

**COMPARATIVE STRATEGIES
OF HUMAN RESOURCE
MANAGEMENT
IN SELECTED SEACEN CENTRAL
BANKS AND MONETARY
AUTHORITIES**

Romeo V. Suarez



**The South East Asian Central Banks (SEACEN)
Research and Training Centre**

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**COMPARATIVE STRATEGIES OF HUMAN RESOURCE MANAGEMENT
IN THE SEACEN COUNTRIES**

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▪ FOREWORD

Managing human resources is a critical element in maintaining an effective and credible central bank in fast changing environment. The effectiveness of a central bank depends crucially on its credibility. Credibility may be referred to as the capacity of the central bank to keep track of, and carefully analyse, the factors affecting its core function, namely to maintain price and financial stability. It also requires the ability to respond with sound and well-thought out policies as and when the need arises. This, in turn, largely depends on the essential skills, expertise, and experience and sound judgment of its employees.

This research project on *Comparative Strategies of Human Resource Management in SEACEN Countries* is part of The SEACEN Centre's research activities for Operating Year 2007/08. It has a twofold objective: first, to provide a comparative study on human resource management (HRM) among selected central banks and monetary authorities in the SEACEN countries; and second, to identify current HRM challenges, risks, and issues in these central banks and recommend policy guidelines for their consideration as a strategic response. Likewise, training materials that would be developed for relevant SEACEN training courses could be sourced from the results of this study.

This research project is a collaborative effort between The SEACEN Centre and 10 member central banks. The National Bank of Cambodia, Bank Indonesia, Central Bank of Myanmar, Nepal Rastra Bank, Bangko Sentral ng Pilipinas, Central Bank of Sri Lanka, and Central Bank of the Republic of China (Taiwan) were represented by their country researchers in two separate workshops conducted by The SEACEN Centre in Kuala Lumpur in 2008. Although the Reserve Bank of Fiji, Monetary Authority of Singapore, and Bank of Thailand did not participate in the research workshops, they nevertheless gave valuable written inputs in response to The SEACEN Centre's request, which were included in the analysis of the study.

This collaborative study is divided into 2 parts. Part I consists of the integrative report and regional analysis by Dr. Romeo A. Suarez, Visiting Research Economist from Bangko Sentral ng Pilipinas, who also served as Project Leader. Part II consists of country chapters authored by the country researchers from the 7 participating member central banks.

The SEACEN Centre wishes to thank Dr. Romeo V. Suarez for his efforts as the Project Leader and also the country researchers from the participating

SEACEN member central banks for their contributions to the research project, namely, Mr. Sok Phearak, Deputy of Training, and Mr. Ouk Dara, Deputy of Personnel Division, Personnel Department, National Bank of Cambodia; Mr. Rudi Saleh Susetyo, Human Resources Specialist, Human Resource Department, Bank Indonesia; Ms. Daw Tin Moe Moe, Principal Research Officer, Research and Training Department, Central Bank of Myanmar; Mr. Kiran Pandit, Assistant Director, Human Resource Management Department, Nepal Rastra Bank; Mr. A.M.N. Gunawardana, Deputy Director, Human Resource Department, Central Bank of Sri Lanka; Ms Chu Ching Yu, Specialist, Personnel Office, Central Bank of the Republic of China (Taiwan); Ms Lily Wong, Manager, Human Resource, Reserve Bank of Fiji; Ms Chan Ying Ying, Human Resource Manager, Human Resources Management Division, Monetary Authority of Singapore; and Ms Nopawan Mahamusik, Senior Director, Human Resources Department, Bank of Thailand. The Centre also gratefully acknowledges the valuable comments and suggestions of Dr. Duangmanee Vongpradhip, Assistant Governor, Monetary Policy Group, Bank of Thailand, on the final draft of this study.

The Centre also wishes to acknowledge the support of The SEACEN Centre's staff in completing this study. The views, conclusions and recommendations expressed in this paper are those of the author, country researchers, and contributors, and do not necessarily reflect those of The SEACEN Centre or its constituent member-central banks and monetary authorities.

Dr. A.G. Karunasena
Executive Director
The SEACEN Centre

April 2009

▪ EXECUTIVE SUMMARY

The present economic environment requires central banks to adapt in order to perform their roles properly. With globalisation, they must be able anticipate threats to financial and economic stability. The required competencies of central banks are vastly different from those a decade ago, requiring different ways of managing human resources. As monetary authorities, central banks are required to anticipate the undesirable changes in economic situations. Failing so could lead to disastrous results. To be able to cope with this, and to respond with proper policies, it is imperative for central banks to have a competent workforce.

The study reveals a tapestry of comparative differences and similarities in prevailing HRM practices, strategies, and concerns (i.e., challenges, risks, and issues) of participating SEACEN central banks. One recurring concern for HRM of central banks include the problem on talent management covering acquisition, selection, and retention. HR strategies which are embodied in central banks' medium and long term strategic plans address precisely these concerns. Among them are:

- Creating winning employee-value proposition in attracting best talent (talent acquisition, selection, retention).
- Staff turnover due to job environment; lack/absence of motivation; and migration/mobility for competitive job opportunities.
- Litigation by current/past employees for unfair HR decisions.
- Linkage between performance management system and rewards.
- Practices in talent sourcing, management, & retention.

The extent of the gravity of these problems and the capacity of the central banks in addressing these challenges, risks, and issues depend on several factors such as the prevailing social climate and political environment, corporate culture, management support, and budgetary constraints.

The linkage between the central banks' organisational and HR plans through their strategic plans or goals is a clear manifestation of each central bank's desire and aspiration to become a world-class monetary authority and fulfill its role to maintain economic and financial stability that promotes national development and delivers a high quality of life for its citizens.

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▪ **PART 1:**
INTEGRATIVE REPORT



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COMPARATIVE STRATEGIES OF HUMAN RESOURCE MANAGEMENT IN SELECTED SEACEN CENTRAL BANKS AND MONETARY AUTHORITIES

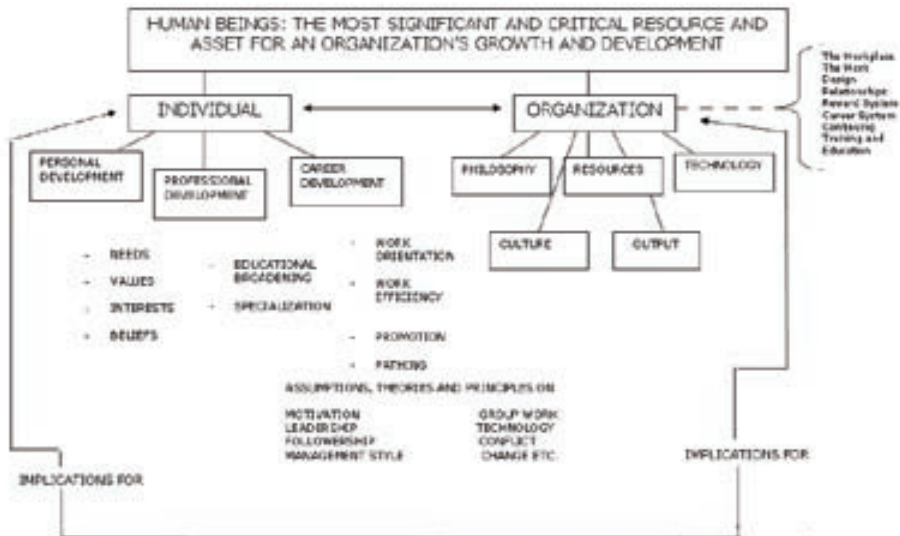
by Dr. Romeo V. Suarez¹

1. Introduction

1.1 Background of the Study

The main concept that underlies the practice of human resources management is that human beings are the most important and critical resource and asset for an organisation's growth and development (Figure 1).

Figure 1
The Underlying Framework of Human Resources Management

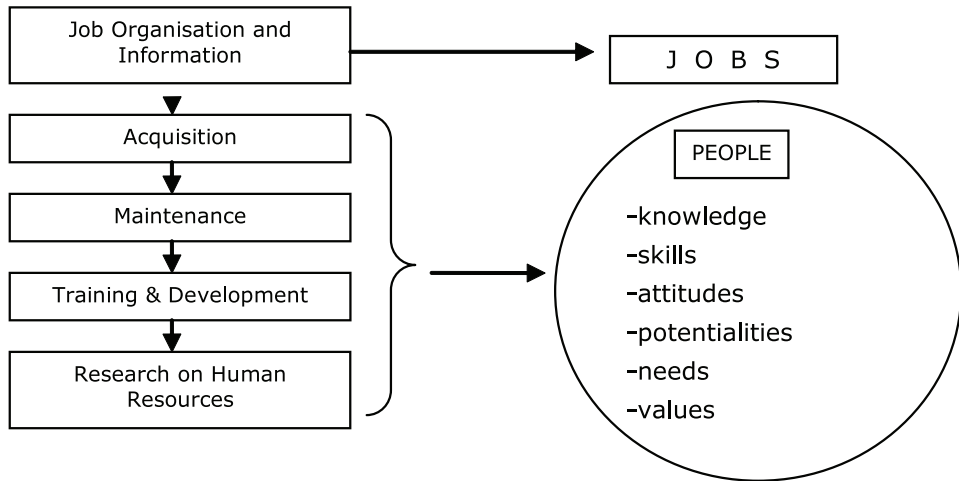


(Source: Concepcion Rodil Martires, 1991)

¹ Project Leader and Visiting Research Economist from Bangko Sentral ng Pilipinas. He is currently Assistant Manager of the Human Resource Management Department of Bangko Sentral ng Pilipinas.

If the proposition that people are the organisation's most valuable asset is to be upheld, then we have to understand how these assets are acquired, retained and improved, as shown in Figure 2. Organisations must be able to determine the key role of human resources (HR) and introduce or strengthen the appropriate HR skills and capabilities in order to make HR credible and a real business partner.

Figure 2
A Paradigm of Human Resources Management



(Source: Concepcion Rodil Martires, 1991)

HR must demonstrate positive return of investment (ROI) from human capital investments. To do this, it must evolve beyond managing administrative requirements, such as payroll, benefits, and medical leave, in order to become a strategic partner in business performance.

HR is responsible for defining, understanding, and leading five core areas of an organisation's decision-making and performance management:

Organisation and staffing: What job functions, positions, roles, and capabilities are required to drive the business performance?

Compensation: How should we reward our employees to retain and motivate them for full performance?

Talent and succession: What are the talent and succession gaps we must address to ensure sustained performance?

Training and development: What training and development do we need to maximise employee performance; is there a clear payback?

Benefits: How do we manage costs and incentives for better performance?

Central to human resources department must be the basic personnel management functions, such as staff requirement planning, hiring, training and further training, staff administration, and redundancies. However, there are also significant risks which should be carefully managed in the human resource area. These risks include the consequences of recruiting the wrong people; inadequately training and developing them; losing them prematurely; instilling misguided motivation; and failing to consider future human resource capability needs. Therefore, a central bank, like most organisations with key dependency on the skills, experience, and judgment of its staff, should maintain structures and policies to identify and manage these risks.

The SEACEN Centre initiated this collaborative project with the following objectives: first, to provide a comparative study on human resource management among central banks/monetary authorities in the SEACEN countries; and second, to identify guidelines for effective HR profile for the central bank as a strategic response. In addition, this research project could be further developed into training materials for relevant SEACEN training courses.

A total of eight country researchers representing seven SEACEN member countries, namely, Cambodia, Indonesia, Myanmar Nepal, Philippines, Sri Lanka, and Taiwan participated in the Research Project. The first research workshop was conducted at The SEACEN Centre on 21-22 July 2008 to discuss the project proposal, coverage of the study, timetable, and the country paper outline. At the workshop, brief country presentations were carried out focusing on many aspects of human resource management in their respective central banks. Some of the issues presented were:

- Review of various aspects in human resource management, including organisation structure, promotion policy, outsourcing, transfer/job rotation policy, recruitment policy, retirement policy, human resource development, motivation, remuneration policy, among many others.
- Need for a long term vision for HR management in the central banks.
- Linkage between the strategic plan of the central bank and its HR plan.
- Smooth succession in the face of risk and uncertainty in retaining the

- best human talent in the central bank.
- Significant risks in the human resources area which need to be carefully managed: the consequences of recruiting the wrong people, inadequately training and developing them prematurely, misguided motivation, and failing to consider future human resource capability needs.
- The need for central banks, like most organisations with key dependency on the skills, experience, and judgment of its staff, to maintain structures and policies to identify and manage these risks.

During the second workshop held on 13-15 November 2008, the same country researchers presented their papers based on the standard format and timelines agreed upon in the first workshop; after which the Project Leader summed up the initial findings of the various papers in his integrative report covering the following:

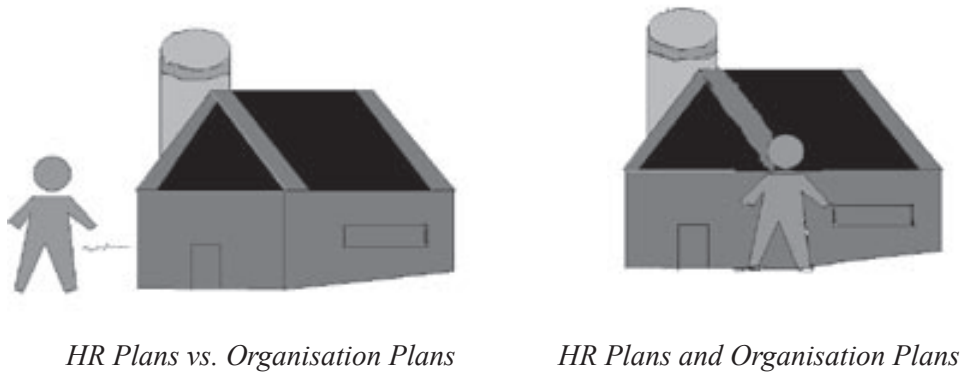
- General HRM profile of the participating central banks in terms of organisational structure and functions;
- Linkage between the strategic plan of the central banks and their human resource plan;
- Challenges, risks, and issues in HRM of the central banks; and
- Appropriate guidelines and policies that could be adopted to address them.

1.2 Conceptual Framework

Managing human capital is more than promoting career development opportunities or institutionalising rewards and retention programmes. The whole gamut of human resource functions and activities should be aligned with each other and, most importantly, with the business objectives and strategies (Ulrich & Brockbank, 2005) in order for an organisation to compete and maintain its market position to survive, if at all.

The concept of alignment is shown in Figure 3 which illustrates the gap between personal and organizational goals and their corresponding effects.

Figure 3
Extent of Alignment between HR and Organisation Plans and its Effects

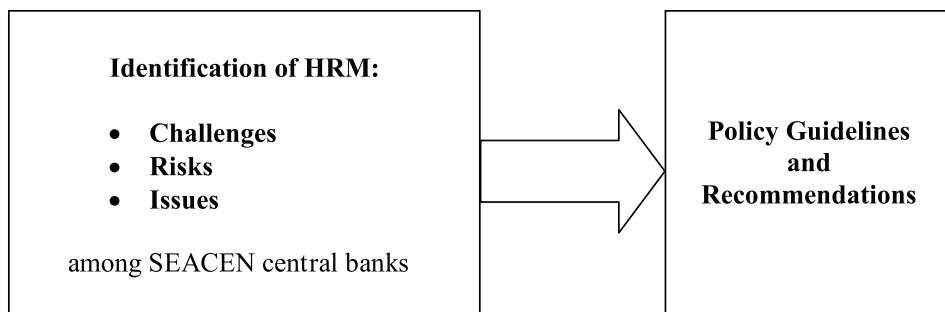


(Source: Concepcion Martires, 1991)

The greater the incongruence between the individual goals, the more likely conflict arises. On the other hand, harmony results where both goals are aligned with each other.

As shown in Figure 4, this study aimed to provide a comparative study on human resource management among selected SEACEN central banks/ monetary authorities; identify current HRM challenges, risks, and issues in these central banks; and recommend policy guidelines for their consideration as a strategic response.

Figure 4
Research Objective Framework



1.3 Definition of Terms

In order to understand some terms used in this study, the following definitions are offered:

Central Banks. These are Central Banks which are SEACEN members and which have participated in this project. They are the National Bank of Cambodia, Bank Indonesia, Central Bank of Myanmar, Nepal Rastra Bank, Bangko Sentral ng Pilipinas, Central Bank of Sri Lanka, and Central Bank of the Republic of China (Taiwan), which were represented by their country researchers in two separate workshops conducted by The SEACEN Centre in Kuala Lumpur in 2008. They also included three other central banks which did not participate in these workshops, but submitted their written inputs in response to The SEACEN Centre's request. They were HR officers from the Reserve Bank of Fiji, Monetary Authority of Singapore, and Bank of Thailand.

Strategic Plan. This is a blueprint of strategies and initiatives that enable central banks to challenge their prevailing practices, capitalise on emerging opportunities, establish a long-term direction, enhance its performance, and keep its operations running more efficiently.

Challenges. These are problems which central banks are facing in HRM, specifically how HRM should or can support to achieve the mission or objective by:

- identifying what kind of competencies are needed;
- recruiting from the outside experts having needed competencies; and
- identifying more suitable experts internally or by training the staff in such important fields.

Risks. They refer to dangers which central banks may face when they operate the existing HRM system or introduce new HRM systems or ideas to cope with challenges and identify issues.

Issues. They are tasks which central banks should do considering challenges and risks, such as how to support the mission, vision, objective or strategic plan of each central bank in the HRM side; how to recruit; how to train; how to move or promote the staff; how to motivate; how to determine the kind of compensation system; how to fill the talent gap; and so forth.

1.4 Statement of the Problem

This study aimed to provide a comparative study on human resource management among selected central banks/monetary authorities which are SEACEN members; identify current HRM challenges, risks, and issues in these central banks; and recommend policy guidelines for their consideration as a strategic response.

Specifically, it attempted to answer the following questions:

1. What is the general HRM profile of the participating central banks in terms of organisational structure and functions? Where are they similar? Where are they different?
2. Is there a linkage between the strategic plan of the central banks and their human resource plan? How do they establish this linkage?
3. What are the challenges, risks, and issues in HRM of the central banks?
4. What are the appropriate guidelines and policies that could be adopted to address them?

1.5 Methodology

The researcher used descriptive research design which makes use of unstructured and structured interviews to collect data and obtain a full range and depth of information; focus group discussions/workshops, in exploring the topic in depth; and country papers and data obtained from participating central banks.

Respondents were selected through purposive sampling technique. They were central banks officers and staff who were officially designated as country researchers to gather data pertinent to human resource management of their respective banks and present them during the two workshops conducted by The SEACEN Centre in Kuala Lumpur in 2008. Their positions ranged from research/training specialist to assistant director. The other group of respondents consisted of HR account officers who returned duly accomplished questionnaires sent by The SEACEN Centre.

After obtaining all information/data from different gathering instruments, namely, interviews, focus group discussion/workshops, and country papers, the researcher initially organised comments into similar categories such as concerns, suggestions, and recommendations. Any patterns, relationships or association in any category were identified. After this initial activity, the information was analysed and recommendations were then considered.

1.6 Significance of the Study

The adage that people are the most important asset has been a recurring theme in many businesses and organisations, which is also true to a central bank. A central bank's effectiveness critically depends on its credibility. Credibility refers to a central bank's capacity to keep track of, and carefully analyse, the many factors that affect its core business, namely to maintain price and financial stability. It also requires the ability to respond with sound and well-thought out policies as and when the need arises. This, in turn, largely depends on the quality of the staff, such as essential skills, expertise, and, experience and sound judgment. Thus, managing human resources effectively is a critical element in maintaining an effective and credible central bank.

To the participating central banks, this study would enable them to review their current HRM practices and policies based on the best HRM practices and policies of other central banks and organisations; and reinforce their commitment to manage their human resources effectively as a critical element in maintaining an effective and credible central bank.

To other SEACEN-member central banks, this study could encourage them to identify their own HRM challenges, risks, and issues; and formulate guidelines for effective HR profile as a strategic response in their own organisations.

To The SEACEN Centre, this research would help the Centre develop training materials for relevant training courses for member-central banks.

1.7 Scope and Methodological Limitation of the Study

The main aim of this study was to present the different strategies and best practices in human resource management; HR challenges, risks, and issues in SEACEN-member central banks/ monetary authorities; and guidelines and policies that central banks could adopt to address them.

The study was limited and applicable to seven SEACEN member central banks of Cambodia, Indonesia, Myanmar, Nepal, Philippines, Sri Lanka, and Taiwan, which participated in the two workshops intended for the purpose; and three other non-participating central banks/monetary authorities of Fiji, Singapore, and Thailand, whose inputs on human resource management strategies were solicited by The SEACEN Centre. Consequently, all pertinent tabular data in the study were sourced from the country papers of participating central banks and documents submitted by non-participating central banks. It should be understood, however, that not all respondent central banks could have submitted an elaborate and detailed list of their HR functions and concerns which would explain why some data were missing in the presentation.

While participating central banks presented a litany of HR concerns, the researcher limited the discussion to only those challenges, risks, and issues which were common to at least two respondent central banks. Thus, this integrative report would not have a complete comparative analysis of respondent central banks' concerns. Thus, considering the limited participation of SEACEN member-banks, the study would not show a complete picture of the HR concerns of the entire membership.

Finally, the study was limited to human resource management and the method and instruments used.

2. Review of Related Literature and Studies

2.1 Human Resource Management

Human resource management encompasses those activities designed to provide for and coordinate the human resources of an organisation (Bryars and Rue, 2006). It also deals with the design of formal systems in an organisation to ensure the effective and efficient use of human talent to accomplish organisational goals (Mathis and Jackson, 2002).

Noe, Hollenbeck, Gerhart, and Wright (2006) refer to human resource management as policies, practices, and systems that influence employees' behaviour, attitudes, and performance. Managing human capital is more than promoting career development opportunities or institutionalising rewards and retention programmes. The whole gamut of human resource functions and activities should be aligned with each other and, most importantly, with the business objectives and strategies (Ulrich & Brockbank, 2005) in order for an organisation to compete and maintain its market position to survive, if at all.

Rees and Mcbain (2004) note that if the proposition that people are the organisation's most valuable asset is sustainable, then one has to understand how these assets are acquired, retained and improved. Organisations will have to increase their attractiveness to the widest pool of talent, providing them with greater opportunities to recruit the best people. Becoming an *employer of choice* rather than employer of necessity could require evolutionary changes in many companies (McKinsey et al., 2008).

Human resources or employees are the key factor in organisational effectiveness. Without effective and efficient people, an organisation cannot achieve excellence. Getting the right people for the right job is an important tool in ensuring organisational effectiveness. An organisation's success and failure depend on the quality of people it employs. Through an effective recruitment and

selection programme, the company is assured of a good match between the job and the hired. Good human resource management requires an in-depth understanding of filling vacancies, various recruitment methods of shortlisted candidates, and systematic selection process.

2.2 The New Paradigm in Human Resource Management

The old paradigm that all the human resources management activities should reside in the Human Resources Department has to be changed. All parties in every level of the organisation have their own responsibilities regarding human resources management. It fits with the new paradigm that the human resources function should play four roles to be acknowledged by other departments, namely, strategic partner, change agent, employee champion, and administrative expert (Ulrich, 1997).

Managing human resources is no longer the major responsibility of the Human Resources Department. It is the line managers and, to reflect this, the centralised human resources management paradigm has to be changed. It should be devolved to line managers and employees. In addition, the Human Resources Department should shift its role from operator to become more strategic.

2.3 Workforce Issues, Challenges, and Risks

Judy and D'Amico (1997) have highlighted some of the more important workforce issues such as economic and technological changes; occupational shifts; workforce availability and quality; demographics and diversity; balancing work and family; and organisational restructuring.

Dinkelborg and Faber (2008) identified the following HR challenges at the Deutsche Bundesbank:

Adaptability to globalisation: HR professionals are expected and required to keep in tune with the changing times as a result of:

- Political dynamics – transfer of responsibility for monetary policy to a supranational institution such as the European Central Bank, reorganisation of banking supervisory competencies between the Bundesbank and the Federal Financial Supervisory Authority;
- Technological dynamics – arrival of internet technology and creation of an intranet; and
- Organisational dynamics – structural reform at the Bundesbank, centralisation of tasks.

Problems in attracting, retraining, and motivating capable people: recruitment is considered to be a thankless job. Even if the organisation is achieving results, HR departments or professionals are not thanked for recruiting the right employees and performers.

Process analysis: the immediacy and speed of the recruitment process are the main concerns of the HR management in recruitment. The process should be flexible, adaptive and responsive to the immediate requirements. The recruitment process should also be cost-effective.

Strategic prioritisation: the emerging new systems are both an opportunity as well as a challenge for the HR professionals. Therefore, reviewing staffing needs and prioritising the tasks to meet the changes in the market have become a challenge for the recruitment of professionals.

2.4 HR as an Agent of Continuous Transformation Due to Influx of Change

Ulrich (1998) maintains that HR should become an agent of continuous transformation, shaping processes and a culture that together improve an organisation's capacity for change. It should make strategy and define the organisation's architecture in terms of its culture, competencies, rewards, governance, work processes, and leadership.

The influx of change has become inevitably faster than ever. The alignment of the organisational essentials is just not enough in the 21st century. In fact, as far back as 1973, Dr. Leigh Van Valen already saw the exponential rate of change and proposed the "Red Queen Hypothesis", a theory taken from Lewis Carroll's book *Through the Looking Glass*, which suggests that in a highly threatening environment, an organism has to evolve as quickly as possible (Huseman & Goodman, 1999).

What makes this theory noteworthy is that it has long been foreseen and resonates in our current reality. Therefore, organisations should be responsive to its environment (Weick, 1969), because yesterday's knowledge and skills are vulnerable to obsolescence; and future success requires flexibility, responsiveness, and new capabilities (Edmondson & Moingeon, 1988). Galbraith (1997) calls it a reconfigurable organisation, a comparison to the continually shifting strategy that consists of a functional structure around which projects and miniature business units are continually formed, combined, and disbanded, and can literally and simultaneously organise any way it wants to.

In response to the emerging paradigm on HRM, several training providers have organised seminars or conferences to redefine HR best practices and set global standards. Among them was the Human Resources International, which held a three-day exhibition in 2003 in Dubai, United Arab Emirates. This event reflected the emergence of the human resources function in the Middle East. The HR discipline is more vital than ever as the region moves toward absorbing its own nationals into public and private sector workforces, while continuing to attract and retain expatriate expertise.

The exhibition was aimed at attracting an international and regional audience of training professionals, personnel officers, senior management and government representatives; and at arming businesses, from SMEs to multi-national corporations, with the necessary tools and long-term strategies to effectively and profitably manage the changing face of the HR cycle. On display were such HR solutions as e-recruitment, employee acquisition technologies - including web-based applications - training solutions and payroll and employee relations management systems.

Held simultaneously with the Human Resources International Exhibition was a three-day conference dedicated to central issues such as the implementation of international best practices and their integration into localisation programmes within both the public and private sectors.

Using regional and international case studies, the event outlined how to plan, execute, and maintain comprehensive HR strategies and tactics specifically designed to address issues in a multi-cultural society, highlighting the traps and pitfalls that have befallen others as well as the successes.

The conference programme provided the nuts and bolts necessary to formulate and execute a cohesive strategy enabling HR professionals to tackle head-on the implementation of best practices in a mixed local and expatriate workforce to positively impact the bottom line. Professionals needed to keep abreast of developments and utilise the best systems and practices to ensure they can deliver.

The conference agenda was drafted in conjunction with a team of HR experts. These included representatives of Morgan & Banks, the high quality executive search provider; Biz-ability, one of Dubai's largest training and HR consultancies; and the training solutions division of the Department of Tourism and Commerce Marketing, Government of Dubai.

2.5 What Central Banks Need To Do

The prevailing dynamic environment forces the central bank to adapt itself in order to perform its roles properly. With globalisation, an economic situation occurring in one part of the world would instantly have impacts on the economic condition of the rest of the world. The central bank, as the monetary authority, must be able to anticipate such occurrences to prevent or, at the very least, lessen such impacts on the country's economy.

To anticipate unforeseen circumstances and implement proper policies, the central bank needs the back-up of efficient and competent human resources. The types of competencies required by central banks nowadays are very different from those of before, and human resources should also, therefore, be managed differently.

Mendzela (2006) admonishes central banks that, to gain enhanced independence and respect, they must embrace change more than just reacting to it, or accepting change when they must; but by “getting ahead of the game” by approaching internal change with the passion and professionalism central banks bring to their technical work.

The Governor of the Reserve Bank of Fiji, Savenaca Narube (2008), in his Opening Address at the 30th Meeting of the SEACEN Directors of Research and Training on 22 October 2008, stated that, in the midst of the current global financial environment where central banks operate and live in and which is becoming more and more unpredictable, central banks need to respond accordingly in order to maintain macroeconomic stability in such a hostile environment. He added that research and capacity building are two important pillars of central banks' work that will help them meet the challenges that they are facing now and in the future.

2.5.1 HR Strategic Initiative of the Banking Industry, including the Central Bank of Nigeria

On 20 November 2008, 42 heads of HR and 24 HR Managers from the banking industry and other financial sectors, including the Governor of the Central Bank of Nigeria (CBN), spearheaded the so-called HR Best Practices Retreat to redefine HR best practices and set global standards. The global standard HR best practices retreat is a strategic platform for Nigerian HR professionals in the financial service sector to develop a blueprint and strategy to redefine best practices which is in line with the CBN's vision of transforming Nigeria into the financial hub of Africa by 2020.

From all indications, Nigeria has become a foremost investment destination and an emerging financial hub. Already, there are serious efforts by the financial community to set up an International Financial Service Centre in Lekki, Lagos. Without doubt, the history of Nigeria's financial sector is about to be re-written. The HR retreat is an opportunity for all practicing HR professionals in the financial industry to effectively harness Nigeria's human capital and to etch their names on the golden sands of time.

2.5.2 HR Strategic Initiative of the Eastern Caribbean Central Bank

Likewise, the Eastern Caribbean Central Bank hosted the Xth Annual Conference of Human Resource Managers of Central Banks in the Caribbean Region over the period of 29 August to 1 September 2007. The conference was held in the Maltin Moving Conference Center, at the ECCB's Headquarters, St Kitts. The conference theme, "Human Resource Management - Partnering to Achieve Organisational Success," highlighted the pivotal role of HR managers in balancing the needs of various stakeholders as they strive to achieve organisational goals. The sub-themes were satisfying employee needs and meeting organisational targets; creating strategic linkages and learning from each other; and designing a plan of action to improve organisational success.

3. Best HRM Practices and Strategies of Organisations and Central Banks

3.1 Concepts of Best HRM Practices and Strategies

The best practices in the management of human resources are the ones which optimise a workforce so that it not only gets more done, but also ensures a greater level of efficiency, timeliness and quality as it accomplishes increased overall productivity. As human resources is all about maintaining a positive and productive work environment, best practices help to ensure that employees feel good about the company they work for.

HR needs to guide the alignment of employee roles, job functions, talent, and individual performance with business results and goals, and track results. HR must also find, assess, develop, train, and retain the talent that drives the business. It should define the factors for employee success and institute practices that guide employees toward consistent and measurable outcomes.

Vongpradhip (2006) offers other strategies in HR management such as proactive recruitment for talent; HR manager as critical role for line manager; talent retention; teleworking; knowledge management; and organisational culture, that is, aligning behaviours with shared values.

3.1.1 Strategic Planning and Management Framework

Mendzela (2006) states that “adapt”, not “adopt” should be the motto of central banks. They have the unique freedom to plan and manage change more successfully than most organisations. They can use that freedom to become leading and exemplary institutions. He further suggests the following in planning resources:

1. “What do we need?” is a better question than “who do we need?”. Employing staff may not be the best solution, particularly for temporary needs.
2. “We need more resources” is often the first response to problems. However, it is usually the type, quality or motivation of human resources, and not the quantity that constrains achievement.
3. Outsourcing should be considered. Most organisations “buy not make” a widening range of goods and services. The possibilities should be analysed systematically and pragmatically, applying economic logic and the practicalities of the local environment.
4. Required staff skills and competencies should be prioritised, emphasising what is genuinely mandatory.
5. Traditional succession planning (focusing on individual development) should be broadened to capability planning (focusing on organisational capacity).

3.1.2 Attractive Recruitment and Selection Process

A recruitment process which attracts the right people with the appropriate experience to perform should be in place. HR management should analyse the market for a particular position and design a recruitment and selection process that will attract people who are best suited for the work and the organisation.

The recruitment and hiring process brings to the organisation, people who have the skills needed to do the job and who will be compatible with the organisation work environment. Human resources or employees are the key factors in organisational effectiveness. Without effective and efficient people, an organisation cannot function well. In light of this, getting the right people for the right job is vital in ensuring organisational effectiveness. An organisation’s success and failure is derived from the quality of people it employs. Through an effective recruitment and selection programme, the organisation is assured of a good match between the job and the recruit.

3.1.3 Effective Talent Management

Hitchmough (2008) lists the top HR priorities such as talent development, talent retention and turnover management, talent acquisition, employee engagement, and performance management and evaluation.

Vosburgh (2008) offers the following on how HR can manage talent in organisation:

1. Make it a priority, but keep it simple. The CEO and senior leaders need to believe it, talk it, and walk it.
2. Link talent to business strategy. Show the connection in multiple compelling ways.
3. Develop disciplined systems for assessment. Require leaders to know their people's talents and conduct regular reviews.
4. Use the data. Integrate talent assessments and organisational needs back into internal search or recruitment, retention and motivation programmes, professional and leadership development programmes, performance management, and workforce planning.

On the other hand, McKinsey et al. (2008) suggest six step processes to build a robust talent strategy. These are:

1. Build the guiding coalition and ensure ongoing support.
2. Set future aspirations.
3. Understand current talent gap.
4. Make choices that shape future actions.
5. Define actions/themes to close the gap.
6. Create roadmap for implementation.

For his part, Hitchmough (2008) comes up with a list of impacts and benefits of an effective talent management as follows:

1. A strong competitive advantage;
2. Highly engaged workforce that is prepared to go the extra mile for the organisation and customer;
3. Better business results and ability for a sustainable business;
4. Attracting the best talent in the marketplace and having a strong employee brand, a strong sense of pride, loyalty, and purpose;
5. Long-term employee relationships which lead to fewer employees leaving the organisation; and
6. Outstanding leaders in place who not only inspire employees, but actively make them feel valued in the workplace.

3.1.4 Accurate and Productive Evaluation

Another important aspect of best practices when it comes to providing optimal human resources services is the accurate and productive evaluation and enhancement of performance among the employee base. Indeed, performance management is one of the key functions of a human resources department, and should be approached with any one of a number of the proven techniques of metrics and evaluation that strives toward best practices in the realm of performance management.

3.1.5 Relevant and Effective Training

Training needs of employees and volunteers should be identified, as are ways to make that training available. Management staff must design and implement modalities for identifying training needs of employees from various sources of information about their knowledge or job performance; various methods of delivering training to employees must be analysed; and the method most appropriate to the specific people, situation, and topic should be selected.

Narube (2008) emphasises three things on training. First, central banks should be organisations that encourage capacity building and prioritise training. Second, central banks should ensure that training is relevant. Third, central banks should measure the effectiveness of this training not only on the short term, but also in the medium to longer term.

3.2 Best HRM Practices and Strategies at the Deutsche Bundesbank

The Deutsche Bundesbank (German for *German Federal Bank*) is the central bank of the Federal Republic of Germany and as such part of the European System of Central Banks (ESCB). Due to its strength and former size, the Bundesbank is the most influential member of the ESCB. Both the Deutsche Bundesbank and the European Central Bank (ECB) are located in Frankfurt am Main, Germany. It is sometimes referred to as “Buba” for Bundesbank.

The Deutsche Bundesbank, established in 1957, was the first central bank to be given full independence, leading this form of central bank to be referred to as the *Bundesbank model*, as opposed, for instance, to the *New Zealand model*, which has a goal (i.e. inflation target) set by the government.

The Bundesbank was greatly respected for its control of inflation through the second half of the 20th century. This made the German Mark one of the most respected currencies, and the Bundesbank gained substantial indirect influence in many European countries.

On 1 June 1998, a new institution was created, the European Central Bank (ECB), charged with steering the single monetary policy for the euro. The body formed by the ECB, and the national central banks (NCB) of all the member states of the European Union, constitute the European System of Central Banks (ESCB).

The ESCB is an institutional framework of a single monetary policy for the euro. The sharing of responsibilities between the ECB and the NCBs is based upon significant decentralisation of the conduct of the ESCB's single monetary policy.

According to Dinkelborg and Faber (2008), the Deutsche Bundesbank presently faces three challenges, namely, **political dynamics** (e.g. transfer of responsibility for monetary policy to a supranational institution, such as the European Central Bank; reorganisation of banking supervisory competences between the Bundesbank and the Federal Financial Supervisory Authority); **technological dynamics** (e.g. digitalisation of payment transactions, arrival of internet technology, creation of an intranet); and **organisational dynamics** (e.g. structural reform at the Deutsche Bundesbank, centralisation of tasks, closure of branches).

In addressing these challenges in terms of their implications for HR, the Deutsche Bundesbank employs the following best practices and strategies:

- *Performance-oriented approach* which consists of orientation of personnel management activities to objectives such as staff reduction, while at the same time maintaining staff motivation; and reducing costs, while at the same time maintaining staff satisfaction.
- *Improved flexibility* which is the ability to adjust quickly to the unexpected. Examples of how Deutsche Bundesbank does this is shown in Table 1.
- *Customer orientation* which is the creation of services aiming to satisfy the beneficiaries (potential and current staff, executive staff members, planning bodies).
- *Quality assurance* consisting of best practices and strategies shown in Table 2.

Table 1
Improved Flexibility Best Practices and Strategies of
Deutsche Bundesbank

Area	Implementation
Staff levels	Auxiliary staff on short-term contracts, temporary work, outsourcing
Work organisation	Taking account of individual differences among staff
Working time structures	Making working time more flexible in line with individual needs, taking account of service requirements
Staff skill-building	Providing key qualifications independent posts
Incentive Systems	Increasing staff motivation by meeting individual needs
Personnel Management	Situation-specific management conduct
Services provided by the HR area	Personnel management as a service function oriented to the demand of the persons concerned

(Source: Dinkelborg and Faber, 2008)

Table 2
Quality Assurance Best Practices and Strategies of
Deutsche Bundesbank

Area	Implementation
Reliability	Provision of staff data on time, returning calls on time.
Response time	Time until a vacant post is occupied; duration of the provision of desired further training measures.
Accessibility	Establishment of set consultation times of the human resource staff, taking account of the wishes of internal customers as to dates and times.
Competence	Expert knowledge on specific further training issues, availability of current assessments on personnel management issues.
Communication	Explanation of the rejection of a further training application, transparency of explanations on new working time models.
Needs orientation/empathy	Knowing about the personal situation of the staff, support of executive staff members in meetings related to absenteeism.

(Source: Dinkelborg and Faber, 2008)

Dinkelborg and Faber (2008) describe the business strategy of the Deutsche Bundesbank as follows - increasing efficiency of supporting tasks; managing knowledge to increase institutional expertise; improving steering of resources; enhancing performance orientation and conditions of employment; accepting and carrying out change process; and maintaining staff's qualifications suitable for requirements ensuring that in the long term the **right people** are deployed in the **right job**.

The Bundesbank's corporate culture, on the other hand, is characterised by the establishment of supranational working relationships; internalisation of working environment; reorientation on working approach from rule-obedience to creativity and responsibility, from domestic decision making to international negotiation, and from perfectionism to situation improvisation. Its corporate culture influences human resources work, since it takes these cultural components into account in staff selection.

As part of its HR management policy, the Bundesbank's overall goal consists of the efficient use of human resources to meet both the institution's needs and the staff member's individual expectations by means of various modern HR management instruments such as appraisals, employee feedback meetings and performance bonuses and a customer-oriented organisation of the HR department with single HR contact persons for demarcated number of staff members.

To ensure the identification of its organisation's HR-requirements and satisfying them and to be able to identify and acquire the right number of employees with the proper skills, the Bundesbank employs an annual HR planning consisting of a business strategic plan, resourcing strategy (how many, which, when), demand forecasting, supply forecasting, labour turnover analysis, and HR recruitment plan.

The Bundesbank likewise resorts to different alternative recruitment methods, such as external job ads in the press or the internet, school and university contacts, placement by employment agencies, outsourcing, internships, and use of HR/management consultants. The selection instruments consist of individual or structured interview, written test, and assessment centre, taking into consideration the following selection criteria: ability to think; talent to organise; stamina and endurance; negotiating skills; initiative; social skills; team orientation; motivation; and articulateness.

One important feature of the Bundesbank's HR management policies and practices is conducting employee feedback meetings which serve to improve cooperation with superiors and colleagues ("working environment"), customise the workplace, discuss the staff member's personal conception of his/her career development, and determine further training needs. These employee feedback meetings consist of tasks and results of work, causes of success and failure, strengths and weaknesses of the staff member and superior, future tasks and objectives, and career outlook.

To improve staff members' flexibility and the ability to work in the organisational change processes and to increase motivation and commitment of the junior staff, management positions are, as a rule, filled internally by the Bundesbank employees.

The Bundesbank also makes use of alternative assessments changing the view from backward-looking staff assessment with a more hypothetical estimation (“proposals for further service deployment”) towards measuring conduct and relevant performance that will be significant for future tasks. To date at the Bundesbank, such assessments have gained significance only in the context of selection procedures (potential analysis in the higher and upper intermediate service) and in the course of training of young staff for the higher service (qualification assessments). Currently, the Bundesbank is experimenting with “assessment centres” for younger staff of the higher service in which young staff carry out exercises concerned with typical management situations.

As part of their strategies to motivate and retain their employees, Bundesbank employs the following: attractiveness of tasks; international environment; open, liberal and trusting corporate culture; performance bonuses; working time-flexibility (variable work hours, 24 additional days of leave on flexi-time, telework); generous regulations for parental leave (up to 3 years per child legal entitlement, additional 15 years leave in civil service); “work-life balance”; and job security.

3.3 HRM Practices/Strategies of the Federal Reserve System

The Federal Reserve System is the central bank of the United States. It was founded by the Congress to provide the nation with a safer, more flexible, and more stable monetary and financial system. Over the years, its role in banking and the economy has expanded. The Board of Governors of the Federal Reserve or “the Board” is one component of the U.S. central bank (FRS Board of Governors Report, 2001).

The Board’s mission is to foster the stability, integrity, and efficiency of the nation’s monetary, financial, and payment systems so as to promote optimal macroeconomic performance.

Management of human resources is one of the most essential tasks facing the Board in its strategic plan. Changing requirements associated with technology, communications, demographics, employee needs and expectations, and market rates of pay are among the factors that cause the Board to focus more carefully on steps to attract, retain, and train staff to meet increasingly complex requirements.

New forms of pay and benefits are reviewed, particularly concepts such as variable pay that are more sensitive to changing market conditions. Methods to assist managers in assessing, reporting, and improving employee performance gain importance. Inclusion of all Board staff in advances made possible by

technology and organisational realignment is considered important and thus requires management training and support for senior staff and functional and technical training for staff.

Thinking ahead that in the next few years there may be major turnover in the senior management ranks of the Board since numerous mid-level managers will also be eligible to retire, the Board places additional emphasis on management succession planning as something essential.

As the type of work conducted by the Board changes, the skill sets of some employees need to adapt. Opportunities to retrain existing staff for new work have been considered when appropriate.

Likewise maintaining the quality of staff needed to manage the increasingly complex and technical work of the Board poses a challenge. To address this challenge, establishing appropriate salaries and retention incentives in highly competitive and specialised fields is required. In addition to salary, other incentives, including improved benefits and workplace flexibility, such as alternative work schedules and job-sharing, have been considered to help attract and retain staff with critical skills. Improved training and development programmes are also deemed necessary.

The Board also sees to it that a climate of fair and equitable treatment for all employees regardless of race, creed, color, national origin, age, or sex is established, encouraged, and enforced. The Board of Governors is committed to the hiring, development, compensation, and promotion of staff based on an individual's qualifications, abilities, and job performance. The policy of the Board is to promote equal opportunity in every aspect of employment.

The policies and practices of the Board address the issue of equal treatment in employment practices and hiring initiatives for all employees, and include targeted initiatives for women, people of color, and those with disabilities. The Board's view emphasises that equal employment opportunity is part of effective management, as well as a legal requirement, because it focuses on using the talents of all human capital. The Board's EEO Programme Director continuously reviews the success criteria for accomplishing the Board's EEO objectives; validates Board practices, programmes, and procedures against those objectives; and continuously monitors results and discusses issues with employees in order to establish and maintain an equitable and fair environment in which all employees can attain their full potential.

4. Salient Features of Human Resource Management in the SEACEN Central Banks/ Monetary Authorities

4.1 General HRM Profile of the Participating Central Banks

Table 3 presents a bird's eye view of the general HRM profile of the respondent central banks.

Table 3
General HRM Profile of Participating Central Banks

Central Bank	Year Established	Total No. of Bank Personnel (as of 2008)	HR Organisational Name	HR Divisions/ Offices/ Teams/ Systems
National Bank of Cambodia	1954	1,130	Personnel Department	Personnel Division & Training Division
Reserve Bank of Fiji	1983	182	Currency & Corporate Services Group	Human Resources Unit
Bank Indonesia	1953	6,199	Human Resource Department	HR Planning System, HR Sourcing System, HR Profiling System, HR Developing System, & HR Rewarding System
Central Bank of Myanmar	1990	1,119	Administration Department	Recruitment, Promotion and Placement Section
Nepal Rastra Bank	1956	1,518	Human Resource Department	Personnel Division, Recruitment Division, Training Division, & Policy Planning Division

Bangko Sentral ng Pilipinas (Philippines)	1949	4,950	HR Subsector Departments	Human Resource Management Dept., Human Resource Development Dept., BSP Institute, & Medical and Dental Clinic
Monetary Authority of Singapore	1971	1,109	Human Resource Department	HR Partners Team, HR Management Team, and HR Development Team
Central Bank of Sri Lanka	1950	1,305	Human Resources Department	(No info available)
Central Bank of the Republic of China (Taiwan)	1961	675	Personnel Office	First Section and Second Section
Bank of Thailand	1942	3,852	Human Resources Department	HRD Office, HRM Office, HR Shared Services Office

(Source: Papers submitted by participating respondent central banks, 2008)

As shown in Table 3, the oldest central bank among the participating countries is the Bank of Thailand, which was established in 1942, while the youngest is the Reserve Bank of Fiji, which was established in 1983.

The number of staff in these banks appears to be directly proportional to the size of population of their respective countries. Bank Indonesia, having the largest population of 237.5 million people, employs the biggest number of staff (6,199), followed by Bangko Sentral ng Pilipinas (4,950), with a country population of 96 million, and the Bank of Thailand (3,852), with 65.5 million people; while the Reserve Bank of Fiji, with a country population of 0.837 million, has the lowest number of employees (182), followed by the Central Bank of the Republic of China (Taiwan), with a country population of 22.9 million people, having the second lowest number of personnel (675).

While all central banks perform the same basic HR functions of recruiting, managing, developing, and training their officers and staff, their HR organisational structures are called by different names, from Personnel Office or Human Resource Department (subdivided in to sections, teams, divisions, or offices) to a more complex Human Resource Sub-sector (composed of departments performing specific functions of HR management, development, and training).

The Central Bank of Myanmar's HR office is one of eight sections under the Administration Department, while the Reserve Bank of Fiji's HR unit is under its Currency & Corporate Services Group. This is in contrast with the HR structure of Bank Indonesia, the Bank of Thailand (BOT), and the Bangko Sentral ng Pilipinas (BSP). BI's HR organisational structure includes five systems: HR Planning System, HR Sourcing System, HR Profiling System, HR Developing System, & HR Rewarding System. BOT's Human Resource Department consists of three main offices, namely, HR Development Office, HR Management Office, and HR Shared Services Office. BSP, on the other hand, has three HR departments under the Human Resource Sub-sector, namely, the Human Resource Management Department, Human Resource Development Department, and the BSP Institute.

The respondent central banks' HR functions (with an "x" mark) are shown in detail in Table 4.

