

Organisation and Human Resource

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ORGANISATION DEVELOPMENT - OVERVIEW

Bank Negara Malaysia launched its knowledge-based organisation (KBO) agenda in 2000. This marked a paradigm shift in how the Bank intends to move forward as an organisation and in the application of new skills and knowledge by the staff. By embracing a knowledge-driven organisation and work culture, the Bank aims to enhance its capacity to respond effectively to the demands of the rapidly changing and knowledge-driven economy. With the KBO initiative, new infrastructure, processes and tools have been put in place to augment the Bank's capacity for individual and organisational learning.

In 2002, major efforts were made to help advance the Bank's transformation into a KBO. During the year, the organisational programmes included refining approaches in human resource management, training and learning, knowledge management, corporate culture and values, and finally, the increased use of technology.

Human Resource Management

In 2002, the Bank's staff strength increased by 8.1% or 220 positions, bringing the total number of staff currently employed to 2,214. The larger staff strength was to meet the increased responsibilities of the Bank in carrying out its role in advancing national economic objectives and promoting a sound and progressive financial system. The staff turnover rate stood at a low 2%. Applications for Bank Negara Malaysia positions remained competitive, with an average placement rate of 1 for every 23 applicants.

Throughout 2002, the staff recruitment and selection processes were enhanced significantly. This included refining the framework and methodology to screen candidates, assess potential employees, and select talent for specific job positions. There was also a much wider application of recruitment and selection tools and these include structured interviews, written communication skills and psychometric test to identify the most suitable candidate with the attributes that can contribute to the long-term growth of the organisation.

An initiative to retain and develop staff involves the mentoring programmes which focuses on constant guidance and development of staff at all stages of

their career development to maximise their contribution to the organisation. Together with the induction programmes conducted by the Bank's training centre, the 2002 mentoring programmes were also aimed at maintaining a high degree of staff motivation, instil a high degree of commitment and a great sense of achievement orientation in work and personal development. To further support this initiative in fostering staff development, the Bank is also establishing a Career Management Unit to implement a career management programme that will provide greater opportunities and awareness for staff to further develop themselves.

In 2002, the Bank's performance management system known as Performance Review In Managing Excellence (PRIME) sought to balance job performance evaluation and the development of key attributes of staff and knowledge accumulation for career advancement. The system has been used to align rewards closer to performance while promoting the ongoing process of managing people to assist staff to achieve their full potential.

In March 2002, the Bank introduced a Bank Negara Malaysia Flex Plan. Packaged in the form of a differentiated benefits plan, it allows staff flexibility and greater choice in managing assigned staff benefits. The plan has helped to promote a varied choice of rewards by staff, structured according to the priorities of an individual and family. The popularity of this plan was reflected in the overwhelming adoption of the scheme by the staff.

As an additional complement for greater flexibility in giving staff greater choices to balance their time management and personal priorities, the work-life balance initiative was completed in concept and substance for implementation. This initiative is designed to offer flexibilities that will help promote improved lifestyles among staff, and includes elements of flexi-time, personalised health programmes, opportunities for sabbatical leave and child-care facilities.

Staff Training

Staff training plays a critical role in ensuring individual performance and organisational effectiveness in sustaining organisational growth and change over time, and in providing wider

opportunities for staff to pursue and achieve professional and personal self-fulfilment.

Throughout 2002, the Human Resource Development Centre (HRDC) instituted a series of initiatives designed to elevate the role of staff training to a more strategic level. These include:

- The Bank's endorsement of a "corporate university" approach for designing training. HRDC continued to engage in "change" activities as part of an ongoing effort to transform itself to become a corporate university. New training-related organisational structures and core processes were put in place, in particular, to equip staff with new skill sets whereby they function more as learning specialists or learning consultants, rather than as training coordinators.
- The introduction of a Training and Learning Policy (TLP) through an official manual and a series of policy awareness programmes. The policy manual serves as a vehicle where all stakeholders of learning will be able to gain common understanding and views about the role of learning at the Bank.
- The adoption by HRDC of a more strategic business process in conducting training needs analysis or TNA. The formal TNA is an annual process at the Bank and involves close collaboration with all stakeholders at the highest levels. The outcomes of the yearly TNA are proposed training programmes and budget for the coming year. In 2002, the enhanced TNA processes were able to capture more accurately the Bank's current as well as anticipated business issues and goals. More proactive and strategic training interventions will be designed for 2003 training programmes.
- The formalisation of course renewal processes by HRDC into its routine training operations to ensure courses and programmes offered are continuously upgraded and new courses designed to meet the increasing and more varied learning needs of staff.
- A programme to promote creative thinking skills in the Bank. HRDC also conducted a series of programmes and training on creative thinking. The Bank views creative thinking as a necessary skill for staff to function successfully in today's fast changing environment.

