

## **Njuguna Ndung'u: HR challenges in the Kenyan banking sector**

Speech by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the opening ceremony of the Joint Kenya School of Monetary Studies (KSMS) and COMESA Monetary Institute (CMI) Symposium for central banks' human resource directors, Kenya School of Monetary Studies, Nairobi, 24 January 2012.

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***HR Directors here present;  
Coordinator of CMI, Mr. Ibrahim Zeidy and Specialists;  
Distinguished Speakers;  
Invited Guests:***

It is my pleasure to preside over the opening ceremony of this HR Symposium, the first of its kind in the region, jointly organized by the Kenya School of Monetary Studies and the COMESA Monetary Institute (CMI). This is the first meeting and KSMS are hosting. We thank COMESA for having faith with CBK to deliver DMI for policy conveyance. At the onset, let me take this opportunity to extend a warm welcome to all participants from the COMESA Region and speakers from different parts of the world who have found time and joined us today. Please feel very welcome and I trust you will find some time to enjoy the wonderful facilities available here at the School and enjoy some of the beautiful and fascinating sceneries of Kenya.

***Ladies and Gentlemen:*** The 2008 global financial crisis, coupled with the ever changing macroeconomic environment presented a complex financial and economic global landscape that was a challenge to central banks the world over. It therefore became clear that although the core mandate of central banks remains price and financial system stability, there should be coordination of regulatory structures across the financial system in totality. The idea is that we should not impose more regulation but better regulation.

What does better regulation entail? It is a system that:

- Can readily identify weaknesses and emerging vulnerabilities
- Is capable of analyzing risks and so adequately pricing risks
- Provides appropriate incentives (penalties) to induce prudent behavior in the market place
- Building strong institutions that can withstand shocks and give confidence to the market: strong institutions of the regulated and strong institutions of the regulator

These pillars hinge on HR capital availability and application. The challenges call for enhanced human capital development to cope with this changing dynamic world.

As HR Directors, I want to encourage you to formulate capacity development initiatives to equip staff with necessary skills and competencies to effectively manage these challenges in a manner that guarantees a balance between efficiency and stability.

***Ladies and Gentlemen:*** For maximum impact, these initiatives must be accompanied by effective institutional governance oversight arrangements – a responsibility over which you as HR Directors have a direct contribution. As you deliberate on the important factors driving central banks in the 21st century, therefore, please pay attention to the need to distinguish between the *external* aspects of governance (mandate and accountability) and the *internal* ones (structure, management and staffing).

Staff, at all levels must understand the business of central banks and understand the environment in which banks operate for effective performance and service delivery in the fulfillment of central bank's core mandate. Ladies and Gentlemen, one main issue that may

need to remain under closer focus throughout this three day Symposium is the daunting task Central banks face as they prepare to enter an era of institutional and modernization reforms arising from changes in government policies and changes in the global financial markets. For those of you who manage human resource, you may need to seek answers to the following questions:

- How will duties of central banks change with anticipated global development and global responsibilities?
- How have demands on central banks changed – nationally and expectation?
- What capabilities need to be built?
- What can Human Resource do to facilitate the desired changes and ensure Central Bank executives have the right set of skills at all levels?

Central banks' modernization to conform to the ever-changing business environment and benchmarking against best practice is no longer an option. These changes will continuously take central banks into new horizons that bring forth both opportunities and threats that we need to mitigate against.

**Ladies and Gentlemen:** In April 2011, I presided over a similar conference organized by the Indian Institute of Banking and Finance. At that event, I acknowledged the importance of such platforms for enabling banks to not only share experiences, but also to exchange ideas on innovations and other emerging issues that require the preparation of bank staff to cope with the ever evolving trends in the global financial scene. I therefore challenged institutions with similar mandate to embrace such platforms as an avenue for bringing together HR practitioners and policy makers in the banking sector to share ideas on innovations that require proactive HR training and development. I am therefore very pleased that KSMS together with the CMI took up the challenge to organize this Symposium as a forum for participants to reflect and debate current and emerging HR challenges that are likely to impact on the performance and service delivery of central banks in the region.

