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**ORGANIZATIONAL
CULTURE, LEARNING
AND STRUCTURE IN
CENTRAL BANKS
BEST PRACTICES AND THE
CASE OF THE MOROCCAN
CENTRAL BANK**

BESSMA MOMANI AND SAMANTHA ST. AMAND



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Bessma Momani and Samantha St. Amand



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EXECUTIVE SUMMARY

This paper provides both theoretical and empirical evidence that maintains that a central bank's organizational structure, culture and learning system are important for achieving best governance practices. It argues that a central bank's organizational structure and culture facilitate the effective implementation of governance practices that have been enacted by law or in a strategic plan, with specific reference to central bank independence, communication, transparency, professionalization, technical excellence and reputation risk management.

After reviewing the relevant central bank governance literature, a matrix of best practices in organizational culture, structure and learning system (based on the relevant organizational behaviour theory) is presented. This paper contends that a central bank exhibiting best governance practices would, among several other features, have a less hierarchical organizational structure and a more open learning culture. The theoretical framework is then applied to the case of the central bank of Morocco — the Bank Al-Maghrib. Qualitative interviews and a review of the bank's primary documents show that the progress made by the Bank Al-Maghrib over the last two decades in establishing best governance practices in policies and legal statutes is, to a significant extent, being matched by reforms to its internal processes, but there remains room for improvement.

Drawing from the organizational behaviour and political science literature opens a new avenue of potential research and empirical testing into how to facilitate many aspects of best practice in central bank governance. This is the first working paper of a broader project seeking to conceptualize best practices in central bank governance from an organizational behaviour perspective.

INTRODUCTION

Central banks are typically responsible for monetary policy strategy and operations, the provision of financial infrastructure, maintaining financial stability and acting as a banker to the government. They may also be responsible for banking supervision and regulation, the provision of statistics or promoting institutional and financial market development. The functions, objectives and operating details of individual central banks vary significantly, depending on the origins of the bank, the country's political system and the extent of the development of its financial sector. In general, central banks in emerging market economies have a wider range of functions than in advanced economies (Bank for International Settlements [BIS] 2009). Among these functions, and even within them, there are trade-offs between the central bank's objectives. Sound governance arrangements are important for clarifying the appropriate ways to deal with overlapping functions, competing objectives and for determining policy in times of crisis.¹ They are also important for securing the public legitimacy of a central bank as a non-elected, independent policy-making body.

The literature on central bank governance covers a wide range of topics, including: the choice of the central bank's objectives and functions; its ownership and legal structure; how its relationship with the government is defined; and its financial resources and risk management practices.² Little consideration has been given to the importance of the organizational structure, the culture and the learning systems for establishing best governance practices. While a number of international organizations allude to what an ideal organizational structure and culture would be within a central bank, they do not appear to have fully integrated this type of analysis into the evaluations of central banks.

This paper defines a matrix of best practices in organizational culture, structure and learning systems for central banks, based on the relevant organizational behaviour theory. The argument is made that organizational structure and culture arrangements complement the adoption of other best governance practices and enhance the effectiveness of policy making. The paper maintains that a central bank with a more open learning culture and less hierarchical organizational structure complements central bank independence by preventing individual personalities or undue political pressure from influencing policy. It also reinforces its transparency and accountability

1 For a discussion of the potential dangers of having too many functions and/or objectives and the ones that central banks should pursue, refer to Blinder (2010) and Cobham (2012). These issues are outside of the scope of this paper; instead, the intent is for this paper to add to the existing literature on central bank governance arrangements relevant for achieving their existing objectives.

2 Refer to BIS (2009) for an excellent overview of modern central bank governance issues.

to the government, general public and financial sector by maintaining a more technocratic decision-making system. It is also argued that establishing a shared vision among staff motivates them toward a common goal and enhances the consistency of central bank communication. In addition, a central bank with a flexible organizational structure and an open research network allows it to adapt to changing domestic and global circumstances.

After presenting the theoretical framework, it is applied to the case of Bank Al-Maghrib, the central bank of Morocco, by examining its internal processes and governance arrangements. Morocco presents itself as a good case study because it has made significant progress in establishing best governance practices in central banking in the past two decades. Specifically, the enactment of new central bank statutes in 2006 and the introduction of a new constitution after the Arab uprising in 2011 have helped to establish Bank Al-Maghrib as the most independent central bank in the North African region, based on central bank independence legal indices (Momani and St. Amand 2014). The Bank Al-Maghrib has adopted, or is in the process of adopting, what is considered best governance practices in communication policies, financial regulation and supervision policies, and higher-level decision-making structure. An in-depth analysis can help us reach an understanding of the effectiveness or potential time lag in establishing best practice in structural and cultural arrangements after the relevant legal changes have been made. The fact that it is not yet an ideal case is important because it allows for further policy recommendations to be explored. Finally, it is a beneficial case study because the Moroccan economy is relatively unfettered from global political or market pressures.

Eighteen interviews were conducted with a cross-section of current and former employees of the Moroccan central bank. Interviews with senior officials were recruited through formal interview requests via the Embassy of Morocco in Canada and the office of the executive director of the International Monetary Fund (IMF), in addition to reaching out to Bank Al-Maghrib employees using LinkedIn. Finally, a number of interviews were conducted with Moroccan academics and think tanks with a research background in central banking governance, Bank Al-Maghrib, and the Moroccan economy to obtain outside stakeholder views of the internal functioning of the bank.

This is the first paper of a broader project seeking to conceptualize best practices in central bank governance from an organizational behaviour perspective. This paper is laid out as follows: the next section will discuss the relevant literature; then the theoretical framework is laid out and applied to the case of the central bank of Morocco; and the final section provides a general discussion of the role of organizational structure, culture and learning systems for instituting best governance practices and discusses intentions for future work.

LITERATURE REVIEW: BEST PRACTICES IN CENTRAL BANK GOVERNANCE

Among the thick literature on best practices in central bank governance, a discussion of central bank structure, culture and learning systems has been scarce and particularly narrow. This paper seeks to complement the literature on central bank governance by explaining how organizational structure, culture and learning systems can fit into the broader goals of central banks that aim to establish best governance practices. For this reason the discussion is restricted to the central bank governance literature that relates to these features of the organization. Specifically, this paper builds upon a number of scholars that have already discussed, to some extent, central bank organizational structures and cultures, and how they relate to other governance issues, such as independence, transparency, accountability, reputation risk management and communication.

