Investigating the implementation of a performance management system in a central bank reform process

A thesis submitted in fulfilment of the requirements for the degree of

Doctor of Philosophy

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Declaration

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and, ethics procedures and guidelines have been followed.

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Mahmud Al Masum

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<th>Description</th>
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<tbody>
<tr>
<td>ACR</td>
<td>Annual confidential report</td>
</tr>
<tr>
<td>BAL</td>
<td>Bangladesh Awami League</td>
</tr>
<tr>
<td>BB</td>
<td>Bangladesh Bank</td>
</tr>
<tr>
<td>BNP</td>
<td>Bangladesh Nationalist Party</td>
</tr>
<tr>
<td>CBSP</td>
<td>Central bank strengthening project</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate social responsibility</td>
</tr>
<tr>
<td>DECO</td>
<td>Data entry computer officers</td>
</tr>
<tr>
<td>EBR</td>
<td>Event behaviour report</td>
</tr>
<tr>
<td>HRD</td>
<td>Human Resource Department</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>MBO</td>
<td>Management by objectives</td>
</tr>
<tr>
<td>MCS</td>
<td>Management control systems</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>NIFA</td>
<td>New international financial architecture</td>
</tr>
<tr>
<td>NIT</td>
<td>New institutional theory</td>
</tr>
<tr>
<td>NPM</td>
<td>New public management</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Government organisation</td>
</tr>
<tr>
<td>PMS</td>
<td>Performance management system</td>
</tr>
<tr>
<td>RQ</td>
<td>Research question</td>
</tr>
<tr>
<td>SDG</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>SEC</td>
<td>Securities and Exchange Commission of Bangladesh</td>
</tr>
<tr>
<td>SME</td>
<td>Small and medium-sized enterprise</td>
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</table>
Abstract

This thesis investigated how a World Bank-led performance management reform was implemented in the central bank of Bangladesh (Bangladesh Bank; hereafter referred to as the BB). The institutional environment both within and outside the BB were considered in order to understand the reform experience. This project has utilised an interview-based, longitudinal, qualitative case study approach. Interview data was supplemented by observation, documentary evidence and newspaper articles. This research found evidence of a crony capitalist environment where the BB’s enforcement actions were politicised to favour selected groups of business elites. The political appointment of the governor and deputy governors made the BB susceptible to the pressures of political agents. Loyalty toward political agents undermined the formal performance related structures and processes.

Features of best practice performance management system (PMS) such as open communication and disclosure challenged the BB’s traditional culture of secrecy. While a consultative and transparent performance management process was intended to enhance accountability, it challenged the traditional organisational authority structure and culture. The new PMS retained, modified and adjusted a number of its characteristics over time. These adjustments reflected the power of local agents in negotiating and mediating the institutionalisation of new management control structures.

The best practice PMS entered an organisational platform which was characterised by competing institutional logics representing local practices and historical norms. The social and political imperatives were found to exert influence over the implementation of a new PMS. While the PMS registered success in its initial period, it largely failed to be institutionalised within the management control logic of the BB. The findings of this research carry implications for policy makers. Such knowledge is beneficial in the design of future reform programs.
Chapter 1: Introduction

1.1 Context of the research project

This research project has investigated the implementation of a new performance management system (PMS) within an organisational change initiative in a regulatory organisation of a developing country. PMS has appeared as an important component of organisational change initiatives (Modell 2001). Research evidence of performance management reform in regulatory bodies in the context of developing countries is limited. The central bank of Bangladesh (the Bangladesh Bank; hereafter referred to as BB) was selected as a case study to investigate the role of performance management in a major organisational change initiative, which was implemented during 2003-08. The research has explored how changes manifested through the organisation and what control practices were transformed, created and sustained throughout the process.

International development institutions such as the World Bank and the International Monetary Fund prescribe financial sector reforms for developing countries. This study focuses on the Central Bank Strengthening Project (CBSP), which was funded by the World Bank to strengthen the regulatory capacity of the BB. This research focused on the management control aspect of the CBSP project by investigating the implementation of a new PMS at the BB. The institutional environment both within and outside the BB were considered in order to interpret the reform initiative.

Financial sector reform in developing countries often fails to achieve the desired outcome (Drazen 2004; Bhattacharya & Chowdhury 2003). The banking sector of Bangladesh exhibits significant risks and vulnerabilities in the areas of non-performing loans, inadequate credit information, poor governance and lengthy legal procedures (International Monetary Fund 2016). The financial sector reform program has so far had limited impact on transforming the poorly managed banking sector of Bangladesh (Choudhury & Raihan 2000). Enormous non-performing loans have been a major problem for many banks in Bangladesh (Hossain 2015).
An understanding of the implementation of a financial sector reform program requires a careful evaluation of the local institutions involved in the change process. Financial sector reform is embedded in the social and political environment of a country. The outcome of any reform depends on the social, political and cultural factors embedded in the local environment of developing countries (Chowdhury 2002). Brehm (2008) argues that a normative approach based on international best practice may fail to bring financial stability in many developing countries if it neglects the role of the institutional embeddedness of financial sector reform. Limited research evidence is available about how an international best practice reform initiative passes through the local socio-political institutions of developing countries (Brehm 2008). This research has considered the role of the local institutional environment and interests of the powerful stakeholders to investigate a performance management reform in a banking regulatory organisation in Bangladesh.

The remainder of the chapter is structured as follows: The next section discusses how the concepts of financial sector reform, organisational change and PMS are linked and conceptualised in this thesis. This will be followed by a discussion regarding the roles of the international development organisations, such as the World Bank, in developing countries. Section 4 discusses why the BB is selected as a case study and how the setting enables the research to bring new knowledge to existing management accounting literature. The chapter then outlines the research questions and the methods which are utilised to address them. Contribution and structure of this thesis is discussed before the chapter provides a conclusion.

1.2 Financial sector reform, organisational change and PMS

This research project encompasses three broad domains: financial sector reforms, organisational change and PMS. The financial sector reforms in Bangladesh were aimed to strengthen regulatory institutions to support the development of financial markets. The reforms have brought organisational changes in the forms of structural and functional reforms in the regulatory institutions. This section discusses how changes in these three domains were interrelated and how management control changes in BB were defined, scoped and discussed in this project. Financial sector reform and associated organisational change were drivers of a
performance management reform in the BB. The relationship between the three domains is presented in Figure 1.1.

\[ \text{Financial sector reforms} \rightarrow \text{Organisational change} \rightarrow \text{PMS} \]

**Figure 1.1: Financial sector reforms, organisational change and PMS**

Dibella (2007) discussed several typologies of organisational change based on cause (internal or external), relationship to time (incremental or transformational), consultants’ roles and the scope (transformational, transitional or transactional) of such change. Senior and Swailes (2016) identified three sources of organisational change: temporal, internal and external. Temporal sources relate to the historical development of an organisation that results in changes in management control (Hoque 2003). Internal sources include changes resulting from the managers’ actions taken to improve internal business processes. External sources of change resulted from political, legal, and economic conditions or technological developments. The three forces are not necessarily mutually exclusive; rather they may be netted together to explain the adoption and subsequent implementation of the change initiatives. Changes in organisational structures may serve multiple agents and interests (Hoque 2003). A management control reform can aim to achieve both operating efficiency and securing legitimacy from relevant stakeholders. The World Bank was the initial driver of the performance management reform in the BB, then the local political agents and organisational managers influenced its adoption and subsequent implementation.

Hoque (2003) argued that organisational change brings changes in management control systems (MCS) in order to provide incentives and motivations for managers to achieve organisational
goals. Research literature has classified controls in multiple ways, most often focusing upon formal and informal control. Simons (1991) defines a MCS as the formal routines and procedures (such as planning, budgeting, cost control, environmental assessment, competitor analysis, performance evaluation, and resource allocation) to maintain organisational activities. Langfield-Smith (1997) and Ouchi (1979) highlighted the informal dimension of MCS by explaining how organisational culture influenced actual practice of control structures. Emmanuel, Otley and Merchant (1990) include both structures (control design) and practice (internal functions and people’s reaction) to describe the scope of MCS.

MCS has evolved over the years from a notion of a feedback system where actual actions or outcomes are compared with the intended plans to one that embraces a much broader scope of information (Chenhall 2003). A broad-scope conceptualisation of MCS includes themes such as performance management and measurement, strategy, risk, innovation, culture, practice, gender and sustainability (Berry et al. 2009). Flamholtz, Das & Tsui (1985) describe a MCS as a process for influencing individual behaviour. PMS is an integral component of the MCS as it defines, measures and manages individual performance.

The World Bank initiated the CBSP in several developing countries as part of its commitment to facilitate the development of strong financial markets in those countries. The CBSP represents a significant organisational change initiative in the BB. The new PMS was integral part of the CBSP-led reform. The research has investigated the implementation of the new PMS and its implications for the management control of the BB. A similar approach was used by Lapsley and Pallot (2000) where the authors investigated the changes in the MCS in response to the introduction of modernisation projects in public sector organisations in New Zealand and Scotland.

1.3 International best practice and local institutions

This research project is based on the premise that the characteristics of the local environment and institutions of a developing country may influence the outcome of any reform agenda of transnational institutions such as the World Bank. The local economic and social environment of a developing country cannot be assumed to be neutral when designing and implementing financial sector reform (Brehm 2008). Thus, the influence of local socio-political institutions
must carefully be considered in designing, implementing and evaluating a financial sector reform program (Bonin & Huang 2001).

Arnone et al. (2009) found that political, economic and overall autonomy of central banks are significantly lower in the developing countries as compared to those of the developed countries. For example, in Bangladesh, the governor and deputy governors of the BB are appointed by the ruling political party. Political influence on the regulatory functions of the BB is often highlighted in the press (Hossain & Islam 2016). Investigation of the implementation of a new PMS therefore needs to consider the political environment in which the BB operates.

The legal and political institutions of Bangladesh are far from neutral and efficient. The political parties in Bangladesh are often criticised for corruption and inefficiency (Mahmud 2010). Many members of the political parties are business entrepreneurs who use their political power to obtain advantage and privileges (Islam 2015a). Many businesses bribe members of the political parties to secure their approval and support (Uddin & Choudhury 2008). Bangladesh is considered as one of the most corrupt countries in the world (Transparency International 2016), the monetary value of the corruption being estimated at around BDT 700 billion in 2012 (Belal & Owen 2007). In such a political environment, the MCS of major regulatory organisations cannot be assumed to be independent of external pressures, including those from the political leaders.

Hence, formal MCS of regulatory organisations have the potential to portray a symbolic compliance with a best practice formula. While legitimacy from external institutions such as the World Bank can be achieved through official adoption of a new PMS, the actual practice may reflect the local socio-political realities in which regulatory organisations work. The unwritten practice rules have the potential to become the usual way of doing things. Formal and informal control can co-exist and the latter has the potential to determine the actual practice. This research has investigated how the best practice reform agenda was implemented in the BB in the context of the local legal and political environment. The influence of the local institutions is, therefore, examined to better understand how a World Bank-prescribed PMS is implemented in the BB.
1.4 Performance management reform in the BB: a contextual account

This section discusses why the BB was selected as a case study and how this setting allows this research to contribute new knowledge to management control literature. The relevance of the setting originated from both county and organisational perspectives. The country has demonstrated economic development over the last decade. Bangladesh has now become a major apparel manufacturer in the world. A large number of people are employed in these clothing manufacturing companies. The success of micro finance facilitated by some non-government organisations (NGOs) to alleviate poverty has attracted the attention of the global community. Bangladesh is the home of some of the biggest NGOs of the world. The success of micro finance in Bangladesh is internationally recognised by prestigious awards.

The Bangladesh economy has grown at an annual rate of 6% over the last decade. More than 15 million people have moved out of poverty in the last 25 years (World Bank 2016a, p. 3). Despite the economic growth, many people still live in poverty and the country is facing various political and social problems. The country has a population of 160 million and approximately 30% of the people live below the poverty line (World Bank, 2016b, p. 2). The general poverty of a large number of people is often highlighted in international media and forums. Economic growth is disrupted by corruption, political instability and lack of institutional capacities.

Bangladesh provides an example of a crony capitalistic environment where political leaders and their associates have weakened the effect of law and regulatory institutions. Local and international governance watchdogs raised their concern over the corruption in politics and regulatory institutions in Bangladesh (Transparency International 2016). Political and regulatory institutions often fail to protect the interests of businesses and society. The capacity and effectiveness of regulatory and political institutions needs significant improvement if Bangladesh wants to achieve its target to become a middle income country by 2021. Economic

1 Bangladesh Rural Advancement Committee (BRAC) and Grameen Bank are the largest NGOs in the world.

2 Dr Muhammad Yunus and his Grameen Bank were awarded the Nobel Peace Prize 2006 for their efforts to create economic and social development. Sir Fazle Hasan Abed, Founder of BRAC, received the Ramon Magsaysay Award, the inaugural Clinton Global Citizen Award and the World Food Prize for his work on reducing poverty in Bangladesh.
governance and expansion of the financial sector are identified as two important challenges for Bangladesh to improve its economic condition (World Bank 2016b).

Like many developing countries, Bangladesh has embarked on financial sector reform since the early 1980's. The World Bank and International Monetary Fund have exerted significant influence over this financial sector reform process (Chowdhury 2002). Table 1.1 shows the projects of the World Bank in reforming the financial sector of Bangladesh. The outcome of these reforms include privatisation of two nationalised commercial banks, the beginning of private sector banking, foreign exchange rate liberalisation, new banking laws, the strengthening of central bank and interest rate liberalisation and governance guidelines for financial institutions.