Table 4
Specific HR Functions of Respondent Central Banks

HR Functions	1	2	3	4	5	6	7	8	9	10
	Ca	Fi	In	My	Ne	Ph	Si	SL	Ta	Th
Career and Succession Management			x			x	x	x		x
Compensation and Benefits	x	x	x	x	x	x	x	x	x	x
Competency Modeling & Job Analysis			x			x				x
Contractual Employment and Outsourcing	x					x		x		

Employee Relations		x				x	x	x	x	x
Employee Records Keeping		x			x	x				
Leave Administration & Retirement Benefits				x		x		x	x	
Organisation Planning, Design, & Development		x	x		x	x	x			
Payroll Administration	x			x		x				
Performance Evaluation	x	x	x	x	x	x	x	x	x	x
Recruitment, Placement, Appointment, Rotation, and Promotion	x	x	x	x	x	x	x	x	x	x
Rewards and Incentives (Model Employee, Perfect Attendance, Academic Achievement, Employee Suggestion, Best Regional Office/ Branch Awards)						x				
Scholarship/Internship Program (local, foreign); Secondment	x		x		x	x	x	x		x
Talent Development/ Management				x		x	x	x		x
Training Evaluation						x				x

Training: In-house, Local, & Foreign	x	x	x	x	x	x	x	x	x	x
Wellness (Coaching, Counseling & Guidance, Physical Fitness)		x				x	x		x	x

(Source: Papers submitted by participating respondents, 2008)

4.1.1 Common HR Functions

4.1.1.1 Recruitment, Placement, Appointment, Rotation, and Promotion

While all respondent central banks have a recruitment function, they still differ in many ways in their recruitment system. For example, the National Bank of Cambodia, like the other central banks, does recruitment from inside and outside the bank. Staffing aims principally at fresh graduates to handle departmental workload and outsourcing is done through technical experts supported by IMF and other counterpart central banks (Phearak and Dara, 2008).

At Bank Indonesia, whenever a vacancy exists in a particular department, recruitment from inside this department is given priority as part of its succession planning scheme. Only in the absence of a qualified candidate will such vacancy be filled from other departments. Still when no potential candidates inside the bank are qualified, recruitment is done from external source. An HR committee manages a talent pool where all critical positions are sourced out (Susetyo, 2008).

Nepal Rastra Bank's recruitment policy consists of filling the vacant position through open competition, internal competition, and performance-based promotion. NRB's Staff By-Laws determines the distribution of open competition, internal competition and promotion. Candidates are subjected to competitive written examinations and interviews (Pandit, 2008).

The Central Bank of Sri Lanka, like the Federal Reserve System of the U.S., has an equal-opportunity recruitment policy which eliminates discrimination on the basis of race, religion, gender, and marital status in the process of selection and recruitment. Selection is based mainly on educational/professional qualifications, experiences, and interviews (Gunawardana, 2008; FRS Board of Governors Report, 2001).

The Central Bank of Myanmar differentiates between internal recruitment and external recruitment. The former refers to promotion of employees from within the bank through written and oral examinations. The latter which is undertaken following a long process is intended for filling some key positions and recruitment by the Civil Service Selection and Training Board. However, appointment of successful candidates is done through the recommendation of the Ministry of Home Affairs for security reasons, the Ministry of Planning and Economic Development for reviewing the organisation structure, the Ministry of Finance and Revenue for budgeting, and the Ministry of Labour for appointing in accordance with internal labour practice. Only after finishing the Civil Service Training Course and the Central Banking Course, conducted by the central bank, will the successful candidates be appointed in departments where the vacancies exist (Daw, 2008).

4.1.1.2 Training: In-house, Local, & Foreign

The National Bank of Cambodia's in-house training programmes cover core central bank functions and activities and are categorised into three levels, namely, introductory-level, perfection level, and associate level (Phearak and Dara, 2008). Bank Indonesia has a development programme categorised into a leadership development programme for top talents; technical programmes designed as result of the competency assessment for talent employees; and a doctorate programme for qualified employees (Susetyo, 2008).

The Central Bank of Sri Lanka provides training programmes which are both local and foreign (either short term or long term). It has adopted what it calls a "Demand Driven Training Strategy" whereby training and learning opportunities are given to those employees who take the initiative and have the drive to seek training. In this way, CBSL is assured to have multi-skilled talents who can meet its present and future requirements and challenges (Gunawardana, 2008).

The Central Bank of Myanmar conducts in-house professional training courses and IT training courses. Training providers are composed of senior officials from different local banks and professionals from the academe and other sectors. Employees have also the opportunity to attend foreign training courses sponsored by international organisations like IMF, ADB, World Bank, SEACEN, and foreign organisations like JICA, KOICA, and so forth. Nomination is done by the head of the Research and Training Department; selection by the Governor; and approval by the MOFR and Foreign Affairs Policy Committee (Daw, 2008).

Nepal Rastra Bank's training courses are based on training need assessment results conducted periodically. On this basis and upon the invitation of international organisations, like the IMF, SEACEN, Asian Institute of Technology (AIT),

SAARCFinance, and many others, its staff and officers are nominated to attend these foreign trainings (Pandit, 2008).

The training and development of the Central Bank of the Republic of China (Taiwan) are taken care of by its Training Committee, composed of the Deputy Governor as Head, Deputy Directors General of nine departments and the Directors of three offices as members. The Personnel Office Director serves as the secretary. Its training programmes include professional training (banking-related knowledge and skills), management training, IT training, foreign language training, and others (Yu, 2008).

4.1.1.3 Compensation and Benefits

Bank Indonesia's compensation package consists of salary and other usual incentives at par with those given by leading organisations. Its compensation package aims to lead the market. The extent of rewards depends on three "P's", namely, position, person and performance. More weight is given to quality of performance (Susetyo, 2008).

Nepal Rastra Bank has a fixed remuneration schedule which applies to all staff. Fixed staff benefits include house loan, medical allowance, lunch allowance, various leaves, annual grades, and others (Pandit, 2008). The Central Bank of Sri Lanka revises its salary structure in accordance with the prevailing economic and market environment once every three years. This compensation package is mutually agreed upon between management and employees or employee representatives. Salary administration is done by the Finance Department in coordination of the Human Resources and Information Technology Departments (Gunawardana, 2008).

The Central Bank of Myanmar's compensation package consists of salary (on an hourly-wage basis or fixed-monthly-salary basis) and other benefits like insurance and performance rewards. In addition, the Bank, unlike other respondent central banks, provides housing facilities to employees by charging 10% of the employee's basic salary; and transportation facilities on route from home to office without any charges (Daw, 2008). In the Central Bank of the Republic of China (Taiwan), the performance bonus is categorised into unit performance and personal performance (Yu, 2008).

4.1.2 Other HR Functions

As shown above, all respondent central banks have common basic HR functions in place such as recruitment, placement, appointment, rotation, and promotion; performance evaluation; compensation & benefits; and in-house,

local, and foreign training. However, it could be premised that because not all respondent central banks have submitted an elaborate and detailed list of their HR functions, this would explain the differences in their other HR functions as shown in the table. For example, the table reveals that most participating central banks have an academic scholarship programme, both local and foreign. However, the Reserve Bank of Fiji, the Central Bank of Myanmar, and the Central Bank of the Republic of China (Taiwan) are silent on this HR function. Likewise, only the Bangko Sentral ng Pilipinas and the Bank of Thailand report that they have a training evaluation programme which is not mentioned by other participating central banks. Moreover, while it is considered the common practice of most organisations, including central banks, to consider outsourcing and contractual employment, only the National Bank of Cambodia, the Bangko Sentral ng Pilipinas, and the Central Bank of Sri Lanka are explicit about them.

The table also shows that, among the respondent central banks, only the National Bank of Cambodia, the Central Bank of Myanmar, and the Bangko Sentral ng Pilipinas (BSP) have the employee payroll administered by their Personnel Department, Administration Department, and Human Resource Management Department, respectively. In addition, only the BSP has a Rewards and Incentives Division under its Human Resource Management Department, which bestows awards and incentives on deserving employees annually. The Division takes care of the conceptualisation and implementation of awards and incentives programmes for BSP employees and serves as secretariat to the Committee on BSP Programme on Awards and Incentives for Service Excellence (PRAISE), which includes the following sub-programmes: Presidential Award; Outstanding Public Official/Employee Award; Civil Service Commission Award; Model Employee Award; Best Performing Office Department Award; Best Performing Regional Office/Branch Award; Academic Achievement Award; Perfect Attendance and Punctuality Award; Loyalty Award; Retirement Recognition Award; Suggestions Award; Cash Handling Incentive Award; and “Gantimpala Agad” Award (for extraordinary display of the core values of the BSP). The Reserve Bank of Fiji has also its Rewards & Recognition System for individual staff as part of its semi-annual performance appraisal. However, its scope is not as encompassing as that of the BSP.

It is also worth noting that the Reserve Bank of Fiji, the Bangko Sentral ng Pilipinas, the Monetary Authority of Singapore, the Central Bank of the Republic of China (Taiwan), and the Bank of Thailand provide a wellness programme for their employees in one or all of the following: coaching and mentoring, counseling & guidance, and physical fitness. Among them, only the Bangko Sentral ng Pilipinas has a Wellness Division also under the Human Resource Management Department, which takes care of the holistic well-being of the employees toward attaining work-family life balance in order to make them more productive and effective

in their jobs. It provides psycho-educational activities/seminars; physical fitness programmes; nutrition and healthy lifestyle counseling; guidance and counseling services; and periodic employee wellness surveys. A Wellness Committee has also been reconstituted to oversee the implementation of the Wellness Programme of the BSP.

Further country details and information on the various HR functions as shown in the Table 4 are reported in the different country chapters of this study.

4.2 Linkage between the Strategic Plan of the Central Banks and their Human Resource Plan

Table 5 shows the linkage of the respondent central banks' corporate plan and their HR plan.

Table 5
Linkage between Corporate Plan and HR Plan

Central Bank	Corporate Plan	HR Strategies and Initiatives Plan	HR Plan
National Bank of Cambodia	“Be a healthy and sustainable banking and monetary authority for the purpose of safeguarding and developing banking system, maintaining price stability and renovating belief of its national currency in order to promote economic progress and living standard for the nation.”	HR Strategies and Initiatives Periodic Plan (no specific year indicated)	“Provide qualified and contributive employees in order to achieve the values and strategic policy objectives at NBC’s level.”

Reserve Bank of Fiji	“Regulate the issue of currency, and the supply, availability and international exchange of money; promote monetary stability; promote a sound financial structure; and foster credit and exchange conditions conducive to the orderly and balanced economic development of the country.	Six-month Performance Assessment (no specific year indicated)	“Ensure that the Bank has capable people, systems, structure and culture through Human Resources and Corporate Policies.”
Bank Indonesia	“Achieve and maintain rupiah currency stability through maintaining monetary stability and monetary system to support the continuance of national development.”	Strategic Goals for Year 2013	“Develop an organisation that is able to respond to national economy challenges by providing competitive and contributive human resources with Bank Indonesia’s strategic values through its roles as strategic policy, strategic partner and service excellence.”

Central Bank of Myanmar	‘Preserve the internal and external value of the Myanmar currency.’	<i>Not available</i>	<i>Not available</i>
Nepal Rastra Bank	Be a modern, dynamic, credible, and effective Central Bank.”	Mid-Term HR Plan for 2008-2013	“Ensure the supply of right manpower, in terms of number and quality, to enable all departments and offices to achieve their objectives as per the strategic plan.”
Bangko Sentral ng Pilipinas	“Be a world- class monetary authority and a catalyst for a globally competitive economy and financial system that delivers a high quality of life for all Filipinos.”	Medium Term Strategic Plan 2005-2011	“Provide quality service in a timely manner through operational excellence, business partnerships, and good governance to strengthen client-oriented competencies; promote a culture of innovation, creativity and risk consciousness; and promote best practices on knowledge management.”

Monetary Authority of Singapore	“Be a Central Bank of Excellence and a World Class Financial Centre and our mission is to promote sustained non-inflationary economic growth and a sound and progressive financial centre.”	Medium and Longer-term HR Strategies and Initiatives (no specific year indicated)	“Resource and develop capabilities for the relevant and critical expertise areas by being as an employer of choice; retain, build and deepen professional expertise; strengthen the leadership pipeline; & increasing engagement levels of staff.”
Central Bank of Sri Lanka	“Maintain economic and price stability.”	HR Management and Development Service 2008-2012	“Ensure a consistent, transparent and relevant system of recruitment, evaluation, job rotation and promotion, among others.”
Central Bank of the Republic of China (Taiwan)	“Promote financial stability; ensure sound banking operations; maintain the stable internal and external value of the currency; and, within the scope of the above three objectives, fostering economic development.”	HR Strategies and Initiatives Periodic Plan (no specific year indicated)	“Establish rationalised personnel measures; train civil service manpower; instill leadership; mould honest, competent, and fair public service ethics; enhance administrative performance and service quality; and boost the morale and potential of civil servants.”

Bank of Thailand	“Provide a stable financial environment for sustainable economic growth in order to achieve continuous improvement in the standard of living of Thai people.”	HR Strategies and Plans for 2007-2011	“Engage in more proactive recruitment to fill vacancy with competent employees; launch succession planning, mentoring, and special development programmes; improve staff competencies and knowledge; promote and encourage employees to incorporate BoT’s core values to their behaviours in work.”
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(Source: Papers submitted by participating respondents, 2008)

The strategic plans of the respondent central banks somehow follow the suggestion of Mendzela (2008) that a central bank’s planning and management framework should include a vision that is either timeless or specifies a strategic destination; a strategic plan with a 3-5 year horizon, including an indicative budget; annual plans and budgets driven by the strategic plan and budget, for the whole central bank, and for individual departments; systems to plan and manage departmental and cross-departmental projects; and performance appraisal and development plans for individuals.

All central banks (with the exception of Myanmar, which did not provide data) have established a linkage between their organisation plans and their human resource plans through short-term and long-term strategic plans. Per data available to the researcher, their medium-term strategic plans are still ongoing and the years they commenced their plans vary. Bangko Sentral ng Pilipinas started in 2005; Bank of Thailand in 2007; and Bank Indonesia, Nepal Rastra Bank, and Central Bank of Sri Lanka purportedly in 2008. The others did not indicate the specific year when their respective strategic plans started. Nevertheless, the fact that these strategies and initiatives have been conducted and continue to be conducted, are indicative of their desire and aspiration to become world-class monetary authorities by maintaining economic and financial stability that promotes national development and delivers a high quality of life for their citizens.

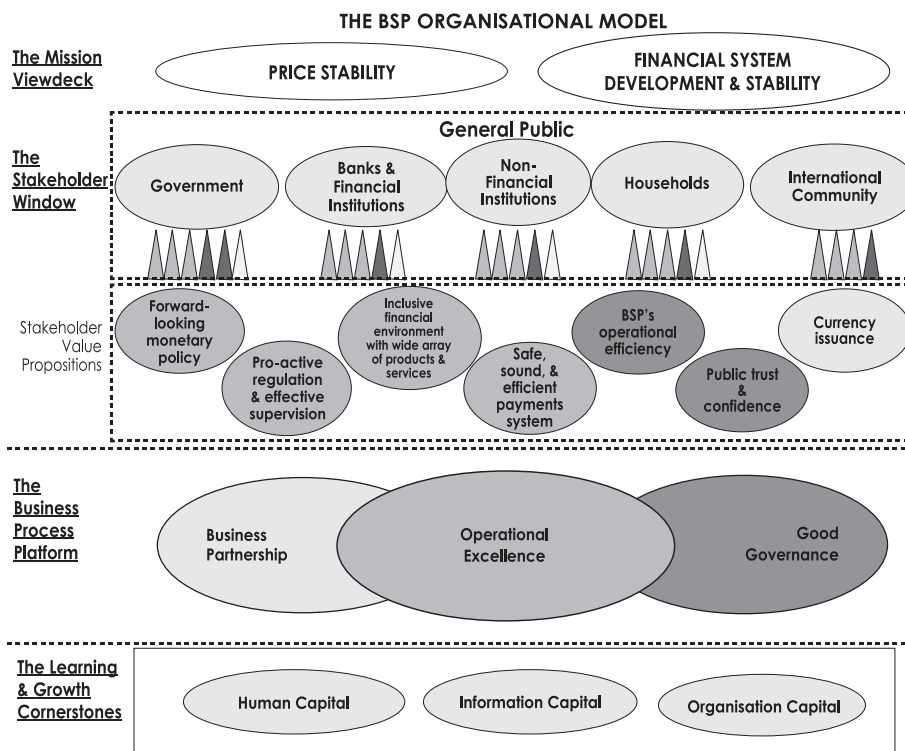
Following are two examples which detail the linkage between the organisation plan and the HR plan.

4.2.1 Strategic Direction of Bangko Sentral ng Pilipinas (Suarez, 2008)

The Bangko Sentral ng Pilipinas model is a good example of how a linkage between the strategic plan of a central bank and its human resource plan is established. In this model, the strategic directions and initiatives of the Resource Management Sector and those of the Human Resource Subsector (HRSS) or HR Departments are anchored to and aligned with strategic directions and initiatives of the BSP. All strategies (vision and mission), system & structures (policies & procedures, programmes, organisational structure), and internal capability-building (competencies-building) of HRSS Departments support the corporate vision/mission.

The BSP Organisational Model (Figure 5) uses four strategic perspectives - the mission view deck, stakeholder window, business process platform, and learning & growth cornerstone. These perspectives position BSP as a strategy-focused institution that is balanced. It considers both the important lagging and leading indicators that drive success. In each perspective are strategic objectives that set and define the strategic directions of BSP. Each strategic objective is translated into metrics and targets to measure the success of each objective. Many central banks use this strategic management framework as a driver for success.

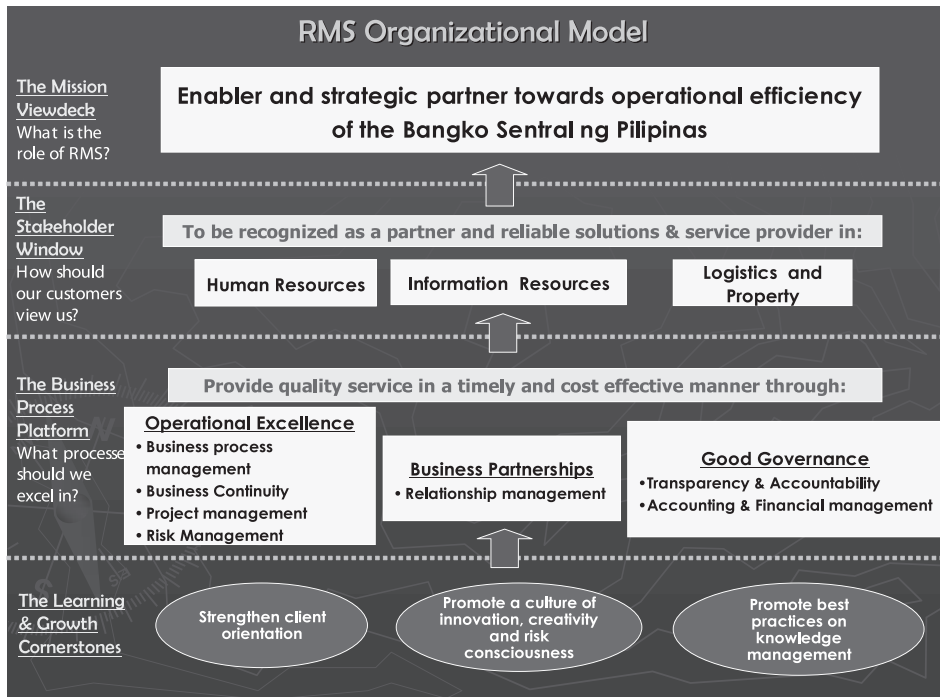
Figure 5
BSP Organisational Model



(Source: BSP file records)

Following this model, the Resource Management Sector (RMS) and its Human Resource Departments crafted its organisational model (Figure 6) designed to support the corporate strategic map and the BSP vision and mission.

Figure 6
RMS Organisational Model



(Source: BSP file records)

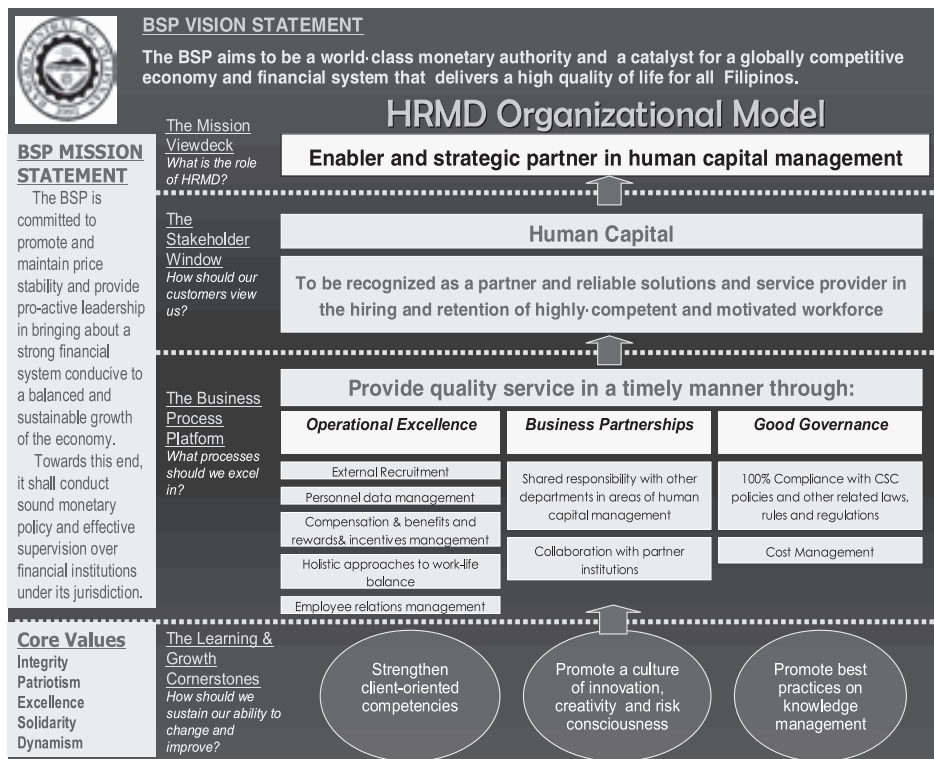
The RMS strategic map defines what RMS needs to do to become a strategic partner and an enabler of operational efficiency of the Bangko Sentral ng Pilipinas. There are five objectives that define how RMS intends to realise its mission of becoming an enabler and strategic partner. These include the following:

1. To be recognised as a partner and reliable solutions and service provider in human resources, information resources, and logistics and property.
2. To provide services in a timely and cost-effective manner through operational excellence, business partnership, and good governance.
3. To strengthen client orientation
4. To promote a culture of innovation, creativity, and risk consciousness
5. To promote the best practices in knowledge management

These objectives are translated into metrics to measure their success toward making RMS a strategic partner and enabler. Three of these metrics give BSP employees the chance to rate the effectiveness of RMS as a service provider: strategic partner index, client relationship index, and client satisfaction index.

The Human Resource Departments likewise follow the RMS model in crafting their respective organisational models as shown in Figure 7, Figure 8, and Figure 9.

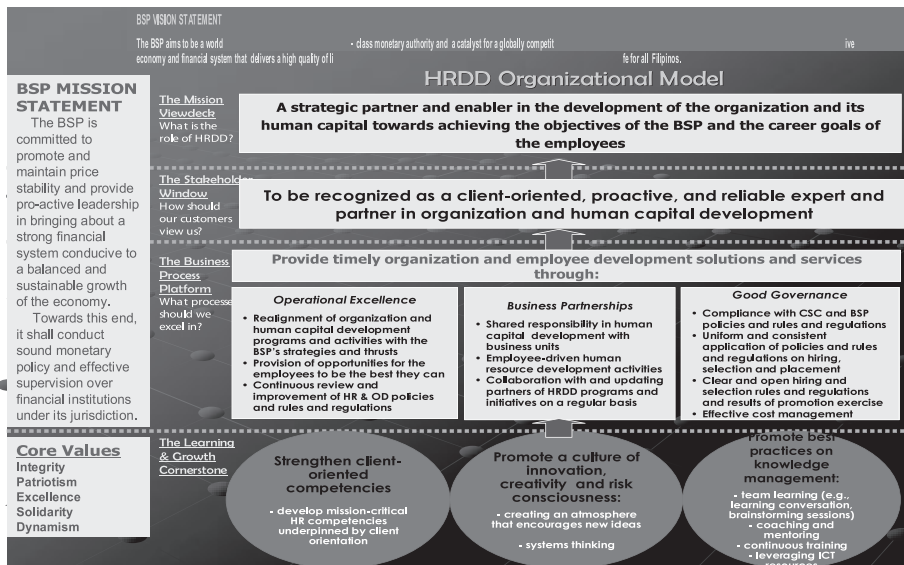
Figure 7
HRMD Organisational Model



(Source: BSP file records)

HRMD is committed to provide quality service in a timely manner through operational excellence, business partnerships, and good governance to strengthen client-oriented competencies; promote a culture of innovation, creativity and risk consciousness; and promote best practices on knowledge management.

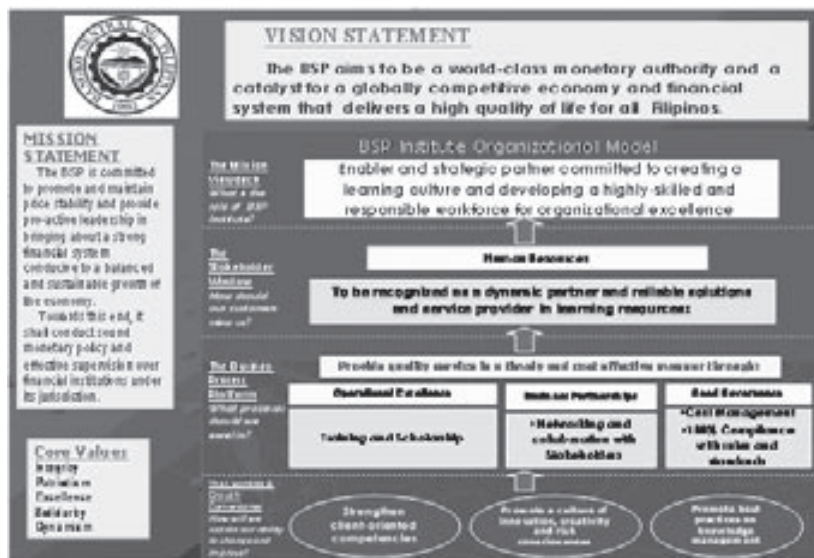
Figure 8
HRDD Organisational Model



(Source: BSP file records)

HRDD is committed to provide opportunities for the employees to be the best they can for their career growth and be a part of the attainment of the career goals of the BSP.

Figure 9
BSPi Organisational Model



(Source: BSP file records)

As enabler and strategic partner in promoting positive values and in upgrading the knowledge and skills of BSP officers, staff and external clients towards world-class performance levels, the BSPI proactively provides relevant training programmes benchmarked against global best practices. It pursues with more vigor the training and development plan targeted toward generally expected competencies or skill areas.

4.2.2 Strategic Directions of Bank Indonesia (Susetyo, 2008)

Bank Indonesia's mission is "to achieve and maintain rupiah currency stability through maintaining monetary stability and monetary system to support the continuance of national development" and its vision is "to become a credible central bank, domestically and internationally, through strengthening strategic values and achieving low and stable inflation rate". Attainment of this vision depends on the strategic values of competency, integrity, transparency, accountability, and togetherness; and on its strategic goals of:

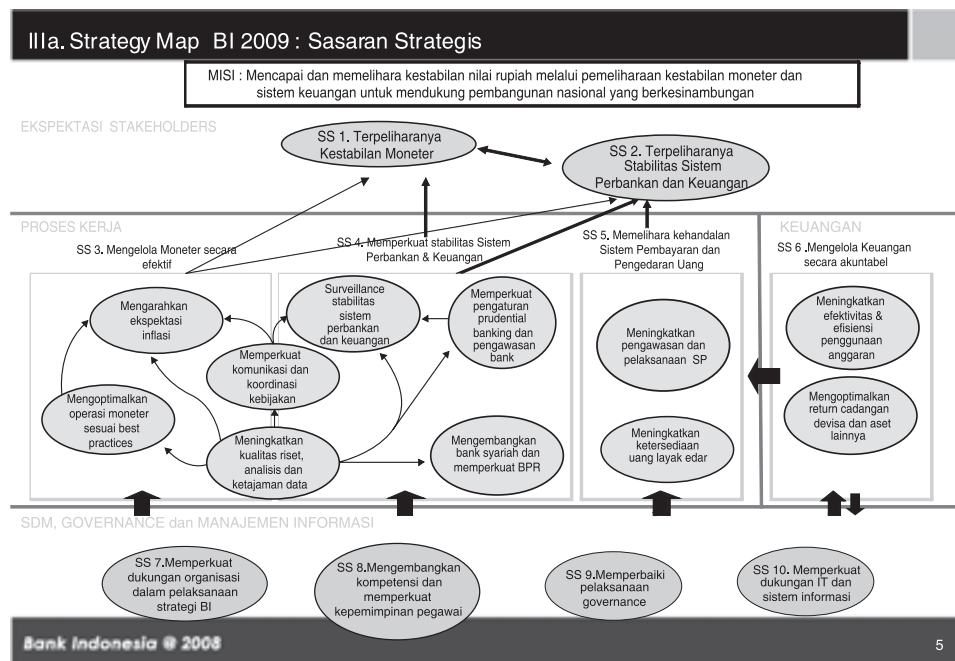
1. Maintaining monetary stability; banking and financial system stability; the reliability of payment system and currency distribution;
2. Managing monetary sector effectively and finance accountably;
3. Strengthening the stability of banking & financial system; organisation supports in Bank Indonesia's strategic implementation; IT support and information system; and employee leadership;
4. Developing competency; and
5. Improving governance practice.

Each strategic goal has its own measure or target set on a regulated basis to ensure successful achievement of Bank Indonesia's vision. For the year 2013, Bank Indonesia formalised its goal statement, namely, "To be a more useful institution in the continuous development process through contributing effective and efficient performance and strengthening institutional integrity".

Bank Indonesia hopes to achieve the following strategic goals for the year 2013 (Figure 10): inflation rate of 3.5% ($\pm 1\%$); a flat, effective, and efficient organisation profile; and a professional with strong leadership human resources profile. To achieve these strategic goals for the year, Bank Indonesia has created three sectors:

- Monetary System Stability Sector, for monetary and international policy and monetary policy implementation functions;
- Financial System Stability Sector, for financial and banking system and bank supervision and payment system policy functions; and
- Supporting Sector, for strategic management and supporting management functions. The human resources roles in Bank Indonesia have a significant value and, therefore, the Human Resources Department, classified as the strategic management category, reports directly to the Governor.

Figure 10
Strategic Map of Bank Indonesia



(Source: Susetyo, 2008)

BI's Human Resources Department's mission is "to develop an organisation that is able to respond to national economy challenges by providing competitive and contributive human resources with Bank Indonesia's strategic values through

its roles as strategic policy, strategic partner and service excellence”; and its vision is “to be an institution recognised nationally and regionally in managing organisation and human resources based on best practices and being able to realise a high-performance base culture.”

Moreover, to achieve its vision, BI’s Human Resources Department has set its strategic goals as follows:

- To realise an organisation with a high-performance base culture; and a competitive and contributive human resource, nationally and regionally;
- To maintain Bank Indonesia’s solvent and accountable financial, and competent and high-performance employees;
- To improve organisation effectiveness in achieving strategic direction of the business units, organisation capability, HR, and information system;
- To fulfill employees and leader requirements optimally;
- To develop competitive and contributive human resources to the achievement of Bank Indonesia’s strategic goals;
- To strengthen the institution through good governance practice, effective communication, and legal framework;
- To optimise the achievement and benefits of Bank Indonesia’s initiatives.

In addition to the two examples cited above, the strategic plans of the following respondent central banks are also worth looking into:

4.2.3 Linkage between the Strategic Plan of the Monetary Authority of Singapore and its HRM Plan (Chan, 2008)

The Monetary Authority of Singapore acknowledges HR’s critical supporting role in achieving its vision and mission. Calling itself as a knowledge-based organisation, it considers it important to recruit and develop capabilities for the relevant and critical expertise areas and to build leadership talent with strategic vision and strong competences in leading the organisation forward. It sees to it that its HR initiates and implements approaches, methodologies, and strategies to do this and, in reference to resourcing and retaining talent, carries out recruitment and retention strategies and initiatives which ensure that policies and measures in pay and non-pay areas are competitive. All these are done in tandem with the business leaders in order to address the relevant and critical business needs for the immediate and longer terms.

4.2.4 Linkage between the Strategic Plan of the Bank of Thailand and its HRM Plan (Bank of Thailand, 2008)

The Bank of Thailand has a strategic HR team which is tasked to study and initiate HR strategies in accordance with its corporate strategies and to take care of its workforce planning. To address its current major concerns on recruitment and talent retention, it has set up four strategic objectives, namely, active recruitment to fill vacancy with competent employees; employee capabilities enhancement through new and up-to-date knowledge and technologies; alignment of employee behaviours with BOT's shared values; and facilitation of employee engagement and talent retention. These HR objectives are cascaded to HR strategies and annual plans which HR divisions and teams are expected to implement. There are five human resources strategies for 2007-2011:

- To make HRM more proactive in recruiting talents through various methods;
- To encourage management to continuously manage human resources with care and heart;
- To improve BOT's staff competencies and knowledge, specifically on trade negotiation and derivatives; and
- To promote and encourage employees to incorporate BOT's core values to their work behaviors.

4.2.5 Linkage between the Strategic Plan of the Central Bank of the Republic of China (Taiwan) and HRM Plan (Yu, 2008)

Taiwan's Executive Yuan (Cabinet) is responsible in setting up the strategic objectives for HRM in public institutions, like the Central Bank of the Republic of China (Taiwan), and core values for its civil servants. The strategic objectives are establishment of rationalised personnel measures; training civil service manpower; instilling leadership; moulding honest, competent, and fair public service ethics; enhancing administrative performance and service quality; and boosting the morale and potential of civil servant. The core values are innovation, enterprise, and profession. All public employees conduct themselves in accordance with these core values. The Central Personnel Administration is responsible for the overall personnel administration of all the ministers and agencies, including the Central Bank of the Republic of China (Taiwan), under the Executive Yuan. To achieve the CBC's operational objectives, its Personnel Office follows the competency-based HR in recruiting the right person for the right position and training and developing them.

4.3 Challenges, Risks, and Issues in HRM of the Central Banks

Concerns on the challenges, risks, and issues identified by the respondents are presented in Table 3, Table 4, and, Table 5, respectively. The researcher arbitrarily decided that those challenges, risks, and issues which were common to at least two respondent central banks could be considered significant for discussion purposes.

4.3.1 Challenges

The main challenges facing HRM arise mainly from changes in economic environments influencing policies and functions of central banks. Many central banks have price and financial stability as their common missions or objectives. However, recent economic developments, such as increasing turbulence in the global financial markets and rising inflation, are threatening the achievement of these objectives. In these circumstances, it is a challenge for HRM to give the necessary support to achieve the mission or objective, especially in terms of determining the required competencies, recruiting experts having needed competencies externally, identifying competent experts internally, or by training the staff in the relevant areas.

Table 6
Challenges Faced by Central Banks

CHALLENGES	1	2	3	4	5	6	7	8	9	10
	Ca	Fi	In	My	Ne	Ph	Si	SL	Ta	Th
Adoption of a competency-based human resource system						x				
Attracting best talent (talent acquisition, selection, retention)		x								
Bridging the gap between the competency requirements and the availability of required competencies								x		

Continuous adjustment to change								X	X	
Delegating HRD roles to all unit heads			X							X
Determining the right proportion of officials to staff				X						
Developing a cross-functional multi-skill labour force								X		
Dynamism in HR practices (creating a great environment)					X					
Effects of globalisation on managing talent, change and cultural transformation.									X	
Encouraging team work								X		
Good use of technology									X	
Knowledge management system for creating, capturing, using, and transferring knowledge to ensure organisational continuity and enhance its performance						X				
Knowledge transfer								X		
Managing different age-groups of employees										X
Matching training need with supply					X					

More balanced gender proportion between male and female employees				x						
Outsourcing or hiring local talents	x									
Political instability		x								
Staff turnover due to job environment; lack/absence of motivation; and migration/mobility for competitive job opportunities	x			x	x	x				
Strategic HRM (with focus on strategic instead of administrative tasks)	x		x							
Strengthening the bank's capacity in strategic organisation development						x				
Sustaining the presence of competent and qualified leadership within the bank			x							
Talent retention and development							x			x

(Source: Papers submitted by participating respondents, 2008)

As shown in Table 6, the following challenges have been identified by at least two participating central banks:

1. Continuous adjustment to change
2. Staff turnover due to job environment; lack/absence of motivation; and migration/mobility for competitive job opportunities
3. Strategic HRM (with focus on strategic instead of administrative tasks)

Gunawardana (2008) states that the Central Bank of Sri Lanka, like any other central banks for that matter, should be able to get the knowledge of their employees updated rapidly and continuously. Yu (2008) of the Central Bank of the Republic of China (Taiwan) defines continuous adjustment to change as the ability of a central bank, including the Central Bank of the Republic of China (Taiwan), "to detect emerging trends quicker than the competition, an ability to make rapid decisions, and the agility to seek new ways of doing business."

Staff resignations in the Reserve Bank of Fiji are mainly due to staff migration to Australia and New Zealand and staff taking up employment with other local institutions. In 2008, almost 50% of staff resignations are due to the latter. The "brain drain" or loss of critical and trained staff has thus affected work quality/standards as well as progress and completion of work in some areas, thus impacting the cost and need for training and retraining (Wong, 2008).

On the other hand, Daw (2008) relates that before the British invaded Myanmar in 1885, the capital of Myanmar was Mandalay, located in the central part of the country. When the British left, the capital of Myanmar was moved from Mandalay to Yangon, located in the lower part of the country, and settled government offices and administrative bodies there. In 2006, Myanmar moved the capital from Yangon to Nay Pyi Taw, about 250 miles away from Yangon. Because government offices and administrative bodies were set up in new capital, Nay Pyi Taw, government employees also needed to move and work there. Because of the difficulties brought about by this relocation, some employees who worked in the Central Bank resigned from their jobs. As a result, existing staff have difficulty handling functional operations due to work overload, thus affecting adversely their performance. Moreover, due to limited funds, the Bank cannot hire experts from outside at present.

Phearak and Dara (2008) reports that decades of civil war and the Khmer Rouge regime caused massive destruction not only to Cambodia's infrastructures but also to human resources. As such, the country faced extreme difficulties in renovating its war-torn nation. Many of its public institutions, in particular, the National Bank of Cambodia, employed a low skilled workforce and had its training focused on basic skills. After gaining peace and recognition from the international community in the early 1990s, Cambodia's economy became market-based and was further enhanced through its entry into ASEAN and WTO. With this, the banking and financial sector evolved with new challenges and obstacles in the system. The HRM system at the National Bank of Cambodia (NBC) is mainly administrative-and-rule-based rather than based on strategic human resource management. They stated that it is relatively difficult for NBC to achieve its strategic goals and the challenge is how to get the involvement and cooperation of middle and senior management and staff to achieve these goals. Thus, there is a need for appropriate

talent, recruitment, development and training, and performance evaluation plans. It was also mentioned that postgraduate degrees obtained by their scholars abroad are mainly geared toward addressing the needs of NBC and not the honing of their skills and expertise. Others are allegedly not given the opportunity to apply their learnings to their current work.

On the contrary, according to Suarez (2008), the Bangko Sentral ng Pilipinas, through its BSP Institute, is stepping up its drive to select academic scholarship grants, both local and foreign, that promote professional growth in the areas of management and other central banking functions to support the BSP's operations to the level of a world-class monetary authority. Moreover, the BSP commits to provide quality training programmes that address the career growth, professional development, and skills requirements of its human resource. These programmes consist of in-house training, external training (local and foreign), scholarship, and training assistance to external parties.

In the case of Bank Indonesia (BI), Susetyo (2008) mentions that BI's Human Resources Department is able to transform its HRM from administrative to more strategic-based roles by decentralising its HR management and empowering its individual business units. The Bank hires internal consultants who interact with business units heads and whom the latter consult on human resources matters.

4.3.2 Risks

Risks are dangers which central banks may face when they operate the existing HRM system or introduce new HRM systems or ideas to cope with challenges. On the HRM side, there may be a lot of risk, including wrong recruiting (recruiting by department or a bank as whole); inadequate training; rotation-based staff movement; compensation which is not based on performance; misguided motivation (encouraging the staff to learn in the way which is different from the mission, vision, objective or strategic plan of each central bank); gap between the needed and existing human being capacity or talent; wrong forecasting for the need of human resources in the medium and long-term (that may result in inappropriately slow promotion); and so on.

It is important to identify the kind of risks each central bank may face when they operate the existing HRM system or introduce new HRM systems or ideas to identify issues. For example, when a central bank recruits experts on the financial stability or on price stability, there may be a danger that a central bank may recruit an inappropriate or incompetent person. Another example is on staff training where the contents of the learning event may be inappropriate.

Table 7
Risks Faced by Central Banks

RISKS	1	2	3	4	5	6	7	8	9	10
	C	F	I	M	N	P	S	SL	Ta	Th
Inability to develop corporate culture/ strategic human resource management	x									
Erosion of technical expertise							x			
Lack/absence of effective training programmes	x									
External sourcing of top skills				x						
Hiring unfit talents	x	x								
Inability to deliver positive results to stakeholders								x		
Litigation by current/past employees for unfair HR decisions								x	x	
Lack of motivation to retain fit employees						x				
Problems arising from succession planning/management					x			x		
Talent loss					x					

(Source: Papers submitted by participating respondents, 2008)

As shown in Table 7, there are three risks identified by at least two central banks, namely:

1. Hiring unfit talents;
2. Litigation by current/past employees for unfair HR decisions ; and
3. Problems arising from succession planning/management.

Both Wong (2008) and Phearak & Dara (2008) agree that hiring unfit talents is considered a risk because it impacts the cost of training and retraining. The Reserve Bank of Fiji faces the option of wrong recruitment, particularly of new

graduates falling below the GPA standard requirement, because there is a dearth of skilled human resources in the job market brought about by mass migration due to political coups. On the hand, the National Bank of Cambodia (NBC), in order to avoid related risks, outsource and recruit talents in accordance with its organisational and task needs.

Gunawardana (2008) raises the risk of litigation as an implicit concern in the Central Bank of Sri Lanka. He states that litigation could be caused by absence of transparency of promotion schemes or criteria, usage of incorrect wordings in outsourcing contracts, unfair dismissals of employees, and so forth. According to Yu (2008), to avoid the risk of litigation, the Central Bank of the Republic of China (Taiwan) sees to it that its policies are administered in a fair and just way to avoid employee complaints and grievances.

Pandit (2008) mentions that employees at Nepal Rastra Bank could transfer from one department to another without any prior career plan. It is feared that NRB may face some critical talent gap in many key positions due to the lack of proper succession planning. He suggests that NRB need to put in place a succession mechanism for at least the key positions and top level management. Gunawardana (2008) suggests that, in order to mitigate the risk brought about by the lack of succession management, central banks should devise a plan to create a cross-functional multi-skilled labour force, which is what the Central Bank of Sri Lanka is currently doing.

4.3.3 Issues

It is important to identify the kind of issues each central bank should overcome to derive policy guidelines. Issues are tasks which central banks should undertake considering the challenges and risks, such as how to support the mission, vision, objective or strategic plan of each central bank on the HRM side; how to recruit; train; move or promote staff; how to motivate; what kind of compensation system should be in place; how to fill the talent gap; and so forth.

Table 8
HR Issues of Central Banks

ISSUES	1	2	3	4	5	6	7	8	9	10
	C	F	I	M	N	P	S	SL	Ta	Th
Adapting changes and staff policies to organisational development									x	
Competency-based HR					x					
Credibility of internal consultants			x							
Current clan-and-hierarchy approach culture no longer suitable to support the human resources management			x							
Deepening of talent pool and increasing staff engagement							x			
How to achieve the challenges and risks in the current system in aligning with the values and strategic objectives.	x									
Identifying leaders to perform the role of a strategic partner			x							
Improving performance management					x					
Inconsistent application or varying interpretation and application of human resources policies and practices , thus affecting staff morale		x								
Insufficient information system			x							
Linkage between performance management system and rewards					x	x		x		

Role of HRD as strategic partner: no certainty as to the future directions of human resources management			x						
Practices in talent outsourcing, management, & retention			x		x			x	x
Work-family life balance						x			

(Source: Papers submitted by participating respondents, 2008)

As shown in Table 8, the HR issues raised by at least three participating member banks include the following:

1. Linkage between performance management system and rewards
2. Practices in talent outsourcing, management, & retention

According to Pandit (2008), Nepal Rastra Bank (NRB) lacks a performance management system. The indicators being used to rate an individual are not the right key performance indicators. Indicators such as knowledge, punctuality, diligence, faithfulness, attitude toward work, discipline, honesty, and others are mainly personal attributes that do not measure the output aspect or goal attainment. Because of the lack of proper performance management system, NRB lacks proper performance-based reward system, career management and suitable motivational system. Due to such weaknesses, at this point of time, this appraisal system appears to be out of place and has become less effective. There is a need, therefore, to practice a more performance based system.

Unlike NRB, the Bangko Sentral ng Pilipinas (BSP) has a user-friendly and objective performance appraisal system (primarily designed to ward off temptations of subjectivity and favouritism) and a concomitant organised performance incentive award system. However, one issue often raised by staff is that since the performance rating has a graduated concomitant monetary incentive, the supervisors are sometimes not transparent on how they rate their staff during the annual performance appraisal due to confidentiality. It has often been inferred that ratings depend to a large extent on the arbitrary decision of their supervisors, who more often than not obtain instructions from the department heads. It has been alleged that this is the prevailing culture in the BSP despite the fact that the present performance evaluation system has undergone several revisions to be more objective and, thus, eliminate the culture of favouritism. (Suarez, 2008).

Linking performance management system with rewards is likewise an issue in the Central Bank of Sri Lanka (CBSL). According to Gunawardana (2008), the main purpose of linking the Bank's Performance Management System with

a reward system is to motivate employees to maximize their contribution for the achievement of organisational objectives. However, the exclusive focus on high performers alone discourages other employees which affect the overall performance of CBSL.

4.3.4 *Summary of HR Concerns*

As shown in Table 9, concerns which have been identified singly or several times as either challenges, risks, or issues and appearing in the preceding tables more than twice are as follows: talent pool (mentioned six times); strategic HR (five times); adjustment to change and staff motivation (four times); and competency-based HR (three times). Out of these five items, talent pool, staff morale/motivation, strategic HR, and adjustment to change have already been discussed so far; thus leaving only competency-based HR for further discussion.

Table 9
Summary of Challenges, Risks, and, Issues

HR Concerns	Ca	Fi	In	My	Ne	Ph	Si	SL	Ta	Th
Adapting changes and staff policies to organisational development 1/									x	
Adjusting to nonstop change 1/									x	
Adoption of a competency-based human resource system 2/						x				
Attracting best talent (talent acquisition, selection, retention)		x								
Bridging the gap between the competency requirements and the availability of required competencies 2/								x		
Competency-based HR 2/					x					
Continuous adjustment to change 1/								x	x	

Credibility of internal consultants			x						
Current clan-and-hierarchy approach culture no longer suitable to support the human resources management			x						
Deepening of talent pool and increasing staff engagement 3/						x			
Delegating HRD roles to all unit heads			x						x
Determining the right proportion of officials to staff				x					
Developing a cross-functional multi-skill labour force							x		
Dynamism in HR practices (creating a great environment)					x				
Effects of globalisation on managing talent, change and cultural transformation. 1/								x	
Encouraging team work							x		
Erosion of technical expertise						x			
External sourcing of top skills 3/				x					
Good use of technology								x	
Hiring unfit talents 3/	x	x							
How to achieve the challenges and risks in the current system in aligning with the values and strategic objectives. 5/	x								
Identifying leaders to perform the role of a strategic partner 5/			x						

Improving performance management					x					
Inability to deliver positive results to stakeholders								x		
Inability to develop corporate culture/ strategic human resource management	x									
Inconsistent application or varying interpretation and application of human resources policies and practices , thus affecting staff morale 4/		x								
Insufficient information system			x							
Knowledge management system for creating, capturing, using, and transferring knowledge to ensure organisational continuity and enhance its performance						x				
Knowledge transfer								x		
Lack of motivation to retain fit employees 4/						x				
Lack/absence of effective training programmes	x									
Linkage between performance management system and rewards					x	x		x		
Litigation by current/past employees for unfair HR decisions								x	x	
Managing different age-groups of employees										x
Matching training need with supply					x					

More balanced gender proportion between male and female employees				x						
Outsourcing or hiring local talents 3/	x									
Political instability		x								
Practices in talent outsourcing, management, & retention 3/			x		x			x	x	
Problems arising from succession planning/ management					x			x		
Role of HRD as strategic partner: no certainty as to the future directions of human resources management 5/			x							
Staff turnover due to job environment; lack/absence of motivation; and migration/ mobility for competitive job opportunities 4/	x			x	x	x				
Strategic HRM (with focus on strategic instead of administrative tasks) 5/	x		x							
Strengthening the bank's capacity in strategic organisation development 5/						x				
Sustaining the presence of competent and qualified leadership within the bank 4/			x							
Talent loss 3/					x					
Talent retention and development 3/							x			x
Work-family life balance						x				

Legend: 1/Adjustment to change 2/Competency-based HR 3/Talent pool
4/Staff morale/motivation 5/Strategic HR

4.3.4.1 Competency-Based HR Concerns

The Central Bank of Sri Lanka still needs to identify the competency requirements and the availability of these required competencies within the different departments and offices in the Bank so as to understand the gaps in competencies (Gunawardana, 2008).

