competitive advantage, finance***
- E. Final thoughts: leadership and advice for business graduates***

*This report of the interview begins with an edited version of the transcript made by Professor Chad Perry. Professor Chad Perry follows up with a summary of the insights that the interview unearthed, sometimes using words from AIB's teaching materials for its MBA Entrepreneurship subject.*

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**A. Overview: past and present**

*Let's kick off with an introduction about you and your commercial history. What is your background?*

I went to Adelaide University and did a Bachelor of Economics, majoring in Accountancy, for 3 years. I finished at the end of 1990 and was offered a position at Price Waterhouse. I worked there predominantly in the area of insolvency and corporate reconstruction, which was interesting because that's not an area that was taught at University at that time. It wasn't traditional accounting, it wasn't finance, it wasn't taxation - it was a totally different world. And it was probably the best time to do it in my business life, because that's when the recession had hit and Price Waterhouse had the largest insolvency practice of its kind.

I then did a Graduate Diploma in Property for the first two years and crammed a two-year, full-time Master of Business in Property into one year whilst working full-time at Price Waterhouse. It's fair to say that at the end of '93 I was a little bit burnt out and decided I needed a change from accountancy and went and worked for a 2<sup>nd</sup> tier commercial property firm called Richardson and Wrench Commercial Adelaide, which was a new, boutique firm at the time. I worked there for two years and then started up my own practice called Commercial and General Property Advisory Group. I specialised in commercial and residential valuation work, consultancy and advisory work, and, to a lesser degree, I also did some commercial and retail sales and leaseings. I then sold the contracts that I had to Knight Frank Adelaide, and moved there to get into the city sales and investment arena. Those seven years at Knight Frank were probably one of the best periods of my career in terms of learning. I then joined my father, Theo, following the separation between him and his business partner of 25 years, to come in to run the business that would be called Maras Group. I have been doing that now for six and a half years. And here we are.

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*And the past and present of Maras Group?*

Before Maras Group, the company Theo was joint partner in was known as Mancorp, which, at that time, was very much a property investment company that was largely development driven. Maras Group started with a property portfolio that was created as part of the splitting of Mancorp's property assets in 2006 and what we're doing with Maras Group is leveraging off of that base platform and investing in two ways. One way is investing in what we like best and our love is for main streets and precincts, 'place-making' and all those sorts of things. The other way is looking at investments that are *not* totally Maras Group-owned and controlled as these projects give us a bit of 'risk spread' and introduce us to areas that we traditionally may never have got involved with before.

Maras Group isn't geared up as a builder-developer. If we're looking at *larger* investments, we will either co-invest, or joint venture with another group who will take on the development aspect of it, so we essentially come in as investors. When we're doing *smaller* projects, we've got what I call a core construction/project management team here to allow us to do smaller-scale refurbishments, upgrades, or even smaller builds. And when I say smaller builds, if I point to the new one we've just completed in Union Street in Adelaide, that's a small-ish, six-storey, mixed-use building with a restaurant and five levels of offices; that's probably as far as we go with our current set-up of the construction arm here.

Maras Group's asset classes, in terms of property, would be predominantly commercial and retail. With the 'leisure' class, it depends on how we allocate the term. We have, within the portfolio, pubs and hotels that could be classified as 'leisure'. But, we still classify them within the retail spectrum, although assets like The Stag Hotel or The Belgian Beer Bar or even the Nova Cinema - they could all be on that leisure side.

Maras Group's properties are predominantly located in South Australia. In the past, 80% of what the Mancorp Group held was located in the Adelaide city area.

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When the split happened, we decided to take only a few of the commercial office buildings located within the Adelaide city area and also the buildings on the south side of Rundle Street between East Terrance and Union Street (a collection of eighteen buildings in total) and we then looked to invest outside of the CBD. Thus, the Maras Group had made a conscious decision to look outside the CBD, simply to spread the investment risk. But again, we focused chiefly on the commercial and retail sphere and our investments do not go too much past a 10km radius outside of the city.

**B. The future and strategic planning**

*We now have a sense of what the Maras Group business looks like today. What is your vision for the Maras Group in 10 years' time: what do you think it will look like?*

If I look at what the vision was for the Maras Group six years ago, it was virtually to end up where we are today: to spread our wings, to look outside of the Adelaide CBD [for property development] but still keep it South Australian. And the reason for that is we are a relatively small group with a local focus. We have looked at opportunities interstate but we just feel that what we do best is investing in commercial property that's local, that we can see, touch, feel and do things with, and control. It's an approach that we feel more comfortable with knowing that we can control the destinies of our various properties when we are here. In 10 years from now, we will essentially still be running the same sort of operation. Will it be ten-fold what it is today? Probably not. We would hope that we would grow to the point where our present level of around 35 commercial properties in the entire portfolio would be something more like 60–70 commercial properties. The only reason that may not happen is we could look to invest, or co-invest, or joint venture in some other larger buildings, which would mean that we probably wouldn't look so much at the smaller opportunities.

