

Islamic Finance and the War for Talent

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The growth in popularity of Islamic finance around the world continues, the industry is facing a number of new challenges. Key among these is the issue of hiring and retaining experts from a finite talent pool.

The global market for Islamic finance as measured by Shari'a compliant assets by the end of 2006 was estimated to be US\$531bn. Standard & Poor's has estimated that the potential market for Islamic finance could be worth as much as US\$4 trillion.

With this continual growth of the industry, conventional banks, financial institutions, regulators and governments in the western hemisphere no longer view Islamic finance, Islamic insurance (takaful) and re-insurance (re-takaful) as a novelty but as a real alternative revenue model for capital growth.

A direct consequence of this growth is the paramount need for organisations within the Islamic financial landscape to further enhance and strengthen their human capital by attracting, recruiting and retaining talent that will allow businesses to administer and ultimately take advantage of the business opportunities associated with this growth.

The UK is a prime example of the exponential growth of Islamic finance and its constituent parts. Here there are 20 plus new Islamic 'windows' or departments of existing banks, newly created banks and finance houses, global Islamic finance divisions of consulting companies and of legal firms, as well as newly formed takaful and re-takaful companies.

In 1997, a landmark McKinsey & Company study exposed the 'war for talent' as a strategic business challenge and a critical driver of corporate performance. Currently, the requirements by the Islamic finance industry to attract, recruit and retain knowledgeable and experienced human capital are of optimal importance to the development and success of its organisations.

Global Markets

Across the globe, the Islamic finance and takaful market is currently divided into two distinct areas, mature and immature markets. The mature markets consist of the GCC countries and Southeast Asian countries and in particular Bahrain, UAE, Saudi Arabia and Malaysia.

Since the creation of the Islamic Development Bank and the Dubai Islamic Bank in 1975 and, in Malaysia, the formation of the Islamic Banking Act (IBA) which came into effect in 1983, the longevity and considerable experience of these countries and regions is clearly apparent with the development, acceptance and use of Islamic financial products; from the selling of Shari'a-compliant home loans, the issuance of sukuks or bonds and the plethora of takaful and re-takaful product offerings available or becoming available.

The UK, Europe and the US, however, are considered in the industry as immature markets. They are not only developing Islamic finance product offerings but also have to sell their products within a marketplace that is finding its feet. Potential customers need a high level of understanding in the differences between conventional and Islamic finance, whether or not they are Muslims.

Recruiting for Islamic Finance

From a recruitment perspective, the movement of experienced candidates from one country or region to another is very much like the analogy of migrating birds moving to sunnier climes for the winter, although generally the Islamic finance industry is seeing a bottleneck where there are more newly formed companies and more projects undertaken than there are skilled, knowledgeable and experienced individuals to fill positions.

If you are one of these skilled and experienced Islamic finance candidates usually at a senior level then the ability to move jobs, countries and ultimately pay scales, is tremendous.

In more mature markets, especially countries such as Malaysia, a 'brain drain' is occurring, where candidates are being offered positions in other mature markets, such as the tax-free GCC, or even being tempted to work in immature markets such as the UK where the currency is stronger.

On a global basis, headhunting is being carried out to lure these prized candidates with salary and benefits gazumping becoming the norm. Although 'Dutch auctions' have always been the norm in recruitment for specialist competencies, this issue is getting serious, with demand for qualified and experienced candidates outstripping supply.

Attracting and Keeping the Talent

The solution to this problem is not traditional by any means and, on an organisational level, companies may lack the foresight to develop internal processes to solve the problems.

The McKinsey paper saw wider company solutions, such as creating 'a winning employee value proposition', looking behind what motivates talent and creating a company recruitment brand and product. It also looked at creating employee value propositions as well as noting that companies that are 'talent winners' also recruit continuously, rather than simply to fill positions.

Despite the finite human resources, very few Islamic finance organisations have taken the lead in adopting these or other methods. The simplest of training programmes, such as 'buddy' training programme where a less experienced Shari'a scholar works alongside a more experienced one, are not being implemented. In the long term, this will have a huge impact on the industry.

Much of the brain drain in Islamic finance is occurring in more mature markets such as Malaysia. This is due to the fact that company-wide solutions of attracting, recruiting, training, developing and retaining talent is not being implemented. It is only natural that employees see the grass as being much greener on the other side. The industry as a whole needs to implement initiatives that will allow a more sustainable environment for training, development and growth of new talent into the system.

One myth that needs to be removed immediately is that you must be a Muslim to work within the umbrella of Islamic finance. This is not the case. What is required, however, is the correct competencies and experience that any employer would wish of any potential candidate with the added knowledge and experience of Islamic finance.

An example would be an individual with treasury education, knowledge and experience who wishes to work in Islamic finance. The candidate would be required to have the relevant education and experience, which may include a Bachelor's and Master's degree, professional qualifications and membership of a relevant association like the Association for Financial Professionals, as well as a good level of experience from within the array of job roles available in the treasury function.

In addition to this, a good knowledge of Islamic finance theory is necessary. This training and understanding of Islamic finance concepts allows the individual to understand the complexities of administering their work within the framework of Islamic finance and thus keep true to the spirit of Islamic finance, their department and company. As they gain experience Islamic finance projects, they will become an asset to the company and be able to train others.

Training

To gain a basic level of training, there are a number of programmes available. In the UK, The Securities & Investment Institute (SII) and the Lebanese Ecole Supérieure des Affaires (ESA) have developed the Islamic Finance Qualification (IFQ), which is globally recognised and is administered by the SII as well as other training providers. The Chartered Institute of Management Accountants (CIMA) also offers the IFQ, which will be available in the coming months in the UAE and Bahrain.

In Malaysia, Bank Negara Malaysia has created a non-profit Islamic finance training organisation called the International Centre for Education in Islamic Finance (INCEIF). The centre provides Islamic finance education via the Professional Certification Programme, the Post Graduate Programme and Research and Publication Programmes. These programmes are available for both the domestic and international community.

From the treasury perspective, The Association of Corporate Treasurers in the UK has a certificate paper in International Treasury Management, which also covers the general principles of Islamic banking such as the similarities and differences of Islamic banking with the Western banking system. However, as yet none of the courses are targeted towards a career path in Islamic Finance.

Recruitment

Candidates who have the necessary skills and experience have three traditional routes to further develop their experiences and gain new employment. These being the agency route, direct applications and the networking approach.

The agencies that work within this industry are far and few between and therefore the direct approach can be more fruitful, although the ability to network and understand what is happening in the market will allow a greater insight into the possible recruiting opportunities and who may be in charge of those decisions.

Conclusion

The next five years will be a testing time for talent in the Islamic finance market, especially as the difference between mature and immature markets will decrease. The need for experienced talent is vital, yet many organisations still dismiss talent management as a short-term, tactical problem rather than an integral part of a long-term business strategy, requiring attention.

Candidates who want to work in Islamic finance must have already achieved a successful level within their own industries and know the basic Shari'a-compliant principles before moving horizontally into the industry.

The talent picture may seem bleak, but this can certainly be overcome with foresight and the implementation of programmes both within the organisations and industry-wide, to resolve the problems associated with attracting, recruiting, training and retaining talent.

Some of these solutions are already being administered, while others are yet to be developed, but one thing should always be remembered: if an individual is being fulfilled in terms of remuneration, working environment and personal perspective then candidates, current employees and potential employees will always be attracted to organisations that provide this holistic approach.