

# Organisation and Human Resource

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# Organisation and Human Resource

## ORGANISATION DEVELOPMENT - OVERVIEW

2003 marked the third year of the Bank's 5-year Knowledge-Based Organisation (KBO) strategic development initiative. The initiative was launched in 2000 to enable the Bank to leverage on the application of knowledge as a critical resource to enhance productivity and organizational performance. The Bank's KBO development efforts incorporate human resource management, training and learning management, knowledge management, information and communication technology management, corporate governance, information security management and office space management.

New initiatives implemented in 2003 focused on content management, improvements to the facilities and systems available for learning and training, integration of key and critical information and communication technology systems as well as the conceptualization of the organisation performance measurement system.

The Bank also conducted an independent organisation climate survey to assess the progress achieved over the previous three years. The results indicated that the Bank's organisation development initiatives had created a more effective organisation in terms of leadership, operational efficiency, knowledge management, communications, career development, compensation and work-life balance.

### Human Resource Management

The Bank continued to enhance the existing human resource policies and practices, in particular, placed sharper focus on performance measurement and rewards management. With the increase in the Bank's responsibilities over the recent three years, the staff strength has also increased. Also, arising from the changing composition of the workforce in terms of background, experience and age structure, the human resource policies have been realigned to the changing requirements to be relevant.

Cognizance of the changing challenges, there has been a gradual shift to greater emphasis on performance-based rewards, opportunities for learning and development and improved amenities to enhance the quality of working life. Greater flexibility and wider choice of reward options were developed to better position the institution to retain top talent,

improve staff productivity, and at the same time be flexible enough to meet changing staff aspirations at different stages in their career paths. The introduction and implementation of flexi benefits plan, mentoring programmes and active recognition programmes aim to accommodate these objectives. In 2003, the Bank introduced new awards for Cultural and Professional Development while a Career Management Unit was established to structure and assist long-term career planning by staff. The list of approved professional qualifications for sponsorship by the Bank was also expanded. Together with the other organisation development initiatives, such as competency and knowledge management, more personalized training and wider availability of learning resources, the human resource management approach has constantly evolved to meet the varied priorities of a dynamic workforce. Consequently, a performance-based culture has increasingly been embedded in the Bank.

In terms of capacity, the total staff strength of the Bank increased by 3.5% to 2,295 as at end of 2003. Staff turnover rate remained low at less than 2%.

In terms of occupational safety and health, the Bank recognizes that while work and career fulfillment can have an effect on employee productivity and commitment, health and safety also contributes to enhancing the effectiveness of an organisation. During 2003, the Bank embarked on and completed more structured safety audit programmes. Apart from ensuring high standards of safety in the office environment, the Bank provided more avenues for staff to improve their health and fitness. The Bank conducted health talks to enhance awareness on issues related to stress management, SARS, diabetes and osteoporosis. A long-term programme covering the environment, personal resources and health practices is also being initiated. This five-year programme will be implemented in stages, beginning from 2004.

### Training and Learning Management

The Bank's drive to promote organisational learning to facilitate a performance-based culture is reflected through a number of initiatives implemented in 2003. A programme is now in place that ensures that the workforce in the organisation has a responsibility to learn and develop. The learning experience and training is integrated with performance planning and evaluation to ensure that the returns on expenditure

on staff development is maximised. Technology has been, and will be used more extensively in improving the delivery of content for learning throughout the Bank. A Learning Management System has been put in place to provide tools for staff to gauge their learning requirements, explore the type of content available, design a personal learning agenda and conduct learning more effectively. The anticipated outcome is the development of a culture more inclined to online learning, and the capacity to integrate individual learning with individual staff performance management.

The Bank's investment in staff training amounted to RM8 million during the year 2003, an increase of 45% compared to 2002. On average, this amounted to RM3,500 per employee, an increase of 40% from 2002. An average of 12 training man-days per staff was achieved for year 2003 (2002 - 11 training man-days). Bank-wide training programmes organised by the Human Resource Development Centre (HRDC) accounted for 46% of total investment in staff training with the programmes oriented towards the building of core functional and management skills and ICT and leadership skills.

