

Sunil Mendis: Creating a challenging and stimulating work environment

New Year Message 2005 by Mr Sunil Mendis, Governor of the Central Bank of Sri Lanka, to all employees of the Central Bank of Sri Lanka, Colombo, 1 January 2005.

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I issue this traditional New Year message at a time when the whole of Sri Lanka has been engulfed by a national tragedy caused by “tsunamis” that hit the country on 26th December, 2004. I take this opportunity to express our deepest condolence to the members of the families of bank employees who have lost their lives and to our employees and their loved ones who have suffered by this calamity. At the same time, I wish to share the sorrows of those employees who have lost their property. Words are insufficient but hope that they would move forward from this tragedy.

With the magnitude of the disaster, there is no question that our nation needs to be rebuilt. Hence, as employees of a state organization which is at the apex of the country’s financial system, we have an invaluable task to perform. In this context, I place my message before you with the plea that we take part in the nation-building task by offering our maximum efforts. I have been greatly encouraged by the positive response which all the employees have demonstrated towards the provision of relief to victims and rebuilding of the nation.

You would recall that in my first message to you on assuming the office of the Governor of the Central Bank on the 01st July 2004, I stated that I was deeply conscious of the great honour attached to my appointment to this august post. Now, I address you with 6 months’ experience at the helm of this unique institution which is responsible for safeguarding the price stability and the country’s banking and payments system.

During the last decade, the staff of the Central Bank faced several traumatic events and challenging situations. The Central Bank bomb blast, which took away the lives of 41 employees and caused injuries to nearly 1000 employees, was the most traumatic event. However, I understand that even those seriously injured joined the unaffected employees to offer their best efforts to the Bank and as a consequence, the Bank was in a position to resume normal work without an interruption within a short period of time. This reflects the resilience of our staff. Thereafter, the Bank was subject to a modernization and restructuring scheme. A major feature of the restructuring process was the offering of a Voluntary Retirement Scheme (VRS) for certain categories of the Staff at the end of 2001. Around a third of our staff opted for the VRS and left the Bank. As a result, all of you were forced to re-organize your work practices, automate certain functions and put extra effort to ensure that the output of the Bank would not suffer as a consequence of the lower staff strengths. Although this would have caused problems at the initial stage, I believe that you managed to cope admirably in the face of this challenge.

As you are aware, the Central Bank’s focus and functions have evolved over the years in response to changes in the economic environment. In keeping with trends in Central Banking around the world, the objectives of the Central Bank of Sri Lanka were streamlined by amending the Monetary Law Act (MLA) in 2002 which defined the Bank’s core objectives and freed it from the multiple objectives originally assigned to it. Accordingly, the Central Bank now pursues the core objectives of economic and price stability (through appropriate monetary policy) and financial system stability (mainly through its role as a supervisor and regulator of the financial sector). The Central Bank accordingly will, over time, devolve some of its other functions including agency functions to other institutions. However, it still has a major role to play in the interim to build up capabilities of the institutions earmarked to take over the functions performed by the Bank at present. Also, it is expected that there would be a further outsourcing of administrative and ancillary functions of the Central Bank.

With the change in the MLA, the organizational structure of the Central Bank has undergone a major transformation on a function-oriented basis to support its objectives and functions. The Departments of the Bank were grouped into four major categories under the headings of price stability, financial system stability, agency services, and corporate and support services. The two Deputy Governors have been entrusted with the responsibility of overseeing the achievement of the two core functions. The vacancies to the posts of Assistant Governors (AGs) have been filled and they have been entrusted with line responsibilities with a view to building the 3rd and 4th layers of succession in the Bank’s managerial hierarchy.

Price Stability means maintaining a low inflation rate. Central banks are mandated to maintain price stability as their main objective in order to create a conducive environment for long-term sustainable economic growth by eliminating uncertainties, protecting the value of financial assets, enabling all economic agents to take a long-term view of the economy and ensuring the well being of the general public. Maintaining price stability during the course of 2005 will prove to be a very challenging task given the surging oil prices, which may continue for some time during the year, and the enhancement of demand pressure on the price level on account of wage increases in the government sector. Therefore, the central bank would have to fine-tune its monetary policy measures to provide adequate liquidity to support economic growth, while avoiding the build-up of inflation and inflationary expectations.

