

Best Practices in Central Bank Organizational Culture, Learning and Structure: The Case of the Moroccan Central Bank

BESSMA MOMANI* – SAMANTHA ST. AMAND*

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 in emerging market economies. 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. Qualitative interviews and a review of the bank's primary documents showed 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.

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1. 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.¹ 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 (EMEs) have a wider range of functions than in advanced economies (Bank for International Settlements

*Balsillie School of International Affairs, 67 Erb Street West, Waterloo, ON, Canada N2L 6L2.

*Correspondence to B. Momani. E-mail: bmomani@uwaterloo.ca

¹ An earlier draft of this paper was published as a working paper by the Centre for International Governance Innovation; see (Momani and St. Amand, 2014a).

[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.²

The 2008 global financial crisis forcibly brought these issues to light in advanced economies as central bankers realized that there are trade-offs between overlapping objectives—including prices stability, financial stability and employment – and the use of different policy functions, including monetary policy macroprudential regulation, and capital controls (see, e.g., Goodhart, 2010; Blanchard *et al.*, 2010; Forbes *et al.*, 2013). In EMEs, there may be even more layers to these issues because of additional challenges they face in establishing credibility, operating in an environment with less stable institutions and weaker economic fundamentals, and being subject to external dominance (Kaminsky and Reinhart, 1999; Calvo and Mishkin, 2003; Mishkin, 2004). The governance of the central bank determines how well the institution manages these trade-offs and is capable of overcoming these challenges.

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.³ Little consideration has been given to the importance of the organizational structure, the culture and the learning systems for establishing best governance practices. While the Bank for International Settlement alludes 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 (BIS, 2009).

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 by improving central banks' ability to manage trade-offs between different objectives and functions; and to meet the challenges of its domestic economic environment and position in the global economy. This is the first paper to analyse the role of central banks' organizational structures and

² 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 facilitating the achievement of existing objectives in EMEs and for securing the public legitimacy of a central bank as a non-elected, independent policy-making body.

³ Refer to BIS (2009) for an excellent overview of modern central bank governance issues.

cultures in achieving better governance and enhancing policy effectiveness. Its purpose is to complement existing literature on central banking in EMEs that is largely concerned with the choice of the central banks objective(s) (i.e. inflation targeting, exchange rate regimes, and capital control management), its governance framework (i.e. independence, accountability and decision-making structure), and its role in the global financial system (i.e. reputation and achieving sound economic fundamentals).

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 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 towards 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 established 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, 2014b). The Bank al-Maghrib has also adopted, or is in the process of adopting, several other features of best governance practices, including: 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 because its financial system has limited exposure to international financial markets, maintains a pegged exchange rate, and has low external public and private debt (IMF, 2010). Importantly, Morocco is in the process of opening its capital account and introducing a flexible exchange rate; therefore, it is increasingly facing pressures to maintain sound economic fundamentals (Ezzahid and Maouhoub, 2014; IMF, 2014).

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). Interviews with staff were obtained by reaching out to current and former 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 paper is laid out as follows: 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 the potential for future work.

2. Literature Review: Best Practices in Central Bank Governance and Emerging Market Economies

Among the thick literature on best practices in central banking in EMEs and central bank governance, discussion of central bank structure, culture and learning systems has been scarce and particularly narrow. This paper seeks to complement this literature by explaining how organizational structure, culture, and learning systems can fit into the broader goals of central banks in EMEs. This section will briefly review the challenges faced by central banks in EMEs. It then discusses the literature on central bank organizational structures and cultures, and how they relate to other governance issues important for overcoming these challenges, including independence, transparency, accountability, reputation risk management, and communication.

2.1. Central Banking in Emerging Market Economies

There are several areas of agreement on best practices for central banking: central banks should have independence in pursuing their primary mandate which is typically maintaining price stability; policy decisions should be made by committee; the tool used to achieve price stability is the short term interest rate; the central bank should be accountable for its goals; it should be transparent in its actions including frequent releases of monitoring reports and statistics, and; it should practice clear communication in so far as it does not threaten the central banks credibility or pursuit of its primary objective (see, e.g., Clarida, 2012; Blinder *et al.*, 2013). The

2008 global financial crisis has certainly ignited debates about best practice in central banking, including: the role of the central bank in achieving financial stability and its interaction with monetary policy; the appropriate target for the inflation rate; how we should appropriately devise a macroprudential regulatory framework; and the role of communication policies during “normal” economic periods (see, e.g., Blanchard *et al.*, 2010; Borio, 2011; Mishkin, 2011). However, the core tenants of the consensus on central banking more or less remain intact.