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*There's a school of thought that you should 'always start with the end in mind'. So, is there an ultimate ambition for the Maras Group? Are you building something to sell, or are you building something to pass on? What's the bigger picture for Maras Group?*

I don't think that we are building to sell, that is to sell out of the property portfolio. Before I came to join the Maras Group, there was the Mancorp Group, a 25-year old successful property investment and development company, owned and run by Theo, Bill Manos and Grant Pember [the previous senior managers of Mancorp] – and to me, I thought that they would just continue doing what they were doing forever and a day. And, of course, that didn't happen [because of the split up that ultimately formed Maras Group]. Now, it's all about a deliberate and careful *curation* of our property portfolio [translation: to pull together and select for presentation]. Our biggest investment is in our Rundle Street East property portfolio, considered by some as an “open air shopping centre”, with several independent adjoining stakeholders around it. We've got to work successfully with everybody around us over the *long term* to ensure the sustainable success of this East End precinct. For us, I guess, it's very much about creating something to pass on, not necessarily to sell on, although all investment and divestment decisions are looked at periodically and assessed based on many factors.

*In mapping out that growth over the next 10 years, what role does strategic planning play in the equation for the Maras Group?*

It does play a big role. In fact, we are in the midst of forming an *Advisory Board* - not a board that will direct the Group as to what to do and how to do it, but it's more taking the planning that we're putting in place and advising us on things that we've perhaps missed or haven't considered - asking us the questions that we may not be asking ourselves. The board will comprise Theo as the Chairman of Maras Group (I mean, not necessarily Chairman of the Advisory Board), myself as Managing Director, our CFO, the Chairman of Partners from KPMG (who is also our tax advisor and business advisor), and perhaps two to three

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independents. The independents would be people that aren't there to gain an advantage from being on the board *per se*, in so far as they're not out there to "win points". They are people that have either been in business themselves and been in business a long time, have probably stepped aside, no vested interests and who can advise us on things that we're not doing and not thinking about.

*How do entrepreneurs like you keep abreast of trends, market knowledge and competition when you're also buried in the day-to-day operations and leadership and strategy of moving your business from A to B?*

In my case, it's two ways. One is extensive reading and research—and that's part of the job of what I do. And that very much entails keeping abreast of trends, of future changes to the landscape of the various precincts we invest in and what's happening around us. Not only here in the East End of Adelaide, but in other areas where we have other properties as well. If I take the East End as an example, my role is to not only take care of what's happening directly around here, but to also to keep abreast of other things that may impact upon the precinct, such as changes to nearby areas such as the Riverbank precinct, Victoria Square, Rundle Mall and others.

The other way of keeping abreast of things is immersing myself in other organisations, for example, in the Property Council, Mainstreet SA and Renew Adelaide. In all those organisations, I'm there for different reasons: to promote those organisations because I believe in them and am passionate about them; to increase my knowledge base of what is actually going on; to interact with people outside of who I deal with here every day; and to gain exposure to stories and articles and all sorts of things. So, if you were to just focus on what we do here, and not open any other doors, Maras Group would probably not be in the place it's in today.

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*What are the future risks in your portfolio in the retail property industry, or in the commercial property industry?*

I wouldn't want to be the holder of a large shopping centre portfolio now, or in the short to medium term. If you take our portfolio as a whole, it really sits as a hybrid between pure retail, office and leisure and hospitality uses (for example, cinemas, many restaurants and cafes and those sorts of things). That's a *diversified mix* of properties in many different areas so that if one or two were to be adversely affected, the others probably wouldn't be as affected.

What goes on outside of our group is difficult for us to control, but we can talk to other landlords about what they should be looking at - for their own benefit as well going forward. Maybe it's not bringing in another fashion retailer, or maybe it's not bringing in another Greek restaurant or an Italian café. Sometimes we need to look at something quite different.

Our mix now is probably as *diversified* as it's ever been and that has been quite deliberate and something we have worked very hard on over the last five years. I'll use an example here. In Ebenezer Place, two years ago, I had about 10 retail, mostly fashion-based, traders in a row. In retrospect, I was being a little bit short-sighted as I realised that there wasn't enough of other stuff around it to support who was there. But if you go to Ebenezer Place today, after two years of re-jigging, you'll see that we have a good balance between locally-based retail operators and food based operators. And the food has been a driver for customer traffic and has knocked out some of the lesser performing retailers. And we've looked at other uses that are not as traditional. For example, we've got two jewellery-makers and they are probably two of our most successful operators. They both have their workshops within their retail stores. So we've introduced this "cottage industry" element into the back streets which you won't find anywhere else in the city today.

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I was recently talking to one of my retailers in Melbourne who said that most of his stock now comes from China. What he's saying to me is that Australia has now lost many of its trade skills and much of the infrastructure to manufacture clothing. What does that actually mean in another 5 or 10 years? That got me thinking - that you don't find too many jewellery makers anymore, because that craft is now mass produced somewhere overseas. So the craftsmen or the seamstresses and all those jobs that we once had as part of manufacturing, are steadily going. We're not going to get them back because as this generation goes through not knowing about the manufacturing side of things, all of those skills and intelligence that was built up over many, well, 150 years, is gone in one generation. And then I started thinking about all the other little cottage industry-type businesses, like shoe repairs and all those sorts of things.

There will come a time, in the next 5 or 10 years, when there won't be hardly any shoe repairers because we will just go and buy another pair of shoes for \$25 and there won't be the need to repair them. So, I'm very conscious of that and I've actually recently found a young shoe repairer who I'm going to bring back here and set him up in a "specialist cobbler shop" because I know he's going to do really well. I believe in finding niche operators as a means of creating a point of difference.