### **Information and Communication Technology Management**

The use of Information and Communication Technology (ICT) solutions was expanded and enhanced to facilitate the development of a performance driven Knowledge Based Organisation (KBO). The Bank has embarked on a technology blueprint for central ICT-Knowledge Management (KM) services. This framework is to provide focus for action to address ICT and KM infrastructure needs and include information and technology integration. The emphasis is not only in automating the organisation, but more importantly, connecting people to people, and more rapid access to well-organised information across all relevant spectrum for sound analysis and decision-making. The ultimate aim is to create an organisation with highly knowledgeable and collaborative people where ICT is leveraged extensively to serve stakeholders.

The Virtual Discussion Room (VDR), Departmental Homepages (DHP) and other collaboration and communication services introduced in 2002 continue to mature with steady growth in usage and content. In 2003, a new channel – the Corporate Portal (Kijang.Net) – was introduced to provide a single window that facilitates awareness and

communication through access to on-line electronic information services and application systems in the Bank, as well as polls and surveys.

The Bank will continue to strengthen the security, reliability and resilience of the ICT infrastructure. Towards this end, a new state-of-the-art Data Centre offsite from the Bank's Head Office is being planned. Remote access facilities were also implemented to provide greater flexibility for work and improved lifestyles among staff as part of the Bank's Work-Life Balance initiative.

### **Information Security Management**

In 2003, a revised Information Security Policy was introduced to optimize the use of the Bank's intellectual capital and to facilitate easy access to information and widespread knowledge sharing to add value to the Bank without compromising on controls governing use of sensitive data.

The Information Security policy was benchmarked against the British Standard 7799 and other international best practice. The broad framework encompasses three decision drivers, namely Technology, Strategy and Usage; Business Initiatives and Processes; and Risk Management. The three drivers define the Information Security framework used in safeguarding the Bank's information assets. The framework will guide security standards within the information and communication technology environment, and in the adoption of appropriate business rules, procedures and staff education programmes to raise awareness about information disclosure practices.

The Information Security Management Unit was established in 2003 to implement the Information Security policy through appropriate enforcement, monitoring and recovery processes. The Unit collaborates closely with the Corporate Governance Unit as well as the Information Technology Services Department, which is responsible for data and communications network management. The Information Security Policy is expected to promote greater knowledge sharing within the Bank by defining the rules of disclosure for restricted information.

### **Knowledge Management**

The Bank's knowledge management practices achieved another milestone in 2003 with the implementation of a Knowledge Management Measurement Framework. The framework will be



used to guide future efforts in designing the Bank's KM practices by measuring the Bank's progress against four criteria – Continuity & Stability, Competency and Productivity, Innovation & Responsiveness. The framework reinforces the Bank's existing processes for promoting the identification, acquisition, application and retention of knowledge in the organisation.

During 2003, the Bank initiated a series of knowledge audits to assess knowledge gaps within the Bank. The knowledge audits, as well as various other indicators are fed into the KM measurement framework to enable more effective monitoring of the progress of KM initiatives. The Bank's Library Unit leads the knowledge audits, as well as review and implement programmes to improve content management. This includes the Corporate Taxonomy project which is now under way to map

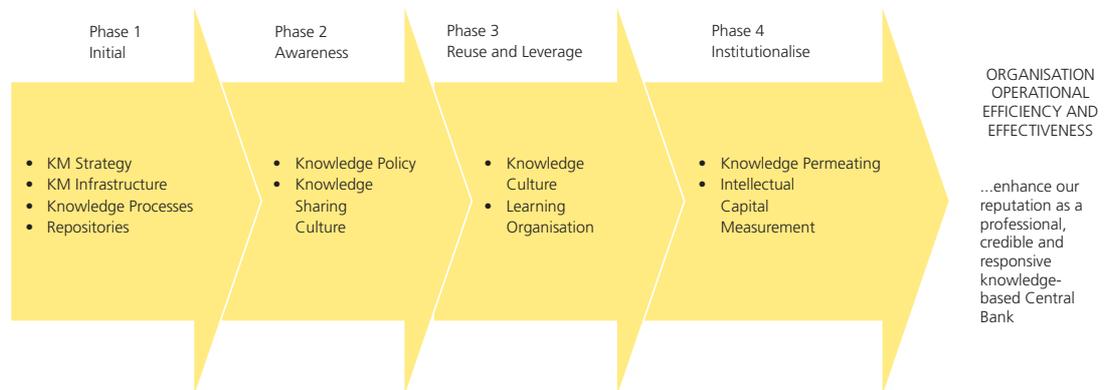
The successful implementation of new ICT tools, changes to HR practices, development of a 'knowledge centric' library and re-engineering of training and learning methodologies marks the Bank's transition into Phase 3 of the KM Roadmap. Changes to behavior and culture oriented towards the proactive use of personal and organisation knowledge to deliver concrete results in a prompt manner are expected to yield the desired results over the next few years.