To ensure continuing professional and career development among staff, HRDC intensified its program of courses for core competencies among staff as well as in areas related to management, organisational development and information technology. In the process, HRDC partnered with line departments to provide customised solutions to meet the context-specific learning needs of departmental staff.

The total investments in training for the Bank in 2002 amounted to RM5.6 million (RM4 million in 2001 – an increase of 40%). On average, this amounts to RM2,500 per employee on training, an increase of 19% from 2001. The average training man days per staff for year 2002 registered 11 training man days (2001 – 6 training man days). Of the total investments in training, RM1.5 million was allocated to HRDC to develop 156 bank-wide training sessions bearing 77 course titles.

Information and Communications Technology

In 2002, the development of information and communications technology (ICT) services and infrastructure in the Bank focused on supporting the many KBO initiatives. The Virtual Discussion Room (VDR) has become a valuable tool to facilitate discussions among staff, especially among project teams. Communication between departments in the Bank has also been enhanced with the implementation of Departmental Home Pages (DHP). These tools, together with the introduction of the Electronic Document Management System (EDMS) and Corporate Yellow Pages (CYP) will be further expanded in 2003 to accommodate the increasingly complex knowledge management requirements of the Bank.

The desktop environment has also been upgraded to provide all staff with appropriate multimedia PCs and relevant office software. The current PC to staff ratio in the Bank is 1 to 1. The Bank also streamlined the decision support systems for improved efficiency and effectiveness. The Economics database portal now provides access to information from within the Bank as well as from external partners. Plans are under way to place web-enabled technology in all systems in the Bank to leverage on its simplicity and user-friendliness, thus empowering staff to extend and expand their information and decision-making capabilities.

To ensure that staff can have access to their work from anywhere and at anytime, the Bank began an exercise to extend "office availability" through the



implementation of the remote access facility to the Economics Department. This marks the Bank's expanded road map for information access taking into account the information security covering confidentiality, integrity and reliability of the information.

In parallel with the expansion of ICT services and infrastructure, there is a pressing need to ensure a secure, resilient and reliable ICT infrastructure. Towards this end, in 2002, the Bank strengthened the information security support system to manage risks related to information reliability and confidentiality. The Bank will continue to enhance systems availability through efficient Data Centre Operations and continuous testing of the Recovery Centre facilities.

Knowledge Management and Learning Resources

The second year of the Bank's five-year strategic initiative of transforming itself into a KBO saw both challenges and rewards. Led by the Bank's Chief Knowledge Officer, the Knowledge Management Committee steered the direction of and guided strategic implementation of various human resource management policies and programmes, training and learning activities, and information management systems.

The central focus of all knowledge management initiatives is to ensure effective leverage on knowledge as a resource. Thus, issues surrounding the areas of security and information sharing, job rotation and reward systems – all meant to promote to a greater degree, the ability of staff to leverage on knowledge to deliver improved results, were addressed.

Knowledge issues at the individual level were also addressed. This included expanded programmes to assist staff purchases of learning material, to better access to just-in-time (JIT) learning opportunities, and wider participation in cross-functional teams. In addition, plans have been approved to promote and equip the library to become a focal point in the practice of knowledge management among staff. The library is also being positioned to play an important knowledge management role among knowledge repositories located in other central banks and selected financial institutions in the region.

For the library to perform its role as the primary repository for and custodian of the Bank's corporate

knowledge, an information taxonomy project has been launched for the purpose of classifying knowledge and information relevant to the Bank.

Awards

The Board congratulates the Governor, Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz on being conferred the **Seri Sultan Ahmad Shah Pahang** (S.S.A.P.) on the occasion of the birthday of His Royal Highness, the Sultan of Pahang Darul Makmur on 24 October 2002.

The Board also extends its congratulations to Dato' Mohd Razif bin Abd Kadir on 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 2002.

