

mBank: creative passion

Be the change that you wish to see in the world.

Mahatma Gandhi

There is no substitute for hard work.

Thomas Edison

Hard work has made it easy. That is my secret. That is why I win.

Nadia Comăneci, the first female gymnast ever to be awarded a perfect score of 10 in an Olympic gymnastic event

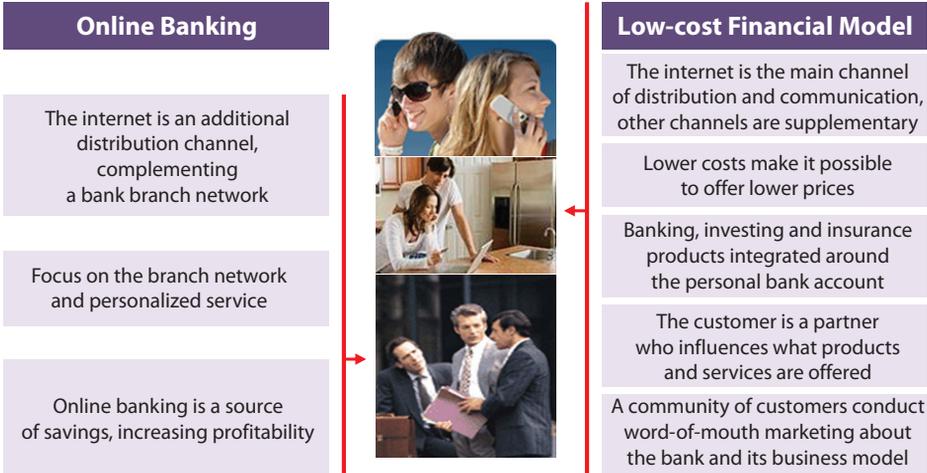
The banking sector has high barriers to entry, making its participants feel secure and keeping competition friendly. The entry of a new player doesn't happen often. Poland's economic transition, when the monopoly of the National Bank of Poland was broken up, created the conditions for exactly this to happen. The early 1990s deregulation of Poland's financial markets and the drafting of liberal banking laws encouraged new banks to form. From 1989 to 1992 alone, 70 new commercial banks were founded in Poland. Many of them collapsed or became targets of takeovers, but those that survived were spectacularly successful. Of the ten largest banks in Poland in 2010, five were founded in the transition period of the turn of the decade.

Before mBank opened in November 2000, it seemed that the cards had been dealt. The market had been carved up by global leaders and a local giant, state-controlled PKO Bank Polski.

However, our team at BRE Bank conducted an analysis of the Polish financial market that identified a niche for an online bank that would also be a discount bank. We were already in the middle of a project to create a modern retail brick-and-mortar bank, MultiBank, but we dropped it to focus all of our efforts and resources on launching the online bank.

I was lucky to find myself in the right place and the right time, working with amazing people. Within three months, we created Central Europe's first full-service online retail bank. Although taken for granted today, the business model of mBank was a breakthrough innovation. It transformed the Polish banking market.

Discount Financial Services another kind of business model



Source: Sławomir Lachowski.

It was never about building yet another bank. We knew we were changing the world of banking from the moment we took the decision to make it an online bank. Violent change driven by technology was evident all around us. We knew that the Information Age was setting the standards for the new economy. We had a sense of mission. We were writing a new chapter in the history of retail banking. “Maximum benefits and convenience in personal finance,” was mBank’s mission statement. We wanted to create a bank that offered services at low prices based on a low-cost platform that was easy to use and available 24 hours a day, seven days a week, 365 days a year, anywhere in the world.

The vision of mBank was a sketch of a new generation in banking:

For people who value time and money, who want to control their finances with a sense of real benefits and convenience, mBank offers a business model that has the client at its center.

mBank provides banking within arm’s reach, at any moment and anywhere in the world. New technology used by mBank lets the client do banking operations using a mobile phone or a landline, a computer or an automated teller machine. By foregoing the network of traditional brick-and-mortar bank branches, mBank has lower operating costs, thanks to which

it can offer much higher interest rates to savers and much lower interest rates to borrowers. mBank not only offers the best prices in each product category, but also ensures the highest quality and security on the Polish market.

mBank is a place where workers respect one another for their knowledge, commitment, and openness, and where they can fulfill their professional ambitions. Working at mBank enables participation in a project that is changing the Polish banking sector, and thus requires competitive spirit, sacrifice, and effort. mBank is actively creating a brand based on common values: freedom, independence, maximum benefits, dynamism, transparency, and integrity. We would like mBank clients to see us as partners. We seek to provide the highest quality and most innovative personal finance products on the market.⁴⁶

ING Direct in North America and Germany, another online-only bank, and mBank in Poland grew rapidly. The discount bank model in the form of an online bank was something new that changed the market. It got increasingly popular.

1. An online bank creates a market for financial services for a new generation of customers, who either don't want or don't need to be served in a bank branch because they're independent and able to pick the best products at the cheapest prices.
2. An online bank is a discount bank due to its lower cost structure and lower unit costs, which gives it a long-term cost advantage.
3. In the first phase of its development, an internet bank offers its customers a limited number of basic bank products of a relatively low quality, but at very low prices.
4. As it grows, the bank can offer a wider array of products, eventually competing with traditional brick-and-mortar banks, while keeping its prices low.
5. Such a large portion of the population has internet access nowadays that the online bank can ensure that everyone, anywhere and anytime, can have access to financial services.

⁴⁶ *mBank vision*, internal document, BRE Bank 2001.

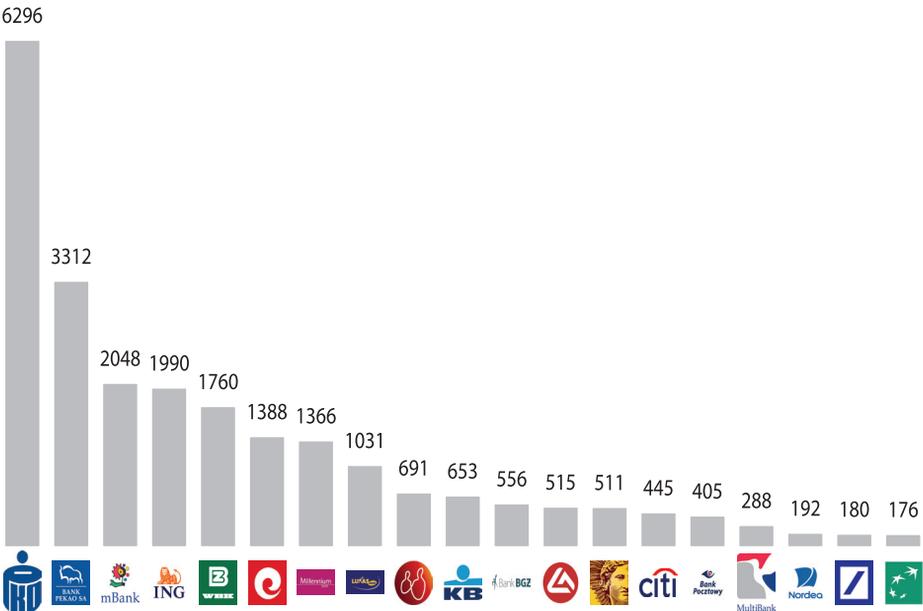
The discount, online-only business model has a chance to change the market in a dramatic way like no-frills airlines and discount retailers have already done.

