Journal of Southeast Asian Economies Vol. 37, No. 3 (2020), pp. 327–31 *ISSN 2339-5095 print / ISSN 2339-5206 electronic*

BOOK REVIEWS

DOI: 10.1355/ae37-3f

***Risk Management Competency Development in Banks: An Integrated Approach*, by Eric H.Y. Koh.** Singapore: Palgrave Macmillan, 2019. Pp. 84.

How can a bank improve its risk management competency in a comprehensive and sustainable fashion?

In *Risk Management Competency Development in Banks: An Integrated Approach*, Eric H.Y. Koh embarks on a clearly charted research journey not from the technical domain of financial risk management (with its traditional silos of credit, market and operational risk), but from more general, industry-agnostic concepts of management theory. This should resonate with executives beyond those involved in specialized risk management functions.

The author draws on three inter-related concepts—core competency, dynamic competency and learning organization—to formulate three value judgements. First, a firm that encourages employees to go beyond their current roles in a non-siloed manner is better than one that does not. Second, a firm that monitors and acts on feedback from changes in the external environment is better than one that does not. And third, a firm that creates a climate of proactive learning and deliberate reflection is better than one that does not.

Koh begins by translating the signature characteristics of these three concepts into twenty-three indicators that are recognizable in the operating context of banks. The mapping and labelling exercise, first informed by a detailed literature review, was refined using input from ten Chief Risk Officers (CROs) before the indicators were rephrased as survey questions. These questions were then put to 135 risk management professionals at multiple banks in Malaysia, with their responses recorded on a five-point scale.

The results? On average, a foreign-controlled bank scored higher on the five-point scale than a local bank. Three indicators in particular contributed to this difference: first, how sensitive the banks were to international developments; second, how motivated they were to acquire and build new competencies; and third, how institutionalized or standardized their processes were.

It is well documented that global liquidity conditions and balance sheet adjustments of internationally active banks can have a material impact on local credit conditions in emerging economies (see, for example, Avdjiev, McCauley, and Shin 2015). The feedback loop between global and local factors can create endogenous risk—something that may go undetected without an international perspective. It is also intuitive that openness to building new competencies and a culture of institutionalizing knowledge are consistent with reducing blind spots and minimizing human error.

Clusters in the data show that local banks are generally more insular, more static and more ad hoc than their international competitors. However, the author's assertion that "this may explain why foreign-controlled banks in developing countries, such as Malaysia, are generally superior compared with their local counterparts" (p. 37) may require some caveats. There may be instances where insularity prevents local banks from chasing fashionable products that prove inappropriately risky with hindsight. Moreover, the ability to improvise in idiosyncratic local situations may allow local banks to be more agile than those constrained by global templates.

The discriminant analysis also shows that entrepreneur-controlled banks score lower than others when it comes to proactively raising awareness of new risk management techniques. Koh describes these banks as "generally conservative" (p. 41) with a "personal touch to risk management [where] these entrepreneurs may be more personally involved ... rely more on personal insights or network" (p. 42).

To the reader, an apparent contradiction stands out between the conservative desire to avoid risk and a conservative desire to avoid learning about or spending resources on new risk management techniques. Proffered conservativeness does not automatically make a bank less risky; in fact, the bank might even be more exposed to unknown unknowns.

The reference to "Chinese values" (p. 42) provides an illuminating ethno-cultural dimension to corporate culture. What may also be cultural is the power distance within the corporate hierarchy; across the full dataset, risk management staff in junior roles are less likely to see themselves as partners to the business than those in senior ranks.

As the banking industry exhibits a similar mix of ownership and control structures across Southeast Asia, these insights are relevant beyond Malaysia. However, the book's most impactful contribution to the practitioner community is the framework of five themes distilled from the underlying indicators. Each theme has a relatable title and can act as an actionable vector of competency development.

There is a hierarchy of factors that determine what success looks like. Within the first theme of "active learning", a risk awareness culture and environment of constructive challenge is most important. Those in risk management functions should have had experience in other roles. There must be a deliberate process of revisiting the relevance of competency profiles. Employees must seek out new knowledge and dive inside the complexity of models, not just treat them as black boxes.