Financial Stability means ensuring the effective functioning of the financial system and avoiding banking, currency and payment crises. The stability of the financial system is essential for the attainment and maintenance of price stability, building confidence of the public in the financial system, mobilizing savings and allocating them to the most productive uses. For this purpose, it is necessary to ensure a stable macro-economic environment, an effective regulatory framework, organized financial markets, sound financial institutions and a safe and robust payment infrastructure. In order to strengthen the supervisory mechanism on banks and non-bank financial institutions, action has been initiated to establish a closer dialogue with auditors and senior management of such financial institutions.

With regard to work practices, during my first few months, I have instituted certain changes which I feel would serve not only to reduce the stress on the senior management but also to create a stimulating and challenging environment for work for all the categories of employees.

The Central Bank is a prestigious institution, which is considered a model employer and is therefore, in a position to recruit the cream of talent passing out of universities and professional bodies. The number and quality of aspirants for Central Bank employment reflect this. Over the years, it has built up a reservoir of professional talent, which has been used by the Government and by international agencies and foreign banks for the performance of both advisory and operational functions. Young central bankers have served with distinction both in Sri Lanka and abroad in various capacities. Their talents need to be further enhanced and they should be entrusted with responsibilities commensurate with their abilities. Therefore, I feel that there is considerable scope for further delegation of responsibilities in the Central Bank. **As mentioned in my very first message I believe that our staff must be empowered to reach their optimum capacity which would enable them to give of their best.** Through the process of empowerment staff in the bank would be able to play a major role in the banks operations.

To make the best use of the available talent, it is necessary to institute a continuous process of **appraisal, training and development**. The Department of Human Resource Development has already collected a vast amount of data on the preferred career paths of officers, job descriptions pertaining to various posts, and goal statements of the various Departments of the Central Bank. They also have information on the existing skill deficiencies. Therefore, they are now in a position to identify the officers whose abilities and potential match each job. In this process, it may not always be possible to place officers in their preferred career paths given the training and experience already acquired by such officers. The Training Department would have to provide the requisite training to address skill deficiencies on an urgent basis. Training should also be a continuous process of skill development to meet global and technical challenges as well as those emanating within the Sri Lankan economy. In order to create a learning culture, it is necessary for the employees to take the initiative to enhance their knowledge and skills through self-study and also through participating in relevant seminars, workshops etc. In the future the Training Department would provide all assistance and even sponsor such events. The Training Department is also in the process of preparing a more comprehensive training plan for the entire Bank based on training needs information furnished by each Department. I should also mention that I have already advised the Training Department to take steps to ensure greater transparency in the training policy of the Bank.

Once duties are delegated and personnel empowered, it is up to the persons entrusted with such duties to take up the responsibilities thrust on them and strive for excellence when performing such duties. A fair and just performance appraisal scheme will be put in place to evaluate the effectiveness of performance. The aim of the performance evaluation scheme, the reward scheme and the promotion scheme would be to ensure that the best and brightest are promoted and rewarded. The management also intends to implement a Bank-wide job rotation scheme in the New Year.

Another factor that needs to be reminded is that most tasks in the Central Bank are the outcome of teamwork. I have found instances where teamwork has been poor with only a few persons doing the bulk of work. It is necessary to build positive team relationships within the Bank and encourage co-operation between individuals and functional areas to achieve team goals. One of the intentions of sending the senior and middle management of the Central Bank on "Outward Bound" leadership training programmes was to promote the team building capabilities among the management and to expose the participating officers to situations which require strategic planning on a team level. I am sure those who participated in the "Outward Bound" programmes would agree that they have gained new insights on working as teams through their participation. We intend to send staff at all levels on such programmes in the future.

I also wish to request all Trade Unions of the Bank to extend their fullest co-operation to the management to create **a stimulating work environment** in which employees would be able to advance in knowledge and acquire the necessary skills to meet challenges and effectively fulfill their responsibilities thereby transforming the Bank into a center for excellence with enhanced productivity and staffed with competent professionals. Towards this end, I would encourage the staff to have better exposure to the developments in the real sector. **I have also reiterated the importance of dealing with the employees in a fair and equitable manner. The management on its part is ready to listen to the employee grievances and problems but I would encourage you to also make innovative suggestions to address these grievances and solve problems.** At the same time, I wish to emphasize the importance of displaying your loyalty and commitment to this institution at all times.

Finally, I wish that all of you would get the strength and determination to overcome all the bottlenecks and hindrances before you in the New Year.