**Ladies and Gentlemen:** There are a number of salient HR issues that are of concern to central bank operations and performance in the 21st century. Let me list them:

1. **Regional Integration and Capacity Development** – As you are aware, the Common Market for Eastern and Southern Africa (COMESA) regional integration process is progressing well. Milestones achieved so far include the establishment of the COMESA Monetary Institute, currently hosted here at the Kenya School of Monetary Studies in recognition of capacity building as one of the key pillars necessary for achieving successful integration. Partner central banks have identified the need to revise the frameworks governing HR policies and strategies in line with international best practice. The call for the establishment of an integrated framework for a holistic approach to capacity building among central banks in COMESA is therefore a pertinent one. Implementation of such an approach will enable regional banks to realize greater economies of scale by taking advantage of regional institutional and human resources. Capacity building must, therefore, take a unified approach, with regional central banks coming together to pool resources and take advantage of regional diversity to achieve greater efficiency in organizational performance.
2. **Performance Management and Talent Development** – Traditionally, central banks have had a multi-generational workforce with the older segment forming the majority of the workforce. HR managers are therefore faced with the challenge of balancing the demands of the older workforce with that of the younger workforce using recognized management principles. The younger workforce comes ready to take up responsibilities at a lesser age and experience, but with high bargaining power due to their knowledge and skills at hand and techno-savvyness. A clear shift is thus

seen in terms of organizational career commitment to individualized career management. Managing this set of people is essential for the growth of any industry but especially for central banks where the composition of the workforce is rapidly changing. The challenge therefore is on the need to develop individuals who have performance potential on the basis of past record and knowledge-based expertise while at the same time tapping into the expertise of the younger generation without compromising staff morale.

Furthermore, the *hired for life* mentality of the past is fast becoming obsolete as workers increasingly change employers. HR must therefore place emphasis on proper work-life balance, while at the same time motivating staff through continuous learning opportunities and positive feedback.

3. **Managing Change** – Organizations are getting more and more technologically oriented. The banking sector particularly, has undergone revolutionary changes enabled by technology. In the Central Bank of Kenya, for example, a number of technological innovations have been implemented. The success of these interventions is no doubt heavily dependent on managing the people issues surrounding the process. In order to realize acceptance at all levels in the organization, HR has a major role in preparing the workforce to understand and endogenize the technological changes.
4. **Human Resource** – The success of any organization depends on the resources it has, one of them being human capital. This boils down to recruiting the best, developing, managing the best and devising an incentive mechanism for retention and career progression.

The success of central banks in terms of service delivery and achievement of core mandate to the expectations of governments, the market and other stakeholders, is hinged on appropriate governance structures and practices that guarantee professionalism in policy decision-making.

A quick look at the Symposium programme, *Ladies and Gentlemen*, confirms that the organizers have identified some of these critical elements that are required to drive regional central banks through the next decade and beyond. Adequately themed “*Driving Central Banks Through the 21st Century*”, the Symposium brings together knowledgeable speakers from across different sectors including central banks, corporate entities and academic institutions from the continent and beyond. I therefore have no doubt that this Symposium will offer cutting edge or frontier experiences and lessons learnt on strategies for confronting the challenges now facing several HR Departments in Central Banks.

**Ladies and Gentlemen:** In the course of your deliberations, please take time to look into some of the following issues and come up with appropriate recommendations:

- **Identify gaps in core competency areas** of human resource development and management in the financial sector in general and in regional central banks in particular.
- **Propose areas of regional cooperation** and strategies for forging partnerships with our development partners which will allow for effective coordination of interventions in capacity building.
- **Establish, preferably an annual, forum for discussing issues and processes**, sharing experiences, ideas and best practices related to capacity building, creating awareness and mobilizing resources for further improvements on capacity for growth in the region.

- ***Establish an integrated framework for a holistic approach to capacity building for central banks within COMESA.*** This will support the financial markets in the COMESA Region with HR capacity building blueprint.

With these few remarks, ***Ladies and Gentlemen***, it is now my pleasure to declare this Symposium officially open and wish you fruitful deliberations.

Thank you.