

# **HR GOVERNANCE IN A MODERN CENTRAL BANK**

**Mugur Tolici**  
Director, HR Department  
**NATIONAL BANK OF ROMANIA**

**Cambridge 2019**

**How to drive  
strategic  
change**

# WHAT IS THE (STRATEGIC) HR ROLE?

- Hiring people
- Training leaders
- Building incentive compensation
- HR analytics
- Reward systems
- Talent Management
- Succession planning
- Enablement and engagement facilitators
- To understand the context and framework where business operates
- To fulfill the expectations of key stakeholders
- To participate in building the strategies that give a company a unique competitive advantage



# WHAT DOES THE ORGANIZATION WANT FROM HR ?

- **Finding out customer needs** and their experiences of current HR services
- **Responsiveness** – easy to contact, quick, efficient and effective response
- **Independent – minded HR function**, understanding of workforce, help management balance employee and business needs
- **Strategic business impact** – solving problems that are strategically important for the business
- **Proactive HR function** – spotting issues ahead of time and work with managers to address them properly
- **Professional HR support** – expertise based on theory and good practice and a thorough understanding of business context



# LEADERSHIP – DRIVEN HR

- **HR is an internal business** accountable for ROI of essential corporate assets: people and organizational processes
- **HR is driven by external context** within which the business operates; the outside perspectives determine HR's internal priorities and accountabilities
- **HR deliver** values through leaders
- **HR contribute to** creating an organizational culture focused on performance
- **HR creates** a framework that supports leadership styles that can adequately address the ever changing external environment

(Weiss D.S., 2013)



# EFFECTIVE AND EFFICIENT HR

- **Work alignment**
  - ✓ Organization effectiveness: The structure fit the strategy of the organization
- **Work fit**
  - ✓ Matching people and jobs: Having the right people in the right job
- **Work value**
  - ✓ Knowing what work is worth: The value (contribution) each role / person brings to organization



# BNR TRANSFORMATION PROJECT

## - A SUCCESS STORY -

- Established in 1880
- 16<sup>th</sup> central bank in the world
- Nationalised in 1947, re-established as an independent central bank in 1990
- Statute fully aligned to ECB rules and principles
- Member of BIS, IMF, ESCB



# BNR TRANSFORMATION PROJECT

- ❑ Central Banks are transforming their organizations and cultures
- ❑ BNR prepared for the future... by adopting the European System of Central Banks (ESCB) best practices and changing people, HR and leadership development practices
- ❑ The Goal: Creating an environment that supports, recognizes and motivates great performance, in order to:
  - ✓ Achieve the objectives in today's changing environment
  - ✓ "Do more with less"
  - ✓ Attract and retain best talents
  - ✓ Create a workplace that respond to the needs of different generations



# CULTURE CHANGE DIMENSIONS

- ❑ **Maintain and strengthen the essential elements of the existent culture:**
  - ✓ People – stability, acknowledgement, pride
  - ✓ Institution – independence, transparency, communication, responsibility
  
- ❑ **Promote and reward values and behaviors required for increasing performance in the new financial and economic context**
  - ✓ Competition, performance, flexibility, dynamism, teamwork, leadership
  - ✓ Strengthen the link contribution/performance - reward



# FACTORS FOR SUSTAINING PERFORMANCE

## Differentiated Reward

- ✓ Motivation through non-tangible elements
- ✓ Total reward (tangible and non-tangible) make the difference and motivates

## Clarity regarding the added value of job functions and performance

- ✓ Strengthening of the performance culture
- ✓ Increased public attention on efficiency

## Excellence in management

- ✓ Prepares the institution for the future
- ✓ Managerial competencies are key

## Attracting and retaining the best professionals

- ✓ From “careers for life” to individual “psychological contract”
- ✓ International mobility makes the talent retention difficult



# FIRST STEP: A NEW PERFORMANCE MANAGEMENT SYSTEM

- ☐ Scope: career planning and development, internal fairness, recognition
- ☐ Focused to maximize performance instead of rating it
- ☐ Dual system based on competencies and individual objectives evaluation
- ☐ Year round process - quarterly reviews
- ☐ Set up the individual directions of professional development
- ☐ Manager – employee dialogue: regular feedback and coaching