Pandit (2008) relates that Nepal Rastra Bank's HR practices are still general in nature and are far from being competency-based. NRB's traditional practices consists of a generalised recruitment and selection process; a single salary scheme and fixed benefit packages applicable to all; and blanket policies on transfer and promotion. While current HRM theories advocate competency-based HR, NRB is still adhering to traditional HR practices. It is felt that for NRB to adopt up-to-date approaches in competency-based HRM and talent management, NRB has to identify required competencies to recruit competent personnel.

Suarez (2008) reports that challenges in competency profiling at the Bangko Sentral ng Pilipinas include learning and applying new technology, assigning the right staff to conduct profiling, eliciting the cooperation of departments and offices whose jobs will be profiled, and determining which office is mainly responsible for competency-based HR. The managerial and leadership competencies have already been defined for the positions of manager to the deputy governor, and the basic assessment tool for the possible successor to these positions has already been put in place. For the non-managerial positions, the implementation path for the following is still needed: alignment of the performance evaluation system with the approved competencies, the results (i.e. performance ratings) of which can be used as a basis for training and development, promotion, rewards and incentives, and succession and career management; and development of career maps and paths for the various jobs in the BSP and of competency-based job descriptions. The next challenge is how to obtain the commitment and involvement of BSP's middle and senior management (heads of departments, offices, subsectors, and sectors) in the succession management process. Their areas of concern are on their active participation in identifying possible successors using the competency-based assessment tools, and openness to consider a wider choice of potential successors that may come from other departments and offices within the BSP as a result of the management and leadership competencies.

4.4 Summary of Findings

The following is a summary of findings of the study based on the following questions:

4.4.1 General HRM Profile of the Participating Central Banks

All participating central banks perform the same basic HR functions of recruiting, managing, developing, and training their officers and staff. However, their HR organisational structures are called by different names, from Personnel Office or Human Resource Department (subdivided in to sections, teams, divisions, or offices) to a more complex Human Resource Sub-sector (composed of departments performing specific functions of HR management, development, and training).

4.4.2 Linkage between the Strategic Plan of the Central Banks and their Human Resource Plan

All respondent central banks (with the exception of Myanmar, which did not provide data) have established a linkage between their organisation plans and their human resource plans through short-term and long-term strategic plans. Their medium-term strategic plans are still ongoing and the years they commenced their plans vary.

4.4.3 Challenges, Risks, and Issues in HRM of the Central Banks

The HRM challenges, risks, and issues shared by participating central banks can be summarised as the following:

1. Attracting best talent (talent acquisition, selection, retention)
2. Competency-based HR
3. Continuous adjustment to change
4. Hiring unfit talents
5. Linkage between performance management system and rewards
6. Litigation by current/past employees for unfair HR decisions
7. Practices in talent outsourcing, management, & retention
8. Problems arising from succession planning/management
9. Staff turnover due to job environment; lack/absence of motivation; and migration/mobility for competitive job opportunities
10. Strategic HRM (with focus on strategic instead of administrative tasks)

4.4.4 Appropriate Guidelines and Policies to Address Issues and Challenges

In the country chapters, participating central banks have lined up their own policy guidelines and recommendations based on the challenges, risks, and issues in HRM which they have singled out as their respective banks' HR concerns. This integrative report focuses on HR challenges, risks, and issues which are common to at least two respondent central banks. This being the case, the researcher from his end offers the following guidelines and policies that respondent central banks could consider, if not adopt, to address them.

5. Policy Guidelines and Recommendations

- Various issues and challenges have been brought up in the study with regard to practices in talent outsourcing, management and retention, staff turnover; lack/absence of motivation and migration/mobility for competitive job opportunities. HR in central banks have therefore to create a compelling and winning employee-value proposition in attracting, motivating, and retaining talent.

HR management must attract and retain talent with a compelling value proposition, namely, great company, great leaders, great job, and attractive compensation (McKinsey et al., 2008; Hitchmough, 2008). A recruitment process which attracts the right people with the appropriate experience to perform should be in place. HR management should analyse the market for a particular position and design a recruitment and selection process that will attract people who are best suited for the work and the organisation.

In order to be well-managed, have impact on society, and foster a distinctive culture and values, an effective central bank must provide advancement; skill building opportunities; coaching, feedback, and mentoring; interesting challenging work and an employee holistic wellness programme. It should develop managers and supervisors who are fair, motivational, inspiring, and trustworthy and can build up top team alignment. It should have outstanding leaders in place who not only inspire employees, but actively make them feel valued in the workplace (Hitchmough, 2008).

Equally important, it should provide viable and attractive benefits and compensation packages. For, when browsing job listings, two of the features that a prospective talent looks for are the salary levels and the benefits packages. Hence, the job of the best practices of a human resources

department is to ensure that these benefits and pay scales meet the central bank's budget, while remaining sufficiently attractive and competitive to attract the very best talent possible; and to ensure that these figures put the central bank in a good light, while also presenting themselves as engaging and competitive for their central bank's recruitment efforts.

As an example, as part of motivating and retaining their employees, the Bundesbank employs the following strategies, which are not the common practice of most central banks: attractiveness of tasks; international environment; open, liberal and trusting corporate culture; working time-flexibility (variable work hours, 24 additional days of leave on flexi-time, telework); generous regulations for parental leave (up to 3 years per child legal entitlement, additional 15 years leave in civil service); and "work-life balance" (Dinkelborg & Faber, 2008). The Federal Reserve System, on the other hand, also includes workplace flexibility, such as alternative work schedules, and job-sharing which have been considered to help attract and retain staff with critical skills (FRS Board of Governors Report, 2001).

In relocating employees to a different workplace, central banks must provide financial support in transporting their personal effects and a comfortable housing unit that will serve as his home away from home. A good example is the practice of the Central Bank of Myanmar, which provides housing facilities to employees by charging 10% of the employee's basic salary; and transportation facilities on route from home to office without any charges (Daw, 2008).

- On continuous adjustment to change; hiring unfit talents; staff turnover due to job environment, lack/absence of motivation, and migration/mobility for competitive job opportunities; strategic HR approach; competency-based HR; problems arising from succession planning/management, central banks should recruit, train & develop, and retain top talent as a strategic imperative to be able to compete in the global market.

With globalisation, central banks must be able anticipate threats to financial and economic stability and, for this, central banks need competent human resources (Dinkelborg & Faber, 2008; Narube, 2008; Mendzela, 2006; Huseman & Goodman, 1999; Ulrich, 1998). The required competencies of central banks are vastly different from those a decade ago, requiring different ways of managing human resources. When sourcing applicants, the critical pre-screening factors and core competencies such as knowledge, skills, and attitudes (KSA)

as demonstrated by applicants, should be aligned with the competency-based HRM system of the central bank. Acquiring talent should be a long-term investment rather than a “to do” existing job. A recruitment strategy that has a solid retention programme attached to it should be sustained. Establishing a talent pool for potential candidates for initial employment or promotion could also be a good idea, as is the practice of Bank Indonesia (Susetyo, 2008).

Entrant level employees must be familiarised early on, with the central bank’s mission, outcomes, and strategic plan. The management should, therefore, design and implement an orientation presentation that introduces new employees to the organisation’s mission, values, outcomes, and strategic plan. Management leadership has to articulate the central bank’s mission in a way that is motivating to staff and communicate the link between work objectives and the mission. Employees must be aware of the organisation’s mission and outcomes and understand the nexus between their work and the accomplishment of those outcomes.

There should be an appropriate, relevant, and effective cross-training of current staff, both on the short term and in the medium to longer term (Narube, 2008), to increase motivation and productivity. Management must design and implement modalities for identifying training needs of employees from various sources of information about their knowledge or job performance; various methods of delivering training to employees must be analysed; and the method most appropriate to the specific people, situation, and topic should be selected. The Monetary Authority of Singapore (MAS) has established the MAS Academy, which provides a platform for building critical foundation knowledge, professional expertise, and leadership skills (Chan, 2008). Likewise the Bangko Sentral ng Pilipinas has a separate department, the BSP Institute, (under the Human Resource Sub-sector), which provides relevant training programmes benchmarked against global best practices. It pursues with more vigor the training and development plan targeted towards generally expected competencies or skill areas. These programmes consist of in-house training, external training (local and foreign), scholarship programmes, and training assistance to external parties (Suarez, 2008). The training and development needs of the employees of the Central Bank of Myanmar is taken care of by the Research and Training Department and the Myanmar Banks Association (Daw, 2008).

The career path of recruits should be established at the point of entry and in-house talent management and retention programmes should be

reinforced. The development to high potentials and successors to critical and executive-level positions must be fast tracked and relevant training programmes benchmarked against global best practices have to be provided. For instance, the Bank of Thailand's strategy is to regularly modify its career advancement and development system in order to keep their talents (Bank of Thailand, 2008); while that of the Monetary Authority of Singapore aims at helping supervisors further develop staff professionally through the implementation of a deeper and broader competency framework with clear functional competences required at various key career milestones for the different business functions (Chan, 2008).

The HR plan in the Bangko Sentral ng Pilipinas includes a Management Development Programme that fast-tracks the development of high potentials and successors to critical and executive-level positions and this is still aligned with the competency-based HR. A competency framework/model for managers/executives has been developed as basis for recruiting, assessing, developing and managing them. Priority is also given to managers/executives when it comes to training and development through the Supervisory Enhancement Program and Management Skills Enhancement Programme series and informal development programme to institutionalise job rotation, cross posting, and so forth. There also exist an assessment tool, the Harrison Assessment, to assess potentials, styles and preferences. The BSP will be coming out with an assessment centre (Suarez, 2008).

Meanwhile, central banks in advanced economies such as the Bundesbank is experimenting with "assessment centres" for younger staff of the higher service where the staff carry out exercises concerned with typical management situations (Dinkelborg & Faber, 2008).

Likewise, programmes must have accurate and clearly written job descriptions that are tied to programme outcomes. Supervisors should draft or update job descriptions that clearly describe the work to be performed and show a link to programme outcomes. Assignments should be appropriate to organisation and programme priorities and the level of expertise, availability, and work style of the individual. An analysis of current staffing and assignments must be conducted, and ways to improve productivity must be identified, taking into consideration potential benefits and drawbacks of making changes.

HR management must determine areas for improvement in personnel policies and compensation strategies to achieve optimal employee retention rates and a high level of employee satisfaction. The Bank of Thailand, for one, revises from time to time, its pay scale to keep up with the market (Bank of Thailand, 2008). Pandit (2008) admonishes central banks not to lose sight of the important link between rewards and performance. In particular, he suggests that Nepal Rastra Bank need to adopt a market-leader position in pay and benefits and not lag too far behind the market, otherwise that policy will be counter-productive in the long-run.

- HR have to operate within the law on litigation by current/past employees for unfair HR decisions.

Operating within the law is also another highly prominent aspect of human resources that comes into heavy play when discussing the best practices involved in keeping the workplace free of dangerous or contentious business practices. This is the reason why good human resources departments will thoroughly lawsuit-proof the workplace by making it compliant with numerous state regulations and company policies. Not only do these best legal practices help to promote a company that is free of regulatory complications, but it also helps to promote trust between the business leadership and the employee base.

The organisation must treat employees fairly and equitably. There must be a performance review process that measures employee performance against organisation outcomes and professional standards, incorporates self evaluation, promotes positive interaction between employee and supervisor, sets measurable goals that are tied to organisation outcomes, and supports the employee's development.

Central banks should learn from the practice of the Bundesbank's HR of conducting employee feedback meetings which serve to improve cooperation with superiors and colleagues ("working environment"), customise the workplace, discuss the staff member's personal conception of his/her career development, and determine further training needs. These employee feedback meetings consist of tasks and results of work, causes of success and failure, strengths and weaknesses of the staff member and superior, future tasks and objectives, and career outlook (Dinkelborg & Faber, 2008). Similarly, the Federal Reserve System continuously monitors results and discusses issues with employees in order to establish and maintain an equitable and fair environment in which all employees can attain their full potential (FRS Board of Governors Report, 2001).

Thus, adoption of this kind of HR policy and practice could act as a deterrent to possible litigation by disgruntled employees for unfair HR decisions.

- On linkage between performance management system and rewards, HR has to adopt an open system where a culture of mutual trust and transparency play a major role in the annual evaluation and rating of the employees' performance.

While it is true that participating central banks, like all other organisations, possess a performance appraisal system, their performance assessment instruments differ from one another and are far from perfect. One important aspect of best practices when it comes to providing optimum human resources services is the accurate and productive evaluation and enhancement of performance among the employee base. Performance management is one of the key functions of a human resources department, and should be approached with any one of a number of the proven techniques of metrics and evaluation that strives toward best practices in the realm of performance management.

Therefore, management must apply the elements of an effective performance review process, including standards of performance, self-evaluation, positive interaction between the employee and supervisor, measurable individual goals that are tied to the organisation's outcomes, and employee development; and tailor an effective performance review instrument to meet the organisation's needs.

All supervisors must conduct performance reviews in a way that is transparent and ensures employee understanding, gains employee acceptance, and promotes a desire to improve and develop, especially because the performance rating has a reward component. In this way, it will at least minimise the element of subjectivism in rating the employees and hopefully will eliminate the complaint that ratings are unfair.

6. Conclusion

The study reveals a tapestry of comparative differences and similarities in prevailing HRM practices, strategies, and concerns (i.e., challenges, risks, and issues) of respondent central banks.

The current economic environment requires central banks to adapt to perform their roles properly. With globalisation, they must be able anticipate threats to

financial and economic stability. For this, central banks need competent human resources. The required competencies of central banks are vastly different from those a decade ago, requiring different ways of managing human resources.

The analysis so far points to one common recurring theme of concern for HRM of central banks, namely, problems on talent management covering acquisition, selection, and retention. HR strategies which are embodied in their medium and long term strategic plans address precisely these concerns.

The extent of the gravity of these problems and the capacity of the central banks in addressing these challenges, risks, and issues depend on several factors such as the prevailing social climate and political environment, corporate culture, management support, and budgetary constraints. For example, the episodes of political instability experienced by Cambodia, Fiji, Myanmar, and Nepal resulted in brain drain. Thus, during these periods, the quality and availability of technical experience to be sourced from the local market impact the need of, and cost for, training and retraining. Likewise rigid government policies and mandatory requirements imposed on their central banks prevent them from acquiring the best available talent.

The significant gaps in compensation and incentives between some central banks and their private sector counterparts have a negative effect on their efforts to recruit the best available talent. Their inability to offer competitive salaries acts as a barrier in talent management.

There is also a need to adopt an open system where a culture of mutual trust and transparency can play a major role in the annual evaluation and rating of the employees' performance.

Dynamic surroundings require central banks to be adaptable to change for them to perform their function. One economic-related event in one part of the world may rapidly influence the economic condition in another part of the world. As monetary authorities, central banks are required to anticipate the undesirable changes in economic situations. Failing so could lead to disastrous results. To be able to cope with this, and to respond with proper policies, it is imperative for central banks to have a competent workforce.

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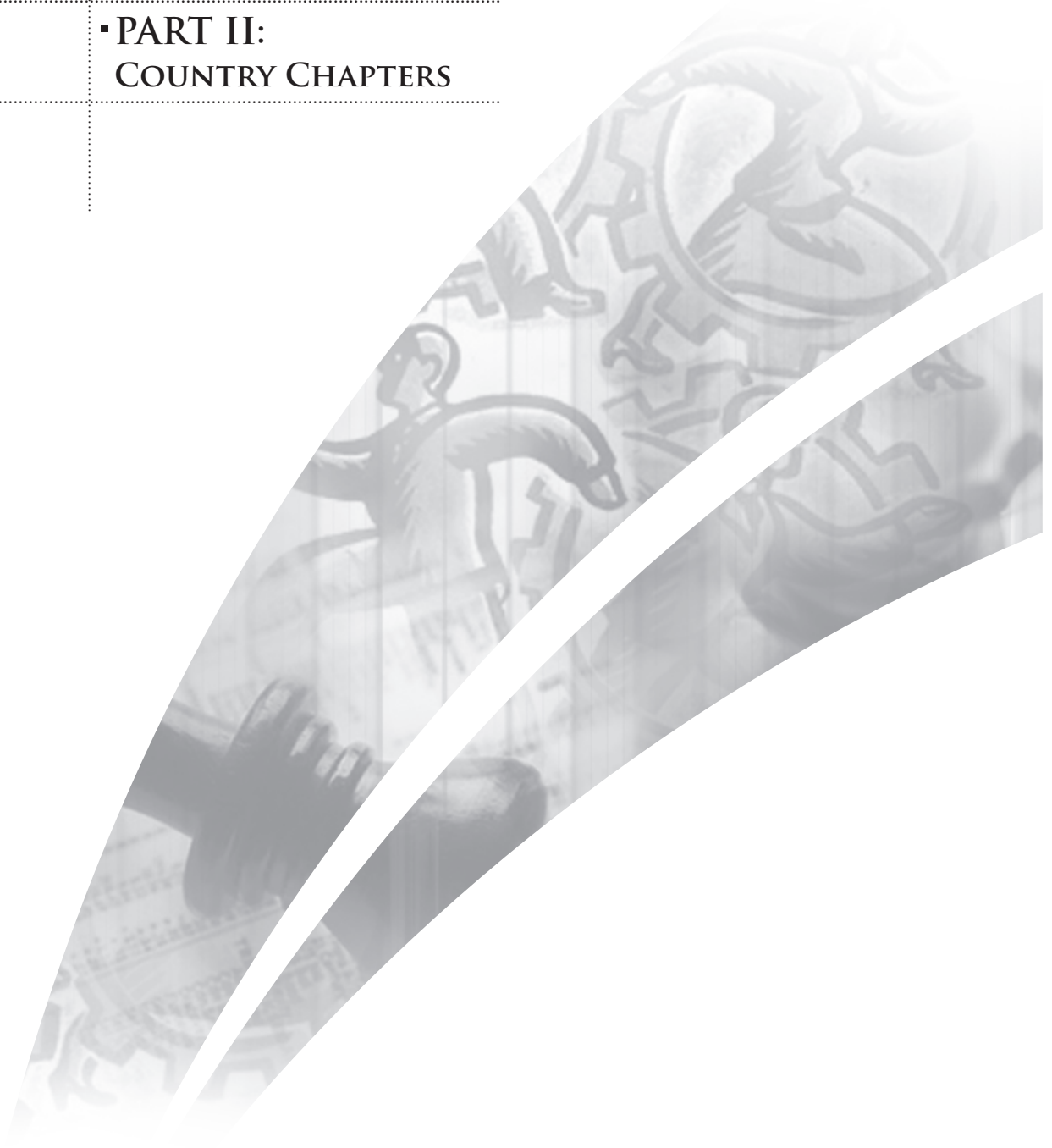
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PART II: COUNTRY CHAPTERS

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HRM STRATEGIES FOR NATIONAL BANK OF CAMBODIA

by Sok Phearak and Ouk Dara¹

1. Introduction/Objectives

Increasing attention has been placed on the strategic employment of human resources of central banks and monetary authorities to assist in the performance of their core functions, with the final aim of the central banks achieving their monetary policy goals. Human resource management (HR) is involved in managing the needs for human resources to be provided and deployed (Mullins, 2002). Many see HR as one of the most important capital and a proper HR strategic policy is therefore imperative. According to Guthridge et al (2008) HR is the only thing that can translate a business strategy into a detailed talent strategy as only people know the whats, wheres and whys of needs of institutions and know how to execute their business strategies.

The roles of the HR department have since undergone numerous changes in the pursuit of best practices. However, it is difficult especially in the ever complexity of a fast changing environment, as strategies vary vastly from one to another.

After gaining peace and recognition from the international community in 1993, Cambodia's economy has been transformed into a market based one (Thoraxy 2003) and has been further enhanced through its entry into ASEAN and WTO. The banking and financial sector has played a key role in facilitating its socioeconomic development in the country. It remains a great challenge for the National Bank of Cambodia to find, develop and retain capable workers. Additionally, a traditional HR system has been continually practiced where the role of the HR department is relatively limited.

While there is a growing number of frameworks for central banks' strategic human resource management, different methods and strategies may be used for various problems and situations. This paper will highlight the general profile of HRM at the National Bank of Cambodia (NBC) and its contribution to its core business strategy. This will be followed by current challenges, risks and issues

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faced at NBC. Finally it will propose an appropriate strategy or option for central banks or monetary authorities, as a guideline for the HRM system.

2. General Profile of NBC's HRM

The decades of civil war and Khmer Rough regime caused massive destruction not only national infrastructures, but also human resources. Cambodia faced extreme difficulties in renovating its war-torn nation. Most public institutions, in particular, the National Bank of Cambodia have mostly employed low skilled workforces to fill its workplaces and has therefore, focused on basic skills training.

Since the early 1990s, Cambodia's economy has been evolving into a market based one, which has been further enhanced through its entry into ASEAN and WTO. However, the NBC is still applying a personnel management system which is rule based and centralised in terms of its personnel administration, training, and payroll preparation.

The Personnel Department of the NBC consists of the following:

The Personnel Division is responsible for staffing, managing, promotion and motivation. Employing has shifted into a competitive based hiring since late 1990s. However, this has been implemented only either through in-house and/or some combination of external experts. There is thus far, no specific recruitment for specific positions or work, as a task and skill gap analysis framework is still unavailable. NBC has mainly employed new graduates to staff its departments and outsourcing has been done through technical experts supported by IMF and other central banks' counterparts.

Hiring has been mainly to fill four categories of staff/cadre: superior, kromokar, secretary and agent. The Superior Cadres refers to Cambodian graduates who are not over the age of 30; hold master degrees or equivalents, specialising in economics, banking and finance or relevant fields; who have never been convicted of misdemeanors or offences, are honest and have sufficient physical ability. Kromoka, Secretary and Agent are relatively similar to Superior in terms of requirements except for the education levels, whereby a Bachelor's degree or equivalent is necessary for Kromoka, vocational training diploma for Secretary and lower level of training for Agent.

Table 1
Annual Number of Recruits: 1999-2008

Recruitment										
Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Number	20	20	24	31	15	88	39	53	103	25

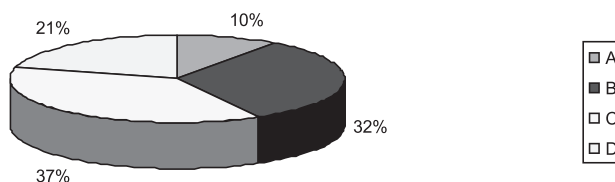
Source: Report on Recruitment, 2008

The selection process is based on practices such as short listing, skill based examination, English test, computer test and final interview. The Personnel Department serves as facilitators for each step the of recruitment process. The interview phase is focused on the evaluation of qualification, characteristics and attitudes of the candidates by members of the recruitment team which can include the Governor, Senior Officials and, in some cases, outsourced external experts.

Managing staff has been done based on the Particular Status of the National Bank of Cambodia. All staff members are divided into four categories of - Superior Cadre (A), Kromokar Cadre (B), Secretary Cadre (C) and Agent Cadre (D). The positions for Category A range from Director Generals to Deputy Directors of departments and officials who hold Master's degrees. Category B range from Division Chiefs to officials possessing Bachelor degrees. Category C starts from Chief of Section to officials holding Associate degrees. Category D refers to NBC's rank and file staff who have the prospect for promotion to the next level and those who possesses high school or pre-high school diplomas.

Figure 2
Number of Staff for Each Category

Categories	A	B	C	D	Total
Number of staff	110	365	419	236	1130
Percentage	10%	32%	37%	21%	100%



Promotions and motivation come under the Particular Status of the National Bank of Cambodia. The promotion exercise for the four categories (A, B, C, and D) are done once every two years. Promotions are based on evaluations by direct supervisors, discipline committee and approved by the Governor. The evaluation is then put through finer scrutiny such as the prospect's performance with regard to discipline, work achievement, behaviour, morals, virtues, and relationship with his/her colleagues and customers.

Along with the promotion exercise, the salary index is upgraded once every two years. Promotions are carried out either to fill a vacancy or as a form of motivation and encouragement for staff to be more responsible and accountable. Those who have a high sense of responsibility for the assigned jobs and are capable for performing, managing, and leading would be noted by direct supervisors, should the opportunity for a promotion arise such as a vacancy or a direct request for promotion.

NBC also has in place, motivational practices. Officials who have served for 15 years and have never been promoted, will be put on a allowance scale which is equivalent to a Deputy Section Chief while officials who have a seniority of 20 years with the NBC and have never been promoted, will be tracked to the allowance scale of a Section Chief.

The Training Division is responsible for staff capacity building, which a core area of importance for the NBC. Training activities are implemented based on training procedures with management's approval. There are so far, no guidelines for training activities as most training events are planned routinely, either by in-house training facilitators and/or in the form of cooperation with international organisations. However, since the last several years, training programmes have been developed partly along with the Government's financial sector blueprints of 2001-2010 and 2006-2015. Training expenses have increased yearly and for 2007, the training budget alone was almost US\$430,000 (for local and overseas) and it may increase up to 20% in the coming years.

In house training programmes consist of courses for the introductory-level, perfection level, associate level and other intensive learning. The introductory-level or beginner training course, is conducted by the in-house trainers for a duration of two weeks, and aims at providing new recruits with basic skills on clearing and settlement, central bank accounts and cash management. The perfection level programme, on the other hand, is designed for further enhancement of capacity of new recruits and low skilled staff, covering general concepts of core central bank functions and activities. The two month programme is designed for an understanding

of the roles and functions of the central bank, monetary policy framework, bank supervision, internal control and audit, reserve management, payment system, central bank accounting, cash management, financial market development, and other basics topics associated with economics and management.

The associate level is a 2-year programme focusing on the intermediate level of banking and financial operations. This course is designed for staff who have at least two years of work experience with the NBC as well as for high school graduates who wish to improve their skills and knowledge in banking and finance. Upon completion, job performance of staff will improve and they will also have opportunities to pursue further studies at various academic institutions.

Seminars and courses are also organised and conducted at NBC for specific purposes or specific topics associated with the payment system, credit analysis, fraud and counterfeit, to name a few. Resource speakers have mostly been invited from overseas with the sponsorship of central banks or other international organisations. NBC also has sends its officials to attend seminars and courses with local ministries and institutions in Cambodia.

NBC is also actively sending its staff for intensive training programmes, seminars, and workshops abroad organised by the IMF, SEACEN and other central banks' training institutions. Most of these training programmes are very relevant for NBC as they are focused on areas such as central bank governance, core central bank functions, and macroeconomics and financial policy issues and so on.

In addition, NBC is increasing its capacity building through long term HR investment for higher postgraduate programmes such as Masters and PhDs. In doing so, NBC usually seeks for scholarship opportunities and allows its staff to enter competitive exams to vie for scholarship awards from organisations such as Japan-IMF, Japan Development Scholarship and AusAID.

2.1 Selection Procedure of Participants for Overseas Training Programmes

The Personnel Department plays the role of facilitator for the selection process of applicants. The selection process starts with the selection of appropriate course programmes disseminated from the Governors' Office or directly from the IMF or The SEACEN Centre or other training institutions. The Personnel Department will then disseminate information and criteria for each training topic in writing to all departments and units, and vet through the requirements of interested candidates.

The Personnel Department will then prioritise interested candidates according to job responsibilities and requirements for their future performance followed by proficiency in English. In case where there are many prospective candidates, the Personnel Department has its own internal examination for selection. The list of selected candidates is then sent to the Governor for approval and recommendation. Upon approval by the Governor, the Personnel Department will arrange for the submission of nomination letters and other application forms to the relevant institutions.

3. Linkage between NBC's strategic plan and HRM

3.1 NBC's Strategic Policy

The NBC is an autonomous public entity responsible for the commercial and industrial sectors. The head office is located in Phnom Penh it has 21 branches at each province and city of Cambodia.

The Vision of the NBC is to be a healthy and sustainable banking and monetary authority for the purpose of safeguarding and developing the banking system, maintaining price stability and instilling confidence in its national currency to promote economic progress and higher living standard for the nation.

Its core mission is to determine and conduct monetary policy within the framework of the national economic policy which aims at promoting and maintaining price stability and in turn achieve a strong banking and financial system conducive to sustainable economic growth.

3.1.1 Strategic Objectives:

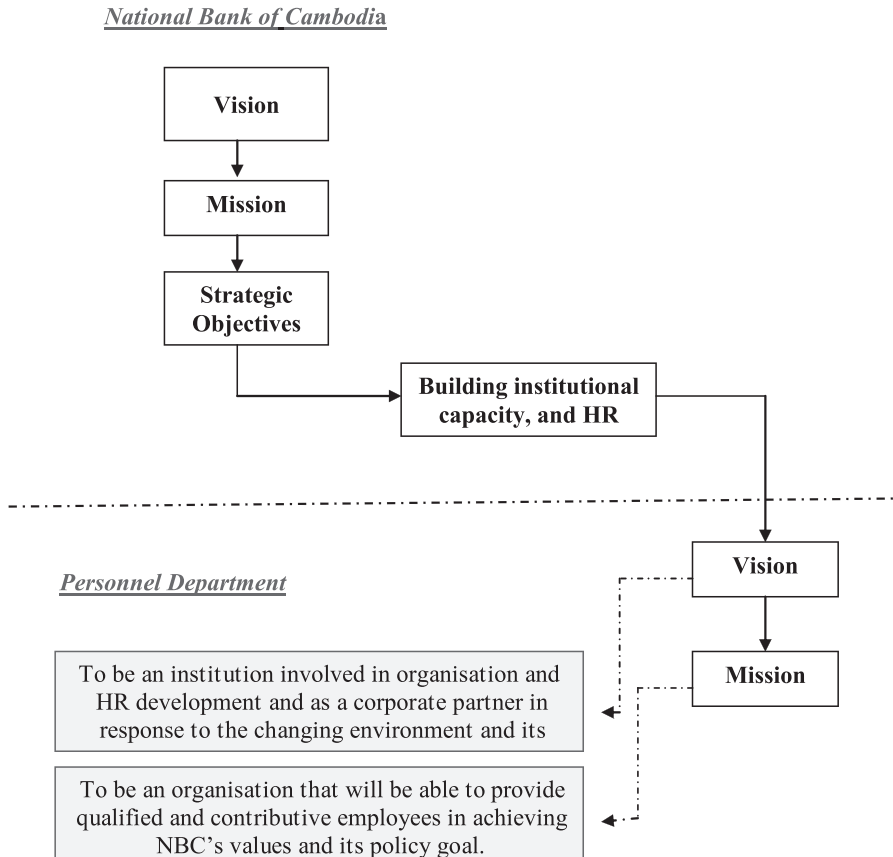
The main objectives of the NBC are to maintain price stability; to safeguard the banking and financial system; to ensure that economic activities operate in liquid environment and to create conducive environment for economic.

The key functions of the NBC include the following:

- **Formulation of monetary policy:** NBC determines the objectives, tools and other strategic frameworks of monetary policy in consultation with the government for its general economic policy framework aimed at promoting economic development and growth. More importantly, it plays a major role in influencing the money supply process within Cambodia's economy.

- **Regulator and supervisor:** NBC is in charge of formulating laws and regulations for the whole banking system. It supervises banking operation activities to ensure that all depository institutions are compliant with laws and regulations. The NBC also grants and withdraws licenses of banking institutions.
- **Establishment of payment system:** NBC has established a payment system to facilitate economic activities. It issues the national currency as a means of payment to facilitate the buying and selling of goods and services. A clearing house has been established at the NBC to support check clearing and further enhancement of the payment system is anticipated in response to the development of the economy and activities in transactions.
- **Exchange market intervention:** NBC formulates, implements and monitors the exchange market policy. It is mainly involved in buying and selling foreign currencies, in particular, US dollars to maintain exchange rate stability and low inflation.
- **Holding government accounts:** NBC is in charge of holding government accounts for the purpose of controlling money supply and maintaining the quality of its national currency through issuing new notes to replace old ones notes.
- **Conducting monetary survey and other research activities:** NBC also conducts regular economic and monetary analysis, discussion of the findings and submitting reports and information to the Government. Other economic research activities are conducted at NBC for the proposal and recommendation of monetary policy options and strategies.

3.2 HR Contribution to NBC's Strategic Plan



3.2.1 Role of the Personnel Department

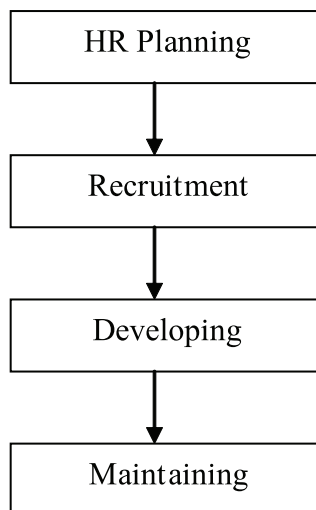
The Personnel Department is managed by one Director, two Deputy Directors and three Heads of Divisions who have different job functions and duties for recruitment, training and retaining its talents.

The Personnel Department is committed to being a capability driven department, the vision of which is for the development of the whole organisation and its human resources and the creation of a corporate culture which will respond in a proper and timely manner to rising economic challenges at the central bank level as well as national level.

The Personnel Department's contribution to NBC's achievement of its strategic policy objectives will be the provision of qualified and performance

driven employees. To support and achieve its core values and strategic objectives, the Personnel Department has conducted human resource management through planning, recruitment, developing and retaining of human resources. However, several problems have occurred in each cycle:

Current Human Resource Framework



HR planning is the process of identifying the needs of employees. The Personnel Department facilitates the recruitment requests of various departments and processes and works out the quality and quantity of prospects and prepares a report to the Governor for approval. Recruitment planning has, thus far, not been done through either committees or on a regular basis. It is a rolling plan which is usually conducted on a needs basis, when there are available vacancies and workload. There is also no manual or regulations for HR planning at NBC at the present moment. Relevant committees and staff needs analysis framework do not exist either. To achieve its policy goals, NBC has prepared a rolling plan of HR and will put it into practice to recruit good prospective employees for the Bank.

The recruitment framework is still fairly rudimentary at NBC. No skill gaps analysis is made and the focus so far, is mainly on fresh graduates from universities. Most new recruits have little experience and successful candidates are nominated for the respective departments and branches where placement will be made by the department Director. Using this modality, it has been relatively difficult for NBC to have a proper “job-fit” for its staff.

Training is another area that requires attention. It is concentrated on capacity building which covers areas of central bank operations, economics, financial

operations and other related issues. Training is aimed enhancing job performance, responsibility and ethics within the organisation. The NBC conducts its training programmes through in-house training, jointly organised and scholarship programmes. An increasing number of staff training activities have been conducted either through in-house and overseas programmes. For example, many of NBC's scholars have obtained their Masters degree either locally or from abroad such as Japan, USA, and Australia.

Although, the HR function has developed, it is still relatively difficult for NBC to achieve its strategic goals. The nature of work at the Bank is changing very fast due to globalised environment. Moreover, the assignment of job functions at NBC has been on a needs basis rather than on available skills and expertise. Some do have the opportunity to apply their expertise acquired from training into the practical work. Additionally, designing in-house training programmes is another concern for NBC. Rolling out of training activities without analysing real needs may not achieve the desirable outcomes. In light of this, those who are involved in HR must be sufficiently knowledgeable to steer institutional and staff development.

HR Maintaining involves retaining and influencing employees. In this connection, the National Bank of Cambodia has paid attention on promotion, compensation and other social benefits. It has frequently promoted its staff whenever vacancies are available in the departments or branches. Criteria such as ability, knowledge development, achievements, seniority, and ethics have been used for evaluation. However, there is no evaluation framework or a committee which conducts yearly or periodic evaluations. Evaluation is usually done by line managers and the leader for the employees' performance evaluation. For this reason, the accuracy and judgment on performance is questionable.

The NBC is currently using a single remuneration system. There is currently no formal measurement system in place for rewards and benefits for high performing staff. For other fringe benefits, the NBC has in place certain benefits for temporary, urgent and short term requirements such as deaths, births or other family crisis.

The HR function for retention is not a major priority at NBC for the moment as it remains an attractive organisation for employment. The NBC is seen as a popular public institution in terms of working environment, and benefits when compared with other public and some private organisations. Moreover, those who have been educated overseas through scholarship programmes would have a term bond work contract with the NBC.

4. Challenges, Risks and Issues

4.1 Challenges

Human resource management plays critical role in the success of an organisation. It is responsible for institutional and capacity development. In this regard, there are many challenges for HRM at the NBC due to the rapidly changing economic environment. This is particularly true for planning, recruiting, developing and retention of HR. More competencies are needed to handle tasks related to core central banks functions and the achievement of monetary policy goals. Challenges in human resource management at NBC include the following:

4.1.1 Development of Human Resource Management into a Strategic System

Developing human resources will be a long journey for NBC. The current system is mainly based on administrative and rules rather than strategic management. There are loopholes in the delegation of authority, responsibility and accountability among management and staff levels. The challenge is how to influence middle and senior management as well as staff members to be fully involved and cooperate to achieve the common goals. Proper frameworks for succession plan, recruitment, development, performance and retaining staff need to be developed. Rolling out plans for HR without analysing the real needs and skill evaluations will have little outcome.

4.1.2 Outsourcing or Hiring Local Talents?

Hiring is another challenge at NBC. Currently, recruitment is conducted to fill vacancies and targets mostly new graduates who have relevant degrees. Effective hiring needs to be done in response to the organisation's needs so that it can cope with coming challenges. A specific task or position needs to be analysed so that the right person can be hired for the job. The processes of obtaining talents either through outsourcing or in-house HR development have to be aligned with the Bank's core values and objectives. If there is no proper plan, it will end up with recruiting many staff but without the right and needed skills.

NBC also faces challenges in developing staff capacity. It needs to update and design training programmes that can cater to new tasks and challenges. Analysing job needs and getting the right participants have been relatively difficult. The current system of training is not ideal in designing and guiding such training events. The reviewing and evaluating process of staff does not exist at the moment and value from training is therefore questionable.

4.1.3 Turnover of Staff Due to Job Environment and Motivation Factor

Retaining staff is another area of concern. At the moment, it is not a major problem as there is over supply in the labour market. However, if NBC does not place emphasis on attracting and retaining talents properly, staff turnover may be a challenge in a long run if unmotivated and skilled employees move on to organisations where there are better opportunities to grow and where there is strategic employment of their human resources. Already at NBC, several skilled staff members have been attracted to private financial institutions.

4.2 Risks

Risk is a danger resulting from HR management activities of the central banks. In this connection, the risks existing at the National Bank of Cambodia are as follows:

4.2.1 Developing Corporate Culture/Strategic Human Resource Management

It is difficult to design and develop a corporate culture framework for the National Bank of Cambodia due to its traditional nature. Corporate coordination is not clearly designed and understood. There are incidences of overlapping powers and tasks in the system resulting in unaligned responsibilities of departments (2006, John). Corporate frameworks for succession planning, performance base, and strategic rewarding have to focus broadly on organisational capacity rather than individual level. Failing to do so, it will be difficult to find out who will be involved, how and what to achieve?

4.2.2 Hiring Talent Fit

Hiring the wrong staff can be time and cost wasting. Outsourcing and recruiting locally needs to consider the organisational and tasks at hand to avoid the related risks.

4.2.3 Establishment of Effective Training Programmes

It is hard for NBC to establish effective training programmes that meet challenges of the fast changing environment. Clear training manuals and programmes need to be developed and continually upgraded to respond to the changes. If not done properly, training opportunities may be more costly than beneficial.

4.3 Issues

To achieve effective human resource management and in turn, perform the core functions and strategic objectives, the NBC needs to consider the challenges and risks in the current system. HR frameworks need to be designed and the delegation of authority, responsibility and accountability needs to be aligned with the values and strategic objectives.

5. Policy Guidelines and Suggestions

- To cope with the above challenges and risks, human resource management in the NBC needs to take on a broader role, in order to support the mission, vision and strategic plan of the organisation. The HR Department can play the role of a strategic partner in developing HR, influence and provide a clear understanding throughout the organisation. Clear authority, responsibility and accountability will enable the HR Department to undertake the necessary tasks to acquire the right employees for the organisation. It can play the role of a strategic partner in employment, helping to minimise human resource risks such as recruiting the wrong employees, training in the wrong way, and having high staff turnover.
- Establishment of frameworks for evaluating task gaps, analysing training needs, and performance base are important tasks. Getting performance oriented human resources, in terms of practical skills and expertise, is necessary to facilitate the core functions of NBC.
- Clear motivation and compensation systems must be put in place at NBC. Lack of a clear system will result in the lack of motivation and productivity. Strategic human resources management should be practiced to continually attract and retain staff and minimise risk of staff outflows. One of the strongest motivational factors is to develop an appropriate organisational reward system which can influence job satisfaction and employee motivation.

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HUMAN RESOURCES MANAGEMENT IN BANK INDONESIA

by Rudi Saleh Sustyo¹

1. Introduction and Objectives

1.1 Introduction

The pressure to undertake internal changes within an organisation is also now occurring in central banks. However, central banks may be resistant to major changes as they are institutions that take pride in their traditions and are conscious of their pivotal roles in economies and societies. From that platform of historic achievement and current relevance, it can be concluded that central banks are an inherent and permanent feature of the economic landscape². However, with the developments in technology, economic conditions and legal frameworks, labour demography and recently, globalisation, all of these have come together to change the world that we live in.

This dynamic environment is forcing the central bank to adapt itself in order to perform its roles properly. Currently, an economic situation in a certain part of the world would instantly impact on the rest of the world. The central bank as the monetary authority of a nation must be able to anticipate such occurrences to prevent undesirable shocks to its economy. To anticipate these circumstances and implement proper policies, the central bank needs the back up of competent human resources. The type of competencies required by the central bank is vastly different from those before and the management of human resources should therefore be implemented differently.

The effectiveness of human resources management within an organisation depends on the proficiency of the human resources department, the suitability of human resources policies and the commitment of all parties involved. This also applies to the central bank. Human resources management is no longer the sole responsibility of the human resources management unit, but has become the responsibility of all parties within the organisation³. The paradigm of human

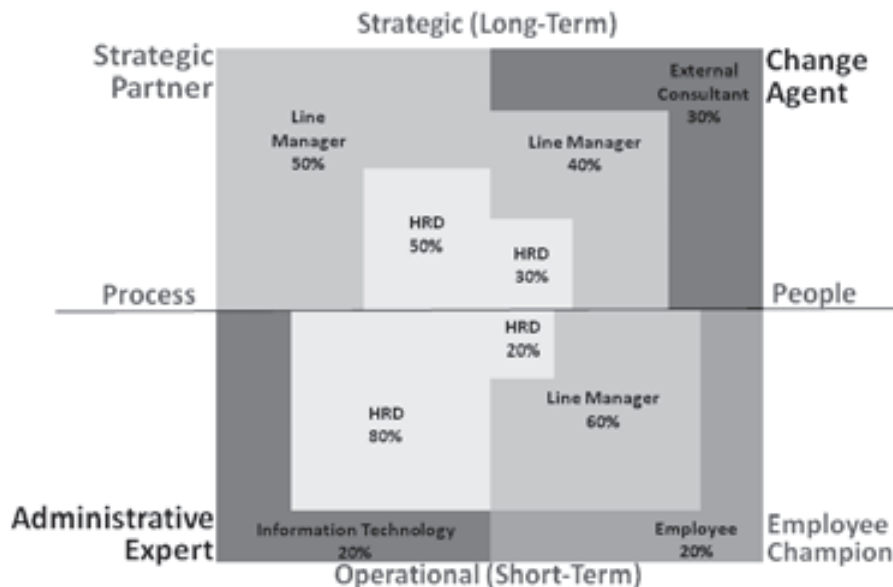
¹ Author is Human Resources Specialist of the Human Resource Department at Bank Indonesia.

² John Mendzela, *Why Change?*, Central Bank Modernization, 2005, Central Banking Publication

³ Edward. E. Lawler III, *Talent-Making People Your Competitive Advantage*, 2008, Wiley & Sons

resources management which was initially centralised in the human resources management unit has been shifted. The human resources management unit now functions as a strategic partner of other business units. The implementation of human resources operational activities has also been outsourced in some cases, so that the human resources management department can now focus on the performance of four major roles as **Strategic Partner, Change Agent, Employee Champion and Administrative Expert**⁴.

Illustration 1
Four Roles of Human Resources Department



1.2 Objectives

Since implementing its transformation programme in 2003, Bank Indonesia has increased awareness of the functions of human resources in the course of achieving its vision. Nonetheless, as explained earlier, the character of central bank cannot be easily transformed in the short-term and consequently, the transformation of human resources management has not fully taken place as expected.

There are three main targets of transformation in human resources management at this time in Bank Indonesia, namely the transformation of the human resources management department so that it will more effective and competent in performing its roles as a partner of other business units, the participation of heads of other

⁴ Prof. Dave Ulrich, Human Resources Champions, 1997, Harvard Business School Press

business units in human resources management and the implementation of a human resources management system that is in line with best practices to achieve the organisational visions⁵.

By conducting this comparative study with other SEACEN central banks, Bank Indonesia is expects to:

1. Discover its standing amongst peers, particularly on human resources management;
2. Reach a consensus on a proposed structure for human resources management in central banks, particularly in the SEACEN region;
3. Give input to the proposal for a human resources management system in central banks, as well as explore the possibility of providing technical assistance to other central banks.

In the long term, Bank Indonesia hopes that a forum on human resources can be set up amongst SEACEN members, whereby regular meetings are held to discuss current issues in human resources management. With this forum, it is expected that central banks will be able to update themselves and make necessary changes that are suitable to their particular needs. Bank Indonesia also hopes that as an outcome of this project, it can provide technical assistance in best practices in human resources management to other central banks if so requested.

2. Human Resources Management in Bank Indonesia

2.1 General Profile

Bank Indonesia was established in 1953, with its conversion from the original De Javasche Bank (DJB) founded in 24 January 1828. Bank Indonesia has been an independent central bank since the enactment of Law No. 23/1999 on Bank Indonesia, as amended by Law No 3/2004. This law granted a new status and position to Bank Indonesia as an independent state institution free from the intervention of the Government and any other parties.

As an independent state institution, Bank Indonesia has full control over the preparation and implementation of its tasks and powers as conferred by the law. External parties are prohibited from intervening in the tasks of Bank Indonesia.

⁵ Bank Indonesia Transformation Program, Prepared for Breakthrough Change in Performance and Reputation, 2002, Bank Indonesia & AT Kearney

To secure its independence, the Law has conferred a special position to Bank Indonesia, which is different from that of other state institutions and ministries since Bank Indonesia is outside the realm of the Government. Its special status and position is required so that Bank Indonesia can implement its function and roles as monetary authority in a more effective and efficient way.

In its capacity as the central bank, Bank Indonesia has one objective, namely to achieve and maintain rupiah stability. The stability of rupiah comprises of two aspects, i.e., currency stability for goods and services, and currency stability against other currencies.

The first aspect may be reflected in the inflation rate, whilst the second one may be reflected in the trends of the rupiah currency exchange against other currencies. This objective is achieved and measured via specific targets set by Bank Indonesia.

To achieve the main objective, Bank Indonesia is supported by three pillars representing three main tasks, namely:

1. To set and implement monetary policy;
2. To regulate and maintain the payment system; and
3. To regulate and supervise banks.

These three main tasks need to be integrated to achieve and maintain rupiah currency stability efficiently and effectively.

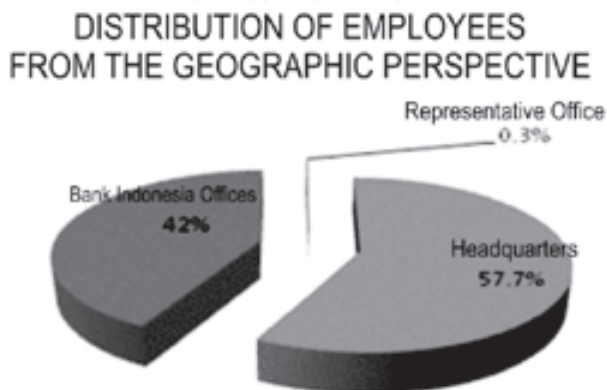
The implementation of the above three tasks is broken down into two main areas of the monetary stability and the financial system stability and one supporting area. In terms of operations, the areas are further categorised into seven sectors, namely:

1. Monetary Policy;
2. Monetary Operations;
3. Payment System;
4. Banking Policy;
5. Banking Supervisory;
6. Strategic Support; and
7. Operational Support.