Studio Eco is a great little jewellery shop whose jeweller wears a smart jacket and a tie and shirt each and every day when he does his craft and sells from his shop. He is now so busy that he just can't keep up. We have also brought in a providore that is all about organically produced food from a particular farm up in the Adelaide Hills.



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**C. Entrepreneurship: what is it, are entrepreneurs born or made, and what is an entrepreneur's motivation and education?**

*What does the word 'entrepreneur mean to you?*

I've got an easy answer to that one: Grade 6 at Pultney Grammar School when I first landed there [at about 10 years of age], having left Scotch College which I loved. Week One and I was terrified to be at Pultney Grammar. They asked us what our parents did for a living and we had to do a project in week 1: What does your mother do and what does your father do? My mother was the housekeeper and the housewife and so I asked my father, 'What is it you actually do Dad?' And he said, 'The best way to describe me is I'm an entrepreneur'. Well, of course, I couldn't really even pronounce the word, let alone spell the word and had no understanding as to what an entrepreneur was. I thought, 'Whatever it is that he does, I like the sound of it; maybe when I grow up that's probably something that I'd like to do'. So that's the genesis behind it.

What does it mean? An entrepreneur is someone that thinks about things very differently than others. They take risks; they can take huge risks or they can take very calculated risks. I like to do things that are very different from what others are doing and I've been described over the years as 'different': I look different; I don't generally wear a suit everyday like I perhaps did in my earlier professional years; I have a beard. An entrepreneur considers and wants to consider a whole scope of different things: in business, in life, in decision-making.

*How do you reconcile the social and the commercial objectives of any given project?*

The fact is that my father was born in Greece and my mother was born in Australia. All of us three children were born here in Adelaide, but we have been brought up with a Greek background, we've very much clung on to that Greek tradition, ancestry and heritage. Being Greek is about being community-spirited and being community-minded. You go to Greece

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and it's a totally different ball game. Every street, every cobblestone lane, everything about Greece is about being community-minded and community-spirited. What we do at Maras Group, in terms of our main street work, we're there obviously to make a go of it commercially, but it can't just be about that, because you'll never get there in what you're doing.

Take what we've done here in our East End precinct development. The first 10 to 15 years was the gradual build-up of a derelict (former) market site which needed to be invigorated or needed to be redeveloped and re-hashed in some way. But after that, you start to build these structures and you inject some life into a precinct that had been here for 90 years but had withered away. So how do you then re-invent it into something else in a relatively short space of time? And how do you then keep it going? You need to have passion, a lot of energy, plenty of enthusiasm and you need to have a social compass about you that says: 'I'm going to do things, I'm going to do things for this area and this precinct that an ordinary property player would not do.' And I think the best example of that sits to the rear of Rundle Street, because five years ago, we would have struggled to find too many people who wanting to work or tenant shops in these back streets. And, we've since made a very conscious drive to make sure that the back streets become as popular as Rundle Street itself. We deal with a lot of locally-based operators, a lot of business start-ups and have nurtured business start-ups through some pretty bloody tough economic times, whilst simultaneously dealing with a whole new element of residents that actually live back there as well. So, it's finding this complicated balance between people either running retail shops and eateries, and learning to somehow put those altogether and integrating them with people that also live in the precinct.

The best example that I've found in the last five of years is this little providore store on the corner of Ebenezer Place. I can tell you openly that we took a lesser rental for the space, but we've filled a gap that has been there for many, many years and that's to have a proper deli - a delicatessen - grocer - where people can come in and get fresh ingredients for their evening

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meals. If we were otherwise inclined, we probably wouldn't have attracted and secured such an operator.

*Let's talk about you: what drives you? What motivates you to do what you do?*

Certainly not money. In fact, money doesn't even come into the equation whatsoever. What motivates me? It's doing things that others can't do or won't do. It's achieving outcomes that are very difficult to achieve. Or, basically doing things that go a little bit against the grain, I think, most of the time. A classic example is when I first started to realign Rundle Street's tenancy mix. I saw an opportunity to make some wholesale changes to Rundle Street after probably 5 to 8 years of stagnation, before my time in the business. There were few national boutique brands in Adelaide - there were some, not many of them, not the ones that we've eventually brought in. My motivation was to create something special and had little to do with the financial side of it. I'm going to try and create something different because I have the ability to do that given the ownership of the properties and leases coming up and all the rest of it. I'm going to co-locate those interstate from Melbourne, or Sydney or Perth. Almost everybody, including people within the company, doubted that we could do that, or that it could be done. That doubt, or that 'can't be done' mentality motivated me to no end to make sure that it *did* happen. That's not to go to the extent of being ridiculous about it, but that's to really think about how do you do it well, how do you piece it all together? This meant many trips to Sydney and Melbourne - a day trip, might be an overnight - and going and knocking on doors where a lot of the time you weren't able to see the people, or it was excuses not to see you because we were another small property developer from Adelaide looking to do something. It took five years to achieve this but we did, however I can say now that it will all change again in the future because everything changes - nothing ever stays the same. It's staying on top of it and it's making sure that I can foresee where it's all going in the future, and to try and get there before too much changes and you can't keep it together.

