

ECONOMIC CRISIS, PERFORMANCE MANAGEMENT AND HUMAN CAPITAL*

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Abstract : *In this article we discuss the current economic crisis and its influence on the companies. We are going to compare common approaches which are in use in many of the Slovak companies and discuss the opportunity to change our attitudes and to take the crisis as a challenge, as an opportunity to built better company today as well as in the future. The focus of this article lies in performance management tools and human capital. Currently, the vast majority of the world is confronted with the ongoing economic crisis. We need to prepare for the fact that the next few months are likely to yield significantly worse results than what we were accustomed to, including also the countries that has been until now rapidly developing. Year 2009 will certainly be doubtlessly a very challenging one. As the situation in Slovak companies is not simple, we tried in our analysis (2008-2009) of the situation describe the way managers perceive the current situation, list the most frequently adopted measures and to assess these reactions from our point perspective and to suggest appropriate approaches from the perspective of long-term success of the organization.*

Keywords: Crisis, performance management, talent management, human potential, education

Introduction

In this article we discuss the current economic crisis and its influence on the companies. We are going to compare common approaches which are in use in many of the Slovak companies and discuss the opportunity to change our attitudes and to take the crisis as a challenge, as an opportunity to built better company today as well as in the future. The focus of this article lies in performance management tools and human capital.

Currently, the vast majority of the world is confronted with the ongoing economic crisis. Financial markets around the world are very dynamic and tend to fall, financial institutions are significantly weakened, asset prices commodities are rapidly declining and prices and concerns about

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slowdown of the world economy is very real and relevant. We need to prepare for the fact that the next few months are likely to yield significantly worse results than what we were accustomed to, including also the countries that until now has been rapidly developing, including Slovakia. Year 2009 will doubtlessly be a very challenging one. Consumers are becoming more cautious and will be getting only slowly back to their previous way of life. We can already witness banks adopting tighter lending policy, big business cutting their budgets for many larger projects and many previously bold plans remain hanging in the air along with the question of when and if it ever comes to making them real. Population postpones purchases of durable goods, reduces purchases of services and has moved to cheaper goods as a result of an increase in the number of unemployed and hence smaller household budgets. The whole world can see the decrease of the overall demand for goods, while a decrease in the production of finished product will immediately translate to a subcontractor, resulting in a smaller number of contracts and, unfortunately, layoffs of employees.

1. Goals & questions

As the situation in Slovak companies is not simple, we tried in our analysis (2008-2009) of the situation describing the way managers perceive the current situation, list the most frequently adopted measures and to assess these reactions from our point of view and to suggest appropriate approaches from the perspective of long-term success of the organization.

The starting point of the research was the situation of a group of selected enterprises in the central region of Slovakia that have been active in the field of engineering, automotive industry, food products, pharmacy and hygienic paper. These enterprises are well known and have been monitored for a long time.

Our goal was to determine how do the managers of these important organizations (11 organizations, turnover € 30-100 million) behave in time of economic crisis. Based on this information we generalized these findings and present the appropriate approaches for long-term success of organizations. The main questions that we asked were the following:

- How do managers in your organization respond to the economic crisis?
- Do they base their decisions on their own estimates, experience, and intuition or on in-depth analysis of the situation?
- What would you consider to be the biggest challenge in the economic aspect?
- What is the main focus of your organization when reducing costs?

- How does the cost reduction influence the field of human resources (laying off, development, education, talent management)?

It was very interesting to observe changes in the behaviour of managers in early 2008, during and at the end of the year. Our research is focused on the beginning of 2009 and it has shown some very interesting yet some not very flattering findings:

- managers put the emphasis on the elimination of foreign exchange losses and the cash flow (all studied organizations are focused on ensuring the cash flow)
- when they decide for the cost reduction, then they approach all types of costs (the organizations tried to restrict any costs that would not bring an immediate effect, particularly personnel costs)
- social aspects connected with the dismissals occurred in less than a half of enterprises
- Programs of human resources development were quickly terminated in the majority of organizations considered – except of two organizations. The projects for talented employees were also stopped.
- managers respond in most cases in a reactive rather than in a proactive way (in 90% of organizations we found little creative activity managers in finding new ways to limit the effects of the crisis - it was mainly the enforcement of restrictive measures that was executed)
- managers prefer their personal experiences to a deeper analysis of the situation (90% of the organizations did not pay attention deeply analyse the situation and they used primarily their own experience)
- managers tended to prefer operational management to the strategic approach (this is related to the previous two findings)
- the current situation is characterized by a deterioration of internal communication in the organization (this has happened in almost all organizations surveyed)

The analysis of the situation in organizations shows that organizations and their managers need to get a broader overview in the management of companies in times of crisis, to deal more with building a successful organization than just cutting costs. We are sure they would benefit from stronger emphasis on performance management in its broadest sense. It is difficult after a long period of successful development and expansion to quickly reorient to the management of the organization in times of crisis and not to forget the key aspects of the managerial duties.