To implement these three categories of tasks, Bank Indonesia has formulated an organisation structure as shown in Attachment 1, i.e., 28 Business Units at the same level as a Directorate in the Headquarters, 41 Bank Indonesia Offices all

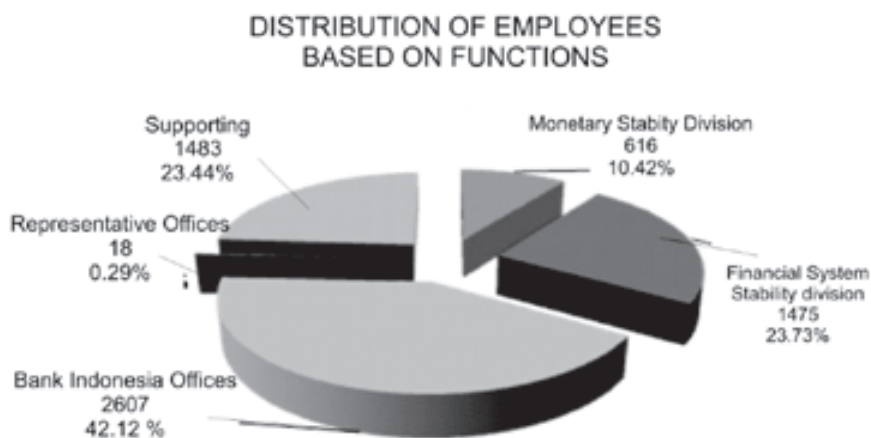
over Indonesia, and 4 Representative Offices in New York, London, Tokyo and Singapore. Currently, Bank Indonesia employs 6,199 persons in its organisation.

Chart 2
Distribution of Employees from the Geographic Perspective



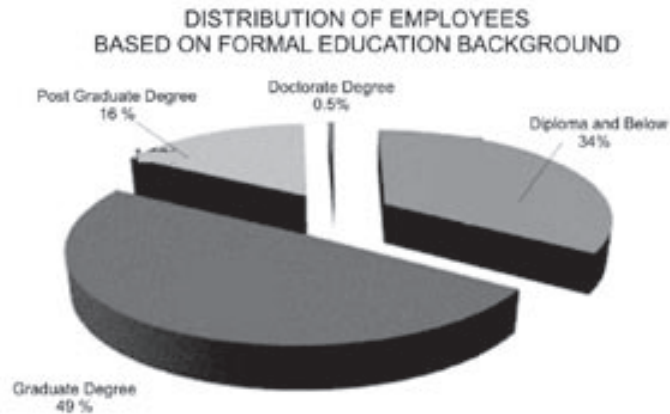
It can be seen in Chart 2 that 57.7% employees are located at the Headquarters while 42% are in Bank Indonesia Offices, and the remaining 0.3% in the Representative Offices.

Chart 3
Distribution of Employees Based on Functions



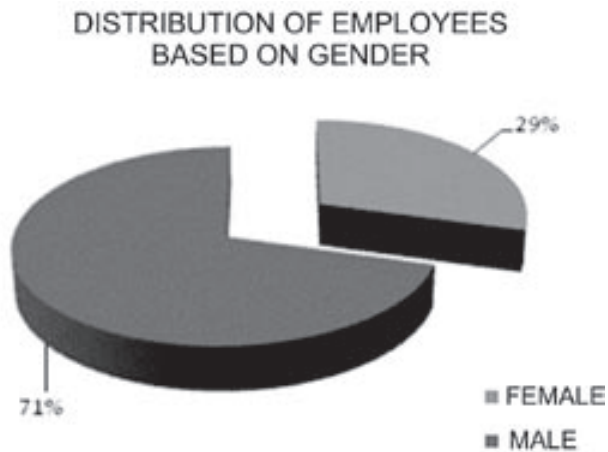
Of the total 57.7% located at the Headquarters, 11% are in the Monetary Stability Division, 23% in the Financial System Stability Division and the rest of the 23% in Support Divisions.

Chart 4
Distribution of Employees Based on the Formal Education Background



On educational background, 66% of employees have graduate degrees while 16% have post-graduate degrees and the remaining 0.5% doctorate degrees.

Chart 5
Distribution of Employees Based on Gender



Based on gender, 29% of Bank Indonesia employees are female while 71% are male. However, the recent trend shows that the newly recruited employees are predominately female.

2.2 Human Resource Management

The human resources management process in Bank Indonesia was modernised with the initiation of the so-called Transformation Program in 2002. This Program was started in consultation with an external consultant who prepared a transformation blue print. The results of the diagnostic survey undertaken are presented below. Only half of the line managers stated that HR is responsive to their needs, and satisfied with the quality of staff transferred or promoted. Only 58% of line managers seek out HR as the first place of assistance for HR related problem.

Chart 6
Overall of HR Perception



Dave Ulrich in his book explained that to be able to propose more added values, human resources should perform 4 roles: Strategic Partner, Change Agent, Employee Champion and Administrative Expert. During the diagnostic study, the external consultant found that the performance of the Human Resources Department was average as Administrative Expert and Employee Champion but poor as Strategic Partner and Change Agent.

In response to the situation, the Transformation Program for human resources specifies that human resources management would be much more effective if it is carried within the following framework:

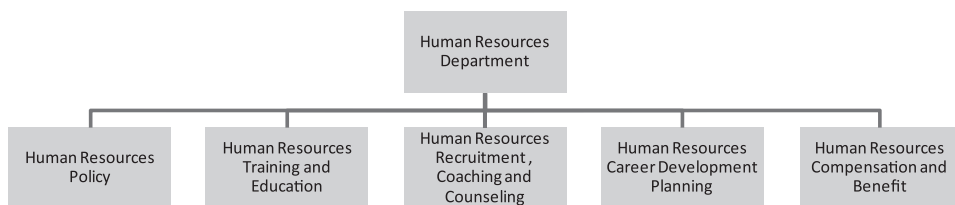
1. A competent human resources department,
2. A human resources management system that is suited to needs of the Bank, and
3. Human resources management commitment from all related parties.

These initiatives are the consequence of a thorough diagnostic study that further resulted in a map for human resources management in Bank Indonesia. The results of the diagnostic study⁶ showed that of the four roles that need to be executed, the Human Resources Department's performance in the roles of strategic partner as well as change agent are still not on par. As for the other roles of employee champion and administrative expert, the consultant found that Bank Indonesia has performed this acceptably. The weakness in the first two roles would further become the basis for a number of recommended initiatives.

2.3 Building a Competent Human Resources Department

The previous organisation structure of the Human Resources Department is presented in Chart 7. Previously, the Department had 5 divisions, with each division carrying out one or two human resources functions. However, the survey which was carried out discovered that this structure is not able to deliver results according to needs of the line managers in a timely manner.

Chart 7
Human Resources Department: Old Structure



To perform its roles as Strategic Partner, Change Agent, Employee Champion and Administrative Expert, Bank Indonesia has transformed its organisation structure to be more stakeholder-oriented by introducing a new function, i.e., human resources consultation for other business units. With this new function, any issues arising in the relevant business units would be resolved

⁶ Bank Indonesia Transformation Program, Preparing for Breakthrough Change in Performance and Reputation, 2002, Bank Indonesia & AT Kearney

within the business unit itself with appropriate recommendations from human resources consultants. In general, the Human Resources Department in Bank Indonesia has three functions, namely policymaking, consultant and operations.

Chart 8
New Structure of Human Resources Department



With the new function, it is expected that the Human Resources Department would be able to respond immediately to organisational and human resources issues arising in the business units. For business units, this new function would give them a clear point of contact when organisational and human resources matters arise. This is also in direct response to the results of the diagnostic study, which showed that only about 58% of line managers contacted the Human Resources Department whenever there are issues with respect to the organisation and human resources management.

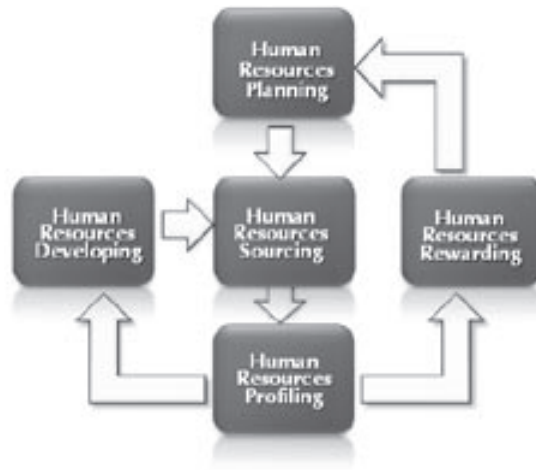
2.4 Appropriate Human Resources Management System

Bank Indonesia is aware that organisation performance depends heavily on a few key people holding critical positions⁷. In this regard, filling in these positions is a vital function of human resource management. Further, it is important and necessary to identify these critical positions and the personnel who can systematically and be prepared to hold such positions. All of these new areas would be implemented within the framework of human resources management.⁸

⁷ Bradley W. Hall, Ph.D., The New Human Capital Strategy-Improving the Value of Your Most Important Investment Year After Year, 2008, AMACOM

⁸ Tim, Talent Management, Konsep Human Resources Management Bank Indonesia ke Depan, 2008, Bank Indonesia.

Chart 9
Framework of Human Resources Management in Bank Indonesia



The five systems of human resources management in Bank Indonesia are as follows:

1. Human Resources Planning,
2. Human Resources Sourcing,
3. Human Resources Profiling,
4. Human Resources Developing, and
5. Human Resources Rewarding.

2.4.1 Human Resources Planning

Human resources planning is a process of identifying the needs of human resources, either quality or quantity. This process will be carried out for the next five years period although its implementation and assessment is on an annual basis. Upon the identification of the required quality and quantity, the next step would be to strategise the meeting of these human resources requirement. During the strategic stage, the requirement can be fulfilled through internal recruitment and thereafter external recruitment. For internal recruitment, the priority would be focused on the top talent pool, internal business units and lastly, external business units. For the recruitment through the top talent pool and internal business units, the relevant vacant position is not announced to all employees but instead is filled based on the human resources planning by the head of the business unit. For internal as well as external recruitment, Bank Indonesia places emphasis on career paths so that the prospective employees are well informed and be assured of a career path at Bank Indonesia.

2.4.2 Human Resources Sourcing

Human resources requirement will be met by first giving priority to the internal candidates. HR management therefore requires rules on career progression. If a candidate within the internal business unit cannot fill a vacant position, the vacancy is then published via intranet inviting those from other business units with specified qualification to submit an application. The process can be either vertical or lateral. Bank Indonesia believes that a potential candidate need not necessarily be from the same grade, but indeed, can be sourced from lower grades. However, there is maximum number of grades that a candidate can move upward. Bank Indonesia has several critical positions, the source of which potential candidates comes from the Talent Pool, which is managed by the HR Committee. When no potential candidates are available within its organisation, Bank Indonesia would recruit candidates from external sources. The recruitment can be done exclusively or concurrently with other vacant positions. The external party would normally take charge of this recruitment process to ensure good governance and avoid unnecessary interventions.

2.4.3 Human Resources Profiling

To identify profiles of employees, Bank Indonesia has to undergo three assessments as follows:

2.4.3.1 Performance Appraisal

The performance appraisal is carried out in three stages, namely performance planning, performance review and performance evaluation⁹. There are two appraisal items, the individual key performance indicator and the behaviour competencies. Each stage is done through a dialogue between the employee and his/her supervisor, the results of which will then be discussed at the level of business unit heads for their approval.

2.4.3.2 Competency Assessment

Bank Indonesia has in place a competency model to be applied in every position within its organisation. The competency assessment is carried out by way of self-assessment, the results of which will be discussed and verified by the respective line managers for approval. The discussion with the relevant manager will also determine the type of measures necessary to overcome any competency gap issues faced by the relevant employee.

2.4.3.3 *Readiness, Awareness and Willingness (RAW) assessment*

Unlike the other assessments, the RAW assessment applies only to those considered as potential by the organisation. These potential employees (based on performance and competency) will be assessed according to their readiness, ability and willingness to hold a higher position. If the relevant employees pass this assessment, they will be admitted into the top talent pool for customised human resources development by the organisation.

2.4.4 *Human Resources Developing*

A development programme is available for top talent and talent categories. Those who are admitted into the top talent pools will join the leadership development programme. This programme is designed with various modalities of development, including placements in other institutions. The organisation is fully responsible for human resources development although it works closely with the line managers when it comes to the implementation thereof. Those who are classified as talent employees will receive development based on the results of the competency assessment. Generally, the form of development tends to be more technical for supporting their existing tasks. Another form of development is, among others, the sponsorship of qualified employees for post-graduate or doctorate programmes to meet Bank Indonesia's requirements.

2.4.5 *Human Resources Rewarding*

As an acknowledgement to its human resources contribution to the organisation, Bank Indonesia uses the total remuneration package comprising salary, incentive, benefit and facility. As the regulator, it is necessary for Bank Indonesia to employ the best human resources available. Therefore, its compensation package is aimed at leading the market. The rewards are based on position, person and performance (3Ps), with emphasis on performance, i.e., the higher the performance, the higher the rewards bestowed by Bank Indonesia.

To maintain the quality of its human resources, Bank Indonesia has an exit policy scheme. This scheme is set in motion either upon initiative of the organisation or the employees themselves. The amount of compensation offered under this scheme varies, depending upon the specified criteria. In general, if the initiative comes from Bank Indonesia, the compensation offered is usually higher.

2.5 Human Resources Management Commitment by All Parties

Bank Indonesia realises that in order to implement human resources management properly, all parties should have roles and be committed to perform their roles:

1. The Board of Governor

The roles of Board of Governor are to convene the annual meeting to discuss human resources planning and monitor the implementation of the human resources blueprint.

2. The HR Committee

The HR Committee is directly chaired by the Governor of Bank Indonesia, with members from the Board of Governor and Heads of selected Business Units. The roles of the HR Committee are to discuss and decide the system and policy of human resources management.

3. Human Resources Department

The roles of the Human Resources Department are to implement all decisions adopted at the level of the Board of Governor as well as the HR Committee. The Human Resources Department also functions as a partner of other business units in the course of implementing the mission and achieving the vision of the relevant business unit.

4. Line Managers

The roles of the line managers are to implement human resources management in their respective business units. In performing their roles, the line managers are supported by the Human Resources Department in its recommendations as well as advice for resolving human resources issues at their respective business unit. As described earlier, line managers play a major role on managing human resources in Bank Indonesia. First, line managers need to develop human resources planning in their respective departments. They need to reveal the number and the quality of human resources in their departments to support the achievement of the departments' mission and vision. They also need to assess the quality and quantity of current workforce to measure the gap. Subsequently, they are required to address the need of additional human resources with the human resources consulting team to initiate a sourcing strategy to meet this requirement or gap. While the sourcing process will be carried out by the Human Resources Department, the line manager will be involved

at the last stage of the sourcing process which is the interview. Line managers will make the final decision on the suitable candidate.

As for the current human resources, line managers need to monitor staff performance and competencies. To be able to do this, line managers need to sit together with staff and discuss the performance target and employee development in competencies and career. Line managers will monitor both aspects during the year and the results will be used as an input in mapping each employee in the department. As people mapping is very important for further career development and compensation, this has to be done in the best possible way. Misvaluation not only demotivate staff but also render the people mapping process worthless.

5. Employees

The roles of employees are to make a career plan in consultation with their line managers, conduct the competency self-assessment and perform their tasks properly.

3. Relation between Strategic Directions of Bank Indonesia and Human Strategic Directions of Resources Management

3.1 Strategic Directions of Bank Indonesia

Bank Indonesia has the mission ‘to achieve and maintain rupiah currency stability through maintaining monetary stability and monetary system to support the continuance of national development’ and vision ‘to become a credible central bank, domestically and internationally, through strengthening strategic values and achieving low and stable inflation rate’. To achieve its vision, Bank Indonesia has strategic values, namely Competency, Integrity, Transparency, Accountable and Togetherness.

Further, to achieve its vision, Bank Indonesia has set its strategic goals as follows:

1. Maintaining Monetary Stability;
2. Maintaining Banking and Financial System Stability;
3. Managing Monetary Sector Effectively;
4. Strengthening the Stability of Banking & Financial System;
5. Maintaining the Reliability of Payment System and Currency Distribution;

6. Managing Finance Accountably;
7. Strengthening Organisation Supports in Bank Indonesia Strategic Implementation;
8. Developing Competency and Strengthening Employees' Leadership;
9. Improving Governance Practice;
10. Strengthening IT Support and Information System.

Each strategic goal has its own measure or target set on a regularly basis to ensure the continual efforts in achieving Bank Indonesia' vision. For year 2013, Bank Indonesia has formalised its destination statement *"To be a more useful institution in the continuous development process through contributing effective and efficient performance and strengthening institutional integrity"*. Bank Indonesia's goals for year 2013 are as follows:

1. Inflation rate of 3.5% ($\pm 1\%$)
2. Organisation Profile: Flat, Effective, Efficient, and
3. Human resources Profile: Professional with strong leadership.

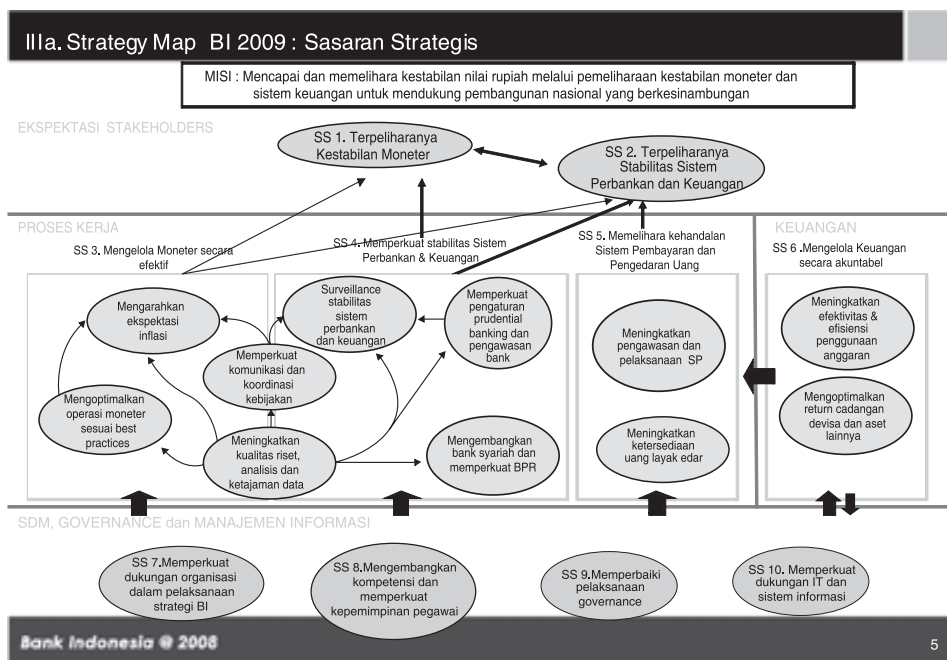
To achieve the strategic goals and destination statement for year 2013, Bank Indonesia has prioritised three sectors for consideration, two of which are as follows:

1. Monetary System Stability (Monetary and International Policy function, and Monetary Policy Implementation function), and
2. Financial System Stability (Financial and Banking System, Bank Supervision and Payment System Policy function).

The third is the supporting sector, comprising Strategic Management function and Supporting Management function. As mentioned earlier, the human resources role in Bank Indonesia have significant value with the Human Resources Department reporting directly to the Governor of Bank Indonesia and is classified as a strategic management category.

The human resources management unit in Bank Indonesia refers to two strategic goals, namely points 7 and 8 of "Strengthening Organisation Supports in Bank Indonesia Strategic Implementation" and "Developing Competency and Strengthening Employees' Leadership". The main tasks of the Human Resources Department are therefore concentrated on the organisation and its human resources.

Chart 10
Strategic Map of Bank Indonesia



3.2 Strategic Directions of Resources Management

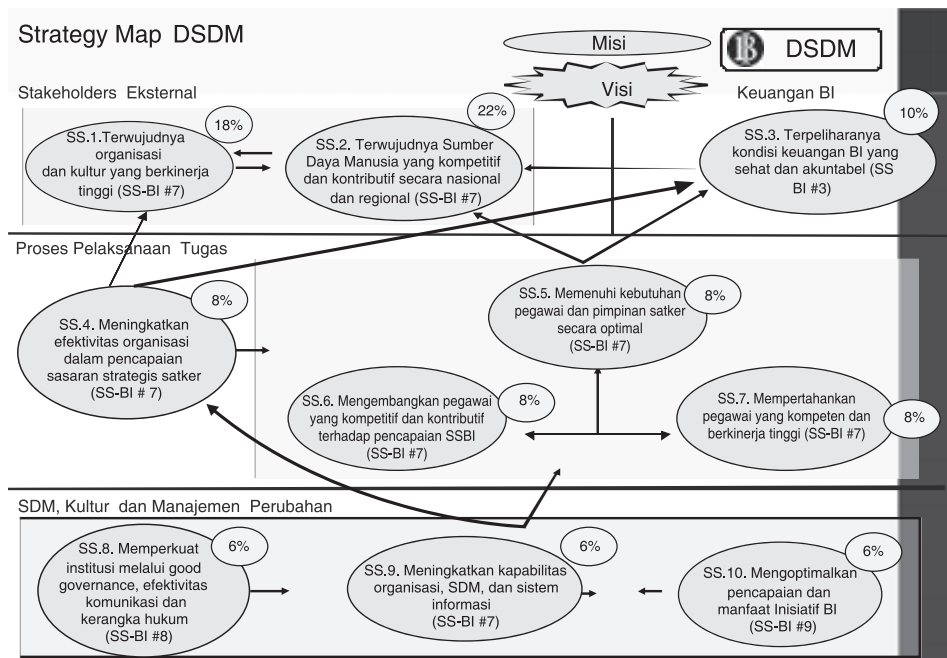
To achieve those strategic goals, the Human Resources Department has prepared the strategic direction until year 2013. The Human Resources Department has the mission “to develop an organisation that is able to respond to national economy challenges by providing competitive and contributive human resources with Bank Indonesia’s strategic values through its roles as strategic policy, strategic partner and service excellence” and vision “to be an institution recognised nationally and regionally in managing organisation and human resources based on best practices and being able to realise a high-performance base culture”.

To achieve its vision, the Human Resources Department has set its strategic goals for guidance in the implementation of its tasks as follows:

1. To become an organisation with a high-performance base culture;
2. To achieve competitive and contributive human resources, nationally and regionally;
3. To maintain Bank Indonesia’s solvency and financial accounts;

4. To improve organisation effectiveness in achieving strategic direction of the business units;
5. To fulfill employees' and leadership requirement optimally;
6. To develop competitive and performance oriented human resources to achieve Bank Indonesia's strategic goals;
7. To maintain competent and high-performance employees;
8. To strengthen the institution through practice of good governance, effective communication and legal framework;
9. To improve the organisation capability, HR, and information system;
10. To optimise the achievement and benefits of Bank Indonesia's initiatives.

Chart 11
Human Resources Department Map Strategy



4. Challenges, Risks and Issues in Human Resources Management

4.1 Challenges

The immediate impact of the recent paradigm of human resources being important assets to an institution is that HR management has become one of the strategic agenda for many institutions around the world. Bank Indonesia is

not an exception. Its HR Department reports directly to the Governor. The newly elected Governor emphasises the important role of HR management and has placed importance on internal reorganisation. Consequently, the HR Department's challenges as human resources partner for every working unit will increase.

As mentioned earlier, there are three important key elements for successful human resources management:

1. Competent human resources department,
2. A human resources management system that is suited to needs, and
3. Human resources management commitment from all related parties.

Hence, the discussion on human resources challenges will be based on the above framework.

4.1.1 Competent Human Resources Department

In 2003, Bank Indonesia conducted an internal reorganisation under its Transformation Program. This program covers almost all aspects of Bank Indonesia which translated into forty-three initiatives, one of which is for human resources. The program is geared towards developing human resources management capability by heads of business units. To realise this plan, the strategy of human resources management was changed from centralised management to become individual work-unit orientated. The main rationale for this is the fact that Bank Indonesia employs more than 6,000 persons, and is therefore not logically possible for the Human Resources Department to effectively monitor the performance of tasks and performance of each and every employee. Therefore, it was decided that human resources management should be decentralised and delegated to the heads of business units who could closely monitor the performance of their subordinates. In so doing, the HR Department has been transformed to become a partner of the heads of business units in providing the necessary recommendations and solutions with respect to issues on human resources management in the units.

In order for the strategy to succeed, Bank Indonesia has restructured its Human Resources Department and introduced a new function, namely as internal consultant, or relationship manager. These internal consultants would be the frontrunners of the Human Resources Department in the day-to-day operations as they interact directly with the respective head of business unit. The heads of works unit would confer with their respective consultants whenever they are faced with human resources issues within their business units.

With this new function, the Human Resources Department has transformed its human resources management from an administrative one to more strategic-based. It has become the partner of the business units in realising their visions. In light of this, the HR consultants should be ready to give assistance in the form of proper analysis, recommendations and solutions to their respective business units. They will no longer be preoccupied with administrative assignments, but rather focus more on analytical assignments. In order to perform their duties effectively, the consultants need to be supported by a good information system. The Human Resources Department is responsible for organising an effective information system and to relieve staff of administration assignments. Based on best practices, the ratio of Human Resources Department employee to total employees in an organisation should be 1:100.

From the work culture perspective, the Human Resources Department as the partner of the business units needs to acquire a market-oriented culture, meaning that the Human Resources Department should understand its roles as a supporting unit and be able to foresee and meet the needs of the respective business units.

The last elements of a capable human resources management unit are leaders who are visionary, persistent and who are objective in making decisions. Human resources management closely relates to the welfare of employees. Consequently, the issuance of any decision or policy concerning human resources should be based on careful consideration and be objective. It is therefore, very important for the Human Resources Department to have leaders who are competent, have integrity and are able to effectively communicate decisions or policies to all employees in Bank Indonesia.

4.1.2 Human Resources Management System Suited to Needs

To function effectively, Bank Indonesia must be able to place “the right person on the right job”. This task will be difficult if there is a lack of a competency model for job positions, which is normally developed based on job profiling. With a competency model, an organisation will be able to have a proper “job-fit” for its employees.

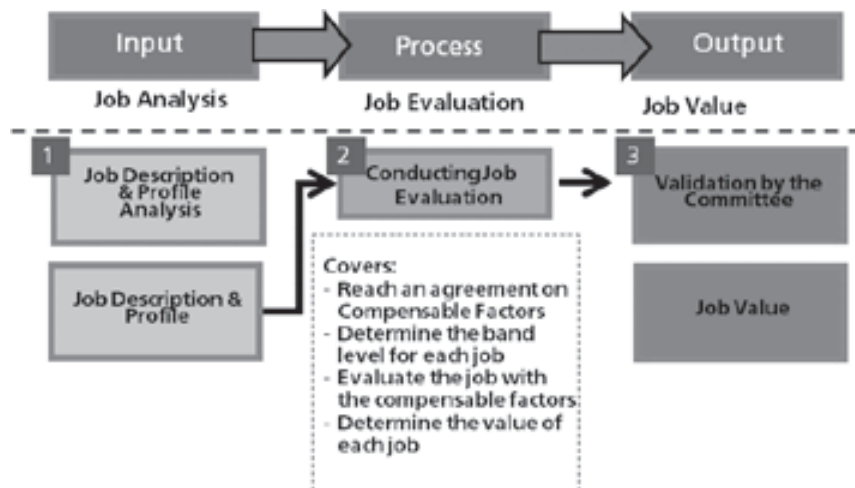
A competency model project was undertaken in 2003 in cooperation with an international consulting firm, ie, DDI (Development Dimension International). DDI’s competency model was initiated by its founder, William Byham. The competency model was completed in 2006 along with Bank Indonesia’s Competency-Based Human Resources Management project. Hence, currently, Bank Indonesia’s recruitment process is carried out based on competency.

Chart 12
Competency Model of Bank Indonesia



Bank Indonesia has in place a job grading system that is competitive but fall a little short on the principle of fairness. To rectify this, Bank Indonesia engaged an internationally recognised consulting firm, Watson Wyatt, to evaluate the 1274 types of position in Bank Indonesia. The project was completed in the middle of 2007 and implemented in 2008. The newly designed job grading system is expected to reflect a performance-based culture in Bank Indonesia. There may be possible resistance to this new system as it may affect remuneration but Bank Indonesia finds it necessary to enforce a new culture within its organisation to support its function as a public institution.

Chart 13
Framework of Job Evaluation in Bank Indonesia



The latest improvement made to Bank Indonesia's human resources management system is the application of human resources management concept. Bank Indonesia believes that this system will overcome the problem of leadership gap within the organisation. Bank Indonesia needs to ensure that all critical positions are held by competent and capable human resources. With this concept, Bank Indonesia would be able to identify positions that are critical, identify persons who have the potential to hold such critical positions, and finally, develop these potential human resources in readiness to hold such positions as and when required. With this, Bank Indonesia would have a proper succession plan in ensuring continuous competent and qualified leadership.

4.1.3 Human Resources Management Commitment from All Related Parties

The recent change in the role of the Human Resources Department from centralised management to become business-unit orientated, will not be carried out effectively without the cooperation of the heads of business units. Logically, the heads of business units are the ones who are most informed of issues in his/her business units. In light of this, the Human Resources Department has delegated human resources management to the heads of units while the Department itself will focus on the procurement of human resources management infrastructure, such the human resources system, information system, etc.

Consequently, human resources management is no longer the sole responsibility of Human Resources Department, but instead is now the responsibility of the whole organisation, from the Board of Governor down to the individual employee. Everyone has his or her own role to play which is complementary to each other's. The individual employee has the role to plan his/her own career path. The head of business unit on the other hand, plays the role of supervising the employee's career plan. He or she should inform subordinates on the prospective positions and needed qualifications so that they can prepare themselves for further career advancement and development. These roles are supposed to go up to the level of the Board of Governor.

4.2 Risks

An appropriate human resources management system is essential in Bank Indonesia considering its strategic function as a central banks. As mentioned earlier, competent and qualified human resources are needed to support Bank Indonesia's core functions. Failing to do so, particularly with regards to critical positions, may potentially weaken the performance of Bank Indonesia, adversely impacting the nation and its citizens.

Failure to overcome operational risks may potentially hurt Bank Indonesia's reputation. The stake is quite high given Indonesia's current political climate. Therefore, the Human Resources Department's strategic roles should be emphasised and fully acknowledged within the organisation as this can mitigate exposures to potential risks.

4.3 Issues

There are several issues with respect to the implementation of human resources management which mostly relate to the gap between expectations and the current situation. For such gaps to be identified, Bank Indonesia will undertake various measures to resolve related issues.

4.3.1 *Role of Strategic Partner*

The effective performance of a strategic partner to the business unit can be realised by delegating human resources management to the head of the business unit. The Human Resources Department should instead focus on its strategic roles, namely preparing rules and policies that are most suited to requirements defined by the head of the business unit. It is important for the Human Resources Department to include the relevant business units in the preparation of rules and policies so that they can be implemented more effectively and therefore be more responsive to their particular requirement. Currently, the participation of business units is limited and tends to be passive, requiring change.

Another issue is that there is no certainty as to the future directions of human resources management and also the achievement of its strategy. To overcome this, the Human Resources Department is preparing a blueprint for organisation management, human resources and culture for the next five years. In the preparation of this blue print, the Human Resources Department will act as the partner of the Board of Governor to realise the vision of the Board with respect to human resources management for the next five-year period. With this blueprint, it is expected that the implementation of tasks will be much more organised and well planned since all relevant parties are fully informed as to the future directions for human resources management.

4.3.2 *Consulting Function*

To be function as a strategic partner, the Human Resources Department has delegated the consultative function to its internal staff to work in coordination with business units on human resources issues. In this respect, there are four main requirements for eligibility to become consultant:

1. Knowledge of organisation and human resources;
2. Knowledge of the working process of business unit;
3. Ability to implement changes; and
4. Integrity.

The implementation of the consulting function was started in 2003 but is not supported by the appropriate mechanisms for resolution of issues by the consultants. Consultants who have experience in human resources do not always have sufficient knowledge on work processes of specific business units, while those who are familiar with the work process very often have no experience in organisation, human resources and work culture. This competency gap could potentially affect the quality of recommendations or solutions made by them. Therefore, there is a need to improve the knowledge required by the consultants so that they can perform their roles effectively.

One important aspect that needs to be taken into careful consideration is the credibility of consultants. In practice, the consultants are exposed to sometimes complicated situations. As staff of the Human Resources Department, they are expected to implement specified organisation and human resources programmes in their respective business units. However, due to frequent interactions with their assigned business units, these consultants would tend to support the heads of business unit where they are assigned and are not persistent in enforcing the broad schemes advocated by the Human Resources Department. Integrity is therefore very vital for the consultants to focus on their primary functions and at the same time, have the vested interests of both the Human Resources Department and the business units at heart.

4.3.3 *Information Systems Support*

One important factor that supports the role transformation of the Human Resources Department from administrative to strategic is the availability of an effective information system. With sufficient information, the Human Resources Department would be able to analyse issues more accurately and make more decisive and appropriate decisions.

An effective information system will also help reduce the number of Human Resources staff working on administrative assignments. The HR Department plans to employ a smaller number of staff with better qualifications and eventually achieve the desired ratio of 1:100.

Currently, Bank Indonesia utilises a supporting application, known as SIMASDAM (Human Resources Management Information System). However, this application appears to be insufficient for supporting Human Resources Department functions, the reason being that when it was developed internally, the organisation had not identified the system requirements. Ideally, an information system should be sufficiently sophisticated to meet requirements and which conform to best practices. If the Human Resources Department were to achieve its strategic goals, the requirements for the information system should be identified as soon as possible.

4.3.4 *Supporting Culture*

As mentioned earlier, the Human Resources Department has three main functions of policymaking, internal consulting and operations. To implement these functions effectively, a suitable work culture is required, namely a market-and-adhocracy-based culture which is derived from the concept of OCAI (Organisational Cultural Assessment Instrument).

The existing culture of Bank Indonesia, which is clannish and hierarchy, is no longer suited for effective human resources management. Bank Indonesia, therefore, finds it necessary to implement measures to gradually change the corporate culture to a desired one based on market dan adhocracy.

4.3.5 *Visionary Leader*

An organisation of the size of Bank Indonesia requires leaders who have the capability to perform their roles as strategic partners, change agents, employee champions and administrative experts. They would need to have vital qualities such as good attitudes, high credibility and adaptability. Ideally, Bank Indonesia should be able to identify a list of potential candidates amongst its 6,000 over employees and develop them to be the desired leaders. However, in practice, heads of business units, particularly those of the Human Resources Department, are senior ranking and often transferred from other business units. The notion that human resources management is just common sense needs to be changed given the dynamic development in this field.

The fact that there is a big gap between supply and demand for experts in human resources management proves the importance of human resources as assets to institutions. In this respect, Bank Indonesia should consider the need to have a specialised development programme purposely designed for potential leaders that will lead in human resources management. With this special programme, those who are selected to be potential leaders of the Human Resources Department will be aware of expectations and be prepared to face challenges.

5. Conclusions and Policy Recommendations

5.1 Conclusions

To improve the quality of human resources management, Bank Indonesia through its Transformation Programme has focused on the implementation of three main initiatives, namely to develop:

- A competent human resources department,
- A human resources management system that is suited needs, and
- Human resources management commitment from all related parties.

One effort to develop a competent human resources management unit is through the introduction of new function, i.e., internal consulting which will contribute to the collaboration between the relevant business units and the Human Resources Department;

The efforts to develop a human resources management system that is suited to the needs are implemented through:

- the preparation of a competency model and competency-based job profile for all positions at Bank Indonesia;
- the preparation and implementation of human resources management concept that is suitable to the organisation's human resources management;

To procure commitment on human resources management from all related parties, the introduction of accountability specifications for all relevant parties in human resources management has been enforced.

The Human Resources Department of Bank Indonesia has a major role to play in the achievement of Bank Indonesia's strategic directions, particularly on strengthening organisation support in strategic implementation, and developing competency and strengthening employees' leadership.

Bank Indonesia is aware that human resources play an important role in a globalised environment. In light of this, the newly elected Governor is focusing on the internal organisation, particularly its structure, culture and human resources.

In the implementation of human resources management, Bank Indonesia faces a number of issues as follows:

- There is still limited participation of the business unit in human resources management, particularly in the preparation of rules and policies, since most business units have yet to consider the Human Resources Department as a strategic partner in the performance of their tasks;
- Bank Indonesia has not mutually agreed as to the future directions of human resources management that will be a guide for the tasks implementation and target achievement;
- The Human Resources Department's consulting function has not been optimised due to its novelty and therefore it needs to be further defined;
- The Human Resources Department's new strategic position has not been supported by sufficient information system, which is important to assist the Human Resources Department to make analysis and provide more informed recommendations and solutions to business units;
- The existing culture in the organisation tends to be "hierarchical and clannish" and needs to be changed to one which is market and adhocracy oriented.
- The Human Resources Department has not developed a special development programme for leadership succession within the organisation, which is important to nurture and create the right leaders for the right positions.

5.2 Policy Recommendations

Bank Indonesia needs to develop a human resources management blueprint for the five years ahead. This is the responsibility of the Board of Governor in consultation with the Human Resources Department. During the preparation of the blueprint, the heads of business unit need to be involved so that they fully understand the future directions and strategies for human resources management and acknowledge the HR Department's new role as the strategic partner in their respective business unit.

There must be a continuing socialisation programme within the organisation so that everyone is aware of the blueprint and also understand their respective roles in supporting the implementation of blueprint.

Updating and benchmarking in human resources management are necessary for meeting internal requirements and adopting best practices.

Bank Indonesia needs to strengthen its consulting function in the organisation for human resources by:

- Reviewing the required competency and character to perform the consulting function as Human Resources Department front liner;
- Conducting an assessment on the existing consultants to develop a profile that will be used as the basis for human resources development and executor of consulting function;
- Developing competency development programmes regularly;
- Revisiting composition and consultancy position based on the result of profiling and development;
- Preparing individual key performance indicator for all consultants as the basis for performance appraisal.

Bank Indonesia should enhance the information technology roles to support human resources management by:

- Identifying information requirement of human resources management in cooperation with the users (the Board of Governor, the business unit leaders, and the internal Human Resources Department);
- Conducting an assessment as to the expectation of information requirement against the existing information system and benchmarking the existing applications in conformity to best practices;
- Determining whether the information system will be developed internally or externally, taking into account the expected quality, quantity, costs and time of stakeholders.

Bank Indonesia needs to implement a culture development programme to enhance the HR Department's role as the strategic partner of the Board of Governor, Business unit Leaders and Employees. This has to be carried continually to change the corporate culture to one which is based on the market and adhocracy.

Bank Indonesia needs to provide continuous development and exposure for leaders of the Human Resources Department so that they can strengthen their credibility to lead the transformation process of the organisation.

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HUMAN RESOURCE MANAGEMENT STRATEGIES IN THE CENTRAL BANK OF MYANMAR

by Daw Tin Moe Moe¹

1. Introduction

Myanmar (officially the Union of Myanmar) is the largest country by geographical area in mainland Southeast Asia. The country is bordered by the People's Republic of China on the northeast, Laos on the east, Thailand on the Southeast, Bangladesh on the west, India on the northeast. The total land area of the country is 677,578 square kilometers and the length of the coastline is 2,229 kilometers. Total population is 54.37 million in 2007 of which the proportion of male and female are 49.7% and 50.3%, respectively. The capital is Nay Pyi Taw.

Myanmar adopted a market-oriented economic system in 1989 and financial restructuring was initiated in 1990. Due to the financial restructuring and financial liberalisation to some extent, the Central Bank of Myanmar (CBM) is experiencing a more competitive environment and hence, Human Resource Management (HRM), the main contributor to an organisation's success, is becoming a strategic factor for enhancing the organisation's performance and strengthening the resilience of the organisation to internal and external shocks. The main objective of this paper is to look into factors and reasons for focusing HRM in the CBM, and explore the challenges, risks and issues associated with HRM in CBM.

HRM is an organisational function that deals with issues related to staff such as compensation, hiring, performance management, organisation development, safety, wellness, benefits, employee motivation, communication, administration, and training.² Attracting talented people to the organisation; choosing the most qualified candidates from among applicants; orientating and training new employees; retraining experienced employees; motivating employees and evaluating their performance; rewarding and compensating staff; and sometimes disciplining, discharging, transferring, or promoting someone are all aspects of human resources management.³

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2 <http://www.humanresources.about.com/od/glossary/f/hr-management.htm>

3 Wendell French, Human Resources Management, New York, 1990, P.8.

Human resources are the backbone of any organisation. For organisations to achieve their objectives, they must plan their resources and one of the key resources are people. Organisations need to get the right people and develop them to meet the organisation's objectives successfully.⁴

Human resource management is responsible for how people are treated in organisations. It is responsible for bringing people into the organisation, helping them perform their work, compensating them for their labours, and solving problems that arise.⁵

This paper consists of five parts. Part 1 gives a brief introduction of the country and objective of the study. Part 2 presents human resource management of the Central Bank. Part 3 deals with the link between objectives of the Central Bank and HRM. Part 4 highlights the challenges and risks being faced by the CBM, and Part 5 concludes with some recommendations.

2. Human Resource Management in the CBM

This part includes the general profile of the Central Bank of Myanmar and the general profile of the Administration Department which is responsible for managing human resources in the CBM.

2.1 General Profile of the CBM

The Reserve Bank of India acted as the central bank for Myanmar during the period 1935 to 1947. The Union Bank of Burma Bank took over central bank activities from the Reserve Bank of India with the promulgation of the Union Bank of Burma Act in 1947. In 1963, all banks owned by nationals and foreigners were nationalised. The Central Bank of Myanmar Law was enacted in 1990, and central bank was renamed as the Central Bank of Myanmar (CBM). Since 1990, private banks and representative offices of foreign banks have been allowed to open and operate.⁶ Before 2006, the head office of the Central Bank was in Yangon. In 2006, however, the head office was moved to Nay Pyi Taw which is about 250 miles from Yangon. There are two branches of the Central Bank, one is in Yangon and another in Mandalay in central Myanmar.

In the Central Bank of Myanmar, there is one Governor, two Deputy Governors, and 8 Departments namely: the Administration Department, the Foreign Exchange Management Department, the Research and Training Department, the

4 <http://www.oppapers.com/essays/human-resource/13390>

5 <http://www.answer.com>

6 Central Bank of Myanmar, Annual Report, 2006-2007, P 14-15.

Accounts Department, the Banking Regulation Department, the Internal Audit and Bank Supervision Department, the Currency Department, and the Bank Security Department.

The Board of Directors which convenes at least once a month, comprises 8 Directors from the Central Bank and 10 officials from the relevant Departments of the other related ministries, and is responsible for administering the Central Bank; supervising and prescribing policy matters of the Central Bank with the approval of the Government.

The Executive Board consists of 11 members namely: the Governor, two Deputy Governors; and 8 Directors from the Central Bank. The Executive Board is responsible for making decisions on administrative matters/issues of the Bank. The Advisory Committee comprising of the two Deputy Governors and 8 Directors from the Bank, is responsible for advising the Governor on policy and administrative matters.

The Coordination Committee consists of the two Deputy Governors from the Central Bank, a representative from the Myanmar Foreign Trade Bank (MFTB), the Myanmar Investment and Commercial Bank (MICB) and the Myanmar Economic Bank (MEB), and is responsible for coordinating banking operations among these banks.

Chart 1
Organisation Structure of the Central Bank of Myanmar

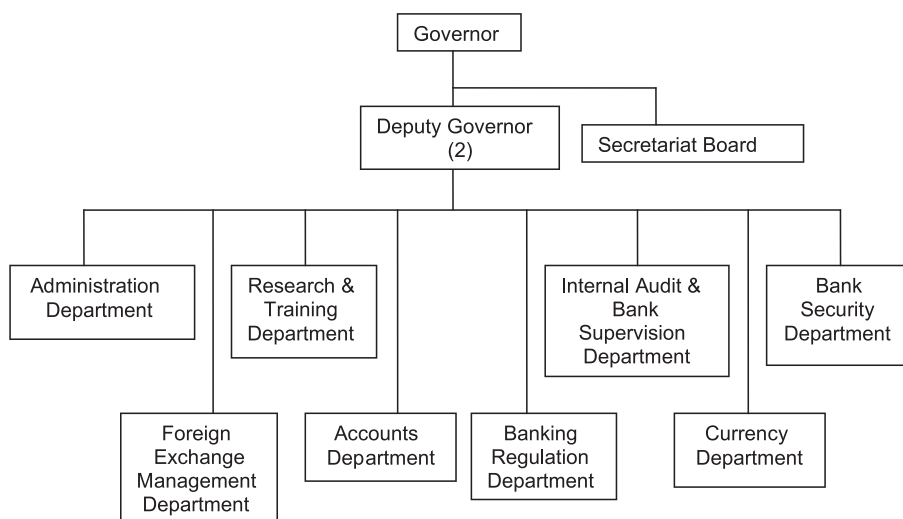
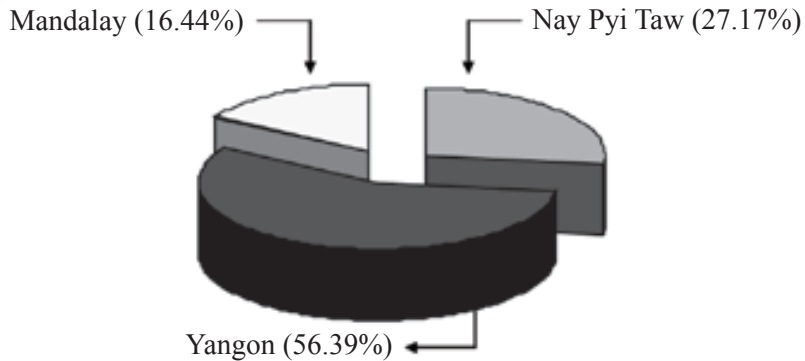
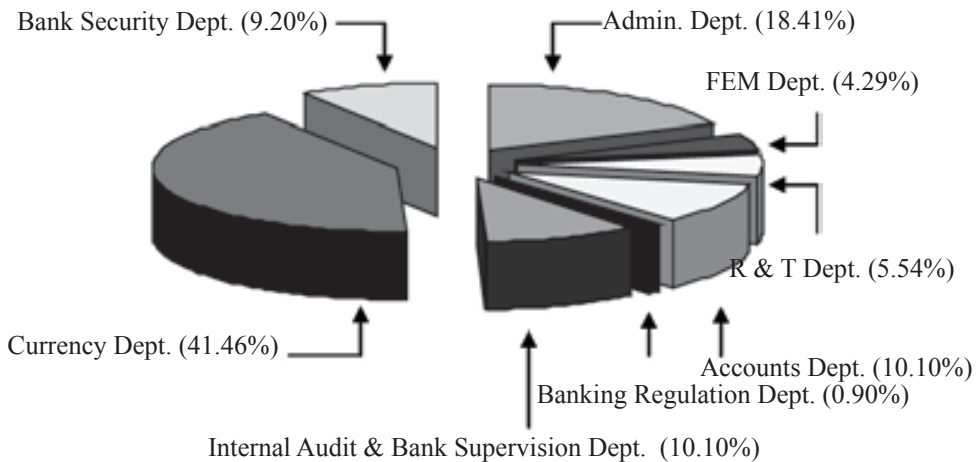


Illustration 1
Distribution of Employees



Of the total 1119 employees, as end of December 2008, 304 employees (27.17%) work at Nay Pyi Taw (Headquarters), while 631 employees (56.39%) and 184 employees (16.44%) work at the Yangon and Mandalay branches, respectively. Although the headquarters was moved to the new capital (NPT), the Yangon branch still has the larger proportion of staff.

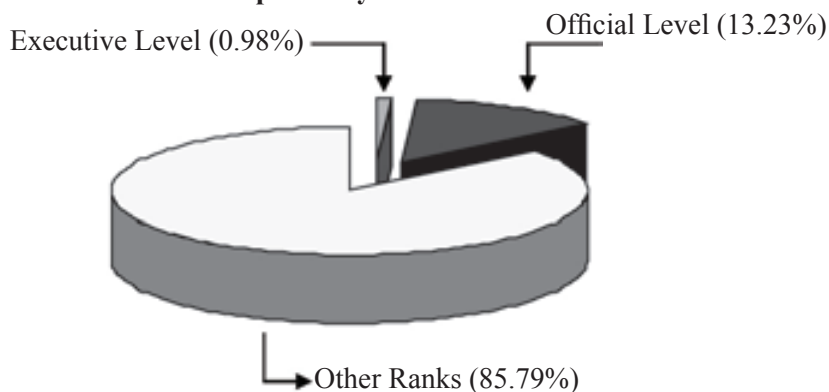
Illustration 2
Manpower by Function



Of the total employees, 206 (18.41%) work in the Administration Department, 48 employees (4.29%) in the Foreign Exchange Management Department, 62 (5.54%) in the Research and Training Department, 113 (10.10%) in the Accounts

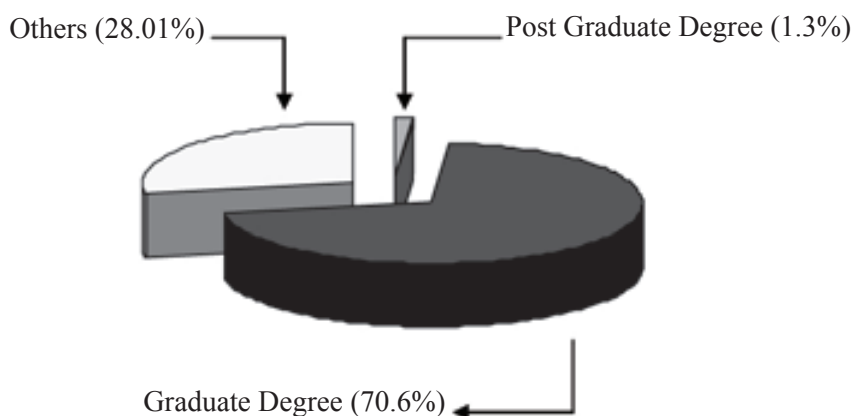
Department, 10 employees (0.90%) in the Banking Regulation Department, 113 (10.10%) in the Internal Audit and Bank Supervision Department, 464 (41.46%) in Currency Department, and 103 employees (9.20%) in the Bank Security Department.

