SUCCESSFUL
MANAGEMENT
IN CRUNCH TIME

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SUCCESSFUL MANAGEMENT IN CRUNCH TIME
Contents

Preface ........................................................................................................................................ 9

Part 1
Macroeconomic and Regional Aspects of Successful Management
in Crunch Time – Selected Problems

1. What Can We Do to Increase Immunity
before We Are in Crunch Time? ....................................................................................... 13
   (Elvira Kuhn, Walter Voigt)
   1.1. Basic Principles ........................................................................................................ 13
   1.2. Discussion .................................................................................................................. 15
       1.2.1. Active Immune Defence ...................................................................................... 16
       1.2.2. Weakening of the Enterprise’s Immune System
           and How to Strengthen It ......................................................................................... 19
   1.3. Conclusions – Protection Barriers ............................................................................ 21

2. Economic Crisis from the Perspective of Network Analysis ..................................... 24
   (Anna Piekarczyk)
   2.1. Economy in Times of Crisis from Different Perspectives ................................................. 24
   2.2. Universal Mental Barriers ............................................................................................ 25
   2.3. The Essence of Network Analysis Methodology .......................................................... 27
   2.4. The Current State of the Economy – a Dynamic Network
       of Interrelated Elements ............................................................................................... 28
   2.5. Risk of Falling into the So-Called Downward Winding Spiral ...................................... 31

3. The Stability of Exchange Rate Correlations and Its Impact
on the Value at Risk of the Currency Portfolio ................................................................. 35
   (Janusz Kudła)
   3.1. The Method .................................................................................................................. 37
   3.2. Results ........................................................................................................................ 39

4. Strategy, Innovation and Sustainability: Essentials
for Survival and Growth ....................................................................................................... 44
   (Ian Hipkin)
   4.1. Business and Sustainable Development ..................................................................... 45
   4.2. A Roadmap for Sustainable Development ................................................................. 49
5. The Role of Eco-Investments in a Commune’s Sustainable Development during Crisis

(Anna Marcinuk-Kluska)

5.1. Subsidies for Communes .............................................. 56
5.2. Planning Sustainable Development at a Commune Level .... 58
5.3. Commune Engagement in Sustainable Development .......... 60
5.4. Realisation of Sustainable Development Policy at a Commune Level .................................................. 63

6. Crisis and Finance Management on the Basis of an Elementary Unit of Territorial Self-Government

(Monika Wakula)

6.1. The Essence of Management of Community Finances .......... 65
6.2. Crisis and Income of Communities .................................... 68
6.3. Expenditure of Communities ............................................ 71

7. European Union Funds as a Determinant for Effective Innovation Management in Small and Medium-Sized Enterprises in the Face of Financial Crisis

(Agnieszka Franczak)

7.1. Innovation Management under Conditions of Financial Crisis ...... 75
7.2. Small and Medium-Sized Enterprises in Operational Programmes of 2007-2013 .................................................... 77
7.3. Raising Innovation in Small and Medium-Sized Enterprises through Union Funds Programmes .............................................. 80

Part 2

Successful Management in Business – Selected Issues

8. Challenges of Effective Management and Methods of Achieving of Excellence in an Organisation under Variable Conditions

(Anna Klimek, Michał Klimek)

8.2. Selected Methods of Effective Management ............................ 89
8.3. Integration of the Systems of Management as One Way of Attaining Excellence in an Organisation ........................................ 91
8.4. Innovation as a Source of Modern Enterprise Competitiveness in Times of Crisis .............................................. 93
9. Formulating Company Strategy in Crunch Time –
the Requirement of Flexibility.................................................. 95
(Ilona Penc-Pietrzak)
9.1. Formulation of Strategy.......................................................... 96
9.2. Visioning................................................................................. 98
9.3. Scenario Planning................................................................. 99
9.4. Foresight.............................................................................. 100
9.5. System of an Early Warning................................................. 102
9.6. Strategy of Using Opportunities............................................ 103

10. The Innovative Behaviour of Today's Managers in the Sector of Small and Medium-Sized Enterprises in Time of Crisis........... 105
(Beata Glinkowska)
10.1. The Manager as Initiator of Innovation in Time of Crisis........ 106
10.2. Sources of Innovation for Managers..................................... 109
10.3. Innovative Activities of Companies in an Economic Crisis..... 112
10.4. Barriers to "Innovation Managers"........................................ 113