We intend to keep in touch with these organizations in the following period to monitor and evaluate their behaviour in the course of 2009.

2. Results and discussion

The ideas mentioned before are based on aggregate findings of our analysis of organizations in the confrontation with our own experience in working with them and the current knowledge of science. It is needed to analyze every managerial decision during the crisis and to think in the long term. Massive layoffs, restriction of staff training, communications and marketing activities will save some costs and improve cash flow in the short term but it might incur much higher costs to remedy such damage to the company. Among them may be a reputation about the organization and the state it is in. The new image might be that it is an organisation that dismisses people without sufficient reasons for it or that ceases to communicate externally. Our managers have often acted in such situation impulsively as if forgetting the fact that every crisis comes to an end and the business will need to develop further.

2.1 Cash flow

Among other problems that the organisations have to face during the time of crisis is insufficient cash flow. It is one of the impacts of the crisis, which quickly emerged. Organizations do not collapse because they would not have profit, but because they do not have the corresponding cash flow. In response to this situation, a quick reduction of various costs, halting the planned investments and mainly laying off the employees.

Reducing or even a drastic reduction of cost in order to quickly restore cash flow and profit instead of continuous investment to ensure long-term prosperity of the organization poses a major conflict. Only a few managers are aware that such cost reduction will only have temporary effect and that it is in essence only the initial response to an unexpected critical situation. It is not a bit a proactive response. Already many organizations have tried to act just to survive and eventually did not because, apart from other things, did not consider the situation in a strategic way. One classic once said "a small man has only a small goal". Much the same applies to the organization.

The question is what the organization should focus on to increase cash flow, which is essential not only for survival but in particular for building the organization in the future. When an organization needs to ensure its cash flow, it can achieve it in long term only with the help of its customers, using the fact that it can offer higher added value. The added value under the conditions acceptable to the customer can be delivered only if the company succeeds in aligning all stakeholders in the organization i.e. all departments

and all internal processes so that the customer value is much higher than with the competition. This is often a problem because organizations think that they know what the customer wants. Unfortunately, in many cases this is not the case and the companies simply do not know often do not even bother to find out what the customer really wants. Only a few organisations are self-critical enough to admit that they do not know exactly what their customers are truly interested in.

If the situation of the economy is acceptable, economic growth reigns and the customers are interested in the products. The only problem may be how to produce sufficiently large quantity of output. In this period put companies the customer and his needs aside. Managers are not aware that the imperfect cooperation, the lack of alignment (synchronization) robs the organization of a possible further gain, better results and smoother cash flow. They have enough money and the problems are more easily overlooked, there is more money for investments and the business is doing well. Seems there is no reason to prepare for the rainy day. The situation changes in the time of recession.

During the problematic times it is needed more than ever to identify the key products, weaknesses and advantages of the organization and its market position. Only then should the management consider decisions about the scale of production, marketing, pricing, customer relationships or cost savings in marketing communications (Đado, J. & Petrovičová, J., (2008).

If they had during the market expansion badly adjusted internal processes that do not allow it to react flexibly to new situations during a crisis, then after the decline in demand it is not able to respond by reducing production. However, if the production is not decreased, it will logically show up on the performance of the company and its cash-flow.

2.2 Approaches of organization

Nobody will dare to predict the actual development in 2009 because nobody really knows. The worst thing that the businesses can do is to hastily dismiss its employees and to close its facilities. In the revival of the economy they may be insufficiently prepared for the rapid and adequate reaction. It is needed to base all the reactions and decisions on the analysis of the real situation and not to prefer the experience to systematic solution, just like we witnessed in the selected organizations.