Illustration 3
Manpower by Job Grade



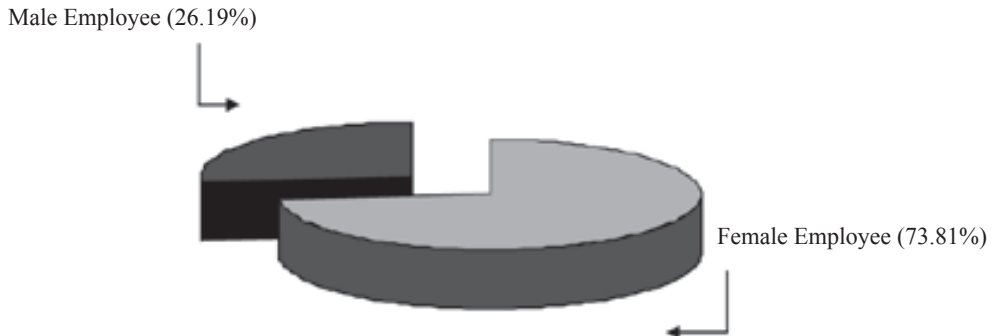
Of the total staff strength of 1119 in December 2008, 11 (0.98%) are at the executive level including one Governor, two Deputy Governors and eight Directors, 148 (13.23%) are at official levels, and 960 (85.79%) belong to other ranks.

Illustration 4
Manpower by Formal Education



As at the end of June 2008, out of a total of 1153 employees, 15 (1.3%) have post graduate degrees, 815 (70.6%) graduate degrees and 323 (28.01%) with other qualifications.

Illustration 5 Manpower by Gender



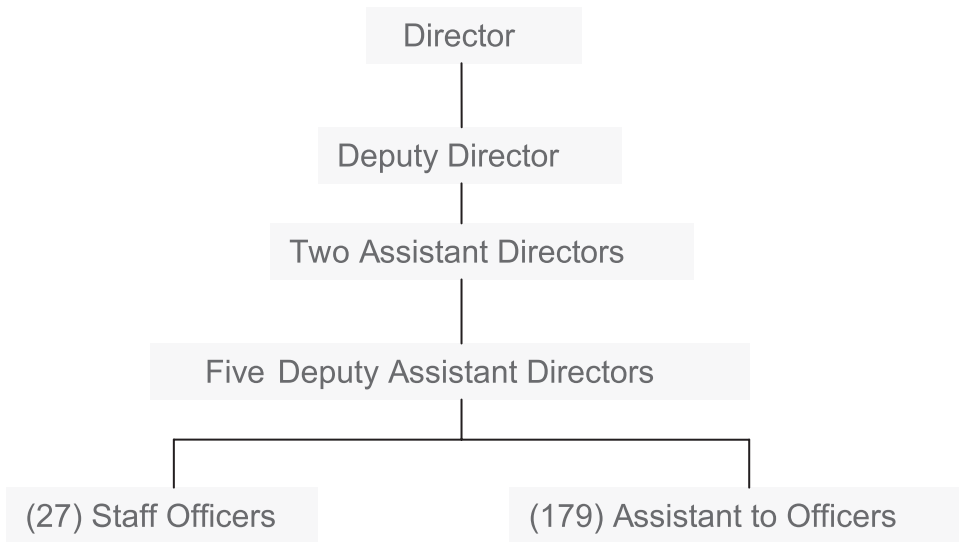
Of the total workforce of 1153 as at end of June 2008, male employees number at 302 (26.19%) while female employees at 851 (73.81%), with the proportion of female employees to total workforce at 73.81%.

2.2 General Profile of the Administration Department

According to data as at the end of June, 2008, there are 206 staff in the Administration Department including one Director, one Deputy Director, two Assistant Directors, five Deputy Assistant Directors, 27 Staff Officers and 179 belonging to other ranks. The Administration Department is responsible for supporting needs of HR of other departments in the Bank. There are 8 sections in the Department, and each section is supervised by an officer, who report to their respective superiors, who in turn report to the head of the Department. The head is answerable to the Deputy Governor and Deputy Governor to the Governor. The 8 sections as follows: the Secretariat Board; Recruitment, Promotion and Placement; Payroll and Leave; Maintaining Discipline; Pension; Maintaining and Proceeding State's Confiscated Properties; Procurement and Maintenance of office-use Furniture; Procurement and Maintenance of Office-use Machinery Tools and Parts; Procurement and Maintenance of office-use Stationery and General; Engineering; Building; Public Relations; and Automobiles and Budget.

Chart 2

**Organisation Structure of the Administration Department
(30 June 2008)**



2.2.1 Recruitment and Placement

Recruitment is a form of business competition, which can be fierce in today's context. Recruitment begins with the specification of human resource requirements (numbers, types of knowledge, skills, abilities, and other characteristics that an organisation needs). Regardless of the size and type of industry, recruitment and selection of people with strategic relevant abilities is more important than ever.⁷

In the recruitment process, the CBM, at first, identifies vacant job positions for each department out of the total strength approved by the authorities, the qualifications required for these job positions, and how many to be recruited internally and externally (the ratio between internal and external recruitment depends on capabilities and potentials of present employees and demands for talent and fresh ideas). It then makes an application, for the filling of the vacant positions, to the Ministry of Finance and Revenue (MOFR) and lastly, to the Government Office for approval. After approval by the above mentioned agencies, the Bank makes recruitments for the positions internally and externally.

⁷ Wayne F. Cascio, *Managing Human Resources*, McGraw-Hill Company, 2003, P.201.

The internal recruitment process (or the promotion process in the bank) includes written and viva examinations, and subsequent placement in each department. However, the process of recruiting externally for vacant positions is different for different levels of positions.

External recruitment for some key positions is filled by nomination. The process of external recruitment for junior gazetted officer level includes: (1) announcement through newspapers (2) application for vacant job positions (3) written examination conducted by the Civil Service Selection and Training Board (4) interviewing the applicants who have passed the written examination and finally (5) selecting the suitable candidate. This process is implemented by the Civil Service Selection and Training Board. After this process has been completed, the selected candidates need to be recommended by the Ministry of Home Affairs for the appointments for security reasons, by the Ministry of Planning and Economic Development for reviewing organisation structure, by the Ministry of Finance and Revenue for budgeting, and by the Ministry of Labour for appointing in accordance with internal labour practice, after which they would need to complete the Civil Service Training Course. After that, all appointed candidates have to sit for the Central Banking Course conducted by the Central Bank, after which the appointed junior gazetted officers will be placed in departments which have the vacancies.

However, the process of external recruitment for other levels consists of: (1) application for vacant job positions (2) screening the applications (3) written examination conducted by the bank (4) interviewing the applicants who have passed the written examination (5) selecting the suitable candidates (6) placement of the candidates in the required departments. All fresh applicants for recruitment also need to pass the medical examination.

There is, however, a limitation on recruitment. The Bank cannot recruit more than 75% of the total employees allowable for the Bank to employ according to internal rules. According to data as at end of December 2008, the CBM is allowed to employ a total of 1522 employees including 181 officials and 1341 other ranks. At present, the CBM employs 159 officials (87.85 % of officials allowed by rule), and 960 other ranks (71.59 % of total assistants to officials allowed by rule). In sum, the bank employs 1119 staffs (73.52 % of total employees allowed by the rule).

2.2.2 Transfer/Rotation

Transfers between the head office and branches, and transfers between departments are based on the requirements of the departments. However, there is no regular rotation system between departments because the bank realises the advantage of the specialisation of employees in relevant fields.

2.2.3 Training and Development

As the structure of organisation continues to change – through downsizing or expansion – the training and development programmes continue to grow. Improving new skills is another area of human resource management, known as training and development.⁸

Individual training needs, gaps between desired performance and actual performance, may be filled by training. Training consists of planned programmes designed to improve the performance of the individual, group, and/or at organisational levels. Improved performance, in turn, implies that there have been measurable changes in knowledge, skills, attitudes, and/or social behaviour.⁹

The following five characteristics are needed to distinguish an organisation with the most effective training practices:

- (a) Commitment of top management to training and development
- (b) Training which is tied to the organisation's objectives
- (c) A comprehensive, systematic approach to training exists; training and retraining are done at all levels on a continuous, ongoing basis.
- (d) A commitment to invest the necessary resources, to provide sufficient time and money for training
- (e) Training which is linked to employees' motivation¹⁰

The Bank conducts in-house professional training courses and IT training courses. The Myanmar Bank Association (MBA) which consists of state-owned banks namely: the Central Bank of Myanmar (CBM), the Myanmar Foreign Trade Bank (MFTB), the Myanmar Investment Commission Bank (MICB), the Myanmar Economic Bank (MEB) and the Myanmar Agricultural and Development Bank (MADB), and all private commercial banks, also conduct basic banking training courses and issue diplomas in banking training courses for trainees from those banks. Trainers who conduct in-house professional training courses are senior

⁸ <http://www.answers.com/topic/human-resource.management>

⁹ Wayne F. Cascio, *Managing Human Resources*, McGraw-Hill Company, 2003, P.290.

¹⁰ Wayne F. Cascio, *Managing Human Resources*, McGraw-Hill Company, 2003, P.295

officials from the banks, professionals from the universities and other related sectors. There is a linkage between the performance of the trainees and pursuit of a higher diploma in banking training courses. The trainees who have completed the general banking course amongst the top 20 are allowed to pursue the diploma course. For foreign training courses, however, due to limited funds, the Bank is unable to send its employees for foreign training on its own accord. However, the Bank receives sponsorship for training from international organisations such as IMF, ADB, World Bank, SEACEN, and others like JICA, KOICA, etc.

An applicant applying for participation in foreign training courses sponsored by above mentioned organisations, is selected, nominated and recommended by the head of the Research and Training Department, and reviewed and selected by the Governor, and later approved by the MOFR and Foreign Affairs Policy Committee.

2.2.4 Performance Evaluation

Performance management is part of a continuous process of improvement over time, and demands daily, not annual, attention. Performance management requires the willingness and commitment to focus on improving performance at the individual as well as team level on a daily basis.¹¹

Managing for maximum performance requires that managers do three things well:

- (a) Defining Performance: setting specific, challenging goals; deciding how to measure accomplishment; and providing regular assessments of progress.
- (b) Facilitating Performance: eliminating roadblocks to successful performance; providing adequate resources to get a job done right and on time; paying careful attention to selecting employees.
- (c) Encouraging Performance: providing sufficient amount of rewards that employees really value in a timely and fair manner.

Performance appraisal plays an important part in the overall process of performance management. Almost all organisations practice performance appraisal in one form or another to achieve certain objectives.

There are two primary objectives behind the use of performance appraisal namely: as an evaluation system and feedback system. The aim of the evaluation system is to identify the gap between the actual performance of the employee and that required by the organisation. The aim of the feedback system is to inform the

¹¹ Wayne F. Cascio, *Managing Human Resources*, McGraw-Hill Company, 2003, P.330-331.

employee about the quality of his work or performance. Performance appraisal should put emphasis on individual objectives, organisational objectives and also mutual objectives.

Some of the popular performance appraisal methods include (1) ranking of all employees in a group; (2) using rating scales to define above-average, average, and below-average performance; (3) recording favourable and unfavourable performance; and (4) managing by objectives.

Performance Appraisals serve several purposes, including (1) guiding human resources actions such as hiring, firing and promoting; (2) rewarding performance through bonuses, promotions, and so on; (3) providing feedback and identifying areas for improvement; (4) identifying training and development needs in order to improve the individual's job related data useful in human resources planning.¹²

Performance appraisals serve the following processes:

- (a) to improve employees' work performance by helping them realise and use their full potentials in carrying out their organisation's objectives,
- (b) to provide information to employees and managers for use in work-related decisions.

From an employee's perspective, lack of regular feedback about performance detracts from his or her quality of work life. The cost of failure to provide such feedback may result in the loss of key professional employees, the continued poor performance of employees who are not meeting performance standards, and a loss of commitment by all employees.

In the CBM, performance evaluation is carried out by the supervising staff of the relevant section. Performances of the employees are evaluated only when the superior is considering subordinates for promotion. There are 10 factors in the performance evaluation and these include (1) willingness to work, (2) competency (3) credibility (4) learning (5) effort (6) innovation-minded (7) discipline (8) helpfulness (9) social relation (10) leadership skill. Every superior will rate his/her subordinates according to the above factors up to a maximum of 10 points for each factor. After the employees' performances have been evaluated by the supervisor and reviewed by the head of the department, the evaluations are sent to the administration department, and finally to the Board.

¹² <http://www.answer.com/topic/human-resource-management>

The performance evaluation is not linked to any reward (such as pay increase, training), but only in consideration for promotion. However, generally, the linkage between performance and promotion is not significant because the subordinates are normally rated highly by supervisors who rates, based on the general performance and not just specific performance.

2.2.5 Promotion

For promotions of junior officers, the Central Bank uses the same process of open competition as junior gazetted officers, but with the written and viva examination conducted by the Central Bank itself. When a lower category vacancy than junior gazetted officer comes up, the Bank gauges the merit for promotions by conducting only written and viva examinations.

For promotions, the selection body takes the following into consideration:

- (a) performance evaluation by head/director of the relevant department (allocating points up to a maximum of 100 points, i.e., 10 points for each factor mentioned in 2.2.4)
- (b) interview by the selection body (up to a maximum of 50 points)
- (c) service rendered

Only employees who agrees to the following stipulations of the contract: (1) of not resigning and working at least for two years in the Bank after the promotion, and (2) agreeing to work at either the head office or branch offices as instructed by the Bank, are promoted.

2.2.6 Remuneration, Compensation and Benefits

The Bank has a single remuneration and bonus system which has been in practice since the early days of the Central Bank of Myanmar. A good compensation system (payment in the form of hourly wages or annual salaries); benefits (insurance, pensions, vacation, sick days, etc); and intrinsic satisfaction (good work environment, interesting work, etc) should be provided because an employee's performance can be influenced greatly by these.¹³

The CBM provides hourly wages for overtime work, pensions for invalids, maternity leave for 3 months, and medical leave for 6 months on half-month salary. Although the Bank no longer practices the bonus system, it provides a monthly so-called bonus of about two-fifth of the monthly salary for the lowest ranking employees working at the head office at Nay Pyi Taw.

¹³ <http://www.answers.com/topic/human-resource-management>

The Bank also provides housing facilities for employees, charging rental of 10% of the employees' salaries, as well as transportation facilities from home to office free of charge. The Bank also provides healthcare facilities and sponsors sport tournaments for employees.

2.2.7 Talent Management

Talent management refers to the process of developing and integrating new workers, developing and keeping current workers and attracting highly skilled workers to work for the organisation.¹⁴ Regarding this, the CBM undertakes the following for managing talent: conducting internal training courses, and sending employees for external training courses organised and conducted by international institutions to develop the capabilities of the employees; conducting monthly seminars and workshops on central banking issues. Recently, the Bank has set the qualification criteria for applicants from outside the Bank, applying for positions as junior gazetted officers, i.e., the Bank will only consider Master's degrees in economics for applications for this level.

2.2.8 Retirement Age

Employees in the Bank have secure long life work environment. The voluntary retirement age is 60 and voluntary service life is 30 years.

3. Relation between Objectives of the Central Bank and Human Resource Management

The aim of the Central Bank is to preserve the internal and external value of the Myanmar currency. In accordance with its aim, the Central Bank endeavours to attain the following objectives:

- (a) to promote efficient payments mechanisms, and liquidity, solvency, and proper functioning of a sound financial system;
- (b) to foster monetary, credit and financial conditions conducive to orderly, balanced, and sustained economic development;

To achieve these goals and objectives, CBM performs the following core functions:

- (a) acts as the sole issuer of domestic currency, either bank notes or coins;
- (b) acts as a banker to the government by maintaining the accounts of the government;

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Talent management - Wikipedia, the free encyclopedia

- (c) acts as advisor to the government with respect to economic matters such economic development policies and plans, and the State budget;
- (d) act as advisor and agent of the government for the issuance of government securities;
- (e) formulates and implements monetary policy to achieve the objectives in accordance with its aim;
- (f) inspects, supervises and regulates the financial system to ensure its sound and safe operation and development;
- (g) acts as a banker for the financial institutions and to foreign governments and international agencies
- (h) implements the exchange rate policy of the State and act as agent of the government, controlling foreign exchange transactions;
- (i) manages the international reserves of the State and undertake the responsibility of carrying out necessary measures to ensure a stable and viable balance of payments position which will permit the normal settlement of international transactions by residents;
- (j) performs transactions resulting from the participation of the State in intergovernmental transactions in the banking, credit and monetary sphere and undertaking all the responsibilities in the name of the government dealing with the aforesaid transactions on behalf of the government.¹⁵

These core functions are performed by eight departments namely: the Administration Department, the Foreign Exchange Management Department, the Research and Training Department, the Accounts Department, the Banking Regulation Department, the Internal Audit and Bank Supervision Department, the Currency Department and the Bank Security Department. There Bank is managed by the Board of Directors, the Executive Board, the Advisory Committee, and the Coordination Committee. The Administration Department is the supporting department for other departments.

The major functions of HRM undertaken by the Administration Department include recruitment; placement; transfer; rotation; collating performance evaluations of each department head and reporting these to the Deputy Governor; payroll and leave; maintaining discipline; staff wellbeing; activities regarding HRM of other departments. However, the training and development of staff capacity are undertaken by the Research and Training Department and the Myanmar Banks Association (MBA).

¹⁵ Central bank of Myanmar law, 2nd July 1990, P 5-7.

4. Challenges, Risks and Issues in Human Resource Management

This section identifies challenges, risks and issues regarding human resource management in the Central Bank of Myanmar.

4.1 Challenges

Challenges here can be defined as problems which the Central Bank is facing in human resource management, particularly new problems arising from changes in economic environment which are influencing policies and functions of the Central Bank. The challenges that the CBM are now facing are as follows: filling the requirements for staff in order to meet the Bank's objectives; upgrading the quality of the employees; improving motivation of employees; achieving a more balanced proportion in staff gender and ratio of officials to other ranks.

4.1.1 Fulfilling the Quantity of Employees Needed to Meet CBM's Objectives

Before the British invaded Myanmar in 1885, the capital of Myanmar was Mandalay which is located in the central part of the country. During the British administration, the capital was moved to Yangon, which is located in the lower part of the country, with and government offices and administrative agencies located there. In 2006, Myanmar moved the capital from Yangon to Nay Pyi Taw (NPT) which is about 250 miles from Yangon. As government offices and administrative agencies have been relocated to the new capital, government employees also needed to relocate. After the relocation to NPT in 2006, some Central Bank staff (mostly ranked below officer level) resigned due to difficulties in relocation. In order to maintain talents, the CBM is considering ways and means to enhance staff's social benefits.

The Central Bank also need to consider the requirement for quality staff to improve organisation's performance and take measures either to maintain or strengthen staff strength depending on the nature of departmental work. Some departments need to increase staffing while others need to downsize. In the departments which need to maintain or strengthen its employees' strength, existing staffs are facing difficulties in handling functional operations, causing inefficiency.

4.1.2 Upgrading to be Skilled/Qualified Staff

Because the Central Bank is responsible not only for adopting and implementing monetary policy but also for monitoring and supervising all other state-owned banks and private banks, the Central Banking functions should be

run smoothly and efficiently. To do so, the Central Bank's human resources, the most conducive mechanism to achieve the organisation's objectives, should be skilled and qualified. As mentioned above, because Myanmar adopted a closed economic system until 1988, the CBM is not robust enough yet to keep up with the ever changing situations in financial markets and for this, the CBM needs to have efficient, qualified and talented staff to keep pace with the rapid developments in the financial markets.

4.1.3 Improving Employees' Motivation

The organisational reward system to improve employees' motivation includes things that employees value and desire, and which employees are able and willing to offer in exchange for their contributions. The employer provides compensations for those contributions. The reward system should include both financial and nonfinancial rewards. Financial rewards include direct payment (e.g., salary) plus indirect payments in the form of employee benefits (security and health, paid vacations, and employee services). Nonfinancial rewards include things in a work environment that enhances a worker's sense of self-respect and sense of being respected by others (e.g. work environments that are physically, socially, and mentally healthful; opportunities for training and personal development; effective supervision; job satisfaction and recognition).

Less competitive wage levels, especially for skilled and qualified employees, in the public sector in comparison to the private sector are main contributors for less motivation. This is fuelled by added difficulties faced by employees arising from the relocation to the new capital. In light of this, public sector salaries were raised in fiscal year 2006-2007. At present, the gap between the compensation levels of the public and private sectors have been narrowed.

4.1.4 More Balanced Gender Proportion

Over the years, the proportion of women in the labour force has been increasing in most organisations mainly due to the following five factors:

- (a) changes in the family – a declining birth rate contributed to women giving more time to their work
- (b) changes in education – increasing number of women getting a formal education and entering into the workforce
- (c) changes in social trends –many women need to enter into the workforce to keep pace with changing lifestyles and social trends

- (d) changes in technology have reduced the physical effort and time required to accomplish tasks
- (e) there has been an increasing shift away from goods production towards service-related industries in which women can contribute effectively¹⁶.

The proportion of female employees to total employees in the CBM is 73.81%, which may be the result of the increasing number of educated women, social trends that require women to enter into the workforce, and also due to the attraction of the business sector for men rather than government offices.

With a higher proportion of female workers, performance may be lower, especially for women who are working mothers who may be less committed to their work if they are also responsible for their families and households. Although the number of female employees in the total workforce is increasing, the proportion of female executives to total executives/managerial positions is only 20% (8 male executives and 2 female executives).

4.1.5 Ratio of Officials to Other Levels

To successfully implement the Bank's objectives, the CBM should have more proportion of officials to total employees. According to data as at end of December 2008, the ratio of officials to other ranks in the CBM is 1:6.04. As for the Administration Department, which is the supporting department for other departments, the ratio of officials to other ranks is 1:6.36.

4.2 Risks

Risks, in this paper, can be defined as changes which a central bank may face when it operates the existing HRM system or introduces new HRM systems or ideas to cope with challenges.

If the challenges mentioned in 4.1 are to be overcome by the Bank, the performance of the Bank will need to be improved. If the Bank continues to practice the existing HRM system, it will be faced with difficulties in achieving the CBM's objectives in the midst of the present difficult financial and economic environment. Due to limited funds, the Bank cannot outsource for external expertise.

¹⁶ Wayne F. Cascio, *Managing Human Resources*, McGraw-Hill Company, 2003, P.133-134.

4.3 Issues

Issues, in the context of this paper, can be defined as tasks which the Central Bank should do considering challenges and risks, and how to support the aim and objectives of the Central Bank from the HRM point of view, i.e., how to recruit; how to train; how to transfer or promote; and how to motivate staff. The Bank should consider pursuing the following areas to support its aim and objectives:

- (a) Employees who had undergone internal and foreign training should actively and enthusiastically contribute, apply and share the knowledge and experience they had gained from training courses.
- (b) Supervisors should not only assign routine tasks to subordinates but also upgrade the employees' skills, and rate employee's performance.
- (c) The Bank should upgrade employees' motivation by giving incentives. If cash or bonuses are not yet possible, they should be in kind - incentives based on performance (i.e., performance-based incentives) to upgrade the employees' skills, knowledge, talent, competency, etc., which in turn will improve the Bank's performance to meet Bank's objectives.
- (d) As Central Bank work required qualification and talent, the ratio of officials to other ranks in the CBM should be at about 1:3. And due to the nature of supporting work of other departments, the ratio of officials to other ranks in the Administration Department should be about about 1:4 or 5.
- (e) The Bank should give the right training to the right people in order to create and maintain a well-trained and stable work force.
- (f) The right number of staff, neither surplus nor shortage of staff (nor underrutilising), should be deployed, and to ensure that all staff are making an effective contribution to the organisation.
- (h) The Bank should carefully analyse the reasons for resignations, estimate the cost that will be incurred to the organisation, and attempt to resolve problems before the resignations as this may prove to be a cheaper and simpler solution for the organisation.

5. Suggestions

Considering the above challenges, risks and issues, the following recommendations are suggested:

- (a) The Bank should transform the Administration Department into a General Service Department and Human Source Department.

- (b) The Bank should conceive a clear vision to inspire people and know where the organisation is going and what it is trying to achieve in the future, for instance, “To become a credible and successful CBM”.
- (c) The Bank should implement a HR plan which will support the best deployment of human resources and that can assess future recruitment needs, anticipate and possibly avoid redundancies, formulate training programmes, develop a promotion and career development policy. The Bank should proceed with assessing the organisation’s human resources needs in light of the organisational goals and making plans to ensure that a competent, stable workforce is employed. The ultimate goal of the HR plan should be to meet the Bank’s aim and objectives.
- (d) The Bank should assess and formally revise the evaluation for employee performances on a periodic basis with the end goal of improving organisational performance.

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HUMAN RESOURCE MANAGEMENT IN NEPAL RASTRA BANK

by Kiran Pandit¹

1. Introduction

1.1 Background

Nepal Rastra Bank (NRB), the Central Bank of Nepal, was established in 1956 under the Nepal Rastra Bank Act, 1955. The new NRB Act was promulgated in 2002. Primary functions of the Bank, as stated by act, are:

- to formulate necessary monetary and foreign exchange policies to maintain price stability and consolidate the balance of payments for sustainable development of Nepal's economy;
- to develop a secure, healthy and efficient system of payments;
- to supervise the banking and financial system in order to maintain its stability and foster its healthy development; and
- to enhance public confidence in Nepal's banking and financial system.

To address the challenges of an ever changing financial system, NRB has formulated the Strategic Plan (2006-2010). This Plan states bank's vision and mission as:

Vision: "A modern, dynamic, credible, and effective Central Bank."

Mission: "Maintaining macro-economic stability through sound and effective monetary, foreign exchange, and financial sector policies".

The Bank has formulated clear strategic objectives and guidelines to attain these mission and vision. Among others, "*enhancing the Bank's productivity and efficiency through proper development and effective utilisation of human resource*" is very relevant at the moment. For this, the Bank aims *to develop and manage human resource for attaining the objectives of the Bank*. The Bank has emphasised the significance of the utilisation and development of human resources along with the emerging trends, innovations and introduction of new technology

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in the financial sector. However, recruiting and retaining, quality manpower and upholding the morale of the staff, devising an appropriate succession plan, and maximising staff productivity still remain as challenges. (Strategic Plan 2006-2010, NRB)

1.2 Objectives of the Study

1.2.1 The Primary Objectives

Being a collaborative research project, this study aims for an overall comparison of the Human Resource (HR) practices among central banks/monetary authorities in the SEACEN region so that the member countries will be able to measure their HR practices against those of other central banks, identify best practices and recommend improvements.

1.2.2 Specific Objectives

1. To explore the issues, challenges and risks in HR practices of the Bank.
2. To identify guidelines for effective HR profile for the central bank for the near future as a strategic response; and
3. To identify the best solutions and policy guidelines for the problems in the organisation.

Since financial world is getting increasingly complex, the challenge of matching the right talent in right job at right time is also growing significantly. To cope with such challenges, HR practice today should be strategic oriented. As such, we can hope that this study will provide insights into adopting the best practice as a strategic response for the near future.

1.3 Significance of the Study

Organisational effectiveness, success and its development depend on the utilisation of the human talents in the organisation for the attainment of organisational goals. Organisations which emphasises the use of human talents will succeed in achieving their targets. NRB also firmly believes in the principle of the ‘right person for the right job’.

The Strategic Plan of the Bank has emphasised the effective management of human resources. As with other entities, it is an ongoing challenge for NRB as well, to adopt the best practices in Human Resource Management (HRM).

This comparative study on HR is the first of its kind for NRB and it will be important for highlighting the prevailing HR issues in the SEACEN member

banks. Along with these issues, central banks can also derive policy guidelines as effective ways to cope with issues in today's dynamic financial world. This study is also a platform where the member countries can share their experiences on HR, problems that they are facing and what are the best alternatives for resolving those problems.

1.4 Limitations of the Study

This paper is limited to the study of HR practices in NRB only, as one of the country chapters. The time frame of 2 months for this chapter has also limited the extent of the analysis and the study has not included other functions of central bank other than HR.

2. General Profile of HRN in NRB

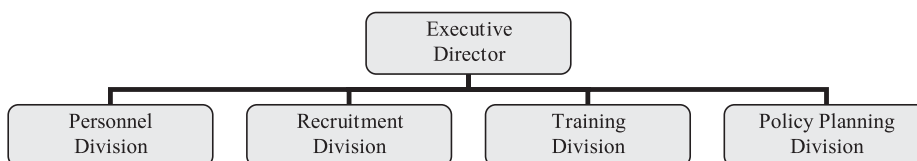
2.1 HRM Department

The HRM Department (HRMD) is one of 18 departments in the Bank. The Bank also has 7 offices outside Kathmandu Valley (see Annex 1). The HRMD looks after the HR functions and personnel administration.

2.1.1 Role of the Department

As emphasised in the Strategic Plan of the Bank, the role of HRMD is to ensure the supply of the appropriate manpower at right place and at the right time for attaining the overall objectives of the Bank.

Figure 1
Structure of HRMD



There are four divisions in HRMD, all of which report to the Executive Director who reports to the Deputy Governor in charge:

- Personnel Division: handles all the personnel record keepings, transfers/job rotations, placements and secondments.
- Recruitment Division: fills vacant positions. All the duties concerned with the recruitment are performed by this unit.

- Training Division: works in close cooperation with Bankers' Training Centre (BTC) for the domestic training and maintain relationship with foreign organisations for international training.
- Policy Planning Division: proposes the changes in policy and amendments in the bylaws and working procedures. It also facilitates the negotiations between top management and unions.

2.2 HRM Functions

2.2.1 *HR Planning*

Every year, the Bank determines the number of cadres on the basis of work load and future plans. The Bank has also recently prepared a Mid-Term HR Plan which is in the final stage of completion. This plan will forecast the need/demand and supply of human resources for the coming five years.

2.2.2 *Recruitment and Placement*

The Bank has the policy of filling vacant positions either internally, externally and promotions based on performance. The percentage of recruitment from outside (open competition), internal competition and promotions are determined by the Staff By-Laws of the Bank. The Bank would make an open call for applications for external recruitment, conduct competency examinations and interviews to select the best candidate. For the internal recruitment, the Bank would also conduct examinations and interviews.

The Bank has a generalised recruitment policy, except for technical/specialised departments and positions such as information technology, legal, and other technical grades such as electrician, plumber etc. These general staff can be deployed or placed at any department.

2.2.3 *Transfer/ Rotation*

Transfers or rotations are done on a needs based approach. Usually staff are transferred every 2-5 years or so, depending on the nature of the job. Likewise, the Bank seconds its staff for various assignments within the Bank as well as for other government bodies and international bodies such as the Ministry of Finance, Planning Commission, The SEACEN Centre, IMF etc.

2.2.4 *Performance Appraisal*

Every staff is evaluated biannually. Staff By-Laws have prescribed criteria for the appraisal. The Supervisor rates her/his subordinates on those criteria

which will be reviewed by a committee and after approval, the ratings are kept confidential.

2.2.5 Promotion

The Bank has set two paths for promotion - one is via internal competition and other is performance appraisal based promotion. Once a staff has completed a minimum period of service he/she becomes eligible for the competition. On the other hand, performance based promotion takes into consideration appraisal results, seniority, regional experiences (experience at branch offices) and academic qualification. The weightage of these factors are determined by the Staff By-Laws of Bank.

2.2.6 Training and Development

Periodically, the Bank conducts a survey for training needs-assessment. On the basis of the needs-assessment and the invitations from international organisations, staff are nominated to attend learning events. The Bank currently sends its staff mainly to the IMF, The SEACEN Centre, Asian Institute of Technology (AIT), SAARCFinance, etc for the overseas training. Meanwhile, the BTC conducts a survey for training demand annually to formulate its training calendar.

2.2.7 Remuneration and Benefits

The Bank has a fixed schedule of remuneration which applies to all staff. There are also fixed benefit schemes for staffs such as housing loans, medical allowance, lunch allowance, various leaves, annual grades etc.

2.3 Employee Profile

There are 1518 staff at Bank as of 22 June 2008, among which only 13.37% are female. 539 are in the officer grade while 979 are in the assistant grade, making the officer to assistant ratio, 1:1.81. Detailed figures are presented in Annex 2 .

3. Linkage Between Strategic Plan and HRM

3.1 Strategic HRM in NRB

The Bank's Strategic Plan contains strategic objectives and guidelines together with other strategies grouped as functional strategies and management strategies.

Bank's Vision, Mission, Core Values, Strategic Objectives and Strategic Guidelines

Vision

"A modern, dynamic, credible, and effective Central Bank."

Mission

"Maintaining macro-economic stability through sound and effective monetary, foreign exchange, and financial sector policies".

Core Values (CREATE)

C = Credibility

R = Responsibility

E = Efficiency

A = Accountability

T = Transparency

E = Effectiveness

Strategic Objectives

- Formulate necessary monetary and foreign exchange policies in order to maintain price and balance of payments stability for sustainable development of the economy and managing it;
- Promote financial stability and ensure adequate liquidity in the banking and financial system;
- Develop a secure, healthy, and efficient currency management and payments system;
- Regulate, inspect, supervise, and monitor the banking and financial system; and
- Promote and develop the overall banking and financial system, and enhance accessibility and its public credibility.

Strategic Guidelines

- Develop long-term vision of the Bank and implement it through medium-term and annual strategic plans.
- Formulate and implement sound and effective monetary, foreign exchange, and financial sector policies.
- Formulate and implement sound, efficient, and effective regulatory and supervisory system to make financial system healthy and stable.
- Reengineer the organisational structure of the Bank.
- Formulate and implement strategic human resource planning and development.
- Develop and implement management information system.
- Automate and modernise payments and settlement system of the country.

The Strategic Plan has provided a clearer picture for the future human resource structure in the Bank. Part of the Plan includes downsizing/rightsizing the number of assistant level staff and narrowing down the existing non-proportional gap between the officer level and assistant level staff in the long run. Thus, the HR Plan is primarily for ensuring the supply of suitable manpower, in terms of the quantity and quality, to enable all departments and offices to achieve the strategic objectives.

The following are strategies and initiatives of the Human Resource Department that are geared toward addressing the central bank's objectives:

1. Skill development will be the major process for enhancing productivity;
2. Policy oriented departments such as research, regulation, supervision, etc, will have more officer-level staffing;
3. The policy of the "right person for the right job" will be implemented through appropriate placements;
4. The Bank will review best HR practices of selected central banks of the Asia and Pacific region and will internalise these best practices to ensure that its human resources management are on par with international standards;
5. NRB will adopt measures such as appropriate selection process, flexible-recruitment, proper placement and transfer policy and introduce plans on appropriate career development;
6. The Bank will implement effective succession planning to manage operational risks;
7. A new performance evaluation system with objective indicators, will be introduced to strengthen performance management system of the Bank;
8. The Bank will utilise information technology such as the computerisation of personnel records, upgrading of PRS and create a personnel information desk to bring HR management up-to-date.
9. Outsourcing of non-core functions such as note sorting and counting, fund transfer, and transport services and other support services will be carried out;
10. The existing training and learning policy will be reviewed and modified according to requirements;
11. The existing BTC will be restructured to meet the Bank's internal training needs. The Bank will initiate the set up of a new National Institute for Banking, Finance and Insurance to cater to the learning needs of the entire financial industry.

The Bank has prepared a mid-term HR Plan (in the final stage of completion) for the period of 2008-13, with reference to the overall Strategic Plan of NRB.

All departments were requested to report their HR requirements (demand) based on the departmental strategic plan. After receiving their responses, the HRMD analysed the requirements of HR in view of objectives of the Strategic Plan for the departments. This mid-term plan has also recommended some measures to meet HR needs on a timely basis. The HR Plan will further strengthen the linkage between the Bank's Strategic Plan and HR functions.

In the Bank's Organisation Structure (Annex 1), HRMD is in the Support Service Group, illustrating that HR initiatives in the Bank are mainly to ensure the availability of suitable manpower at right time in the core departments. Each department of the Bank has formulated their own strategies and action plan and based on these, departments have forecasted their HR needs in terms of numbers and qualification, which is further compiled and analysed as a whole in the HR Plan. The HR Plan also recommends the necessary future actions to meet the needs of the departments and provides information on issues such as the recruitment of the type of manpower, categories of HR which are overstaffed, necessary right sizing and so on.

4. Challenges, Risks and Issues

Every organisation has its own challenges, risks and issues in its structure and functions and it is not different for NRB which also faces challenges, risks and issues in HRM practices.

4.1 Challenges

4.1.1 Matching Trainings Need with Supply

The Bankers' Training Center (BTC) and HRMD of the Bank periodically conduct Training Need Assessment Surveys to determine the training needs of each department and office. On that basis, the Training Division of the HRMD endeavours to match the requirements and the provision of training. The BTC determines its internal training calendar based on the assessment survey but has less control for the international training. The Bank is sending staff to participate in the training provided by International Monetary Fund (IMF) (in US, Singapore and India), The SEACEN Centre, Deutsche BundesBank, Germany, AIT, Financial Stability Institute (FSI) of the Bank for International Settlements - BIS Switzerland, Reserve Bank of India – RBI, etc.

One challenge is that the BTC has limited resources and is therefore unable to cater to every need of individuals and departments. Moreover, training provided by international bodies is not always appropriate for the NRB. These are usually

designed for the emerging/new issues for advanced or developed financial systems and are not able to address the requirements of Nepal which has a financial system which is developing.

However, on a positive note, the Bank have been sending 120 staff annually to the Asian Institute of Technology, Bangkok, for the tailor made training programmes on topics such as HRM, General Banking, Regulatory and Supervisory Framework, etc. The Bank is also trying to increase the number of similar tailored made training programmes that will meet the requirements of the Bank but due to the high costs involved, it has been a great challenge to design such training courses.

4.1.2 Satisfaction and Retention of Quality Staff

So far, the Bank has been successful in attracting and recruiting talented human resources from the market. However, there have been instances of talented staff leaving the Bank, the reasons for which has yet to be determined. Nevertheless, it is quite obvious that this is the result of increasing competition for talent in the job market. Private financial institutions are becoming increasingly dynamic and competitive in attracting talent, with effective head-hunting and attractive remuneration packages.

In such circumstances, NRB being a large public organisation, has been finding it a major challenge to implement dynamic policies to retain talents in the Bank. The Bank's recruitment and retention mechanism is not very dynamic in comparison to the private business houses. The Bank must take appropriate retention measures to motivate quality staff. Strategies for right placements; right motivational tools and right benefit package to should be put in place for retaining talent.

4.1.3 Dynamism in HR Practices

In the present day, advancements in technology and innovation are occurring at a rapid pace and increasing the complexity of the financial system. In order to keep up with these developments, the NRB has to be dynamic and efficient in its policies to supervise and regulate financial insitutions in the system. However, being a public institution, its policies are still lacking in flexibility. The Bank is trying to be more more dynamic in its HR polcies to meet these challenges

4.2 Risks

4.2.1 Talent Loss

Employee turnover, if measured in terms of percentage, is not very high in the Bank. Since April 2008, only seven staff have resigned, which is less than 0.5% and in the previous year, eight staff resigned (total number of Staff in the Bank for last 5 years are presented in Annex 3). Although the turnover is low, the Bank should not be complacent. Turnovers should not only be measured in terms of the numbers but should also be analysed in terms of the talent and quality. If seen in terms of quality, the Bank is losing mostly staff who have overseas degrees and chartered accountants. This shows that although the number is low, the Bank is losing talented manpower as a result of competition for talents in the labour market. As discussed in preceding section, it is a challenge for Bank to retain talents in today's competitive job market and measures must be undertaken to stem further 'talent loss' in the future.

4.2.2 Succession

The Bank has always been aware for the need of succession planning but it has been unable to implement a proper succession planning mechanism thus far. Being a large public institution, the Bank has in place a general recruitment policy. Due to the lack of set career paths, staff are rotated and transferred without reference to clear succession planning. Thus, the Bank needs to formulate clear succession goals for at least the key positions and top management levels. Otherwise, Bank may face critical talent gaps in key positions due to the lack of qualified successors.

4.3 Issues

4.3.1 Outsourcing

The Bank has turned to outsourcing in recent years to downsize the organisation and to focus only on the crucial functions. These had included outsourcing for areas such as the Bank canteen, gardening, courier, security, etc. Other support services that need to be outsourced include the printing function, IT related maintenance, software designing, recruitment and selection functions, cash handling mechanisms etc. However, due to discouraging past outsourcing experiences such as a fall in the quality in operations of the canteen, etc, the Bank is now quite reluctant to outsource other functions. This would need further research and studies on the best ways for outsourcing, if implemented properly, would relieve the Bank to focus more on core functions.

4.3.2 *Performance Management*

Performance management requires three things to be done: define, facilitate and encourage performance. It requires the constant willingness and commitment to focus on improving performance at the level of the individual or team. Performance appraisal is a necessary, but not sufficient, part of the performance management process (Cascio, 2006).

So far, the NRB is practicing a Performance Appraisal or Evaluation System whereby a superior officer rates her/his subordinates biannually, based on various indicators. This report with the individual's score is sent to the relevant department heads and ultimately to HRMD. The scores are kept confidential by the Recruitment Division of HRMD and are used when necessary for decisions on promotions.

The superior officers do not assign a set of goals for the subordinates in advance at the start of the year and they also do not agree officially on the goals. Usually, duties are assigned by the supervisors to the subordinates as and when they need to be accomplished. In such circumstances, supervisors rate the subordinates using indicators such as knowledge possessed by the individual, punctuality, diligence, loyalty, etc.

Therefore, while the Bank has a system which evaluates the individual, the performance of the staff is not managed. As the Bank lacks a performance management system, the indicators that are used to rate an individual are not the right Key Performance Indicators (KPI). Indicators such as knowledge, punctuality, diligence, loyalty, attitude toward work, discipline, honesty, etc., are mainly personal attributes that do not measure the output aspect or goal attainment. In addition, due to the lack of a proper performance management system, the Bank lacks a proper performance based reward system, career management and suitable motivational system. This appraisal system which is anachronistic and not very effective, needs to be replaced by a proper Performance Management System.

4.3.3 *Competency Based HR*

As a public institution, NRB's HR policies are highly influenced by the government's civil service policies. The Bank's HR practices are more general than competency based. The Bank currently, has a generalised recruitment and selection process; a single salary scheme applicable to all; fixed benefit packages; and blanket policies of transfers and promotions, all of which are traditional practices. The Bank therefore needs to update its HR practices to be more

competency-based and a model of talent management also need to be adopted. It is obvious that to achieve the strategic objectives, the Bank needs to first identify the required competencies and then recruit HR to fill those competencies and manage them accordingly.

5. Policy Guidelines

The Bank has officially formulated a Strategic Plan to cope with the future challenges in HR which include the following:

- Internalise international HR practices
- Formulate effective HR policies – recruitment policy, skill and ability based placement policy; transfer policy, new performance evaluation system, e-HR information system
- Introduce appropriate changes in employee bylaws
- Strengthen the HR planning and development system
- Establish a new National Institute for Banking, Finance and Insurance for catering to the needs of the entire finance industry (this institute will focus its activities on developing a core team of faculty/experts, conducting in-house/collaborative programmes, and conducting international training, academic and research programmes).

The Bank's HR practices are always guided by the Employee Bylaws. These bylaws can be amended only by the Board. To cope with challenges, mitigate risks and to resolve issues in HR, the NRB should implement the following recommended policy measures. While change is not likely to occur overnight, there should be efforts to overcome reluctance for change.

5.1 Automation and Outsourcing

The current practice of manual handling of cash should be automated in coming days. Counting and sorting related jobs should be fully automated with the reliable and efficient machines. Counter operations should also be fully computerised along with key departments such as Research, Supervision, HRM, General Service, Foreign Exchange Management, Financial Management to increase efficiency and reduce the need for operational level staff.

Support functions such as printing, recruitment, IT support service, maintenance and so on can be gradually outsourced to reduce the need for permanent recruitment. If carried out, the Bank will be able to increase efficiency, reduce the number of support level staff and be able to focus on its core functions to support the strategic objectives.

5.2 Competency Based HR

The NRB should move towards the model of competency based HR. Firstly, a study should be made to identify the required competencies in the core functions such as economic research, supervision and regulation of banks and financial institutions, foreign exchange management, public debt management, banking and currency management. Likewise, competencies for support services such as human resource management, information technology, legal and financial management should also be identified. Secondly, a competency assessment survey/study should be conducted to identify the competencies possessed by the Bank staff. Finally, these competencies should be best matched with recruitment, placement and transfer based on competency. In this way, the NRB can gradually move towards the talent based HR practices.

5.3 Career Paths

The current practice of general recruitment does not have in place a clear career development path for staff. Once the NRB initiates the competency based HR, paths for career development can be put in place based on required competencies to perform functions with staff having the option to select their career paths according to their competencies and skills.

5.4 Succession Plan

It has already been mentioned that NRB has always realised the need of succession planning. To start with, the Bank can first begin with the succession planning for the top level and key positions. The Bank should find the best successors from the talent pool and groom her/him in a timely manner to minimise the risks in talent gaps for key functions of the Bank.

5.5 Goal Based Performance Management System

The current practice of closed and confidential rating of individuals should be changed. The Bank has realised this need and is considering to change the current model of performance evaluation to a performance management goal based one where each individual is assigned tasks with agreed goals. Individuals will be rated based on the attainment of the agreed goals by their supervisors. The timely review of the performance and the feedback, which will be transparent, will also help individuals to improve on their job performance and support them to achieving their goals. However, the shift from the present confidential system to a transparent one would be quite challenging.

5.6 Performance Based Rewards

Outstanding performers should be given recognition and rewards as motivations. As was mentioned earlier, talent loss can be minimised if the right reward system is in place. The reward system must also seem to be fair as the rewarding of only high performers will discourage other staff. One way is to reward according to performance. However, the drawbacks of this system cannot be understated. A reward system should be looked at carefully before implementation and should ideally be one that encourages a low performer to strive harder.

As a public entity, the Bank will be constrained in becoming a ‘market-leader’ in its remuneration and benefits. However, the Bank should not lag too far behind the market if it wishes to remain competitive in acquiring and retaining the best talents.

5.7 Flexible Policies

There should be flexibility in HR policies for career development, training, rewards and benefits and so on. Alternative benefit schemes, career plans, development tools, etc, should be developed and made available to staff. This will create a feeling of recognition of the personal differences and freedom of choice which will help motivate staff.

6. Conclusion

NRB’s HR practices are guided by the philosophy of skill development as the major tool for enhancing productivity. The performance of any organisation depends on the performance of the individuals in the organisation. There are more than 1500 staff in NRB and their performance will govern the achievement of strategic objectives of the Bank. In light of this, proper HR management is imperative. While the Bank faces various challenges, risk and issues as discussed in this paper, they can be resolved with well thought out measures and policies as discussed.