11. Effective Management of Talented Employees in an Organisation as a Source of Competitive Advantage in Time of Crisis........ 115
(Joanna Gajda)
11.1. Elements of the Talent Market............................................ 116
11.2. Talent Characteristics......................................................... 117
11.3. Talent Management........................................................... 118

12. Workforce Involvement and Strategic Corporate Social Responsibility – an Option in Time of Crisis?............................................. 129
(Janusz Kroik, Adam Świda)
12.1. Managing by Employee Involvement and the Principles of CSR – Identifying the Elements of Involvement............................ 130
12.2. Strategic CSR and Factors of Workforce Involvement in Selected Empirical Research...................................................... 136

13. The Role of Social Media Management in the Creation of Corporate Image during Crunch Time.............................................. 140
(Aneta Szymańska)
13.1. Creating Corporate Image in Crunch Time.............................. 140
13.2. The Crucial Role of Social Media........................................... 142
13.3. Social Media Strategy: the Key to Success............................. 145
13.4. Social Media Application in Companies................................. 150
13.5. Guidelines for Effective Social Media Usage......................... 154
14. Sustainable Marketing as a Form of Anti-Crisis Activity in an Enterprise................................................................. 157
  (Tomasz Trojanowski)
  14.1. Marketing in the Concept of Sustainability................................. 158
  14.2. Areas of Sustainable Marketing.................................................. 159

Part 3

Knowledge Management in the Organisation

15. Measuring Intellectual Capital as a Management Tool in Organisations Functioning in a Knowledge Society ................................................................. 169
  (Elżbieta Skrzypek)
  15.1. Measurement of Intellectual Capital as a Strategic Objective of an Organisation ................................................................. 169
  15.2. Selected Models of Measuring Intellectual Capital in an Enterprise................................................................. 177

16. Knowledge as a Strategic Resource in a Knowledge-Based Economy – Theoretical Approach vs. Actual Practice ................................................................. 180
  (Adam Skrzypek)
  16.1. Theoretical Approach to Understanding Knowledge......................... 181
  16.2. Knowledge as an Important Organisational Resource....................... 184
  16.3. Knowledge Evaluation in Light of Research Results.......................... 187

17. The Role of Relations Creating Knowledge in Strengthening Firm’s Competitive Advantage................................................................. 191
  (Monika Chodorek, Agata Sudolska)
  17.1. Knowledge as the Driver for a Company’s Competitive Advantage................................................................. 192
  17.2. The Conditions for Successful Learning in Business Relations Oriented to Acquire and Create New Knowledge................................................................. 193
  17.3. Conditions Fostering Fruitful Cooperation within Knowledge-Oriented Business Relations................................................................. 196

18. Effective Knowledge Management as a Source of a University’s Competitive Advantage................................................................. 202
  (Seweryn Cichori)
  18.1. University Activities in Light of Knowledge Management................... 202
  18.2. Universities’ Knowledge Management in the Context of Competitiveness................................................................. 205
  18.3. Management of the University as a Learning Organisation.................. 208
Part 4
Management in an Unsteady Environment – Case-Study

19. A Study on the Quality of Education as a Tool in University Crisis Management ................................................. 215
(Krystyna Buchta, Aliaksandr Rubakhau, Małgorzata Skiert)
19.1. Research Methodology ................................................. 217
19.2. The Quality of Education vs. IPA ........................................ 218
19.3. Satisfaction with Studies as a Determinant of the Quality of Education ........................................ 222
19.4. Competencies Acquired in the Course of Studies vs. Student Satisfaction ........................................ 222

20. Innovation in Management in Times of Crisis – The Example of Commercial Bank ................................................. 226
(Henryk Wojtaszek)
20.1. The Crisis in Banking ................................................. 226
20.2. The Concept of Innovation ............................................. 227
20.3. Banks Rewarded for Innovation in Management in Crisis Time .................................................. 228
20.4. The Situation of the Polish Banking Sector ........................................ 230
20.5. The Direction of Development in Innovation and Improvement of Management for 2014-2020 ................................. 231

(Alina Oczachowska)
21.1. Role of Promotion for the Producers of Energy Drinks When Entering the Market ........................................... 236
21.2. Promotion of Sales Together with Personal Sales ........................................ 237
21.3. Sponsoring ................................................................. 238
21.4. Advertising using Other Promotion Instruments ........................................ 241