6. The online bank shifts the paradigm of retail banking. It's more convenient, and offers better quality and a wider array of products at long-term low prices.

Over 90% of Polish bank clients prefer to check their bank account balances online, while over 60% pay their bills online. The discount, online-only business model has a chance to change the market in a dramatic way like no-frills airlines and discount retailers have already done.

In 2011, mBank became one of the biggest retail banks in Poland. It has the third-largest number of customers, 10% of the market. It's outranked only by the historic incumbents of the market, state-controlled PKO

Number of personal checking accounts in Poland



Source: Sławomir Lachowski (based on data from Polish daily Rzeczpospolita 13.09.2011).

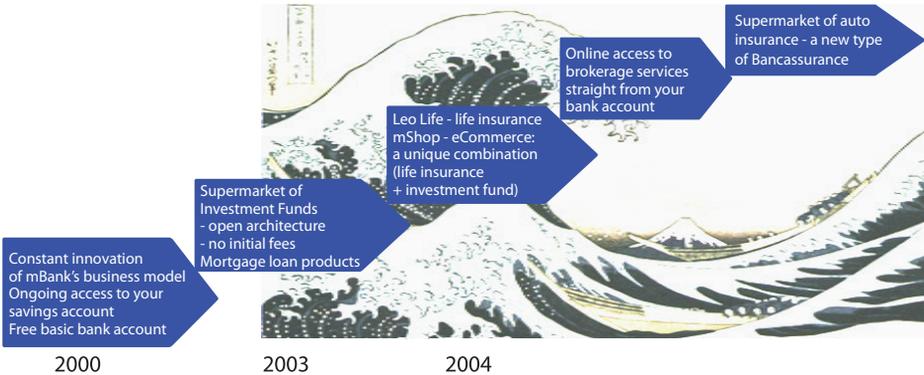
Bank Polski, and Pekao SA, in which Unicredit holds a controlling stake, and which has grown by acquiring other banks. The number of clients at mBank has grown faster than the market, so that it's getting closer to PKO and Pekao, and leaving BZ WBK and ING behind. Seventy percent of its customers are people below 35 and 67% of them are college-educated, meaning they already have or will have in the future more money to save than the average Pole. Since they're young, as they age they are likely to increase their incomes, which means they'll either need more savings products, or they'll be a *good credit risk* to take out larger loans for homes, cars and vacations. These are the types of customers everyone wants.

mBank is the fourth-largest online bank in Europe and the fifth-largest in the world, in terms of number of customers. Keep in mind that mBank is based in a country where not so long ago internet access was still a luxury good and well below the European average, mBank has done remarkably well to win such huge popularity. It has a dominant position in several segments of the market:

- 3.3 million clients – the third-largest retail bank in Poland;
- 350,000 corporate accounts – the second-largest Polish bank in terms of small business customers;
- 503,000 clients in the Czech Republic and Slovakia (about 5% of the market in each of these countries);
- 500,000 clients of the Investment Fund Supermarket;
- 160,000 eBroker clients;
- 14.7 billion zlotys (\$4.3 billion) deposits in Poland;
- 5 billion zlotys (\$1.5 billion) deposits in the Czech Republic and Slovakia;
- 13.6 billion zlotys (\$4.0 billion) in mortgages and consumer loans in Poland;
- 1.5 billion zlotys (\$440 million) in mortgages and consumer loans in the Czech Republic and Slovakia

Consistent implementation of a strategy based on innovation has given mBank a competitive advantage. The initial business model, a discount bank, was a breakthrough in and of itself. mBank then started a revolution of the Polish finance market because of the way it sold investment funds,

mBank's business model: e-revolution on the mass market



Innovation is a constant element of mBank's business model.
The only thing permanent is change.
Once a year on average, mBank introduces a significant innovation.

Source: Sławomir Lachowski.

brokerage services, and insurance. It then entered the Czech and Slovak market, proving it could achieve spectacular success in competitive and mature markets.

mBank's Values

Looking back at mBank's growth, I can see that the secret of its success wasn't the idea or the technology. It was mBank's deep reserves of human talent. We managed to tap into this reserve through the value system we created. We didn't define some core values and declare they would apply from then on. That's what often happens. Companies draft a code of values or commission outsiders to draft one because their managers believe it's the proper thing to do, because their competitors do it, or because they want to be politically correct. mBank made values the basic canon of behavior within the company and in its relations with the outside world. It's a philosophy and a management style.⁴⁷

⁴⁷ Simon Dolan, Bonnie A. Richley, Salvador Garcia, Tony Lingham, *Managing by Values*, Palgrave Macmillan, New York 2006, p. 17.

Managing by values was a discovery for me and an incredible experience when I oversaw the creation of mBank, MultiBank and when I was tapped to lead their parent company BRE Bank as chief executive. For me, management by values became a categorical imperative, an insight that brought together all of my knowledge and experience.

The values of mBank were defined in their final form in 2002, about 18 months after the project had been launched and after all the key participants had come on board. As the boss at mBank, I kicked-off the process. I already knew then that our business model would be a disruptive innovation that had a chance to transform Poland's banking sector. At the same time, I was convinced that acting in agreement with best business practices wouldn't be enough. The bank had an incredibly attractive strategy and an ambitious business plan. My intuition told me the missing piece was core values, which would have strengthened all of our commitments to the company. In a democratic process in which all employees could take part, key workers set out mBank's core values after many hours of workshop sessions:

- Excellence
- Execution
- Responsibility
- Readiness
- Engagement

In Polish, the values of mBank spell the word DROGA, which means road. The DROGA acronym didn't happen by chance. It gave the values it described additional meaning. It stated my philosophy that the journey is more important than the destination.

