

Organisation and Human Resource

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Organisation and Human Resource

ORGANISATION DEVELOPMENT

Overview

The change management programmes in 2004 endeavoured to break new grounds in providing the Bank with enhanced capacities and capabilities to deal with the challenges brought about by a dynamic and uncertain external environment. In particular, the Knowledge-Based Organisation (KBO) initiatives that commenced in 2001 continued during the year to improve the Bank's ability to acquire, create, use and retain knowledge. The Bank continued to promote organisation-wide practices of knowledge sharing and collaborative work within a secured and trusted environment, with the adoption and implementation of newly formulated information security policies and procedures. For performance improvement, the initiatives during the year focused on programmes to modernise talent management practices, enhance learning and training, improve processes, upgrade technological infrastructure, and improve the physical working environment.

One of the tools the Bank adopted in 2004 for the purpose of enhancing the process of performance management is the Balanced Scorecard¹. The Balanced Scorecard approach emphasises the need to view organisational performance from multiple dimensions, with emphasis on inter-linkages between strategy planners, decision-makers and strategy implementers. The breadth and depth of a central bank's functions in our emerging market economy poses unique challenges to remain focused on strategic long-term objectives, while giving effective attention to tactical issues. The alignment of internal capacity and capability development efforts for strategic and operational goals within the Bank has become more imperative, thus demanding greater levels of flexibility and innovation in how the Bank manages its human, knowledge and technology capital.

Since the launch of the KBO programme in 2001, the Bank put in place programmes and initiatives to enrich its internal knowledge resources through a wide range of human resource, knowledge and technology initiatives. The Bank's corporate intranet now provides extensive online connectivity throughout the organisation, enabling higher levels

of organisational and process integration, personal productivity improvement, and collaborative work. A significant new achievement in 2004 is the transformation of the Bank's library into a Knowledge Management Centre (KMC). This centre greatly enhances existing knowledge management processes and promotes a more reliable and effective means for the Bank to manage its knowledge assets. Any individual who needs to obtain new knowledge can use the services of the KMC to expedite knowledge identification, acquisition and use. Furthermore, existing knowledge can easily be converted into reusable knowledge assets, all of which are being managed centrally by KMC staff. The Bank's corporate memory, therefore, will be more accessible to all staff.

The adoption of a strategy-focused organisation as a principal theme for organisational capacity and capability development in 2004 has successfully paved the way for a more deliberate management of intellectual capital in 2005, focusing on areas relevant to the core objectives of the Bank. The combined theme of strategy focused organisation and knowledge management would be at the centre of the organisational development programmes of the Bank for 2005.

Human Capital Management

During 2004, the Bank established a Leadership Development Centre programme to identify, develop and sustain leadership talent in the Bank. In an effort to improve the alignment of human capital development with the Bank's business strategies, changes were introduced to the Bank's competency management framework, as well as, the career management system.

Staff strength as at end-2004 was 2,335, representing an increase of 1.6% from end-2003. Staff turnover rate remained below 2% for 2004. The majority of new hires were graduates, reflecting the Bank's focus on bringing in knowledge workers and new talents to enhance productivity and performance. Between 1998 and 2003, the number of graduates increased from 798 to 1,233, that is, from 42% to 54% of staff population.

¹ The Balanced Scorecard methodology was developed by Professor Robert S. Kaplan of Harvard Business School and David P. Norton of Balanced Scorecard Collaborative Inc.

Occupational safety and health was another area of focus during the year. The Bank has given greater visibility to personal health and well-being by conducting health and environmental assessments with the assistance of the National Institute of Occupational Safety and Health. Staff involved in departmental Safety, Health and Environment (SHE) committees conducted a series of First-Aid certification programmes as well as organised internal seminars on safety and health. The Bank introduced a lactation room for mothers with newly born babies, and is exploring options for providing child care services for staff. These initiatives contribute to an environment where human capital can be more productive without excessive stress.