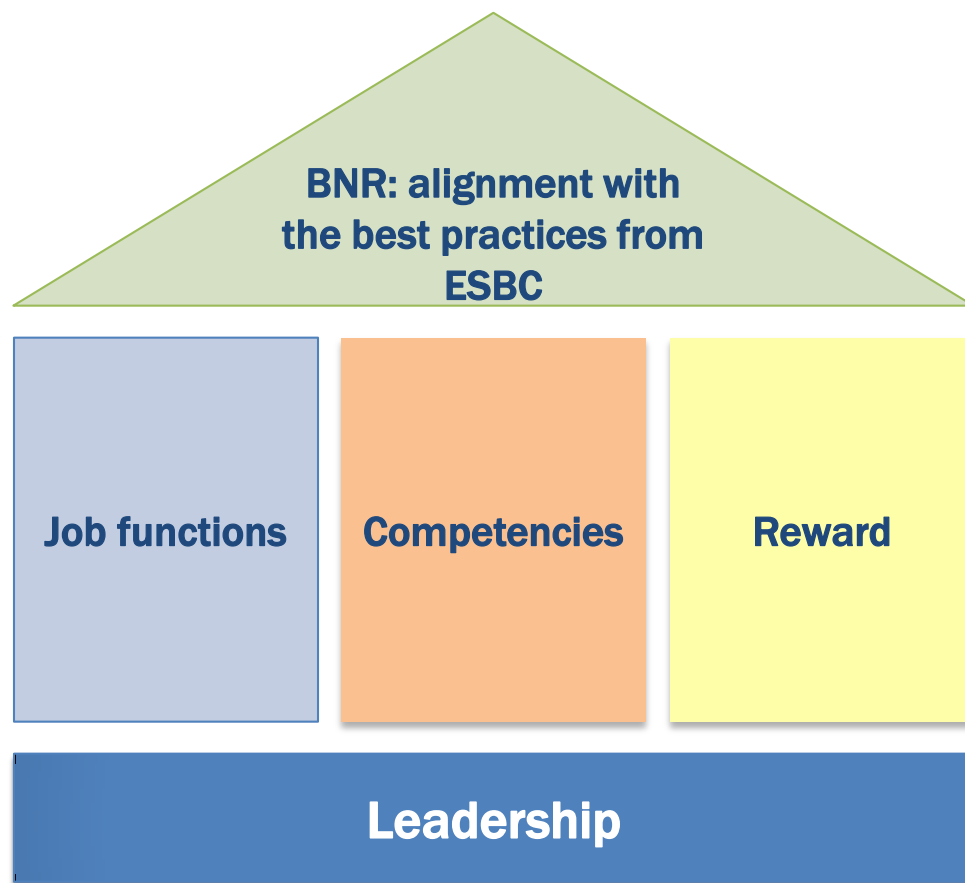


# THE NEXT STEP: INTEGRATED HR SYSTEMS

- ❑ In BNR HR addresses the whole employee life cycle: attracting talents, selection, placement, empowerment, development/coaching, reward, promotion/redeployment
- ❑ The job model define what we really expect from our people & our leaders
- ❑ The link between contribution - performance – reward – recognition create fairness and healthy work climate
- ❑ Assessing and managing proactively the risks of competencies gaps in critical roles



# INTEGRATED HR SYSTEM



- ❑ The pillars of a new HR system (job functions – competencies – reward).
- ❑ The best international practices adopted, with the necessary local adaptations.
- ❑ The change included not only processes and new systems, but also the institutional culture.

# THE JOB MODEL

## What we do:

- Define what we expect from jobs
- Define how jobs add value to NBR
- Build clear job levels based on contribution (not hierarchy)
- Clarify the competences and skills people need to develop
- Link with development, reward, performance

## Why it is important:

- Change how we work to support transformation
- Implement best practices in Central Banks
- Shift mindset from a purely “hierarchical – command and control focus” to “performance focus”
- Support culture of people development
- Promote fairness

**Aligned with Central Banks’ best practices**



# NBR GENERAL COMPETENCY MODEL

Organizational Levels	Progression of Competency Levels		
	General Competencies	Specific Competencies	Managerial Competencies
Director	Master	Master	Master
Head of Division	Superior	Superior	Superior
Advisor	Superior	Developed	N/A
Expert	Developed	Developed	N/A
Banking Specialist	Developed	Elementary	N/A
Secondary Education	Elementary	N/A	N/A



# NEW REWARD SYSTEM

## Governing principles:

- ☐ Value added (contribution) and individual performance based reward
- ☐ Internal Fairness
- ☐ External Competitiveness
- ☐ Fixed and variable pay
- ☐ Total reward (tangibles + non-tangibles)
- ☐ Pay budget: management tool
- ☐ Employer branding



# LESSONS LEARNED...

1. Set up a clear, integrated master plan for the changes
2. Get sponsorship from the Top Management
3. Apply fresh “zero-base” thinking – but learn from good practice (don’t reinvent the wheel!)
4. Build a compelling case for change, focused on your values
5. Communicate, communicate, communicate
6. Get as much “buy-in” as possible (identify change agents and manage resistance)
7. Aim for a quick wins to build momentum
8. Keep it simple and transparent
9. Reinforce messages – turning back is not an option!
10. Measure the impact of change



[www.bnro.ro](http://www.bnro.ro)

[www.youtube.com/bnrro](http://www.youtube.com/bnrro)

Twitter.com/#!/bnr\_ro

Mugur.Tolici@bnro.ro