From that moment forward, these values became the criteria by which we judged attitudes and behaviors. They pointed us in the right direction in moments of doubt. When there were no rules or procedures for a given situation, these values helped us make decisions.

Core values should meet four conditions:

- influence an organization's activity – processes, procedures and products

- remain under control (be visible);
- measurable;
- inspire the individual and collective ambitions of workers.

In 2002, we needed to make our values understandable to all workers. We had to make them concrete, observable and measurable. Only precisely described values in the form of expected behavior would be easily understood. So we had to widen the definition of values, describe the way we expected workers to behave, and explain how this would influence internal and external relations.⁴⁸

EXECUTION table

EXECUTION effectiveness, awareness	
What we are like	Our image
Goal-oriented Effectively completing tasks Clearly defining duties and responsibilities Understanding the mission and strategy and identifying with it Taking the market, competitors and the community into account	Focus on the client and his or her well-being Competitive strength Trust in the bank and its workers Attractiveness to investors Vision of the bank's growth Responsible employer and market participant

EXECUTION is modeled on management by objective, effectiveness in completing tasks, and measuring the degree to which sales and net profit targets get hit. At mBank, however, EXECUTION didn't refer

⁴⁸ Agata Sachowicz-Stanusch, *Potęga wartości. Jak zbudować nieśmiertelną firmę*, One Press, Katowice 2007, p. 14.

only to budget goals. It also set out how workers should behave when they are setting goals and implementing them. We defined competency as a combination of knowledge, skill and motivation and it was a tool to assess workers' attitudes and behaviors. Competency defined what an employee had to know to achieve success. Competency also described what an employee had to change in their behavior if that behavior wasn't delivering results. Finally, competency outlined growth areas.

Key competency required for EXECUTION, an mBank value

VALUE	COMPETENCY	COMPETENT BEHAVIORS
R IMPLEMENTATION	Focus on goals and results	Employee sets goals for him- or herself and others and focuses on achieving planned results. Makes realistic long- and short-term plans; completes tasks efficiently and in a timely manner.
	Decisiveness	Makes decisions after weighing opportunity and risk. Uses available information quickly but not rashly. Sticks to his or her decisions but is flexible enough to adjust them when it's justified.
	Business awareness	Sees the business as a whole. Sets goals taking the market, competitors and the community into account. Takes advantage of opportunities. Understands the business model. His or her behaviors accord to that model.

Source: internal mBank material.

We measured these values, described in terms of competence, on a scale of 1 to 5. We took the employees we had available into account as well as whether a behavior was supervised or unsupervised. A description of competency for each of the EERRE values and their related behaviors formed the mBank Competency Map. *We picked competencies according to the following criteria: if our values are to remain a permanent feature of our operations, what competencies (knowledge, skills, and attitudes) should our employees have or develop to practice these values in line with company expectations and their own choice?*

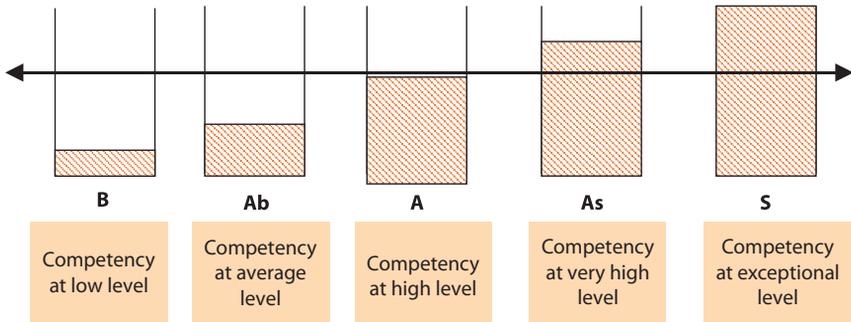
EERRE – mBank's value map

Values	Competencies	Description of competent behaviors
D Excellence	Innovativeness	Looks for new opportunities and finds new ways to apply them. Eschews the beaten path; thinks creatively; encourages others to be creative.
	Openness to change	Sees change as a challenge and an opportunity; accepts the need for change and actively shapes it. Motivates others to participate in new projects. Is flexible; can modify his or her beliefs and behaviors constructively.
	Focus on growth	Accurately assesses his own and coworkers' skills. Develops those skills. Takes advantage of opportunities for growth. Learns new skills and behaviors; supports others in their growth. Looks for ways to improve and optimize his or her own work and the work of others.
R Execution	Goal-oriented	Sets goals for him- or herself and others; achieves results. Makes realistic plans in the long- and short-term; works efficiently and in a timely manner; completes tasks and projects.
	Decisive	Makes decisions after weighing opportunity and risk. Uses available information quickly but not rashly. Sticks to his or her decisions but is flexible enough to adjust them when it's justified.
	Business awareness	Sees the business as a whole. Sets goals taking the market, competitors and the community into account. Takes advantage of opportunities. Understands the business model. His or her behaviors accord to that model.
O Responsibility	Initiative	Is ready to act quickly, even if the action goes outside the narrowly defined scope of his or her duties. Learns from trial and error; doesn't get discouraged by failure.
	Independence	Takes responsibility for his or her actions. Bravely faces challenges; accepts support; works independently without supervision; has high level of self-control.
	Impact on others	Gets others to cooperate to achieve results; inspires others to action; open to discuss views; convinces others through cogent argument.
G Readiness	Maturity	Open to feedback. Is guided by his or her emotions and moods; is aware of his or her strengths and weaknesses; accepts criticism and uses it constructively. Knows how to assess the social situation and people's needs.
	Teamwork	Creates a collaborative atmosphere; spends time with the team; understands that others have opposing interests; seeks compromise; can deal with conflict. As a leader, sets achievable but challenging goals based on the situation and employee potential.
	Dynamism	Maintains self-motivation; works effectively and with energy; reacts quickly to the needs of others; is especially sensitive to the expectations of customers and co-workers. Can overcome unexpected challenges and adapt without skipping a beat.
A Engagement	Self-motivation	Sets him- or herself ambitious goals and works hard to achieve success. Is motivated from within; continues to work despite a lack of external stimuli. Confident of his or her skills and optimistic about the future.
	Tenacity	Steadily works towards a desired result even in the face of failure; can implement long-term objectives. Copes with unexpected or constant stress and exhaustion; recovers easily.
	Loyalty	Sees working at mBank as an opportunity, where his or her career will develop. Shares the EERRE values and talks about them. Demonstrates solidarity with co-workers and availability to work towards the bank's goals.