22. The Analysis of Functioning of Rural Districts in Poland with the Use of Stream Analysis ................................................. 244
(Iwona Koza)
22.1. Historical Crunch Conditions ........................................ 245
22.2. Geopolitical Crunch Conditions ....................................... 246
22.3. Determinants of the Legal and Administrative Crunch in District Governments ........................................ 247
22.4. Socio-Economic Crunch Conditions .................................... 248
22.5. Financial Considerations of a Crunch ....................................... 249
22.6. The Concept and Essence of Stream Analysis ........................................ 250
23. Cluster Policy in Wallonia (Belgium) – an Effective Measure to Develop Entrepreneurs and Company Competitiveness

(Tomasz Paweł Tyc)

23.1. Belgium – a Complex Administrative Entity

23.2. The Current Economic Situation in Belgium and Wallonia after the Economic Crisis

23.3. Basic Information Concerning the Cluster Policies in Wallonia

23.4. Support Policies and Instruments for Business Clusters

23.5. Support Policies and Instruments for Competitiveness Centres

23.6. Support Instruments for Both Business Clusters and Competitiveness Centres

23.7. Evaluation of Clustering Policies in Wallonia

24. Foreign Investments in Belarus: Trends and Challenges

(Natallia Bandarenka)

24.1. The Dynamics of the Attraction of Investment into the Republic of Belarus from 2002 to 2012

24.2. The Attraction of Foreign Investment into the Republic of Belarus in 2013-2014

References
20. Innovation in Management in Times of Crisis –
The Example of Commercial Bank

20.1. The Crisis in Banking

The Polish economy has gone through the financial crisis without a recession slowing its growth, and banks operating in Poland in the last two years have exempted employees and plan further relief. This will give the effect of savings which will result in improving the profitability of the bank. In late October of 2013, Commercial Bank announced its plan to reduce its workforce by 792 employees (including 684 in the area of retail banking). The previous round of redundancies, which lost about 560 people, was announced by the bank in 2012 as well as in other banks such as BNP Paribas, BPH, BGŻ and Nordea Bank of Poland, among others. At the end of September of 2013, Bank Handlowy employed 4.7 thousand people, while a year earlier it had 5 thousand employees. The Management Board of Bank Handlowy claims that layoffs are "a response to a changing customer behaviour model and the dynamic development of new technologies" and the result of an "effective banking" strategy. The bank branches would partially close and start new branches in places where the customers are. It also wants clients in touch with the bank intensively using new technologies such as mobile banking and the internet. According to expert opinion, Commercial Bank has set a direction that other banks will follow. With internet and mobile banking, it is possible to reduce the number of bank branches while maintaining the number of bank transactions, and those branches that remain are better able to help customers choose more advanced products or credit options. Over the next five years, banking services will change completely through the mobile revolution. The answer to this challenge is an alliance between banks and telecommunications companies, which will “create the future of banking,” says Wojciech Sobieraj, president of Alior Bank. In December, Alior Bank announced collaboration with T-Mobile Poland. Plus Bank (formerly Invest Bank) announced its cooperation with Polkomtel. Exemptions in Polish banks are also the impact of acquisitions. According to forecasts, Raiffeisen Polbank will reduce its workforce by approximately 800 people by the end of 2015.

The merger of BZ WBK and Kredyt Bank also brings a decline in employment, although its planned scale has not been disclosed. Just before the formal merger, both banks employed a total of 13.4 thousand people, but by
the third quarter of 2013, only 12.5 thousand were employed. According to the plan, the full integration of the banks is to be completed in 2014, and only then will we know how many people have lost their jobs. Innovation is the answer to the problems of the economic crisis. The crisis in the banking sector has forced innovative actions resulting in saving banks. Mobile service and an increase in effective management for reducing failures become essentials for survival in banking.