In the group of managers we included in our survey, there was a strong tendency to behave according to memorized schemes of behaviour and own past experience. Few have tried to obtain detailed information and insight into the problems and have based their decisions on a careful analysis. It is true that they may have gained some experience when the

Slovak economy opened to the world but this fact does not suffice. What we also realized was rather low tendency to take strategic approaches to performance management, method of scenarios when evaluating the situation and planning the future or other sophisticated approaches. In addition, our organizations invested little in innovation, development of a new product and increasing the value of existing products for their customers.

In times of crisis, it is very important to analyze and identify the key factors, strengths and weaknesses. Only then should the decisions about the scale of production, marketing, pricing, customer relationships and cost savings be made. The importance of these decisions lies in the possibility of quickly putting into practice. Usually there is a lack of money, especially if the organization did not invest sensibly the profits gained e.g. in the process of increasing efficiency of the operation processes, development of new and perspective products or other demanding changes. If it made the effort, it can use the downturn to prepare for the future. If the organization did not pay attention to such things before, it is realizing the situation now and will have to tackle some more serious issues. Unfortunately, such proactive organizations are not that common.

Today it is more important than ever for the companies to be successful and competitive on the market. Performance management represents a strategically oriented, systematic and integrated process that enables organizations to be competitive and successful in a sustainable way, as a result of continual improvement of performance of workers as well as a result of continual expansion of the skills of individuals and teams within the organization (Jesný M., 2009).

According to various international studies conducted in recent years, performance management system directly affects areas such as financial performance, productivity, quality of products / services, customer satisfaction and employee satisfaction. So it can affect the satisfaction of all stakeholders of organizations.

2.3 Costs

Organizations at the time of economic crisis have to start saving and management decisions to move from democratic to more authoritative and nobody knows for how long. Cost reductions do not necessarily mean such extremes as already mentioned in our research (reduction of investment, reducing marketing communications, employee layoffs, limiting remuneration, benefits, and work travels ...). Insensitive restrictions of marketing communication expenses have usually long-term negative impacts on the revenue of the organization (Petrovičová, J., 2007). Any organization

which limits its marketing activities risks that it will be noticed only when it has problems. The ability of organizations to communicate with their customers and their surroundings must not be weakened by the reduction of costs. However, it should be said also that functioning marketing communication of an organization in today's demanding world should communicate the fact the organisation is still present and ready to fulfil needs of a customer. It is one of the means to increase the visibility and to get customers.

When talking about costs, organization should consider right from the start which things and actions are really needed and to behave rationally. By rational behaviour it can save up to 10-15% of the costs without having any significant impact on its existence.

2.4 Layoffs

Human resources at first glance appear to be an important goal of corporate savings. It is true that the major cost is made by the expenses on employees. The fact that among the first reactions to the crisis we have found cancelling employee benefits or freezing of wages increase did not surprise probably anyone. Subsequently came the concerns about whether the decision to dismiss the employees was not excessive and premature. Dismissals and layoffs would appear rapid, hasty and with unconsidered consequences and expected support for the employees to join the job market (effective outplacement).

It might be good to name two great businessmen that have already in the past declared that the dismissal of their people would be the measure of last resort. One is called **Tomáš Bat'a** and second **Kiichiro Toyoda**. Their organizations have survived many crises and even today are successful. Part of their success is that their businesses have valued and connected the above-average employees.

Managers often complain that they can not rely on their executives. They say there is none to delegate work on because their people are not sufficiently qualified. When there will be a better opportunity to eliminate these shortcomings, if not now? The advantage has smaller organizations with a clear ownership structure, which may make strategic decisions and innovations relatively quickly.

The organization is governed with a long-term perspective and lay people off means definitively abandoning of precious assets. The fact that they are expensive is immediately visible by layoffs. Such measure has not just immediate effects since it involves compensation money, salary during the notice period and the possible damages triggered by panic and generally bad mood inside and outside of the company. When the crisis is over, the

expenses of the organization will rise as a result of new recruiting and training of new employees, what will be a large burden to carry in that period. There are enough reasons why to consider other ways to cope with a downturn in demand and employees.

Organizations in general tend to invest in human capital and into its future. It appears that many organizations have been caught by the crisis unprepared, what have shown that their investments in the future were not so clear or meant as serious as previously declared. Therefore the settled with some short-sighted and short-term solutions, and withdrew from its plans of building a successful organization. In doing so, especially in times of crisis, in these difficult times is very important to think about how to build a successful future for the organization.