<table>
<thead>
<tr>
<th>Year</th>
<th>Project Title</th>
<th>Commitment ($US in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>Bangladesh Insurance Sector Development Project</td>
<td>65</td>
</tr>
<tr>
<td>2016</td>
<td>Modernization of State-Owned Financial Institutions Project</td>
<td>150</td>
</tr>
<tr>
<td>2015</td>
<td>Financial Sector Support Project</td>
<td>300</td>
</tr>
<tr>
<td>2003</td>
<td>Bangladesh Central Bank Strengthening Project</td>
<td>37</td>
</tr>
<tr>
<td>1999</td>
<td>Financial Institutions Development</td>
<td>46</td>
</tr>
<tr>
<td>1990</td>
<td>Financial Sector Adjustment Credit Project</td>
<td>175</td>
</tr>
</tbody>
</table>

Table 1.1: World Bank’s projects on the financial sector development in Bangladesh (World Bank 2017a)

Despite the structural reforms over the last two decades, the banking sector in Bangladesh is vulnerable to corruption, lack of prudent management and non-performing loans. There have been some large-scale banking scandals and corruption in the banking sector in recent years (Ahmed 2017). The limited supervisory capacity of the BB is often highlighted as a contributing factor to the crisis in the banking sector. The latest scandal has been a security breach at the BB where the country’s foreign reserve was embezzled by an international crime syndicate. The governor of the BB stepped down in response to strong criticism over his handling of the
US$101 million cyber theft. The management of the BB was criticised for the foreign reserve theft and the finance minister indicated a large scale reform in its operations (The Financial Express 2016).

A large number of international development organisations (such as the World Bank, International Monetary Fund, United Nations and World Vision) are operating in Bangladesh to support its economic, social and infrastructural development. Economically developed countries (such the United States, Australia, Japan, United Kingdom and some other European countries) have contributed to financial, technical and infrastructural donations and investments in Bangladesh. Donor countries and international development agencies committed US$ 32.40 billion of foreign aid (grants and loans) to Bangladesh during 2009-2016 (Nahrin 2016). Bangladesh depends on foreign aid, technical assistance and investment to manage production and distribution of gas, electricity and fertilizers. Many large infrastructure projects such as urban development and river bridges are funded by the World Bank and developed countries. Donor countries have exerted pressure to bring reform in economic, social and political institutions of Bangladesh. The economic, social and political development of the country is reviewed by the governments and parliaments of the donor countries (Prothom Alo 2015b).

The Asian financial crisis in 1997 prompted a movement toward a New International Financial Architecture (NIFA) to improve corporate governance and stability in emerging economies (Singh & Newbery 2008). The diffusion of international best practice management control and governance processes are part of this broader NIFA-based standardisation. One component of the NIFA is to improve the regulatory capacity of developing countries to ensure accountability and transparency in corporate affairs. Transnational development organisations (such as the World Bank) and donor countries have utilised their significant economic and political influence to promote globalised accounting and governance structures in developing countries (Humphrey, Loft & Woods 2009).

The World Bank initiated the CBSP in a number of developing countries such as Bangladesh. A core component of the CBSP was the introduction of a new PMS. The CBSP was jointly initiated by the Government of Bangladesh and the World Bank in 2003 at an estimated cost of US$ 37 million. The objective of the project was to develop a strong and effective regulatory and supervisory system for the banking sector of Bangladesh (World Bank 2014). The CBSP
aimed to strengthen the capacity of BB to enable it act as an effective banking regulator. The reform initiative focused the following three major areas of BB’s operation:

1. **Reorganising and modernising the BB by focusing on (a) functional reorganisation, (b) human resource development, and (c) automation:**

   As part of the functional reorganisation, a new organisational chart was proposed. The new structure included less hierarchical layers and eliminated overlapping responsibilities. A modern PMS was proposed to promote and reward employees based on best performance and efficiency. The automation component included the establishment of an enterprise resource planning (ERP) infrastructure in the BB.

2. **Capacity building of the BB by focusing on (a) strengthening the research department, (b) strengthening prudential regulations and bank supervision, and (c) strengthening accounting and auditing:**

   New research and training centres were proposed to equip the BB employees with skills necessary to generate and interpret various macroeconomic data and to formulate appropriate monetary policies. An appropriate supervision manual was developed as part of the project. Training was provided to employees to strengthen the supervision capacity of the BB.

3. **Strengthening the legal framework:**

   Development of capacity in the BB and legal system was recommended to resolve legal disputes and help commercial banks to expedite default cases and mortgage realisation.

This thesis has investigated the PMS component of the CBSP reform initiative. Maxwell PLC, an international consulting firm, reviewed organisational structure and manpower levels of the BB in 2002. It was designed as part of the implementation of the new PMS. The functional reorganisation and manpower rationalisation were necessary to create an operational platform for the new PMS. Interviewed senior managers of the BB advised that a similar organisational restructure and manpower rationalisation were implemented as part of the World Bank-sponsored CBSP in the Central Bank of Sri Lanka in 2003. Figure 1.2 summarises the CBSP in
which the PMS component includes both the proposed rationalisation of organisational structures and the introduction of a new PMS.

![Diagram of CBSP components]

Figure 1.2: Components of the CBSP project

Using the BB as a case study, this research investigates how a World Bank-led international best practice PMS was implemented and practised in a regulatory organisation of a developing country. The new PMS was consulted, developed and implemented in the BB during 2002-2008. The interviews forming part of this research project took place during 2012-2015 and the data provided evidence about how the PMS was developed, implemented and subsequently practised in the BB. There is limited evidence regarding the implementation of international best practice PMS in the regulatory organisations of developing countries. The project is based on the premise that the characteristics of local environment and institutions of a developing country may influence the outcome of any reform agenda of transnational institutions. Rovic (2002) and Sahlin-Andersson and Engwall (2002) argued that popular global organisational concepts are broad and allow substantial flexibility for local interpretation. Overall, this research investigates how a World Bank-led performance management reform in the BB passed through the local social, economic and regulatory conditions in Bangladesh. Findings of this research will help national and international policy makers to instigate necessary reforms to strengthen regulatory institutions of developing countries.
1.5 Research questions

The central objective of the research project is to investigate the implementation of a new PMS in the BB. The overall socio-political construct of the country needs careful consideration in order to understand what happens inside a regulatory institution. Three areas are identified as potential forces which influence the PMS implementation in the BB: (i) the political environment of the country; (ii) the internal structure and process of the BB; and (iii) transnational regulation and organisational adoption. Figure 1.3 shows the three forces which potentially may affect the PMS implementation in the BB. The broader political environment influences how the internal structure of regulatory institutions works. The new PMS needed to be filtered through the internal and external environment in which the BB is constituted. The external political environment and transnational regulatory institutions are not merely used as the context in this research project; these two forces are considered to be part of the dynamic process through which the PMS reform was understood, adopted and practiced by the BB.

Figure 1.3: Three research issues of this thesis

Three major research questions were developed in relation to the areas which were identified as potential forces that influenced the PMS in the BB. The major research questions have been expressed through sub-components to provide a more specific indication of their intention, scope and implementation. The sub-questions will provide guidance to the exploration, collection and interpretation of data regarding various contextual aspects of the areas covered by the major research questions. The investigation of the three major research questions and the associated sub-questions has enabled the researcher to understand the implementation experience of a performance management reform in the BB. The research questions are discussed below.
Chapter 1: Introduction

Research issue 1: Political environment

The broader political environment of Bangladesh has implications for the implementation of a new PMS. The BB is situated within the broader socio-political platform of the country. This is particularly important in a country like Bangladesh where political interests influence the operations of regulatory organisations. Political parties directly influence the appointment of the top executives of the regulatory institutions. The union activities of the regulatory organisations are also influenced and patronised by the political parties. The political influence over the operations of the BB and its implication for the implementation of a new PMS is investigated through the following research question (RQ):

RQ 1: How was the PMS implementation influenced by the broader political environment?

Political power is concentrated within two families in Bangladesh. The two major political parties are controlled by the Zia and Sheikh families. There is limited democracy within the political parties. All major decisions of the parties are determined by the heads of the two respective families. The ruling political party controls the regulatory institutions in its own interests. International development bodies and local media have documented concerns that the ruling party uses the police, judiciary and other institution to oppress political opponents in Bangladesh (Transparency International Bangladesh 2014a; Daily Ittefaq 2016). The opposition parties often raise these issues with the United Nations and other developed western countries because the local law and enforcement institutions fail to protect their rights. The political parties are often involved in violent clashes and various disputes. In 2014-15, approximately 1,500 people were killed in political violence (Hasan 2013).

Corruption within the political institutions is often highlighted as a major impediment to economic and social development in Bangladesh. The regulatory and political systems often collude in a bid to expropriate wealth at the expense of ordinary people and businesses. Corruption has become institutionalised in many regulatory organisations. International organisations such as the World Bank and Transparency International often highlight the corruption in various regulatory and political organisations in Bangladesh. In response, for example, the World Bank withdrew its financial assistance for the construction of the biggest river bridge in Bangladesh in 2011.
Weaknesses in democratic institutions and appointments of senior public sector executives on the basis of political loyalties are prevalent in many developing countries (O’Donnell 1994). In a crony capitalist environment, regulatory institutions are often politicised to favour selected groups of business elites. The political cronies and patrons secure preferential regulatory treatment in exchange for financial contributions to political leaders. Linkages with the political leaders have become a business practice in Bangladesh (Liton 2015). Some business entrepreneurs have directly involved themselves in politics by participating in parliamentary or mayoral elections on behalf of major political parties. The connectedness between corporate entrepreneurs and politicians has arguably diluted the professionalism and accountability structures of the regulatory organisations. This political influence over the regulatory organisations leads to the following sub-question:

RQ 1(1): How do the political parties and leaders exert direct influence on the operation of the BB?

Political control influences the working culture of regulatory organisations in Bangladesh. The trade unions of Bangladesh public sector organisations have a history of violent activities with the patronage of political parties. The unions also have a history of violent protest against many reforms in public sector organisations. Organisations are often reticent to take disciplinary action against union leaders because of their political patronage. One major challenge for the implementation of organisational change initiatives in public sector organisations is to manage the interests of the union leaders.

The political party in power appoints the senior executives of regulatory institutions in Bangladesh. It is a common practice that institutions such as the Securities and Exchange Commission of Bangladesh (SEC), state hospitals, utility corporations, research organisations and nationalised commercial enterprises are usually headed by former leaders of the respective pro-party professional associations. This practice is designed to reward the long-time loyalty of professionals by the political parties. The governor and deputy governors of the BB are now recruited by the government. It is widely perceived that political loyalty is the primary consideration in the appointment of the governor of the BB (Ahmed 2016). This creates the possibility that senior managers tend to align themselves to the suggestions and guidelines of the ruling political party. An organisational culture of absolute obedience to the ruling party is
apparent in all government departments. The culture of the obedience to the ruling political party has become institutionalised over time and departure from the rule is treated as lack of professional integrity and incompetence. Political influence over the culture and operations of the BB is translated into the following sub-question:

\[
\text{RQ 1(2): How are the organisational culture, power relations and management practices of the BB influenced by the political environment?}
\]

**Research issue 2: Internal workings of the BB**

The internal structure and processes of the BB has important implications for the performance management reforms. Three aspects of the internal structure are considered: the governor’s role, promotion practices and organisational cultures. These internal structures are constructed over a long period of time. It is important to see how these structures influence the implementation of performance management reform. Some of these institutions are challenged by the new PMS. We investigate how the PMS negotiates itself with these institutions.

\[
\text{RQ 2: How do the internal structures of the BB affect and interact with the implementation of a new PMS?}
\]

The governor plays a critical role in shaping the BB’s strategic priorities and focus. The appointment of the governor of the BB is made by the government. A change in political government is accompanied by a change in governor of the BB. No governor has served two consecutive terms in the last 22 years of parliamentary democracy in Bangladesh. Governors are usually appointed for a term of five years. This project investigates how the CBSP reform has passed through different governors. It has investigated how the strategic priorities of the BB are shaped by individual governors and whether a change of governor creates distraction for the senior managers implementing the reforms.

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\text{RQ 2(1): What role does the governor play in performance management reform and its sustainability?}
\]

The new PMS aimed to replace the age-old Annual Confidential Report (ACR) of the BB. The previous system has been in place since the inception of the BB. It was a confidential evaluation
of employees. The assessment and grading were strictly confidential and employees did not receive their grades or any feedback. The new PMS was based on a transparent and open communication platform where the employees and supervisors were encouraged to disclose and discuss all aspects of the performance measurements. The new PMS called for a significant departure from the secretive culture of a traditional regulatory organisation like the BB. A deeper understanding of the differences between the old and new PMS is necessary to evaluate how a new performance management framework is understood, adopted and practised in an organisation. This context of the large differences between the old and new performance management system leads to the following sub-question:

**RQ 2(2):** How do the changes within the performance management reform influence promotion and recognition practices?

The internal organisational culture has significant implications for the implementation and effectiveness of the PMS. The new PMS was based on the philosophy that an open discussion regarding performance would help the employees to understand their roles and the way they could progress in order to achieve their work objectives. Communication between supervisors and subordinates was an integral part of the PMS. The PMS was not confined to performance measurement only; it was planned to be a performance management tool. Consultation was required to identify areas where employees need training to upgrade their skills and capabilities. Discussions were planned in order to provide feedback to employees on various aspects of their activities. However, open discussion between managers and subordinate employees had never been practised in the BB. The organisational cultural attributes are constituted in the following sub-question:

**RQ 2(3):** How does the new PMS affect the traditional organisational culture of interpersonal relationship and secrecy around performance-related issues?

**Research issue 3: International best practice PMS and organisational adoption**

International development organisations such as the World Bank play an important role in shaping the economic policies and regulatory structures of many developing countries. Since the market mechanisms and regulatory institutions often do not work effectively in developing countries, international development organisations often assume the responsibility of
introducing reform in the economic and social fields. The new PMS is part of the World Bank-led financial sector reforms in the banking sector of Bangladesh. The following question leads to the investigation of how the World Bank-recommended PMS was adopted by the BB.