20.2. The Concept of Innovation

This term comes from the Latin innovare for “creating something new.” The definition of innovation emphasizes that innovation is “the process of converting existing possibilities into new ideas and putting them into practical use.” 465 J.A. Schumpeter introduced the issue. 466 These changes are deliberately introduced by man or designed by him in cybernetic systems that rely on substituting for the existing state of affairs that will be positively assessed in the light of specific criteria and will make progress. In addition to Z. Pietrasiński’s participation in the concept of innovation, C. Baranski, R. Schultz, W. Perch, and Okoń have also dealt with innovation. Okoń defines innovation as a change in the structure of the system as a whole or in its components’ important structures aimed at functional improvements. Any organisation that wants to prosper and grow must creatively respond to the changes of the environment. Only people that are able to change themselves can make changes in organisations. 467 It can be said that it is not the number of innovations created that decides progress, but the quality and durability of the changes made. Joseph Kozielicki in one of his publications presents characteristics of the innovative unit. In his view, an innovative man perceives his surroundings to be a set of questions as well as cognitive and practical uncertainties which must to be reduced. Innovation is characterized by an attitude which allows for exploration to solve problems and make choices. An innovative individual is satisfied with life, self-motivated, and willing to take on new challenges. Innovations may have a different purpose and scope. It can relate to many areas. There are three distinguishable types of innovation: improvements, modernisation, and innovation. Improvements (rationalizations), which are the simplest form of innovation, relate to repeating activities and


increasing their efficiency, effectiveness, and efficiency in work organisation, in working methods or in technique.

Modernisation, which includes change in the modes of actions and organisation, relies on modernisation and incentivizing the process of creativity. The third type of innovation – innovation, is the most complex type. The innovative action of the manager is based on his initiative and creativity; it relies on an independent study of changes and his effective implementation of them. While introducing important innovations, there are appropriate rules proposed by P. Drucker.\textsuperscript{468} Effective innovation should be simple and purposeful and should name clearly defined effects that can be thought through. It should be planned and organized and should include a well thought through schedule of activities and actions, with which the necessary resources and means are concerned. After the introduction of innovation, the necessity for its evaluation is significant. Good ways of evaluating the results that can be measured and estimated should be prepared. Without a confirmation of the effectiveness of innovation put into practice, it is difficult to discuss correct innovation. Innovation is effective when the process of transformation of a small change is begun. T. Pszczolowski claims that development is a designed event in which the subject at a later stage has at least one feature in a higher degree, or is in some way more complex than in the initial phase. This definition can refer to development which is understood as a planned and purposeful process of change over time, adjusting toward the perfection or improvement of what already exists. For the occurrence of overall development, the development of personal and professional managers is extremely important.\textsuperscript{469} 

20.3. Banks Rewarded for Innovation in Management in Crisis Time

PKO BP was awarded for innovative changes in HR and occupies a high place in the rankings of the most desirable employers. Last year, the most important awards it received were third place for Top 100 Ideal Employer in the category of business, the ranking of “Quality Bank 2013” Reliable Employer of the Decade, first place in the Employer Branding Excellence Awards 2013 contest for recruitment and the campaign image “One Bank. A Lot of Passion.” Another award was received at the Warsaw Days of Admissions conference. Arthur Meter was the winner of the competition “Heroes of HR” in the category for best head of HR of the year. This title is awarded to people who stand out in a special way, and Arthur Meter stood out for modernisation of the structure of HR in a large and stable organisation in a manner corresponding to the latest

global trends. Warsaw Days of Recruitment have been held for the last three years by HRstandard.pl – a portal of HR industry with the Employer Branding Institute. As a part of HR strategy, it implements systems solutions in the fields of managing trainings, assessment and development of human resources, strategies of employees in an organisation, as well as quality management. Significant projects completed by HR include the implementation of the bank’s directory, creation of a system of periodic assessment based on competency model, implementation of a job evaluation system with attractive incentives and benefits, implementation of training systems and projects that strengthen the involvement of employees and create a culture of organisation, and the creation and implementation of a team concept for internal trainers. During the past four years, these same initiatives relating to the improvement of internal cooperation have appeared in the bank: a study of satisfaction and commitment, a study of the effectiveness of internal cooperation, and testing the quality of the services provided by the internal unit. \(^{470}\)

**BRE BANK.** BRE Bank is a bank that cares about excellent managers, people who combine the features of a strategist, a collaborator and a partner. BRE BANK managers receive specialized training in order to be better and more innovative. Managers burdened with daily tasks can rarely afford to take a few or even one whole day for training, but the solution to this may be modern technologies. Management training at the bank has entered into the era of Web 2.0. BRE Bank, based on the results of Hewitt’s “Best Employers” (Spring 2010) to measure employee engagement, as well as through its own analysis (Employee Opinion survey of BRE BANK in 2009), has set for itself the objective of developing executives and their managerial skills through the introduction of innovative training programs. One of the bank’s objectives was to create a new palette of training programs using modern technologies such as e-learning, audio books and MP3 files, to which the trainee can listen on the way to work or on a business trip. Such access to knowledge not only gives a manager the opportunity to make use of his leisure time, but also manage his own pace and time of learning. Tools and BRE training programs have been developed on two levels: the senior executive level and the middle manager, or line manager, level. In the second group, participants take part in the Manager Standard program. In 2010, this program was attended by 360 people. Standard Cycle Training Management is divided into two stages: training and e-learning, a so-called Puzzle Management - “stationary twining Coaching Style of Management.” In order to improve the effectiveness of training and the pace of self-management capabilities, and sometimes managers’ learning techniques, e-learning was introduced. Additional innovation in this training in the form of a blog run by an experienced manager allows interactive sharing of insights and