If organizations do not consider building stronger and more successful organisation even in the time of economic crisis and will not take it as an opportunity, then they can not be as successful as their competitors. In other words, organizations should focus on building future success especially in the times of crisis, if they want to be stronger in the future. Organization should keep building their successful future position and proceed forward even in the times of changing markets.

2.5 Internal Communication

In order for the managers to be able bring all parts of the organization into unity and to be able to improve internal processes, they will have to build on a quality organization and interpersonal communication, which may at first glance appear simple and clear, but as we have seen in practice, it was just the opposite.

As we observed and discussed, the crisis did deteriorated the quality of internal communications. Such low quality of communication is one of the causes of the overwhelming majority of problems in the organization. If we consider a quality open communication essential under the normal circumstances, then its importance in critical situation is several times higher. Open, honest and frequent communication presents in particularly difficult times a prerequisite for solving all minor or major tasks and challenges. It does not make sense to close the doors of the departments and seek the "culprit" of the current situation. It is needed that it will be communication to bring people closer together.

We talk about the need for good communication across the organization through all levels ranging from the top management to workers and back. From this perspective, it is clear that reducing the costs by decreasing the number of employees usually does not contribute to the improvement of communication. It is true that organization loses part of its

intellectual capital represented by its employees as well as by the fact that the remaining employees are worried about their uncertain future.

Finally, solving of the problem is left to the bunch of managers who have not all the knowledge for making perfect decisions and so they focus on cost reduction, which does not produce a higher quality for internal and external customers, stagnating cash flow (if it grows it is only temporary) and finally, when this cost reduction is not enough, the situation begins to repeat.

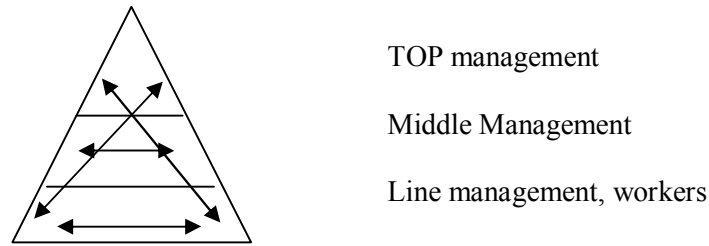


Figure 1. Example of open communication throughout the organization

3. What is next?

What can be the solution to this crisis at the level of an organization? It can be, for example, to take the crisis as an opportunity to build a successful organization today and in the near future. Rapidly build a culture of open communication, to increase value for the external and internal customers and to improve the synchronization of co-operation of individual parts of the organization.

For the advanced managers that prefer strategic overview are the following still important, despite critical situation: personal and professional growth of staff, development of teamwork, improving motivation, increasing meaningfulness of work, improving internal communication, improving the lives of employees - elements that affect the entire organization and provide significant synergies.

Communication is one of the manifestations of life, is a prerequisite of effective functioning of various parts of the organization, quality improvement and development of relations and cooperation internally as well as externally. The quality of interpersonal communication is an essential condition for improvement, today and also in the future. It is necessary for efficient usage of the tools of performance management.

3.1 Performance Management

Some strategic approaches of performance management create the preconditions for **effective internal communication** within the organization, provide a system approach, frameworks, and metrics and even direct the content of the communication inside the company towards achieving the required performance targets - Balanced Scorecard (BSC). It is BSC that represents a suitable instrument for Performance Management at the strategic level, creates the necessary basis for effective use of other "soft" instruments of performance management in the organization. Among other things, BSC contains the logics of causality and can help in the choice of metrics, decomposition of the aims and activities; it promotes communication, synergy and coherence (Kaplan, R. S, Norton, D. P., 1996).

Use the ideas in practice, Balanced Scorecard forces the management of the organization to think more proactively and moves them from operational management to strategic direction. This will help to solve the problem that the majority of managers in our research - excessive focus on operational approaches to the management of the organization in times of crisis.

Basic principles of Balanced Scorecard methodology clearly demonstrate the causal relationship between human capital and achieving the highest goals of enterprises that constitute the starting point for other modern methods of human resource management - performance management.

In other words, the right performance management can help to create the future success of organizations today, at the time of economic crisis, whether for strategic or tactical level.

Performance management system may be identified as the main process, which allows transforming the basic strategic priorities, values and objectives into the performance (or the goals of every employee). It is based on the link between the performance management of the organization, which defines the key performance measurements from the highest levels of management to the management level of individual objects (organizational units, jobs) and individual performance management system, which defines the level of individual jobs (staff) to specific job objectives, as well as the working behaviour.