Source: internal mBank materials.

Companies usually write down a set of values and then stop. Some write detailed descriptions of what those values mean. But they don't outline the consequences of not remaining faithful to those values. We didn't want to take this approach. At mBank, we went a lot further and created an employee evaluation system based on values. We quantified the degree to which attitudes aligned with values and assessed employees on it.

Competency assessment scale



Source: Internal mBank materials.

The scale was 1-to-5, but the distribution wasn't along a bell curve. We set the required level of competency high. In the place on the scale where people are usually "average", in the middle, we placed very good workers. The next two levels were aspirational. We showed employees how to improve and what to learn in order to do so.

Degrees of assessment:

- Low (B): competency at low level – is demonstrated infrequently; manifested only to a limited degree.
- Average (Ab): competency at average level – not demonstrated in its full scope, but rather selectively and with moderate intensity; displayed more vividly under supervision.
- High (A): competency at high level – shown clearly while completing tasks, but not always with the same level of frequency or intensity.
- Very high (As): competency at very high level – applied independently and with high frequency; used appropriately to the task or situation; ensures successful task completion.

- Excellent (S): competency at excellent level – a permanent feature of behavior, used with ease, deployed and developed creatively in new areas, indicative of expertise in skills that fall under its scope.

Our system of employee evaluation, working according to our values, was critical. At mBank, the employee assessment process was the opposite of a traditional worker evaluation. It was based on a self-assessment called PPE, or Plan of Personal Effectiveness. The employees who had been there since the beginning didn't have any trouble with this. But we were hiring new people and we needed a tool to show them what mBank was about and what type of behaviors it expected from its employees. The annual evaluation was a test for every individual worker and the organization as a whole. It showed which competencies were at a satisfactory level and which needed to be developed.

Our personal effectiveness plan (PPE) was designed to determine how workers' daily behaviors aligned with our values. The name itself suggested how the process differed from traditional top-down worker assessments. Employees consciously planned their own EERRE to lead them to the results the company expected. We knew that values are a key factor of success. We had described how they manifest themselves in behavior. Now we had to figure out to what degree they were present in each employee. Our PPE was based on feedback, which isn't a new concept. It was created by an unknown German theologian in the 14th century, and developed 150 years later by John Calvin and Ignatius of Loyola working separately and unbeknownst to each other.⁴⁹

Feedback is information that comes to us from our surroundings. It tells us why what we do and don't do impacts the results of our work. The employees at mBank were asked to figure out the relationship between "how I work" and "what results I achieve". This way of thinking is also an effective learning tool and a way to live the values of EERRE. The PPE was an employee's contract with their supervisory, the company, and themselves. "How I work" and "what results I achieve" were questions employees could pose themselves daily and were also the basis for their

⁴⁹ Peter F. Drucker, *Jak zarządzać samym sobą*, "Harvard Business Review Polska", July, August 2006.

self-evaluations. PPE had to be consistent with the EERRE values. Its purpose was to foster an efficient, responsible and self-aware organization. We designed a 360 degree evaluation, with input from the employee being assessed, their supervisory, and their co-workers.

The evaluation process⁵⁰:

- PPE is a phase in the development of the organization and its employees;
- PPE takes into account both work results and how they are achieved;
- Work style is evaluated based on mBank values as defined in EERRE;
- Drafting and agreeing to PPE with your superior has consequences;
- PPE requires self-awareness and responsibility from the employee and their superiors.

A PPE starts out by holding an employee to account for the results of their work. To help employees assess themselves, we created another tool, FF or Friendly Feedback. The following is a mBank memo on FF:

Friendly Feedback is a way for you to gather information about yourself. It provides material for self-reflection. It gives you a chance to see yourself through the eyes of the people you work with. It's a chance to display READINESS, to bravely accept constructive criticism, in order to get better. Ask people whose opinions you value to do your FF, making sure they have had a chance to work with you in various professional capacities.

These can be members of your team or your internal clients. The contents of the FF is for you alone. Use it to inform your PPE. Remember, analyzing and drawing conclusions from feedback is how you grow into a mature individual.

⁵⁰ PPE, Personal Effectiveness Plan – employee information. Internal BZD information BZD. BRE Bank Retail Banking Department, 2004.

Personal Effectiveness Plan Worksheet

(D) EXCELLENCE (R) EXECUTION (O) RESPONSIBILITY (G) READINESS (A) ENGAGEMENT

Personal Effectiveness Plan 2004				A
Employee number:		Title:		
Start date:		Supervisor:		
Date plan was last modified:		Org. unit:		
MY RESULTS (tasks, projects, responsibilities - accomplishments, numbers)				
Accomplished tasks, percent accomplished		Challenges 2006 Plans (tasks, projects, responsibilities) and measure of their implementation		
Overall, tasks from the past year were accomplished in what percentage				
SUCCESS		FAILURE		
WORKING STYLE AND RELATIONS WITH OTHERS (behaviors and attitudes – Excellence – Execution – Responsibility – Readiness – Engagement)				
STRENGTHS		WEAKNESSES		
PERSONAL AND PROFESSIONAL GROWTH (knowledge, skills, courses, promotions, change, career path, future at the company, time frame)				
GROWTH ACTIVITIES		GROWTH PLANS		
REPLACEMENT PROGRAM (new competencies required)			Talent pool recommendation	No
WHO CAN REPLACE ME		WHOM CAN I REPLACE		
OTHER COMMENTS				
Date	Signature	Date	Supervisor's signature	

Source: internal mBank document.

Feedback was a widely used tool at mBank. What was new was using it in the annual evaluation process.

Friendly Feedback

Example	
Friendly Feedback for Zbyszek Chowluk	
What do I get from you as a co-worker? – support in difficult situations related to IT; insightful diagnosis of a problem, indication of where my understanding is weak, in a professional manner – fair and honest criticism – reliability, I’m confident that once you take something on you’ll do what you said you would	What am I missing? – more eagerness to join my project on the client database – more active support at our Monday meetings with the boss in defense of our idea about handling customer complaints – more understanding of my limited technical understanding – smiling more often
What do I like about your behavior and attitude? – realism, focus on facts, independently of emotions experienced – critical thinking, taking a step back from solutions proposed by yourself or others – resourcefulness	
Author: Aśka Wrzosek May 5, 2004	

Source: Internal BZD document. BRE Bank Retail Banking Division.