problems in personnel management. For more than 360 top managers at the bank participating in the Standard Manager program, more than 70 percent declared their willingness to participate in further training with the use of modern technology. In studies of e-learning, 80 percent of participants declared that the proposed training corresponded to their expectations. A modern structure of the blog turned out to be successful. At the end of training, 75 percent of respondents admitted the attraction of the interactive aspect. Time and its efficient use are becoming a great value for the manager. Elevating skills must be integrated in a very fast and often mobile way. Therefore, the use of modern technologies and equipment for remote communication is not only an interesting form of implementation of the training, but rather a necessity.\footnote{https://companynet.mbank.pl/mt/ (2014-01-22).}

20.4. The Situation of the Polish Banking Sector

In the third quarter of 2013, the low economic growth rate, the historically low interest rates and changes in the regulatory environment influenced the financial results of the banking sector. The net profit of the banking sector amounted to 11.8 billion PLN at the end of September 2013 and was 2.5% lower than the year before. The level of net profit was a result of a decrease of results in banking activities (by 6.1%), a decrease of administrative expenses (by 0.2%), and a decrease in net impairment allowance (by 12.3%). There was a deterioration in the operational efficiency of the banking sector in the third quarter of 2013: the C/I ratio increased to 53.3% compared to 50.1% at the end of the third quarter of 2012. At the end of the third quarter of 2013, impaired loans increased by 0.9% y/y, and their share in total loans amounted to 8.5% compared to 8.8% at the end of 2012. In the third quarter of 2013, impaired loans went down in value (-1.5%), including non-performing corporate loans (-2.8%) and non-performing household loans (-0.4%). At the end of the third quarter of 2013, the share of non-performing loans in corporate loans amounted to 11.5%, 3% in housing loans and 15.6% in consumer loans. At the end of the third quarter of 2013, the total assets of the banking sector amounted to 1.43 trillion PLN and were 2% higher than at the end of the second quarter of 2013. In the third quarter of 2013, the situation on the loan and deposit market was affected by a slight revival in banks' business activities. The change in the volume of loans and deposits was due to the strong appreciation of the Polish zloty which decreased their value. In the third quarter of 2013, the value of total loans increased by 7.1 billion PLN (4% y/y compared to 3.9% y/y at the end of the second quarter of 2013). After adjusting for changes in exchange rates, an increase in total loans was more than two times higher and amounted to 14.3 billion PLN. A slight revival in the
activity on the housing loan market was recorded. In the third quarter of 2013, the volume of the housing loans increased by 5.1% y/y compared to 3.7% y/y at the end of the second quarter of 2013. The value of these loans increased by approximately 1 billion PLN after adjusting for changes in exchange rates by 5.3 billion PLN, recording the highest quarterly growth in 2013 caused by the increase of demand\(^{472}\).

20.5. The Direction of Development in Innovation and Improvement of Management for 2014-2020

Banks begin to see the potential of implementing changes and innovation. In recent years, most of the decisions concerning the management of human capital were greatly limited by the conditions of crisis and resulted from slow economic growth. Now, when the global economy is moving forward, organisations are starting to reshape their horizons. Significant trends for the coming years are changes in business rules of the personnel department, recognition of the talent in BRIC countries, focus on skillful management of diversity, creating flexible jobs, and retention of talent and its development. In order to achieve success in the coming years we should look for new, innovative solutions that will be the answer to today's economic situation of the country\(^ {473}\).