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Another thing that drove me was being very counter-cyclical in terms of the economy. This all started when the Global Financial Crisis had hit and some people were saying: you're mad to disturb the status quo that was here at the time. In other words, leave what's there now, run with it and when things improve economically, maybe look at it then. It would have been too late then; the horse would have bolted.

*Are entrepreneurs born or are entrepreneurs made?*

I think it's *a bit of both*. If you call me an entrepreneur, I don't know if I was born that way. I mean, I've been through primary school, high school and University with a number of different people. Some who I thought would never make it in life from a business perspective have absolutely amazed me with how their drive, their enthusiasm and their passion to do something has produced outstanding outcomes – and vice versa. So, I think there's a bit of both. The question is: are those who develop into an entrepreneur, are they as good as the ones who were born entrepreneurs? I don't know the answer to that.

I think if I look back at what I was like when I was younger in my business life, I think I was probably a little bit more methodical with my thinking; probably not as lateral. I definitely believe that those seven years that I did at Knight Frank, where I entered a world of dealing with some substantial property investments and institutional investors and funds, trusts and syndicates and all the rest of it, opened my eyes quite a bit. But having a father like I do also gives you a bit of a step-up to becoming an entrepreneur. It may have some biological attachment I guess. Who knows?

*Do you think there is a flip side towards being an entrepreneur that maybe some folks may not see or relate to specifically because they don't walk that same path?*

I'll say this very candidly, we only ever do things for the good of our *company*, or the good of the *area or community* that we're in, or for the greater community. With that comes a

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level of, sometimes, distrust and uneasiness from people from the outside looking in as to what exactly are these people on about. What is the true motivation behind what they're doing? ... and on it goes.

That is something that I have struggled with from time to time. Or, I did struggle with it a little bit earlier on. But now I've actually realised to somewhat discount what is being said out there by those who are perhaps either not in the know, or don't know enough about it – to go on and continue to do what you're doing. It's constant and sometimes inevitable when you're in the public space and you're doing things for all to see. I've seen that with my father Theo over many, many years and I'm finding that with myself as time goes on, particularly if you want to be a little bit controversial — because with controversy there are sometimes greater results or greater outcomes. I am always true to myself and will back myself in when I know that all that I am trying to achieve is a “greater good” and that's when you go for it with the absolute conviction.

***In an environment where the national agenda is often dominated by big government, big business, big unions, what influence do you think entrepreneurs have in the Australian economy? What role do they play?***

We are being increasingly controlled by big government and big business and big unions. Often what the private sector and private interests say goes unheard or gets pushed to one side. Having influence is difficult, particularly for a group, or individuals like us, in Adelaide; very hard to get there on a national level. It's probably easier for us to have a voice when it comes to local government and certainly with state government. I'm probably seeing now, more than I've ever seen before, entrepreneurs and the private sector doing more than they've ever done before simply because of the economic times that we're in and the uncertainties facing our country. A [Greek] cousin of ours who was here for a few years, said to me: ‘Be careful because if you don't think that what has happened to us in Greece won't happen in Australia, think again. Wake up to yourselves – in Greece, we have deserted

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shopping centres and shopping malls and arcades and streets, and that's happened all within the space of 5 years.' That could very well happen here, but maybe not to the same extent. That makes me worry. Other entrepreneurs that we know are pushing the barrow with local and state governments in particular and you see more of it. I think it's very important.

*So it seems out that, during times of change, entrepreneurs sometimes rise to prominence. If there's no change, sometimes there's no opportunity. I'm wondering if you could share with me a time where you took a risk and failed, and one where you took a risk and succeeded.*

I'll start with the second one: when I took a risk and succeeded. It was what I said earlier about Rundle Street - about looking at changing the landscape of a city street which then obviously had flow on benefits to other property owners on the same side of the street and across the street, in terms of them also being able to attract the boutique fashion retail brands. That was a risk because I went out on a limb to make sure that I could bring in 15 to 20 of Australia's best boutique brands.

Well that risk has succeeded for now. But, will the success of that risk last into the future? If we don't invoke change and look to continuously rejuvenate what's down here, then the success of that risk could end up being a failure. What I'm looking at, unlike most other property developers, is the *long term sustainability* of this precinct. Because we are, I think, here for the long term; otherwise, we'll sell up and go do something else. And that is why when I look across say to the current Royal Adelaide Hospital site on North Terrace, we collectively need to look at means and avenues as to how best to re-use or re-adapt those buildings and that space for the long term benefit and prosperity of this precinct. Part of the reason why I looked to bring the fashion brands in to Rundle Street when I did was to partly safeguard ourselves from the imminent closure of the Royal Adelaide Hospital which is relocating down to the western end of North Terrace in 2016. It is very much about *future-proofing the precinct*.