### Office Space Management

The Bank has begun to implement a new office space design and layout that incorporates elements of flexibility, efficiency, comfort and ergonomics that will improve the working conditions for the staff, as well as provide enabling and broader range of facilities to assist a knowledge worker.

An open plan office concept was adopted to

## KM ROADMAP 2001 - 2005



## ACHIEVING SUSTAINABLE SUPERIOR PERFORMANCE BY LEVERAGING ON KNOWLEDGE

and structure the 'information domain' of the Bank. The 'information domain' refers to all the types of information relevant to the Bank, in terms of subject, media (document or digital database), confidentiality (public, confidential or secret) and relationship with other information within the Bank. The corporate taxonomy will enable effective and efficient searching, storing and communication of information within the Bank. Given the exponential growth in information today, this project will be a major milestone in enabling the ease of access and productive use of the knowledge-bank within the Bank.

enhance flexibility, effective use of space and harmonisation as part of space management. The restrictions to individual and acoustical privacy were managed through low partitions and creation of additional spaces for small group discussions.

Facilities for teamwork and collaboration were made widely available by having dedicated projectors and network devices in all meeting spaces. Variable lighting, ergonomically structured chairs and workstations with ample storage space contributed to workplace safety and staff convenience.

The Bank's approach in dealing with office space management as an issue integral to organisation development has led to solutions that not only address space requirements, but also ensure that the physical space within the Bank reflects the values espoused by the Bank as a knowledge-based organisation.

### Corporate Governance

In performing its functions as decreed by the Central Bank of Malaysia Act 1958, the Bank is guided by its overall mission, aspiration and shared values. In addition to the Central Banking Act, other legislations have also extended the objects and powers of the Bank as well as the specific manner in which the functions are undertaken. Collectively, the legislative framework shapes the Bank's governance and functional structure that enables the institution to undertake its roles and responsibilities.

In compliance with the Act, 12 Board Meetings were held during the year. In addition, the following senior management meetings were held - 4 Board Audit Committee Meetings, 54 Management Committee Meetings, 4 Reserve Management Committee Meetings, 4 Risk Management Committee Meetings, 8 Monetary Policy Committee Meetings, 17 Financial Stability Committee Meetings and 6 Payment System Meetings. During the year, 2 Board Briefings to the Prime Minister and Minister of Finance were conducted to present the Bank's assessment of the banking system, the financial sector and outlook for the economy. The Bank also provided an assessment of the developments and challenges facing the banking system, the financial sector and the overall economy, and proposed recommendations to address these challenges.

### Awards

The Board congratulates the Governor, Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz for the award as **'The Asia's Best Central Bank Governor'** for 2003 by Euromoney Institutional Investor plc, a UK-based financial publication house and **'Global Central Bank Governor'** for the year 2004 by The Banker, a monthly magazine published by the Financial Times Business Limited.

The Board extends its congratulations to Dato' Ooi Sang Kuang on being conferred the **Darjah Yang Mulia Pangkuan Negeri (D.M.P.N.)** on the occasion of the birthday of His Excellency, the Yang

Terutama Yang di-Pertua Negeri Pulau Pinang on 12 July 2003.

The Board also congratulates Encik Yahaya bin Haji Besah on being conferred the **Darjah Johan Negeri (D.J.N.)**, Puan Woo Seok Hooi and Puan Khairani binti Rejab on being conferred the **Pingat Jasa Kebaktian (P.J.K.)** on the occasion of the birthday of His Excellency, the Yang Terutama Yang di-Pertua Negeri Pulau Pinang on 12 July 2003, Encik Mohd Yunos bin Haji Salih, Encik Abdullah bin Lebai Ahmad, Puan Helen Jeniffer Buma and Encik Loh Kam Fatt on being conferred the **Pingat Mahkota Perlis (P.M.P.)** on the occasion of the birthday of His Royal Highness, the Tuanku Raja of Perlis on 17 May 2003, Encik Abdul Rajap bin Abidin on being conferred the **Pingat Jasa Kebaktian (P.J.K.)** on the occasion of the birthday of His Excellency, the Yang di-Pertuan Negeri Melaka on 11 October 2003, Encik Yap Bee Fatt, Encik Saari bin Rajap dan Encik Nasaruddin bin Zakaria on being conferred the **Pingat Jasa Kebaktian (P.J.K.)** on the occasion of the birthday of His Royal Highness, the Sultan of Pahang Darul Makmur on 24 October 2003 and Encik Kunchi Raman a/l C V Kluva Chary on being conferred the **Pingat Jasa Kebaktian (P.J.K.)** on the occasion of the birthday of His Royal Highness the Sultan of Kedah Darul Aman on 19 January 2003.