Training and Learning Management

Greater effort was put into integrating training and learning management with staff performance management. Relevant training and learning programmes for staff to acquire new knowledge and skills were executed in line with efforts in human resource management to align human capital with the Bank's strategic needs. In particular, efforts toward enhancement of self-directed learning with customised content and delivery at the individual and departmental levels serve to increase the overall ability of the Bank in aligning human capital and knowledge assets to meet new challenges faced by the Bank.

In the Bank's effort to develop leaders from within, the Bank successfully organised the first customised Leadership Development Programme. The Bank also engaged external expertise from the Toronto Leadership Centre in the area pertaining to leadership in supervision. The Bank has continued to leverage on internal resources for many of its training programmes, with 290 of the Bank's staff being recognised for their contributions towards the creation and sharing of knowledge.

The Bank invested RM8.9 million in training for knowledge and skill enhancement during the year 2004, an increase of 11% compared to 2003. These training programmes include highly customised solutions designed to meet learning needs of line departments. The average training man-day per staff registered in 2004 was 12 training days and on average, training investment per staff amounted to RM3,800, an increase of 9% from 2003.

Information and Communications Technology Management

The thrust of the Information and Communication Technology (ICT) management in 2004 was on initiatives that promoted the use of ICT in

facilitating analysis and decision-making, enhancing efficiency and making information more accessible and visible. The Bank has embarked on an enterprise-wide initiative to create a more unified and collaborative workplace environment through the use of technology.

A special ICT executive programme is also being put in place to promote a more versatile adoption of technological solutions in driving the transformation of business processes. The Bank recognises that the implementation of new technology solutions must be matched with enhanced capacity on the part of users and decision-makers to adopt and work with the technology.

The Corporate Portal introduced in 2003 has proven to be an effective communication channel for the Bank, acting as a central gateway for staff to gain access to the Bank's corporate information and application systems. In 2004, the portal has been extended to all the Bank's branches, representative offices and mobile users. The Bank has also implemented a wireless network infrastructure within the Bank's vicinity to support staff mobility.

The Bank continues to strengthen the security, reliability and resiliency of the ICT infrastructure. The design of the new state-of-the-art Data Centre, offsite from the Bank's Head Office, is currently being developed, with the ultimate aim of providing secure and resilient facilities to support the Bank's operations.

Information Security Management

The Bank achieved yet another milestone in its Information Security Management during 2004 when it successfully translated the Information Security Policies and Standards into procedures that operationalise the classification and access control of information in the Bank.

Where the task of classification is deemed important in identifying the sensitivity and criticality of information, the procedures are expected to institute a form of discipline in encouraging knowledge exchange and sharing amongst staff in the Bank. This endeavour is seen as crucial, especially amidst other strategic knowledge management initiatives undertaken by the Bank.

The deliverables of the Information Security project include the development of revised procedures for proper handling of corporate information, as well as granting access to information based on



the principle of 'need-to-know'. The guidelines also stipulate best practice on aspects of security at various stages of a typical information management cycle.

Knowledge Management

The focus of the Bank's knowledge management initiatives during 2004 shifted from infrastructure development to the more challenging task of embedding knowledge processes within the Bank's routine operations. Several initiatives were launched in order to make knowledge management a natural part of all staff's daily activities. The first initiative was to use the Bank's corporate taxonomy standards and practices to improve governance of the Bank's knowledge assets. The taxonomy makes it easier to discover knowledge that already exists in the Bank by developing an appropriate classification for a more effective search. This also improves the capacity to identify expertise within the Bank since authorship of papers and presentations in the Bank becomes more visible.

The second initiative was the design of the Enterprise Portal Strategy that would be more effective in pulling together all the different information sources and channels within the Bank under a common information delivery platform. The Enterprise Portal would make it easier for staff to collaborate across departments, projects and even with other organisations. It would also enhance the Bank's capacity to reach out to specific stakeholders in providing information services. The Portal would also make it easier to transform business processes using information technology, and thus improving efficiency within the Bank.