Employees fill out the Location on the EERRE based on available information. They assess themselves according to the criteria described in the Competency Map. It’s an incredibly difficult task for everyone. But it’s important and that’s why we created so many detailed instructions for the process:⁵¹

1. When getting ready to write your PPE, consider:
 - a) What have been the results of your work over the past year? Which of your duties or projects have come to a successful conclusion? What projects haven’t you been able to complete to a satisfying degree? Estimate in percentage form the general level of realization of goals that you had for this last year.
 - b) What challenges and priorities do you see for yourself in the year ahead: what tasks, projects, and areas will you take responsibility for? What results do you want to accomplish?

⁵¹ Employee information. Internal BZD documents. BRE Bank Retail Banking Division, 2004.

IT'S THE JOURNEY NOT THE DESTINATION

- c) What are your strengths? What EERRE values are most strongly present in your behavior and attitude? Where can you improve? What would you like to work on?
- d) What helped you grow personally and professionally (completing a course, mastering a new skill, deepening your knowledge, promotion, moving to a new position, etc.)?
- e) What is your professional and personal development plan for the coming year? What competencies would you like to improve? What should you learn? How do you see your future within our organization? In what direction do you want to develop your career?

Your Location on the EERRE

Employee's name and surname Title

Supervisor's name and surname Date

Values and skills		Level of competence					Areas of development							How to develop further
		Low	Average	High	Very high	Exceptional	Customer service	Project management and leadership	Personal and social skills	Foreign languages	IT	Banking knowledge	Other knowledge (finance, marketing, law)	
E	Innovativeness													
	Readiness to change													
	Readiness to improve													
E	Readiness to achieve goals and results													
	Decisiveness													
	Business awareness													
R	Readiness to act													
	Independence													
	Influencing others													
R	Emotional balance													
	Teamwork													
	Pace of work													
E	Resilience in stressful situations													
	Endurance													
	Readiness to succeed													

Source: Internal BZD document. BRE Bank Retail Banking Division.

- f) Who could replace you in your current position and what competency would this person need to acquire before doing so? What position would you be able to move to, if you implemented the development plan you've described above?
2. Ask two to four people for a Friendly Feedback, one or two people you pick yourself and one or two people picked by your supervisor.
3. Write your PPE and your location on the EERRE and send it to your supervisor. He will address it and ask you to sit down for a talk.

The employee then schedules a meeting with their supervisor. The role of the supervisor in the PPE process is important, but self-evaluation is more important. The supervisor must adequately prepare for such a meeting. He must evaluate the worker's PPE and create a Competency Balance on the EERRE.

Excerpt from "Instructions for supervisors":

- a) Suggest two people to your subordinate, whose opinion you trust, to prepare Friendly Feedback for him or her; make sure they have also picked one or two people for additional Friendly Feedback submissions. This could be any other employee in the organization that knows this employee's working style, from a teammate to an internal client.
- b) Prepare for the PPE contract negotiation:
 - o read the proposed PPE and clear up any ambiguities;
 - o prepare a location for the employee on the EERRE, suggest directions for further growth and areas where improvements are needed;
 - o add comments to the PPE;
 - o say whether or not you recommend him or her to the Reserve Management Team
- c) Talk to your subordinate in order to:
 - o discuss the PPE and give feedback based on the location on the EERRE;
 - o talk about the factors that could effect a successful EXECUTION of the PPE by the employee;
 - o agree to the PPE with the employee;
 - o get his or her feedback about you as a boss.

The boss wasn't a one-person authority during the PPE process. Special meetings called Review Sessions ensured the objectivity of the process.⁵² The supervisor of the worker was the host of such a meeting, to which he invited several other people, someone who worked with the person being assessed on a daily basis, a higher-level supervisor, and an HR worker. The subject of the assessment wasn't present at their Review Session.

All managers and employees of mBank were subject to Review Sessions. The evaluated employee's supervisor would first present the employee's accomplishments and their own evaluation. The participants were then asked to judge the person, using EERRE criteria. Heated discussion would then ensue. The final evaluation rested with the supervisory.

As the supervisor of all of mBank and Multibank, I took part in many Review Sessions of my managers. I kept the practice when I became the chief executive of BRE Bank, because I believe picking and evaluating workers should not be a responsibility a manager delegates to others.⁵³ The sessions would take a long time, together lasting three to four working days. We would talk until everyone was sure that the supervisor had taken all relevant facts into account. We weren't afraid to differentiate between managers. The last phase of PPE was the Information Session to present the final assessment. These weren't simple and short conversations. Those being assessed, even the best of them, wanted to make corrections.

The Information Session is about feedback in the form of a grade, but more importantly it's about observing behaviors, discussing examples, and suggesting changes. The seriousness of these talks and their incredible atmosphere is one of my favorite memories of working at BRE Bank. In an organization based on values, employees are more prone to self-reflection and more ready to be critical of themselves. Review Session discussions were the best management workshops of how to implement EERRE. I participated in Review and Information sessions because I believed I owed this to the workers who had put their trust in the organization and had shown their commitment. These were difficult conversations, both with

⁵² Employee Instructions, BZD 2004.

⁵³ Larry Bossidy, Ram Charan, *Realizacja. Zasady wprowadzania planów w życie*, MT Biznes, Warszawa 2002.

employees I had known for years and from whom I expected a lot, and with the young ambitious hotshots hungry for success.

Critics would say that when Information Sessions were in progress, the bank was navel-gazing, providing therapy to its employees instead of working in the best interests of its shareholders. I think it was the best use of time in the whole year. The sessions created a pause, they forced the organization to take a look back at its successes and failures and draw conclusions from them. The Personal Effectiveness Plan was a tool that combined management by objective and management by values. By evaluating workers based on values and their related behaviors, we were able to avoid the classic mistakes of management by objective. We didn't turn management into industrial engineering.⁵⁴

Inviting employees to a dialog helped them see the logic of their own career choices and unlock the energy that lay dormant in them. As workers' picture of their strengths and weaknesses got clearer, it became easier for them to adjust to suggestions and goals thrown up by the organization. Workers became ready to make choices and take responsibility for them. The process of the PPE demonstrated a two-dimensional picture of the organization, both the qualitative aspect of values and the quantitative. It created a map of the organization showing competency and effectiveness.

Stars would get an S grade for behavior and effectiveness. There weren't many stars at mBank, perhaps 1.5% to 2.5% of the workforce. Workers who didn't meet the organization's expectations, with at least one A grade, could be divided into three groups.