The trade-offs between objectives and overlapping functions that were discussed in the Introduction, may complicate the high-level decision-making process. The structure of a bank's governing board(s) can help address some of these issues; however, there is no consensus on the correct structure, but rather appear to be addressed on a case-by-case basis. Specifically, central banks must decide whether to have a "singular" board that oversees all of its functions or to have multiple boards, each with their own competencies. The BIS (2009, 80) highlights the trade-offs between different arrangements, citing "the impact on the efficiency of decision-making, the management of potential conflicts amongst objectives, the effectiveness of accountability and the availability of suitable personnel" (Ibid, 80). The choice of structure of high-level decision making could also have an impact on the independence of the central bank, if some of the central banks' functions require consultations with the government or other interest groups. In this case, separate boards can mitigate the influence of the government in independent policy spheres, such as monetary policy. Multiple policy boards may, however, complicate central bank communication, if they are delivering contradictory policies or messages.

Many scholars have evaluated the structure and composition of the monetary policy committee (MPC) as it affects the monetary policy decision-making processes and effectiveness of policy communication. Alan Blinder (2004, 37) notes that the "movement from an individual central banker to a committee went hand-in-glove with granting independence to the central bank." Blinder (2006) classifies MPCs based on how "democratic" they are in the decision-making process, which is important for securing the autonomy of central bank decision making by preventing primary influence from a dominant actor. He argues that best practice in the decision-making structure of the

MPC must balance the benefits of diversity, difference of opinion and rigorous debate with those of being able to "project a clear and transparent message" (Blinder 2004, 62).

To this point, Blinder (2004) not only highlights the importance of power dynamics and the structure of the MPC, but also stresses the need for diversity in the composition of the committee. He cites four potential benefits of member diversity: it prevents decisions based on one or few sets of beliefs and preferences; it is likely to lead to more stable monetary policy; pooled knowledge improves information in an uncertain environment; and it improves information processing in the execution of complex tasks.

Tonny Lybek and JoAnne Morris (2004) agree that diversity in education and experience is important for ensuring informed and balanced policy making. They argue that both internal and external members are important for deterring conflict of interests and encouraging such diversity. At the same time, the size of the MPC should not be too large because it can compromise its effectiveness. Philipp Maier (2010) also explores the optimal structure of the MPC, including its size, meeting arrangements, evaluation process and incentive structures. He discusses several mechanisms to avoid polarization and groupthink in decision making, citing the importance of diversity of committee members' backgrounds, including a mix of internal and external members. The literature discussed so far reveals the importance of the central bank's decision-making structure and culture in satisfying best governance practices related to independence, transparency and accountability, communication and reputational risk, and in managing the trade-offs between objectives and functions.

Beyond the analyses of the structure and composition of MPCs, there has been very little written about the internal dynamics that drive decision making within central banks, and how these internal dynamics affect monetary policy outcomes (for better or worse). Maxwell Fry, Charles Goodhart and Alvaro Almeida (1996) analyze the objectives, activities and independence of central banks in developing countries. They emphasize the importance of the recruitment of skilled staff for establishing independence. Specifically, they argue that establishing a research department and gaining technical expertise is important for giving the central bank an advantage over the ministry of finance — both through status and technical competence — in setting the monetary policy agenda. The authors also found a positive correlation between the recruitment of skilled staff and central bank independence, but did not further explore this relationship.

Focusing on the process of creating a "monetary-policy story" — a shared narrative of past, present and future economic developments — Graham Smart (1999) analyzes

the internal operations from the bottom up at the Bank of Canada (BoC). He argues that, “the monetary-policy story is a complex structure of economic knowledge that, in the course of its production, serves to organize, to consolidate, and to give textual expression to the differentiated expertise and intellectual efforts of a large number of people” (ibid., 250). Smart explains that executives rely on the large staff of economists at the BoC to produce specialized knowledge about the economy. His analysis highlights the importance of shared vision in motivating staff toward a common goal, and for improving communication by enabling the central bank to deliver a consistent message.

In a report on central bank governance arrangements, the Central Bank Governance Group at the BIS (2009) underlined the importance of management practices and organizational structures for enhancing the professionalization, effectiveness and independence of central banks. In a survey of the top 40 central banks in the world, the BIS identified that almost all of the central banks had changed or had plans to make major changes to their human resource (HR) management practices between 2003 and 2008. Specifically, there was a trend toward implementing more “rigorous and professional” processes for determining salaries that were consistent and based on performance. This improves central banks’ abilities to compete with the private sector for talented staff. The BIS argues that these changes reflect the increased demand for more specialized staff, more effective public institutions and the effects of information and communication technologies on staffing needs.

The BIS (2009) also indicated that professional development initiatives were important for retaining staff and ensuring they have the most advanced skills. It notes that professional development may take place by specialist training through programs offered by the major central banks, or within the banks through a rotation program through several departments. In addition, most of the central banks surveyed also made changes to internal communication and information sharing systems to further enhance organizational capacity and knowledge. Finally, the BIS identified a trend in reducing hierarchical structures toward “flatter management structure.” The changes that central banks have implemented to HR management, communication systems and the organizational structure, all enhance the importance of staff for the overall effectiveness and professionalization of central banks. As the BIS group noted, the change in management structure “may have helped in empowering staff and boosting their motivation by allowing them to interact more directly with senior members of policymaking committees” (ibid., 185).

The studies discussed above highlight the importance of central bank structure, culture and learning systems for complementing other practices considered good governance for central banks. The rest of this paper further elaborates on the ideal features of organizational

culture, structure and learning systems. The analysis goes beyond the structure and composition of the MPC, but instead looks at the organization from the bottom up. This approach recognizes that the whole decision-making system, from the creation of new ideas and models to the analytical advisers and the staff that execute the policies, are important for designing and implementing good policy.

THEORETICAL FRAMEWORK: AN IDEALIZED ORGANIZATIONAL STRUCTURE, CULTURE AND LEARNING SYSTEM

Drawing from the literature on organizational behaviour, a conceptual framework is proposed whereby central banks’ internal processes and decision making can be understood through their organizational culture, learning and structure. It is posited that a central bank conforming to the best governance practices would exhibit the ideal type of characteristics listed in Figure 1, broadly divided into organizational structure, and organizational culture and learning system.