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Departments and Branches of Nepal Rastra Bank

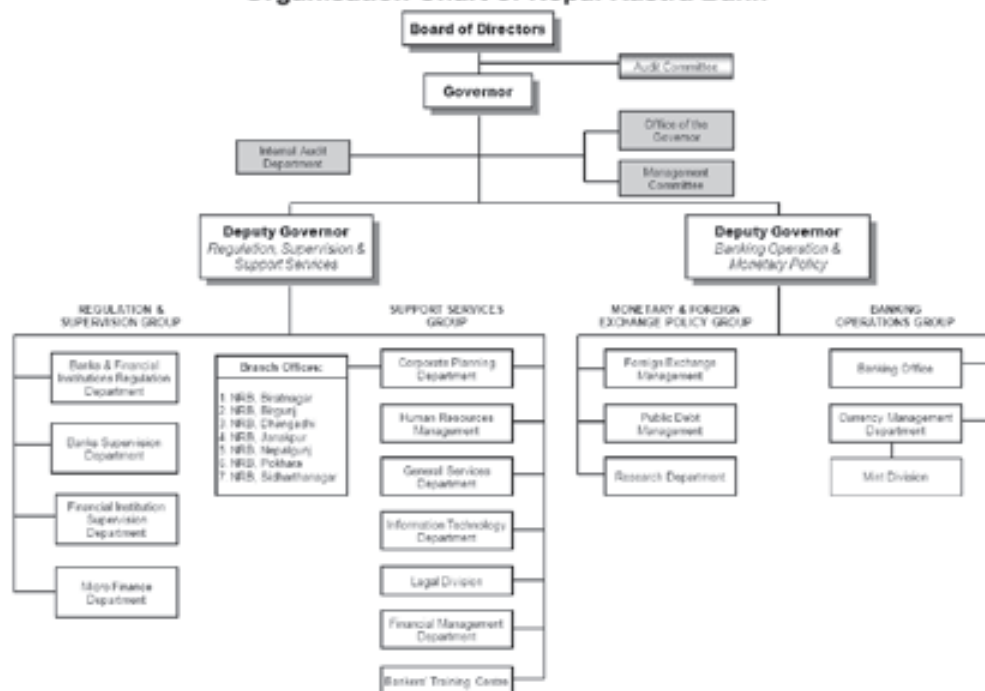
Departments

1. Office of The Governor
2. Human Resources Management Department
3. General Services Department
4. Financial Management Department
5. Research Department
6. Foreign Exchange Management Department
7. Internal Audit Department
8. Banks and Financial Institutions Regulation Dept.
9. Bank Supervision Department
10. Financial Institutions Supervision Department
11. Micro-Finance Department
12. Information Technology Department
13. Bankers Training Centre
14. Legal Division
15. Public Debt Management Department
16. Corporate Planning Department
17. Banking Office, Thapathali
18. Currency Management Department

Branches

1. Nepal Rastra Bank, Biratnagar
2. Nepal Rastra Bank, Janakpur
3. Nepal Rastra Bank, Birgunj
4. Nepal Rastra Bank, Pokhara
5. Nepal Rastra Bank, Siddharthanagar
6. Nepal Rastra Bank, Nepalgunj
7. Nepal Rastra Bank, Dhangadhi

Organisation Chart of Nepal Rastra Bank



Annex 2

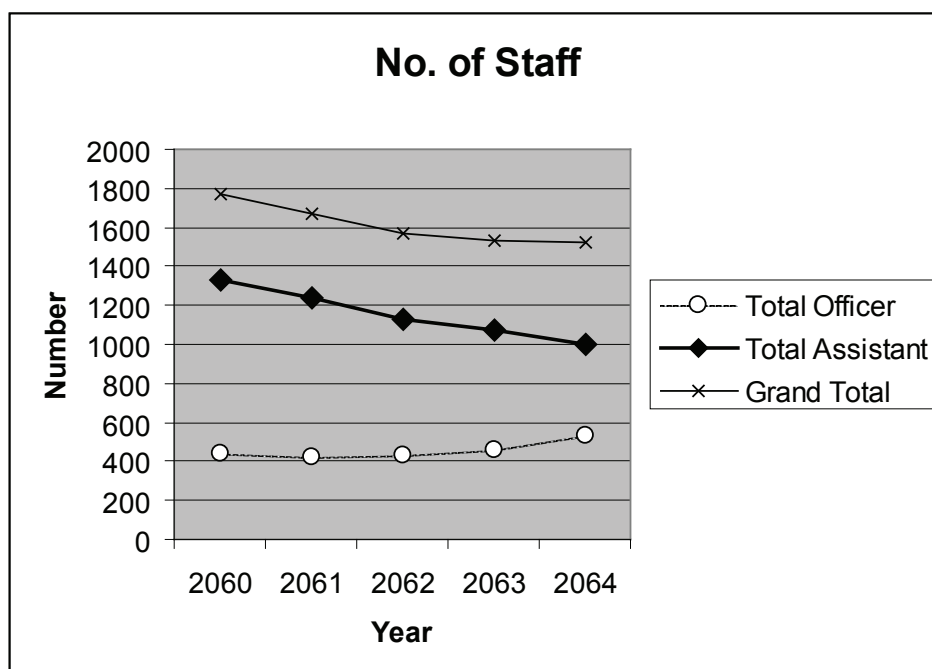
NEPAL RASTRA BANK
Office Wise Number of Staffs by Level (as on 22 June 2008)

Office	Officer Special	Officer 1st	Officer 2nd	Officer 3rd	Asst. 1st	Asst. 2nd	Asst. 3rd	Asst. 4th	Asst. 5th	Total
Bank Supervision Department	1	2	10	21	11	0	0	6	0	51
Bankers Training Centre	0	1	3	6	5	0	1	4	0	20
Banking Office	1	1	8	36	129	9	11	36	0	231
Banks & Financial Institutions Regulation Dpt	1	2	8	14	6	0	0	4	0	35
Corporate Planning Department	0	2	3	8	2	0	1		0	19
Currency Management Department	0	2	3	20	53	1	4	17	0	100
Financial Institution Supervision Department	1	3	10	23	11	0	0	5	0	53
Financial Management Department	1	3	4	17	25	2	1	9	0	62
Foreign Exchange Mgmt Dpt.	1	2	3	14	11	0	0	6	0	37
General Services Department	0	1	5	10	30	15	18	27	0	106
HRM Department	1	2	2	8	5	2	0	5	0	25
IT Department	0	1	4	11	6	0	0	4	0	26
Internal Audit Department	1	1	5	18	13	1	0	3	0	42
Legal Division	0	1	1	7	4	0	0	2	0	15
Micro Finance Department	1	2	2	9	10	0	0	3	0	27
Mint Division	0	1	2	4	11	23	13	9	0	63
Nepal Bank Limited	0	1	0	1	0	0	0	0	0	2
NRB Siddharthanagar Office	0	1	3	11	24	0	3	21	0	63
NRB Janakpur Office	0	0	3	12	15	9	3	18	1	61
NRB Biratnagar Office	0	1	3	18	45	3	4	23	1	98
NRB Birjung Office	0	1	2	14	20	1	5	16	2	61
NRB Dhangadhi Office	0	0	1	10	17	0	2	15	0	45
NRB Nepalgunj Office	0	1	2	16	31	1	3	13	0	67
NRB Pokhara Office	0	1	3	15	25	1	1	21	0	67
Office of the Deputy Governor-1	0	0	0	1	0	0	0	3	0	4
Office of the Deputy Governor-2	0	0	0	1	0	0	0	0	0	1
Office of the Governor	1	0	1	5	3	0	0	3	0	13
Public Debt Management Department	0	2	2	1	10	1	0	4	0	30
Public Relation Division	0	0	0	3	3	2	0	4	0	12
Research Department	0	4	12	30	10	1	1	12	1	71
Additional Position	0	0	2	3	0	0	0	0	0	5
Akhtiyar Durupayog Anusandhan Ayog	0	0	1	1	0	0	0	0	0	2
International Monetary Fund	1	0	0	0	0	0	0	0	0	1
Ministry of Finance	0	0	1	0	0	0	0	0	0	1
National Planning Commission	0	0	0	1	0	0	0	0	0	1
SEACEN Center	0	1	0	0	0	0	0	0	0	1
Total	11	40	109	379	535	72	71	296	5	1518

Year End Number of staff as per Nepali Calendar

Level	2060 BS	2061 BS	2062 BS	2063 BS	2064 BS
	(2004 April)	(2005 April)	(2006 April)	(2007 April)	(2008 April)
Officer Special	14	12	13	12	14
Officer First	45	36	32	36	38
Officer Second	123	107	94	98	104
Officer Third	260	268	295	314	373
Total Officer	442	423	434	460	529
Assistant First	604	595	602	604	552
Assistant Second	251	199	101	54	72
Assistant Third	90	92	80	93	71
Assistant Fourth	206	268	259	317	296
Assistant Fifth	177	89	89	5	5
Total Assistant	1328	1243	1131	1073	996
Grand Total	1770	1666	1565	1533	1525

Year End Number of staff as per Nepali Calendar



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STRATEGIES OF HUMAN RESOURCE MANAGEMENT IN THE BANGKO SENTRAL NG PILIPINAS

by Dr. Romeo V. Suarez

1. Introduction and Objectives

1.1 Human Resource Management in Organisations

Human resource management involves many activities such as human resource planning analysis; staffing; human resource development; compensation and benefits; health, safety and security; and employee and labour/management relations, among others. These activities aim at organisational effectiveness and improvement of the quality of work life for all the organisation's staff. The role of human resources department in achieving this goal is performing the human resources functions effectively.

1.2 Objectives

The main objectives of this paper are to provide a study on human resource management in the BSP and identify guidelines for effective HR profile for the BSP as a strategic response.

2. General Profile of Human Resource Management in Bangko Sentral Ng Pilipinas

The Bangko Sentral ng Pilipinas (BSP) is the Central Bank of the Republic of the Philippines. It was established on 3 July 1993 pursuant to the provisions of the 1987 Philippine Constitution and the New Central Bank Act of 1993. The BSP took over from the Central Bank of Philippines, which was established on 3 January 1949, as the country's central monetary authority. The BSP enjoys fiscal and administrative autonomy from the National Government in the pursuit of its mandated responsibilities.

2.1 Objectives of the BSP

The BSP's primary objective is to maintain price stability conducive to a balanced and sustainable economic growth. The BSP also aims to promote and preserve monetary stability and the convertibility of the national currency.

2.2 Responsibilities

The BSP provides policy directions in the areas of money, banking and credit. It supervises operations of banks and exercises regulatory powers over non-bank financial institutions with quasi-banking functions.

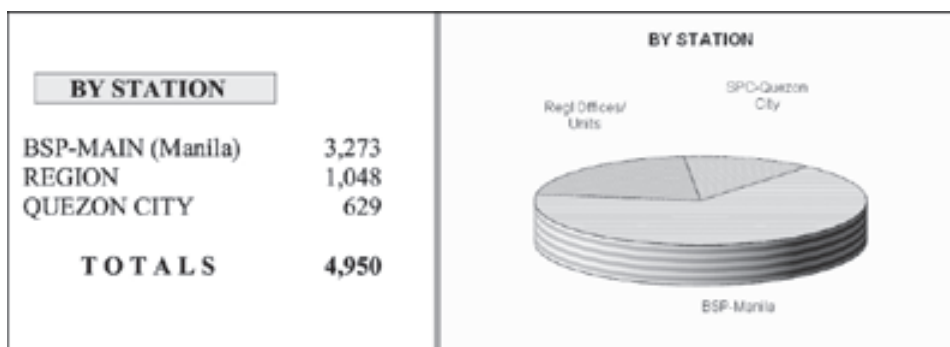
2.3 Monetary Board

The Monetary Board, which has seven members appointed by the President of the Philippines, exercises the powers and functions of the BSP, such as the conduct of monetary policy and supervision of the financial system. Its chairman is the Governor, with five full-time members from the private sector and one member from the Cabinet.

The Governor is also the chief executive officer of the BSP and is required to direct and supervise the operations and internal administration of the BSP with a total personnel complement of 4,950 as 31 December 2008 (Figure 1). He is assisted by three Deputy Governors which head each of BSP's operating sectors as follows:

1. **Monetary Stability Sector (MSS)**, which takes charge of the formulation and Implementation of BSP's monetary policy, including serving the banking needs of all banks through accepting deposits, servicing withdrawals and extending credit through the rediscounting facility.
2. **Supervision and Examination Sector (SES)**, which enforces and monitors compliance to banking laws to promote a sound and healthy banking system.
3. **Resource Management Sector (RMS)**, which serves the human, financial, and physical resource needs of the BSP.

Figure 1
BSP Personnel Profile (as of 31 December 2008)



Source: Human Resource Management Department File

The BSP has 68 Departments/Offices headed each by a Director, as shown in Table 1.

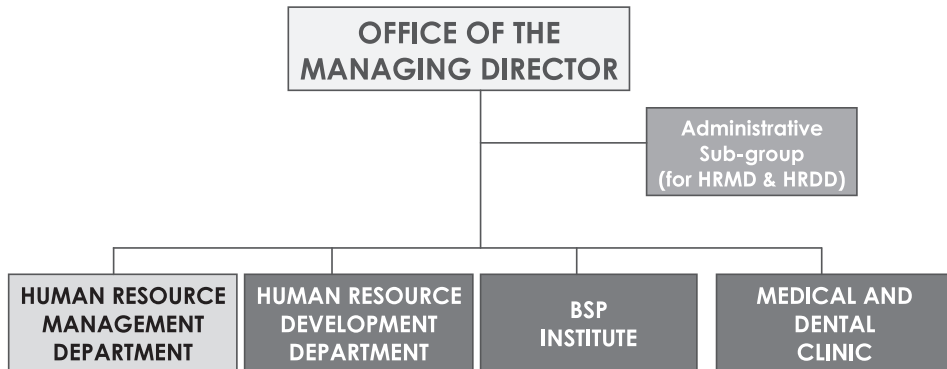
Table 1
Number of Offices and Departments

1. Executive Management Services	11
2. Monetary Stability Sector	14
3. Supervision and Examination Sector	19
4. Resource Management Sector	20
5. Security Plant Complex	4
Total	68

Source: Human Resource Management Department File

To provide an appropriate organisational set-up that will enable the Human Resource Subsector to effectively transform itself into a more proactive and strategic business partner of the Bank, the Monetary Board approved on 30 November 2006 under M.B. Resolution 1476, the Human Resource Subsector reorganisation (Figure 2) which is composed of the Human Resource Management Department (HRMD), Human Resource Development Department (HRDD), Bangko Sentral ng Pilipinas Institute (BSPI), and the Medical and Dental Clinic (MDC).

Figure 2
Human Resource Sub-sector Organisational Chart



Source: Human Resource Management Department File

2.4 Human Resource Management Department (HRMD)

Under the New Central Bank Act (Republic Act 7653), the Monetary Board was authorized to “establish a human resource management system which shall govern the selection, hiring, appointment, transfer, promotion or dismissal of all personnel.” Under Monetary Board Resolution No. 42 (January 18, 1994), the Monetary Board approved, among others, the creation of HRMD (Figure 3), which would implement an integrated human resource management system in the Bank pursuant to BSP’s mandate to: “establish professionalism and excellence at all levels of the Bangko Sentral in accordance with sound principles of management (Section 15, R.A. 7653).” Its general functions are:

1. Recruit, place, and maintain personnel; and institute disciplinary and incentive systems;
2. Maintain an effective personnel records system;
3. Organise and plan manpower and wellness programme of employees;
4. Provide management with personnel data and relevant information; and
5. Formulate and implement personnel- related policies.

Figure 3
HRMD Organisational Chart



Source: Human Resource Management Department File

2.5 Human Resource Development Department (HRDD)

The approval of the Human Resource Subsector reorganisation formalises a component of the approved new BSP Functional Chart (M.B. Res. No. 828 dated June 10, 2004) by providing a new Department to handle the development aspect of human resource which is lacking in the present set-up.

The creation of HRDD (Figure 4) addresses the need of the BSP to develop the competencies (knowledge, attitudes, and skills) of its human resources; manage the careers of employees to motivate them to stay with the Bank; establish and develop the management succession pool; and improve organisational performance and efficiency through change management.

Figure 4
HRDD Organisational Chart



Source: Human Resource Development Department File

2.6 Bangko Sentral ng Pilipinas Institute (BSPI)

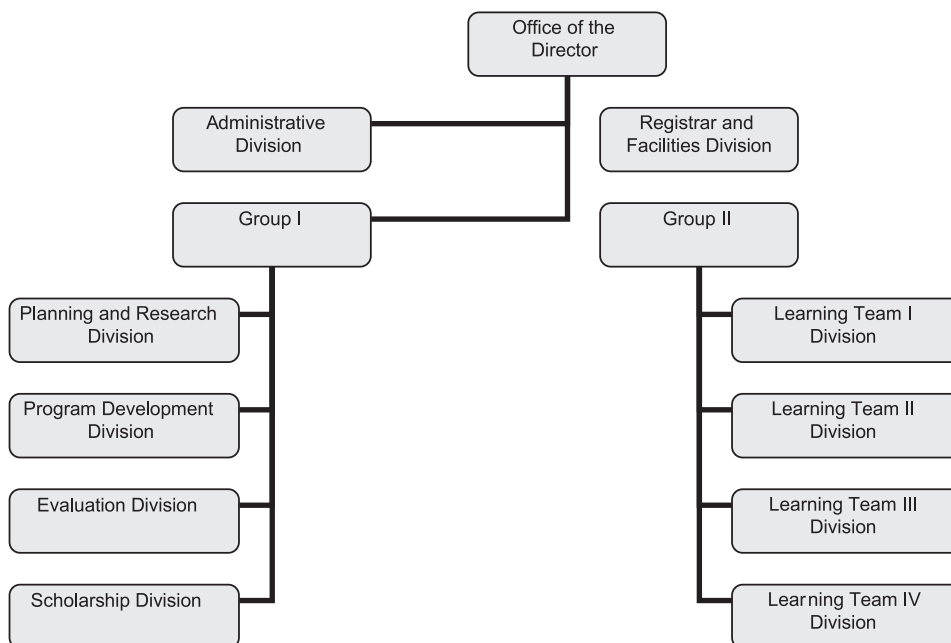
The BSPI or BSP Institute (Figure 5), is the official training arm of the Bank. Its primary mandate is enunciated in Section 15 (c) of Republic Act No. 7653 (The New Central Bank Act) which states that the BSP shall "establish professionalism and excellence at all levels of the Bangko Sentral."

The BSP Institute commits to provide quality training programmes that address the career growth, professional development and skills requirements of the Bank's human resource to support its operations to the level of world class

monetary authority. These are in-house training, external training (local and foreign), scholarship programmes, and training assistance to external parties. In line with this mandate, the BSP Institute:

1. conducts in-house training programmes for BSP employees and training assistance for rural and thrift bankers;
2. initiates sourcing of external training programmes/providers (local and foreign); and
3. implements as well as administers various scholarship programmes for BSP employees. These scholarships include those offered by the BSP and other local scholarships, as well as those offered by institutions, such as the World Bank (WB), Japan International Cooperative Agency (JICA), Directorate General International Cooperation (DGIC) of the Government of Belgium and the Government of The Netherlands, among many others.

Figure 5
BSPI Organisational Chart



Source: BSP Institute File

The BSP Institute steps up its drive to select academic scholarship grants, both local and foreign, that would promote professional growth in the areas of management and other central banking functions to support the BSP's operations to the level of a world-class monetary authority.

The Bangko Sentral ng Pilipinas Educational Scholarship and Training (BEST) Program, is aptly described by its acronym “BEST” Programme. It is the BSP's organisational capability building programme that aims to provide the long-term requirements for technical experts in the fields of Economics, Finance, Statistics, Law, Information Technology and Human Resource. The scholarship programme provides funding to send the best and brightest among BSP's crop of young professionals to pursue graduate and post-graduate courses in recognised schools locally and abroad.

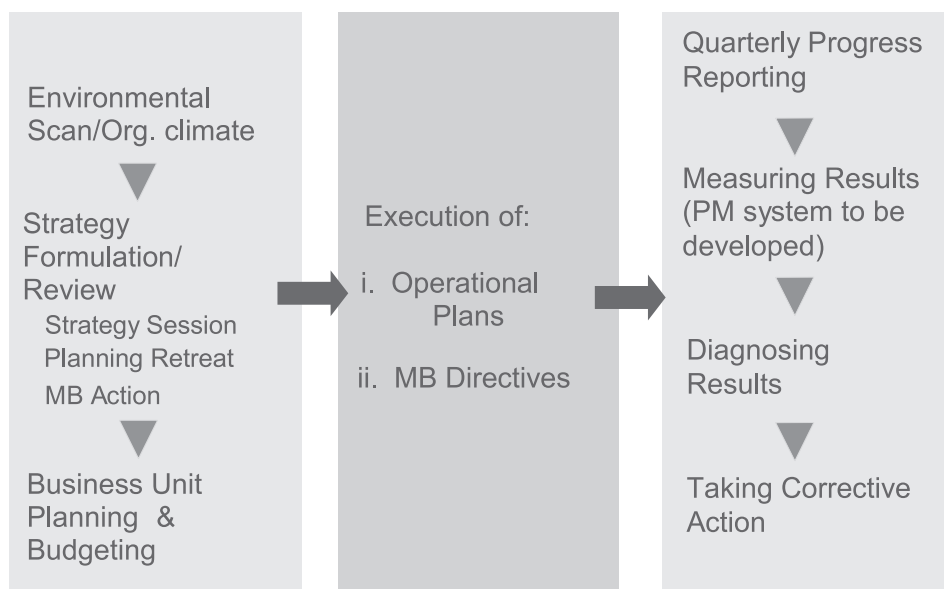
3. Linkage Between Strategic Plan of Central Bank and Human Resource Plan

The Corporate Planning Office (CPO) was created under MB Resolution No. 1181 in July 2001 to manage the entire strategic management process of BSP from planning and implementation to monitoring and control.

3.1 Planning Process

The BSP adopted the strategic planning process (Figure 6) in 2002 in order to more effectively respond to an ever-dynamic operating environment. The strategic planning exercise enabled the organisation to challenge its prevailing practices, capitalise on emerging opportunities, and establish a long-term direction. This planning exercise introduced several innovations and enhancements in the planning process, such as the crafting of the BSP vision and mission statements as well the formal conduct of a SWOT analysis. The annual planning conference paved the way for the formulation of corporate level objectives and strategies, as well as department-level operational plans to ensure strategic focus and alignment of goals and strategies. In this respect, a “top-to-bottom” approach in direction setting was adopted, where the BSP Governor laid out the key direction for the Bank.

Figure 6
Conceptual Framework of the BSP Planning Process



Source: Corporate Planning Office File

To unify the intent and elements of the planning exercise and link them closer to the Bank's vision and mission, a common theme was adopted for the conference – "Responding to a Changing World". The theme highlighted the need to respond to change with a "best practice" orientation, a pre-requisite to becoming world-class.

For the first time in 2003, working with the theme, "Moving Closer to Our Vision," the Bank endeavoured to blueprint its future by formulating the BSP Medium-Term Plan to ensure that strategies and action plans are aligned toward the attainment of the BSP vision. A longer planning horizon was considered to allow for a more strategic approach, compared to previous planning exercises, which focused mainly on planning for the following year.

A Synchronised Planning and Budgeting Cycle was also approved, aimed at institutionalizing the top-to-bottom strategic planning approach and ensuring that the resources required to achieve plan objectives were included in the budget.

The 2004 annual planning conference, themed "Strengthening the Cornerstones of Excellence," undertook a review of the Medium-Term Plan, including identifying issues of concern and bottlenecks in implementing the projects, coupled with finding solutions to address these issues. A SWOT analysis was again carried out to guide policymakers in reprioritising programmes, where necessary.

Completion of major operational plans arising from the strategic planning conferences helped pave the way for a more effective discharge of the BSP's mandated functions of maintaining price and financial system stability, such as in its conduct of inflation targeting and supervision and examination functions. Greater focus was also obtained in enhancing key processes of the BSP, particularly in its numerous administrative functions.

In 2005, the theme adopted for the strategic planning conference was "Staying the Course, Sustaining the Gains," which could not be more appropriate as it conveyed the message of continuity in a time of change.

The year 2005 saw a transition in leadership for the BSP from Governor Rafael B. Buenaventura to Governor Amando M. Tetangco, Jr. and the installation of a new Monetary Board. Governor Tetangco has always expressed his intention to continue the reforms started at BSP by his predecessor. Time and again, he has said that the BSP will not try to reinvent the wheel but shall strive to continually enhance its performance and keep its operations running more efficiently.

To kick off a new chapter in the life of the institution, management launched the BSP Medium-Term Strategic Plan 2005-2011, a roadmap built upon the foundation of central banking and supported by the various aspects of institutional capability. The medium-term blueprint represents the Bangko Sentral's stronger and more enduring commitment to economic reforms as it maps out concrete steps towards ensuring low and stable prices and a sound banking system.

3.2 Cascade of the BSP Vision and Mission Statements

In the Governor's message during the BSP Christmas party held on 20 December 2002, the CPO was instructed "to go full blast next year in explaining how all of us, individually and collectively can help BSP more effectively."

Following the Governor's instruction, the CPO conducted three-hour seminar-workshops, which began on February 2003. Target participants in the seminar-workshop were 100% of BSP staff employed as of 31 December 2003. The seminar-workshop's main goal was to achieve organisational unity, as well as instill ownership and commitment to the vision of the Bank in all BSP employees. The half-day seminar-workshop was designed to explain to the participants the operational definition of the BSP vision and mission as well as help participants relate their job in BSP with the corporate vision of becoming a world-class monetary authority.

By 17 March 2004, the CPO reached its target of 100% participation among BSP staff employed as of 31 December 2003.

3.3 BSP Vision

The BSP aims to be a world-class monetary authority and a catalyst for a globally competitive economy and financial system that delivers a high quality of life for all Filipinos.

3.4 BSP Mission

BSP is committed to promote and maintain price stability and provide proactive leadership in bringing about a strong financial system conducive to a balanced and sustainable growth of the economy. Towards this end, it shall conduct sound monetary policy and effective supervision over financial institutions under its jurisdiction.

Table 1 shows the vision and mission statements of HRMD, HRDD, and BSPI:

Table 2
HRMD, HRDD, & BSPI Vision and Mission Statements

	Vision	Mission
HRMD	To be recognised as a partner and reliable solutions and service provider in the hiring and retention of highly competent and motivated workforce.	To be an enabler and strategic partner in human capital management.
HRDD	To be recognised as client-oriented, proactive, and reliable expert and partner in organisation and human capital development	To be an enabler and strategic partner committed to the development of the organisation and its human capital toward achieving the objectives of the BSP and the career goals of the employees.
BSPI	To be recognised as a dynamic partner and reliable solutions and service provider in learning resources.	To be an enabler and strategic partner committed to creating a learning culture and developing highly skilled and a responsible workforce for organisational excellence.

3.5 Overall Strategic Intent

The BSP Medium-Term Strategic Plan 2005-2011 is a roadmap built upon the foundation of central banking and a vision which should be a part of the individual credo of the employees as staff members of the Bangko Sentral. The design of the BSP's medium-term roadmap emphasises the three main pillars of central banking: price stability; financial system stability; and payments and

settlements system stability. Providing the strong foundation for these pillars are the cornerstones of organisational capability: human resource; infrastructure; information technology; and service excellence.

3.6 Price Stability

In pursuit of the BSP's mandate of promoting and maintaining price stability against the backdrop of an increasingly challenging operating landscape, medium-term strategies in the conduct of monetary policy shall emphasise the following:

1. Achievement of world-class status for the BSP in terms of maintaining price stability conducive to sustainable growth of the economy by bringing down the rate and reducing the variance of inflation in the Philippines to a level comparable with the best experience of inflation targeting economies, by 2011; and
2. Promotion of an efficient, stable, and competitive financial system that supports the sustainable growth of the economy through effective financial intermediation by reducing systemic risk to a manageable level from the perspective of monetary policy and operations, by 2011 and maintaining real interest rates comparable with best experience in the Asian region, by 2011.

3.7 Financial System Stability

The BSP, in its effort to act more proactively to preserve the stability and integrity of the banking system, has adopted the following four-point strategy over the medium-term:

1. Accelerating adoption of risk-based supervision technology. The first strategy is to accelerate the adoption of risk-based supervision technology, which will equip the BSP with the necessary tools to maintain the safety and soundness of financial institutions in a rapidly changing environment due to deregulation, technological progress, financial innovation, and changing tastes and demographics. To keep pace with banking innovations, best practice banking supervision necessitates shifting to risk-based supervision as advocated by the Basel Committee.
2. Promoting corporate governance reform and increasing the effectiveness of market discipline through better financial transparency. The second strategy is to promote corporate governance reform and increase the

effectiveness of market discipline through better financial transparency. This emphasises organisational self-control and brings to bear the market as a key agent in promoting good behavior. Furthermore, basic corporate governance standards must be improved dramatically, lest bank supervision remain in a catch-up mode.

3. Advancing initiatives in capital market reform. The third strategy, involving capital market reform initiatives, seeks to build a more robust and efficient financial system by promoting the faster development of the domestic capital market, especially the debt securities market. A strong domestic capital market helps ensure an efficient and sustainable long-term funding mechanism for government, corporations and banks at a potentially larger scale.
4. Improving the regulatory framework. The fourth strategy calls for the institution to introduce further enhancements in its regulatory framework and implementation capabilities to ensure that the regulatory framework in place is at par with international standards and best practices. The improvement of the regulatory framework also concerns itself with a review of existing regulations that tend to unduly impede bank efficiency and add to compliance costs.

3.8 Payments and Settlements System Stability

The strategic intent is to pass a law that will establish a safe and effective payment, clearing and settlement system of the country, which will clearly define the responsibilities of the BSP relative to such system, and the rights and obligations of participants in the said system. Medium-term initiatives are geared toward:

1. Fostering an efficient and stable payment system, which will involve regulation, supervision and monitoring of payment, clearing and settlement system; and reduction of the settlement, credit, liquidity, and legal risks involved in the payment system; and
2. Achieving a world-class status for the BSP in terms of maintaining the stability of the financial and payments system of the country

3.9 Medium-Term Objectives for Human Resource

1. To achieve sufficient capability to meet emerging challenges to the BSP's pursuit of its mandate to maintain price stability and effective financial supervision;

2. To establish and maintain procedures and practices in human resource management that nurture core values through culture change and competencies in the BSP's manpower complement such as excellence, reputation, and teamwork; and
3. To provide human resource management that promotes accountability and total quality management through customer-focused services and empowered operating units.

In the pursuit of the above objectives, plans for the modifications in the organisational structure and in procedures and practices in human resource management were laid out consistent with the following key directions:

1. Flatter and less hierarchical organisational set-up under centralised functional areas;
2. Career path tracking and enhanced training across age groups and positions;
3. Internal and external equity in the compensation structure of the BSP;
4. Streamlined and more transparent processes for hiring, promotion, appointment, and related personnel activities;
5. Increased empowerment and teamwork especially among line managers; and
6. Customer-focused human resource management

3.10 Service Excellence

Based on the guiding principle of quality management for business excellence and for the purpose of providing the Bank with a means to improve performance, the BSP is envisioned to make ordinary people produce extraordinary results. The Malcolm Baldrige National Quality Award Criteria for Performance Excellence was adopted in conceptualising the BSP's quest for service excellence. The core values and concepts include:

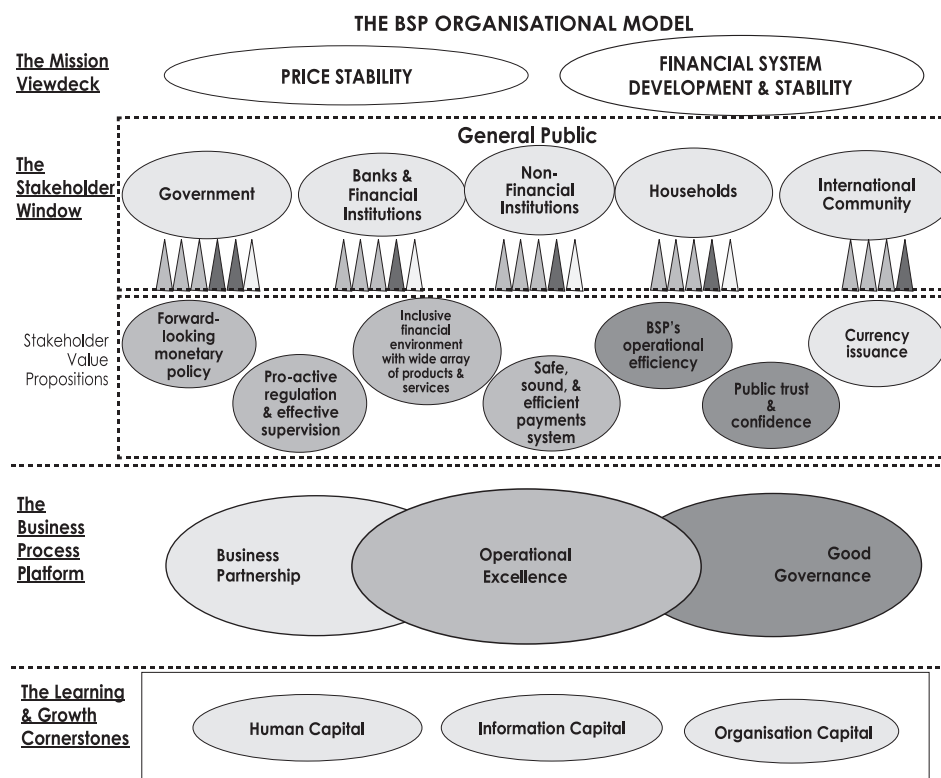
1. visionary leadership (practice clear and visible values of integrity, excellence and patriotism, inspire and motivate entire workforce, encourage all employees to contribute, develop and learn to be innovative and creative);
2. customer-driven excellence (create customer focus);
3. organisational and personal learning (improve existing approaches continuously and adapt to change);
4. valuing employees and partners (committing to satisfaction, development and well-being);

5. flexible high performance (work practices and home life needs);
6. social responsibility (carry out responsibilities to the public and practice ethical behaviour and good citizenship); and
7. systems perspective.

3.11 Linkage between the Strategic Plan of Bangko Sentral ng Pilipinas and HR Plan

The strategic directions and initiatives of the Resource Management Sector (Figure 7) and those of the Human Resource Subsector (HRSS) or departments (Figures 8, 9, and 10) are anchored to and aligned with strategic directions and initiatives of the BSP (Figure 6). All strategies (vision and mission), system and structures (policies and procedures, programmes, organisational structure), and internal capability-building (competencies-building) of HRSS departments support the corporate vision/mission.

Figure 6
BSP Organisational Model

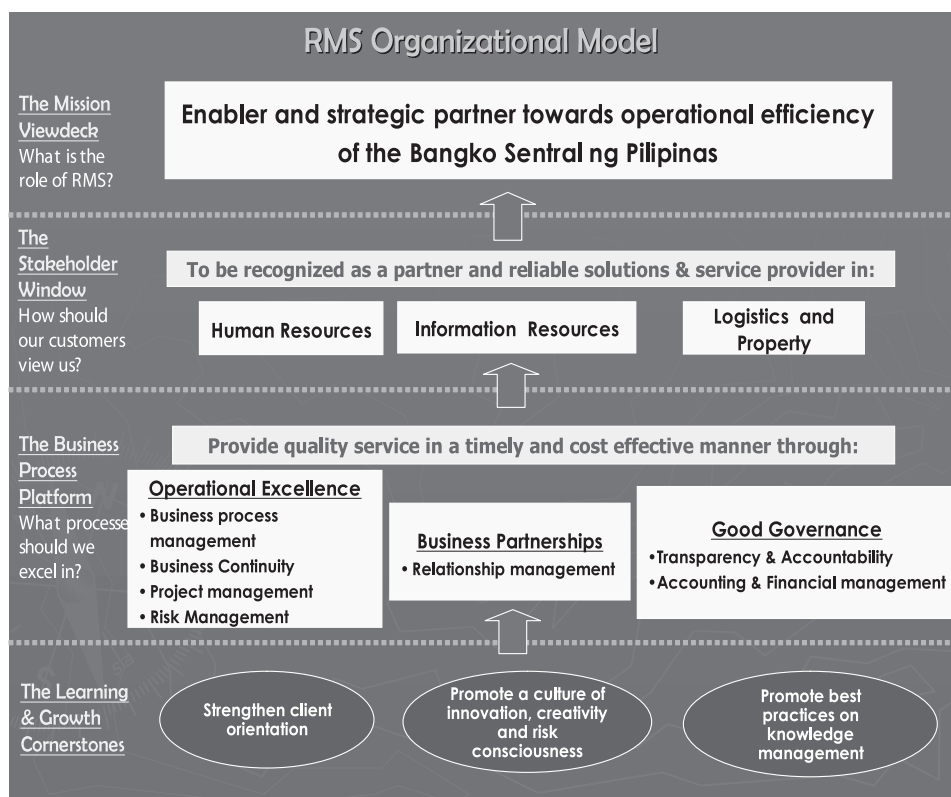


Source: BSP File

The BSP Organisational Model uses four strategic perspectives: the mission view deck, stakeholder window, business process platform, and learning and growth cornerstone. These perspectives position BSP as a strategy-focused institution that is balanced. It considers both the important lagging and leading indicators that drive success. In each perspective are strategic objectives that set and define the strategic directions of BSP. Each strategic objective is translated into metrics and targets to measure the success of each objective. Many central banks use this strategic management framework as a driver for success.

Following this model, the Resource Management Sector (RMS) and other BSP Sectors crafted an organisational model (Figure 7) designed to support the corporate strategic map and the BSP vision and mission.

Figure 7
RMS Organisational Model



Source: BSP Sector File

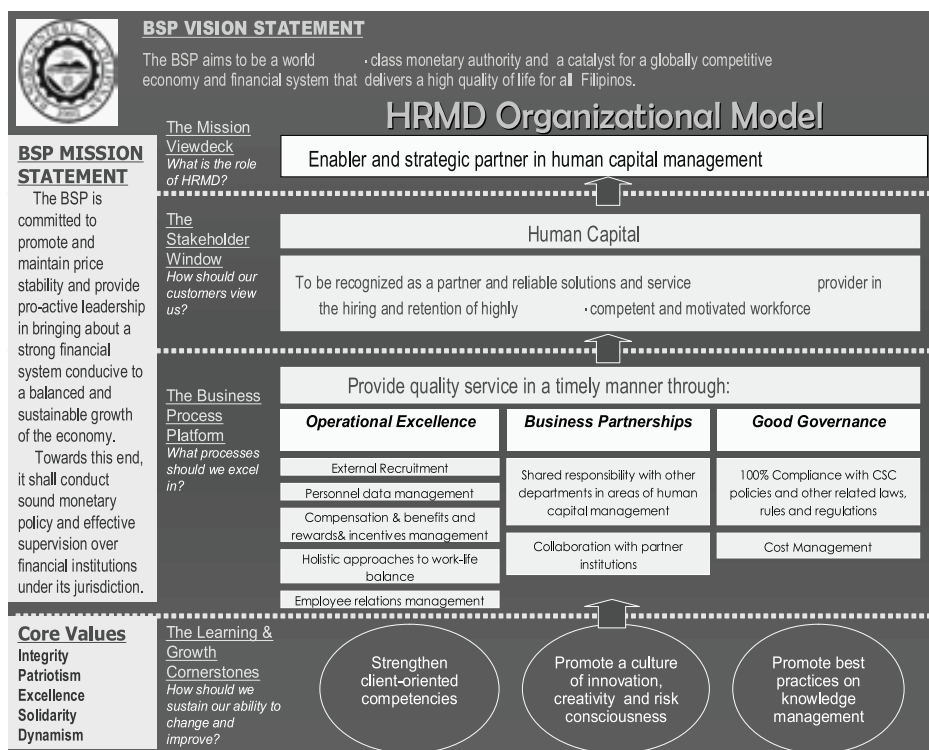
The RMS strategic map defines what RMS needs to do to become a strategic partner and an enabler toward operational efficiency of the Bangko Sentral ng

Pilipinas. There are five objectives that define how RMS intends to realise its mission of becoming an enabler and strategic partner. These are:

1. To be recognised as a partner and reliable solutions and service provider in human resources, information resources, and logistics and property.
2. To provide services in a timely and cost-effective manner through operational excellence, business partnership, and good governance.
3. To strengthen client orientation
4. To promote a culture of innovation, creativity, and risk consciousness
5. To promote the best practices in knowledge management

These objectives are translated into metrics to measure their success toward making RMS a strategic partner and enabler. Three of these metrics give BSP employees the chance to rate the effectiveness of RMS as a service provider: strategic partner index, client relationship index, and client satisfaction index.

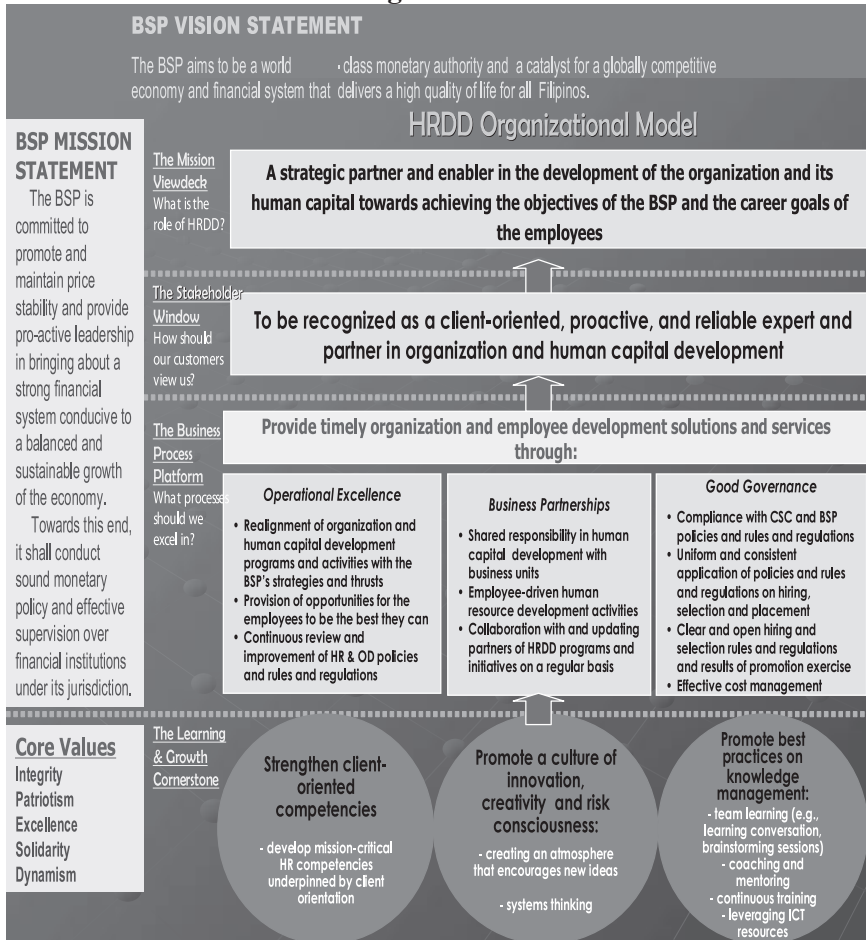
Figure 8
HRMD Organisational Model



Source: Human Resource Management Department File

HRMD is committed to provide quality service in a timely manner through operational excellence, business partnerships, and good governance to strengthen client-oriented competencies; promote a culture of innovation, creativity and risk consciousness; and promote best practices on knowledge management.

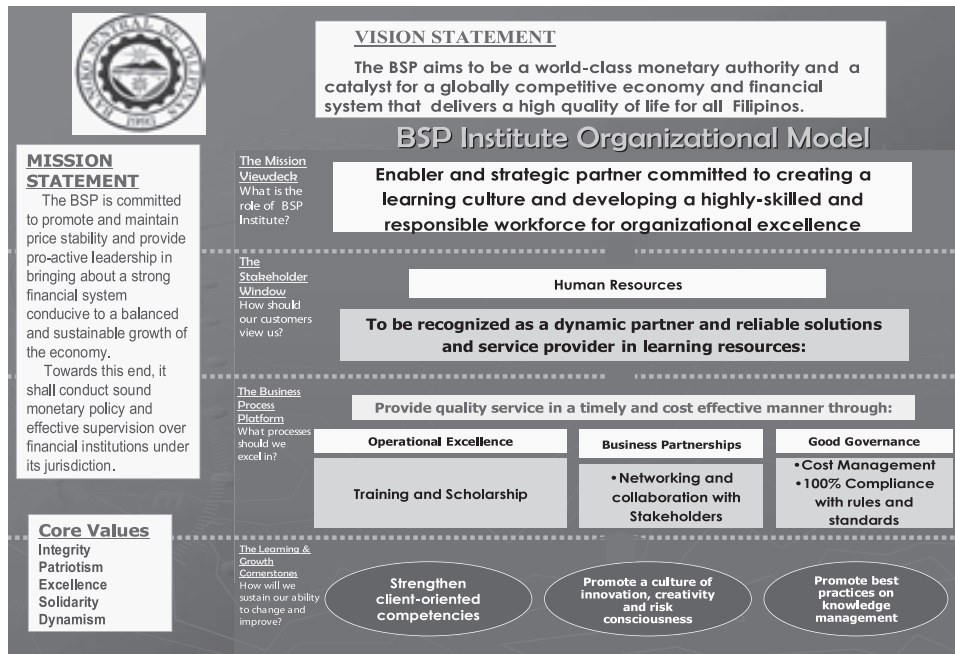
Figure 9
HRDD Organisational Model



Source: Human Resource Management Department File

HRDD is committed to provide opportunities for the employees to be the best they can for their career growth and be a part of the attainment of the career goals of the BSP.

Figure 10
BSPI Organisational Model



Source: BSP Institute Fle

As enabler and strategic partner in promoting positive values and in upgrading the knowledge and skills of BSP officers, staff and external clients towards world-class performance levels, the BSPI proactively provides relevant training programmes benchmarked against global best practices. It pursues with more vigor the training and development plan targeted towards generally expected competencies or skill areas.

3.12 Smooth Succession in Retaining the Best Human Talent in the Bank

HR plan includes a Management Development Programme, that includes fast-tracking the development of high potentials and successors to critical and executive-level positions. This is still aligned with the competency-based HR. Thus, a competency framework/model for managers/executives has been developed as basis for recruiting, assessing, developing and managing them. Priority is also given to managers/executives when it comes to training and development through

the Supervisory Enhancement Program and Management Skills Enhancement Program series and informal development programme to institutionalise job rotation, cross posting, etc. There also exist an assessment tool, the Harrison Assessment, to assess potentials, styles and preferences. The BSP will be coming out with an assessment centre.

4. Challenges, Risks, and Issues in Human Resource Management

4.1 Challenges Defined

Challenges are problems which central banks are facing in HRM, particularly new problems due mainly to changes in economic environments influencing policies and functions of central banks. Many central banks set price stability and financial stability as their missions or objectives. However, recent economic environments, such as increasing turbulence in the financial market, and rising inflation, are threatening such missions or objectives. In these environments, it may become a big problem or challenge for HRM to support the achievement of the mission or objective, by identifying what kind of competencies are needed, by recruiting experts having needed competencies from the outside, by identifying more suitable experts internally, or by training the staff in such important fields.

Changes in economic environments influencing policies and functions of central banks may be different by central bank or by country. In a transition economy, for example, it may be new challenge to build or transform the capacity of human resources to be more suitable to the changing economic system by recruiting experts from outside, or by training the staff.

Accordingly, challenges are closely related to the mission, vision, objective or strategic plan of each central bank. It is important to identify what kind of challenges each central bank is facing in its economic environment.

4.2 Challenges in HRM at BSP

1. Adoption of a competency-based human resource system as an anchor for other human resource decisions and activities (Tison, 2008)

In view of the importance of competencies in human resource decision and activities in the Bank, priority was given to the profiling of mission-critical competencies. Competencies refer to a cluster of related knowledge, skills, and attitudes that affects a major part of one's job and correlates with performance on the job measurable against well-accepted standards and improved through training and development.

These competencies augment the minimum requirement for civil servants in performing a particular job as another dimension in recruitment and promotion of employees. Competencies also serve as bases for recruitment, promotion, training and development, performance review, and succession management, among many others.

As with other new tools and practices, challenges to be expected in competency profiling include learning and applying to a new technology, assigning the right staff to conduct profiling, eliciting the cooperation of departments and offices whose jobs will be profiled, and determining which office is mainly responsible for competency-based HR.

Presently, the managerial and leadership competencies have already been defined for the positions of manager, deputy director, director, managing director, assistant governor, and the deputy governor. The basic assessment tool for the possible successor to these positions has already been put in place.

In the case of non-managerial positions in the BSP, laying the implementation path for the following is needed:

- alignment of the performance evaluation system with the approved competencies, the results (i.e. performance ratings) of which it can be used as a basis for training and development, promotion, rewards and incentives, and succession and career management;
- development of career maps and paths for the various jobs in the BSP; and
- development of competency-based job descriptions.

The next challenge is how to get the support, in terms of the commitment and involvement, of BSP's middle and senior management (heads of departments, offices, subsectors, and sectors) in the succession management process. Their present areas of concern are on their active participation in identifying possible successors using the competency-based assessment tools, and openness to consider a wider choice of potential successors that may come from other departments and offices within the BSP as a result of the management and leadership competencies.

2. Fast turnover of young recruits due to migration/mobility for competitive job opportunities locally and abroad

Projections are that executive talent of the near future (2010) is Generation-Y; gone are the baby-boomers and the leaders will come from the Y-ers. This is observable now as certain manifestations already begin to surface.

Top talents/high potential employees are especially marketable after they are hired by the BSP, owing to the technical and specialised functions for which they are trained and developed. The BSP invests so much on manpower training and development, given its advocacy for world-class quality.

High potential employees are likely to start competing for best positions in the various areas of the BSP as soon as they gain proficiency in their assigned jobs and look outside it for upward movement. Top talents always want to move up, get promoted, and get new titles. Such mobility can affect organisational success, if not contextualised in terms of established career path at the point of entry.

3. Knowledge Management Plan: knowledge duplication, retention, and nurturing are the challenges (Tison, 2008)

The BSP Institute is responsible for providing and facilitating training for the employees to acquire new knowledge and expand or enhance what is already known.

The BSP should have a knowledge management system for creating, capturing, using, and transferring knowledge to ensure organisational continuity and enhance its performance. This process is called knowledge management.

The BSP envisions itself as the experts with mission-critical central banking competencies. Employees leave through natural attrition or as the talent war becomes global. The greater challenge then is ensure that as they leave, their acquired collective knowledge and information remain in the BSP and be made accessible to those who stay and for the new recruits.

