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Risk Management
Competency
Development in Banks

An Integrated Approach

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ABSTRACT

Although risk management is a bank's core competence, banks still face a shortage of talent in this area. This problem cannot be addressed by short-term recruitment frenzies. Instead, one possible way is for banks to implement an integrated approach to risk management competency development which this book aims to achieve. Towards this end, we propose the pooling together of three interrelated concepts—core competencies, dynamic competencies and learning organization—because of their subtle similarities, subtle differences and complementary features.

Emanating from this aim are three objectives: (1) to operationalize the concepts by identifying the applicable indicators, (2) to assess whether banks' risk management competency development needs differ across bank demographics and (3) to assess whether we can summarize these indicators into a few meaningful themes.

To address the first objective, we reviewed studies in the context of banks or risk management which illustrate the three concepts' constituent variables. We also reaffirmed these findings through interviews with ten leading chief risk officers. This results in a compilation of 23 operational indicators which serves as a checklist.

Next, we analyzed the data obtained from a survey of 135 risk practitioners so as to address the latter two objectives. We identified the indicators whose scores significantly differ, both individually and combinatively, for three demographic differences: local- versus foreign-controlled banks, entrepreneur- versus non-entrepreneur-controlled banks and staff seniority levels. Finally, for the third objective, we summarized

the 23 indicators into five themes which are supported by statistical rules and business considerations. This provides an alternative principles-based approach for managers who may find this latter approach more flexible.

ACKNOWLEDGMENTS

Since young, I had dreamt of being an educator. I was inspired by dedicated teachers and lecturers. To this end, I set out to acquire industry or real-world knowledge and experience. I also embarked on further studies to broaden my options to serve in the field of education. Little did I realize that I would one day write a book which in part reflects my journey in competency development. In this endeavor, I owe so much to so many people that it would be impossible to name them all but certainly some deserve special mention.

This book traces its genesis to my PhD studies upon which I embarked after many years in the ‘real world’ of industry practice. I wish to specially thank my supervisors, Associate Professor Avvari Mohan and Professor Kim Tan, who helped me navigate the perplexing research terrain. My gratitude also goes to Dr Philip KS Tan, a dear friend who often gave wise counsel. That transition continued even upon graduation as I worked on publishing my papers. The seemingly endless editors’ rejections were heartbreaking. I was, however, fortunate to have inputs from the likes of Professors Chad Perry and Sieh Lee Mei Ling who guided and encouraged me to navigate the equally perplexing world of writing and publishing.

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Endorsements for *Risk Management Competency Development in Banks*

“An earnest attempt to broach a difficult and essential component of management. ...an admirable job by liberally peppering with real world examples that cross the boundaries of staid theories thus presenting a very pragmatic approach. Sets the tone for those who wish to master the science and art of risk management ...”

—Professor Bala Shanmugam PhD, FCPA, *SEGi University*

“I applaud Eric’s efforts in pooling together three relevant and interconnected concepts to facilitate competency development. Written in a reader-friendly manner to guide practitioners. It also discusses pertinent theoretical foundations and references for academicians.”

—Professor Kim Tan, *The University of Nottingham*

“A good and very meaningful endeavor to bridge the industry-academia gap. Written in an engaging manner by an ex-banker, it provides insightful perspectives based upon credible research and a rich hinterland for further study for both practitioners and academia alike.”

—Choo Yee Kwan, Former Chief Risk Officer of Maybank Group and Currently Non-Executive Independent Director, *HSBC Bank Malaysia Berhad*

“A great attempt to merge three concepts [for] ...risk management competency development. Offers very interesting reading and enriching learning experience!”

—Kasinathan Kasipillai, Former Group Chief Risk Officer, *Affin Banking Group*

“... a good job of laying out the theoretical approach for risk management competency development in banks. Risk practitioners and students will benefit from the concepts and ideas presented.”

—Stephen Louis Silva, Former Head, *Credit Risk Management, OCBC Bank (Malaysia) Bhd, Maybank Bhd and RHB Bank Bhd*

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