As in previous years, the Bank continued to reward deserving staff with its formal Recognition Awards. During the Bank's annual dinner held on 13 September 2003, a total of **eight awards** were issued for Academic Achievement, Excellent Performance, Excellent Team Performance, Leadership, Innovation, Quality Service, Sport and Cultural.

### Retirement

The Board wishes to place on record its appreciation and gratitude to the 24 retirees who have rendered loyal and dedicated service to the Bank. The staff who retired from the services of the Bank in 2003 are listed in Table 8.1.

The Board of Directors would also like to extend its gratitude to all Bank staff for their dedication and commitment in the year 2003. The Board looks forward to the continued commitment and professionalism of all staff in the year ahead in striving for performance excellence in this challenging and fast changing economic and business environment.



**Table 8.1**  
**List of Retirees**

No	Name	Department/Branch
1	Puan Rafiah binti Salim	Governor's Office
2	Encik Che Sab bin Ahmad	Special Investigation
3	Encik Low Koon Seng	Governor's Office
4	Cik Tan Sook Peng	International
5	Encik Wong Yew Sen	Insurance Supervision
6	Puan Gan Choon @ Gan Soo Mei	Statistical Services
7	Puan Ti Thiow Chen @ Ti Teow Kim	Foreign Exchange Administration
8	Encik Mukhtar bin Yusof	Malaysian Electronic Payment System
9	Encik Che Norudin bin Che Alli	Security
10	Puan Fahimah binti Haji Yaacob	Foreign Exchange Administration
11	Encik Ismail @ Awang Sulong bin Abu Bakar	Human Resource Management
12	Encik John Teo	Foreign Exchange Administration
13	Encik Sidek bin Sabli	Insurance Regulation
14	Encik Tan Ewe Lee	Payment Systems
15	Puan Maznah binti Haji Ali	Bank Regulation
16	Encik Md Hanafiah bin Mohd Zin	Bank Regulation
17	Encik Abdul Rajap bin Abidin	Security
18	Encik Aladdin bin Ibrahim	Security
19	Cik Loo Yuk Ng @ Loh Yee Ee	Statistical Services
20	Puan Siti Norzini binti Abdullah @ Joyce Koh	IT Services
21	Encik Thyagarajah a/l Gurusamy	PPPM Shah Alam
22	Encik Yap Bee Fatt	Foreign Exchange Administration
23	Encik Doraimuthu a/l Changlimuthu	BNM Pulau Pinang
24	Puan Fatimah binti Moin	Finance
25	Encik Sol Ong @ Mohamad Sol bin Sebli	BNM Kuching
26	Encik Sulaiman bin Abu Kassim	Human Resource Development Centre

## **RISK MANAGEMENT IN BANK NEGARA MALAYSIA**

The Bank's risk management framework provides for independent oversight at the supervisory and operational levels; establishes policies and processes for good practices; promotes organisation wide communication; and emphasises continuous improvement.

### **Risk Management Structure**

With the formation of the Risk Management Committee (RMC) in 2002, the risk management structure had evolved further. In 2003, the role of the departments in operationalising the risk management framework was brought into greater focus. At the same time, the relationship of the Risk Management Unit (RMU) with the departments and its support functions for the RMC were sharpened. The other key components

of the risk management structure are the Middle Office and the Internal Audit Department. During 2003, the RMU assumed the function of a centralised business continuity management of the Bank.

### **Risk Management Practices**

In providing supervisory risk management oversight, the RMC sets the standards and imposes requirements that ensure that appropriate risk management practices are embedded into strategic initiatives, policy formulation and operations of the Bank. In 2003, the RMC continued the assessments of departmental reports on the areas of potential risk and controls, risk issues, risk events that occurred and their management. The RMC also engaged in discussion with the Department Heads on policy and strategic focus and the approaches to managing existing and potential risks.