RQ 3: How was the new PMS translated into the management control environment of the BB?

The new PMS is substantially different from the previous performance measurement system. The new system introduced performance planning\(^3\), event behaviour report (EBR)\(^4\), moderation\(^5\) and performance reports\(^6\). These features are new to the employees of the BB. This research has investigated how these features of the PMS are translated into the MCS of the BB and whether the features have transformed (eliminated, modified and/or adjusted) in response to the local pressures and practicality. The following sub-question investigates the extent to which the features of the new PMS fit into the BB in light of the local environment.

RQ 3(1): How were the features of the new PMS interpreted and were any deviations from the original model justified?

The sustainability of the performance management reform largely depends on the support and sponsorship of the top management. The new PMS is a substantial departure from the previous performance measurement system of the BB. The support of the senior management is critical to the success of the new PMS. The following research question was developed to evaluate the

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3 Performance planning is implemented at the start of the year. An employee and his/her supervisor identify and agree on the goals, measurement and resource requirements.

4 EBR is process where a supervisor keeps a systematic record of the performance of an employee. This was aimed to facilitate mid-year review session and to identify training needs. This helps to prepare an objective performance evaluation at the end of the year.

5 The original PMS module suggested a moderation of performance assessments both within and among the Departments. This would ensure consistency in performance assessment in various departments of the BB. This moderation would also create an accountability platform as managers needed to explain how they had assessed the performance of their employees.

6 Performance reports were the final evaluation of employee performance. The assessment was done on a scale of 100. The performance score represented 70% of the assessment weight for promotion decisions. The remaining 30% was based on service length, academic and professional qualifications.
sponsorship of the senior management (deputy governors, executive directors and general managers) to sustain the reforms.

RQ 3(2): What role did senior management play in practising and institutionalising the new PMS?

The PMS was introduced by the BB to replace the old seniority-based performance measurement with a merit-based performance management and development tool. This thesis has investigated the effectiveness of the new PMS and explored whether it achieves its intended objectives. Whether the new PMS brought any changes in the performance management practices in the BB was investigated through the following research sub-question:

RQ 3(3): Has the PMS achieved its intended objectives, such as performance-based promotions and leaner organisational hierarchy?

Huy (2001) argues that organisational change occurs in four phrases: commanding (formal structures), engineering (work processes), teaching (diffusion of knowledge) and socialising (network of relationships). The success of organisational change depends on the matching of these phrases to the context of the organisation and the outlook of employees involved in the change (Chenhall & Euske 2007). The research questions of this project are identified within a holistic model of organisational change that focuses on both the technical (formal structure and work processes) and behavioural aspects (diffusion of knowledge, practice and network of relationships) of a new PMS.

The central objective of this research project is to investigate the implementation of a new PMS by the BB. The introduction of a new PMS is analysed to present evidence on how international best practice management control tools translated into the local context of a regulatory organisation of a developing country. The interconnectedness of the broader socio-political construct, organisational culture and PMS has motivated this research to address the main research question from three perspectives. These perspectives and associated areas are specified by developing sub-questions. The findings from the investigation of the research questions will be netted together to explain how transnational regulations, such as the new PMS, is practised in the context of a developing country.
1.6 Research methods

This project has utilised an interview-based case study approach to investigate how a new PMS was implemented in a central bank reform program. The primary source of data was the interviews of the employees of the BB. According to Silverman (2013), the majority of published qualitative research studies have employed interviews as their primary mode of data collection. Interviews allow access to important processual and contextual information about the various aspects of the management control environment (Parker 2007).

Managers and employees of the BB, the MoF and the World Bank were interviewed regarding the PMS reform. Four field visits were made to interview the employees of the BB during 2012-15, with a total of 65 employees being interviewed during these field visits. The interviews lasted between 45 minutes to two hours. Selection of interview respondents paid attention to the need to obtain a variety of perspectives on the phenomenon under examination (McKinnon 1988). This helped to collect the views and influences of different stakeholders associated with the issues under investigation. The selection of interviewees was planned to ensure that the views of employees working in various levels of the organisational hierarchy were covered. This longitudinal feature of the study helped to observe the patterns, politics and processes involved in performance management reform over time in the BB. Interview questions were revised based on the analysis of data from earlier field visits. The revised interview questions were utilised in subsequent field visits to enable deeper investigation in areas which were not covered in the earlier rounds of interviews.

Newspaper articles relating to the BB, internal memos and circulars of the BB and other official reports over the entire period of study were also analysed. Newspapers enjoy a reasonable level of independence and freedom of speech compared to other public media outlets (television, radio, Bureau of Statistics) in Bangladesh. Critical regulatory limitations are often highlighted in the newspapers. Newspaper articles relating to the BB, financial markets, political influence on banking sector and enforcement of banking regulations were collected and analysed over a period of five years, from 2011-2017. This data was used to support and validate the reflections and interpretations which were construed from the interview data (Ghauri & Gronhaug 2005). Continuous email correspondence with interviewees over the project period were also conducted to obtain further insights into management control issues.
Following Lillis and Mundy (2005), this research employed semi-structured interviews of multiple individuals with different perspectives and interests. Field researchers are sometimes ‘surprised’ by the data they collect in the field (Ferreira & Merchant 1992). These surprises can cause them to restate the research question and add new variables to their theoretical model. While the semi-structured interviews allow the discussions to be focused on the main issues, they also facilitate uncovering new views and reflections. The interviews took the form of guided conversations rather than tightly structured formal questions. Thus, the case study interviews operated on two levels at the same time; satisfying the needs of the line of inquiry while simultaneously introducing ‘open-ended’ questions (Yin 2014).

Sixty interviews were audio recorded and subsequently transcribed. Field and reflective notes were taken to record insights and reflections experienced during and after the interviews. Data analysis is the process whereby the researcher brings structure and meaning to the mass of collected data. For the purpose of this study, data analysis has focused on the identification of themes to explain behaviours and relationships. Key themes and patterns were identified across the whole period of the study through the processes of transcribing, memo writing, and subsequent analysis, coding and inferences (Hammersley & Atkinson 2007). Initial memos were prepared from the transcribed interview data and field notes. These initial memos were marked by assigning blocks of text (interviewee comments) to a particular theme. Following Garrett-Jones et al. (2005), the themes were organised into a hierarchy of broad themes and their sub-themes (or ‘child’ themes). The coded broad themes were then used to identify patterns and make inferences. The data analysis chapters of this thesis have included the text of a number of comments of the interviewees to reflect their opinion (Islam & Deegan 2008).

A number of strategies were employed in this research to reduce the threats to validity and reliability of data collection and analysis. The researcher possessed knowledge about the banking environment by virtue of six years’ work experience in Bangladeshi banks prior to the commencement of this research project. While working for these financial institutions, the researcher had the opportunity to visit the BB and observe their management control systems. This personal experience of the researcher provided a valuable contextual understanding about the management control environment in Bangladeshi regulatory organisations. This knowledge helped the researcher to understand the views expressed by the interviewees and initiate, where necessary, probe questions to go ‘deep’ into various reporting issues. This follows prior
research traditions of using the researcher’s work experience to obtain insights into data interpretation and analysis (see eg. Uddin & Choudhury 2008).

The use of multiple sources of evidence (interview data, newspaper information, BB’s internal circulars and memos and other published documents) enabled the identification of ‘repeated instances of a phenomena’ (McKinnon 1988) within the study. Comparison (triangulation) of such data improved the reliability of each form of evidence through support and contradiction with other forms of evidence (Jorgensen 1989). Finally, the longitudinal feature of the study helped the researcher to better observe the patterns, politics and processes involved in management control reform over time in the BB. This had reduced threats to validity and reliability imposed by any potential observer bias and data access limitations.

1.7 Theoretical framework

Evidence will be interpreted within a theoretical framework provided by New Institutional Theory (NIT). NIT was chosen as the theoretical framework for this research project as it has the depth and breadth to explain the reasons for adopting performance management reform, the process in which the reform was implemented, the way individual work life is changed and how management practices changed during and after the reform. NIT and its associated isomorphism processes are widely accepted in accounting and social science research (eg. Carpenter & Feroz 2001). The NIT offers a valuable framework which explains how institutions are created, sustained and transformed. The PMS is an institution which is constructed by various actors who are conditioned by their socio-political environment. Though initial NIT emphasises the stability of institutions, recent research shows how it can be used to explain the institutionalisation process and the role of agents and actors to respond and manage institutional pressures (Yang & Modell 2013).

Organisations operating within an institutional field are obliged to conform to the norms of the institutional environment in order to achieve legitimacy. Meyer and Rowan (1977) proposed that institutional environments impose structural uniformity on all organisations in modern societies. DiMaggio and Powell (1983) discussed the coercive, normative and mimetic processes of social reproduction. Scott (2001) argued for three mechanisms that underlie institutional order: regulative, normative, and cultural cognitive elements. The primary
argument of NIT is that formal organisational structures not only reflect technological necessities and resource dependencies but ‘institutional’ forces (Scott 2005). Such a perspective has particular relevance in a developing country such as Bangladesh, where multiple institutional forces potentially interact with and influence organisational change.

Meyer and Rowan (1977) made distinctions between institutionally conditioned, legitimacy-seeking behaviour and efficiency-centred rational choice. This led to the notion of decoupling where organisations display superficial compliance with institutional arrangements and actual practices are shaped by informal structures. Organisations may feel compelled to adopt structural changes in response to institutional demands, but then proceeded to ‘decouple’ them from actual practices to take into account local circumstances and practical realities. This notion of decoupling has been extended by conceiving decoupling as the separation of specific performance indicators or measurement practices from organisational goals (Johnsen 1999). This phenomenon can occur in developing country environments where proposed changes may be inconsistent with the local environment and its history.

Most of the early discussions of institutional environments viewed the institutional arrangements as imposing requirements and constraints on organisations (Modell 2009). Gradually, however, investigators began to recognise that the extensiveness of conformity varied across organisations (Modell 2009). Rather than viewing decoupling as the norm of an institutional effect, it was seen as one among many responses (Westphal & Zajac 1994). Other research has shown that changes in formal rules and structures that might seem ceremonial at first become more real over time (Westphal & Zajac 1994). Some organisations respond to external pressures by ‘internalising’ the threat, incorporating new expert actors in dealing with the new issues (Scott 2003). In response to demands from environmental interests, for example, chemical organisations have often created new offices and departments staffed by environmental engineers (Hoffman 1997).

NIT has provided evidence of decoupling of systems geared towards meeting conflicting demands from multiple constituencies or filling different instrumental functions. Oliver (1991) argued that organisational actors might use variety of ‘strategic’ responses to address institutional pressures. Oliver pointed out that while conformity to institutional pressures might be the most likely response by organisational actors, other responses – compromise, avoidance, defiance, manipulation – were also possible. Chang (2006) found that conformity to PMS
requirements by local hospitals is not motivated by desire to improve services but to ensure funding from the central government. This research investigates whether similar responses are detectable in a management control reform setting of a banking regulator of a developing country.

The concept of an institution clearly connotes stability and order, but that does not mean that institutions do not undergo change. Institutional systems undergo change for both external and internal reasons (DiMaggio 1991). DiMaggio (1988) called for a focus on interests and agency. He argued that attention should be deflected from an analysis of extant institutions to the process of institutionalisation because examining the latter would show that institutionalisation is a product of the political efforts of actors to achieve their objectives. Lounsbury (2008) argued that researchers need to adopt the refined notion of NIT as less concerned with the stabilising effects of isomorphism and more interested in exploring the continuous transformation of practices. DiMaggio (1991) examined the role of agency and conflict among actors involved in constructing the field of art museums in the US.

While public sector reforms in many countries often imply coercive imposition of novel management frameworks in a ‘top-down’ manner, little is known about the micro dynamics reflecting these within individual organisations through their implication in practices (Scott 2005). The focus in NIT research has also shifted from a heavy emphasis on larger populations of organisations making up institutional fields as the main unit of analysis to pay greater attention to the role of individual organisations in such fields (Modell 2009). This research aimed to provide an organisational level analysis of how the performance management logic of the World Bank was manifested through the internal control mechanisms of the central bank of a developing country.

A major critique of earlier NIT work is the absence of actors and agency and the overemphasis of the static aspect of institutional arrangements (Seo & Creed 2002). Earlier institutional theorists do not assume any real influence of actors since they are constituted by their institutional environment (Lounsbury 2008). However, recent research using NIT encompasses the role of actors in shaping, reshaping and creating institutional logics (Lounsbury 2001). The theory emphasizes the interplay between institutionalised structures and agency rather than assuming a deterministic prediction regarding the outcomes of institutional pressures to organisational processes (Modell 2009). This study examines the role of actors in the
institutionalisation of a new PMS in a banking regulator in Bangladesh. Managers and employees of the BB, government, and transnational regulators were interviewed to explore how they interact and consequently construct the PMS institutions. Hence this research has aimed to make a theoretical contribution by investigating the role of actors in shaping institutions.

The substantial developments in the coverage, interpretations and dynamics of NIT over a long period of time reflect its practicality and depth for reflecting and understanding the organisational change process. In his review of the use of NIT in social science research, Scott (2008a, p. 428) asserted, “NIT’s journey is characterised by a series of transformations - from determinant to interactive arguments; from superficial to consequential change; from assertions to evidence; from non-rational formulations to rationality within institutional frameworks; and from institutional stability to institutional change”. The understanding of organisational change is complex as it involves many actors, contexts and environmental implications. The NIT is a dynamic construct which allows the role of actors and environment to explain how institutions are developed and transformed. This adaptive capacity of the NIT made it suitable for this research as the local political forces, organisational culture and transnational regulations interact on a continuous pendulum to create and modify PMS institutions in the public sector.