A central bank exhibiting all the characteristics of an ideal type would have an adaptive organizational structure with both formal and informal communication and planning mechanisms, many levels of decision making and top management would be more concerned with high-level strategies than directing day-to-day operations. Complementary to this structure, the ideal organizational culture would empower its staff at all levels and promote continuous training and development. All members of the organization would be motivated by a shared vision, and organizational knowledge would be created by all staff and evolve to changing theoretical and economic circumstances. These characteristics of a central bank would facilitate an institution of technical excellence that is a pioneer in establishing practices that are mimicked by other central banks. This is the case because it is both capable and willing to adapt to global and domestic changes. In fact, most of the major central banks that are believed to follow best governance practices generally display many of the elements of the ideal structure and culture in Figure 1 (these will be referred to where relevant).³

³ These features can be found in the organizational charts, the organizational principles, strategic plans, and employee codes of conduct of the major central banks (Bank of England [BoE], BoC, Federal Reserve, European Central Bank, Swiss National Bank, Bank of Japan, Reserve Bank of Australia and Reserve Bank of New Zealand).

Figure 1: Ideal Central Bank Organizational Structure, Culture and Learning System

Organizational Structure	Organizational Culture and Learning System
<ul style="list-style-type: none"> • Many formal and informal liaison devices that facilitate multi-level communication • Decision-making flow is mixed at all levels with selective decentralization • Top management is not deeply involved in formulating day-to-day strategies • Little behaviour formalization or internal indoctrination • Horizontal job specialization based on formal training • Structure is flexible to global and domestic changes 	<ul style="list-style-type: none"> • Organizationally oriented and evolutionary learning system • Promotes inquiry and empowers staff at all levels • Staff are encouraged to seek training and staff development is highly valued • Recruitment is broad and competitive, and promotions are based on merit • Establishes a shared vision among central bank staff • Research is open to external contribution and data is publicly available

The ideal type described in Figure 1 is elaborated below. It should be emphasized, however, that there is likely no central bank in the world that achieves all of the characteristics above, and there is likely a great deal of variance along a continuum of organizational characteristics that need to be appreciated. For the sake of simplifying the proposed framework, the focus is on presenting an ideal type, but the empirical evidence would likely show that not all central banks could achieve these characteristics because of local political, economic, structural and cultural considerations.

After each section the framework is applied to the case of Bank Al-Maghrib. The information from the case study begins with a review of several publicly available documents that reveal its institutional goals and cultural norms, which provide a snapshot of how its structure and culture ought to operate. These include its organizational chart, employee code of conduct and strategic plan. To further understand the internal functioning and culture of the central bank, semi-structured interviews were conducted with officials with intimate knowledge of the bank, including present and past employees of the Bank Al-Maghrib, as well as domestic stakeholders in academia, think tanks and government. The aim was to interview staff of varying levels of seniority as an effective means of unearthing the unstated internal functioning of the bank. Based on these interviews, an evaluation was undertaken of whether the central bank of Morocco is on its way to establishing best practice in organizational structure, culture and learning systems to align with reforms in other aspects of central bank governance.

AN IDEALIZED ORGANIZATIONAL STRUCTURE

An organizational structure determines the dynamics of authority, communication channels, behaviour

formalization, and planning and control systems that confine or liberate workflows. In other words, it defines the boundaries within which staff throughout the organization can perform their work. Henry Mintzberg (1979) developed a well-known typology consisting of five organizational structures: the simple structure; the machine bureaucracy; the professional bureaucracy; the divisionalized form; and the adhocracy. The organizational structure of a central bank with good governance practices has many features of Mintzberg's adhocracy structure; therefore, this type of structure will often be referred to below.

Liaison Devices, Coordination Mechanisms and Communication

The standardization of output or work processes in a central bank is not always feasible; instead, it must retain flexibility in its tasks, which requires more fluid coordinating mechanisms. A central bank may not have as fluid a coordinating mechanism as an adhocracy in the "pure" sense — that is, one that primarily relies on informal communication processes — but it fits well with this structure because of the significant role for informal and formal liaison devices throughout the organization. This manner of organizing tasks and projects is more collaborative and innovative, and can be implemented quickly when required by economic or financial circumstances. In other words, communication channels are more open so that coordination between teams, where it would be beneficial or is necessary for the task at hand, is more efficient. Communication processes at central banks should have a wide range of both formal liaison devices — those that take place within the formal organizational structure, such as liaison positions or integrating managers — and informal liaison devices — those that take place outside of the formal organizational structure, such as task forces, standing committees or in social gatherings.

The type of communication system just described is favourable to a more bureaucratic or structured system that may be more hierarchical. In those types of structures, strategic and advisory consultations remain mostly between the board and middle management. It is also better than a structure that is completely centralized, where tasks are beholden to the direction of top management and imposed on its staff.

Distribution of Authority and Decision Making

Related to communication systems and coordination mechanisms is the distribution of authority and decision making within the organization. At one extreme a single decision maker or body of decision makers have full authority over all decisions and do not rely on staff consultations. This could characterize, for example, a small central bank with no independence, where the executive or a direct representative of the state is the ultimate decision-making authority and controls the tasks of the operating

staff. Alternatively, authority may remain relatively centralized in the management board, while department directors command more authority in directing day-to-day operations of the bank.

In the idealized central bank, however, decision-making flow is mixed at all levels. In this type of structure, staff may be empowered to influence decisions, especially in their day-to-day tasks. Most of the operational decisions are made by department directors or middle management, but staff who execute the relevant tasks have input into these decisions. Even strategic decisions may be informed from the bottom up. As identified by the BIS and discussed in the literature review above, most central banks are moving toward this ideal by flattening their organizational structures in order to remove the hierarchy of authority and empower its staff.

Management's Role in Day-to-Day Strategies

In the idealized structure, rather than having top management impose day-to-day strategies upon managers and their staff, the expertise of staff is relied upon to fuel the formation. As Mintzberg (1979, 447) states, "The top managers of the strategic apex of the Adhocracy may not spend much time formulating explicit strategies, but they must spend a good deal of their time in the battles that ensue over strategic choices, and in handling the many other disturbances that arise all over these fluid structures." He further notes that, "perhaps the most important single role of the top management of Adhocracy is that of liaison with the external environment" (ibid., 448). In the context of central banking, the board becomes charged with final policy choices or high-level strategic decisions and external communication to the public, government and financial sector, but they are not often involved in the day-to-day operations.

In practice, central banks have recently been moving toward appointing chief operating officers (COOs) to manage the administrative functions of the central bank, including HR, finance and information technologies. In effect, this removes the role of the governing board from day-to-day operations unrelated to policy. Specifically, the BoE appointed a COO in 2013 and the BoC quickly followed suit in 2014. More recently, central banks in emerging market economies such as the Reserve Bank of India have been contemplating the same move.