The third initiative was the establishment of the KMC which gives more focus and specialised resources towards the management of the Bank's knowledge assets and processes. The core processes within the KMC focus on effective access to knowledge, maximizing reusability of knowledge, continuous learning, creation of new business knowledge and sustaining a collaborative work environment based on knowledge systems.

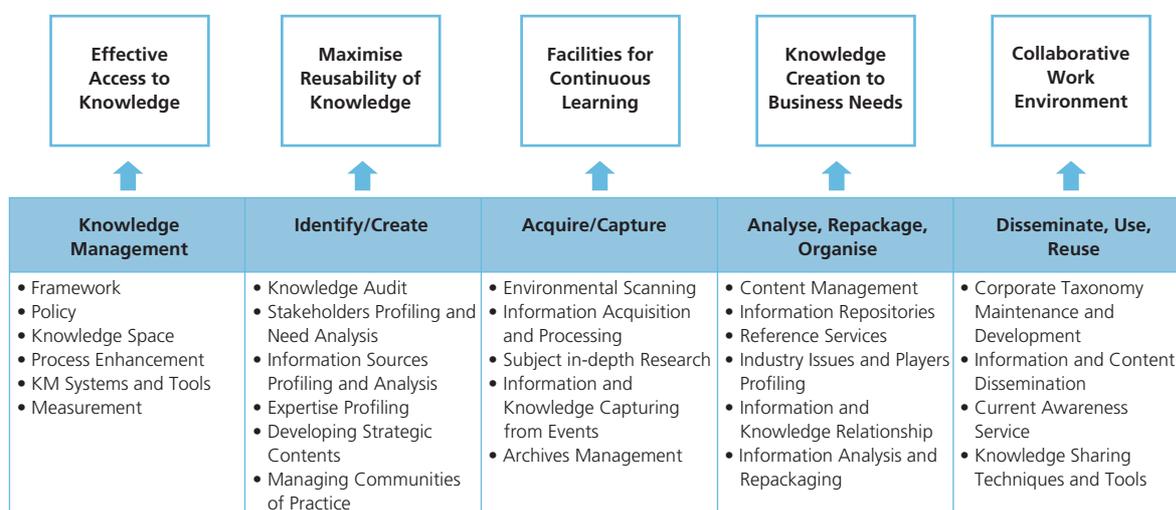
The KMC essentially creates processes and a comprehensive structure to systematically manage explicit knowledge within the Bank. The Bank as a whole can leverage on the information management skills which have been extensively developed within the KMC, thus making processes such as knowledge creation, identification, acquisition, re-use and re-packaging far more efficient and effective.

Office Space Management

Since 2003, the Bank has studied space management to increase efficiency and effectiveness of work, as well as provide an enhanced working environment for the staff. Space is increasingly managed to enable staff to share tacit knowledge, be more mobile and use technology within the Bank. In 2004, the Bank fully implemented the new office layout that more effectively addresses the needs of the Bank and staff in terms of functioning as a knowledge-based organisation.

During 2004, the Bank's cafeteria was refurbished and staff are now encouraged to use the cafeteria for informal discussions and meetings thus creating more

The Knowledge Management Centre



space for sharing of information and exchanging of ideas. A new Multipurpose Training Complex equipped with complete training facilities such as lecture halls, discussion rooms, secretariat room and amenities for catering services has also been constructed in Pulau Langkawi to expand the space for learning and training. Recreational space has also been provided to support the Bank's work-life balance initiatives.

The Bank has also initiated the construction of the Regional Financial Services Resource Centre (FSRC) to cater for the professional training needs of the Bank and the region, particularly in the areas of Central Banking, Islamic Banking and Finance. Space has been defined to support adult learning and pedagogy that recognises teamwork, action learning and a wide variety of interaction modes.