1.8 Contribution of the study

As part of economic development assistance, international development organisations brought about financial sector reforms in developing countries. The new PMS is an integral part of the CBSP reform which was implemented by the World Bank in several developing countries. However, it is often argued that many financial sector reform programs do not achieve their intended outcome (Bhattacharya & Choudhury 2003). This raises an important question as to why many reform programs fail to achieve their intended objectives. This investigation of the implementation of a new PMS in the BB has the potential to provide insights into why such policy reforms do not always achieve their intended outcomes. Existing research on transnational regulation in developing countries is primarily confined to export oriented industries (eg. clothing, forestry and pharmaceutical industries). There is limited knowledge regarding the implementation of transnational regulations in other sectors such as the regulatory organisations of developing countries.
This research project will reveal how the broader political environment and organisational culture influence the performance management reform in a regulatory organisation. International best practice such as the new PMS may be filtered through the internal and external environment in which the BB is constituted. This approach of including the broader political and transnational actors has provided a new setting in which the PMS of a regulatory institution can be analysed. It will provide evidence that the institutions can neither be taken as an imposed structure nor a taken-for-granted norm of the institutional environment. Organisational actors, culture and local political interests may moderate the implementation of an international best practice PMS in the BB.

Corporate governance and accountability in developing countries have become a major agenda for international development organisations like the World Bank. However, there is a paucity of research evidence about the implementation experience of governance and accountability reforms in developing countries. Abdul-Rahaman, Gallhofer, Haslam and Lawrence (1997) called for more empirical and interpretive work within the socio-political context of developing countries. Olson, Humphries and Guthrie (2001) asserted that not only there was a paucity of empirical studies of public sector accounting in developing countries but also few studies aimed to contribute to theory development.

This research aimed to contribute to the accounting literature by providing empirical evidence about individual level experience of a World Bank-led performance management reform in a regulatory organisation of a developing country. In assessing the effect of a new PMS at individual level incentives and control, this research reflected on the institutional theory to consider the influence of actors within the organisational and external environment.

The NIT framework enhances this study’s ability to explain the processes and implications of organisational change. Public sector reforms are analysed within an individual organisation rather than assuming an isomorphic imposition of a novel management framework. It addresses Modell’s (2009) call for institutional research to focus on the role of individual organisations in building and transforming institutions. This research has also addressed the call to incorporate the role of actors in the institutionalisation process (Lounsbury, Ventresca & Hirsch 2003). Rather than assuming a deterministic prediction regarding the outcomes of institutional
pressures to organisational processes (Modell 2009), NIT is adjusted to include the role of actors in shaping institutions in the socio-political context in which they are constituted.

1.9 Chapter outline

Chapters 1 to 4 inclusive present the research questions, the relevant literature review, the research methods and theoretical framework. Chapters 5 to 7 inclusive present the analysis of views of relevant stakeholders concerning the performance management reform in the BB. These three chapters use the interview data and documentary analysis to address and answer the research questions of the project. The final chapter summarises the findings of the research project, theoretical contributions, relevance to policy makers and future research opportunities.

Chapter 1 provides an introduction to the research project which explains the context, objectives, methodology and contribution of the research. It sets the introductory stage for the research project by explaining what questions it purports to address, how the research is conducted, how this thesis is structured and how it aims to contribute to the extant literature. This thesis will then, in Chapter 2, review the relevant literature on performance management and the implementation of international best practice reforms in developing countries. The review of relevant literature will be used to identify potential gaps, their significance and to explain how this research project will contribute to the extant literature. Chapter 3 will discuss the method used in this research project to collect, analyse and interpret the interview data and documentary evidence. This will be followed by a discussion of the theoretical framework informing this research project and how it assists in addressing the research questions.

The analysis of interview data and other documentary evidences are presented in three chapters. The analysis starts with an investigation of the implications of the broader political environment of Bangladesh for the PMS of the BB. This thesis will explore how the organisational culture, power relations and management practices of the BB are influenced by the political environment. The following chapter discusses how the existing internal structures and organisational culture of the BB affect and interact with the implementation of the PMS. The final data analysis chapter discusses the interface between transnational regulation and organisational adoption. It will discuss how various components of the PMS are interpreted and practised by the employees of the BB. It will consider the role of senior management in relation
to the reform. The chapter will also investigate whether the PMS has achieved its intended objectives such as promotion based on performance, leaner organisational hierarchy and needs-based training and development.

This thesis will conclude by outlining its contributions, summarising the findings, discussing its limitations and suggesting areas of future research. It will provide a summary reflection on how an international best practice PMS is practised in a banking regulatory organisation of a developing country and why such practice takes place.

1.10 Summary and conclusion

This research presents a systematic investigation into the implementation of a performance management reform in the central bank of a developing country. The implementation of a new PMS in the BB is selected as a case study to inform how an international best practice performance management mechanism works in the context of a developing country. International development organisations such as the World Bank pursue reform initiatives in developing countries. Existing research on roles of international development organisations are limited to export-oriented industries in developing countries. In this context, foreign buyers play as effective pressure groups to bring regulations in the clothing, forestry and pharmaceutical industries. However, there is limited research on the role of transnational organisations in other sectors, such as regulatory organisations, in developing countries. This research provides evidence on the role of international development organisations in the performance management of a banking regulatory organisation of a developing country.

Often it is argued that theoretically sound economic policy reforms in developing countries do not achieve their intended outcome. The reform programs prescribed by international development organisations such as the World Bank often focus only on the technical logics and assume that the imposed framework would work ‘as advertised’ (Bartley 2010). Little evidence is available about how the fragile rule of law, lack of political willpower and political corruption of many developing countries influences the implementation and outcomes of financial sector reform programs. This research has the potential to uncover the dynamic interaction between local institutions and best practice performance management reform. It will help us better understand how the local contextual factors influence the implementation of financial sector
reform and ultimately determine the outcome of such reform. The findings of this research carry implications for policy makers since they inform the potential role of local institutions and practices in the implementation of financial sector reform. Such knowledge is beneficial for the design and implementation of future reform programs.

While universally accepted ‘financial sector reform’ can be applied in a local setting, the success of such reform initiatives depend on how its implementation accommodates the local institutional environment, cultural aspects and interests of local agents. This project investigates the process of implementing a World Bank-led performance management reform in a local setting and the resulting outcome. For example, Belal et al. (2017) provided evidence about how the services of the big 4 accounting firms were mediated by the professional, commercial and cultural constructs of Bangladeshi society. Bartley (2010) called researchers to explore how standards are filtered, renegotiated or compromised as they enter particular political jurisdictions. Such knowledge informs what local factors should be considered and managed to achieve the intended result of reform initiatives. This research contributes to existing literature by providing evidence on how a World Bank-led PMS was translated and practised in a regulatory institution of a developing country. It provides strong evidence that actors and agencies of the broader socio-political environment play an important role in the implementation processes of a performance management reform.
Chapter 2: A review of informing and guiding literature

2.1 Introduction

This chapter provides a review of relevant literature to explain the scope, intention and contribution of this research project. The public sector offers exciting opportunities for researchers to explore the role of accounting in promoting national welfare. This sector spans many aspects of social and economic life. Its coverage includes regulatory organisations, direct provision of services and partnerships with the private sector. The importance of the public sector in the provision of services and facilitation of private sector growth has long been acknowledged (Rkein & Andrew, 2012; Lapsley & Skaerbaek 2012). Over several decades, the public sector in many countries has embraced new accountability mechanisms reflecting a commercial, output and efficiency centric management focus (Jackson & Lapsley, 2003; Guthrie, Olson & Humphrey 1999). The challenge is to understand how the public sector is managing such new notions of accountability.

The literature review discusses how this research positions itself with respect to the extant literature. The discussion of existing research aims to inform the context of the investigation of this project. This chapter organises the existing literature into specific thematic clusters and offers an overview of what knowledge has been accumulated though research publications in leading accounting research journals. It thereby plays an important role in clarifying what research gap this study is aiming to address, especially as its contribution can only be judged when it is set in the context of the existing knowledge in the field. While it is challenging to present a review of literature of such a broad and diverse field as public sector management accounting research, it is valuable to present ‘what we know’ and ‘what we do not know yet’ with respect to this study’s subject area.

The chapter commences with a review of meaning and scope of MCS in the accounting literature, followed by a discussion about how the PMS is constituted in such a MCS construct. The chapter then focuses on the role of New Public Management (NPM) in driving the public
sector changes. The discussion then moves to the accounting side of the change initiatives and explains what we know about the role and impact of management accounting in public sector reforms. The chapter considers research evidence regarding the use of new PMS in the public sector. The discussion then expands to the public sector management and reforms in developing countries. In this analysis, the review discusses current knowledge about the role and impact of international development organisations (such as the World Bank and International Monetary Fund) in strengthening accounting and accountability institutions in developing countries. The chapter concludes by summarising what we know about public sector management accounting research in developing countries and how this research is going to enrich our existing understanding.

2.2 Meaning and scope of MCS: reflection from the literature

This thesis examines the implementation of a new PMS within the management control environment of the BB. This section discusses the way management control and MCS are scoped and conceptualised in this study. Fisher (1998) discusses the difficulty of defining management control as it is connected to a wide spectrum of factors which affect an organisation. The meaning and scope of MCS have advanced over time in the management accounting literature. Simon (1995) conceptualised MCS as the formal, information-based routines and procedures to maintain or influence organisational activities. Langfield-Smith (1997) distinguished between formal (rules, standards and budgets) and informal (organisational culture and unwritten policies) control mechanisms. The notion of MCS had also extended to address changes in the business environment (Otley 1994). Furthermore the MCS has embraced strategic control where performance indicators are linked with long-term strategic goals (Goold & Quinn 1990).

The contemporary MCS does not limit its emphasis on senior management to direct the behaviour of employees. While the role of senior management remains important, the MCS has encompassed the notion of employee empowerment (Otley 1994; Simons 1995). The lower level managers are increasingly involved in strategic initiatives to attain organisational goals (Langfield-Smith 2007). The ownership and participation of general employees in the design and implementation of MCS have become important for organisational change initiatives. The MCS is also conceptualised as a dynamic construct which needs to be reflective of the changing
business environment. Simon (1991, 1995) argued that managers use control interactively to address strategic uncertainties associated with business operations. This interactive mode of control implies that top management needs to engage with the middle and lower management to enable effective implementation of MCS to achieve its desired outcome.

Management control includes systems and processes managers use to ensure that the actions and decisions of their employees are consistent with the objectives of the organisation (Malmi & Brown 2008). Thus, the conceptualisation of MCS includes processes to achieve goal congruence where individual employees and groups are incentivised to achieve organisational goals (Merchant & Van der Stede 2012; Flamholtz, Das & Tsui 1985). Otley (2003) highlighted the need for MCS research to consider the issues of power in organisations. The organisational agents derive power from its hierarchical authority and also from its external environment. Ouchi (1979) defined clan control as shared value and norms or the culture of the organisation. MCS are built on the values and beliefs shared by the organisational agents. Otley (2003) highlighted the distinct aspects of national, organisational, workgroup, professional and individual cultures which influence the MCS. Nevertheless there is very little evidence on the impact of different cultures on the operation of management control mechanisms such as PMS (Otley 2003).

Malmi and Brown (2008) defined MCS as a package of planning, cybernetic, reward, administration and cultural constructs. They include systems, rules, practices, values and other activities to direct employee behaviour. As these themes operate within a broader control environment, investigation of a single element (such as PMS) in isolation would lead to invalid inferences (Fisher 1998). Failure to recognise the inter-connectedness between various elements of the MCS has the potential to result in an analytical model which lacks the ability to address the research objective (Chenhall 2003). There is little empirical research which has addressed how individual systems within a broader MCS interact with each other. Malmi and Brown (2008) cautioned that investigations of an individual management accounting innovation (such as activity-based costing or balanced scorecard) may lead to erroneous conclusions if its functions are conditioned by other existing elements of the MCS. They called for management accounting researchers to study MCS as a package to unveil the inter-connectedness of various elements of the broader control environment.
The current conceptualisation of management control in management accounting research literature encompasses internal and external environment, formal and informal control mechanisms and strategic orientation. The challenge of taking a broader perspective is to outline what constitutes management control. While management accounting researchers have investigated formal control systems such as budgeting and cost control in different contexts, there is limited understanding of the workings of informal controls such as cultural institutions and how they interact with formal systems (Malmi & Brown 2008). The investigation becomes complex as multiple elements of the MCS are analysed and their interrelations are explored. However, Malmi and Brown (2008) argue that such investigation will contribute to the development of better theory of the design, implementation and impact of management control innovations.

2.3 PMS within the broader management control: an intertwining construct

PMS is a wider construct which goes beyond the measurement of performance of individual, groups and organisation. While the measurement of performance is a complex and necessary construct, a PMS is not restricted to the mechanisms for evaluating and comparing actual performance with the expected level or benchmark units. Recent management accounting research takes a broader perspective of PMS where it aims to define, control and manage the process to influence the behaviour and actions of organisational agents (Otley 1999; Ferreria & Otley 2009). The scope of PMS covers both the ends (outcomes) and means (processes) to achieve the objectives of the organisation (Broadbent & Laughlin 2009).

The PMS is a critical management control system as it is capable of communicating the desirable behaviour of organisational agents. The PMS frameworks are designed to correspond to the organisational control dimensions. The accounting research in relation to management control was significantly influenced by the works of Simon (1991, 1995). He introduced the notion of positive and negative controls to manage a delicate balance between freedom and constraint, empowerment and accountability, top-down direction and bottom-up creativity; experimentation and efficiency. Simon then explained the positive and negative control mechanisms through four levers of control: belief, boundary, interactive and diagnostic control.
systems. The Simon’s framework is summarised in Table 2.1 in terms of control mechanisms and intended outcome.