Indoctrination and Behaviour Formalization

Whether the organization is centralized or not, top management can retain significant influence over department directors through behaviour formalization and indoctrination — that is, the conditioning of staff behaviour. Department directors may also institutionalize behaviour formalization to ensure that activities are carried out in a systematic way. Depending on the type of

job or task carried out by the department, this may entail formalization by job or workflow by standardizing work processes, or formalization by rules through policies and procedures for all aspects of work. The lower the degree of indoctrination or behaviour formalization throughout the organization, the higher the flexibility and degree of empowerment the staff attain.

In the ideal central bank and the adhocracy organizational structure, extensive behaviour formalization and indoctrination are avoided. Instead, staff are trained externally, but encouraged to be inquisitive and flexible in their methods of identifying and solving problems in their day-to-day work. Furthermore, behaviour formalization is minimized to the extent possible in order to encourage cross-department fertilization.

Job Specialization

In less mature central banks, the generalized skill set of staff make it easier to minimize discretion over their work or impose in-house indoctrination and behaviour formalization. The requirement for more specialized experts in modern central banks minimizes the ability to constrain work in the same way. The BIS (2009) notes that the trend toward specialization will likely continue with advances in technology and acquisition of modelling expertise. This type of work closely resembles the demands of an adhocracy, where individuals are hired because of their formal training and specialized skills. Workers with more specialized expertise are less vulnerable to behaviour formalization and indoctrination because of their absolute advantage over specific tasks.

Flexibility of the Organizational Structure

The structure of the ideal central bank is adaptable to global changes, but avoids unnecessary changes that may reduce its transparency or threaten its reputation. The most flexible organization structure would be that which is beholden to a single manager and can, therefore, easily be changed at the whims of the leader. Sudden changes in governance arrangements of a central bank, however, can confuse the public understanding of the central bank's objectives and functions. Instead, a central bank must remain consistent but responsive to its dynamic and complex environment. The adhocracy allows for this flexibility, but establishes enough checks and balances that changeovers can be implemented more effectively and transparently.

Despite the clear links between a central bank employing "best practice" and Mintzberg's classification of an adhocracy, no central bank would ever fully fit this organizational structure because of the more ambiguous components: the ease of creating and destroying departments; the lack of distinction between supervisors and staff; and lines of communication that are too loose. But limiting bureaucratization and encouraging flexibility

is necessary for establishing the type of learning culture necessary for best practice in central bank. Having described the characteristics of an idealized organizational structure for a central bank, this framework is now applied to the case of Bank Al-Maghrib.

ORGANIZATIONAL STRUCTURE OF BANK AL-MAGHRIB

The organizational chart of Bank Al-Maghrib resembles that of some of the major central banks. It is quite simple in design. The governing board decides monetary policy and the other strategic decisions of the bank. The governor is at the top of bank operations and oversees the bank's core functions, including monetary policy strategy, monetary policy operations and banking supervision. The director general of the bank, who is also a member of the governing board, oversees all of the other operational and administrative departments. Organizational charts, however, reveal only very limited information about complex organizations (Mintzberg 1979, 37). A macro-level study of a central bank using economic indicators, legal amendments and other measurements can provide a useful starting point, but face-to-face interviews with central bank personnel were found to be a more effective means of receiving sincere responses of how things actually work, rather than how things *ought* to work.

The interviewees revealed that the bank has instituted a number of positive internal liaison devices and communication policies that staff heralded as useful to achieving shared goals and as a productive aspect in their own work. It was noted that meetings within departments occur on a regular basis, and wider staff meetings across departments within divisions (called "directions" by the bank) meet on a monthly basis.⁴ In addition, staff from other directions may be invited to these staff meetings if they are working on overlapping projects. There is also a high-level group of managers, including the directors of each direction and each administrative department, who meet monthly with the governor.

One staff member indicated that there was a great deal of communication within the core functions of the bank, through formal monthly meetings and informal meetings held several times a month. Another interviewee, however, noted that directions are well-defined and separate, with little intersection. In general, it was implied that a new generation of workers, who have mostly been hired since the current governor, Abdellatif Jouhari, was appointed in 2003, communicate more openly than the older generation. As the new generation is starting to fill management

positions, communication channels throughout the bank are improving.

There also appears to be a general belief among the younger staff interviewed that they do not have a lot of input into their tasks or projects. The assignment of tasks within the organization implied that authority and decision making remained centralized by the board and department directors. One manager discussed a new initiative of instituting "participative management" over the last decade, which includes having department annual planning start from the bottom up. He also indicated that there was an initiative to evaluate managerial skills — a key priority in the bank's strategic plan for 2013–2015.

In general, it appears that directors run a tight ship in managing day-to-day operations and assigning tasks down the chain. One interviewee indicated that it would be a very tough job to be a manager because of the bank's high standards and the requirement to complete deliverables on time and make no mistakes. The governor, however, does not appear to be deeply involved in formulating day-to-day strategies. Furthermore, most of the interviewees praised the changes that he has implemented within the bank over the last decade, in particular, to independence, transparency, training and development, and HR policies.

Behaviour formalization and internal indoctrination appear to be higher than that of the ideal central bank. For example, there appears to be a strong initiative to hire young staff who are recent graduates. Although this might be a tactic to hire inquisitive and ambitious workers, it is also a group of individuals who can be more easily indoctrinated. One staff member indicated that they wanted young individuals who can "work hard, be smart, think quickly and deliver efficiently." In addition, it was noted that managerial positions were usually filled internally and that the bank prefers to train internally, rather than to hire experienced or formally trained staff.

The need to train staff internally rather than hiring specialized workers may, however, be related to the capacity of the Moroccan workforce and the ability of the bank to attract talented individuals. A few staff members did indicate that internal capacity and competencies at the bank are much stronger than they were 10 to 15 years ago. Still, external constraints exist in hiring mature economists, who are scarce in Morocco.

Capacity building is important for the Bank Al-Maghrib because its strategic plan for 2013–2015 aims to, above all, establish itself as a model to aspire to within the region by placing itself at the same level as the most developed central banks in the world. A number of bank employees and Moroccan stakeholders repeatedly said that the bank has ambitions to meet global best practices that emulate many of the Western central banks. The bank also prides itself on being flexible to changing economic paradigms.

⁴ The bank is divided into several directions that house its core functions (i.e., monetary policy, banking supervision and so on) and separate administrative departments (i.e., finance, HR, legal). Each of these directions and administrative departments contains multiple departments.