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*What I'm going to angle in on now is: what role in your opinion does education play? Be it Bachelor level, be it Master's level, be it vocational ... does education have an impact on the entrepreneurial outcomes?*

I was brought up to believe - and I still believe this - that the best foundation in life is *to achieve the best possible education you can*. I remember my grandfather who drummed into me that you need to do very well in your school, in Primary School and High School. Then you need to, what they say in Greek is: 'achieve the piece of paper' - and that piece of paper is the degree. What you do thereafter is entirely up to you, but once you've got that piece of paper, it's your ticket to do anything you want to do. But I don't think that relates to entrepreneurship - it's a totally different thing. Having been brought up in a family where my grandfather was forced to leave his country in civil war in absolute unrest at the age of 32 with a young son, come to a foreign country with no family, no money and all of that, and then to have had a very, very tough introduction to Australian life because of his ethnicity. He did have "that piece of paper" but unfortunately his piece of paper wasn't recognised in Australia, which meant a life of working in factories and abattoirs and the like.

So it was very important that he taught us, or at least alerted us to how important it actually is to get an education. *Then use that piece of paper to do what you want to do*, and think outside the square and be lateral—all those sorts of things. So is it important for an entrepreneur? Probably not essential: but nonetheless very important. And, I think you've got a great advantage if you do have an education.

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**D. The Maras Group today: a family business, achievements, staff, competitive advantage, finance?**

*Would you describe Maras Group as a family business? If so, are there any special considerations that you need to take into account that maybe other businesses don't, when you make decisions?*

I've always said that we are *not a family business*. There are members of the family that work within the business, predominantly Theo and myself, and some other members of the family who work on part-time basis in here. I've always wanted it to not be a family business and to not be seen as one of these private, family interests, but to be seen as a fully functioning and operating *business although it carries a family name*. I think it's important that we make that distinction, that the two of us in here that that run the company, do not run it like a father and son operation, but run it like a partnership and are very conscious about that. Instead, it's family by virtue of our staff. I consider that the staff in here are virtually 'family' to us. So, are we a family business? Well, if you look at it like that, yes, we are. Outside of that, no, we're not, and we don't run it as traditional family businesses would run.

*Share with me your proudest moment in business—your pinnacle achievements as an entrepreneur thus far in your career.*

I think there's two moments. The first one is the role that I had when I first came into Maras Group after what was a very tumultuous time during the Mancorp separation, in being able to retain and purchase the freehold in this block of buildings in the East End of Adelaide. There's a long story behind it, but we almost didn't get there. If we hadn't got there, I just wonder where we would be today, not financially but just in terms of what we do. There was a bit of pain and a lot of anxiety, mainly because I saw the effort that my father had put into it for 15 years leading up to that. I thought that I've got to make sure that we find a way through this. That's number one.



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The other moment is a recent one. As an Adelaide company, we don't have a global presence; we simply don't because we don't have that reach. We were encouraged by another organisation earlier this year to consider entering the International Business Awards which I had heard about but didn't know much about. When I was first approached on this, it appeared to me that this was a money-making venture from the group who had come to us, asking to represent us in preparing the submissions. Anyway, I'll cut a long story short, we prepared the submission ourselves in-house and somehow we picked up 11 international business awards, which still hasn't sunk in properly. But what has happened since then has been a dramatic focus from our peers, our tenants, our consultants and service providers, from local, state and federal government officers, ministers and senators, who have all heard about it and congratulated us. It's put the Maras Group on a level that it's never been before.

*The Maras Group's profile continues to grow. The awards undoubtedly would be assisting you on many levels and staff pride and so forth in the organisation. Are the awards part of the conscious strategy or is it more happenstance?*

That's definitely not part of the strategy. In fact, up until probably two years ago, we certainly weren't into submitting for awards or anything like that. What I found was that it is very good for my staff, for their morale and for them to be part of this culture of achievement. And there have been times when the staff have sort of said: 'Oh well, it's you, it's Theo....' I've quickly corrected them and said: 'No, these awards cannot be achieved without this team.' And it can't be because we can't do what we do without our team and we are actually blessed to have a group of individuals, most who have been with us now for many years, who feel very much a big part of the company.

We are very much an in-house organisation where most things are done within the company. I don't know too many companies that do what we do and that keep everything in-house. I think by doing it the way we do it, it is our competitive advantage and it's our form of keeping what we do sustainable going forward into the future.

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*Let's talk on the other side of the ledger, so to speak. Raising funds, access to capital - be it equity, be it debt - is fundamental to any business. How important is access to funds for Maras Group's present and future?*

That is an area that we're constantly monitoring and thinking about. One of the things that we did when we separated from Mancorp to form Maras Group was *pay down a lot of debt*. We made sure that we took ourselves to the level of debt that, even if the worst recession was to hit, we would still be safeguarded. And, we've developed this financial strategy so that we won't over-expose ourselves - that we will continue to build what we call a 'war chest of funds' to draw upon and keep ourselves as liquid as possible. When things tighten up, when banks come searching for additional monies to be paid in, that we're able to do so.

However, we've still got to continue to run the business so that, when opportunities arise, we can jump on them. So, it's really about having a very deliberate strategy to make sure that the group is financially healthy. Having come from an insolvency background, and having dealt with both insolvent and solvent companies, you know what to look for [financial ratios, for example]. So, that is an area that we have got well entrained.