<table>
<thead>
<tr>
<th>Types of control</th>
<th>Levers of control</th>
<th>Control mechanism</th>
<th>Intended outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Positive</strong></td>
<td>1. Belief systems: It communicates the value, purpose and culture of the organisation</td>
<td>Motivate, Reward, Guide and Promote</td>
<td>Learning and innovative behaviour</td>
</tr>
<tr>
<td></td>
<td>2. Interactive control systems: It focuses on how managers and employees can learn and innovate and involve in the decision making process to develop strategy to respond to uncertain business environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Negative</strong></td>
<td>3. Boundary systems: It communicates the acceptable domain of organisational activities and risk management tools</td>
<td>Coerce, Punish, and Prescribe</td>
<td>Managers and Employees act according to the firm’s plan and strategic intent</td>
</tr>
<tr>
<td></td>
<td>4. Diagnostic control: It measures the critical success factors, monitor outcome and respond to the deviations from expected performance</td>
<td></td>
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</tbody>
</table>

*Table 2.1: Simon’s (1995) control framework*

Tessier and Otley (2012) saw the positive and negative control of Simon’s (1991) framework as representing the enabling and constraining roles of control. They extended Simon’s (1995) levers of control framework by considering social (manageable aspect of organisational culture) and technical (rules, procedures and standards) controls to direct employee behaviour and to ensure compliance (with standards). The notion of negative control was not defined as dysfunctional control in Simon’s work (Tessier & Otley 2012); rather it was designed to direct employees to act according to the organisation’s plan and strategic intent. Simon (1995) compared negative control to the brakes on a car which keeps the car within the acceptable
speed limit. The positive and negative controls are not mutually exclusive and it is expected that a PMS will include a combination of both systems. Performance management encompasses multiple elements of Simon’s control framework. A PMS encourages and rewards innovative behaviour and simultaneously constrains the organisational activities within its (financial, technological and strategic) capacities.

The PMS aims to create incentives for managers to act in the best interests of the organisation. The potential ability of the PMS to influence the behaviour of organisational actors has made it a central theme in the MCS. The conceptual frameworks of PMS in the accounting literature include various aspects of the organisational control. This section considers two such frameworks which are provided by Ferreira and Otley (2009) and Broadbent and Lauglin (2009) to show how PMS is constituted and integrated into the organisational MCS. These frameworks were published in leading management accounting research journals and have been repeatedly referenced in management control literature. The discussion of these frameworks will also inform the scope, dimensions and relevance of the PMS which is the central theme of this thesis. The analysis of the two PMS frameworks and their construction were used to design the interview questions for the field visits to the BB.

Otley (1999) developed a PMS framework based on organisational objectives, strategies, targets, incentive and reward structures and feedback systems. Ferreira and Otley (2009) extended this framework by considering additional functional and contextual issues and integrating Simon’s (1995) levers of control. The twelve areas which have direct reference to their PMS framework include: vision and mission, key success factors, organisational structure, strategies and plan, key performance measures, performance targets, performance evaluation, reward and recognition, feedback mechanisms, application of control mechanisms, and strength of the links between various components of the PMS. Ferreira and Otley (2009, p. 267) outlined these issues in terms of the following questions:

1. What are the vision and mission of the organisation and how are these communicated to its members?
2. What are the key success factors and how are these communicated to the employees?
3. How do the existing organisational structures affect the design and use of the PMS?
4. What are the strategies and plans of the organisations and how are they implemented?
5. What are the key performance measures and how are these communicated?
6. How are the performance targets set and how challenging are they?
7. What are the performance evaluation processes? Are these processes objective, subjective or mixed?
8. What are the rewards for achieving the performance targets?
9. What feedback system is in place to support the operation of the PMS?
10. What type of use (eg. interactive or diagnostic) is made of information and of control systems?
11. How has the PMS changed in response to the changes in the organisation or its environment?
12. To what extent are the various components of the PMS connected?

It is reasonable to assume that organisations will differ in their position in relation to these issues based on the internal and external environments in which these are constituted. In terms of the four control levers of Simon’s framework, Ferreria and Otley (2009) identified multiple control mechanisms that can influence the actions of the organisational actors. Their control mechanisms in terms of the Simon’s levers of control are summarised in Table 2.2. The framework can be used to take a snapshot of the package of performance management practices in an organisation (Ferreria & Otley 2009). This understanding then can be used to investigate how organisational actors change, maintain, and institutionalise PMS.
<table>
<thead>
<tr>
<th>Simon’s (1995) Levers of control</th>
<th>Ferreria and Otley’s (2009) Control mechanism</th>
<th>Intent of the control mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Belief systems</strong></td>
<td>Statements of vision and mission of the organisation</td>
<td>Communication of the core values of the organisation</td>
</tr>
<tr>
<td><strong>Interactive control systems</strong></td>
<td>Systems and networks</td>
<td>Learning and innovation</td>
</tr>
<tr>
<td><strong>Boundary systems</strong></td>
<td>Strategies and plans</td>
<td>Communication of the scope and intent of the organisation and its process of managing risk</td>
</tr>
<tr>
<td><strong>Diagnostic control</strong></td>
<td>Critical success factors and PMS</td>
<td>Communication of key factors which are central to the organisation’s success and the process of performance evaluation and associated reward</td>
</tr>
</tbody>
</table>

Table 2.2: Ferreria and Otley’s (2009) control mechanism

Broadbent and Laughlin (2009) extended the Ferreira and Otley (2009) framework by incorporating cultural and contextual factors. Their model was based on the ‘end and means framework’ of management control. Their primary argument is that the meaning and answers of the 12 questions of Ferreira and Otley’s (2009) PMS framework depends on the rationalities that are operating in the organisation. They discussed two types of rationalities which influence the control systems of organisations. Within communicative rationality, objectives and performance measures are constructed based on discursive agreement between managers and employees. The PMS within these rationalities are likely to be ‘owned’ by employees as they are actively involved in the construction of the system (Broadbent & Laughlin 2009). Within the instrumental rationality, the end (results), means (processes) and performance measures are prescribed and imposed on the employees.

Broadbent and Laughlin (2009) argued that the two rationality clusters would generate different ways to ask and answer the 12 questions of Ferreira and Otley’s (2009) PMS framework. This would lead two different types of PMS: relational and transactional. Transactional PMS includes high levels of specificity about what needs to be achieved and how it is measured. The PMS also specifies the means to achieve the desired outcome. On the other hand, relational PMS aims to set the ends and means through a discourse between the stakeholders. Choice and
ownership of ends and means are fundamental to the relational PMS (Broadbent & Laughlin 2009).

Broadbent and Laughlin (2009) have included two contextual factors in their PMS framework. The first one is the external and internal environments which provide challenges and opportunities for the organisation and its PMS. They argue that the environmental forces and institutions influence the questions and answers of Ferreira and Otley’s (2009) PMS framework. They have also pointed out that contextual roots of their two models of rationality reside in the nature of the stakeholder and the history of the organisation. The second contextual element of the Broadbent and Laughlin’s (2009) model is the finance and accountability mechanisms of the PMS. Their model specified a clear role of financial transfer (implicit and explicit) to ensure that the desired ends are pursued. The PMS needs to clarify what financial benefits are associated with the achievement of target performance. This provides the incentives for organisational actors to pursue the objectives embedded in the PMS. An accountability mechanism needs to ensure that the reward is transferred to the employees who pursue and achieve the performance targets. An accountability process is required to develop reliability and trust of the PMS to the members of the organisation.

Conceptual models of PMS are designed to act as the control mechanisms to achieve the organisational goals. The current literature on PMS has moved from performance measurement to performance management. This management philosophy places PMS in a wider and dynamic organisational construct. The PMS essentially represents a control system which aims to encourage and incentivise the achievement of organisational goals. The communication of performance targets, the process of pursuing the goals, measurement of performance and reward of achievement are central components of PMS. It represents the management control which defines and manages both the ends (results) and means for achieving the objectives of an organisation.

Performance management is a complex construct. The complexity and dynamism also vary across organisations (such as regulators versus commercial organisations, manufacturing versus service industry, financial versus manufacturing organisations). Even within the same industry, organisations are likely to differ in the design, meaning and practice of their PMS. There is no ‘one best fit’ PMS for all organisations. This implies that there is no taken-for-granted construct
of PMS for an organisation. An understanding of the design and practices of PMS of an organisation require consideration of the context, interpretive modes and incentives.

The PMS frameworks provide us a conceptual map of the contextual factors and interpretative schemes. The frameworks work as a guide to interpret what control processes exist, why such processes are chosen and how the mechanisms are practised. Chapter 3 discusses how the PMS frameworks are used to understand the PMS construct of the BB and to formulate the interview questions for the three field visits. The frameworks were helpful in diagnosing interview comments and asking ‘probe’ questions to uncover the dynamics of the control mechanisms. The frameworks also facilitated data analysis by helping in eliciting meaning from the interviewees’ views about the control systems.

Franco-Santos, Lucianetti and Bourne (2012) found that the accounting literature has analysed the impact of contemporary performance measurement systems along three avenues: employees’ behaviour, organisational capabilities and performance consequences. The behavioural aspect encompasses the actions (such as motivation and participation) and cognitive processes (such as perceptions) of employees. Organisational capabilities include specific processes and competencies (such as strategic orientation, corporate control and organisational learning). Finally, the performance consequences include financial and non-financial results of the organisation. An effective PMS needs to consider all three aspects as they work together to improve the performance of an organisation.

2.4 NPM – the driving force beneath public sector reform

The significance of public sector services to its citizens has invariably made it a major focus of national policies. While privatisation and commercialisation are global phenomena, the public sector continues to provide important services and regulations. National policy-makers consider public services to be as significant as the commercial sector for the economic and social development of a country (Broadbent & Guthrie 1992). The World Bank (2017b) highlighted the importance of a well-functioning public sector in the delivery of quality public services to the citizens and fostering private market-led growth. However, there is an increasing demand for better services, transparency and accountability of the public sector to ensure that it ‘delivers’ (Broadbent & Guthrie 1992).
NPM is a major driver of management control reform in the public sector. The essence of NPM is a ‘marketised’ approach to the provision of government services (Guthrie & Parker 1998). The concept has favoured private sector management practices in the pursuit of efficiency and effectiveness in the service delivery of public sector organisations. The provision of services as a social good is replaced by the selling of services by public sector organisations. The structural changes have taken the forms of privatisation of state-owned enterprises, corporatisation of public sector commercial entities and public-private partnerships (Glynn & Perkins 1997; Funnell & Cooper 1998).

NPM has evolved from the changing political philosophy of the western democratic system. The roots of the NPM lie in the transformation of political accountability toward public sector operations. Parker and Gould (1999) identified three basic elements of accountability in the Westminster system of government: (i) managers of public sector organisations are accountable to ministers; (ii) ministers are accountable to parliament; and (iii) parliament is accountable to the people. Sinclair (1995) discussed five forms of accountability of public sector managers: political, public, managerial, professional and personal. While political accountability requires public sector managers to act on behalf of the elected parliament members, public accountability makes them responsible to the public, lobby groups and community (Sinclair 1995). Managerial accountability involves the adherence to the operational policies of public sector organisations. Managers are also accountable to the norms, expectation and practices of their professional associations. Personal accountability refers to managers’ observance to personalised moral and ethical values (Parker & Gould 1999).

Sinclair’s (1995) five forms of accountability are not independent of each other. Rather, these are netted together to capture the political philosophy and its changing landscape over time. The political philosophy of western developed countries has moved away from the traditional Westminster system of governance. The political philosophy of the contemporary western world delegates significant authority and responsibilities to the managers of public sector organisations. While ministers assume overall responsibilities of the agencies under their control and provide an overall guidance, public sector managers are endowed with considerable freedom to develop and implement policies to achieve the strategic goals of the organisations. Managers of public sector organisations are now accountable to a range of constituents such as ministers, parliament, the auditor general, courts, professional associations, the press and the
Public (Burritt & Welch 1997; Parker 1996; Mulgan 1997). Public sector managers are increasingly involved in the development of policies and their implementation and monitoring (Parker & Gould 1999).

Parker and Gould (1999) discussed the contribution of the liberal political reforms in western economies to the proliferation of NPM. They argued that, since the 1980's, the political philosophy of the western world had started to construct government as the facilitator (rather than provider) of public services. Accordingly, many governments have reduced the size and scope of the public sector. Neoliberal philosophy criticised the collective provision of social welfare by government on the grounds of inefficiency, excessive costs, and budget dependence. The neoliberal agenda emphasises that the private sector entrepreneurs and market mechanisms are capable of providing better services at lower cost than public sector providers.

NPM has transformed the public sector from focusing on administration and custody of public resources to a self-sustainable, accountable and result oriented management philosophy (Parker & Gould 1999). The accountability for provision of services and equity is subsumed within the accountability for performance, targets and financial sustainability (Guthrie & Parker 1998). These changes have brought significant changes in the structure, process, culture and mentality of public sector organisations (Parker & Gould 1999; Dixon, Kouzmin & Korac-Kakabadse 1998; Cochrane 1993). While the formal structure and concepts of the private sector are the outer surface of the NPM, the inner content, rationale and scope of NPM are constituted in a ‘complex web of cultural, economic, political, institutional and professional forces’ (Guthrie & Parker 1998, p. 50).