In EMEs, several factors may complicate this picture of best practice for central banking, including; unstable fiscal institutions, weak financial institutions including prudential regulation and supervision, low credibility of monetary institutions, foreign-currency denominated assets, and vulnerability to sudden stops of capital flows (Calvo and Mishkin, 2003; Mishkin, 2004). As Calvo and Mishkin (2003: 107) argue, “Building credible monetary institutions is a difficult task. It requires a public and institutional commitment to price stability. Some of this commitment can be expressed through laws and rules that assure the central bank will be allowed to set the monetary policy instruments without interference from the government, that the members of the monetary policy board must be insulated from the political process and that the central bank is prohibited from funding government deficits.” They point to legal measures of central bank independence for an indication that central banks are achieving these goals, but highlight that what may be more important is the political culture and history of a country.

Central banks play a significant role in signalling the creditworthiness of EMEs’ sovereign debt due to its role in stabilizing prices and the foreign exchange rate, supervising financial institutions, and facilitating growth. Although global financial risk aversion and liquidity are found to be the strongest determinant of movement in sovereign bond yields in EMEs, the economic fundamentals influenced by the central bank remain important to mitigating volatility in global financial markets (see, e.g., Mcguire and Schrijvers, 2003; González-Rozanda and Yeyaki, 2006; Weigel and Gemmill, 2006). Furthermore, poor economic fundamentals can lead to sub optimal policies. In response to previous crises, despite the standard economic prescription of countercyclical macroeconomic policies, EMEs often employed procyclical policies; while some EMEs do this in order to prevent exchange rate depreciation if they have large external debts (see Devereux and Lane, 2003), others may be less capable of loosening policy because a lack of credibility of the monetary authority may shock confidence and increase the chances of risk premiums rising (Calderon *et al.*, 2003; Lane, 2003). During more recent crises, for example, the 2008 global financial crisis, many EMEs successfully responded with countercyclical policies. Coulibaly (2012) identifies a strong role for financial reforms and inflation targeting for enabling this shift in policy stance noting

that it enhances the transparency and flexibility of monetary policy, improving policy credibility.

Important issues that are outside of the scope for this paper include the choice of exchange rate, the openness of capital markets, vulnerability to global financial markets, and the extent of external dominance (see, e.g., Aizenman and Hutchison, 2012; Klein, 2012; Ahmed and Zlate, 2014). The purpose of this paper is not to address all of the challenges faced by central banks in EMEs, but instead it is concerned with methods of enhancing a central bank's credibility, transparency, and accountability by looking inward at its structure and culture. Several academics have argued that introducing best practice in objectives, functions, and instruments, requires better internal governance practices. These institutional qualities should not be underestimated. Calvo and Mishkin (2003: 115) argue for example, that that exchange rate regime is "of second order importance to the development of good fiscal, financial and monetary institutions in producing macroeconomic success in emerging market countries". Bernanke and Mishkin (1997) indicate that even if the monetary authority is weak and has low public support, inflation targeting can be a framework for increasing transparency and coherence of policy by creating "constrained discretion" in the conduct of monetary policy. Similarly, Mohanty and Klau (2004: 3) suggest that if inflation targeting improves transparency and accountability in policy setting, "it can pin down investors' confidence and reduce vulnerability to crisis". Mishkin (2004) suggests that while inflation targeting does all these things, of utmost priority in improving macroeconomic outcomes is institutional development; arguing that strong fiscal, financial and monetary institutions are critical to the success of inflation targeting. In other words, what is of utmost importance in achieving a central bank's objectives is the central banks signalling of its own competency and credibility.

2.2. Central Bank Organizational Structure and Culture

The understanding of how central banks should or can effectively establish competency and credibility has to some extent been a long process of trial and error. There is a wide literature on the legal principles and institutional practices that can help facilitate these characteristics. These include central bank independence (see, e.g., Fry, 1998; Berger *et al.*, 2001), accountability and transparency (see, e.g., Cukierman, 2001; Geraats, 2002). There has also been some analysis of governance challenges of central banks due to its unique quality of being a public, independent institution (Frisell *et al.*, 2008; Oritani, 2010). But the literature on internal and informal practices of central banks, concerned with the organizational structure and culture has been relatively scarce.