The Board also congratulates Encik Wong Yew Sen on being conferred the **Kesatria Mangku Negara** (K.M.N.) on the occasion of the birthday of His Majesty, the Yang di-Pertuan Agong on 1 June 2002, Encik Marianus Vong Shin Tzoi @ Joseph Vong and Encik Bakarudin bin Ishak on being conferred the **Pingat Jasa Kebaktian** (P.J.K.) on the occasion of the birthday of His Royal Highness, the Tuanku Raja of Perlis on 17 May 2002, Cik Loo Yuk Ng @ Loh Yee Ee on being conferred the **Pingat Pekerti Terpilih** (P.P.T.) on the occasion of the birthday of His Royal Highness, Tuanku Yang di-Pertuan Besar Negeri Sembilan Darul Khusus on 19 July 2002, Puan Lee Guat Keow on being conferred the **Pingat Kelakuan Terpuji** (P.K.T.) on the occasion of the birthday of His Excellency, the Yang di-Pertua Negeri Pulau Pinang on 13 July 2002, Puan Maznah binti Ali and Encik Mohd Nasir bin Kassim on being conferred the **Pingat Jasa Kebaktian** (P.J.K.) on the occasion of the birthday of His Royal Highness, the Sultan of Terengganu Darul Iman on 20 July 2002 and 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 2002.

As in the past years, the Bank continued to reward its deserving staff with its formal **Recognition Awards** issued during the Bank's annual dinner. During its annual dinner held on 14 September 2002, a total of **six awards** were issued for Excellent Performance, Teamwork, Quality Service, Innovation, Sports/Social and Academic Achievement.

Retirement

The Board wishes to place on record its appreciation and gratitude to its **11 retirees** who have rendered loyal and dedicated service to the Bank. The staff who retired from the services of the Bank in 2002 are listed in Table 7.1.

formed in January 2002. The RMC, comprising all senior management executives, is the forum for a focused deliberation of issues arising from aspects of the Bank's activities that could expose the Bank to unacceptable risks. At the apex of the risk management governance structure, the RMC ensures

Table 7.1
List of retirees

No	Name	Department/Branch
1	Puan Maimunah binti Mohd Amin	Corporate Services Department
2	Puan Belve Kaur a/p Gurdial Singh	Finance Department
3	Puan Yulhaida @ Julhaida binti Hashim	Foreign Exchange Administration Department
4	Puan Noor Azimah binti Maarof	Information Systems Supervision Unit
5	Cik Khairen Bee Hashim	Internal Audit Department
6	Encik Damsi bin Ibrahim	Property and Services Department
7	Encik Othman bin Talib	Property and Services Department
8	Encik Zainee bin Ishak	Property and Services Department
9	Encik Shukor bin Mohd Sop	Security Department
10	Encik Jayaseelan a/l Jegathesan	Special Investigation Unit
11	Encik Mohd Maidin bin Mohd Yusoff	Pulau Pinang Branch

The Board of Directors would also like to extend its deepest gratitude to all Bank staff for their unwavering hard work, dedication and commitment in the year 2002. The Board hopes that all Bank staff would continue to strive for performance excellence in this challenging and fast changing economic and business environment.

RISK MANAGEMENT IN BANK NEGARA MALAYSIA

The Bank has continued to enhance its risk management structure and practices to reflect current best practices in 2002. The risks including policy, financial and operational risks are managed and monitored through various mechanisms, in a manner consistent with the Bank's risk management policy.

Risk Management Structure

Risks in the Bank are managed under a framework that promotes a structured, systematic approach and consistent practice throughout the Bank. The risk management framework is both a distinct feature and an integral part of the governance and decision-making structure and process.

Against a backdrop of rapidly changing financial landscape and increased uncertainty, the Bank regularly reviews its risk management arrangements to ensure safe and efficient operations and sound policies. A key component of the risk management structure is the Risk Management Committee (RMC),

that appropriate risk management practices are embedded in the strategic initiatives, policy formulation process and operations of the Bank. In driving risk management, it requires upward reporting by the departments of risk issues and risk and control status, and cascades its concerns, advice and instructions to address existing or potential risks.

The Bank has two units with overall and specific responsibility for the management of risk. The Risk Management Unit (RMU) coordinates and oversees the management of risks in the Bank; whilst the Middle Office within the Investment Operations and Financial Market Department manages the risks in the area of reserve management.

Risk Management Practices

The Bank emphasises the integration of risk management into strategic planning, policy-making and operational processes. Towards this end, it adopts a decentralised risk management strategy that places the direct responsibility for risk management on the departments, with co-ordination and process oversight by the RMU and management oversight by the RMC. This strategy facilitates regular risk monitoring and prompt corrective actions.

Risk management at the Bank is complemented by the internal audit function. Internal audit highlights to Management shortcomings in areas of risk management practices.