NPM has transformed the meaning of public sector accountability. NPM is based on economic rationality with a professional management system. Miah (1991) termed it as a shift from fiduciary stewardship to financial performance. The focus is increasingly on efficiency and value for money rather than effectiveness or probity (Hopwood 1984). The focus on people and society has shifted to customers who are paying for the services (Pendlebury, Jones & Karbhari 1994). This transformation of the notion of public sector accountability has prioritised financial focused accounting measures in measuring and managing organisational life. The NPM took the forms of introduction of performance management, accrual accounting (Yapa & Ukwatte 2015; Guthrie 1998), professional management, decentralisation, output oriented resource
allocation, management by objectives and quantification of impacts (see eg. Paulsson 2012; Hood 1995; Bromwich & Lapsley 1997; and Lapsley 2008).

NPM evolves as a necessary supporting mechanism to the transition of accountability and authority from political representatives to public sector managers. This transition requires the managers to become self-sustainable as they are endowed with the responsibility to offer services in competition with the private sector. Where there is no direct competition from the private sector, public sector organisations are subject to productivity measures against benchmarks to justify the best use of tax payers’ funds. Managerial accountability becomes the centre piece of the construct where accountability is defined in terms of inputs, outputs and outcomes in financial terms (Parker & Gould 1999). Performance and accountability measures are transported from the private sector to help public sector managers to measure and communicate their performance to various constituents. The increasing importance of managerial accountability attracts private sector managers into the executive positions of public organisations. These managers bring with them the performance management best practices from their training, industry experience and professional associations.

Broadbent and Guthrie (1992) highlighted how the central focus in the public sector has shifted from accountability and auditing (probity, compliance and control) to managerialism (efficiency, effectiveness and cost savings). Luke (2010) discussed five dimensions of accountability in the state-owned enterprises in New Zealand: managerial (strategic decisions, performance measurement and reporting), political (parliamentary enquiries), legal (various Acts), professional (various professional codes of conducts and regulations), public (media reports and news analysis) and personal (a sense of social and ethical responsibility). These accountability dimensions are equally applicable to many public sector organisations under the NPM paradigm. She argued that careful attention should be directed toward separating and balancing the boundaries of these accountability notions and the multiplicity of accountability needs to acknowledged and respected by all stakeholders so that the public sector can operate as intended by the reforms.

The simultaneous existence of multiple stakeholders with competing demands makes the NPM a multidimensional construct. The construct may differ between various public sectors within and between countries. Lapsley (2008) studied the diversity of NPM constructs and classified them into two broad categories: change elements and mechanisms of change. The ‘change
elements’ include delegation of higher level authority to public sector managers in return of their entrepreneurial skill and accountability. Public sector managers are now simultaneously held accountable to ministers and the public (the press, lobby groups and individuals). These managers aim for a balance between serving the community and becoming financially self-sustainable. The rationalisation, lay-offs and strategic directions are largely delegated to the public sector managers. The ‘mechanism of change’ refers to the selection of specific modes to transform the public sector. Structural reforms, financial incentives and development of KPIs are the primary mechanisms to bring and manage public sector changes (Lapsley 2008). The nature of NPM-led public sector management reform depends on the balance between various stakeholders’ demands and the chosen mechanism to bring about change.

2.5 Role of accounting in NPM-led public sector reform

NPM is not only a driver of organisational change, but it is also a facilitator of change in the public sector. Accounting is an integral component of the changing nature of accountability and reporting in the public sector. The NPM-led reform process influences financial reporting, managerial accounting and auditing practices of public sector organisations. Guthrie (1998) reflected on the impact of accrual accounting reform in the Australian public sector. He found little evidence to explain how accrual accounting, in comparison to the previous cash-basis accounting, better addressed complex public sector accounting issues such as the allocation of support department (non-core activities) costs to operating departments, measurement of joint costs and tracking the cost of various government services. Yapa and Ukwatte (2015) showed how lack of managerial capacities, political influences, and corruption affected the transition from cash-basis accounting to accrual accounting in the Sri Lankan public sector. Nagirikandalage and Binsardi (2015) found that politicisation of the public sector, bureaucracy and cultural factors influenced Sri Lankan public sector accounting reform. Goddard and Mzenzi’s (2015) research on Tanzanian local government authorities found that utilisation of accounting practices such as budgeting, financial reporting and performance measurement were primarily aimed to secure organisational legitimacy. This helped local government authorities secure financial resources and support from the central government.

Parker (2013) shows how publicly funded universities have adopted a NPM platform to address the challenges posed by globalisation of education, competition in the tertiary market, decreases
in government funding, increasing expectations for providing education to a larger population and becoming export engines for the country. Universities around the world have adopted the NPM model to manage teaching, research and income. The NPM’s philosophy of financial sustainability in program offerings, market driven product design, income-based research priorities and investments, quantitative performance measures (journal ranking and citation records) and operational efficiency (in the form of rationalisation and cost minimisation) has become an inherent part of the strategic direction of universities. Globally, the public sector tends to find private sector management control tools useful as the focus on stewardship of resources and social value has shifted to a focus on efficiency in resource usage and financial sustainability.

Accounting becomes a prominent form of language in the NPM construct of the public sector. Accounting is involved in the financialisation of an organisation’s objectives and development of its key performance indicators (Parker 2013). Accountability is communicated through measurement and evaluation of financial results, cost management, productivity and self-sustainability. Strategic planning, budgeting, financial control, cost minimisation, product profitability, revenue centres, profit centres and benchmarking become a common language in the management discourse (Guthrie & Parker 1998; Dixon, Kouzmin & Korac-Kakabadse 1998; Parker & Gould 1999). Accounting is not just used for recording transactions and providing accounts of how resources are utilised; it is increasingly used to direct strategy, behaviour, process, and outcome of public sector organisations. Accounting information becomes a dominant language of the accountability structure of universities. For example, the introduction of new courses and programs in the universities are primarily decided on potential enrolment numbers and the resulting profitability.

Jackson and Lapsley (2003) identified the use of three broad accounting technologies in the UK public sector: performance measures (KPIs, Balanced Scorecard), budgets and cost measures (target costing, ABC and strategic cost management). They found evidence that while the adoption of new accounting technologies are attributable to statute, regulation and external pressures, the diffusion of such knowledge was not facilitated by any formal strategy or structure. Rather, the diffusion has heavily relied on the senior financial managers through their technical knowledge, training and professional networks.
2.6 Public sector management accounting reform

There is a strong interest in accounting research to investigate public sector issues such as accountability, reforms and effectiveness. The complex and dynamic construct of the public sector offers exciting research opportunities (Lapsley & Skaerbaek 2012). There is a global movement toward public sector reform and research on its effects are emerging. The interface of the new managerial culture and spheres of political influence create tensions in public sector management and complicate the meaning and scope of accountability within and beyond public sector organisations (Lapsley & Skaerbaek 2012).

Though there is increasing interest in public sector accounting research, the number of publications is still limited in its scope and geographical coverage. Helden (2005) found that 13% of the publications in five accounting journals’ research papers were associated with public sector research. The North American leading accounting journals (such as the Accounting Review, The Journal of Accounting and Economics, The Journal of Accounting Research, The Journal of Management Accounting Research and Contemporary Accounting Research) were not included in this review as these journals rarely publish public sector accounting research. Helden’s (2005) review found only 8% of papers related to countries outside Europe, Australia, New Zealand and America. Public sector accounting research is also concentrated in few areas such as health care, education, school and local government. There is very limited research on central government units and banking regulators. Performance measurement and cost management are the most dominant areas in public accounting research (Helden 2005; Scapens & Bromwich 2001).

Liguori (2012) investigated the role of intra-organisational dynamics in explaining the implementation of public sector reform initiatives. She found that employee agreement (with the new ideas and conditions), transformational leadership and technical capabilities were necessary tools for successful implementation of radical accounting change (shift in structures, systems, ideas, beliefs and values). Lapsley and Pallot (2000) provided evidence of practice

7 The five journals are Accounting Auditing and Accountability Journal (AAAJ), Accounting, Organisations and Society (AOS), European Accounting Review (EAR), Financial Accountability & Management (FAM); and Management Accounting Research (MAR).
variation in NPM-based organisational and environmental changes in four local government organisations in Scotland and New Zealand. There was evidence of institutional isomorphism in Scottish local authorities. The management of these local public organisations adopted new structures and practices in order to portray themselves as rational and modern organisations. Accounting information was mostly disconnected from shaping policy agendas and played little role in changing management practices. In contrast, accounting was placed at the centre of public sector reforms and used a key driver for economic efficiency in New Zealand. Accounting was not used just as an external legitimising device; rather it was internalised in all parts of organisational life.

Brunsson (2002) found the existence of dual decision making models in the Swedish governmental space responded to the institutional demand for NPM and to emergent political issues. Management by Objectives (MBO) was introduced by Swedish government units to promote accountability and facilitate political decisions based on information generated from government agencies. However, the MBO model and associated information regarding the effectiveness of agencies in achieving their objectives did not have any significant influence on political decision making processes and policy formulation. Instead, he found that governments often rely on a reactive model to address emergent national issues on an ad hoc basis. The MBO and reactive models were simultaneously in operation as it helped political leaders adhere to institutional notions of management as well as maintain the flexibility for addressing the emergent issues of political interest.

Chenhall and Euske (2007) studied organisational change through a MCS reform by investigating the implementation of activity-based cost management in two military organisations in Australia and the Unites States. They drew on the Huy’s (2001) model which proposed four modes of interventions: commanding (formal structure), engineering (work processes), teaching (guided learning culture) and socialising (social interrelationships). The evidence showed that the management control reform experienced a life cycle where it had an initial adoption stage, a subsequent reaction stage where users discovered a lack of benefits and, finally, a renewal stage. They argued that changes evolved over time as organisational actors respond differently to these modes of change and the success of MCS-led reforms depended on the capacity of an organisation to transform and adjust through these different modes of change.
Broadbent and Guthrie provided two extensive reviews (1992 and 2008) of public sector accounting research. In addition to informing the accumulated knowledge, these two reviews addressed the trend and changing trajectory and demand of public sector accounting research. They highlighted the importance and benefit of contextually focused research in the public sector. They classify the public sector accounting research literature into three streams: (i) technical accounting; (ii) technical contextual accounting; and (iii) contextually technical accounting. The first stream of research shows how accounting is a powerful force for change and perceives the context within which it exists as less influential. The second stream shows accounting as a powerful promoter of change, however, it recognises that context can influence the implementation and process of change. The final approach considers the context as the primary focus and seeks to examine how technical accounting influences the organisational forms and practice in such context dominated constructs.

There is a common concern that the social side of the organisations in question is being neglected while studying the introduction of new accounting technologies (Broadbent & Guthrie 1992). Ignoring the social side may prompt introduction of accounting reforms which are at odds with the prevailing organisational culture. This may explain why research is often pessimistic about the extent to which the changes achieve their objectives. A seminal paper by Burchell et al. (1980) signalled the fact that accounting is implicated in social and organisational practice. Rather than looking at the procedures of accounting in technical isolation, more attention needs to be placed on how accounting influences and is influenced by organisational culture, social norms and institutions (Broadbent & Guthrie 1992).

This research addresses the social perspectives of management accounting reforms in the public sector. The influence of local political institutions and public sector culture on the implementation of a new PMS at the BB was examined. The investigation was not confined to a compliance matrix where the actual practice were compared with a standard reporting template. Rather, an investigative approach was pursued to explore how and why actual practice corresponded and deviated from the prescribed norms. The explanation of actual practices focused on how any compliance or deviation can be explained by the organisational, political and social interests. The investigation aimed to understand the possible existence of broader social and political institutions which influence how management control was practised within the BB.
2.7 Performance management in the public sector

The public sector has increasingly come under pressure to become more efficient and effective in providing services to the public. Since its journey in the 1990's, the NPM philosophy has large implications for the operation of public sector organisations. The public sector has been subject to various private sector management techniques and the adoption of a market system in providing public services. Increasing attention was directed toward the design and implementation of performance measures and management systems within public sector reforms (eg. Johnsen 1999; Kloot & Martin 2000). The performance management of public sector organisations constitutes a major component of NPM.

The topic of performance measurement of an organisation and its employees has its origin in the separation of ownership and management. The proliferation of capital markets as a source of capital places heavy emphasis on the information needs of the shareholder-owners. Traditionally, financial information constitutes the major thrust of performance measurements of organisations. Researchers then started to explore and highlight the importance of non-financial information for meeting the needs of various stakeholders, such as customers and employees. Rather than focusing on the end results, such as profit or market share, attention was directed toward the process of creating and sustaining competitive advantage in the business environment. This has led to the development of multidimensional performance measurement and management frameworks of organisational performance (Kaplan & Norton 1992, 1996).

Brignall (1993) and Ballantine, Brignall and Modell (1998) discussed the potential of multidimensional PMS in public sector organisations to reflect the interests of a wide range of stakeholders. Chang (2006) examined how managers responded to the introduction of a multidimensional performance measurement system in two local health authorities in the UK. They found that the system has limited impact on the improvement of local health service delivery as the performance indicators did not fully reflect the organisational functions and needs of the local constituents. However, local managers incorporated the performance indicators into their operations in order to seek legitimacy from the central government. They found evidence of unethical practices when local hospitals reduce the waiting time period by focusing on large numbers of small surgeries and delaying complicated cases.
Kaplan and Norton’s (1992) ‘balanced scorecard’ identified four perspectives which drive organisational performance: financial, customer, internal process and learning. The basic argument is that competitive position depends on how an organisation can excel in managing innovative processes, products and people. While the financial perspective is easier to determine, it is rather an end product of efforts which involves innovation in products and process. The challenges of multidimensional performance measurement models are to balance financial and non-financial performance measures.

The important question is then how the multidimensional performance management tools are suitable for public sector organisations. Public sector managers face multiple constituents with complementary and sometimes competing interests and demands. Public sector managers simultaneously face commitment to budgetary constraints and provision of social goods. Existing research mostly looked at the technical rationality of performance measurement models, while power relationships and political bargaining processes have received limited attention (Markus & Pfeffer 1983; Baier, March & Satren 1986). Ittner and Larcker (1998) have called on researchers to pay attention to the social processes of the implementation of performance measurement models in the public sector. Brignall and Modell (2000) also highlighted the need to shift the attention to the power and influences exerted by different stakeholders.