**E. Final thoughts: leadership and advice for business graduates**

*Your role as a leader of Maras Group is to encourage your team to develop a culture of creativity and innovation. How do you create and then perpetuate that culture within Maras Group?*

You can be a leader where you tell people what to do and they just take your instructions and go and do whatever it is you have asked them to do. In contrast, a lot of the time with my staff, in Maras Group and in other organisations where I'm helping, I will give them a lot of rope to go and explore something and then come back and talk about it; it's not necessary for them to find the right answer, but they must get out there doing things. My instructions, when

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I do give them are very, very clear; there's little element of doubt. But outside of that, I'll perhaps talk with the team about where they should be looking. I want them to come back and give me their ideas. Get them to do research; get them to think about it. Like I said, I don't want the answer that they expect me to hear; I want them to come back because a lot of the time I simply don't have the answer.

I used to be a bit different [in my past dealings with staff]; I used to be pretty direct, but I've changed over the last few years in particular. I let them make decisions, or let them go and explore and come back and talk about it. The old way has had its time and it doesn't work, particularly with younger staff. Younger staff want to think about what it is that they're out there doing in the business management side of things.

*If you have one piece of advice to share with business graduates, graduates of a business school starting out on their journey, what would it be?*

It would probably be something that I didn't do! It would be to probably *go overseas*. It might not be a few years somewhere, but certainly go overseas - certainly do a long holiday and see the world, and any experience of working overseas should be encouraged. I've got so many friends who have done it and speak volumes of it and what it did in terms of contacts and everything else. Having said that, the world was a different place 20 years ago, and we weren't able to as easily ring, or certainly email, text, Skype or Facebook someone as today, so I don't know if it's as entirely relevant. I mean, you can now do your Master's Degree, your MBA, *online*. You couldn't do that 20 years ago, you had to physically go to a University.

But, I'd still advise young graduates to get some experience outside of their home city, town or place before really starting to think about what it is that they want to do – get out of your comfort zone and try out different things – life is short so make every opportunity count.

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**Commentary**

**A. Overview: past and present.** Mr Maras and the Maras Group demonstrate the three characteristics of the entrepreneurial process:

- **Creates and/or recognise opportunities** for something **new** – the Maras Group did not stick with Mancorp's old way of doing things as the Maras Group goes beyond the CBD, and Mr Maras loves doing something new, or as he puts it: 'An entrepreneur is someone that thinks about things very differently than others.' Or as a textbook puts it in a comprehensive way that covers this point and the next two points: 'an entrepreneur is an innovator or developer who recognizes and seizes opportunities; converts these opportunities into workable/marketable ideas; adds value through time, effort, money or skills; assumes the risks of the competitive marketplace to implement these ideas; and realizes the rewards from these efforts' (Kuratko et al. 2009, p. 4).
- Handles the uncertainty and **risk** of a new venture – as Mr Maras says: 'the Maras Group has made a conscious decision to look outside the CBD, simply to spread the risk. But again, it's in the commercial and retail sphere and it doesn't go too much past 10km outside of the CBD, so it's very much inner city.' Note that they do go beyond stand-alone ventures; into joint ventures.
- Has the **managerial competence to** gather required resources from the environment (like capital) without necessarily owning these resources, which includes ability to plan, to lead a team and to network outside the venture - Mr Maras had developed his competence in his education and in positions in other firms before moving into the Maras Group, and he speaks of his in-house team as well as joint ventures.

So it appears Mr Maras and the Maras Group epitomise the entrepreneurial process:

at the *heart of the entrepreneurial process* is the creation and/or recognition of opportunities, followed by the will and initiative to seize these opportunities ... and a

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willingness to take risks - both personal and financial - but in a calculated fashion to constantly shift the odds of success... (Timmons & Spinelli 2004, p. 47).

Note that the term 'venture' above is *not* restricted to new business ventures like the Maras Group. Most thinking about entrepreneurs does emphasise business ventures, but the new venture could be a part of a large corporate business (as it does in intrapreneurship) and be shown in a part of a public service or non-government organisation (as it does in social entrepreneurship). The emphases in entrepreneurship are on newness and risk, and these are not restricted to business ventures.

More discussion of entrepreneurship is in Section C below.

**B. The future and strategic planning.** Mr Maras emphasises the role of strategic planning – 'It does play a big role'. In particular, he shows how a 'long term' *vision* out to 10 years is the first step in his strategic planning. He mentions several times that the vision of the Maras Group is limited to 'the commercial and retail sphere and it doesn't go too much past 10km outside of the CBD'.

These limits allow them to focus on the ever-changing and unfolding *opportunities* and *risks* **within** those boundaries. He reinforces the point made about vision in the MBA notes:

...Indeed, entrepreneurs have said that strategic planning's main benefits were the *unified vision* and specific *goals* that it gave them and their staff (Robbins, Bergman & Stagg 1997).

Thus, the first step in strategic planning should be a *vision statement* about the values that drive the firm and the entrepreneur (even if it is just put on the back of an envelope) and a *mission statement* about the industry and where the firm is trying to position itself within the industry.

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The interview does not cover the strategic planning steps that follow the vision statement but they are implied in what Mr Maras says:

1. Examine internal and external environments - SWOT analysis
2. Formulate long and short term strategies and select to build on strengths/opportunities and guard weaknesses/threats based on the mission statement and key objectives
3. Implement the plan through programs, budgets and procedures
4. Evaluate the performance of the strategy
5. Take follow up action and re-cycle from step 1 above

The strategic planning process at Maras Group has developed a strategy of what they unusually call '*curation* [translation: to pull together and select for presentation]. 'Our latest development is an open air shopping centre with a lot of adjoining stakeholders sitting around it. Everyone who surrounds us is what makes it very different. We have stakeholders and we've got all sorts coming through and going on - we've got to work successfully with everybody over the *long term*.'