Two grades below A, behaviors measured against the bank's value system, didn't leave any doubts. Two B grades meant that we would have to let the person go. For an organization, an employee with a grade above A in the values category but a lower grade in the results category was better than the reverse. It's easy to understand intellectually but harder to put into practice that a worker that gets results but acts contrary to an organization's values can't work there anymore.

⁵⁴ Harry Levinson, *Zarządzanie przez czyje cele?*, „Harvard Business Review Polska”, July, August 2006.

Those who surpassed our expectations received a new growth path. We asked them to prepare for new challenges in their careers. Those who met our expectations received opportunities to improve. Those who didn't meet our expectations were told what those expectations were and got a deadline to meet them. It would seem that things were rough for this last group. But history showed that for many employees, such clear information, access to tools, and time, were the impulse they needed to change or to leave on their own terms. The company managed by values differs from the company managed by objective or by instruction. Employees aren't evaluated only by whether they've hit quantitative targets and followed instructions.

Management is the art of planning and achieving goals using available resources. Achieving a goal gives satisfaction but you can't forget financial motivation. Management by values isn't limited to using a values system as an ethical signpost that unites people around common goals. At mBank, financial motivation was not neglected. But the bonus system rewarded behaviors that aligned with the company's values. Bonuses were calculated based on qualitative assessments and achieving quantitative results. The financial motivation system of mBank, expanded later to all of BRE Bank, was based entirely on the results of the PPE assessment. This way the discretionary variable was completely eliminated from the bonus system, ensuring a transparent process.

Corporate Culture – Invisible Force, True Strength

The values of mBank, consistently practiced, changed its corporate structure and gave it a long-term competitive advantage. Management by values enables companies to use their employees' full potential and to give those employees satisfaction and a creative outlet. Companies are waging a war over talent. A company's values are the best argument in favor of rejecting a competitor's job offer, even a better-paid one. I knew from the beginning that corporate culture would be decisive. But I didn't know how to build it thoughtfully and in a structured way.

There were some values and requirements that were present at mBank from the beginning: meritocracy, openness, striving for excellence, kind-

ness, being helpful, taking ownership of tasks, holding people to account, respect for clients and suppliers, bypassing hierarchy in communications, being fast, and learning from mistakes. Describing these values and having them permeate the organization created the EERRE culture.

The values of mBank, consistently practiced, changed its corporate structure and gave it a long-term competitive advantage.

mBank created a corporate culture that wasn't just unique within the financial sector. Wojciech Kostrzewa, my predecessor as BRE Bank's chief executive, and now the chief executive of ITI Holding, described the mBank team as a "cult", and he meant it in the best way possible.

"Incredibly strong focus on the goal, frenzied diligence, aligning actions to implement the leader's vision, which was pure abstraction to everyone else," is how Kostrzewa described us. People who had worked somewhere else before coming to mBank knew there was something special. For the young, fresh out of university, this culture was a test of their character. It didn't limit their freedom, but expected responsibility and complete commitment. I recruited Arkadiusz Jadczyk, a very promising graphic design hire, reluctant to leave his student days behind. mBank became his first workplace and one to which he contributed significantly. He's gone on to run his own business. According to him:

It was loyalty that made team work effective. Just like in the army or Special Forces, where soldiers have to trust and depend on each other. We were loyal to the project, to the brand, to ourselves and to others. People liked working with one another. That made light work out of tasks which were often tiring. Everyone who has left has found it's hard to recreate this atmosphere. Contrary to what people said on the market at the end of the 1990s, people were welcomed back to BRE Bank if they left. Workers would beg to be taken back like prodigal sons. Some people couldn't step into the same river twice and would leave again. Others, who had remembered lessons learned elsewhere, didn't make the same mistake twice and stayed. The same can be said of former employees attempting to transplant the mBank corporate culture to new businesses they founded. mBank was a once-in-a-lifetime project. Hard to copy both in its business model and the way it was managed. The method arose from many factors, but mainly from people who believed. There was madness in that method. There was method in that madness.

It's hard to describe mBank's corporate culture. Everyone who worked there knew it was unique.

Renata Tadeusiak worked in the human resources department for mBank, Multibank and later BRE Bank. She watched us from a distance and had this to say:

It's hard to describe mBank's corporate culture. Everyone who worked there knew it was unique. It was different than the corporate cultures of traditional financial institutions. When we hired companies to train our workers to give them the skills to complete certain projects, we spent a lot of time introducing them to mBank's culture. We would start by walking them around mBank's offices. Everyone worked in open spaces, even departments that required quiet and concentration, like the loan analysis department. The open space encouraged workers to communicate and to feel that we were all in it together. We were so committed to this way of organizing space that we replicated it even when we moved our headquarters to a new building. The culture of mBank didn't have the trappings of power. Unit directors had small offices with glass walls and open doors.

Meeting spaces were made to look like cafes, making them casual so employees could exchange ideas in a spirit of openness. The furniture was light, so it could be moved around. Meeting rooms were also glass-enclosed to express mBank's desire to "have nothing to hide". There was a 1000 liter aquarium with goldfish, which became the first image on mBank's credit cards. There were two webcams that broadcast what was happening at mBank, one directed at the fish in the aquarium and one at life in the open space. After seeing all these things, trainers would know that openness, togetherness, teamwork, communication, weren't just slogans. When I heard the idea about building bleachers in the open space, like in a soccer stadium, I was worried. Wednesday meetings to present business results were supposed to be held on those bleachers. At first I thought conducting results meeting in the open, where anyone could wander by with a cup of coffee and listen in for a while to find out how sales of credit cards were going, wouldn't lend itself to serious analysis. But I was wrong. The bleachers turned out to be more physical proof of mBank's transparency. Everyone had to be aware of how business was going. mBank didn't need marble and heavy oak tables to discuss results.

Arkadiusz Jadczyk:

mBank started out as a collection of a few departments. The departments would bleed into one another. Sales and marketing would both be responsible for advertising or

distribution, with people from system or product development also joining in. That's how the phenomenon of project work operated. There were no procedures for this but from the beginning project teams would come together even as team members continued to fulfill their official responsibilities. Some people liked it. Some people found it exhausting, especially as projects multiplied.