4. Strengthening the BSP's capacity in strategic organisation development (Tison, 2008)

This will be accomplished through the following challenges or initiatives:

Development of a framework for culture building/culture change programs. The framework aims to help in the alignment of all BSP initiatives its core values and to ensure the promotion of BSP's desired culture.

Organisation health survey (OHS). The objectives of the survey are to provide the baseline data for the existing organisational culture; indicate “where we are now” vis-à-vis “where we want to go”; determine the organisation for culture building and change activities; and identify and define behavioral indicators that manifest the practice of BSP's culture and values.

Development of an ethics programme focused on the development of a Code of Ethical Standards for the BSP. The programme envisions to promote a prescribed norm of conduct and behaviour for all BSP employees. Its tone will be prescriptive, not punitive.

Guidelines on job rotation. The rotation of tasks and responsibilities has been proven as a development intervention in promoting excellence and dynamism in the workplace. It relieves demoralisation among employees.

Conduct of exit interviews with resigning and retiring BSP employees. Information gathered will facilitate work conditions that retain employees.

4.3 Risks Defined

Risks are dangers which central banks may face when they operate the existing HRM system or introduce new HRM systems or ideas to cope with challenges. In the HRM side, there may a lot of risk, including wrong recruiting (recruiting by department or a bank as whole); inadequate training; rotation based staff movement; compensation-not based on performance; misguided motivation (encouraging the staff to learn in the way which is different from the mission, vision, objective or strategic plan of each central bank); gap between the needed and existing human being capacity or talent; wrong forecasting for the need of human resources in the medium and long-term (that may result in inappropriately slow promotion); and so on.

It is important to identify what kind of risks each central bank may face when they operate the existing HRM system or introduce new HRM systems or ideas to identify issues. For example, when a central bank recruits experts on the financial stability or on the price stability, there may be a danger that a central bank may recruit inappropriate person or less competent person. Another example is when a central bank trains the staff, the contents of training may be inappropriate when they want to introduce a too advanced system; thus, inadequate training problem may take place.

4.4 Risks in HRM at Bangko Sentral

1. Motivational fit of employees in relation to the challenges stated above.

It is hard to predict the aspirations and mindset of young recruits in as much as cross-cultural influences, generation gaps, and learning strategies would have differently evolved over time. There is a risk in assessing individuals only on the basis of academic credentials or technical ability.

2. External sourcing of top skills.

Hiring top talents more than home-grown talents could pose the risk of causing demoralisation or complacency on the part of equally talented insiders.

4.5 Issues Defined

It is important to identify what kind of issues each central bank should overcome to derive policy guidelines. Issues are tasks which central banks should do considering challenges and risks, such as how to support the mission, vision, objective or strategic plan of each central bank in the HRM side; how to recruit; how to train; how to move or promote the staff; how to motivate; what kind of compensation system; how to fill the talent gap; and so forth.

4.5.1 Issues in HRM at BSP

1. Work-Family Life Balance.

With growing demands for younger technocrats and technical/technological experts, the zest for work-family life balance has become paramount, but achieving it has grown to be elusive for most career people. This is observable both among baby-boomers and the millennials. However, though this can be set aside in favour of work demands, it becomes counterproductive in the long term both to the person and the organisation.

2. Lack, if not absence, of transparency of supervisors in rating their staff.

Many employees complain that supervisors are not transparent in how they rate their staff during the annual performance appraisal under the guise of its being confidential in nature. For the employees, the present performance evaluation system of the BSP is only good on paper, because their ratings depend to a large extent on the arbitrary decision of their supervisors, who usually get instruction from the department heads. This has been the prevailing culture in the BSP despite the fact that the present performance evaluation system has undergone several revisions to be very objective and, thus, eliminate this culture of favoritism.

5. Policy Guidelines and Suggestions

Considering the above challenges, risks and issues, the following policy guidelines or recommendations are suggested:

1. The owner and developer of knowledge is everyone in the BSP. Management, however, should provide the resources and infrastructures needed to implement a knowledge management programme. On the other hand, HR can only provide so much training programmes, or introduce development interventions. Every employee should be conscious of their own learning before, during, and after every work activity. For without conscious learning, employees will not be able to document and pass on such learning.
2. To promote knowledge sharing, BSP's other sectors could adopt the many activities which the Resource Management Sector has included in its scorecard as metrics for learning and growth. These are brainstorming, breakfast learning sessions, roundtable discussions, coffee-break forum, road shows, construction of intranet pages, and the HRSS bulletin boards.
3. Make recruitment, development, and retention of top talent a strategic imperative to be able to compete in the global market and keep them.
4. When recruiting top talents, sell organisational aspirations, such as the value of joining the organisation, not only for money as a compelling reason, but shared vision of helping save the country and improving the "quality of life" of all Filipinos. In the process, indicators of loyalty and commitment as well as synergy and sharing mindset can be assessed.
5. When sourcing applicants, determine critical pre-screening factors and core competencies – knowledge, skills, and attitudes (KSA) – demonstrated by applicants aligned with the competency-based HRM system of the Bank. Acquire talent as a long-term investment rather than "to do" an existing job. Sustain a recruitment strategy that has a solid retention programme attached to it.

6. HRM processes must include a holistic approach to employee assessment at the point of entry. Reinforce in-house talent management and retention programmes.
7. In assessing recruits, determine their adjustment capacity vis-à-vis expected duties and responsibilities of a position for the appropriate intervention needed to enhance the individual's performance and sustain him productively in the organisation without sacrificing normal developmental tasks, that is, as a mother, a family man, a spouse, etc. to the extent of unwanted failure.
8. Conduct study on change management and benchmark with regional central bank counterparts as well as local institutions implementing same or similar systems/technology in learning. Network with local and international counterparts for referrals and endorsements of training providers and subject matter experts for in-house offering engagement. Come up with an orientation programme, such as campaign or buy-in session for learners and stakeholders to understand the benefit of adopting a new learning system/technology. Pilot the new learning system/technology to test its efficiency, usefulness, feasibility, and acceptability.
9. Adopt an open system where a culture of mutual trust and transparency should play a major role in the annual evaluation and rating of the employees' performance.

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HUMAN RESOURCE MANAGEMENT IN THE CENTRAL BANK OF SRI LANKA

by A.M.N. Gunawardana¹

Human Resources (HR) matter the most in creating and achieving excellence in any organisation whether it is of profit or non-profit orientation. This is similar for central banks as well. In order to create and achieve excellence, central bankers must have ability to respond with sound and well thought of policies as and when the need arises. This will largely depend on the quality – considerable skills, expertise, experience and sound judgment of the Bank’s staff. Therefore, managing human resources effectively is a critical requirement for central banks. However, this is not an easy task as central banks are faced with challenges, risks and issues. Given the importance of the subject, The SEACEN Centre initiated a research project on Comparative Human Resource Management in SEACEN Countries and as a part of the requirement of the project, this Paper presents the Human Resource Management in the Central Bank of Sri Lanka, its strategic alliance with the strategic plan, challenges, risks and issues with policy guidelines and suggestions for improvements.

The organisation of this paper is as follows. A brief introduction together with the objectives of the paper is given in the first Section. The second Section provides the general profile of the Human Resource Management (HRM) in the Central Bank of Sri Lanka (CBSL). The third Section discusses the linkage between the strategic plan of the CBSL and the HRM, and the fourth Section discusses challenges, risks and issues that are associated with the HRM practices of the CBSL. The fifth Section provides suggestions for the improvement of human resource management. A brief conclusion is given at the end of the paper.

1. Introduction

The ideology that ‘people are the most important asset’ has seen a recurrent theme in many businesses and organisations including central banks all over the

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world. Central banks are required to respond with sound and well thought policies as and when need arises. This will largely depend on the quality – considerable skills, expertise, experience and sound judgment – of the employees. Therefore, managing human resources effectively is a critical requirement for central banks.

The CBSL HRM is mostly a pro-active talent management system - a building of a pool of high-talented people capable of supporting current and future business requirements of the Bank. The system has been strategically aligned with the strategic objectives of the Bank; economic and price stability and financial system stability. The strategic alignment has come through the fulfillment of strategic objectives of the HR management; the creation of committed, competent and contented team of employees, development of cross functional multi-skilled labour force, development of skills and competencies of employees, optimisation of in-house training facilities toward meeting the competency needs of the financial sector and in particular the CBSL, while moving towards a centre of excellence in the region and taking care of the well-being of the employees, pensioners/widows/widowers and their dependents. The ultimate objective of the alignment of HR objectives with the strategic objectives of the Bank is to obtain the maximum contribution from employees in creating excellence. However, this is not an easy task as there are many challenges to be addressed, risks to be mitigated and issues to be resolved with regard to HRM. This Paper identifies such challenges, risks and issues with suggestions for improvements.

Therefore, the information provided in this Paper would be useful for all the central bankers of the region for their HR management in creating excellence in their respective central banks contributing the enhancement of the prosperity of those countries and the welfare level of the people.

2. Human Resource Management (HRM) in the Central Bank of Sri Lanka

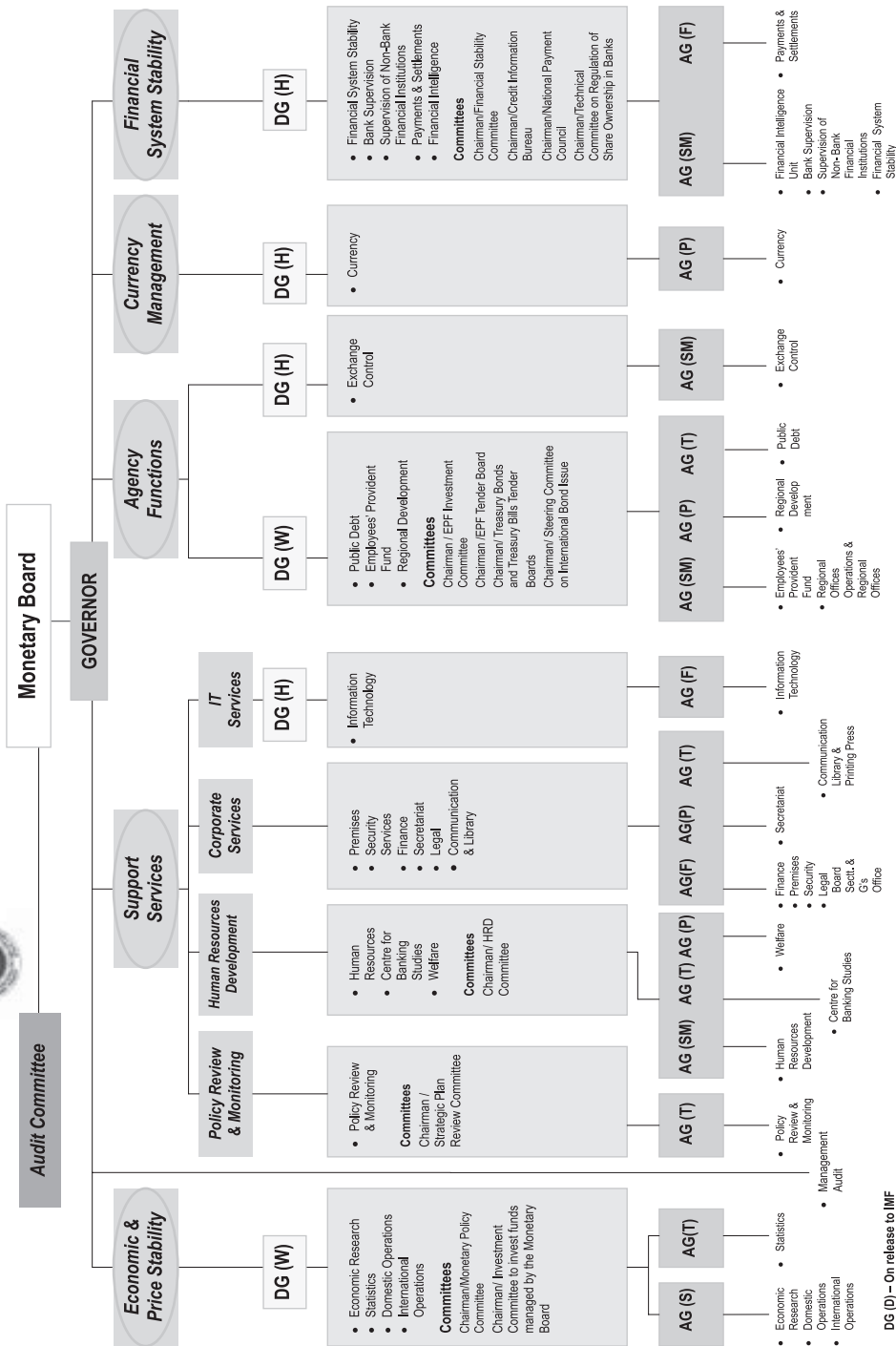
The CBSL was established on 28 August 1950 under the provisions of the Monetary Law Act (MLA) No. 58 of 1949. The MLA provided for the establishment of the monetary system of Sri Lanka and for the Bank to administer and regulate the system, while vesting the Monetary Board (governing body of the Bank) with the powers, functions and responsibilities necessary for the administration and regulation of the system. Accordingly, the MLA is the supreme law that governs the activities of the CBSL and the roots of HRM of the CBSL emanate from the provisions of that Act.

The CBSL Organisational Structure (OS) is prepared in such a way as to exercise the powers, functions and responsibilities vested with the Bank by the MLA. Therefore, the understanding of the CBSL OS (Chart 1) is necessary to understand the HRM of the Bank.



Central Bank of Sri Lanka – Organizational Structure

Chart 1



DG (D) – On release to IMF

According to the OS of the CBSL the Monetary Board (MB) is the governing body which has five (5) members including the Governor of the CBSL who is the Chairman of the Board. The Secretary to the Ministry of Finance officially becomes a member of the MB while other three members are appointed by H. E. the President from outside. The Chief Executive Officer (CEO) of the Bank is the Governor who is appointed by H.E. the President. Below the Governor, are two Deputy Governors, Assistant Governors and Heads of Departments.

Activities of the Bank have been divided into five clusters, namely Economic and Price Stability, Support Services, Agency Functions, Currency Management and Financial system Stability. There are 26 departments under the above mentioned clusters. Each department is functioning under a director, additional director/directors and deputy director/directors.

As stipulated in the Strategic Plan, the vision, mission, objectives and values of the CBSL are as follows.

Vision

“A credible and dynamic central bank contributing to the prosperity of Sri Lanka”.

Our vision clearly indicates that the Bank is deeply committed to contributing to the prosperity of Sri Lanka. The term prosperity has a wide connotation - enhancement of the quality of life of people through sustainable wealth creation and inclusion of all segments of the society in enjoying the benefits of development. The Central Bank would facilitate this process by ensuring price stability and financial system stability while providing prudential and pro-active policy recommendations, as the Advisor to the Government on Economic Affairs. In so doing, the Bank would act with the highest degree of integrity and professionalism, earning respect for its objectivity and apolitical stance.

Mission

“Maintaining economic and price stability and financial system stability to support sustainable growth through policy stimulus, advice, commitment and excellence”.

Our mission emphasises the need for the Bank to continuously fulfill its core objectives of economic and price stability (maintenance of a low level of inflation, while attaining macroeconomic equilibrium) and financial system stability (maintenance of stability in the financial system as a whole). The accomplishment of this mission would enable the Bank to create a conducive environment for

agents to take a long-term view of the economy and make major decisions relating to resource allocation, production, labour supply, investments, consumption and savings, accordingly. Such a long-term focus is essential for sustainable growth and the alleviation of poverty. The core objectives would be supplemented by appropriate policy recommendations for raising the output of the economy to the long-term potential and desired levels. The Bank's staff, the key input in its operations, would display the highest level of commitment, dedication and excellence in accomplishing the mission so that the Bank would be a model for others to emulate. The staff would also set appropriate benchmarks and service norms, when extending their services to the stakeholders. The Bank would always strive to upgrade its services, even to standards higher than international best practices.

Values

The Central Bank is guided by and adheres to the following values:

- **Commitment to inspirational leadership**
Providing strategic leadership to the financial sector.
- **Transparency in what we do**
Being ready to explain the rationale behind our actions.
- **Accountability to our key stakeholders – the public, government, financial institutions and employees**
Taking responsibility for our policy advice and actions.
- **Integrity-trust, dependability, honesty**
Matching words with deeds by discharging functions ethically in the best interests of our stakeholders.
- **Commitment to professional competence**
Dedication, quality and excellence in all that we do.
- **Commitment to lifelong learning, knowledge sharing and innovation**
Acquiring the required skills, individually and collectively, in a rapidly changing world.
- **Consistency, accuracy and timeliness of all action taken by the Bank**
Earning respect for what we do.

- **Managing and ensuring operational autonomy for policy formulation and implementation**
Providing the organisational freedom for objective decisions.
- **Urgent and continuous commitment to results and outputs**
Bringing a sense of urgency and timeliness into all our actions.
- **Commitment to collaborative and participatory work practices**
Building positive team relationships within the Bank so as to ensure the maximum level of cooperation and team spirit.

The CBSL has permanent employees and contractual employees totaling 1304 at the end of December 2008. In addition, there are some personnel working on outsourced contracts on some services such as canteen services, janitorial service, and mail distribution. Accordingly, the human resource structure of the Bank on the basis of gender, age, class and academic/professional qualifications are given below:

Figure 1
Human Resource Structure on the Basis of Gender

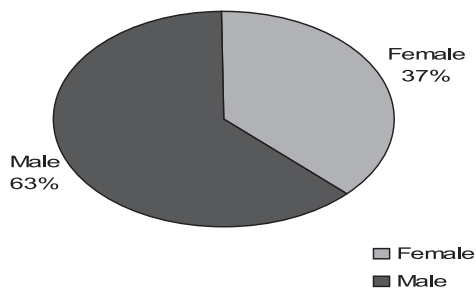
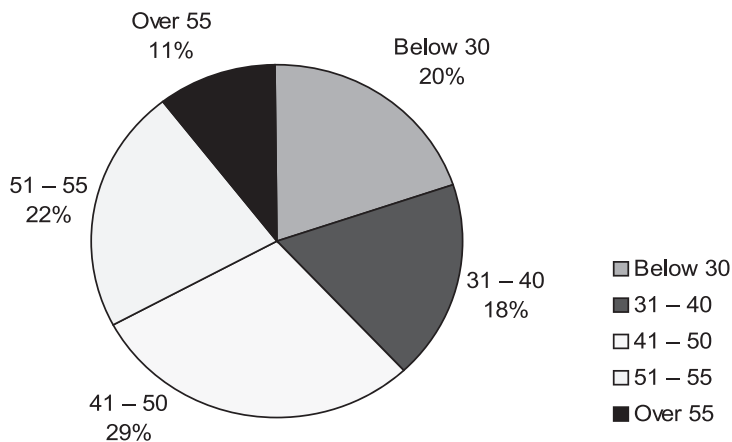


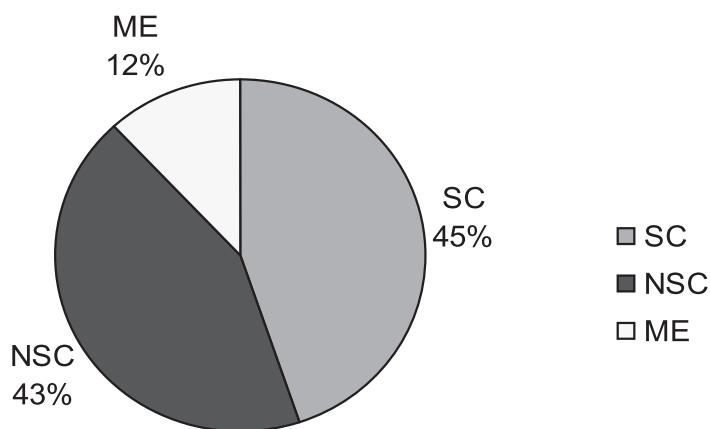
Figure 1 shows the employee distribution of the Bank in gender-wise (female/male). As shown in the Figure, 37% of the employees are female while 63% are male. Although the majority of employees of the CBSL were males in the past, the trend has begun to reverse with the new intake of Management Trainees (Staff Grade) and Banking Assistants (Non-Staff Grade) in 2007 and 2008 respectively.

Figure 2
Human Resource Structure on the Basis of Employee's Age



As depicted in Figure 2, 30% of the employees of the Bank are below 30 years of age, 18% are between 31 - 40 years of age, 29 are between 41 - 50 years of age, 22% are 51 - 55 years of age while 11% of the employees are above 55 years of age. The retirement age of employees is 55 years which can be extended up to 60 years depending on the Bank's requirements and employee fitness to carry out the duties and functions assigned to them.

Figure 3
Human Resource Structure on the Basis of Employee Classes



Employees of the Central Bank of Sri Lanka fall into three major employment categories of Staff Class, Non-Staff Class and Minor Employees. Figure 3 shows categorisation of employees on the basis of Classes. Accordingly, there are three categories of employees, namely, the Staff Class (SC), Non – Staff Class (NSC) and Minor Employee (ME). As depicted in the Figure above, 45% of the staff fall into the SC, 43% to NSC and 12% into ME.

Figure 4

Figure 4
Human Resource Structure – Academic/Professional Qualifications

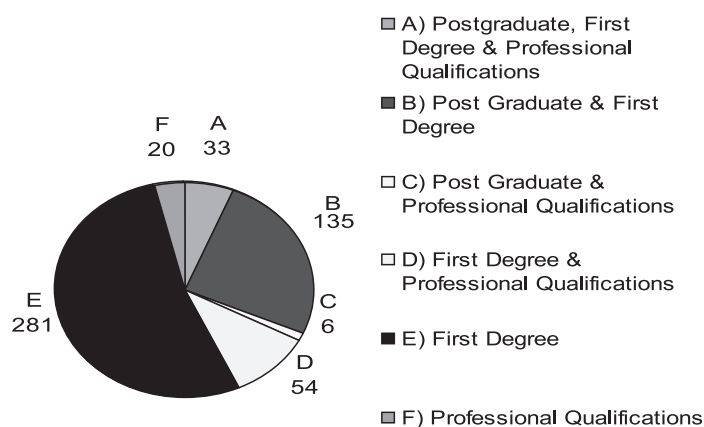


Figure 4 shows the academic/professional qualifications of the employees of the Bank. Accordingly, 33 employees are having post-graduate, first degree and professional qualifications, 135 employees are having post-graduate and first degrees, 6 employees are having post-graduate and professional qualifications, 54 employees are having first degree and professional qualifications 281 employees are having first degrees and 20 employees are having only professional qualifications.

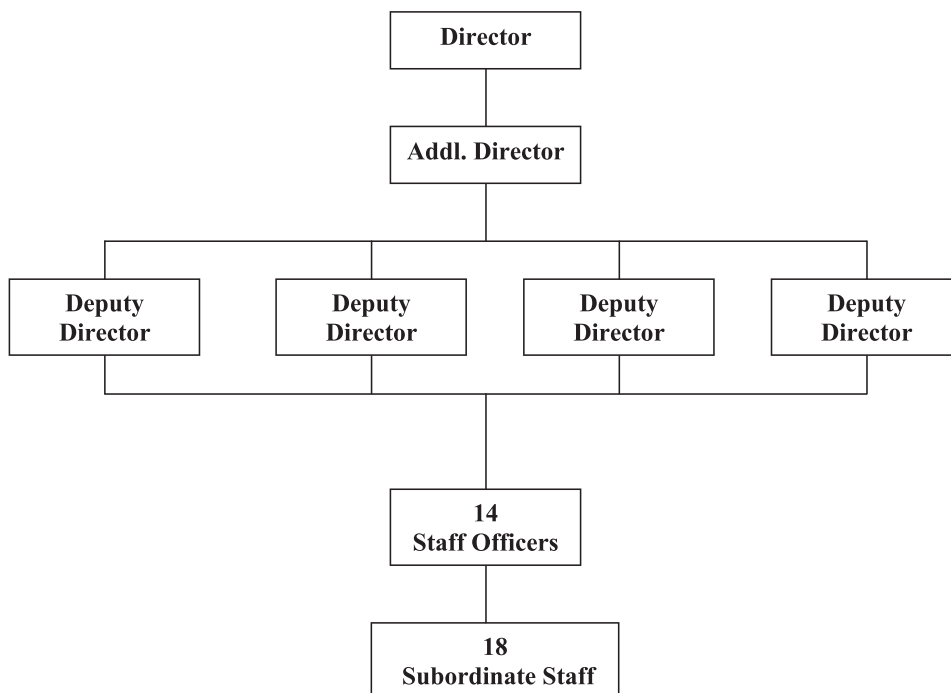
The Organisational Structure of the Bank (Chart 1) shows three (3) departments, namely, Human Resources (HR), Center for Banking Studies (CBS) and Welfare (W) are involved in Human Resource Management. The objectives of the HRM of the Bank are to maintain a committed, competent and contented team of employees to enable the Bank to accomplish its vision and mission, development of multi-skilled labour force to hold key positions in every field of the Bank, development of skills and competencies of the staff to meet HR goals, optimise

in-house training facilities towards meeting the competency needs of the financial sector and in particular the CBSL, while moving towards a centre of excellence in the region and well-being of the employees, pensioners/widows/widowers and their dependents. The HR department is working towards the achievement of the first three objectives and while WD are working towards the achievement of last two objectives respectively.

2.1 Human Resources Department (HRD)

The HRD is adhering to a talent management system under which all talent requirements of the Bank are addressed pro-actively. Also, it acts as a strategic partner of the senior management and line managers. As a strategic partner, it advises the senior management on the formulation of HR strategies in line with the strategic objectives of the Bank. At the same time, it provides needed talent to all line and support service managers with a view of facilitating the achievement of their objectives through the objectives, the mission and the vision of the Bank. The organisational structure of the HRD is given in Chart 2.

Chart: 2
Organisational Structure of the Human Resources Department



The major functions handled by the HR department include recruitment, placement, job rotation, performance evaluation, training and development, promotion, succession management, contracting and outsourcing, and releasing officers for overseas employment, compensation management, industrial relations, risk management and general administration.

2.1.1 Recruitment

Selecting the right employee for the right position is the challenge faced by any organisation which thrives for success. This will give the opportunity to obtain the best skills for a particular job in an optimal manner and to bridge the knowledge and skill gaps in the Bank. Recruitment decisions of the CBSL are taken on the basis of candidates' educational/professional qualifications, results obtained from the competitive examination held by the Examinations Department as well as the experience and the performance at the interviews. Recruitments are made under three entry points; namely, at Staff Class (SC), Non Staff Class (NSC) and at Minor Employee (ME) Level.

Implementation Mechanism

The recruitment process begins by conducting a survey on staff requirements of each department of the Bank. The survey results - number of vacancies, required fields, etc., are made known to the Establishments Committee (EC), which is responsible for policy decisions on HR matters for its recommendations. Thereafter, the EC reviews the requirement and make recommendations to the Monetary Board (MB) – the highest decision making authority of the Bank, for its approval. The selection and recruitment process begins once the approval of the MB is received.

After receiving the approval of the MB, the HRD makes arrangements to advertise the identified positions in print and electronic media. Selection process begins soon after receiving applications. In the case of SC and NSC recruitments, short listing is done first to select the candidates who are qualified to sit for the competitive examination conducted by the Examinations Department (ED). Soon after receiving the results from the ED, the selected candidates are called for interview(s) depending on the requirements. In the case of SC, three interview panels are appointed and the first interview panel evaluates the attitudes of candidates, the second panel evaluates the subject knowledge of candidates and the final panel evaluates the leadership and the adaptability of candidates. Marks obtained from all three panels are averaged and accordingly, the candidates are ranked and selected. Once selected, they are recruited to the Bank's service on a probation basis or on some other basis which varies from time to time depending on the requirements. In the case of MEs, short listing is done on the basis of

required qualifications and other requirements. After that, interview/interviews is/are held depending on the number of candidates and once selected and approval given by the EC and MB, the recruitment is made on a probation basis.

2.1.2 Placement

As the recruitment is done as per the results of the survey conducted to determine departmental requirements, the placement is done on that basis and therefore, the correct “job fit” for the position is made.

2.1.3 Job Rotation

The objective of job rotation policy is to provide opportunities for employees to acquire skills, knowledge and experience in different areas of the Bank with a view of creating a cross functional multi-skilled labour force which would be able to hold any key position in any field of the Bank.

Implementation Mechanism

Job rotation is implemented each year. The employees who have completed five years service in one department are rotated to other departments. The impact of the rotation on employees’ knowledge, skills and experiences are taken into consideration.

2.1.4 Performance Evaluation

The Performance Planning, Performance Appraisal, and Performance Review are the component of the performance Management System (PMS) of the Bank. The Bank uses the PMS as an employee motivation method. Performance appraisal is carried out to evaluate and reward the officers who perform in a competitive environment and contribute to the progress of the institution. For this purpose, it is necessary to have an objective and transparent performance evaluation system which will assess the performance of all levels of employees fairly. Such an evaluation system which focuses on the extent to which the officers have fulfilled their tasks and goals would help assess the abilities, competencies and performance of officers objectively and impartially.

Implementation Mechanism

Under the performance planning, both the supervisor and the staff member jointly get involved in designing job descriptions, and goal setting at the beginning of the year. At the end of the year, the adjusted performance evaluations of employees would be forwarded to the HR Department. The HR Department

submits the evaluation marks to the EC for its recommendation and soon after receiving its recommendations, the marks are submitted to the MB for its approval. Once MB's approval is received, the marks are communicated to the individual employees through the respective heads of department.

2.1.5 Talent Development/Training

The development of a knowledge-based culture where both the Bank and the employees share the responsibility for developing general and technical competencies is the Bank's policy on training. In this context, learning is viewed by the Bank as an essential requirement for the staff to acquire and become competent in the highly sophisticated, complex and dynamic environment and support continuing the Bank's status as a learning organisation.

The practice so far, of providing training to the staff of the Bank has been based on the 'supply' of such training programmes and this has been identified as 'supply driven' training. As a result, the staff have been given the chance to apply for the available training programmes and training provided based on availability. Deviating from this, the Bank has identified the importance of integrated training, learning and development approach, which is based on the initiative and the drive of the staff to seek training and learning opportunities identified as the "Demand Driven Training Strategy". The rationale of the new policy is to ensure that the Bank will have the right people with right skills for the job and a multi-skilled staff to meet the present and future requirements and challenges of the Bank. Training programmes provided by the Bank can be categorised as foreign-short term, foreign-long term and local training.

Foreign - Short Term Training: The Bank nominates officers for training programmes/seminars/ workshops conducted by institutions abroad that are acceptable by the Bank on subject areas related to the Bank.

Foreign - Long Term Training: Recognising the importance of upgrading the skills and competencies of its staff, the Bank, under its scholarship schemes, provides opportunities for the staff to undergo postgraduate studies - Master and Doctoral levels, in recognised local and foreign universities.

Local Training: The Bank provides training for officers locally by nominating them for seminars; workshops and conferences conducted by the CBS as well as the other recognised institutions.

2.1.6 Promotions

Recognition and rewarding of best performing employees in fair and unbiased manner is the promotion policy of the Bank. The promotion scheme of the Bank covers all categories and grades of employees. Promotions are given under two streams, namely, class promotion and grade promotion.

2.1.6.1 Class Promotions

Promotions given from a lower class to a higher class is called class promotion. The number of promotions given depends on the availability of vacancies. These promotions are offered on the basis of employees' competence, potential to hold the position, the training acquired and the commitment to the job.

2.1.6.2 Grade Promotions

Grade promotions are offered to motivate the staff who have completed the required time period and received required level of performance rating. In addition to the above, designation to higher positions, without any change to the class or grade are also included in the promotion scheme.

The requirements for earning promotions are:

- i) Required number of years of service in a particular grade
- ii) Required Performance Evaluation Marks
- iii) Recommendation of the Head of Department
- iv) Fulfilment of other requirements (Depend on the promotion scheme)
 - Completion of Efficiency Bar examinations
 - Attending an induction programme
 - Qualifying the promotion examination
 - Performance at the interviews
- v) Availability of vacancies

The promotion criteria given above may be changed from time to time to cater to the changing requirements of the Bank.

Implementation Mechanism

The HR Department prepares a promotion calendar annually indicating the time lines for granting promotions. This is implemented once the performance evaluation marks for the previous year has been finalised, as performance evaluation marks are a requirement for earning promotions. Certain promotions are granted only if there are vacancies in the particular position. For such promotions, vacancies are advertised internally by the HR Department for which eligible candidates could apply.

2.1.7 Succession Management

Employees are identified pro-actively to fill gaps that are created due to expected or unexpected reasons without compromising the performance of the Bank. The list is reviewed monthly by the management and necessary adjustments and modifications are done accordingly.

2.1.8 Contractual Employment and Outsourcing

The Bank has adopted a lean policy on contractual employments. Outsourcing is done mainly on the basis of the nature of the job and the cost advantage. Also, if the job is highly technical, the need for outsourcing arises. Presently, the Bank has outsourced the Janitorial, Canteen and Mail services.

2.1.9 Releasing Officers for Overseas Employment

No-pay leave is granted to the employees of the Bank to take up overseas employment. Two categories of employment have been recognised by the Bank.

- Employment in Sri Lanka missions-abroad and international organisations such as the International Monetary Fund and the World Bank.
- Employment in private organisations which are acceptable to the Bank.

The objective of the policy is for talent enhancement by allowing the officers to gather experiences from abroad.

2.1.10 Compensation Management

The Bank's compensation policy has been formulated in a way to attract and retain highly skilled and talented human resources which can contribute to the overall success of the Bank. The salary structure is revised considering economic and market factors once in three years, mutually agreed with employees/employee representatives. The employees are paid a monthly remuneration.

The salary administration is implemented by the Finance Department with the coordination of Human Resources and Information Technology Departments.

Terminal Benefits

The employees' optional retirement age is 55 years, whereas the mandatory retirement age is 60 years. At retirement, provided that the employee has completed 10 years of permanent service, he/she is entitled to a monthly pension as a part of terminal benefits. The quantum of the monthly pension depends on the service period of the employee concerned. The employee is also entitled to receive a commuted pension at the end of the service period. Employees who have completed 5 years and less than 10 years are entitled to receive a gratuity in terms of the Gratuity Act. In addition to the terminal benefits indicated above, the Bank's employees are entitled for the Employee Provident Fund (FPF) and Employee Trust Fund (ETF).

2.1.11 Industrial Relation

The Bank has adopted a policy of having a continuous open dialogue with trade unions as well as individual employees. Trade Unions' requests for discussions with the Top Management are attended promptly. The fullest attempt is made to find amicable solutions to employee grievances, and such solutions will be implemented promptly.

Implementation Mechanism

- Regular Meetings with recognised trade Unions
- Staff members are given the opportunity to discuss the matters with their immediate supervisors with a view of resolving them in a fair and amicable manner. In the event that a staff member is not satisfied with the way in which the problem is resolved by the immediate supervisor, he/she can escalate the matter with a higher management level or with the HR Department.

2.1.12 Risk Management

Identifying, prioritising, and mitigating HR risks can avoid costly mistakes and improve the Bank's Return on Human Capital. In this regard, the HRD has identified some major risk areas with the corresponding mitigation actions.

Major HRM Risks

- Lack of accurate and timely information for effective decision-making.
- Legal risk with regard to all human resources management activities.
- Risk related to employee identification and access.
- Problems associated with Succession Management

In order to mitigate the above mentioned risks the Bank has adopted the following best practices and it is expected to continue with such practices, making relevant changes as and when necessary.

- Information management has been streamlined with the introduction of the e-HR system to facilitate management decision making.
- HR processes have been streamlined to eliminate all possible legal problems.
- A unique identification system has been established and therefore, the risk of unauthorised persons entering the Bank's premises has been mitigated.
- Actions have been taken to develop a cross functional multi-skilled labour force with a view of developing leaders to take over vital positions as and when necessary.

2.1.13 General Administration

Departmental budgeting, attendance and leave, access and identity card management, petty cash management, incoming and outgoing mails handling are carried out by the Administration Division. In addition, the Administration Division handles the activity-wise time recording system which has been introduced recently with a view to facilitating the preparation of activity-wise budget.

2.2 Centre for Banking Studies (CBS)

The Training Centre of the Bank is the CBS. It organises seminars, training programmes, workshops for the benefit of CBSL employees as well as for the employees of other banks and the general public. Its strategic objective is to optimise in-house training facilities towards meeting the competency needs of the financial sector and in particular the CBSL, in the quest towards becoming a centre of excellence in the region.

2.3 Welfare Department (WD)

One of the major functions of HRM is taking care of the well being of the employees, which is carried out by the WD carries. Accordingly, it takes care of the well being of all employees, pensioners and their dependents. The facilities provided by the department are medical facilities, housing loans, loans from EPF balances, loans for other requirements of employees such as loans to purchase computers, loans for house renovations, and canteen services.

As discussed above, the Human Resources Department, the Centre for Banking Studies and the Welfare Department are involved in the HRM of the Bank. These departments work according to the above mentioned guidelines and guidance and advisement of the senior management to maximise employees' contribution towards the achievement of the objectives of the Bank. In addition, heads of department are also work as HR managers in their respective departments.

3. Linkage Between The Strategic Plan of the Bank and the Human Resource Management

The Strategic Plan of the CBSL identifies the strategies that are to be followed in its key business areas in line with the two strategic objectives of the Bank of Economic and Price Stability and Financial System Stability. According to the Strategic Plan – 2008, the Bank has identified its key business areas as Core, Ancillary to Core, and Agency Functions.

Key Business Areas of the CBSL

Core	:	1. Economic and Price Stability 2. Financial System Stability
Ancillary to Core	:	1. Currency Issue and 2. Management
Agency Functions	:	1. Employee's Provident Fund Management 2. Foreign Exchange Management 3. Public Debt Management 4. Regional Development

The activities of these key business areas have been linked to the two objectives of the Bank of Economic and Price Stability and Financial System Stability.

The main objective of the Bank is the maintenance of Economic and Price Stability. By achieving this objective, the Bank creates a conducive environment for long-term sustainable economic growth. In addition, it reduces uncertainties, protects the value of financial assets, ensures the real well-being of people and induces economic agent to take a long-term view on the economy. The Bank uses Monetary Policy to attain this objective by influencing the credit levels and through setting the aggregate demand against the aggregate supply of the economy.

The Stability of the Financial System is complementary to the Economic and Price Stability objective as a stable financial system is essential for the attainment and maintenance of price stability in the economy.

Having discussed the key business areas and the main and complementary strategic objectives of the Bank, there is a need to understand the linkage between the strategic plan and the HRM. The Strategic Plan of the Bank has identified clusters (Group of departments) -Economic and Price Stability, Financial System Stability, Agency Functions, Money Issues and Management and Support Services - Human Resource Management, Development and Welfare Services, Corporate Services, Policy Review and Monitoring. The following functions have been assigned to HR Management and Development and Welfare services by the Strategic Plan.

- * Recruitment, evaluation, rotation and promotion of personnel based on competency requirements and individual capabilities.
- * Design and arrange appropriate in-house training programme focused on the development of required competencies and reduction of skills gaps of the Bank and the financial sector.
- * Ensure a contented work force by meeting reasonable welfare need and providing a relevant competitive remuneration package for employees
- * Mentor and develop junior and middle level officers in the Bank and motivate them for higher productivity
- * Ensure leadership skills of Bank officers to strengthen the key positions of the Bank in the future and promote continuous learning and knowledge sharing within the Bank.

Execution of above mentioned functions in a way which contributes to the achievement of Bank's objectives is the responsibility of HRD, CBS and WD. In this regard, these three departments have been assigned with strategic objectives, goals and mechanisms to achieve goals by the Action Plan for HR Management and Development Service 2008 – 2012, the Action Plan for Centre for Banking Studies 2008 – 2012 and the Action Plan for Corporate Services 2008 -2012 respectively. The details are given in Table 1, 2 and 3.

Table 1
Action Plan for HR Management and Development
(Human Resources Department)

Area	Strategic Objective	Goals	Mechanism for Achieving Goals
Staff talent management	A committed, competent and contented team of employees to enable the Bank to accomplish its mission and realise its vision.	Motivate and upgrade the competencies of existing staff while recruiting the best talent by ensuring a consistent, transparent and relevant system of recruitment, evaluation, job rotation and promotion	<p>a. Implement the following consistent with the policy document:</p> <p>(i) An annual promotion scheme with fixed time lines.</p> <p>(ii) An annual recruitment plan with fixed time lines</p> <p>(iii) The annual performance evaluation scheme with fixed time lines.</p> <p>(iv) Routine job-rotation scheme.</p> <p>(v) Competency mapping in consultation with all the departments</p> <p>(vi) Implementation of lateral recruitment on need basis and realigning the skills requirements of the Bank.</p> <p>(vii) Establishment of an Employee Feedback Cell at HRD.</p>
		Create a conducive environment for dialogue and communication.	b. Communicate policy actions with feedback on a regular basis
		Application for training opportunities and Performance Evaluation (PE) through the electronic based HR management information system (e HR)	<p>c. Implement the e-HR based training approval process throughout the Bank</p> <p>d. Carry out the 2007 PE via the e-HR System after the manual process completed (lonely SC category)</p>
Cross functional and multi	Developing multi skilled labour force to	Mitigating key personnel risks in the Bank	a. Maintaining a key persons risk registry

Cross functional and multi skilled labor force	Developing multi skilled labour force to hold key positions in every field of the Bank in future.	Mitigating key personnel risks in the Bank	<ul style="list-style-type: none"> a. Maintaining a key persons risk registry b. Identify current and future competencies of key positions. c. Reviewing talents and capacity building through training for identified key persons d. Establish and implement coaching and mentoring programmes for potential leaders e. Periodically review senior and middle level executives to identify several potential successors for each key position
Skills and competencies development	Development of the skills and competencies of the staff to meet HR goals	Equip the staff with multi-skills on a continuous basis by adopting a need-based approach and creating a learning culture	<ul style="list-style-type: none"> a. Develop competency mapping (skills gap) to identify training needs in consultation with heads of department (HDD). b. Prepare a skills and competency plan c. Regularly update the Training Policy Document (TPD) to be consistent with Human resource policy document (HRPD). d. Design and arrange appropriate training programmes according to the training plan e. Develop and implement a pre and post monitoring system for training received f. Development of a system for sharing knowledge gained

Table 2
Action Plan for Centre for Banking Studies (2008 – 2012)

Area	Strategic Objective	Goals	Mechanism for Achieving Goals
Centre for Banking Studies (CBS)	Optimise-in-house training facilities towards meeting the competency needs of the financial sector and in particular the CBSL, while moving towards a center of excellence in the region.	(a) To increase competencies in the financial sector to meet new global challenges in financial sector development.	Conduct scheduled training programmes as per programme calendar Strengthen links with training centres in the region Undertake programmes for International participants Improve the quality of programmes Identify Training needs
		(b) To enhance public awareness of the CBSL's role in the economic and financial system.	Conduct a series of TV programmes for students
		Equip CBS staff with multi-skills on a continuous professional development basis	Updating and upgrading staff competencies to reduce the identified skills gaps
		Establish a Cost effective centre	Prepare relevant budget with required revisions Conduct training programme to earn an income
		Conducting residential programmes	Undertake International Programmes, Micro financing programme and Renting residential facilities on demand
		Upgrading the facilities at CBS	By replacing existing facilities with modern equipment
		Continuous updating of Business continuity Plan (BCP) and Risk Register	Updating of a BCP for contingency management and Risk register
		Releasing information to websites and media	Continuous action to update relevant Websites
		Updating Accounting System based on new technology	Implementation of IT based solutions to Accounting system

Table 3
Action Plan for Welfare Department (2008 - 2012)

Area	Strategic Objective	Goals	Mechanism for Achieving Goals
Staff welfare	Well-being of the employees, pensioners/widows/widowers and their dependents	Provide an efficient service to members in processing applications, disbursement of loans and recover loans within stipulated time periods	a) Simplifying existing loan schemes to improve efficiency and reduce cost of operations b) Automate the housing loan granting process and keep relevant records and documents in electronic c) A sound loan monitoring system to reduce and facilitate timely recovery
		Providing better medical facilities social security benefits	a) Revision of Medical Benefit Scheme b) Introducing social security/medical facilities for newly recruited staff c) Renewal of Group Personal Insurance Scheme Oversight to prevent misuse of medical facilities by visiting hospitals/nursing homes for verification of information
		Better restaurant facilities with quality food and beverages	Development infrastructure and equipment facilities to improve the services of the restaurants and the tea service
		Conduct awareness programmes for convenience of the staff	a) Updating of website displaying available welfare facilities. b) Conduct awareness programmes on topics of interest among staff c) Programmes to improve social interaction between existing and the retired staff

As shown above in Table 1, 2 and 3, HRD, CBS and WD carry out their activities with a view of achieving their strategic objectives. Achievements of these objectives means these department are facilitating the supply of required talent to meet the demand emanating from the activities of the other departments of the Bank. Accordingly, HRD, CBS and WD facilitate the Bank to achieve its objectives and therefore, its mission and vision.

4. Challenges, Risks and Issues of Human Resource Management

The main focus of HRM is the achievement of objectives of the Bank. However, the journey for the achievement of objectives is not an easy one especially in the current turbulent financial environment as there are many challenges to be addressed, risks to be mitigated and issues to be resolved. Understanding these challenges, risks and issues are important for HRM and are discussed below.

4.1 Challenges

Challenges are problems which central banks faces in performing HRM, particularly new problems which arise due mainly to changes in the economic environment influencing policies and functions of central banks. Many central banks set price stability and financial system stability as their strategic objectives. However, the recent economic environment especially the turbulence in the financial markets and global recession threaten the achievement of those objectives. Therefore, talent attraction, development and retention have to be implemented in line with the changing economic environments. Accordingly, the challenges that are faced by the CBSL are as follows:

4.1.1 Transferring Knowledge from Senior Leaders to Officers who are Aspiring to Senior Positions;

Studies have found that corporate knowledge is housed exclusively in the brains of employees. This knowledge has to remain with Bank at all times even if the leaders who possess such knowledge leave the Bank. In this regard, knowledge transfer from senior leaders to junior officers aspiring to senior positions is important. If this knowledge transfer is not made, there may be a knowledge vacuum which may detrimental to the achievement of the objectives of the Bank.

4.1.2 Bridging the Gap between the Competency Requirements of the Bank and the Availability of Required Competencies

The identification of competency requirements of the Bank and the availability of the required competencies within the Bank is important to understand any gaps in competencies. Once identified actions should be taken to bridge the gap and hence it is a challenge.

4.1.3 Encouragement of Team Work

It is the team work that creates excellence in any organisation. The value addition made by employees makes the difference in creating excellence. The synergies of the team is important in this regard. The team of the Bank consists from different categories of employees; the CEO, the Corporate Management, Heads of Department, other

Staff Class Officers, Subordinate staff including Minor Employees and Labourers. Everybody knows that the CEO and the Corporate management contribute mostly in creating value and through which excellence is created. Nobody will argue against this. What then, about the labourer who cleans the back yard of the premises? Does he/she contribute to the value creation? The answer is obviously a 'yes'. Without his/her service, the environment may not be sanitary nor conducive for employees to work and hence the value added by employees will be badly affected. This demonstrates that everybody's contribution matters in achieving the objectives of the Bank. Therefore, the preservation of each employee's motivation to contribute towards achieving excellence is a challenge for HRD.

4.1.4 Development of a Cross-Functional Multi-Skill Labour Force Who Can Take Over Positions as and when Required without Compromising the Performance of the Bank

The presence of a cross-functional multi-skilled labour force is imperative for the Bank to move forward in this ever changing world. Employees resign, or they may get sick, disaster may happen, but the Bank should continue its journey without compromising its performance. In other words, excellence should be maintained at all times under any circumstances. Employees must be equipped with necessary knowledge and experience in order to take over positions as and when required without compromising the performance of the Bank. Building of such a multi-skilled labour force is a challenge for the HRD.

4.1.5 Creation of Winning Employee Value Proposition

To create excellence, the attraction of the best talent is a must. In this regard, the Bank must create and maintain value in everything it does at all times. This will pave the way for attraction and retention of best talent. However, it is a challenge for the HRD to maintain winning employee value proposition continuously.

4.1.6 Continuous Adjustments to Changes

The world is changing and continues to do so at an unimaginable speed. Any organisation including central banks should move along with the changing world. Therefore central banks should have the knowledge of their employees updated rapidly and continuously. This adjustment is not an easy task and represents a challenge to the Bank.

4.2 Risks

Risks are dangers which central bank may face when they operate the existing HRM system or introduce new HRM systems or ideas to cope with challenges. On the HRM side, there may be many risks including wrong recruiting, inadequate

training, misguided motivation. The risks that are faced by the CBSL are discussed below.

4.2.1 Legal Risk

Litigation by current/past employees is always possible. Litigation may come up due to non-transparency of promotion schemes/criteria, usage of incorrect wordings in outsourcing contracts, unfair dismissals/interdictions of employees, etc.