His interview uncovers two ideas about strategic planning that are often missed. The first is the Advisory Board he is setting up to ensure their strategic plans are sound. The Board will look at the planning that they normally do and then advise 'us on things that we've perhaps missed or haven't considered - asking us the questions that we may not be asking ourselves'. The second idea is the sources of strategic ideas.

Indeed, his comments about the two sources of his knowledge about the future are worth remembering. First, he does 'extensive reading and research'. Second, his many interactions with other people in organisations outside his firm; presumably, they help him handle the stress or 'dark side' of entrepreneurship, too. The modern term 'social entrepreneurship' emphasises how some entrepreneurs can be entrepreneurial processes for the benefits that their actions bring to society; Chapter 4 of Kuratko (2009) discusses this topic.

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In brief, the Maras Group demonstrates the worth of this quotation about the value of strategic planning in 'future-proofing' innovative, entrepreneurial firms. In summary, all of the research indicates that firms that engage in strategic planning are more effective than those that do not. Most important, the studies emphasise the significance of the planning process, rather than merely the plans, as a key to successful performance. (Kuratko and Hodgetts 2004, p. 528)

**C. Entrepreneurship: what is it, are entrepreneurs born or made, and what is an entrepreneur's motivation and education?**

One of the myths of entrepreneurship is that entrepreneurs are born, not made through experience. But Mr Maras's experience of years of study and experience of property are foundations of the Maras Group, just as his background of the family he was born into is a foundation. He wisely says that *experience* is required for an entrepreneur who takes the risks involved in **new** ventures, as well as *personality* characteristics and family background that they are born with. He is wise about the experience of education.

He studied hard for his Bachelor and Master of Business degrees and also studied for a rapid Graduate Diploma in his field. However, education like this is not sufficient on its own for an entrepreneurial career, but they *do open up* possibilities. But he also speaks about the family background that helped to make him. Indeed, predictors of entrepreneurship can go back even to early childhood. As one thorough human capital study found:

After controlling for some personal and selective effects, cognitive ability, parental support and supportive family structure in childhood, opportunities for spare time work and family business exposure during adolescence and low credentials, taking on an apprentice and business experience from first job in young adulthood increases the likelihood of being an entrepreneur as an adult. (Jones & Jayawarna n.d, p. 1)

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So an entrepreneur is *both born and made*, as this quotation confirms: 'there is also a good deal of evidence that ... certain attitudes and behaviours can be acquired, developed, practiced and refined through a combination of experience and study (Timmons and Spinelli 2004, p. 249)'.

These attitudes and behaviours of entrepreneurs are threefold: high need for achievement an internal locus of control and opportunity orientation. Mr Maras demonstrates motivation forms a high **need for achievement** of entrepreneurs - 'It's doing things that others can't do. It's achieving outcomes that are very difficult to achieve.' His drive is achievement, not just money - 'Certainly not money.' Entrepreneurs are driven by a strong need to excel against self-imposed standards - to achieve challenging goals. That is, they are not gamblers - they want to win by their own efforts and not through luck. When you see an entrepreneur take what you think are huge risks, you can be assured that he or she *thinks that the risks are moderate* because of their detailed knowledge of their situations.

Another characteristic of entrepreneurs is **an internal locus of control**. They actively look for opportunities to place themselves in situations where they do not have to rely on other people or luck - they think that life is under their control and that they can affect what happens around them. Finally, entrepreneurs are **obsessed with looking for opportunities** - 'they are orientated to the goal of pursuing and executing an opportunity for accumulating resources or money' (Timmons and Spinelli 2004, p. 253). Mr Maras certainly seems to be obsessed with ideas for doing things better.

Mr Maras's story highlights the role of a *displacement or entrepreneurial event* in an entrepreneur's story when entrepreneurship became attractive or necessary (Shapero 1982). The displacement event is shaped by social variables and the social and cultural environment (like Mr Maras's Greek background), and is often triggered by a change in an individuals' circumstances (like Mr Maras's father's former business splitting apart). The displacement event can be positive or negative. For Mr Maras, it was positive because he was attracted to



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the opportunity offered by his father. It would have been negative if he had (hypothetically) been terminated from Knight Frank Adelaide.

**D. The Maras Group today: a family business, achievements, staff, competitive advantage, finance.** A family business can run into difficulties if the family and the business are not kept separate. As Mr Maras says, 'I've always said that we are *not a family business*.' The 'family system' is an important *emotional* and *financial* source of the early phase of an entrepreneurial business. For example, Mr Maras's family provided the equity and independence of the Maras Group, as well as some of the business skills required at its start-up.

But, Mr Maras realises that that the business is not just a family business system because there is a 'business system' involved too. He says the 'business system' involves the employees and managers too – 'I consider that the staff in here are virtually 'family' to us'.