There was more and more work, putting a burden on people's families. But there was no shortage of interesting projects. You could volunteer. You could respond to someone else's request. Or you could generate your own ideas. The process was always the same. A supervisor would approve the project and work would begin immediately. Not every project would get implemented because its commercial viability still had to be assessed, but meeting rooms and flipcharts would already be put into action. A person's role in a project team mattered more than their official title. There weren't many titles to begin with. Something was always happening, work moved quickly and we were always doing something new. The project approach meant there was a lot to learn. People became generalists. Marketing people would act as salesmen for a given product. They could even become involved in the legal aspects of a product, writing its legal framework before the lawyers would get to it to polish it. What for? To give the term "special task force" new meaning. People would learn more and more, specializing as they worked. Naturally, future leaders emerged. Anyone who proved themselves as team leader could count on a promotion in the future.

Virtual Company in the Real World

At mBank, we learned by doing. If a project didn't have a clearly defined goal, if it was an experiment, or an intuitive idea, the question of whether or not it would be profitable would decide whether we would keep it or toss it.

Arkadiusz Jadczyk:

When mBank was coming up with something new, a product, a service, a process or a new pricing structure, we would always use benchmarking. We would compare ourselves to the competition. We looked for inspiration mainly outside the banking sector. At mBank we could apply and observe the various theories, ideas, tools and techniques we had learned in textbooks, like Porter's five forces analysis, Boston Consulting Group matrix, McKinsey's methodology, cost-benefit analysis, sensitivity analysis, Balanced Score Card, Six Sigma, and Lean Management. Being familiar with these concepts and knowing how to use them was a condition of working at mBank.

Despite using all these tools, we realized the importance of keeping things simple. Not everyone was familiar with textbook style strategic management, but everyone had to participate. Strategic Diagnosis was required for every important business decision. We studied cases, analyzed trends, looked at best practices. We ordered a lot of books on Amazon. We read case studies from Harvard Business School, INSEAD, Wharton, and Stanford. We would regularly ask ourselves: how do others do this? We didn't want to copy; we wanted to learn from others' successes and failures.

"Learn from others' mistakes to avoid your own," as Lachowski used to say. It worked. We would look at other online financial platforms, such as Egg, ING Direct, UnoFirst, Wingspan, ING-DiBa, and Charles Schwab for tips. We would track Inteligo, our main competitor, like hawks, analyzing its every move. We would look at what products and services other Polish banks were offering and how they were reacting to us. The magical break-even point was hanging over our bosses' heads, so we wanted to figure how to be the first and how to be the biggest.

Sławomir Lachowski:

I had multiple bank accounts abroad, especially the ones that were considered the best, like HSBC, Citi, Centurion, and ING. Others did too. We wanted to copy the best solutions. We took what was best of the competition, and learned from our own mistakes.

Arkadiusz Jadczyk:

There were moments of doubt. When we were frustrated we would call it the break even power point, since Power Point can tell you anything you wanted to hear with the right assumptions and data. But we got there on deadline, thanks to strategic thinking and commitment to things big and small.

Renata Tadeusiak:

At mBank, we used to talk about fighting to the bitter end. We were extremely determined to achieve the goals we had set for ourselves. We were also characterized by our togetherness. We would work together, party together, and take responsibility together if something didn't pan out. Every one of our actions was linked to the values in which we believed. All mBank employees could make a difference, so we would invite everyone to our strategic workshops. Every June, the entire company would go on a two-day company retreat. We wanted to invite people to take responsibility for the year ahead, to inspire them, to bring them together to experience something new.

If you've ever organized workshops, you know that it's hard to do it with 60 people. But we did it with 200. At mBank, anything seemed possible. Just because no one else had ever done it didn't mean we couldn't try. Every year we grew, but every year, everyone went on the annual retreat. Everyone knew what mBank's goals would be for the year ahead. Everyone received a T-shirt with the upcoming year's goals printed on it: "Two million customers, number one in quality." And "500 ideas for 500 million." The t-shirts would always be red, the color of mBank, and the goals would always be ambitious. We would arrive, learn the goals, and break off into workshop groups to discuss ideas to achieve them. Then we would listen to lectures about new ideas, trends, and also stories from people's travels. Then we would party hard. At midnight, we would sign our mBank anthem, a song by Polish folk-rock band Golec uOrkiestra called "Bare Field".

It's a bare field now,
But it'll be San Francisco,
See that molehill,
My bank will be there.

We would come back to work confident that we would achieve the year's goals. Had we been manipulated? No. mBank's leaders just realized that employees are a company's most valuable asset. Each one deserves open communication. Each one is interested in where the company is headed. We hosted the workshops each year for a growing staff. Our job was to make the workshop format as effective as possible. Chief Executive Sławomir Lachowski would discuss the agenda with us in detail. Managers would be severely tested because their ideas would often be torn apart, and not just by the chief executive. Employees would learn that anyone could have an idea that would transform mBank, regardless of department. We would make the employees with the shortest tenure at the company, mainly interns, come up with the craziest business solutions they could think of to prime the rest of us for brainstorming.

Scientists say that some corporate cultures are like cults. Employees identify with the organization's value system, use insular jargon, making it hard to relate to people who work in other companies. That insularity can become a liability. I remember talking to a young man who decided to quit after working at mBank for a trial period. It was during our "mBank is a woman" marketing campaign. I asked him why he was leaving. "mBank is a beautiful woman," he said. "But she's not my type." Not everyone wants to work in the corporate culture of mBank. But its clarity was its strength. "If you like to work hard and have fun doing it, come join us." We were all responsible for reinforcing this message.

I like to reminisce about those days. The air smelled of revolution, a revolution in banking, punk style.

Arkadiusz Jadczyk:

Our personal individualities combined to create a whole, which rarely happens in the corporate world. If someone at mBank was a bit quirky, everyone knew about it and could respect it.

Fatigue first set in in the spring of 2002 and we all started seeing everyone else as freaks. We worked hard, all night sometimes, so we had to tolerate various weird behaviors. We also had to tolerate customers who would knock on the windows on the ground floor of mBank's headquarters on Mickiewicz Street in Łódź asking to be let in to mBank's offices. That was twelve years ago. People wanted to see the online bank. They wanted to see that it existed.