Managers should seek new patterns in present times, not just focus on the superhero – "Global Trends of HR 2013" recommends an overthrow of this myth. Managers should engage in the process of recruiting personnel directors to make employment decisions and create admissions committees. In the current common globalization, organisations need to create a network of talent that is focused not only on existing markets, but can also drive the development of new emerging markets of the BRIC block countries\(^ {474}\). Managers should maximise their action to identify talent and, most importantly, to develop a process for the retention of such an employee in the institution. In the face of increasingly difficult and numerous challenges, there are growing expectations of changes. Organisations want flexible, yet tailored to their needs and precise strategies. Organisations can change, in their favor, certain patterns of employees going on retirement in order to reduce the


\(^{474}\) HR World Trends 2013; More than 1300 respondents (from developed 59 countries) took part in the research. On the basis of their opinions 13 global trends were identified. These trends are recognised as priority for employees and employers in BRIC countries.
Part 4
Management in an Unsteady Environment – Case-Study

shortage of talent. Nowadays, HR managers need to answer questions based on economic issues, such as the allocation of scarce resources called talents. Managers should be examples themselves encouraging innovation, sharing with employees their own dilemmas and presenting them with their own achievements. They should skillfully manage the process of change, indicate the positive side of change, eliminate all barriers to innovation, create appropriate work conditions and enable workers to develop, include employees in the process of change, pay attention to any suggestions and ideas of employees, organize group discussion meetings, seek and employ young, creative workers, tolerate failures, and express appreciation to the employees who are successful.

The Economist Intelligence Unit (ELU) report in 2014 shows that 86 percent of surveyed HR directors declare that in future years, management of diversity will be one of the key competitive advantages in the job market and the foundation of an organisation. The transition into an economy based on knowledge has a company fighting for the best specialists. An employee's qualifications and pace of work both play an important role. According to Social Security projections till 2035, about 4 million people including high-level experts with experience will disappear from the Polish labour market. Organisations are looking for new recruitment channels. According to HR directors, strategic diversity management can help companies access a broad base of valuable talents and adapt HR systems to the changing preferences of the representatives of generation Y who have for several years been on the labour market. Variety binds work ethic, the style of communication and the scale of involvement of individuals in the organisation. Reconciling the different approaches of the team and benefiting from its organisation is an important task for the manager. The world is learning diversity. According to the report “Barometer of Diversity” (2013), a nationwide survey on the extent of use of the model of diversity management in business, only 21 percent of Polish companies implement this type of solution, and 19 percent have formal procedures regulating cooperating issues in diversified teams. The report emphasizes, however, that the majority of companies in Poland have already made contact with the model of diversity management. Unfortunately, this concept is understood ambiguously and often in a stereotyped way according Carolina Dlugosz, CSR Manager at Capgemini Poland. Diversity management is a relatively new system of organisation in Poland, but diversity management is becoming a new trend in business. Those who are diversified in different ways such as origin, beliefs, sexual orientation will have better opportunities to develop in business. From an innovative point of view, the speed of responding

to customer's needs and surroundings is crucial. The banks that recruit a diverse workforce much easier enter new markets, more efficiently adapt their products and services to the expectations of buyers, effectively build long-term relationships with customers, and perform better financially. Diversity management translates directly into efficiency. According to a personnel survey of Club Director at the thinktank "Professional Development of Women and Men: Stereotypes, Motivators and Barriers" (2013), employees of companies that support diversity experience a greater job satisfaction, greater motivation to work and declare greater involvement in the duties performed. The vast majority of respondents also point out a better atmosphere at work, a higher level of creativity in teams and a broader perspective in the process of solving problems. That is why more and more employers organize different kinds of events that promote diversity among employees.\textsuperscript{476}

Change in times of crisis is associated with innovation, a rapid response to the introduction of smaller banking costs. The key rational action in times of crisis is appropriate management of a culturally diverse team. On the basis of recent reports on management, the need for skilful management of a culturally diversified team has been revealed. Particular attention was paid to establishing a relationship between employees and the management board. The legitimacy of innovative governance becomes the transformation of existing capabilities into new ideas.\textsuperscript{477} Literature on the subject indicates a strong need for innovation, modernisation, as well as the desirability of a single transmission for its efficient and complementary implementation, which becomes the basis for the smooth functioning of the organisation. Personnel activity of banks has begun to use certain tools to improve the satisfaction of talent and to attempt necessary tasks in order to maintain their position on the market. Banks must have clearly defined plans for development and care about the future of talent. Another required skill is to keep a good employee.

The crisis in banking demands that a sound management team develop new solutions. The crisis does not relieve the talent search and new solutions.

\textsuperscript{476} H. Wojtaszek, Modele funkcjonowanie współczesnego biznesu, Wydawnictwo Naukowe WSB, Dąbrowa Górnicza 2014, p. 18-19.