The majority of this literature has focused on the structure and composition of the monetary policy committee (MPC) as it affects

monetary policy decision-making processes and effectiveness of policy communication. 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) classified MPCs based on how “democratic” they were 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). Drawing from the social psychology literature on decision-making by committee, Sibert (2006) estimates that a MPC of five members is ideal to leverage on a wealth of resources while minimizing free ridership and coordination problems. Others argue that there is no “one-size fits all” approach, such that the size of the MPC will vary depending on specific context of the institution (Goodfriend, 2005; 85). A comprehensive analysis of the size of the MPC revealed that it does indeed vary with the size of the country, its population diversity, the level of democratization of political institutions, the number of staff and monetary resources of the central bank, and the exchange rate regime (Berger *et al.*, 2008).

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. Blinder 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.

Lybek and 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. 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 group think 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, reputational risk and in managing the trade-offs between objectives and functions.

Aside from the debate over the size, structure and composition of the MPC, consideration has been given to whether central banks should have a “singular”

board that oversees all of its functions or have multiple boards, each with their own competencies. The BIS (2009) 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). This choice could also impact the independence of the central bank, if some of the central bank’s 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.

Beyond the analyses of these high-level decision-making structures, very little has been 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). Fry *et al.* (1996) analyse 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—Smart (1999) analyses the internal operations from the bottom up at the Bank of Canada. 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” (Smart, 1999: 250). Smart explains that executives rely on the large staff of economists at the Bank of Canada to produce specialized knowledge about the economy. His analysis highlights the importance of shared vision in motivating staff towards 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 towards implementing more “rigorous and professional” processes for determining staff salaries that

were consistent and based on performance.⁴ 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 towards "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 policy-making committees" (BIS, 2009: 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 and in facilitating best practices in EMEs. 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.

3. 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

⁴ Performance-based pay for staff should not be confused with the discussion on performance-based pay for MPC members or upper-level management, which are typically linked to economic performance related to central bank targets and objectives. A thorough discussion of the composition, compensation, background, structure, and culture of MPCs is outside the purview of this paper. For a thorough discussion of performance-based compensation for MPC members see, e.g. Persson and Tabellini (1993) and Walsh (1995).

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).⁵

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

Figure 1: The Ideal central bank organizational structure, culture and learning system.

⁵ 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, Bank of Canada, Federal Reserve, European Central Bank, Swiss National Bank, Bank of Japan, Reserve Bank of Australia and Reserve Bank of New Zealand).

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. Furthermore, the relative importance of these feature will depend on the objectives, autonomy, authority and accountability delegated to the central bank. For example, several of the characteristics—including horizontal job specialization, flow of decision-making, learning system, staff training and openness of research—are more important for central banks that are more akin to knowledge institutions.⁶ 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.

It also needs to be emphasized that each of these characteristics face their own trade-offs. A few example include: the trade-off between managing the central bank's reputation and allowing staff and managers to express their own views and opinions; the trade-off between allowing more fluid and decentralized work processes and remaining accountable and transparent in day-to-day operations; or the trade-off between being flexible to changing economic environments and epistemic standards while maintain checks and balances on strategic decisions. These trade-offs will be further discussed below; however, it should be noted that there is no exact science in managing them. An institution must be mindful that they exist, but just like each of the characteristics described in Figure 1, how it manages these trade-offs will depend on the specific context that the central bank operates within in terms of the social-political landscape, as well as the autonomy, objectives, tools and accountability that it has been delegated.

After each section the framework is applied to the case of Bank al-Maghrib. The information from the case study began 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.⁷ 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

⁶ We thank an anonymous peer reviewer for pointing this out.

⁷ For a schedule of the interviews that were conducted, refer to Appendix A.

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.

3.1. 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. Mintzberg (1979) developed a well-known typology consisting of five organizational structures: the simple structure; the machine bureaucracy; the professional bureaucracy; the divisionalised 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.

3.1.1. 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.

3.1.2. 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 a central bank with a very rigid monetary policy rule—such as a currency board—or 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 towards this ideal by flattening their organizational structures in order to remove the hierarchy of authority and empower its staff. This is not to say that management should not lead and execute decision. There should still be clear lines of authority so that tasks and decision are easily traceable to ensure that it can be held accountable to the government and its public. In addition, management should be fully capable of executing strategic decisions about the organization's structure even when it is unpopular with staff. However, we maintain that staff should feel that they can influence decision-making and that their ideas are open for discussion with upper management.