I like to reminisce about those days. The air smelled of revolution, a revolution in banking, punk style. We were creating an alternative. Banking would never be the same. We had rituals. Trips abroad were journeys of discovery. Employees would have a concrete purpose for going, like a conference to attend, but would also be attuned to anything else that could help us, like how the London Tube works, or how a Starbucks is decorated or what Portuguese ATM machines look like. Anything that could inspire ideas and beat the competition. We would take pictures of interesting things and bring back marketing materials. Looking at the products and services of banks abroad became standard practice. As soon as an mBank employee would land in the United States, they would go either to Starbucks or the Wal-Mart to see these famed business models with their own eyes. And we would come back and make presentations about what we had seen. Because we were all shooting for the same goal, we happily shared knowledge. We shared notes from training courses and conferences. Meanwhile, Lachowski would give people mandatory reading assignments by handing them books. Books were also his way of rewarding employees for a job well done, and they were always carefully selected for the recipient, with a personal dedication. Such a book was meant as a tool to improve an employee's results even further, to increase their potential. Wojtek Bolanowski read *The Cluetrain Manifesto* from cover to cover in one night. He became our customers' favorite mBank worker. People tracked his every move on the internet. Trips abroad weren't just about learning something from foreign experts. Employees came back all wound up and inspired by what they had seen and heard. They would then set to work like well-oiled machines. Those trips were about seeing where the bar was. What level we should aim to match and surpass.

Alina Strycharz, responsible for all of human resources in BRE Bank Retail Banking, had trouble understanding what mBank was about, at first:

I joined the company in 2002. The train was picking up speed. Even my first interactions with the bank foreshadowed an adventure. I thought banks were serious. But everyone was running from desk to desk and talking loudly on their phones in the open space. It looked like ground control shortly after a shuttle launch. I had worked in small teams for 17 years, training other companies' employees, but I didn't have any experience on the inside. If this is what working in a corporation looks like, it isn't so bad, I thought. I was charmed by the movement, energy and cheerfulness. I was looking for a new challenge but I didn't have the qualifications for the position, which was HR manager in charge of training policy. I didn't have any experience in HR. I didn't have any experience working in a corporation. I just knew how to support people to grow and learn. I was a devotee of American psychologist Carl Rogers and his person-centered approach. I believed that by seeing the potential in people and creating the right conditions for them, you can prompt them to take ownership for their own professional lives and succeed.⁵⁵ I was armed with self-awareness, assertiveness, listening skills and knowing when to give feedback. I have tried to teach these skills to others throughout my whole professional life.

At mBank I was given the opportunity to create the right conditions for people to grow, in an environment based on the values I shared. The business needed workers who could build natural and authentic relationships with customers. Only then could customers feel sure that the offers made to them were prepared with their best interest in mind. Our financial advisors had to be professional, and that professionalism had to be based on communication skills, ability to manage their emotions, and to understand the needs of the customer. We used the Experiential Learning Model developed by American educational theorist David Kolb. He developed a process that starts with concrete experience, goes to observation of and reflection on that experience, then moves on to formation of abstract concepts based upon the reflection, and then testing the new concepts.⁵⁶ Employees analyzed what helped them achieve their goals, which would enable them to figure out what they had to change in their behavior. With each analysis, we encouraged workers to think how they could achieve their goals quicker, more effectively, and at less cost. We taught people how to take advantage of opportunities and how to spot those opportunities in the first place. We didn't want workers to fall into a rut of mechanically repeating learned behaviors. Nowadays, what we did for mBank workers is called coaching. Our trainers didn't tell the financial advisors how to get customers. They would inspire them to think and draw conclusions. At first, workers were not happy at all.

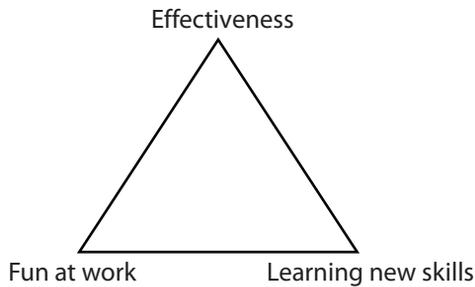
⁵⁵ Carl Rogers, *On Personal Power: Inner Strength and Its Revolutionary Impact*, Delacorte Press, New York 1977.

⁵⁶ David A. Kolb, *Experiential Learning*, Prentice Hall, Inc, Upper Saddle River, 1984.

“What kind of training is this?” they would say. “They don’t tell us how we should act. They don’t give us scripts. We have to think of everything ourselves. What kind of experts are these?” We would tell them what to do, but in our own way. We would tell them what the goal is. We would tell them what values we all had to remain faithful to. We would point out guidelines that foster good customer relations. We would practice behaviors we considered constructive. All so that workers could build their own skills. After our training sessions, workers didn’t ask for regular training courses any more. We would only hire companies that had courses based on authentic participant experience using feedback that would teach how to control your emotions and be assertive. We wanted our workers to be aware and responsible. And we wanted these traits to be the foundation for our corporate culture as a whole.

Building our corporate culture was a planned process, but the process left room for spontaneity.⁵⁷

At mBank, people were looking for challenges. **They wanted to experience an adventure in business while growing personally and professionally.** That required the company’s leadership and employees to balance three elements:



Two things about working with people are paramount to achieving this balance:

AWARENESS	RESPONSIBILITY
Reflection that encompasses all information about work, the goals of work, its context, its terms and conditions, experience, scenarios of action, own motives and behaviors, and relations with others.	Owning your work, taking responsibility for its results and style.

⁵⁷ Piotr Kociołek, *Managing people and projects at mBank and MultiBank*, internal BRE Bank document, 2002.

Employees made progress by leaps and bounds. They were becoming more effective, more entrepreneurial, and ready for new challenges and responsibilities. These were mainly young people. When mBank was founded, the average age of its workers was about 30. They loved being able to influence their workplace and created rituals that became part of mBank's corporate culture. We played soccer together. We partied together after work. mBank organized a marathon in Łódź. We had our Christmas party at the skating rink. But above all, mBank's corporate culture was geared to be effective.

"Management is what tradition used to call a liberal art, 'liberal' because it deals with the fundamentals of knowledge, self-knowledge, wisdom, and leadership; 'art' because it deals with practice and application," said Peter Drucker, the management guru. "Managers draw upon all of the knowledge and insights of the humanities and social sciences, on psychology and philosophy, on economics and history, on the physical sciences and ethics. But they have to focus this knowledge on effectiveness and results."

I agree. As a chief executive, I tried to find business solutions that reached into the foundations of knowledge. Self-knowledge showed me the limits of my own leadership skills. Wisdom is the sum of knowledge and experience combined with self-reflection. Leadership is action measured by results, profit and a company's market capitalization. But in the longer term, leaders are judged by the culture they have created, worker satisfaction, innovation, and the competitive advantage of their firm. I left BRE Bank in March 2008. That's when I realized that my biggest achievement wasn't BRE Bank's profit margins or the record-high share price, but its innovative business model and the idea of management by values. These two things made BRE Bank stand out. They were impossible to copy and gave the bank a long-term competitive advantage.