

## Chapter 5.33

# Reserve Bank of New Zealand: Journey Toward Knowledge Management

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### EXECUTIVE SUMMARY

*This chapter outlines the adoption and implementation of knowledge management within the New Zealand Reserve Bank. In 1999, the Bank recognised that it had a very high exposure to loss of knowledge on departure of key staff. This was mainly due to two factors: recruitment of staff from a limited global pool of specifically skilled labour, and an average length of service of more than nine years during which time staff members accumulated an extensive knowledge of the Bank and its operations. In response to this and other challenges, the Bank embarked on an ongoing knowledge management program. The Bank*

*invested significant resources into the program and from an initial corporate vision developed a knowledge management framework that led to the identification of potential areas of improvement within the organisation. The resulting knowledge strategy encompassed several key initiatives, the most significant of which was the goal of changing the organisational culture. Other initiatives included the consolidation of the Bank's contact management into a single system, a review of the existing document management system, and information mapping. To date, while some initiatives have been achieved, others remain to be done. The challenge for the Bank now is to move from structured to unstructured processes for knowl-*

*edge management and maintain the knowledge management focus while balancing available resources. The Bank must also consider how best to progress initiatives without necessarily attaching a specific knowledge management label, and identify ways to move ongoing development of knowledge management strategies to the next level.*

## BACKGROUND

The Reserve Bank is the central bank of New Zealand and a unique entity. Due to its exclusive status, it is not therefore afforded the recruitment opportunities available to organisations in more prolific industries. In addition, the average lifetime of staff members is more than nine years, resulting in a significant potential loss of knowledge on departure. Consequently, the Bank has identified knowledge loss as a high risk within the organisation. In response to this risk, an extensive knowledge management program has been initiated that now spans a five-year period.

This paper presents a background to the case study organisation, and details the steps taken to implement knowledge management through the organisation.

### Organization Background

The Reserve Bank of New Zealand (RBNZ) is wholly owned by the New Zealand Government and serves as the nation's central bank. The Bank has the mission of building national and international confidence in the stability and integrity of New Zealand's currency and the country's monetary system. The Bank has three main functions:

- Operating monetary policy to maintain price stability;
- Promoting the maintenance of a sound and efficient financial system; and
- Meeting the currency needs of the public.

More specifically, the Bank is charged with:

- the registration and prudential supervision of banks, and the promotion of a sound and efficient financial system;
- the provision of interbank settlement facilities and related payment services to New Zealand banks;
- advising the New Zealand Government on the operation of the financial system;
- the provision of cash and debt management services to the Government as well as secretariat services to the Overseas Investment Commission; and
- the issue of New Zealand currency and management of foreign exchange reserves.

The Bank's core functions also include the management of NZ \$4+ billion of foreign reserves and the management of relationships with international bodies such as the World Bank and the International Monetary Fund (IMF) in order to ensure that the interests of New Zealand are promoted.

### Management Structure

The governor leads the Reserve Bank. The minister of finance, on the recommendation of the board, appoints the governor for a five-year term. In accordance with the RBNZ legislative framework (RBNZ Act of 1989), the governor is the single decision maker for the organization and accountable for all activities of the bank.

The minister of finance is responsible for appointing the board of directors. It is the task of the board to regularly review both the performance of the governor and the bank, and provide feedback to the minister of finance. The board must comprise not less than seven, but not more than 10 non-executive members, and does not have any decision-making authority, although they do make recommendations to the minister regarding the appointment of the Reserve Bank governor.

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