3.1.3. Management's Role in Day-to-Day Strategies

In the idealized structure, rather than having top management, in the case of central banks these are typically the MPC members, impose day-to-day strategies upon managers and their staff, the expertise of staff is relied upon to fuel their formation. As Mintzberg (1979: 447) stated, “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 noted 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 MPC 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 towards 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 economic and financial policy. Specifically, the Bank of England appointed a COO in 2013 and the Bank of Canada and the Reserve Bank of India quickly followed suit in 2014.

3.1.4. 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.

3.1.5. Job Specialization

In central banks with less autonomy, 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) noted that the trend towards 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.

3.1.6. 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 one that is beholden to a single manager and can, therefore, easily be changed at the whims of the leader. Sudden changes in the central bank's operations such as the policy tools or in the governance arrangements such as the organizational structure, 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 checks and balances that changeovers can be implemented more effectively and transparently. Checks and balances include diversifying the MPC discussed in Section 2, government-oversight on significant strategic decisions, and open public debate to hold the bank accountable.

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.

3.2. 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.⁸ 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 whom were 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. This type of work environment can restrict creativity, provoke bad attitudes against the organization, which is counter-productive to a goal of creating a shared vision among staff, and generate a culture of avoiding taking responsibility for one’s work. 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

⁸ 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.

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 10–15 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 central banks with strong autonomy and authority. The bank also prides itself on being flexible to changing economic paradigms.

A Moroccan academic pointed out that this can be an issue for the central banks of most EMEs, 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 EMEs, 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 towards 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. It should be restated that Bank al-Maghrib follows a pegged exchange rate, and, therefore, has some limits to autonomous policy decisions; therefore, limitations to lower level decision-making and less job specialization are not necessarily unfavourable because it does not prevent it from achieving its objective. Furthermore, as an

institution still establishing its credibility, as will be further discussed below, tighter controls over day-to-day tasks may be appropriate because they improve the bank's ability to demonstrate transparency and accountability to the government and its public. As Bank al-Maghrib transitions to a flexible exchange rate and becomes a fully independent inflation-targeting central bank, it would benefit from moving towards flattening the decision-making structure and facilitating better communication between departments and among different levels of authority within the organization.

3.3. 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 evolve 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.

3.3.1. 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 utmost 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.

3.3.2. 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).

3.3.3. 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. At the same time, salaries must

remain relatively modest to reflect the fact that it is a public institutions and excessive remuneration can undermine a central bank's reputation, which is in turn central for retaining its autonomy. It should also engage in active recruitment for positions at all levels of the organization. Central banks in EMEs 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. There is a risk that performance-based pay can lead to group think. Whether it does or not will depend on management: if they are charismatic leaders with strong convictions then group think is likely;⁹ however, if the manager encourages diversity of opinion and does not punish their staff for introducing problematic ideas, then this encourages innovative ideas.

Most of the major central banks recognize the importance of HR practices for establishing an institution with technical excellence. For example, the Bank of Canada's current and previous strategic plans focus specifically on strategies to attract and engage staff. The first pillar of the Bank of England'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.

3.3.4. Shared Vision

The ills of behaviour formalisation 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 Bank of Canada. In particular, he stresses the importance of a shared narrative for having effective collaboration and engagement in intellectual dialogue throughout the Bank of Canada, 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.

Every central bank will have a unique task in managing the creation of a shared vision, while at the same time allowing staff and management to express their own views and opinions. Central banks in EMEs will have a more difficult task here because it is at the same time trying to establish a coherent message and build a strong public reputation. Indeed, any conflict

⁹ We thank an anonymous peer reviewer for this point.

in the message delivered by a staff member that is at odds with the institutions message could be seen as a blow to its credibility or to destroy the coherence of the banks policy approach.

3.3.5. *Open Research*

Both external and internal research has become a crucial function of central banks in order to deliver better-informed policy-making. It is so important that St-Amant *et al.* (2003) 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 PhDs 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 the St-Amant *et al.*, central banks can improve their research networks and transparency by making their working papers and data available to the public, and encourage 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 Bank of Canada, 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.¹⁰

3.3.6. *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 towards 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

¹⁰ For an external evaluation of the research of the European Central Bank, see Freedman *et al.* (2011); for the Bank of Canada, see Meyer *et al.* (2008); and for the Bank of Israel, see Meyer *et al.* (2012).