Performance management represents an ongoing and flexible process. It is based on the agreement and does not rely on directive commands and control. It puts managers and employees in the position of partners, between which there is an agreement that says that the staff that is supported by the management will do everything they can to achieve common goals. Performance Management focuses primarily on the planning of future

performance, not just mere evaluation of the last period. We are talking about progressive development in time, which is the basis for regular and frequent dialogue between the leader and the one that is led, whether it is individual or a team. Even more important than the salary is a feedback, highlighting the benefits for the organization and identification of other opportunities. Development aspects of personality are more important than salary, although salary that increases with performance is one of the performance management tools.

Performance management should take the form of a flexible process, not the system, particularly because the word “system” often evokes petrified, bureaucratic and standardized approach, while the most successful organization is based on the process organization, which requires a great deal of flexibility. Therefore the performance management also has to be flexible, developing and adapt to the characteristic circumstances in the organization and outside (Tesarovičová I 2008).

The competitiveness of organizations in the third millennium is based on the effective use of intangible assets, especially human resources, the creativity of workers and their ability to apply their skills and knowledge in their daily work so as to bring the highest efficiency and customer satisfaction. Financial and tangible assets are of course still necessary, but often it is creativity, human ingenuity and long-term development of human potential that makes the company different in the long run and brings competitive advantage.

The importance of intangible assets, especially human resources in the competing with other enterprises explains why every manager needs some system or a process, so that they could use human resources in the organization in the most efficient way. If the organization uses in the management of human resources principles of efficiency, it has various advantages such as:

- Better value for shareholders because people in the organization are trying to collectively achieve the key objectives of the organization
- Managers are much more successful than before, because their colleagues and subordinates do the right things in the right way
- Growth of the level of experience of employees, job security, creates greater opportunities for career development, higher motivation and outstanding performance of employees

The main tools of performance management are effective interpersonal communication, feedback, coaching, counselling. An important role is also played by the competence, which the worker must have to successfully handle the tasks arising from his position.

Tool for improving employee performance, whose performance does not meet the expectations placed upon him, are an important part of performance management, which includes tailoring specific tasks for the worker. To improve overall performance of the department or organization, crucial personnel are those workers that meet the expectations placed upon them. The main task of performance management is to seek reserves in the performance and the ways to further improve already good performance.

Important instruments of this effort are the information concerning the nature and results of activities carried out by the workers, which are provided by the people involved in some way in the process. This information are provided for the purpose of enhancing and improving the activities carried out by the workers and also allow to take steps towards its improvement. Information enables workers to understand how well he works and the broader context of his behaviour. In the case of any problems, the reason for this feedback is to cause a response aiming to correct the problem and in the case of a smooth performance in the opportunity to further improve the process. The concept of management performance underlines the crucial importance of feedback embedded in the worker's own work, which allows the worker to take certain steps himself to correct himself, or to take this opportunity to improve its performance. The concept of performance management highlights the key importance feedback that is applied onto the work process of the employee. It enables the employee to make certain steps towards the solving of the situation and improving his performance. Feedback in the performance management is a positive feedback that does not only inform the worker about what he did right or wrong but it must also contain the way to further improvement. Information about past and current performance are the basis for full understanding and some kind of bridge to the future. It would be a mistake if the feedback that is provided by other people was based only on some impressions, opinions or cursory knowledge. It should be noted that in ought to be based on concrete facts, evidence related to the results, events, speeches and behaviour, which somehow affected the performance of work.

Another important tool of performance management is an individual way of helping the worker to improve his performance and develop their skills - coaching. Coaching is applied in various occasions, e.g. delegating of certain power to an employee or when a new role is introduced, but it mainly relates to the provision of feedback to the worker. Coaching is in fact nothing new; it's only a good practice that has been good managers using for a few years already. It is thus a completely normal part of managerial routine. Manager leads the worker towards becoming aware of the way he

does his job. Manager seeks to direct the worker think about his job and about how it could be improved. He should also ensure that the worker will know not only what is he expected to do but also what he needs to know to carry out its work. Manager encourages the worker to reflect on problems and to seek their solution. However, the workers must also understand that if their work is done to their satisfaction, as well as the satisfaction of others and if they are to be able to take challenges and to successfully develop their careers, they must continually improve their skills, expertise, knowledge and behaviour.