Corporate Governance

The functions and powers of the Bank are set out in the Central Bank of Malaysia Act 1958. Several other pieces of legislation confer the Bank with additional, specific functions. Collectively, these laws establish the basic structures, arrangements and procedures for the governance of the Bank and the conduct of its business. The Bank's mission, aspirations and shared values also serve as guiding principles in the governance of the Bank.

Based on this governance framework, 12 Board Meetings were held during the year. In addition, the following senior management meetings were held – four Board Audit Committee Meetings, 48 Management Committee Meetings, four Reserve Management Committee Meetings, four Risk Management Committee Meetings, eight Monetary Policy Committee Meetings, four Financial Stability Policy Committee Meetings and two Payment System Policy Working Group Meetings. During the year, two briefings to the Prime Minister and the Minister of Finance were conducted to present the Bank's assessment of the economy and the financial sector, important financial and economic issues as well as challenges confronting Malaysia, and the policy recommendations that could be adopted.

Awards

Heartiest congratulations from the Board to Dr. Phang Hooi Eng, Ismail bin Alowi and Cheong Kwok Yew on being conferred the Johan Setia Mahkota (J.S.M) on the occasion of the birthday of His Majesty, the Yang di-Pertuan Agong on 5 June 2004.

The Board extends its congratulations to Dato' Latifah Merican Cheong on being conferred the Darjah Setia

Pangkuan Negeri (D.S.P.N.) on the occasion of the birthday of His Excellency, Yang di-Pertua Negeri Pulau Pinang on 10 July 2004.

The Board also congratulates Wong Puay Chen and Rosli bin Sulong on their conferment of the Darjah Sri Melaka and Pingat Khidmat Lama respectively, on the occasion of the birthday of His Excellency, Yang di-Pertuan Negeri Melaka on 9 October 2004.

The Board also extends its heartiest congratulations to Dato' Mohd Nor Mashor for being conferred the Darjah Indera Mahkota Pahang (D.I.M.P) on the occasion of the birthday of His Royal Highness, the Sultan of Pahang Darul Makmur on 24 October 2004.

As part of its recognition program, the Bank has awarded 22 staff for their excellent performance and contribution under seven types of award categories as follows: Excellent Performance; Sports; Quality Service; Social; Professional Development and Academic Achievement. In addition to individual awards, two teams were awarded with Excellent Team Performance Awards. The awards were presented during the Bank's Annual Dinner held on 4 September 2004.

Retirement

The Board wishes to place on record its appreciation and gratitude to the 35 retirees for their dedication and commitment while in service with the Bank. The staff who retired from service in 2004 are listed in Table 12.1.

The Board would also like to take this opportunity to congratulate Datuk Zamani bin Abdul Ghani for his re-appointment as Assistant Governor upon his retirement on 19 January 2004 and his appointment as Deputy Governor on 16 May 2004.

RISK MANAGEMENT IN BANK NEGARA MALAYSIA

In 2004, in line with the evolution of risk management practices, attention turned to the need for a review and the consolidation of the risk management framework. The review built on the initiatives that had been taken to leverage on a framework that provides for independent oversight at the supervisory and operational levels and the establishment of policies and processes for good practices. A number of improvements were introduced in 2004 for implementation in 2005. Overall, the Risk Management Unit and the line departments also continued to strengthen their



