

Zeti Akhtar Aziz: Building human capital for emerging challenges

Speech by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the 9th Bank Human Resources Conference 2008 organised by the Indian Institute of Banking and Finance (IIBF): "Building Human Capital for Emerging Challenges", Kuala Lumpur, 29 February 2008.

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Let me first of all extend a warm welcome to the participants of this 9th Bank Human Resource Conference organised by the Indian Institute of Banking and Finance (IIBF). It is our honour to host this conference that is being held outside India for the first time. This is one of the concrete outcomes of the alliance that has been entered into between the Indian Institute of Banking and Finance and the International Centre for Leadership in Finance following the MOU that was signed about three months ago between the two organisations.

The development of human capital has to be a constant undertaking in an environment of constant change. As recent as ten years ago, we have seen the economic and financial environment dramatically transformed. There has therefore required a corresponding change in the knowledge, skills, competencies and capabilities that are now required, in particular, by the banking industry, which is a highly knowledge-intensive and skills based industry.

New challenges have also emerged in this environment arising from the rapid globalisation and internationalisation of the financial system and the significant advancement in technology. These developments have led to a rapid pace of innovation and enhanced international interdependence and inter-linkages. This has generated an environment that is increasingly more complex, competitive, uncertain and ambiguous. The recent episodes of financial turmoil, have shown that even financial systems in developed and advanced economies continue to be vulnerable to financial stress.

This more difficult operating environment demands new skills and the ability to manage these new challenges. Indeed, the role of leadership has changed. It is essential to have the talent that are not only able to see the new emerging opportunities, but also to be able to deal with the high level of unpredictability and navigate through turbulent conditions. The industry leaders need to be visionary and comprehend future trends, chart strategic directions and adapt to changes to stay competitive and relevant. Effective leaders in this era, will be those who are continuous learners, who are on the cutting edge of excellence, who have strong convictions, and yet, having humility to recognise the need to reinvent themselves and inspire their organization to adapt to the new environment. Such attributes are vital if the financial services sector is to forge ahead and remain at the forefront of new innovations and thus secure long-term competitiveness. In this process, there needs to be avenues for continuous learning. The establishment of ICLIF is part of our commitment towards providing such an avenue to enhance leadership capability and develop world-class leaders in the financial services sector.

The changing configuration of the global economy and financial markets, increasing regional economic and financial integration, increasing internationalization of financial services, the continued enhancement to the regulatory structures and approaches will have a significant bearing on the future of the financial services industry. The road in front of us is therefore likely to be significantly different to the one from which we have traveled on. The investment in human capital development is thus important for the future development and growth in the financial services sector.

Building human capital has become much emphasised in today's world. Successful banking institutions in the future will be increasingly dependent on intangible assets such as talent. As competition intensifies, the need for banking institutions to attract and retain the best skills and talents will become more urgent. Going forward, the availability of talents will become

the pivotal factor determining the capacity for the industry to reinvent and transform. Banking institutions would need professionals with the requisite skills and expertise not only at the strategic and management level, but also at the technical and operational level. Successful institutions will be the ones which accord high priority to the continuous enhancement of human capital.

Human capital development has thus become of strategic importance and is integral to the success of an organisation. The involvement by senior executives in the management of human capital development has also become essential. Senior executives need to take the lead and devote a considerable amount of their time to this initiative. Human resource development functions is integral to the talent management process and in supporting the human capital management strategy. Of equal importance is that this should occur at all levels in the organisation. In essence, the accountability for talent development requires concerted efforts throughout the organization and needs to be embedded as part of the working culture that is communicated, shared and understood at all levels.

While the need for human capital development is apparent, what is less apparent are the appropriate methods and policies that should be adopted to advance human capital development. The financial services industry needs to identify the appropriate strategic direction for human capital development. Attention need to be given to the entry level, to the specialists and to the senior management levels. This would benefit from greater industry-university linkages which is a major channel through which the talent requirement and talent gap can be narrowed. The industry involvement in the curriculum design and delivery will ensure graduates are equipped with the relevant knowledge and skills that meet the requirements of the industry. Participation by the industry players may be in the reform of the academic curriculum and methodologies and in providing other forms of practical support to the institutions of higher learning. This will contribute directly towards meeting the human capital needs for the future. The quality of human capital is the cutting edge of competitiveness. Having competent staff to deliver high quality products and services is critical to building customer confidence and goodwill, driving customer satisfaction, enhancing reputation and ultimately realising individual institutions' corporate vision and strategic goals. It is therefore, in the best interest of banking institutions to strengthen further the competence and professionalism of staff in the industry. In this regard, financial institutions can of course adopt the measure of "buying talent" from the market. This may however, risk in high compensations that are not commensurate with the value added. The more desirable option is the building, developing and maintaining a pipeline of talent from within the company.

Let me turn to Malaysia's experience in human capital development for the financial services industry. In Malaysia, structured and comprehensive approach to human capital development has been a key part of our efforts for the development and advancement of the industry. The programmes by ICLIF, which is now in its 6th year of operations, provide programmes in leadership development for the senior management level in the financial services industry. The programmes carried out by the Institute of Bankers Malaysia, the training arm of the banking industry, have also been recently reviewed to meet the new demands of the financial sector. In addition, dialogue between the industry and other education providers including institutions of higher learning have taken place to promote well equipped supply of talent. In September 2007, Bank Negara Malaysia initiated the Financial Sector Talent Enrichment Programme (FSTEP) to train and prepare 1000 highly qualified graduates for immediate placements in banking and insurance institutions. This effort is undertaken in collaboration with the industry and training institutes and is aimed at boosting the supply of well-trained and competent personnel for the financial services industry.

In the area of Islamic finance the continued international expansion has increased the demand for talent and expertise in the industry. The establishment of the International Centre for Education in Islamic Finance (INCEIF) in Malaysia in 2006 represents a structured investment in the development of human capital to support this global development of the

Islamic financial services industry. The programmes are for practitioners and graduate students. In addition, it is envisioned that INCEIF will act both as a professional certification body as well as an education centre for post-graduate programmes in Islamic finance.

With the firm commitment to build human capital, the challenge is to formulate the appropriate strategies and mobilise the resources necessary to produce results that will enhance the intellectual capital of the industry. This will require the combined efforts of internal strategies within banking institutions, that involves a holistic approach that coordinates the strategies for human resource management and development reinforced by strategies for organisational development. This will also involve putting in place the appropriate processes and structures. A total solution will be required. These efforts will also need to be supported by education providers. Finally, this initiative of bilateral engagement on the issues in developing talent in the industry will also gain from the synergy and will contribute to strengthening the ability to further the agenda of building human capital in the financial services industry.

On this note, I wish you a productive and successful conference.

Thank you.