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 Bank of England, 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”.¹¹

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.

3.4. *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 and the requirement to: act in the interest of the bank and to declare conflicts of interest; to act with honesty and integrity; act with neutrality from political and religious views; and refrain from discriminating based on age, sex, religion, nationality and political views. Most

¹¹ Bank of England “The Bank’s Strategic Plan—One Bank, One Mission”. Retrieved on 25 August 2014. <http://www.bankofengland.co.uk/about/Pages/strategicplan/default.aspx>.

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.¹² 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 important 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.¹³

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

¹² Bank al-Maghrib's Code of Ethics is publically available on its website in French.

¹³ It should be noted that salaries for faculty at public university in EMEs are typically much lower than in advanced economies as well as the private sector in EMEs. When faculty positions become more lucrative, talented economists will have a lower incentive to work for the central bank.

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," lead 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 head, 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 PhDs or to pursue international sabbaticals. Many of the staff interviewed noted that they felt the bank was moving towards 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 towards 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 – this loyalty requirement is 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.

As noted in the last section, there is a trade-off between creating a shared vision within the organization in allowing staff to freely express their views and opinion. As the central bank establishes a stronger reputation for coherent policies, progress should be made in encouraging inquisitiveness and allowing for more open communication. As many interviewees pointed out, this focus on managing its public image has also 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.¹⁴ 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 or 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.

¹⁴ As of June 2015, Bank al-Maghrib had not published any working papers on its website.

4. Conclusion

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 professionalisation. As Blinder (2004) alluded to, the move towards 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. Our paper fits in the broader literature on best practices in central banking in EMEs and in central bank governance, arguing 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 function how they ought to. 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 towards 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 professionalisation 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. All of these features of a central bank serve to reinforce the coherence of its policy decision and build its reputation. Coherence and a strong reputation will go a long way for a central bank in an EME to effectively pursue its objective(s), whether this be in achieving an inflation target, reducing the volatility of foreign exchange rates, or maintaining international investors' confidence while implementing capital controls.

By applying organizational behaviour models 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.

This paper has taken a novel approach by analysing how the organizational structure and culture of a central bank are an important part of its governance and are, therefore, important for determining central banks' ability to implement policies. The literature argues that central bank credibility, appropriate institutional arrangements, and a well-developed financial sector are of utmost importance for being able to achieve the objectives of price stability, full employment, global capital market integration, currency stability, and financial stability. Although these economic features are not in the full control of the central bank, for example the fiscal authority must also practice sound policy and the central bank requires the government and public's support in pursuing its objectives, the central bank has a wide scope in managing the exchange rate, price stability, and financial stability through its role in monetary policy, financial supervision and regulation, and managing financial infrastructure. This paper has created a framework from which to analyse how the organization functions effects its ability to do this job effectively. 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 could explore additional case studies either in evaluating the organizational structure and culture of central banks that are considered to follow or lead in best practices or in evaluating the constraints faced by central banks in developing countries and the role of the organizational practices in the facilitating the professionalization of the institution. Research that draws a link between adoption of best practices in central bank organizational structure and culture and its effects on the public and international perception of the central bank as well as real economic outcomes, particularly in EMEs, would also help strengthen our understanding the role of the organizational workings in improving the performance of a central bank.

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Non-technical Summary

This paper provides both a theoretical and empirical case arguing that a central bank’s organizational structure, culture and learning system are important for achieving best governance practices. In doing so, it seeks to complement the literature on best practices in central banking in emerging market economies and in central bank governance by explaining how a central bank’s organizational features can fit into the broader goals of central banks. Specifically, drawing from the literature on organizational behaviour, this paper defines a matrix of best practices in organizational culture, structure and learning systems for central banks. The argument is made that these features of a central bank can 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. The theoretical framework is then applied to the case of the central bank of Morocco, Bank al-Maghrib, in an effort to further explore and explicate how these design features of the organization can improve governance arrangements in practice. Through qualitative interviews and a review of the central bank’s primary documents, it was found that the progress in establishing best governance practices in policies and legal statutes at Bank al-Maghrib is, to a significant extent, being matched by improvements in its international functioning.

Appendix A—Interview Schedule

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