Table 12.1
List of Retirees

No	Name	Department/Branch
1	Datuk Zamani Bin Abdul Ghani	Governor's Office
2	Dato' Latifah Merican Cheong	Governor's Office
3	Cheong Kwok Yew	SEACEN Research and Training Centre
4	Chong Lily Teh	Corporate Communication
5	Christopher Fernandez	Payment Systems
6	John Thomas a/l S Ebenezar	Financial Mediation Bureau
7	Looi Woon Leng	Economics
8	Teo Kee Tian	Risk Management
9	Woo Seok Hooi	Insurance Regulation
10	A. Rahman Bin Abdul Samad	Strategic Management
11	Chan Hon Wai	IT Services
12	Philip Aloysious Baptist	IT Services
13	Lim Pek Sim	International
14	Rohana Binti Yusoff	International Center for Leadership in Finance
15	Sia Geok Hee	Property and Services
16	Yip Lai Yok	Human Resource Development Centre
17	Hasnah Binti Aziz	Foreign Exchange Administration
18	Zainal Bin Kasa	ERF Sdn. Bhd.
19	Tan Chwee Hock	Information Systems Supervision
20	Abdul Ghani Bin Mohd Yusoff	Currency Management and Operation
21	Henry Arunkumar a/l Ponniah	Insurance Regulation
22	Hu Faik Seng	Bank Supervision II
23	Rosna Binti Osman	Bank Negara Malaysia Kuala Terengganu
24	Abot Bin Abong	Bank Negara Malaysia Kuching
25	Arbaiah Binti Ahmad	Governor's Office
26	Ismail Bin Muhd. Nor	Corporate Services
27	Lim Chwee Neo	IT Services
28	Ismail Bin Che Teh	Security
29	Aziah Binti Maulud	Bank Regulation
30	Abdul Kadir Bin Aziz	Security
31	Hassan Bin Serah	Bank Negara Malaysia Kuching
32	Juanis Bin Edong	Bank Negara Malaysia Kota Kinabalu
33	Mohd Hilmey Mohd Said @ Jangkim Bin Tawayon	Bank Negara Malaysia Kota Kinabalu
34	Goh Hooi Choo	Bank Negara Malaysia Pulau Pinang
35	Khor Ah Eng	Bank Negara Malaysia Pulau Pinang

partnership with the aim of ensuring that a risk culture is consistently embedded in all aspects of operational as well as strategic efforts.

Risk Management Structure

The Risk Management Committee, which is at the apex of the Bank's risk management governance structure, is the leading forum for focused and regular deliberation on risk issues and is the main driver of risk management in the

Bank. The requirements for upward reporting by line departments and the Risk Management Unit to the Risk Management Committee remained unchanged so as to enable the Committee to continue to provide direction for addressing and managing potential risk in the organisation.

Risk Management Practices

In providing the oversight on risk management, the Risk Management Committee determines and shapes

the standards and requirements to ensure that appropriate strategic and operational risk management measures are embedded into all programmes, projects and policy making. In 2004, the Committee continued assessing the departments' risks, controls and risk issues so as to exercise constant vigilance on the bank's overall risk profile and emerging risk issues. The Committee also deliberated with the departments on their policy and strategic focus and the optimal approaches to address existing and potential risks. At the functional level, the Department Directors have the direct responsibility for ensuring that risk management practices are integral to daily operations. The departments continued to make an annual declaration to Management on their review of the risk profiles of their operations and assessment of the adequacy of risk management. The Risk Management Unit also continued providing technical support and performed its coordination and oversight role by assisting the departments in their management reporting.

With the increased maturity of the risk management function in the Bank, the role of the Risk Management Unit was reviewed and expanded in 2004 to include two additional functions. The Risk Management Unit now performs an independent assessment of risks of the line departments to complement the existing self-assessment approach performed by departments. Secondly, the Risk Management Unit also assesses the organisational risk which could affect the achievement of the strategic aims and objectives of the Bank as outlined in the Corporate Strategy Map. Through assessment of the Bank's execution of its critical functions and responsibilities, and consultation with the relevant departments in the Bank, organisational risk issues are identified and assessed for tabling to the Risk Management Committee. The combination of all three assessments mentioned is expected to result in a holistic view of risk in the Bank. This approach is expected to enhance organisational alignment and strengthen inter-linkages throughout the Bank.