The second theme ensures that there is alignment between the goals of the firm, the team and the individual. The third theme underscores the value of proactive, anticipatory and exploratory action. The fourth theme highlights the need to stretch beyond the boundaries of the firm. The fifth theme requires the adoption of a broad, comprehensive perspective on risk issues.

What cuts across all the themes is a focus on the organization, not the individual, as the unit of analysis. It is not just individual talent and aptitude but the climate of curiosity and interaction among individuals that seem to matter more. Cultivating the "right mindset" and the "right heart" (p. 60) might prove more fruitful than poaching operatives from competitors.

Overall, the book ends with an attestation of the hypotheses that it begins with. There seem to be no surprises in the data. The fact that narratives from management theory are taken through an integrated, quantitative analysis—the type of factor analysis that risk professionals are familiar with, in the modelling of yield curves for example—should give credence to its recommendations.

What remains outside the scope of the book is the "political economy of change"—why is it that what needs to be done often fails to get done—and what is the best way to sequence change inside large organizations. To use the author's analogy, the book explains how a team might perform like Croatia's soccer team of 2018 or Denmark's badminton team of 2016, but it is less obvious how incumbents can operate like underdogs and sustain agility over time.

Nevertheless, in an area that is usually approached from narrower perspectives, this book is a highly relevant and rigorous contribution that should prove impactful with both bank management and regulators around the region.

REFERENCE

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DOI: 10.1355/ae37-3g

***Infrastructure Investment in Indonesia: A Focus on Ports*, edited by Colin Duffield, Felix Kin Peng Hui, and Sally Wilson.** Cambridge: Open Book Publishers, 2019. Pp. 396.

The book *Infrastructure Investment in Indonesia: A Focus on Ports*—an outcome of a research project jointly conducted by the University of Melbourne, the University of Indonesia and Gadjah Mada University—compares and contrasts some major infrastructure projects in Indonesia and Australia. The special focus of this edited volume lies on the study of port infrastructure projects.

While some readers could argue that such a comparison is not fair, given the disparity between the two economies, the perspective employed in this publication is useful to understand how different investment regulations can lead to very different outcomes in port development.

The book begins with a short introductory chapter that describes the Indonesian economy and its pressing infrastructural needs. The next three chapters highlight the country's overall infrastructure challenges, from planning (Chapter 2), to financing (Chapter 3), to efficiency (Chapter 4) constraints. The remaining eight chapters are exclusively devoted to ports and their development. The analysis is supplemented with stakeholder surveys, focus group discussions and expert interviews.

Port development plays a vital role in strengthening a country's international competitiveness. In fact, inefficiency in the port industry can be held responsible for a nation's poor trade performance and, indirectly, for hampering its rapid integration into global value chains.

One of the key challenges faced by port business operators in Indonesia is the prevalence of deep-rooted corruption in the sector (Chapters 2 and 8). The vast majority of survey respondents (who are mostly employed in port operations) cited corruption as the most significant deterrent to port development in the country. In this regard, one of the survey participants highlighted the issue of "too many interested parties wanting a slice of the action" (p. 216). It is well established in economic literature that corruption not only reduces a sector's efficiency by distorting resource allocation but also hiders the inflow of investments into the sector. To make matters worse, the entrenched corruption in port operations is also related to the second biggest problem mentioned in the survey—Indonesia's inefficient and excessive bureaucracy. The authors argue that there are too many players involved in the different port business operations—including the port authority, freight forwarding, imports, exports, customs, shipping, inter alia—that add to the already excessive paperwork. Unnecessary bureaucratic agencies and a lack of coordination among them have complicated the manner in which country's ports function, opening up multiple opportunities for fraud and bribery.

This begs two follow-up questions. First, what measures has the government implemented to address the challenges? And second, have these been effective? Unfortunately, neither question is answered in a systematic manner in this publication. This is unfortunate because examining the difficulty involved in