Coaching represents an interactive process by which managers seek to remove the deficiencies in the performance of employees, through which they teach them skills, pass their knowledge and teach the values and desirable work behaviour. This is an important method to strengthen the human capital in the organization. Good managers always look for opportunities for coaching. Coaching helps to increase motivation and helps managers with a number of important aspects of performance for themselves and for their employees:

Removal of deficiencies in the performance

- Acquisition of new skills and competencies
- Growth of motivation
- Preparing for new responsibilities
- More effective management of staff

Good coaching results in better performance, work satisfaction and higher motivation. It also helps to improve the relations of the manager with subordinates facilitates the work of a manager. Skills trainings represent another way to address deficiencies in performance and increase skills and qualifications of staff.

As mentioned above, in the performance management has developing the skills of workers in the organization great and irreplaceable importance, since there is no organisation that can improve its performance and be successful without effective education and investing in its people today. Successful managers recognize the value of educated employees who can effectively collaborate, share information and develop the skills necessary to the effective functioning of organizations in today's globalizing and ever-changing world.

Development and training of employees should be the main direction, which should be a priority for most organizations if they want to enhance their performance. This requires, however, understanding of the processes and techniques of education and learning in the whole organisation, in teams and for individual employees. When assessing performance of staff, the

employees should be encouraged to think about how and in what ways they wish to develop further. This may lead to the construction of worker's personal development plan that includes the activities serving to his further personal development.

3.2 What with the talented?

In our research, before the onset of the crisis had the organizations that we monitored elaborated development programs for their employees. In the third of the cases they were also working on implementing of talent management in their organization. At the end of the year 2008 these programmes were terminated in majority of companies and have continued in only two of the. From our perspective, stopping of already started talent management programmes is a considerable loss.

Currently, talent management is getting more and more into the focus and for many organizations is no longer and additional active but becomes a necessity in the battle for talent with other competitors. This is particularly true in this time when organizations need to use their talents, develop them and prepare for times when the crisis ends and rapid growth begins. The crisis can not act as an excuse for stopping the work with talents; it should be just the opposite. It is necessary to work with them, get them to a higher level and give them feeling that they are included in the future plans of the organisation. It should give them the chance to participate on a journey from the crisis to and to apply their potential - if not all, at least to a significant part of the talents in the organization.

While in the past has been focused on getting the best, companies are currently developing emphasis on talent management, what means that many firms redefine their performance management in order to identify, nurture and retain talent in the organization. Staff development programs reflect the need for successful plans and seek to support development of leadership skills and talents in the organization. However, too much emphasis on talent management may be even harmful for the organisation, because any efforts in the development must ensure the development of performance and competitiveness of the organization as a whole, not just a certain part.

Employees now expect equal partnership between them and the organization and some flexibility in the way the employer sees their lifestyles. The price of talent in the form of salaries and benefits has also increased. Today's talent management does not choose the best of the best but seeks hidden potential to complement the talent in the organisation. The first phase focuses on obtaining the correct "material", which is then used to reflect the long-term strategy. The second phase is to find appropriate ways to involve talent to engage in organizational goals, so that this process bears

fruit in the form of business results (convert the rough gemstone into a jewel). The third phase is to ensure that the talent is not tempted to be of benefit by the competition, but is motivated to stay and perform for the organization that developed his potential.

In short we can say that modern talent management is not the old concept in a new cover – it is about company's policies and actions of the Human Resources (HR), which has undergone a sophisticated improvement and extension.

The increasing pace of change in the world around us affects us all and brings us new challenges. For almost all organizations, whether private or public, the main asset is their staff. Without motivated workers with skills and knowledge could not any most organizations survive for long. This particularly applies at the time of economic crisis.

Economic crisis, the fight for resources in general, globalization and the rapid pace of innovation represents a major challenge for the organization, its managers and workers. This situation is a major challenge for the department and human resources in organizations, which can no longer rely on ad hoc or on the traditional ways of recruiting and retaining employees, as well as the development of talent. They must also change and adapt. Fast-moving world of competition and the economic crisis required new approaches to human resources from departments and organizations. Employees are often not sufficiently flexible and ready for a possible request from the organization to be ready for the new “just in time” projects. The situation in the world requires a much greater flexibility than in the past and talent management is a tool that can help solve these problems. Talent management is the process by which an organization continually identifies, manages and develops its people for the future. It deals with the development of strategies to determine what the organization needs to meet current and future requirements of shareholders, to identify ways to attract and retain those that are critical for success and for measuring the impact of talent management strategies, so that the organization is to continuously improve and deliver high results now and in the future. The basic idea of talent management is the assumption that each man has a potential and any approach should be used to identify it. In addition, there are some key skills that the organization requires for sustainable competitive advantage and the goal is to identify, build and maintain them. The dictionary management does increasingly include the above mentioned phrase "the battle for talent." This fight is encouraged by numerous forces that shape our world. Some of the driving forces such as continued growth in a particular specialization, particularly in areas related to the rapid growth of knowledge. This