Operational Risk

Operational risk management is the responsibility of the departments which routinely perform risk analysis and ensure that risks are appropriately controlled. This approach places ownership and accountability for risk management directly on the Department Heads, who are required to declare annually to Management that they have reviewed the risks and controls of their processes over the past year, for continued relevance and effectiveness.

In 2002, risk and control assessment was extended to the new departments, thereby completing the adoption of risk profiling by all departments in the Bank. The other departments regularly review their risk profiles and carry out risk assessment of other functions, as part of continual process improvement. Since 2002, the Department Heads have been required to report to the RMC the state of their risks and controls, significant risk events and anticipated risk issues as well as the measures to be taken to improve existing controls or implement others.

Financial Risk

While carrying out its reserve management operations, the Bank is exposed to operational risks as well as credit and market risks. These risks are monitored independently by the Middle Office, a unit separate from the dealing function that focuses on ensuring that these risks are contained within acceptable levels. To ensure that the controls in place remain effective and adequate, the Middle Office carries out periodic reviews not only of the existing operational procedures, but the credit policy, investment guidelines and related policies as well to take into account changes in risk factors due to market dynamics.

a. Market Risk

In managing the country's reserves, the Bank is guided by a Benchmark policy, which provides a basis to monitor the Bank's optimal allocation of reserves in terms of asset class, currency mix and duration as well as the risk tolerance levels. The Benchmark allocation is reviewed from time to time to ensure that it continues to take into account any structural changes whilst meeting the Bank's reserve management objectives.

b. Credit Risk

The Bank's exposure to credit risk in its reserve management operations is contained through stringent policies with respect to credit standards of counterparties and permissible investments.

The Middle Office evaluates the adequacy of the counterparties' credit limit and trade pattern with the objective of achieving optimal diversification of the Bank's exposures and investment avenues.

Rationalisation of credit limits, along with periodic admission of other eligible counterparties prevent any concentration of risks to any group of institutions.

c. Operational Risk

The Middle Office works closely with the Back Office (Finance Department) to address the operational risks arising from the Bank's dealing activities. A new treasury system was implemented in April 2002 to facilitate all dealing transactions. One main feature of this system is straight-through processing from the Front Office to Back Office. Thus, deals confirmed via the dealing platform are automatically interfaced into the system, reducing manual intervention, as well as facilitating management and supervision of risks throughout the process. Any operational lapses would be routinely tracked by the Middle Office to establish the causes. Statistics are analysed to identify the different types of operational errors so that action can be taken to ensure the effectiveness of operational controls and procedures. Records of counterparty settlement failures are also maintained and used in the annual operational risk review exercise.

Work is underway to extend the integrated trading and settlement system to the London Representative Office (LRO). This will enable the LRO operations to be directly and fully integrated with that of the Head Office. The LRO would be able to immediately track the trades that they have entered into and dispense with the need to separately key in and transmit trade details to the Head Office. This would minimise data entry errors and allow for access to the system's operational capabilities.

Policy Risks

Policy risk (the unintended impact resulting from implementation of policy) is managed through a defined process. Cross-functional consultation is a key part of the process. External communication forms an integral part of policy risk management. All communication with the public, at both the individual and institutional levels, are centralised in the Corporate Communication Department.

The Monetary Policy Committee and Financial Stability Committee focus attention on the core functions of maintaining monetary stability and the

prudential management and development of the financial system. The Committees are chaired by the Governor.

Project Risk

During the year, the risk assessment component in the existing project management framework was enhanced to improve the prospect of completing a project on time, within budget and with the expected results. To increase the effectiveness of project monitoring, beginning with those under the Financial Sector Master Plan, a computerised system for project monitoring and task tracking has been implemented.

Business Continuity Management

In 2002, a higher priority was accorded to business continuity planning. Efforts were directed to enhance the contingency arrangements and departments were required to align their respective business

continuity plans to the business continuity management framework.

The backup facilities of the critical systems undergo regular testing to ensure readiness to take over in the event of any disruptions. For critical systems, live runs were conducted to ensure people and system preparedness and data availability.

Risk Management Culture

The inculcation of a risk and control culture is emphasised in the context of the Bank's overall work culture and shared values. The efforts to orientate the Bank into a knowledge-based organisation further support the ongoing fostering of risk management behaviour through promoting professionalism, consultation and teamwork as well as emphasising communication and sharing of information and knowledge.



BANK NEGARA MALAYSIA Organisation Structure