A Moroccan academic pointed out that this can be an issue for the central banks of most emerging market economies, because they often try to institute best practice in central bank governance regardless of whether it is necessary for a particular country. In other words, the ideological pursuits of the central bank are often more beholden to global factors than responsive to or innovative within their given economic environment. In the case of Morocco and other emerging market economies, this constraint may also be related to the limited technical capacity, which may prevent it from empowering itself to establish effective reforms where needed and dismiss international best practices that would not be best practice in its given case.

Overall, Bank Al-Maghrib appears to have made progress over the last two decades toward the idealized central bank structure that has been described above. Notable improvements have been observed with respect to hiring specialized employees and maintaining an adaptive structure to global and domestic changes. There appears, however, to be significant room for improvement toward flattening the decision-making structure and facilitating better communication between departments and among different levels of authority within the organization.

AN IDEALIZED ORGANIZATIONAL CULTURE AND LEARNING SYSTEM

The implications of a central bank's organizational structure for the effectiveness of its decision-making system, including its independence and technical professionalization, have been discussed. In order to foster an independent organization, however, the organizational culture needs to mature to reflect the values embedded in a developed adhocracy. Organizational culture is "a way of defining boundaries and selecting members; a way of allocating authority, power, status, and resources; norms for handling interpersonal relationships and intimacy; criteria for dispensing rewards and punishments; and some way of coping with unmanageable, unpredictable, or stressful events" (Heffron 1989, 213). An organizational structure and culture go hand-in-hand in instituting best practices in central bank governance that may have been established by law or in a plan, but have not yet become an institutional reality. That is, central banks that have already instituted an adhocracy-type organizational structure must foster an open learning culture to establish an advanced policy-making institution.

Learning System

Of particular importance for central banks is the learning system within the organization. A learning system is the "adaptation, information processing patterns, development of organizational theories-in-use, and the institutionalization of experience in the organization" (Shrivastava 1983, 7). Paul Shrivastava developed a typology of learning systems based on the source of

knowledge that informs organizational decision making and the process through which the learning system is adopted. The ideal central bank proposed in this paper would have many characteristics of an "information-seeking culture."

This type of learning system is characterized by an organizationally oriented information system, meaning that the institution is highly participative and that shared knowledge from all levels of the organization informs decision making. The learning system is also evolutionary, meaning that knowledge is developed naturally, from socio-cultural norms, managerial practices, cross-department fertilization and a curious culture within the organization. Within this system, staff development is of upmost priority. Furthermore, it encourages collaboration among staff in order to improve research and policy deliberations. That said, there are limitations to an "information seeking culture" for central banks, as staff may be limited in "continuously" seeking information. This is the case because, in modern central banks, staff are hired because of their specialized skills, technical proficiency and communication skills, and they often have specific deliverables. In addition, central banks are a public institution, which restricts the amount of resources that can be used to pursue significant innovation.

At the other end of the spectrum is a closed learning system, where the leader controls the flow of information and decision making is confined to his or her perceptions and biases. Alternatively, a central bank under the throes of the government or a powerful top management team could have more formal control over the learning system. In this case, knowledge creation and sharing is important, but limited by the formal planning and control systems of the organization.

Staff Inquiry, Empowerment and Development

Related to the learning system is the kind of culture and values invested at all levels of the organization. Ideally, a central bank would recruit very talented and intelligent individuals. These individuals should be able to contribute to the development of the organization in addition to performing their specialized tasks. In this regard, inquisitiveness should be embedded in the organizational culture, and staff should be empowered to suggest changes and seek further knowledge whether or not it is directly or indirectly relevant to their tasks.

Necessary for establishing an information-seeking culture and empowering its staff, the ideal central bank places emphasis on the training and development of its staff. This is an important activity at the major central banks who offer specialist central bank training, support the pursuit of academic posts, have internal rotation programs and engage in international recruitment practices (BIS 2009).

Recruitment

Recruiting and retaining the most talented individuals is important for establishing a culture that is engaged and ambitious. In order to recruit the best, a central bank must have a competitive and broad recruitment tactic. It must be able to set its own pay scales with substantial resources to remain competitive with private sector salaries. It should also engage in active recruitment for positions at all levels of the organization. Central banks in emerging market economies in particular, should actively recruit from abroad and attempt to capture diaspora that have been educated abroad. In order to retain its staff, promotions and salary adjustments should be seen as fair by creating a consistent evaluation process, with rewards based on merit.

Most of the major central banks recognize the central role of HR in securing a central bank with technical excellence. For example, the BoC's current and previous strategic plans focus specifically on strategies to attract and engage staff. The first pillar of the BoE's strategic plan is to attract a diverse and talented workforce. Similarly, the US Federal Reserve's fourth strategic theme is to maximize the value of its human capital by enhancing employee training and development programs, and increasing the equitability of compensation and benefits.

Shared Vision

The ills of behaviour formalization and indoctrination in impeding staff inquisitiveness and empowerment have been discussed, but it is crucial for a central bank to establish a shared vision among its staff. This criteria fits much of the discussion by Smart (1999) on the creation of what he calls the "monetary-policy story" at the BoC. In particular, he stresses the importance of a shared narrative for having effective collaboration and engagement in intellectual dialogue throughout the BoC, before the MPC ultimately makes the final monetary policy decision. The shared vision also keeps staff motivated and united in working towards specific goals or objectives. In addition, this shared vision may improve the transparency and communication of central bank policies and goals by conveying a consistent message.

Open Research

Both external and internal research has become a crucial function of central banks in order deliver better-informed policy making. It is so important that St-Amant et al. (2005) researched the quantity, quality and relevance of central bank research. The authors found that factors that improve the quality of central bank research include the number of external partnerships and the number of Ph.D.s employed. They also note the potential importance of quality of labour, computing resources, data availability, library resources and support staff, but do not have

sufficient data to empirically test the significance of these factors. In addition to the factors identified by St-Amant et al., central banks can also improve their research networks and transparency by making their working papers and data available to the public, and encouraging a dialogue with external researchers.

In striving for excellence in research, several central banks have, in recent years, commissioned outside experts or institutions to evaluate the quality of their research output, including the European Central Bank, the Bank of Israel and the BoC, among others. Recommendations for improving research quality and effectiveness in these reports include: flattening the management structure to improve oversight and collaboration between researchers and managers; mentoring programs for junior staff; increasing collaboration and internal mobility among directions; expanding specialized labour capacity; and broadening the recruitment base.