conclusion is shared by experts in many fields and relate to finding, developing and **maintaining the necessary skills**.

It also can be seen more pressure on the sophisticated skills as well as their higher level. Much more jobs require a high level of knowledge and skills based on the integration of large amounts of complex data because we live in an increasingly complex world. A decade ago it was not as intense and managers face technology and economic and simple software products. Currently the situation is much more difficult. Some managers even use a balanced approach (balanced scorecard) to managing and measuring their performance, seeking to balance the needs in different areas (financial, customer, internal processes, associates, suppliers, customers and others) and rely on their ability to adapt to required needs. All this means greater complexity and greater demands on managers, who must have a much wider range of skills than in the past. The pressure to obtain various skills results from the different requirements and needs of both organizations as well as its surroundings.

In today's globalized world, cultural diversity and conflict of skills for internal and external partners brings the advantage of better understanding the customer profile, his needs as well as the synergistic benefits of a mixture of different ways of thinking influenced by the environment where people developed. Managing diversity in transnational organizations is sometimes quite difficult and it's also a relatively new phenomenon with which managers have to tackle.

We have seen a change in the psychological contract between employer and employee. This contract is historically based on job security in exchange for high performance and loyalty. It was amended and now seeks higher working requirements put on an employee for a given time in exchange for higher wages. For the employee is this agreement based on a commitment and a reasonable performance if the working facility currently meets his individual needs. If not, young people in particular are prone to change. It should be noted that the talented people need the organization much less than the organization needs them and they easily find a job in either other (often competing) organization or their own business. This puts very high demands on the work of human resources managers. A framework for talent management strategy can be briefly characterized in the following paragraphs:

- Responsibility for the introduction of talent management must come from top management of the company and important role in the implementation process should have the human resources department. Each manager has responsibility for identifying and

developing talent within their scope. It is known that Jack Welch from General Electric made talent development a major priority for the whole organization.

- Pick out key skills and needed talent is necessary for sustainable development in the future will help in focusing on core and essential aspects of business. During the existence of broader development activities, which help develop the potential of all employees, it is necessary to focus on areas that may ultimately limit the overall development of the organization.
- Intensive development processes for assessing performance and potential of people constitute the necessary basis. It is desirable to detect the hidden talent within the organization, since they often do not. The information obtained in this process will be followed by other plans and development activities in the future.
- Identification of processes that will be used for acquisition, development and retention of talents can help to create clearer qualitative criteria for measuring their effectiveness in the future.
- It is appropriate to insert the cycle of planning into the regular management process controls, review and decision on the talent - to help to keep the focus on long-term goals.
- Focus on areas with the highest returns in proportion to efforts likely to lead to a lower initial investment. However, we need to avoid bureaucracy, which would bury the whole process in the paper forms.

Finally, talent management and succession planning concerns open communication, passing of information and stimulating conversations about people, their approaches and results. Talent management in the organization should be less focused on the tools, systems, or limitations of competence frameworks. Instead, it should be more on the way of thinking, attitudes and approach to learning.

3.3 The economic crisis and education

Today we often ask the question: "What kind of impact the current situation will have on education? How this situation will change what is happening in the market of education and work with human capital?"

Still, several companies recently reported the development and education of workers as one of the key values of the organization. Almost every organization has sought to develop its employees through internal training or external training. Demand for training has been growing, even with the support of funds from the European Union. There were trainings for managers, talent in the organization, employees. We must comment that the

trainings were conducted rather spontaneously. Besides the participants, who really needed the training for their work also those who did not wish to learn did attend the training. Participants often retrained and none was interested how they are using their knowledge in practice. From the perspective of the organization none were really interested in the return of the funds invested into education (Vodák, J. & Kucharčíková, A., 2007).