The presence of a large number of stakeholders and the multiplicity of performance dimensions make the performance management of public sector organisations a complex construct. Brignall and Modell (2000) considered three broad constituents in developing a performance measurement framework for the public sector: purchasers of public services, fund granting bodies and professional public sector managers. They argue that the actual performance measurements depend on the relative strengths and bargains struck between these constituents. In the case of conflicting interests and agendas of the constituents, the professional managers may decouple the performance measures as a strategic response to the interests of the three groups of stakeholders in the overall control of the organisations.

Using Oliver’s (1991) framework of strategic response to institutional pressures, Modell (2001) investigates how senior managers of a hospital implemented reforms in the public health care sector in Norway. He found evidence of both legitimacy seeking and efficiency enhancing rationales in the implementation of performance measurement reforms. The strong beliefs and
interests of the general managers also played a significant role in mitigating the challenges regarding the measurements and coding associated with the national health system reforms. Though the aim of the new cost indices was to allocate government grants, the senior managers decided to use it for internal resource allocation and control in the case hospital. It was also seen as an opportunity to portray a better image and favourable budgetary dialogue with the government as the hospital achieved a high cost efficiency score in the index ranking.

Rkein and Andrew (2012) investigated the implementation of an output-based performance management system in the government agencies of the Northern Territory of Australia. They found evidence that resource allocation and funding were primarily driven by social responsibility and a political negotiation process. The socio-economic context and non-competitive setting of the Northern Territory government agencies did not suit the market-based economic imperatives for the provision of services to the people.

Munir, Baird and Perera (2013) found that while increasing competition and pressure to improve performance motivated the change to PMS of a large state owned commercial bank in Pakistan, the most influential change agent was the bank’s newly appointed independent board of directors and president. These leaders clearly signalled the intention to have a more commercial orientation and appointed departmental heads who were capable and willing to implement the change.

Yang and Modell (2013) analysed how a manager of a Chinese local government unit implemented an organisational change initiative by balancing moral and merit-based conceptions of performance. The moral-based perception of performance was based on personal likings, helping the supervisors and peers in their personal works and gift giving. These acts have long been embedded in the Chinese way for building relationships and reputations in work place. The existence of personal likings and respect coupled with the communist principles of equality and collectivism build a culture where modesty and humble attitude may have more influence than high level performance. The manager demonstrated the successful application of merit-based conception of performance by attaining high raking in a league table of local government units, reducing corruption, discouraging gift giving practices, establishing accountability structure and introducing customer focused work practices. At the same time, she was able to sustain the moral-based notion of management by showing genuine concerns for staff wellbeing, sending employees to overseas countries for training and exchange.
programs, free medical check-ups and declining official recognition for obtaining high ranking in the league table. However, she was later transferred because of conflicts with the board regarding her decision making processes and some of the commercialisation initiatives. While the compromise between moral and merit-based conception of performance worked well for a period of time, the journey came to an end when the manager failed to maintain a balance to nurture critical power relationships.

Modell (2004) discussed how various conceptions of performance measurement in the public sector act as organisational myths. He argued that an understanding about the implementation of performance measurement reforms requires analysis of the interplay between new and old myths. The interplay between competing myths, which are constructed by the institutional environment and actions of the organisational actors, determines how old myths are challenged and subsequently reconstructed or replaced by new myths. He built this argument by reviewing literature on the implementation of a multidimensional strategic performance measurement model (Kaplan & Norton 1992) to replace the financial, control and other efficiency-based performance measures in the public sector. Research shows that public sector managers may continue to pursue the financially oriented performance measurement agenda while paying symbolic attention to the emerging myths built into multidimensional models such as the Balanced Scorecard (Modell 2004; Lawrence & Sharma 2002). Thus, competing myths regarding the conception of performance measurement may co-exist and the managers of public sector managers achieve a balance between the expectations of the different constituents to manage performance.

While private sector performance management techniques are an integral component of NPM-based reform, its effectiveness depends on how it negotiates the different settings and institutions within which the public sector is constituted. The shareholder-manager based agency construct does not reflect the public sector domain. Public sector managers are accountable to a wide range of stakeholders. As the banking regulator of a developing country, the BB needs to negotiate a crony political environment, concentration of corporate ownership within a few powerful groups, a fragile legal system and the reform agendas of international development agents such as the World Bank. Thus, an understanding of the implementation of a new PMS in the BB needs to consider how its managers have negotiated the pressures of multiple constituents. The multiplicity of public sector managerial accountability, coupled with
the political environment of a developing country, influence the way a new PMS works in the BB and how the actual practice corresponds to the intended objectives.

2.8 Accounting and accountability in the public sectors of developing countries

The mainstream accounting research journals have limited coverage of management accounting research in developing countries (Alawattage, Hopper & Wickramasinghe 2007; Mimba, Helden & Tillema 2007). This leads to limited understanding about the way accounting and accountability institutions operate in these countries. This is problematic for few reasons. Firstly, the vast majority of the world's population lives in developing countries and the lack of research leaves their accounting needs unknown (Alawattage, Hopper & Wickramasinghe 2007). Secondly, western developed countries are important development partners of developing countries. Research regarding accounting and accountability in these jurisdictions will inform the effectiveness of aid and foreign investments in developing countries. Thirdly, accounting and accountability can play an important role in the economic and social development of developing countries. The globalisation of trade and business has made corporate and institutional governance a global challenge.

The 1980's saw a change in public sector management philosophy from central political control to decentralised local managerial autonomy. The international donor agencies, often representing the prescriptions of the western developed donor countries, directed developing countries toward privatisation, market orientation and NPM. The aim was to reduce the role of the state in the provision of goods and services and to encourage the private sector to take an entrepreneurial role in promoting and sustaining businesses. There is a significant growth of NGOs as donor agencies recourse to NGOs, rather than government agencies, for the delivery of many public projects (Alawattage, Hopper & Wickramasinghe 2007).

The study of management accounting in developing countries is important as the institutional settings of these countries are different to those of many developed western countries. Investigation of an institution of a developing country provides knowledge about the operation of a management accounting tool in a different context. Management accounting needs to be studied within such contexts as a lack of democracy, political influence and corruption prevails.
in many developing countries. Alawattage, Hopper & Wickramasinghe (2007) argued that the fight against corruption in developing countries should be embraced by international development organisations, developed countries and western accounting bodies. They argue that multinational organisations, banks and international capital markets bear an ethical responsibility toward transparency regarding taxes due in local environments, sanctions for corrupt businesses practices, illicit flight of capital overseas and environmental degradation.

The United Nations (2016) classified countries within North America, Europe, Japan, Australia and New Zealand as developed countries, with the remaining countries labelled as developing countries. Mimba, Helden and Tillema (2007) identified four distinctive characteristics of the public sector in developing countries which differentiate them from those of the developed countries: (i) low institutional capacity; (ii) limited involvement of stakeholders; (iii) high level of corruption; and (iv) high level of informality. These characteristics of the public sector clearly indicate that the NPM experience of the developed countries cannot be automatically assumed when such reforms are initiated in the public sector of developing countries. Research needs to explore how these institutional characteristics interact with an NPM oriented reform agenda. This knowledge can explain how accounting-based management control reform is implemented in public sector organisations in developing countries.

In their review of management accounting research in developing countries, Hopper et al. (2009) classified research evidence under three regimes: colonialism, state capitalism, and market capitalism. Colonial regime was characterised by coercive control and headquarter regulations to enhance domination of colonial settlers and entrepreneurs. Under state capitalism, major industries were nationalised and the state allocated funds to public enterprises. Banks were nationalised and large state owned enterprises were created with boards nominated by ministers. Most developing countries had this structure after gaining political independence from the colonial powers. On this platform, central planning and budgeting are the main control mechanisms. State intervention in the management control of nationalised commercial entities was usual practice. State capitalism had quickly been subsumed by political powers in developing countries. Politicians and senior public sector managers colluded to pursue self-interests at the expense of organisational intent. Hoque and Hopper (1994) provided evidence that promotion decisions favoured employees supporting the government party over employees who supported opposition parties in Bangladesh. Trade unions have direct links with
the national political parties and have been often involved in violent disruptions in workplaces. This limits the ability of public sector managers to exercise management control.

Market capitalism in developing countries was primarily introduced by international donors and development organisations such as the World Bank and the International Monetary Fund. It prescribed that developing countries withdraw state control over production, pricing and imports. Privatisation was at the top of the agenda of the World Bank-led reform initiatives in the developing countries. Though there was significant concern about the process and effect of privatisation, a large number of developing countries followed the privatisation prescription and reduced their state ownership in financial and non-financial commercial ventures. A major component of the neoliberal market economy model is the reform of regulatory organisations to strengthen their capacities to support private sector developments. In terms of accounting practices, information about public sector performance and overall accountability remains limited due to low institutional capacity and corruption in many developing countries (Mimba, Helden & Tillema 2007).

Transparency International’s Corruption Perception Index has found evidence of high levels of corruption in many developing countries. Corruption is sustained by low public sector transparency, limited freedom of speech and lack of democracy (Hopper et al. 2009). Everett, Neu and Rahaman (2007) found that accounting research has ignored corruption and its impact on private and public sector accountability. Accounting practices of the western world are often brought to the developing countries by transnational governance agencies, international professional associations and consulting firms (Hopper et al. 2009). Sharma and Lawrence (2009) investigated World Bank and Asian Development Bank sponsored reform initiatives in public sector housing and telecommunication organisations in Fiji. They found that while the reform brought structural changes and a commercial business orientation, the organisations were distanced from their original purpose of assisting poor people with housing needs and telecommunication needs. The authors questioned the validity of using narrow economic performance measures such as financial profitability as the remedy for public sector inefficiency in developing countries. A large proportion of the country’s population, who live below the poverty level, are not served by the commercially focused reforms.

In a longitudinal study of a Sri Lankan telecommunication company, Wickramasinghe, Hopper and Rathnasiri (2004) showed how the conflicts between two management control ideologies
led to the removal and revival of bureaucratic management control. The telecommunication company was partially privatised by selling 35% of its shares to a Japanese telecom, NTT. After the partial privatisation, a new Japanese chief executive officer introduced management control reforms (such as a new performance evaluation system and organisational restructure) to Sri Lankan Telecom. Initially, Japanese management were successful in eliminating bureaucratic control and established effective control over operations and investments. However, the organisational changes were short-lived as managers committed to the previous regime and politicians frustrated with their limited role in organisational affairs of the telecom were able to replace the Japanese CEO with a bureaucrat committed to restore previous rules.

Akbar, Pilcher and Perrin (2012) utilised a survey questionnaire to senior managers of Indonesian local government units to investigate the implementation of a PMS. They found that while regulatory requirements were the primary reason for developing performance indicators, there was a significant relationship between managerial use of performance indicators and commitment of top level management.

Tambulasi (2007) found that NPM-based management accounting reform in Malawi local government units had initially resulted in increased managerial autonomy and reduced political control. Politicians responded by engaging in interference, sabotage and corruption to regain their lost control. Public sector managers tried to maintain the higher managerial autonomy by seeking central government intervention and colluding with the local politicians in corrupt activities. The study shows how the social, political and cultural environment of a developing country can affect the practice of an international best practice management accounting tool.

Alawattage, Hopper and Wickramasinghe (2007) argued that professional accounting bodies, businesses and researchers should embrace an ethical and humanitarian responsibility to contribute the development of accounting and accountability institutions in developing countries. Foreign aid alone often fails to achieve its intended outcome due to political corruption and ineffective governance institutions (Alawattage, Hopper & Wickramasinghe 2007). Accounting can play an important role in strengthening the accountability and governance practices in developing countries. Developing countries can be benefitted from effective implementation of international best practices in the areas of management control, accurate costing, cost management, performance management, innovation and strategic management.
The accounting expertise in order to utilise sophisticated accounting tools is limited in many developing countries. Triest and Elshahat (2007) found that knowledge of advanced accounting techniques such as activity-based costing concepts are largely unknown in a country such as Egypt, and costing information is rarely used in performance measurement, process improvement or cost reductions. The advancement of internet technology and globalisation of business and academic institutions have created the opportunity to transfer accounting knowledge from the developed West to many developing countries (Alawattage, Hopper & Wickramasinghe 2007). International development organisations such as the World Bank and research focused leading universities in developed countries can make a real difference by informing and developing governance and accountability infrastructure in developing countries. Their role of diffusing accounting knowledge is vital to the welfare of large number of people in developing countries (Alawattage, Hopper & Wickramasinghe 2007).

Many developing countries, including Kenya (Nyamori & Gekara 2016), China (Shirley & Xu 2001) and Bolivia (Mallon 1994) have embraced public sector financial reforms in the areas of performance management, budgeting and reporting systems. In spite of the greater importance placed upon the performance management of public sector organisations in developing countries, the research evidence in this area is rather opaque. For example, Nyamori and Gekara (2016) argued that majority of research about performance management in public sector organisations of developing countries was conducted by the World Bank and they often utilised a ‘board-brush country surveys’. These studies often do not offer deeper insights into the implementation experiences and outcome of performance management reform at individual country and public sector organisation level. They also argue that most of these studies are primarily normative providing prescriptions of how performance contracting should be implemented (e.g., Allen et al. 2003).