Open Learning Culture

Several of the components of the ideal type of organizational culture that have been discussed reflect the characteristics of an open learning culture described in the organizational behaviour literature. An open learning culture is one that promotes inquiry and dialogue, creates learning opportunities, encourages collaboration, creates systems to capture and share learning, empowers people toward a collective vision, connects the organization to its external environment and provides strategic leadership for learning (Marsick and Watkins 2003). Marsick and Watkins (2003) and Heffron (1989) stress that organizational cultures develop slowly over time and that "initial choices of structure, goals, and technology will become embedded in the organization's culture and overtime become unconscious assumptions about the proper structure, goals, and technology of that organization" (ibid., 235). At the same time, "The biggest barrier to using new learning in the system is a resistant organizational culture. People feel they cannot openly discuss variant views, challenge others, communicate across boundaries, take risks, and share knowledge without being penalized in some way" (Marsick and Watkins 1994, 17). It is clear that the BoE, for example, is trying to combat this stigma by having the first pillar of its strategic plan include "valuing diverse ideas and open debate, while developing and empowering people at all levels to take initiative and make things happen" (BoE, n.d.).

There are several measures that a central bank can take to effectively develop an open learning culture. First, the central bank should recruit staff and managers who identify with the values of this type of culture: inquisitive, ambitious and a team player. Furthermore, like the composition of the MPC, diversity in age, experience, education and tenure should be encouraged to improve organizational learning and prevent the dominance of a

group of tenured employees. Second, promotions should be based on performance and skills, rather than by tenure. This encourages staff to take initiative in proposing new projects or developing new skills, and to share their knowledge throughout the organization. Third, the central bank should establish a code of conduct and strategic plan, along with a plan of action, aimed at instituting the values of an open learning culture. These will gradually become embedded in the culture, as highlighted by Marsick and Watkins (2003). Fourth, the central bank should ensure that it has the resources to support staff development, for example, by granting time or money for external training or participation in workshops. It should also make resources available to do their job effectively, for example, the most up-to-date technical systems, software and data. As discussed in the next section, Bank Al-Maghrib has taken most of these measures and it is clear that these are slowly becoming embedded in its organizational culture.

ORGANIZATIONAL CULTURE AND LEARNING SYSTEM OF BANK AL-MAGHRIB

The employee code of conduct of Bank Al-Maghrib contains many of the foundations necessary to develop an open learning culture, including: a code of ethics; the requirement to act in the interest of the bank and to declare conflicts of interest; to act with honesty and integrity; to act with neutrality from political and religious views; and refrain from discriminating based on age, sex, religion, nationality and political views. Most notably, the code requires all employees to create a working environment that inspires mutual confidence and cooperation. Employees must also treat each other with respect, equity, solidarity and courtesy, regardless of their level of authority within the organization. Interviews revealed that much progress in achieving an open learning culture has been made, however, there remains significant room for improvement.

The bank does not exactly conform to the criteria of Shrivastava's information-seeking culture: learning is not highly participative, instead, most information flows from the top down. Similarly, collaborative projects or interactions are not apparent at the staff level, although they appear to be important at the managerial level. This is not to say that communication is controlled, it is merely not encouraged to the extent of an ideal learning system. The bank does, however, have many information sharing systems available to its staff. For example, to keep bank staff up to date with the latest knowledge and techniques in central banking, it has expanded its library services. Specifically, the library now sends updates on the newest academic journals and other relevant research to specific departments and individuals.

The bank has also created an intranet and a central data storage system, which helps ensure information, resources and data are available to all employees. Most

of these changes were instituted under the direction of Governor Jouhari. It was noted, for example, that prior to his appointment, staff held data on their individual workstations, which they used as leverage to secure their relevance to the organization.

Another significant change implemented by Governor Jouhari was to significantly raise salaries to be able to attract talent from within Morocco and abroad. For a number of years, these salary raises made work at the bank more attractive than other public sector agencies and organizations, and often more attractive than many of the private sector competitors such as commercial banks and large multinational corporations. Over time, however, wages at the bank have become less competitive relative to the private sector, which does not help to attract talented individuals. Some interviewees even noted that pay in public universities for academics now exceeded that of bank staff.

In addition to competitive salaries, however, the bank offers numerous financial and social perks to its employees. For example, the bank offers its staff discounted loans and mortgages, there is a social club for bank employees and resort villages in coastal communities for their families. Retirement had been mandated to age 55, but this has slowly increased to 60, and is climbing incrementally to take advantage of a higher life expectancy and to relieve public burdens on pension systems. A number of individuals also noted that working at the bank is attractive because it has a positive reputation as a prestigious organization.

Hiring talented economists in Morocco appears to be as much a problem with the domestic environment as with the domestic capacity. The bank does not use headhunters to find specific talent. They actively recruit outside of Morocco and make annual trips to cities with large Moroccan immigrant communities as part of local job fairs. It was noted that the best economists are trained abroad; however, they usually do not return to Morocco, not only due to better compensation elsewhere, but also for a better livelihood. Some interviewees also indicated that economic training within Morocco is not sufficient to train internationally competent economists, both because the capacity within the universities is insufficient and because the most talented students are attracted to engineering.

Aside from the decrease in relative pay discussed above, some interviewees indicated that some talented staff members have left the bank in recent years due to a declining culture of open debate and critical thought. This view was not widely shared among current bank staff, but notable nevertheless among former staff. Others interviewed saw the opposite trend, noting that legacy employees prevent critical analysis, but it is becoming more appropriate to be a critical thinker, to be able to criticize your managers and to propose your own tasks or projects. For example, staff

now contribute to their departments' annual goals and can elect to work on certain projects.

The Bank Al-Maghrib supports staff training and development and has a formal mechanism for determining training programs: at the beginning of the year, the "Training Committee," led by the HR department with representation from all the directors of the bank, meet to gather all of the available training courses in the year ahead, filter out the relevant ones, discuss the needs of the bank and request specific training courses. The bank also offers several internal training and development programs. An in-house training centre, for example, was pointed to as an important new development at the bank. Other internal training and development tools include hosting seminars from external experts, and encouraging staff to deliver presentations to their peers and write group reports.

External training courses are also available; however, some staff members were more optimistic about these opportunities than others. Specifically, staff indicated that there are opportunities for sabbatical to achieve higher education and go on secondment to the IMF, but the bank is very selective in awarding these opportunities. They also did not feel confident that the bank would sponsor its staff to attain Ph.D.s or to pursue international sabbaticals. Many of the staff interviewed noted that they felt the bank was moving toward the point where these could be options. There does appear to be many opportunities for training workshops at international organizations, such as at the IMF's training centres and training courses with major central banks; however, these are usually shorter programs that are a maximum duration of one month.