4.2.2 Reputation Risk

HR management is accountable for deliverables of line managers. The Bank is accountable to its stakeholders consisting of the General Public, Government, Financial Institutions and Employees for its deliverables. As long as the line managers are delivering positive results, no reputation risk arises. However, if the Bank cannot meet the requirements of its stakeholders the reputation of the Bank will be affected. The HRD is trying to minimise the risk by supplying required talent who can positively contribute in delivering positive results at all times.

4.2.3 Problems Related to Succession Management;

Risk associated with succession management is the non-availability of employees/leaders to take over positions without compromising the performance of the Bank whenever leaders are replaced due to known or unknown reasons. In order to mitigate this risk, the Bank is gearing towards the creation of cross-functional multi-skilled labour force.

4.3 Issues

Issues are tasks which central banks should do considering challenges and risks, such as how to support the mission, vision objectives of each central bank in relation to HRM; how to recruit, how to train, how to motivate, how to retain and how to fill the talent gap. The issues that are to be resolved by the CBSL are as follows:

4.3.1 Linking of Performance Management System with Rewards

The basic idea behind the linking of the Performance Management System (PMS) with a reward system is to motivate people to get their maximum contribution for the achievement of organisational objectives. However, under this scenario, the employees who get rewarded will be motivated but those who do not get rewarded will be discouraged. The exclusive focus on high performers alone discourages others and affects the overall performance of the Bank.

4.3.2 Retention of Talent

Talent retention is very important for the creation and sustainability of excellence in an organisation. Even if an organisation is good in identifying, recruiting and developing talent, but not capable of retaining such talent, the very survival of such an organisation will be put in question. Therefore, the CBSL has to come out with good talent retention strategies.

5. Policy Guidelines and Suggestions

5.1 Policy Guidelines

The official policy guideline of the Bank is the strategic alliance of the human resource function with the strategic objectives of the bank. In this regard, the HRM is responsible for making available a team of committed, competent, contented and multi-skilled employees to facilitate the Bank's accomplishment of its vision and mission. In order to make this endeavour a success, the HRM has adopted the pro-active talent management system.

5.2 Suggestions

Enhancement of the effectiveness of the HRM is the key to success of central banks. Therefore, following suggestions are made with a view of enhancing the effectiveness of HRM.

5.2.1 *The Focus of HR Should be on Outcomes not on Activities*

This means that the HR should not be measured by what it is engaged in but it should be measured by what it delivers. This means that the results should enrich the Bank's values to its stakeholders, i.e., general public, government, financial institutions and the internal stakeholders who are employees of the Bank. What is important here is the value it adds with regard to the needs of the above mentioned parties. In creating value, HR should not work in isolation but rather be a partner with the executive management and line managers.

5.2.2 *Operating Managers and HR Managers Must Form a Partnership in Executing Activities*

HR alone cannot create excellence without the blessing of the CEO of the Bank and line managers. Actually, the prime responsibility of changing the role of HR belongs to the CEO and line managers whose tasks are to achieve business goals. The line managers are responsible for both the process and the outcomes. Line managers are the people who integrate HR into the real work of the Bank. In this regard, the HR supplies the needed talent, and therefore is accountable

for outcomes/deliverables. To derive the maximum out of the employees, the operating managers and the HR managers must form a partnership in performing the activities of the Bank to create and maintain excellence. In other words, to achieve the vision, the mission and the objectives of the Bank, HR should work with operating managers.

5.2.3 HR Executives Should Have a Close and Continuous Dialogue with its Partners with regard to the Way Strategies are Carried Out

It is the responsibility of executive management to design the overall strategy. HR is a partner of the team. In this regard, HR executives should have close and continuous dialogues with its partners with regard to the way strategies are carried out. The dialogues should include following:

- **Carrying out of an organisational audit.**
HR must know how the activities of the Bank are being carried out. By doing so, HR should be able to identify the gaps between current practices and best practices. If there are gaps, the HR will have useful guidelines to engage management with regard to the required developments.
- **HR management to be a strategic partner.**
HR should be assigned to promote best practices within the Bank such as team based organisational culture, performance management systems etc. The creation of these strategies should have the attention of senior management of the Bank.
- **HR must take a portfolio of its own work and set clear priorities.**
This has to be done because at times, the Bank have various activities that cannot be accomplished all at one go. By prioritising its work HR as well as the Bank can achieve desired results as it provides an opportunity to engage in most important work first.

5.2.4 Requirements of Talent at all Levels should be Focused

Exclusive focus on high performing employees may harm the morale of the rest of the employees of an organisation leading to drop in overall performance. A policy that address the need of talent at all levels of the organisation would be more constructive in achieving excellence.

5.2.5 HR Managers Should be Responsible for Employee Engagement

It is the responsibility of HR managers to get the full contribution from employees towards the achievement of objectives of any organisation. In the past, that contribution was sought by attending the social needs of employees such as participation in picnics, dance, dinners etc. However, in today's context, the HR managers should guide line managers to acquire the full contribution of employees towards the achievement of organisational objectives.

5.2.6 Limitations Should be Made on Organisational Politics

Organisational politics hinder the achievement of its objectives. Therefore, setting limitations on organisational politics is necessary. HR can play a bigger role in this regard. The methods that can be adopted include the creation of an employee trusting environment, focusing on objective performance evaluation, making work and career plan congruent with organisational objectives and job rotation.

5.2.7 HR Managers Should be the Change Agents of the Bank

Like a ship setting its course in bad weather, HR should set the course of the Bank through changes, in meeting its objectives.

5.2.8 Transferring Knowledge from Senior Officers to Junior Officers who are Aspiring to Senior Positions

Knowledge transfer from senior leaders to those who are aspiring to become leaders is necessary for an organisation to survive without compromising on its performance once senior leaders are replaced due to known or unknown reasons. In this regard, CBSL can design a knowledge transfer plan on continuous basis.

5.2.9 Introduction of Accelerated Promotion Schemes for All Levels of Employees

Creation of accelerated promotion schemes for all levels of employees will help the HRM to get the maximum contribution of employees in creating value for the organisation.

5.2.10 Creation of Challenging Job Environment

In order to attract and retain the best talent, the creation of challenging job environment matters the most. When employees are assigned challenging jobs in

line with their knowledge and skills, they will perform better, knowing that the Bank appreciates their capabilities and knowledge.

5.2.11 Creation of Learning Culture

This will enhance the knowledge and skills of employees continuously.

5.2.12 Introduction of a Continuous Recruitment System

This will provides an opportunity for the Bank to attract the best talent available in the market.

5.2.13 Competency Gap Study Should be Done Continuously

Competency requirements of the organisation and the availability of competencies should be assessed continuously with a view of filling gap through required training or through internal and external recruitments.

5.2.14 Talent Retention

Talent retention is a necessity for any organisation which is working towards the creation and sustainability of excellence. In order to make that ideology a success, such organisations should design good talent retention strategies. Some of the strategies that can be adopted in this regard are the creation of challenging job environment, provision of opportunities to achieve higher positions, recognition of employees' contributions, creation of a healthy job environment, job enlargement – a quantitative extension of the job such as job rotation through assignment to duties requiring similar skills, and job enrichment – increasing the scope of boring, repetitive jobs by using more of the employee's knowledge and skills and allowing decision making on the job.

5.2.15 Mitigation of Legal Risks with Regard to all HR Matters

Legal risks can be lessened by creating a transparent promotion system/ criteria, obtaining legal advice/clearance before signing contracts with regard to supply of human resources, and recruiting high performing lawyers to deal with all HR related legal matters.

6. Conclusion

The Human Resources Department, Center for Banking Studies and the Welfare Department are involved in the HRM of the Bank. In addition, all department heads also act as HR managers with regard to HR matters relevant to their respective departments. The human resource management function has been linked with the strategic plan of the Bank to enhance the effectiveness of HRM. The three departments work in tandem with a view towards achieving the objectives, the mission and the vision of the Bank. However, human resource management is not free from challenges, risk and issues. Addressing the challenges, mitigating risks and resolving issues would further enhance the effectiveness of human resource management.

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HUMAN RESOURCE MANAGEMENT IN THE CENTRAL BANK OF THE REPUBLIC OF CHINA (TAIWAN)

by Chu Ching Yu¹

1. Introduction/ Objectives

With the transformation in global and business environment, human resources activities have changed from “Personnel Management” to “Human Resource Management”, and subsequently to “Strategic Human Resource Management”. Human Resources have to act more proactively to deal with management. HR roles are transitioning from operational, administrative, functionally oriented, and reactive to becoming more strategic, consultative, business oriented, and proactive.

Inadequate Human Resource Management will damage the productivity of the organisation. Appropriate Human Resource Management will help the organisation perform well. Hence, HR managers cannot afford to ignore this topic.

Ulrich (1998) said that Human Resource professionals must be both credible and active. They need to be trusted, respected, admired, listened to but, above all, have a point of view and take apposition.

Managers know that transforming HR into a strategic partner is an important future topic, which requires HR strategy to be developed systematically by analysing the business strategy, the external environment, and the HR needs of the organisation. As HR’s performance improves, the culture and values of the organisation need to better support the organisational objectives. However, most HR departments do not possess the skills necessary to transform themselves, primarily because HR employees are accustomed to focusing on traditional HR processes and lack business experience. HR should organise its functions between those that are strategic and those that are administrative. Only then can HR focus better on the core issues. HR managers must understand the business strategy, how it was derived and its key objectives so that they can tailor the HR strategy for it.

HR professionals built staffing, compensation, training, and other programmes and policies that focused on employees and kept the organisation

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legally compliant. HR professionals have worked to become business partners and to align their work with business strategies. HR professionals have been coached to spend time with general managers and with their counterparts in sales, marketing, and manufacturing to ensure that HR work helps deliver business results.

The adage that “people are most important asset” has been a recurrent theme in many businesses and organisations through history, which is also true for a central bank. A central bank’s effectiveness crucially depends on its credibility. It also requires the ability to respond with sound and well thought out policies as and when the need arises. This in turn, largely depends on the quality – considerable skills, expertise, experience and sound judgment – of its staff. Therefore, managing human resources effectively is a critical element in maintaining an effective and credible central bank.

The Central Bank has an important role in implementing monetary policy and maintaining financial stability. The decisions that Central Bank’s employees make will influence the living situation in the country. Therefore, the human resources are the most important assets in the Central Bank.

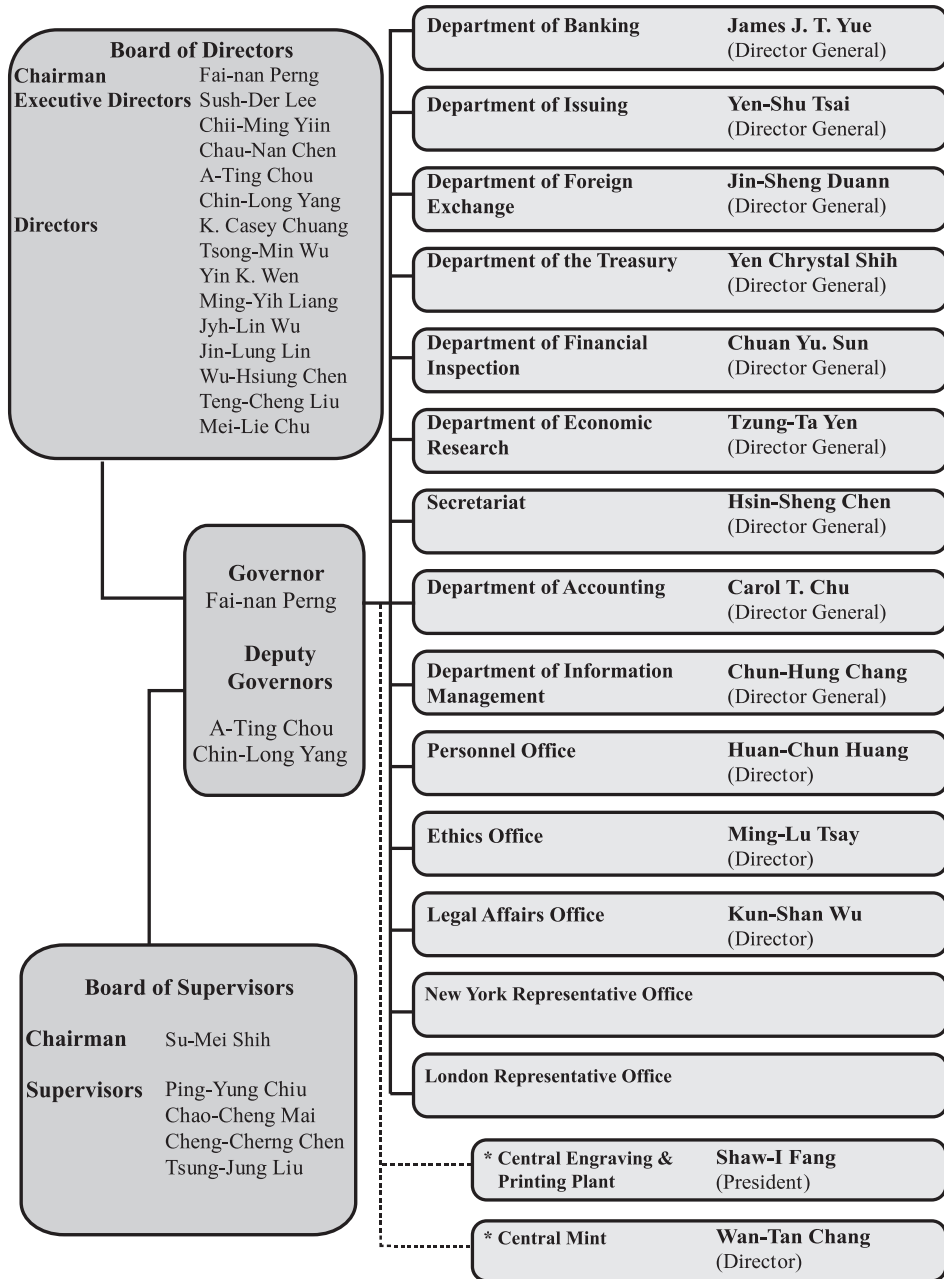
In this study, we hope we can share our experiences in Human Resource Management with other Central Bank/Monetary Authorities. Each central bank in the SEACEN region has its own unique character and it is difficult to garner the same experiences in each country. We hope that each of the participating central bank can share its experiences especially with regard to practices in Strategic Human Resource Management. The review of literature on human resources will also assist in rethinking related policy areas. However, there are also significant risks in the human resources area, and those risks need to be carefully managed.

2. General Profile of Human Resource Management

The Central Bank is the sole monetary policy-making and policy-executing entity in the Republic of China (Taiwan). Its organisation structure is shown in the Chart 1. The decision-making body is made up of three components - the Board of Directors, the Board of Supervisors, and the Governor and Deputy Governors.

Chart 1

Organization and Management of the Central Bank of the Republic of China (Taiwan)



Note: * Affiliate of the Bank.

As of Aug 1, 2008

2.1 The Board of Directors

The Board of Directors is the highest decision making body of the Bank. It consists of eleven to fifteen directors nominated by the Executive Yuan (Cabinet) and appointed by the President. Five to seven directors of the Board are designated as executive directors. According to the Central Bank of China Act, the Governor of the Central Bank, the Minister of Finance and the Minister of Economic Affairs are ex officio directors and executive directors. Directors, except for ex officio directors, are appointed for five-year terms and can be reappointed upon the expiration of their terms. The Board meets four times a year. Currently, the Board consists of fifteen members, of whom six are concurrently executive directors.

2.2 The Board of Supervisors

The Board of Supervisors is authorised to examine the Bank's assets and liabilities and to audit its accounts. It consists of five to seven supervisors, and all of whom are nominated by the Executive Yuan and appointed by the President. There are five supervisors at present. The Director General of the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan is an ex officio supervisor. Except for the ex officio one, supervisors are appointed for three-year terms and may be reappointed upon the expiration of their terms.

The Bank has nine departments, namely the Department of Banking, Issuing, Foreign Exchange, Treasury, Financial Inspection, Economic Research, Secretariat, Accounting, and Information Management. In addition, there are 3 supporting offices, namely the Office of Personnel, Ethics, and Legal Affairs. The Bank has two overseas representative offices in New York and London. In addition, the Central Engraving & Printing Plant and the Central Mint are also affiliated with the Bank.

Chart 2

**Manpower Structure of The Central Bank of the
Republic of China (Taiwan)
- by Gender**

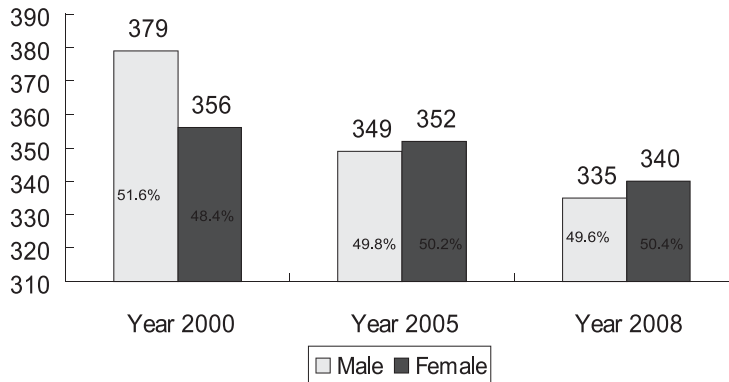


Chart 3

**Manpower Structure of Central Bank of the
Republic of China (Taiwan)
- by age**

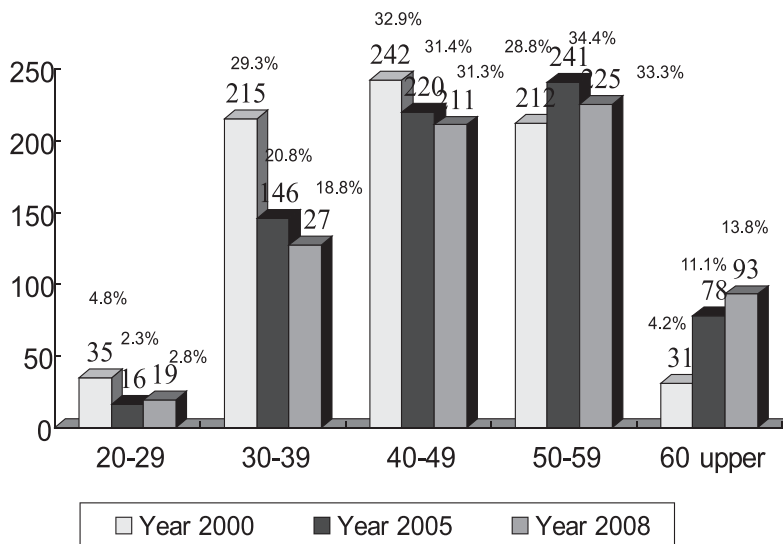
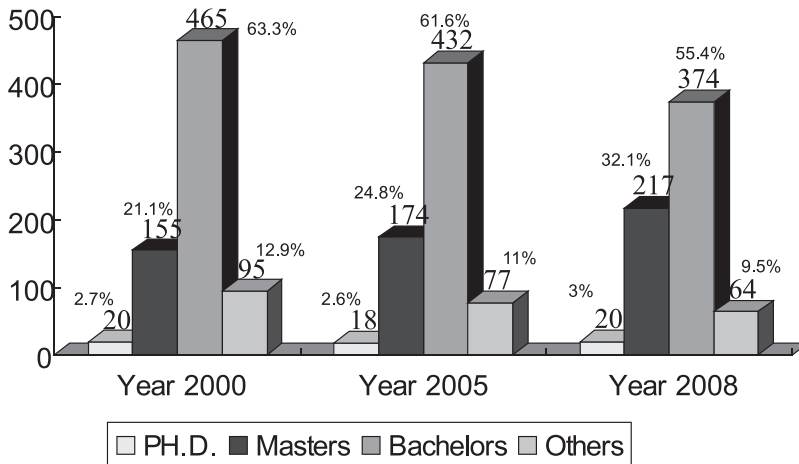


Chart 4

**Manpower Structure of the Central Bank of the Republic of China (Taiwan)
- by educational background**



2.3 The Personnel Office

The manpower structure of Central Bank of the Republic of China (Taiwan) (CBC) is shown in the above charts. There are 675 employees in the Bank (not including the security guards and non-professional workers). The proportion of male (379) to female (356) is about fifty to fifty. With regard to educational background, 55% of the employees have a bachelor degree, 32% have a master's degree, while 3% have a doctorate. The compulsory retirement age in CBC is 65 years old while the average age of employees is 48 years old. 13% of the employees are aged above 60, 33% between 50 and 59, 31% between 40 and 49, almost 19% between 30 and 39, while the rest of 3% are under 30.

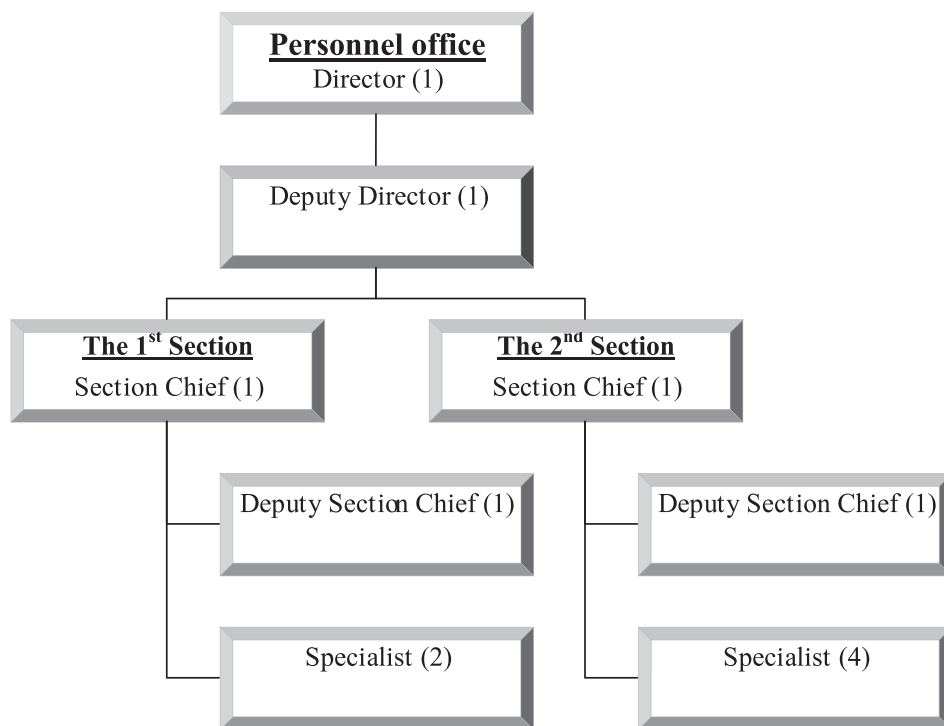
In these above three charts, we find that the number of employees is decreasing in recent years because of staff downsizing and temporary transfer policies. The staff downsizing and temporary transfer policies are for managing staff size. The Bank has not be able to recruit new employees for the last few years which partly explains the increase in the average age of the employees. Some employees have continued further studies for higher degrees and the ratio of employees who have master's degrees are increasing.

The Personnel Office is responsible for HRM in the CBC. There are 11 staff in the Personnel Office, including one Director, one Deputy Director, 3 in the 1st Section, and 6 in the 2nd Section.

The 1st Section is responsible for the recruitment, promotion and rotation, organisational structure, attendance verification, retirement, and the management of personnel offices of 2 affiliated plants.

The 2nd Section is responsible for training and development, performance evaluation, incentives and discipline, remunerations and benefits, insurance, staff wellbeing, and personnel information management.

Chart 5
The Organisational Chart of the Personnel Office



3. Linkage between Strategic Plan of Central Bank and HRM

3.1 CBC's Operational Objectives and Core Functions

According to the Central Bank of the Republic of China (Taiwan) Act, the Bank's operational objectives include promoting financial stability, ensuring sound banking operations, maintaining the stable internal and external value of the currency and, within the scope of the above three objectives, fostering economic development.

In order to achieve its operational objectives, the CBC conducts the following operations:

3.1.1 Monetary Management

The Bank uses various policy instruments, including open market operations, discounts and temporary accommodations, required reserve ratios, re-deposits of financial institutions etc., to regulate financial conditions and to achieve monetary policy objectives.

3.1.2 Foreign Exchange Management

To date, residents can freely hold and use foreign exchange export proceeds and also make foreign exchange import payments without restrictions. Only certain regulations imposed on remittances related to capital account transactions are retained for the purpose of financial stability.

The NT dollar exchange rate is determined by market forces, which is in line with the policy of exchange rate liberalisation. Only when the foreign exchange market is disrupted by seasonal or irregular factors will the Bank step in.

3.1.3 Clearing and Settlement Services

The Bank is the major operator of the payments system in Taiwan, providing services for payments among banks. Payments, including those associated with central bank accommodation, interbank loans, bill and bond transactions, are settled via the Central Bank of China Interbank Funds Transfer System (CIFS). The Bank is also responsible for promoting the efficiency and security of the payments system, as well as supervising clearing houses regarding check clearing and settlements among the banks involved.

3.1.4 Currency Issuance

In July 1961, the Bank resumed its operations in Taiwan and regained its right to issue currency. The Bank is responsible for designing, planning, producing bank notes and coins, and destroying old notes which are no longer fit to use. The Bank of Taiwan, a state owned commercial bank, is authorised to distribute notes and coins and sort out returned notes.

3.1.5 Treasury Agency Functions

As the fiscal agency, the Bank handles receipts and disbursements of funds and properties for the central government and its agencies. The Bank also handles the issuance, redemption and interest payment of central government securities.

Settlements of funds and securities arising from the above operations are facilitated by the CBC-Wire, which is the main system integrating the CIFS and the Central Government Securities Settlement System.

With the introduction of the book-entry central government bond system in September 1997, the issuance, transfer, redemption and interest payment of the bonds are in the form of accounting entries on computer records. Since then, the bonds are no longer issued tangibly. The book-entry Treasury bills system was also introduced in October 2001.

3.1.6 Bank Examination

Based on the Central Bank of the Republic of China (Taiwan) Act, the Bank also has the responsibility for examining the operations of all financial institutions under the operational objectives of promoting financial stability and guiding sound banking operations.

With regard to financial institution examination, emphasis is placed on the following: understanding the consistency of their operations with respect to monetary policy, assessing their compliance with relevant regulations, reviewing their operational procedures, evaluating their systems of internal controls and the efficiency of their operations, and reviewing current regulations.

3.1.7 Statistics and Research

The Bank compiles data on financial statistics, flow of funds, and balance of payments, and publishes these statistics in the Monthly Financial Statistics, Annual Flow of Funds, and Quarterly Balance of Payments. The Bank's Annual Report and Quarterly Review are also published. The Bank's publications are disseminated to domestic and international institutions.

The Bank's research covers a wide range of economic and financial subjects, such as financial market conditions, monetary aggregates reserve money, movements of interest rates and NT dollar exchange rates, balance of payments, flow of funds, as well as production activities, investments, and prices. The Bank also conducts studies on economic and financial conditions of major countries as well as impacts arising from innovations in global financial markets.

3.1.8 Participation in International Organisations

The Republic of China (Taiwan) is currently a full member of the Asian Development Bank (ADB), the Central American Bank for Economic Integration (CABEI), and the South East Asian Central Banks (SEACEN) Research and

Training Centre. The Bank attends the annual meetings, provides training courses, and hosts conferences for strengthening financial cooperation and relations with other member countries. In addition, the Bank also plays an active role in other international financial organisations such as the Inter-American Development Bank (IDB), the European Bank for Reconstruction and Development (EBRD), and the Bank for International Settlements (BIS).

3.2 CBC HRM's Core Functions

To instill an excellent administrative culture, the Executive Yuan (Cabinet) has approved three core values for civil servants. The three core values are innovation, enterprise, and professionalism. All the public employees are to perform according to these core values. The Executive Yuan has set up the strategic objectives for HRM in public institutions which include the following: Establishment of Rationalised Personnel Measures; Training Civil Service Manpower; Instilling Leadership; Moulding Honest, Competent, and Fair Public Service Ethics; Enhance Administrative Performance and Service Quality; Boost Morale and Potential of Civil Servant.

As the Bank is a government institution, the HRM adheres to the personnel system of the government. The Central Personnel Administration is responsible for the overall personnel administration of all the ministries and agencies under the Executive Yuan.

According to the Organic Regulations of the Departments and Offices of the CBC, the Personnel Office shall be charged with the following duties:

1. Proposals for the Bank's organisational composition and manpower planning.
2. Drafting the Bank's personnel rules and regulations as well as planning and improving the Bank's personnel matters.
3. Proposals for the recruitment, remuneration, appointment and dismissal, and promotion and transfer of the Bank's employees.
4. Planning and implementation of training, advanced studies, and business trips of the Bank's employees.
5. Matters pertaining to proposals for performance rating, attendance verification and incentives and discipline for the Bank's employees.
6. Proposals for the remuneration, benefits, insurance and guarantee for the Bank's employees.
7. Reviewing the retirement, indemnity and severance of the Bank's employees.
8. Reviewing, recording, managing and analysing the Bank's personnel data.

9. Matters pertaining to the Bank's employees' overseas travel and issuance of various types of certifications.
10. Matters pertaining to the assessment, examination, and recommendations with regard to personnel management of security police officers and technical workers of the Bank.
11. Management of personnel offices and the associated personnel officials at the Bank's subsidiary institutions.
12. Other matters pertaining to personnel management business.

To sum up, the major functions of the HRM in CBC are recruitment, promotion, rotation, training, and performance evaluation, remuneration, and staff wellbeing.

These are discussed briefly as follows:

3.2.1 Recruitment

There are three ways of recruitment in CBC viz, the National Examination by Nominating from other public institutions, and by Selection. Most employees of CBC are recruited by National Examinations held by the Examination Yuan. This is also the most popular way of recruitment in the government. Sometimes, recruitment is by nominating qualified people from other public institutions. The persons and public institutions involved should all agree on this kind of nominating recruitment for it to be effective. The third kind is by selection for professional work. The Bank can recruit specialists for professional areas such as foreign exchange and economic research. This type of recruitment is open to qualified people from the public.

3.2.2 Promotion

There are normal promotions and special promotions in the Bank. The normal promotion refers to the annual promotion where seniority is an important factor. On the other hand, key factors for special promotions are ability and potential of the staff.

In the CBC, there is a minimum threshold of years of working experience before a staff can be considered of promotion to a higher rank. The minimum years of working experience does not mean that every employee who has the minimum requirement can be promoted. Besides the working tenure, criteria for promotions also include performance, evaluation grades, and qualifications. While seniority is an important factor for the annual promotion exercise, staff with good potential and performance can be promoted rapidly via the special promotions route.

3.2.3 *Rotation*

Each year, the CBC conducts job rotations between the various Departments, under the responsibility of the Personnel Office. Employees who wish to be rotated to another Department can submit a written request to the Personnel Office. Each Department Director also reserves the privilege to plan work assignments of his staff in his/her Department. Sometimes for business needs, the CBC will arrange for financial specialists to be assigned to the overseas representative offices in either New York or London. Job rotation is regarded as a kind of training in the CBC to expose employees with the different aspects and areas of central banking functions.

3.2.4 *Training*

The Training Committee of CBC is mission-oriented. Its objective is to enhance the employee's training and development. The Deputy Governor is Chief of the Committee while the Deputy Directors General of 9 Departments and the Directors of 3 Offices are Committee members. The Director of the Personnel Office is the Executive Secretary. The Committee provides a discussion forum for training issues such as development plans, training plans, and other issues.

The training programmes of the CBC include professional training (banking related knowledge and skills), management training, IT training, foreign language training, and others. As there is no centralised body within the CBC to execute training programmes, most of the programmes are outsourced to the TABF (Taiwan Academy of Banking and Finance) while the CSDI (the Training Centre for Government Officials) is responsible for certain programmes such as management training and vision setting.

3.2.5 *Performance Evaluation*

CBC conducts evaluations on job performance annually. The evaluation areas include job performance (50%), integrity and conduct (20%), knowledge (15%), and ability (15%). When an employee has served over a year, he/she will be given an annual performance evaluation. The evaluation is categorised into four grades of A, B, C, and D and is conducted at the end of every April and August respectively. The annual performance evaluation would take these evaluation results into account.

3.2.6 *Remuneration*

The CBC practices a single remuneration system with bonuses that include the evaluation bonus and performance bonus. The evaluation bonus will be awarded to the employee according to the evaluation rating received. If the

employee is given an A grade, he or she will be promoted one grade up and rewarded a bonus of 1-month's salary. If the employee is evaluated as a B grade, he or she will be promoted one grade and given a bonus of half a month's salary. If the evaluation results is a C grade, there will be no promotion and no reward. A grade D will lead to dismissal of the employee. Performance bonuses are given to employees according to their job performances which are divided into 2 parts of unit performance and personal performance.

3.2.7 Staff Wellbeing

The wellbeing of employees is important to the organisation. Physical and mental health care are included as basic benefits for each employee. CBC sponsors health examinations for the employees who are over the age of 40 once every 2-years. Counselors for mental wellbeing are available when required and sports facilities are provided as well.

In order to achieve the Bank's operational objectives, the HR staff endeavours to develop competency-based HR by recruiting the right person at the right place, training (developing) the talented people, and managing them with the proper HR policies. By implementing the HR core functions of recruitment, promotion, rotation, training, and performance evaluation, the Personnel Office hopes to help the Bank in achieving the operational objectives.

4. Challenges, Issues, and Risks

4.1 Challenges

Regardless of the industry, size or location, organisations today face critical challenges (Ulrich, 1998; The Boston Consulting Group, 2008) which include the following:

4.1.1 Globalisation

Globalisation has made the world a global village. With the rapid expansion of global markets, managers have to think globally and act locally. Globalisation requires that organisations increase their ability to learn and collaborate and to manage diversity, complexity, and ambiguity. One of the main HR challenges in managing globalisation is making sure that the right people are in place at the right locations. Globalisation affects HR issues that range from managing talent to managing change and cultural transformation. Managers are starting to understand that managing talent is now a global issue, and managing globalisation has a strong talent component.

4.1.2 Technology

Technology has made our world smaller and faster. It has lessened administration procedures or registering processes. The challenge for managers is to make sense and good use of what technology has to offer. Technology can and will affect how and where work gets done. Technology has increased accessibility, visibility, and connectivity. The connected world is getting smaller, changing rapidly, and becoming increasingly transparent.

4.1.3 Nonstop Change

The only thing that will not “change” is “change” itself. Perhaps the greatest competitive challenge organisations face is adjusting to nonstop change. Constant change means organisations must create a healthy discomfort with the status quo, an ability to detect emerging trends quicker than the competition, an ability to make rapid decisions, and the agility to seek new ways of doing business. Organisations will need to be in a never-ending state of transformation, perpetually creating fundamental and enduring change.

Organisations seeking to improve their capabilities in managing globalisation should do the following (The Boston Consulting Group, 2008):

1. Derive the short- and long-term implications of globalisation on their corporate HR strategy, such as the requirements that must be met for the company’s various geographic and functional organisations.
2. Globalise the company’s HR profile by recruiting experienced executives in countries in which the company has identified specific needs and by ensuring that the board of directors comprises a truly global membership.
3. Invest in global talent recruiting and training by providing executives with international rotations, invest in local talent development, and establish global HR platforms.

4.2 Issues

Three challenges (globalisation, technology, and nonstop change) are forcing organisations to take “talent management” and “organisational development” more seriously. Managers are starting to understand that managing talent is now an important area of concern.

4.2.1 Talent Management

Managing talent is viewed as a critical HR issue. To develop and retain the best employees, a company has to focus on three actions that are tightly intertwined: managing talent, improving leadership development, and managing work-life

balance. Many high-talent employees eventually become leaders and therefore need to develop leadership skills while at the same time, strong leaders must be in place in order to retain, motivate, and develop talented people. In emerging markets, the best employees have many job options and it is therefore important for companies to ensure that these people find satisfaction in their current work — a goal that managing work-life balance addresses. Building capabilities in all three of these areas is crucial for companies to create people advantage. (The Boston Consulting Group, 2008).

Talent management can be defined as the challenges of recruiting and retaining highly capable employees and providing them with opportunities to perform, excel, and advance. One of the key success factors of talent management is engaging people – it is an essential step that organisations can achieve in many ways. By introducing formal rules for advancement, organisations can both minimise the risk of supervisors obstructing talented people from being promoted and facilitate career development for individuals who might otherwise escape the attention of department, division, or senior leaders. Supervisors generally know that the process for managing talent should be transparent.

4.2.2 Talent Recruitment by Selection in CBC

In CBC, recruitment is generally carried out by the National Examination, Nomination from other public institutions and by Selection. The third type of selection is usually reserved for specialised professionals. The Bank can recruit certain specialists for professional work in areas such as foreign exchange and economic research. This kind of selection (Selection Recruitment) will be opened to the public where applications can be submitted by qualified people.

Three units are responsible for Selection Recruitment: the Recruitment Committee, the Test Group, and the Personnel Office. The Recruitment Committee and Test Group are mission-oriented and are set up for each Selection Recruitment exercise. The Recruitment Committee is the Decision-maker for a Selection Recruitment round with the Deputy Governor acting as the Chief Leader of the Committee. The Test Group is also mission-oriented, the members of which will vary, depending on the test contents. For example, the test members in the first interview and the secondary interview will differ. However, the Personnel Office is responsible for integrating the process of the recruitment exercise. The Personnel Office is responsible for reviewing the qualifications and certificates while the Test Group is responsible for the preliminary interview and secondary interview and the Recruitment Committee is accountable for the decision-making. The selection outcome would finally be approved by the Governor of the Bank.

There are 2 advantages to conducting Selection Recruitment. Firstly, the decision-making body (Recruitment Committee) can align the recruitment with the business focus of the Bank and secondly, the mission-oriented Committee and Group can avoid biasness, and can carry out interviews in an objective and fair way.

However, there are 2 challenges with Selection Recruitment:

1. Firstly, there are areas which are highly confidential in CBC's functions such as foreign exchange. HR needs to implement rules and regulations on professional conduct and confidentiality especially for staff who are recruited externally via Selection Recruitment since it is difficult to gauge a person's character and behaviours in the short-term.
2. Secondly, it is difficult to attract and retain talented staff in a bureaucratic setup with constraints in multiple regulations and administration procedures. In a competitive job market, public institutions face challenges in attracting the best talents. For example, although the Bank has introduced various measures for attracting and retaining skilled people such as a fast track promotion system, bonus scheme, rotation system, and training programmes, there were still 5 resignations in the most recent years among 46 financial or economic research specialists. In a competitive market, staff who are talented have many job options and the challenge for the Bank is in attracting these talents and retaining them, especially in an organisation which is viewed as "bureaucratic" in character. CBC therefore needs to introduce flexibility in its regulations and inculcate an appealing corporate culture.

4.2.3 Organisational Development

Organisation development focuses on how an organisation embeds capability into the structure, processes, and policies and shapes how an organisation works. In recent years, the Bank has made major organisational changes and staff policies for organisational development:

1. **Payment and Settlement Section:** This Section which was formerly known as the Check Clearing Section was reorganised as the Payment and Settlement Section. The RTGS (Real Time Gross Settlement) System was initiated on 16 September 2002 and the CBC is the major operator of the payment system in Taiwan, providing services for payments among banks. The Bank is also responsible for promoting the efficiency and security of the payment system, as well as supervising clearing houses for check clearing and settlements among banks.

2. The downsizing in manpower for registration in the Department of the Treasury: In the Department of the Treasury, 3 sections have been combined into a single section. The General Treasury Section, Annual Expenditures Section, and Annual Revenue Section are now subsumed under a single unit known as the Treasury Management Section. The Department of the Treasury has also transferred 19 of its staff to other Departments in the Bank because of the increased usage of IT and resultant efficiency in the registration process. In addition, the Bond Insurance Section was renamed as the Government Securities Section
3. The Congressional and Press Liaison Section was set up in 2001 under the Secretariat. This Section is responsible for liaising with Parliament and the media, and communication with the public for requirements on accountability and transparency.
4. Temporary Transfer: With the establishment of the Financial Supervisory Commission (FSC) on 1 July 2004, most of the functions of the Financial Inspection Department were transferred to FSC, except for the inspections related to the operations of CBC. In order to transfer financial inspection skills, 18 staff were reassigned to the FSC, while 37 staff were temporarily seconded to the FSC for a period of 2 years. About half of the workforce in the Department of Financial Inspection of CBC was transferred to the Commission, while the other half remained at the CBC handling necessary special inspections to fulfill the Bank's responsibilities, such as monitoring foreign exchange, credit control and monetary policies. To ensure job availability at CBC for seconded staff to the FSC upon completion of their tenure, the Department of Financial Inspection did not recruit any new staff to fill the jobs vacated by the secondees and is one main reason for the increasing average age of employees.
5. Staff Downsizing Policy: In recent years, the Government has implemented a Staff Downsizing Policy to reduce redundancy of public employees. Public institutions would not be able to make new recruitments without the prior approval of the Executive Yuan (Cabinet). However, as the environment is changing rapidly, the Bank requires experts who can deal with the growing complexities of the global market and challenges in managing foreign exchange. It is becoming increasingly important to enhance risk management in the central bank. Financial engineers are considered crucial to the central bank's policy of strengthening its risk-management. With a competency-based recruitment system, the CBC has discovered that there are special needs in areas of foreign exchange and economic research. The CBC has therefore, made special appeals to the Executive Yuan for approval to recruit specialists such as financial engineers for vital functions using competency-based Selection Recruitment despite the Government Downsizing Policy.

Nonetheless, in order to contribute to the objectives of the Government's downsizing policy, the CBC will not recruit to fill vacancies left by those who resign or retire which has resulted in a decrease in total staff at the Bank. To ensure work flow and efficiency, the Bank is administering a rotation policy to reorganise staff in all the departments while also providing training to transferred staff in their new business areas and processes. To contribute to the goals of the Government's downsizing policy, the Bank has had to implement a combination of human resources management policies such as rotation, training, human resource planning, and selection recruitment.

6. The Recruitment of Financial Specialists and Engineers: Under the Downsizing Policy guidelines of the Government, the Bank cannot recruit new staff except for the financial specialists and engineers for whom qualifications are very stringent such as possessing postgraduate degrees of a Master's degree, Doctorate and work experience, etc.
7. The Information Management Office has been transformed to be the Department of Information Management in May 2008. Technology has made our world smaller and faster. Information technology development and government information security control have increased the responsibilities of the information management office in recent years.

4.3 Risks

There is awareness that HR policies should align with the Bank's operations. Although the Bank is a public institution and HRM should adhere to the laws and regulations set by the Government, HRM in the Bank should, nonetheless, be flexible to attract the best talents and motivate professionals in order to achieve the Bank's operational objectives.

As mentioned above, the CBC has implemented attractive remuneration packages for staff motivation such as fast track promotion, bonus system and training for talented staff to retain them in the Bank. However, these policies must be administered in a fair and just way to avoid complaints and grievances from employees, which brings up another HRM challenge of how to create a conducive organisational culture and climate?

As a HR Department in a public institution, there are regulations and administration procedures that must be followed but these can sometimes become constraints to achieving certain objectives of the Department. The set rules and regulations make it difficult for the Department to become a strategic partner in the Bank. While the efficiency of administering regulations is easy to evaluate, HR's involvement in the Bank's operational goals is difficult to measure. For example, it is difficult to measure how the HR professionals are transforming into strategic partners of the Bank.

The HR Department must collaborate with the line managers to administer HR policies and this brings up the issue of “how do the HR workers cooperate with the line managers and also how do banking professionals cooperate with the HR professionals? The answers to these questions would generate new relationships on cooperation and partnership between the HR workers and the line managers.

Ulrich (1997) mentions that there are four roles that HR professionals play – being the employee champion, administrative expert, change agent, and strategic partner. When HR professionals play these roles, they focus more on outcomes than on activities. Employee champions deliver competent and committed employees while administrative experts deliver efficient HR practices. Change agents deliver capacity for change in individual behaviour and organisation culture while strategic partners deliver business results.

Researchers have viewed HR roles as transitioning from operational, administrative, functionally oriented, and reactive toward more strategic, consultative, business oriented, and proactive, respectively.

The four roles that HR professional must fulfill in order to create a business partnership with the organisation (Ulrich, 1997) include the following:

1. Management of strategic human resources requires that HR professionals be able to execute strategy and become a “strategic partner”. By being a strategic partner, HR professionals help manage human resources and align HR practices with business strategy. HR should become a partner with senior and line managers in strategy execution, helping to move planning from the conference room to the marketplace.
2. HR professionals must manage the firm’s administrative infrastructure through “administrative expertise” by designing and delivering efficient HR processes for staffing, training, and the like. It should become an expert in the way work is organised and executed, delivering administrative efficiency to ensure that costs are reduced while quality is maintained.
3. Management of employee contribution. HR professionals must strive to increase employee commitment and capability through the role of “employee champion”; they must manage employee contribution by providing resources to employees. It should become a champion for employees, vigorously representing their concerns to senior management and at the same time working to increase employee contribution; that is, employees’ commitment to the organisation and their ability to deliver results.
4. Management of transformation and change requires that the HR professional create a renewed organisation, as a change agent, by ensuring there is a capacity for change as well as managing the fundamental culture of the organisation.

In the four roles, HR professionals may manage strategic activities, provide client services, help build human capital, as well as manage company change. HR should become an agent of continuous transformation, shaping processes and a culture that together improve an organisation's capacity for change.

HR professionals must be both generalists and specialists. At the CBC, the HR role of "administrative expert" is easier to achieve, while the roles of "strategic partner", "employee champion", and "change agent" are difficult tasks to measure and achieve.

5. Policy Guidelines and Suggestions

5.1 Policy Guidelines

Line managers and HR managers must form a partnership to quickly and completely reconceive and reconfigure the function – to overhaul it from one devoted to activities to one committed to outcomes. (Ulrich, 1998). At the CBC, it has been relatively easier for HRM to assume the role of "administrative expert" rather than "strategic partner", "employee champion", and "change agent". In order to fulfill the four roles, it is recommended that the Bank's HRM take the following guidelines:

- **Becoming a strategic partner** means an entirely new role for HR for which it needs to acquire new skills and capabilities. The HR staff would require more information and learning in order to perform the kind of in-depth analysis an organisational audit involves.
- **As administrative experts**, HR professionals will need to shed their traditional image of the rule-making policy police, while still making sure that all the required routine work in organisations is done well. In order to move from their old role as administrators into the new role, HR staff will have to improve the efficiency of both their own function and the entire organisation.
- **Setting up e-HR processes** can help to increase the efficiency of HR. Within the HR function are dozens of processes that can be done better, faster, and cheaper. Finding and fixing those processes is part of the work of the new HR. Generally, the quality of HR work would improve and costs lowered by removing steps or leveraging on technology.
- **Improving efficiency** will build HR's credibility which will open the door for it to become a partner in executing strategy. HR managers can also prove their value as administrative experts by rethinking how work is done throughout the organisation. They can design and implement a system that allow the department to share administrative services.

- **Becoming an employee champion.** HR professionals must be held accountable for ensuring that employees are engaged – that they feel committed to the organisation and contribute fully. HR must now take responsibility for orienting and training line management about the importance of high employee morale and how to achieve it. The new HR should be the employees' voice in management discussions; offer employees opportunities for personal and professional growth; and provide resources that help employees meet the demands put on them. Employees must know that HR is their voice before they will communicate their opinions to HR managers.
- **Becoming a change agent.** The new HR has as its fourth responsibility the job of building the organisation's capacity to embrace and capitalise on change. It will make sure that change initiatives that are focused on creating high-performing teams, reducing cycle time for innovation, or implementing new technology are defined, developed and delivered in a timely way. HR's role as a change agent is to replace resistance with resolve, planning with results, and fear of change with excitement about its possibilities.

To sum up, HR leaders can align practices to more effectively execute business strategy. HR must deliver value. HR practices must create value in the eyes of investors, customers, line managers, and employees.

5.2 Suggestions

HR cannot expand its role in an organisation without the requisite expertise. Becoming a strategic partner demands a degree of knowledge about strategy, markets, and the economy. Becoming an administrative expert demands some knowledge of reengineering, as well as the intricacies of what the line actually does. To meet the increased expectations of the organisations, HR professionals must begin to act professionally. They must focus more on the deliverables of their work and less on just getting their work done. They must articulate their role in terms of the value they create. They must create mechanisms so that business results quickly follow. They must measure their effectiveness in terms of business competitiveness rather than employee comfort and lead cultural transformation rather than consolidate, reengineer, or downsize in order to turn an organisation around.

Successful organisations are becoming more adaptable, resilient, quick to change direction and customer-centered. Within this environment, the HR professional is a strategic partner, and employee sponsor or advocate, and a change mentor. Knowing how to link change to the strategic needs of the organisation will minimise employee dissatisfaction and resistance to change.

The CBC has developed the e-HR system for human resource management and has improved administrative efficiency and quality for both the HR workers and line managers. The e-HR system is assisting HR workers to be administrative experts by the sharing of data on personnel information in the Bank. In the near future, it is hoped that a better HR system can be developed not only for data sharing but also for communication and cooperation with the line managers. The introduction of the e-HR system has been useful for increasing efficiency and the quality of HR work, and may open the door for building HR's credibility to become a strategic partner in the Bank.

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