At the functional level, the Department Heads have direct responsibility for ensuring that risk management practices are integral to daily operations. The departments are required to make an annual declaration to Management on their review of the risk profiles of their operations to form an assessment of the adequacy of departments' risk management.

During the year, the RMU provided technical support and performed its coordination and oversight role. Specifically, the RMU assisted the departments in their management reporting by providing guidance on the approach and reporting requirements. It also continued to monitor and report on the status of the annual declaration. Regular audit by the Internal Audit Department ensured that policies and procedures were being adopted. The aim is to provide Management with timely and relevant information, to ensure that the key risks are identified and addressed and that decisions are implemented to achieve their objectives.

#### **Policy Risk**

Policy risk is managed through a structured framework and process for policymaking and implementation. Major components of the framework are the internal committees and working groups for cross-functional consultation and deliberation. The high-level committees include the Monetary Policy Committee, Financial Stability Committee and Management Committee which are chaired by the Governor. The working groups, whose membership comprises Assistant Governors and Department Heads, ensure that all information and expertise are tapped in the design and formulation of policy. In certain cases, the consultation process includes external stakeholders. A policymaking checklist is also in place to ensure that all implications have been taken into account in the deliberation of the policy content and that the procedural requirements have been met.

The policymaking mechanism is designed to increase the prospect of achieving balanced and well-considered policies. It has provided a formal channel for the alternative perspectives to be taken into account at all stages of the policy formulation from the conceptualisation through to the development and the issuance of a policy. Since 2002, the communication aspects of policy implementation have been centralised in the Corporate Communication Department and have continued efforts to strengthen and extend the external

communication to become an integral part of the work to enhance the effectiveness of policy.

#### **Financial Risk**

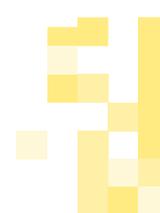
The main risks in managing the external reserves, including market, credit and operational risk, are monitored independently by the Middle Office, a unit separate from the dealing function. The Middle Office assesses the risks by monitoring economic and financial developments affecting major asset classes and sizable market developments that could have implications on the Bank's external reserves portfolio. The Middle Office also monitors compliance with the investment guidelines, credit policies and operational procedures. This is carried out through periodic review and evaluation of reserve management activities, taking into account market developments and dynamics. Reserve management activities are also subjected to independent checks by the Back Office, and compliance checks of the internal and the external auditors.

#### **Enterprise Operational Risk**

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.

Management fosters the risk management culture and its risk tolerance levels for the operational control environment. The RMU establishes and maintains the overall operational risk management framework. The Department Heads have the primary responsibility for managing the risks arising from their operations and ensuring that an effective operational control environment is in place in their business areas. Management considers the periodic department reports derived from self-assessment and drawn up from a line perspective, against the overall Bank perspective and goals. The resulting comprehensive coverage of operational risk and event database is a valuable source of information for in-depth risk analysis and control effectiveness evaluation.

During the year, the risk management methodology and toolkit for risk identification, assessment and reporting were reviewed. Several proposals for revision were made to incorporate current best practices. The changes were to enhance the robustness of the self-assessment methodology and improve the reporting process as well as the monitoring of risks and action plans to control risks.



Knowledge management initiatives continued to be pursued, leveraging on information technology, to harness implicit and explicit information and to allow for greater accessibility to the users. More extensive use was made of the Bank's and the departments' websites to disseminate information. At the same time, the Information Security Policy and Standards was enforced to enhance maintenance of information integrity and confidentiality.

#### **Business Continuity Management**

The Bank has established procedures for business continuity across all critical departments. The threat of disruption to monetary and financial system stability resulting from unexpected events is managed through the running of a remote recovery centre and the maintenance of a dedicated Command Centre at the Head Office. During crisis,

essential personnel are divided into two teams. One team operates from the Head Office, while the other team operates at the Bank's Recovery Centre. The back up facilities of key systems undergo regular live-run exercises to provide continuous assessment of the Bank's state of readiness to respond to unforeseen situations. The facilities and procedures, together with the crisis management machinery are in place to deal with unexpected disruptions and challenges. This aspect of risk management is given priority recognising the growing need to expect the unexpected. As part of the strengthening of the Bank's business continuity management the Business Continuity Unit (BCU) is now placed under the RMU. The BCU would have full-time staff with the necessary expertise to supervise, coordinate and maintain the Bank's contingency arrangements, plans and programmes.

# BANK NEGARA MALAYSIA Organisation Structure