The economic crisis comes to us and one of the impacts in the field of education is drastically cuts of the budget allocated to education and subsequent training aborting. It's quite a typical phenomenon in the organization, that the absence of finance has the impact firstly on the field of education. In our research, only two organizations in early 2009 did continue to develop its staff. Is there a place for education in the organisations of today? Or is doomed to stop? If we look at the facts - the world will continue to move forward, whether we want to or not. It will certainly be different, but business will go on.

Competition here will also continue to exist. Staff will continue to come and go. If you want the organization to survive in the market, it will need to adjust its product portfolio, and focus of its services. Customers will hardly tolerate less professional treatment. Every coin has two sides. Currently, we point at the negative impacts of the financial crisis. This is only one side of the coin. If we want to see the holistic view, it is necessary to look also to the other side of the whole reality. It is important to realize that the economic crisis will come to an end. When we look into history and study the biographies of famous personalities, all consistently argue that the best business were made in times after the times of crisis (war, recession). Those who persist in the development of its employees will have a head start compared to organizations that stagnate.

If a company wants to continue to provide professional products and services, it is necessary to develop its employees. How to change the provision of education at the time of recession? As previously reported, the learning process never ends. Maybe in some organizations, training in time suspended, but the fact is that society will be much more prudent and targeted spending on education funding. It is a high assumption that education is stretched trend like in small or medium-sized private companies - the training is attended only by people who need to work and will expect a demonstrable impact on the learning experience. On the other hand, the accountability of employees for their own development will increase. It will be no longer possible to act as "if they want it from us, let them have us trained." It will be necessary for a man that he himself works on his personal and professional growth.

Conclusion

Any crisis, whether in the lives of people or organizations can also have positive side effects. Finally, in times of heavy post war period originated in Japan the phenomenon Toyota. The crisis is forcing people to act more efficient, encourages cooperation and to seeking unconventional solutions. Because it is less work, there is more time for thinking, learning and new projects. In other words, people in difficult times slow down and reflect on their past actions. If companies want to overcome the crisis, it is not enough to mechanically reduce the number of staff and reduce costs. They should mainly invest in their future. What does this mean in practice? Owners and senior management should address the substantive question of how to innovate now and in the future in order for the company to live a long, high-quality and safe life. In the visions and missions of the company does the word "innovation" occur quite frequently? Only a few of them have created a functional and efficient process of strategic innovation. Each product, as well as a technical or business system, is developing in certain cycles. If the strategists planned things really in advance and took new and innovative approaches in the broader context, they would not be surprised today.

Even greater problem than to plan the future is (in) ability of managers to act. Strategic plans are too hard to bring into life and the system lacks a systematic approach. Therefore should also the middle management rather than panic and search for reserves at any cost focus on things that have not been in focus because of the lack of time - of course with the aspect of building a successful future of the organization in mind. Selecting key projects with best effects and bring them into practice is better than stroll along the corridors with a list of people to be laid off. It is those in the "bottom" who pay for top managers mistakes.

Difficult situations can be considered as a major disaster or a great challenge. It's up to us how we will react to the new situation and whether we will know how to turn the hardship into sources of new possibilities. We can choose a proactive or reactive approach. It must happen that the managers of firms realize that the crisis will end eventually and the business will go further. If the crisis is a disaster, for a number of organizations and exceptional managers it's an opportunity to get to the top or to significantly improve their position.

On the one hand, a sample of organizations in our research was not large (11 organizations), on the other hand, their behaviour is so significant that, together with the collection of secondary information about the

behaviour of other organizations in the Slovak Republic has allowed us to reach the abovementioned conclusions.

There are no instructions on how to survive crises. However, they are principles that have proven useful in the past. In the first place, there is no need to panic. Life goes beyond this crisis and should be taken as a source of lessons and recovery opportunities. Good managers should be in a crisis brave and accountable to their colleagues. They will return it to them in the form of their hard work for the organization. There is art in throwing those who appear redundant overboard – every body can do that. The art is to find a way to help each other, how to go further. Better than fire people, is to focus on key priorities that will ensure the survival of the organization and future development. It may be the optimization of the processes, eliminating waste and unnecessary costs but it is more necessary than ever to focus on improving internal communication across the organization to align its individual parts and to focus not on survival but for the creation of a successful future. As very useful appear the approaches of performance management from a strategic level of organization to the individual employees. Crises are also the appropriate time for education and training and talent management as a form of development of human capital in the organization, even though it does not seem like that on the first sight.

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