

Sharon Donnery: Navigating organisations through uncertainty and change

Remarks by Ms Sharon Donnery, Deputy Governor of the Central Bank of Ireland, at the Central Bank of Ireland's campus, Dublin, 15 February 2023.

* * *

A dhaoine uaisle, tá fáilte is céad romhaibh go léir go dtí Banc Ceannais na hÉireann don ócáid seo annocht.

Go raibh maith agaibh as ucht an deis a thabhairt dom labhairt libh annocht, agus táim ag tnúth leis an gcuid eile den ócáid.

It's a pleasure to welcome you to the Central Bank of Ireland's campus for this event to discuss the important theme of "***Navigating organisations through uncertainty and change***".

The theme of navigation seems apt for the environment which many organisations currently face. It was a theme I chose for my first major speech in my current role. In those remarks I outlined the Bank's perspective on the need for the leaders of financial firms to chart a course through the prevailing uncertainty and complexity in the global economy. At the core of that leadership challenge is being able to balance the many competing demands business leaders face – to remain competitive and profitable, to meet the needs of customers, to comply with regulatory requirements, to maintain high standards of corporate governance, to keep up with digital trends, and to transform in order to be fit for the future. There are also leadership challenges for public leaders, including central bankers and regulators, and I will mention some of those also.

In my comments today I will speak briefly about the context for the Central Bank's strategy and the leadership challenges we face, I will also address the themes and approaches in the strategy and how it sets us up to continue to deliver on our important mandate into the future. I will reflect on some current aspects of uncertainty and before I hand over I might share some brief personal thoughts on leadership in public organisations at times of volatility and change.

The mission of the Central Bank of Ireland is to serve the public interest by maintaining monetary and financial stability while ensuring that the financial system operates in the best interests of consumers and the wider economy. When putting together its current strategic plan, it did so in the context of:

- A statutory mandate which had expanded significantly in recent years;
- Increased organisational complexity;
- A rapidly changing and growing financial sector;
- Changing consumer preferences and behaviours, interlinked with technological advancement; and
- Deepening European integration.

For the Bank, the last decade has been one of new policy development and implementation, of changes in our frameworks, of harnessing deeper and more diverse expertise, and of a growth in staff numbers.

It has been a period of responding to change in the external environment, with an enduring commitment to our important public service mission.

So the leadership challenge for my colleagues and I in the Central Bank is to act in a way that is balanced and proportionate, effective and fair and delivers the right outcomes. We operate in a market based economy and the Central Bank wants to see that the people of Ireland, Europe and the customers served around the world from Ireland are served by a well-functioning system.

So when the Central Bank's board, the Central Bank Commission, of which I am a member, set out the Central Bank's strategy, it did so in a complex environment.

We did this with a commitment to build on what has been achieved to strengthen the resilience of the financial system, enhance protections for consumers and investors, and support economic policy development.

The decade ahead will see continued rapid change in economies and in the financial system, driven by technology, by changing demographics, the imperative of responding to the climate and biodiversity emergencies, and a more uncertain world.

This requires us then to accelerate our own pace of change to deliver on our mandate and to meet the public's expectations of us. And it requires us to do so in a considered and deliberate way.

Our strategy then has four connected themes, safeguarding, future-focused, open & engaged, and transforming. They represent a renewal and repositioning to ensure that our direction and ambitions are responsive and forward looking. I'll reflect upon them briefly.

Firstly, **Safeguarding**. The stability of the financial system and the effective regulation of financial services and markets, while ensuring that the best interests of consumers of financial services are protected, is at the core of our mandate and our work. This word, "safeguarding", sums up the public's expectations of the Bank and its staff and so it takes a central role in our strategic execution.

Secondly, **Future-Focused**. A rapidly changing world, economy and financial system requires a shift in our focus, our analysis and our frameworks. A forward looking approach will mean anticipating and responding proactively to changes in the economy and the financial system.

Thirdly, **Open & Engaged**. While we have built a lot of public trust in the last decade, we will need to continue to build trust and understanding in the role of the Central Bank through stronger engagement with the public, stakeholders and peers.

Finally, **Transforming**. We have identified the need for an ambitious reimagining of how our organisation operates, with an emphasis on effectiveness and increased agility, in a new hybrid-working model. We will transform the organisation into a more agile, resilient, diverse and intelligence-led organisation, building on the progress made over the last decade.

If I might finish by mentioning the challenge of the current environment.

Russia's war against Ukraine, the energy crisis, the monetary policy response to tackle inflation, the risk of recession, the state of labour markets and supply chains as well as the ongoing impact of China's approach to managing the pandemic have created a very uncertain economic path. Increasing price pressures across the world are putting a squeeze on real incomes and undermining macroeconomic stability.

Risks from these complex and uncertain economic and geopolitical developments are in turn creating a volatile and uncertain outlook for the financial sector.

Reflecting on what it means to be a public leader at such a time, I will make two points:

- Firstly, when you enter public service and certainly when you become a public service leader, you don't do so only to carry out your navigation in steady and calm seas. You sign up to contribute to the more significant challenges. And for central bankers, we are faced with a challenge currently. For a range of diverse and complex reasons, we are now in an inflationary environment. Such an inflationary environment has high costs for the economy and households. The increased cost of living and erosion of living standards and higher inflation in general means lower investment, with consequences for future economic growth potential. Tackling the risks from inflation is absolutely critical. We will be in a much worse place if we don't. There is dedication and commitment to meet our objective of price stability, and to steer a clear course. As ECB President Christine Lagarde noted at the most recent Governing Council press conference, "our determination to reach 2% medium-term should not be doubted."
- Secondly, there are a number of aspects of the Institute of Directors purpose which are instructive at this time. That purpose is "to instil stakeholder trust and confidence in organisations by educating, informing, and supporting directors to lead successfully". Successful leadership, strong corporate governance, and information flow build public trust, which is so vitally important to leaders in the public, private and non-profit sectors. But for those whose roles are in the service of the public, that trust element has particular significance. We can only deliver on public expectations if we continue to develop ourselves as leaders through the relentless pursuit of further knowledge and through engaging with and learning from each other. The network that the IoD provides is such a valuable platform for this and events such as today's allow us to educate and inform ourselves and to support each other, with the objective of delivering trust and confidence in our organisations.

I look forward to the rest of the event.

1 Christine Lagarde, ECB Press Conference 2 February 2023 <https://www.ecb.europa.eu/press/pressconf/2023/html/ecb.is230202~4313651089.en.html>

2 With thanks to Steven Cull for his assistance and advice in preparing this talk.

3 ['Charting the course - leading financial services through complexity and change'](#) - Remarks by Deputy Governor Sharon Donnery at Financial Services Ireland Annual Dinner - 17 November 2022