

Zeti Akhtar Aziz: Talent management, the new paradigm

Opening remarks by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the AIF (The Asian Institute of Finance) International Symposium 2011, Kuala Lumpur, 7 April 2011.

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It is my great pleasure to speak at this inaugural AIF International Symposium 2011 on Talent Management, the New Paradigm. While I may not be here in person, I am most certainly here in my commitment to this Symposium on the enhancement of human capacity in the financial services industry.

Importance of human capital development

Significant new trends continue to reshape the financial services industry. In this recent two decades, the intensification of the globalisation process, the advancement in technology and the unprecedented consequences of the global financial and economic crisis have contributed to these changes. While the global economy is now on a recovery path, several challenges continue to remain. The focus of the crises affected countries have been on the immediate term challenges involving the resumption of the functioning of financial markets and the financial intermediation process while supporting the overall economic growth. As part of the response to the crisis, is the financial regulatory reform both at the national and international level. This has also been reinforced by a tightening of the supervisory oversight. These cumulative developments are also dramatically transforming the financial landscape of the international and national financial systems.

The future has therefore become more complex, uncertain, unfamiliar and more ambiguous. In the context of these fundamental and far reaching changes, less attention has however been accorded to the necessary changes to the human capital development that is required for the effective participation and performance in this new financial landscape. Indeed, the talent required also needs to be transformed. These changes have also precipitated a revisit and review of education systems around the world over to address the current discontent that the education has not kept up with the changing human capital requirements of the financial services industry.

The World Economic Forum has projected that “staggering” talent gaps will arise in large parts of the world by 2020, and this will have a bearing on national competitiveness while organisations compete for talent on an unprecedented scale. Managing talent has consequently become significantly more challenging and needs to be addressed with talent development. The objective is to harness the full potential of the workforce. This is particularly urgent for Asia as it emerges as an important growth centre in the global economy. With Asia’s financial services industry poised to grow rapidly, this growth must be supported by the development of capabilities among the financial industry professionals. Going forward, the investment in this core pillar will be a defining factor in the performance and the capacity of the industry to reinvent and transform and thus enhance its resilience and sustainability.

The path forward needs to be guided by a strategic response to the forces that are shaping the new talent landscape. There is now an increased demand for highly-skilled knowledge workers that are able to meet the changing requirements of an increasingly globalised and borderless workplace. More interconnected businesses within national economies and across the globe have also increased expectations for employees to be highly versatile and able to adapt to the fast changing conditions. Talent mobility has therefore increased substantially not only across geographical boundaries, but also across sectors, as the demand for talent in financial services by the energy, telecommunications, software and

consultancy sectors are likely to increase over time. Organisations including financial institutions therefore need to give greater attention to these shifts and develop clear strategies to narrow the skills gap, in particular to address growing shortages in the mid to senior level talent groups.

The recent regulatory reform in the financial sector and the onset of new standards and requirements under both Basel II and Basel III, the emergence of new risk disciplines and the fundamental changes in financial reporting standards, also require financial professionals to be equipped with new knowledge and skills. Similarly, talent shortages continue to be acute in high-growth areas such as wealth management, Islamic finance, and investment advisory services. At the same time, the role of the financial services sector in the recent global economic meltdown has also raised questions on the issue of the *quality* of the leadership and workforce and for the need to place greater focus on developing ethical and responsible leaders who will be able to lead a sustainable industry over the medium and longer term.

The economic costs of a failure to arrest talent shortages are strategically significant and include low productivity, the slow pace of innovation and lost opportunities. Building a strong talent pipeline has therefore become an economic imperative as human capital rivals financial capital as the critical economic engine of the future. This requires new and innovative ways of thinking about talent development, programs, processes and competencies. The human capital challenge has therefore to be approached with a different set of solutions.

Giving recognition to its importance, in the United States, the accounting rules were adjusted to allow organisations to treat a wider range of talent development costs in the same manner as long-term investments in equipment, manufacturing plants and other facilities. Financial institutions today are also forming stronger relationships with business schools to increase the relevance of their curriculum. The World Economic Forum, through its recent work on skills and talent mobility, has fostered a concerted, multi-stakeholder, cooperation and dialogue among policy-makers, relevant international institutions, governments and businesses to develop interdisciplinary solutions to address the talent shortage. The promotion of more effective international cooperation on training and skills development to meet the changing demands of the industry, more comprehensive strategies on talent development and greater mobility that is consistent with the realities of the global economy will support such talent development.

Despite these demands, under investment in learning remains in a significant proportion of financial institutions. This is largely due to the focus on keeping short term costs low. This has however resulted in drawing talent from the existing pool which has in turn resulted in rising costs of talent. Surveys suggest that the biggest skills and knowledge gaps faced by financial institutions are in knowledge of regulatory standards, communications, management skills and risk assessment and management. Professional and technical skills, particularly in the middle to senior levels, are still very much needed in many parts of Asia. These skills shortages will intensify as financial institutions expand their operations. Strategies for talent management and development must therefore change if financial institutions want to be competitive and well positioned to adjust and adapt to the changing conditions.

The Asian Institute of Finance (AIF) was initiated by Bank Negara Malaysia and established jointly with the Securities Commission in [2009] to respond to the growing needs of the financial industry for high quality and efficient training opportunities that would develop in-demand skills. Working with its Affiliated Institutes from the industry, the Institute of Banks Malaysia (IBBM), the Islamic Banking and Finance Institute Malaysia (IBFIM), the Malaysia Insurance Institute (MII) and the Securities Industry Development Corporation (SIDC), AIF has an important role in driving and supporting the development of talent in the financial sector. This also includes the development of intellectual capital through research that is being undertaken in the AIF Risk Management Centre and the Applied Finance Research Centre.

AIF has the vision to build a world class financial sector workforce. In support of this vision, AIF has developed a Learning Programme Assessment and Accreditation Framework (LPAAF) which provides a structured and comprehensive approach that defines quality assurance standards for training programmes for the industry. Benchmarked against international standards, the framework is designed to be both current and forward-looking. The education standards promulgated through the framework ensures first class, job-specific training to meet the industry requirements, and equip practitioners with the practical knowledge, skills and expertise that are important to their respective job functions.

Malaysia's financial sector has continued to forge ahead. The contribution of the financial industry to the country's GDP has increased from 9.2% in the year 2000 to 11.7% in 2009 and this figure is expected to grow further in time. Likewise, the employment growth in the financial sector will continue to accelerate, with increasing demands for specialised skills and enhanced expertise in finance. In the fast changing and increasingly complex financial landscape, our workforce in the financial sector must not only rise above current challenges, but must be well equipped to excel in the significantly changed environment.

In Malaysia, we have prioritised talent development in the financial sector as a strategic priority and to approach this in a holistic manner, across the spectrum of the financial services industry. The goal is to develop a deep pool of financial sector talent with world class capabilities to drive responsible growth and development of the financial sector. As many of the initiatives supporting these strategies are multi-disciplinary and multi-layered, the approach is grounded in a shared commitment with the industry in a comprehensive, coordinated and collaborative manner. This is our best hope for rising confidently to the human capital challenge that lies before us. With the strong support of all the key stakeholders and practitioners in the industry, we can make a critical and lasting contribution towards creating a talented workforce for the industry.

In this journey, the sharing of best practices and experiences will be extremely valuable. I therefore welcome and encourage your participation at this international symposium to discuss the important issues, challenges and the way forward in talent development for the financial services industry.

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