Nevertheless, for those who do undertake courses abroad, the bank has implemented measures to institutionalize the knowledge acquired by staff. Specifically, after completing courses abroad, bank staff need to write a memo about what they learned, submit all documents they received during training and, in some cases, present the new technical skills and information they learned to their peers. These practices are useful for ensuring that training abroad is effectively internalized among bank staff, and to build a repository of learned information for others to apply in their work. Interestingly, the Bank Al-Maghrib also provides training on central bank practices for a number of other African central banks. These training programs reflect the bank's goal to become a leader in central banking in the African region.

In terms of opportunities for growth within the bank, most of the staff members interviewed believe there is significant movement within directions; however, it is heavily dependent on their managers. Moving between directions was another story altogether — most staff were pessimistic about those opportunities. This was attributed to either managers who are unwilling to lose good staff or

there is little opportunity to move due to the specialized skill sets required for each direction. In general, those interviewed stated that movement across the bank was much more fluid compared to the private sector in Morocco, but did not reflect best practices observed by international organizations such as the World Bank. There does appear to be a trend toward more lateral movement across departments and directions, as management is replaced by a younger cohort.

It was clear from the interviews that the key mission of the bank is "to be the best." Through several reforms implemented by the current governor, this mission has created a culture of excellence that has become well established. Staff and management are confident that even with a change in management, this drive to be the best would not change. As one staff member indicated, the drive to be the best is like a locomotive that cannot be stopped.

Related to this mission, many interviewees indicated that above all, the bank is concerned with their image. All staff become part of this image when they are hired and are required to be loyal to the bank, with this loyalty requirement included in the employee code of conduct. One interviewee put it this way: "Monetary policy is the bank's capital and their image; it is appreciated by the general public and its employees." The reputation of any central bank is of the utmost importance, but managing that reputation requires a trade-off in how much staff members are restricted. Some of the former staff members indicated that restrictions on what they can say, how they can behave and their ability to do external consulting work — although the latter is typically best practice for central banks — leads some of the most creative staff members to leave the bank. This reputation also prevents the bank from making the leap to publishing its own research, because it is concerned that working papers it publishes may not be viewed as representing the authors' views, rather than those of the bank, which could damage the public's view of the bank.

Many interviewees noted that placing the utmost importance on managing its public image has prevented the bank from making internal working papers and research studies publicly available. The Bank Al-Maghrib does have a number of internal publications, including a data-rich annual report, inflation forecasting, quarterly reports, monthly bulletins, monetary statistics, an internal magazine and methodological studies. It was reported that the annual report is a well-written and organized document, which has been used by local think tanks and academic units. Nevertheless, the question of the quality of data collection methods in Morocco writ large was noted as an exogenous problem.

A number of interviewees affirmed that the quality of the bank's internal research would likely not pass the test of

academic peer review for publications in high-quality journals. Nevertheless, it was noted that by 2015, there would likely be bank research papers initiated for public consumption. Generally, many argued that the data provided by the bank was comprehensive and based on sound analysis, but again, the overall quality is still not at par with first-class research institutions and Western central banks. Indeed, it was noted that capacity was improving, particularly in quantitative skills across the country; however, there was still a shortage of strong theoretical and analytical skills throughout the entire pool of Moroccan economists.

Overall, Bank Al-Maghrib has made significant progress in the past two decades in its HR policies, establishing a shared vision among staff, and in encouraging training and development internally and abroad. However, there remains room for improvement on this final point. In order to effectively establish the idealized organizational culture, the bank should encourage a participative learning system and empower its staff at all levels of the organization.

CONCLUSION AND FUTURE WORK

This paper provides both a theoretical and empirical case arguing that a central bank's structure, culture and learning system are important for achieving best governance practices, including independence, transparency, reputation risk management and technical professionalization. As Blinder (2004) alluded to, the move toward greater independence and transparency, as well as the revolution in communication in central banking, has led to a transition in the organizational structure of central banks. It has been argued in this paper that not only does the organizational structure and culture of a central bank facilitate the effective implementation of governance practices that have been enacted by law or in plan, but it may also be a necessary precondition before the reforms are fully implemented correctly. Specifically, a central bank with a more open learning culture and less hierarchical organizational structure prevents individual personalities or undue political pressure from influencing policy, which is necessary for having an independent central bank. In addition, a shared vision among staff is important for motivating them toward a common goal and improving the consistency of central bank communication. Similarly, by empowering staff at all levels of the organization, having a more decentralized decision-making system, and encouraging training and development, central banks can attract and retain talented workers, which will secure the professionalization and technical expertise of the bank. Finally, by making research publicly available and establishing an external research network, a central bank can improve its reputation as an institution of technical excellence.

By applying an organizational behaviour model developed in organizational behaviour studies and political science, a new avenue of potential research and empirical testing into how to facilitate many aspects of best practice in central bank governance has been launched. The case study of the Bank Al-Maghrib sought to further explore and explicate how these features of an organization can improve governance arrangements in practice. Through qualitative interviews and review of the central bank's primary documents it was found that the progress in establishing best governance practices in policies and legal statutes is, to a significant extent, being matched by improvement in the internal functioning of the central bank of Morocco. Specifically, it was found that the Bank Al-Maghrib has many of the traits of the idealized organizational characteristics discussed above, but there is still room for improvement.

Without a benchmark from which to gauge success or failure, however, it is not possible to come to a definitive conclusion about the model proposed in this paper. Future work on this topic will include a review of two other central banks, one in Sub-Saharan Africa that is challenged by reform efforts, and another in a Western economy that is closer to the ideal type, which can be used as a benchmark of sorts. Further work may also seek to develop a macro-level set of quantitative indices, which capture the ideal set of characteristics of an organizational culture and structure. With a stronger comparative analysis or a quantitative measurement of the ideal organizational structure, culture and learning systems for central banks, the framework may be used as an effective evaluation tool for international organizations and for further academic and policy research.