That is, he acknowledges the emotional and financial links between his father and himself but wisely emphasises that the **family** and the **business** are two separate although somewhat overlapping *systems*. So he strongly disagrees when employees say that the firm's nine recent international business awards are the family's awards.

The MBA notes agree with his position that the Maras Group should not be viewed as just a family business:

The 'business system' is more technical than the family system and is all the things that any business has to do to perform well, such as operations and marketing research. It involves all the employees or managers that are not members of the family. The two systems cannot be disentangled because the family system is so powerful that it will stay entangled with the business system, no matter what the purists may say. So the key is to let the two systems be **as independent as possible**

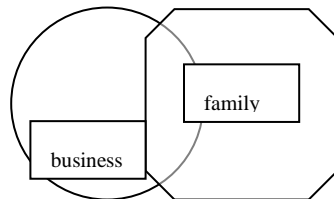
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while recognising that they are somewhat entangled. *Mutual understanding, trust and effective communication* are needed (for example, regular meetings and invitations to social rather as well as work occasions), to overcome tensions.

We can look at this *intersection* of the two systems in this diagram, with *mutual understanding, trust and effective communication* required where the two systems intersect:



So, Mr Maras is certainly on the right track in appreciating the need for the existence of a business system as well as a family system. Nevertheless, his viewpoint is that of an enlightened family member, and some of his staff's comments about the international business awards suggest that some staff may still see Maras Group as another family business.

This journal has published an article from the contrasting viewpoint of a non-family member, 'Delegation of authority and responsibility in a family business' (al Akhal 2011). That article's in-depth interviews with family and non-family members uncovered that *both* of these viewpoints need to be acknowledged, in particular about delegation (raised in Section E) and succession (an issue not raised in the interview). The two viewpoints need to be carefully worked through by family and non-family managers with empathy, trust and communication.

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The take-home points in the article are:

- Family managers sincerely believe they are doing their role in delegating tasks and duties with monitoring control measures, but non-family managers often do not.
- Non-family managers believe they do not have enough power to lead and manage effectively and efficiently.
- Having family members as subordinates who have direct access to the family exacerbates the feeling of deficient authority by the managers and upsets other staff who think they have to 'carry' the family subordinate.
- Non-family managers' and workers' satisfaction levels are closely linked to their level of responsibility, and so dissatisfaction occurs among non-family staff if they are not delegated enough responsibility.
- **Feedback, interaction** and **communication** are important ingredients in the smooth operation of a business (including monitoring/control) because they exemplify leadership.

Table 1 is a comprehensive summary of actions to handle succession in a family business, an important family business issue that happened to be not raised in the interview.

Finally, Mr Maras talks about the risk of having too much debt when he talks about the start-up of the Maras group (because the influence of debtors can reduce his own locus of control), but some debt is required to grasp opportunities when they might arise. The debt to equity ratio shows what type of financing a business is more reliant on – loans/debt (from banks, say) or equity (private investment).

A ratio of 1:1 means an equal proportion of both debt and equity in a firm's funding. Apparently, the Maras Group was lowering their ratio. The higher the ratio, the higher risk a business is to lenders wanting to call in their loans, or at least not rolling them over when they are due. In most industries, a ratio above about 1.5 to 2 signals danger (ReadyRatios

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n.d.). So an entrepreneur must have 'a very deliberate strategy to make sure that the group is financially healthy'. Note that heavy debt is not always a sign of danger in every industry. In capital-intensive industries like car manufacturing, the debt to equity ratio can be as high as 2.0 without causing concern. But in other industries like software companies, the debt to equity ratio has to be quite low, perhaps as low as 0.5 (Tradimo n.d.).

<b>Table 1 A checklist for succession: some important steps</b>
<p><b>For the owners of family-run firms</b></p> <ul style="list-style-type: none"><li>• Learn to delegate authority and decentralise operations</li><li>• Develop an organisational chart</li><li>• Plan for more than one successor – increase the possibilities</li><li>• Establish a personnel development program</li><li>• Encourage the potential successor to gain experience outside the business</li><li>• Do not neglect the daughters</li><li>• Keep the plans updated – continually review the progress of the business and possible successors</li><li>• Strategically plan for the future – do not always focus on putting out daily fires</li><li>• Establish family business meetings to air issues</li></ul> <p><b>For the children of family-run firms</b></p> <ul style="list-style-type: none"><li>• Announce your interest in taking over the family firm</li><li>• Take responsibility for your personal development</li><li>• 'Get a mentor (someone 'outside' that you respect)</li><li>• Gain experience outside the family business</li><li>• Get some accountability training- hold positions that teach responsibility and offer opportunities for decision making</li><li>• Learn to blend family traditions with future business goals</li><li>• Avoid family feuds-work with the family, not against it</li><li>• Eliminate "Dad's (or Mom's) ghost" - prepare a clear takeover plan that eventually phases out older family leaders and allows changes.</li></ul>

**Source:** Kuratko and Hodgetts (2004, p. 667).

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**E. Final thoughts: leadership and advice for business graduates.** As noted above, delegation is an important issue in a family business. Delegation is entrusting decisions and actions to others (Schermerhorn 2014). It involves responsibility, authority and accountability. Mr Maras shows he does this in his entrepreneurial firm, offering practical ways to achieve a culture of teamwork that builds build innovation. Thank you, Mr Maras.

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