Policy Risk

The policy-making mechanism in the Bank is designed with the objective of achieving the desired policy outcome. To this end, a structured framework is in place to manage policy risk at the Bank. This framework covers the processes for discussion and deliberation of all issues related to policy from the conceptualisation stage through to the development and implementation stages. The high level committees that preside over policy making are the Monetary Policy Committee, the Financial Stability Committee and Management Committee. Chaired by the

Governor, the common objective of these committees is to allow for and provide a platform for high-level cross-functional deliberation and consultation to ensure sound and efficacious policies. Another component featured in the policy framework is the Policy Working Groups, membership of which comprise Assistant Governors and directors of all the relevant departments, which represent the working level deliberations on the policy issues.

The rules governing the operation of the Policy Working Groups were tightened in 2004 with focus given to additional resources for stakeholder impact analysis, alternative perspectives and public communications. This is expected to improve oversight of the policy making process, thus allowing the Bank to ensure a more exhaustive process which considers all implications and consequences to stakeholders related to the implementation of policies.

Financial Risk

The Middle Office is directly responsible for managing the Bank's financial risks arising from the management of international reserves. To ensure a consistent management and assessment of risks across the Bank, the Middle Office works closely with the Internal Audit Department and the Risk Management Unit to monitor compliance with investment guidelines, credit and operational procedures. The risk management framework for treasury activities continues to evolve and grow in line with developments in reserve management activities. With the continued growth of reserves, expansion of investment horizons and progress in investment practices, strengthening of overall risk management necessarily becomes a continuous process. Increased specialisation, improved methodologies and the upgrading of risk assessments, monitoring processes and system infrastructure are among the key areas of focus. Exposure and training on the complexities of various products and instruments remains a constant feature for the staff of the front, middle and back offices. Thus, prudent management of the financial risks of reserve management will continue while investment opportunities are optimised.

Enterprise Operational Risk

Traditionally, the operational risk management approach of the Bank requires ownership of risks, self-assessment, continual review, escalation of key risk issues and accountability for control improvement and issue resolution. In 2004, this framework was further enhanced. In recognising the need to step up efforts in value added initiatives, the move was made to increase involvement of the Risk



Management Unit in risk management in the respective departments. While the main focus of the Unit was previously on providing the coordination and oversight role, the Unit would now play a more proactive role and work in a collaborative manner with line departments. This realignment of effort aims to ensure that there is no over-concentration of the risk management effort in operational risk with more attention paid to long-term, high level strategic risks. The closer partnership forged by this arrangement is expected to lead to a more accurate, efficient risk identification and assessment and hence better management and it is expected to cover risks which may not be apparent due to familiarity with the operations.

To this end, efforts are currently underway to fine-tune the risk toolkit to help widen the current focus and elevate risk management practices to a new level. Although the overall coverage will expand, the ultimate aim for risk management remains the same, that is, to ensure that regular monitoring takes form to enable prescription of prompt corrective and pre-emptive actions in all areas of risk.

Business Continuity Management

The Business Continuity Management (BCM) framework at the Bank, designed for planning, preparing, responding to and managing a crisis, is

aimed at containing any threats of disruptions to monetary and financial system stability whether physical (system breakdowns) or non-physical (financial crisis) in nature. The two high level components of this framework are the Crisis Management Committee and the Crisis Management Team which are responsible for ensuring BCM practices are observed and performed in the Bank. The Crisis Management Committee, which reports to the Governor, is chaired by a designated Deputy Governor and symbolises high level endorsement of the Business Continuity programme in the Bank. The Crisis Management Team has membership comprising directors from all identified critical departments and support teams who meet twice a year to enable members to be updated on developments in the Bank's Business Continuity arrangements, practices, and to discuss all emerging Business Continuity issues. This forum helps to streamline recovery plans and allows premeditated cooperation between the critical departments to produce an integrated and coordinated bank-wide arrangement.

In 2004, in addition to its practice of conducting standard live-run exercises, the Bank conducted live-run exercises over an extended period of time to both prepare the Bank and to enable periodic assessment of the Bank's state of readiness to ensure the Bank's ability to respond to crisis situations.

BANK NEGARA MALAYSIA
Organisation Structure