ACKNOWLEDGEMENTS

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APPENDIX A: INTERVIEW SCHEDULE

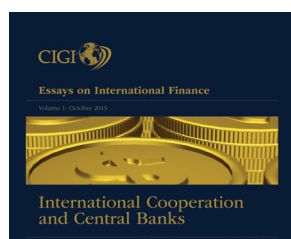
Date	Time	Information
April 28, 2014	10:00 a.m.	Interview with 1 official from an international organization
June 16, 2014	3:30 p.m.	Interview with 3 officials of a local Moroccan think tank
June 16, 2014	9:00 p.m.	Interview with 1 central bank official
June 17, 2014	10:45 p.m.	Interview with 1 official of a local Moroccan think tank
June 17, 2014	4:00 p.m.	Interview with 2 officials of an international organization
June 17, 2014	7:00 p.m.	Interview with 1 central bank official
June 19, 2014	9:30 a.m.	Interview with 1 central bank official
June 19, 2014	6:00 p.m.	Interview with 1 central bank official
June 20, 2014	11:00 a.m.	Interview with 3 central bank officials
June 20, 2014	1:00 p.m.	Interview with 1 public sector official
June 20, 2014	6:00 p.m.	Interview with 1 central bank official
June 21, 2014	9:00 a.m.–4:00 p.m.	Seminar with the Faculty of Law, Economics, and Social Sciences of Mohammed V University – Agdal
June 21, 2014	6:00 p.m.	Interview with 1 central bank official

Note: The name and location of interviews are not disclosed because most of the interviewees requested to remain anonymous.

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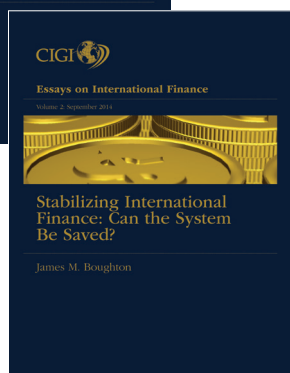
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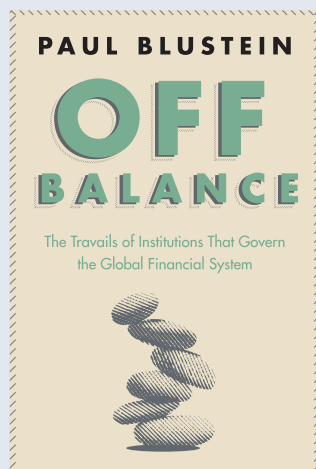
James M. Boughton

The world economy showed remarkably strong and widespread growth throughout most of the second half of the twentieth century. The continuation of that success, however, has been undercut by financial instability and crisis. Weak and uncoordinated macroeconomic policies, inappropriate exchange rate policies, inherently volatile private markets for international capital flows, and weak regulation and oversight of highly risky investments have all played a part. To regain the financial stability that must underpin a renewal of global economic strength will require improvements in both policy making and the structure of the international financial system.

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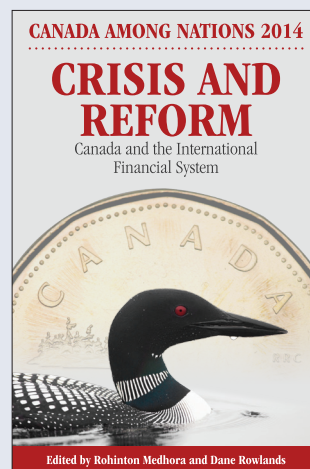
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James A. Haley

This paper outlines the problems impeding timely sovereign debt restructurings, identifies the policy responses proposed and discussed 10 years ago in response to financial crises, and discusses the elements of old debates and how they can remain relevant in today's new challenges. The paper concludes with three areas for further analysis: expanding the scope of contractual clauses that can help facilitate restructurings; accounting, tax and regulatory frameworks and identifying possible changes to remove impeding obstacles; and improving the process for negotiating debt restructurings, as well as creating a Sovereign Debt Forum for exchange of information.



Transatlantic Economic Agreements: Parsing CETA and TTIP

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Patricia Goff

Both Canada and the United States are in the process of working through two separate trade agreements with the European Union. The Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union is, allegedly, almost complete, while the Trans-Atlantic Trade and Investment Partnership (TTIP) between the United States and the European Union is still in the early stages. This paper examines the similarities and differences between CETA and the TTIP and suggests ways the TTIP negotiations might unfold, especially considering there have been suggestions that CETA is a “template” for the TTIP.



Sovereign Debt Crisis Management: Lessons from the 2012 Greek Debt Restructuring

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Miranda Xafa

The 2012 Greek debt exchange was a watershed event in the euro area debt crisis. It generated fears of contagion and was viewed as a threat to the euro itself. There is a heated debate as to whether the debt restructuring should have taken place sooner. This paper argues that a deep haircut up front, under threat of legislative action, would have been seen as unnecessary and deeply coercive. But delaying the restructuring beyond mid-2011, when it became clear that Greece's debt was unsustainable, was unjustified.



What Drove the Mid-2000s' Explosiveness in Alternative Energy Stock Prices? Evidence from US, European and Global Indices

CIGI Papers No. 36
*Pierre Siklos, Martin T. Bohl and
Philipp Kaufmann*

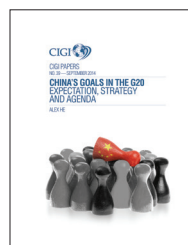
Soaring prices in European alternative energy stocks and their subsequent tumble have attracted attention from both investors and academics. This paper extends recent research to an international setting and analyzes whether the explosive price behaviour of the mid-2000s was driven by rising crude oil prices and an overall bullish market sentiment.



China and Global Mega Trade Deals

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Chunding Li, Jing Wang and John Whalley

The term “mega deal” has been widely used in relation to two large prospective trade deals between the United States and Europe — the Transatlantic Trade and Investment Partnership — and between Asia and the Pacific — the Trans-Pacific Partnership. This paper explores a possible description of mega deals by making an inventory of current deals in place, under discussion or negotiation, and deals yet to be considered.



China's Goals in the G20: Expectation, Strategy and Agenda

CIGI Papers No. 39
Alex He

The G20 has emerged as the lynchpin of China's involvement in global economic governance. It remains the only economic institutional setting where the country can operate on par with major Western powers. China has a strong interest in maintaining the status of the G20 as the premier forum for economic cooperation, and a vested interest in ensuring that the G20 does not degrade into yet another “talk shop” of multilateral diplomacy. However, the Chinese leadership's current approach to the G20 is not driven by a desire to position the country as a leading agenda setter.

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CIGI was founded in 2001 by Jim Balsillie, then co-CEO of Research In Motion, and collaborates with and gratefully acknowledges support from a number of strategic partners, in particular the Government of Canada and the Government of Ontario.

Le CIGI a été fondé en 2001 par Jim Balsillie, qui était alors co-chef de la direction de Research In Motion. Il collabore avec de nombreux partenaires stratégiques et exprime sa reconnaissance du soutien reçu de ceux-ci, notamment de l'appui reçu du gouvernement du Canada et de celui du gouvernement de l'Ontario.

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