Nyamori and Gekara (2016) investigated how the introduction of performance contracting affects the formation of social capital (shared ethics, norms and attitude derived from networks of social relations) in the Kenyan public sector. They found that the reform was frustrated by networks of patronage and corruption. Sutheewasinnon, Hoque and Nyamori (2016) studied the different stages of the development of a performance management system in the Thailand public sector. They observed that different institutional pressures and strategies of agents influenced each stage of the development of PMS.
Goddard, Assad, Issa and Malagila (2016) found evidence of loose coupling in the performance budgeting reform in a Tanzanian central government where measurement of performance were perceived as complex and performance was reported based on inputs rather than outcome/impacts. While investigating the effect of upward accountability in the NGOs in Ghana, Agyemang, O’Dwyer, Unerman and Awumbila’s (2017) study revealed tensions between perceptions of external control and the learning logics within performance reporting processes. Despite donors’ encouragement, field workers of NGOs were reluctant to report performance with contextual information due to perceptions of a lack of funders’ reciprocity. Bobe, Mihret and Obo (2017) investigated the introduction of balanced scorecard in a public sector heath organisation in Ethiopian. While the objective of the reform was to emphasise a balance between planning and performance monitoring within the health sector, they found that actual implementation primarily utilised the balanced scorecard for strategic planning.

These public sector studies contributed significant knowledge about how performance was managed at organisational and department level in developing countries. An important element of performance management is how it creates incentives and control over individuals within an organisation. This research utilised a field-based qualitative methodology to investigate a performance management reform at a micro (individual) level in a developing country. This thesis contributes to existing accounting literature by providing empirical evidence about how the socio-political agents and traditional bureaucratic institutions moderated the effect of a World Bank-initiated performance management reform at an individual level.

2.9 International development organisations

Bartley (2007) investigated how certifications from the transnational private regulatory institutions emerge and operate in the field of clothing and timber. He utilised two approaches to explain the influence of the certification: the market-based view and the political embedded view. In the market-based view, the design of certification systems aims to enhance firms’ reputations, provide credible information to consumers and create competitive advantages. In the political-institutional view, states, NGOs, consumers and social movements are key players in the development and legitimization of certification. The initial stimulus for certification comes from the firms’ effort to achieve legitimacy in the wake of boycott and sweatshops allegations
from western buyers. However, their effort did not result in sustainable regulation. This motivates the NGOs and government to act on establishing regulation. There was interaction among domestic politics, international political developments, NGOs pressure, increasing consumers’ awareness, and neoliberal ideology in shaping the form of regulation. The eventual development of a private transnational certification arrangement is a mechanism which is a compromise between the interests of many actors involved in the field.

Buthe (2010) argued that the effective implementation of transnational regulation requires a reasonable level of institutional capacity at local country level that exists in advanced western democracies but is often absent in many developing countries. This raises doubts about the effectiveness of transnational regulations in developing countries. Buthe’s (2010) review of literature showed that most actors representing the demand and supply side of the transnational regulations are located in industrialised western countries, whereas most of the targets of such regulations operate in developing countries. Some critiques view transnational regulations as a facilitator of a new form of economic colonialisms (Petras & Veltmeyer 2000).

The role of controversy and export dependence as contributing factors to the rise of certification is well documented in accounting research literature. Bartley (2010), however, argues that a deeper understanding of the socio-political construct is necessary to unfold the full story about the adoption and implementation of certification. He found that certification has not become an important form of social and environmental governance in Indonesia despite efforts from international organisations. His analysis suggests that the prominence of forest certification is not conditioned by the destination of exports only. The local land policies and political practices have important implications for the actual use of certifications. For example, corruption and land use policies that support short term profit maximization has resulted in lower certification practices in Indonesian forest products firms. In the apparel sector, a weaker form of an industry initiated certification system is prevalent in place of more comprehensive labour standards. Because of a fragile legal system and inadequate inspection of labour condition by the government agencies, the actual implementation of certification is limited in Indonesia.

The increasing globalisation of trade and connectedness of states have contributed to the emergence of a new global platform of governance. Ruggie (2004) defined the new global public domain as a broader transnational arena of dialogue and contestation between non-state and state actors to produce global governance. He explained the proposition by discussing the
growing significance of global corporate social responsibility initiatives as a result of the dynamic interplay between civil society groups, consumers, multinational corporations and states. As a result, a new professional compliance and reporting industry has emerged that certifies business ventures for compliance with transnational regulations such as the Global Reporting Initiative.

Transnational development and finance organisations such as the World Bank and International Monetary Fund are increasingly involved in the development of physical infrastructure, regulatory frameworks and the private sector in developing countries. Transnational development organisations are increasingly partnering with national governments, NGOs and local consumer groups to establish governance institutions in developing countries. Some research evidence is available on the influence of the transnational regulations (through certifications) on export-oriented industries (apparel and timber) and production houses of multinational business in developing countries. However, the influence of international organisations on other areas such as financial sector reform is limited. This research aims to address this gap in research literature.

2.10 Conclusion

This chapter provides a review of public sector management accounting research. The meaning and scope of performance management have now captured a wide spectrum of factors which influence organisational activities. The contemporary notion of performance management considers the internal and external environments in which an organisation operates (Broadbent & Laughlin 2009). The success of any performance management reform depends on how it negotiates with national, organisational and professional cultures. The strategic orientation and goal congruence within PMS make it an integral part of organisational management. The relevance of this extended version of performance management for influencing managerial behaviour toward achievement of organisational goals is not limited to private sector business entities. It is now equally applicable to the not-for-profit and commercial public sector organisations.

Public sector organisations have been facing transformation with the change of political philosophy toward public sector accountability. The NPM has been reshaping the purpose,
process and evaluation of public sector activities. The traditional emphasis on social stewardship has been transformed to economic rationality with a professional management system. Accountability and authority have significantly transferred from political representatives to public sector managers. To facilitate and manage the changing nature of public sector accountability, a large number of private sector accounting techniques are now often implemented in the public sector. Accounting has become an important mechanism to influence public sector behaviour within a new accountability regime. PMS is one such management accounting technique which was instrumental in public sector reforms.

NPM has spread beyond the boundary of the western developed countries. The globalisation of trade and internet has connected people and businesses across countries. It is now well accepted that development and governance are global issues as much as they are national issues. International development organisations such as the United Nations, World Bank and International Monetary Fund are increasingly playing broader roles in developing governance and accountability structures in developing countries. The NPM-led reform agenda is implemented in developing countries with the sponsorship and direction of these development organisations and western donor countries.

This research focuses on the role of accounting in public sector reform in a developing country. This research project spans the areas of NPM, public sector accountability, transnational regulation and accounting in developing country. This chapter provides a systematic review of the existing research evidence in relation to public sector reform. Its discussion provides the context of this research project which helps to develop the subsequent data analysis and reflection. The literature review also informs how the research project sits within the existing public sector accounting research domain. The review identifies exciting research opportunities for exploring critical challenges in public sector management in developing countries. This stream of research has the potential to make a significant impact, as effective public sector services affect the wellbeing of majority of the world’s population.

There is very limited research regarding performance management in public sector regulatory and policy-making bodies. Regulatory institutions can play an important role in the economic development of developing countries. Effective regulations and their enforcement are critical to the development of the private sector and businesses in developing countries. International development organisations and western developed countries contribute significant resources to
the development of strong and effective regulatory frameworks in developing countries. Given
the importance of the public sector in developing countries and the resources invested in
developing their capacities, research in this direction offers great opportunity to understand how
reforms are implemented and practised. This research aims to contribute to this end.
Chapter 3: Theoretical framework

3.1 Introduction

A theory provides a conceptual framework for an organisational investigation and analysis. There is no single grand theory which can accommodate all organisational research settings and questions (Deegan 2009). The choice of a theory depends on the scope and objective of a research project. This research utilises a theory as a general guideline or point of reference in the investigation of a major management control reform in the BB. This thesis aims to extend theoretical understanding of organisational change by providing an analysis of how a new PMS travelled through a host of actors and interests embedded in the intra-organisational and external environmental spaces in a developing country context.

The BB operates in an environment which is characterised by a number of powerful local and international forces. These institutions often exert conflicting influences on the organisational structure and practices of the BB. The existence of multiple agents within the institutional environment of the BB requires a theoretical lens which is capable of not just explaining what control systems are in place but, more importantly, how the control structures and practices have been evolved, maintained and negotiated. The context and scope of this research project create a potential for NIT to inform its exploration of the institutionalisation process (Tolbert & Zucker 1996) of a management control reform in a large banking regulatory organisation in a developing country. NIT provides a theoretical platform which can analyse multiple institutional logics competing for primacy. This leads to a dynamic process of initiation, maintenance, disruption and reconstruction of institutional order in organisational life.

This chapter outlines how NIT suits the scope, analysis and contribution of this research project. NIT is recognised as a prominent theoretical tool in organisational studies. In a review of public sector accounting research in the mainstream qualitative accounting journals, Jacobs (2012) found that 25% of the theorised papers utilised NIT as a theoretical lens. Through its prominence as a useful theoretical tool in social science literature, NIT has been continuing to
appear as an evolving theoretical construct to assist in interpreting and understanding organisational actions and structures. This results in a dynamic theoretical model which is able to address diverse social and organisational contexts. For example, the rise of transnational private regulation and globalisation of trade requires a significantly different outlook in explaining how organisations are structured.

A vibrant debate and exploration within its own theoretical domain strengthens the foundation of NIT as a powerful tool to understand how organisations exist and operate. This chapter provides a summary of NIT in analysing organisational structures and processes. This discussion aims to serve three purposes. Firstly, it enables this thesis to capture the scope and varieties within NIT and their relevance to the current study. Secondly, it explains how this thesis positions itself relative to the existing NIT platform and which components of NIT have direct implications for this investigation. Thirdly, it provides an explanation of how this research extends NIT propositions and enriches theoretical understanding about how institutions interact within a large regulatory organisation of a developing country.

This chapter is structured in five sections. Section 2 provides a discussion about the conception of a theory and its role in academic research investigation. Section 3 provides a review of the developments within NIT and then explains their relevance to this research. This will be followed by a discussion of NIT expositions in relation to an institutional space which encompasses actors from both local and global environments. The chapter concludes with an overall reflection on the theoretical approach of this thesis.

3.2 Conceptual foundations of a theory and their significance to this study

The meaning and scope of theory, theorising and theoretical contribution are contested issues in accounting research (Deegan 2009; Llewelyn 2003). Hendriksen (1970) characterises theory as a set of conceptual and pragmatic principles which provide a general framework to understand a field. The Oxford Dictionary defines a theory as ideas or statements that offer an explanation for a group of phenomena. A theory is also a framework that helps to make sense of the social world and our experiences (Llewelyn 2003). This research adopted Hitt and Smith’s (2005) approach of utilising theory as base for understanding important relationships in organisations and society.
Deegan (2009) outlines a set of roles for a theory in accounting research. He explained that an accounting theory can explain or predict accounting practices in particular situations and their implications for stakeholders or it can prescribe what should be an ideal accounting practice in specified circumstances. The role of theory in management control research is to provide a framework of reference to investigate interactions between agents and interests operating within and outside (external environment) the organisation. The relational space within which internal managers interact with external pressures offers a challenging research agenda for organisational researchers. Unerman (2013) highlighted an explanatory perspective of a theory when he said,

‘[a theory describes] the way elements are believed to interact, or fit together, to explain how or why something in the empirical world works or operates in the way it is believed to.’

Scott (2005) argues that the development of institutional theory has been the collective effort of many researchers. He identified five roles of scholars in the theory development process: creator, codifier, carrier, researcher and advocate. A theory creation process involves tensions in existing relationships and a search for a new explanation. A codifier role identifies and organises key concepts, arguments and boundaries of a new theory into a comprehensive framework. According to Scott (2005), a codifier differentiates and positions a theory in the context of other competing theories. A carrier role involves communicating the theory to a wider audience through publication and consultation. Researchers can demonstrate the relevance of theory by utilising it to analyse and understand social constructs and practices. Lastly, an advocate defends and promotes theory in the context of criticisms. Thus, according to Scott, a researcher contributes to the development of a theory by performing one or more of these roles.

Through association with one or more of the above roles, the research community contributes to the development of a theory. Continuous engagement by researchers with these roles enables further development of a theory to explain social and economic relationships. This research acts as a ‘creator’ when it investigates the relationships between agents and interests in a management control reform which is characterised by transnational regulation, local crony capitalism and bureaucratic culture. It undertakes a ‘research’ role by applying NIT to explore
how a new PMS is applied and practiced in a traditional bureaucratic organisation. In the process, this research contributes new insights into the NIT literature by portraying an account of how institutions are negotiated by transnational, local, political and organisational agents in a developing country setting, which is largely unknown in the international accounting literature.

Mintzberg’s (2005) essay titled ‘developing theory about the development of theory’ provided an analysis about the scope of a theoretical contribution. He explains theory development as a series of activities which contribute to the development of knowledge. He believes that theory development is not limited to the formulation of explanatory models. Rather, it also includes formation of categories and typologies, exploration of relationships among actors and interests and then links them together to develop an explanatory framework. This research aimed at exploring relationships between intra-organisational, political and transnational institutions in the design and implementation of a major organisational reform. The research investigates how the implementation experiences confirm and contradict existing theoretical beliefs. Contradictions and unexpected data were investigated to explore new causal relationships. Highlighting the importance of the disagreement of data with established beliefs, Mintzberg (2005, p. 367) called researchers ‘to cherish anomalies’ as unexpected practices or outcomes that have the potential to lead to a theoretical breakthrough.

This section will now reflect on Llewelyn’s (2003) framework of theorisation to illuminate the potential theoretical contribution of this project. She discussed five levels of theorisation: metaphor, differentiation, concepts, setting and grand theorising. She lists these levels not in order of relative significance, but to reflect progressively higher levels of conceptual framing. Metaphors (Level 1) are descriptions through which people engage, organise and understand the world (Morgan 1983). Differentiation theories (Level 2) structure and communicate social realities in terms of pairings, contrasts and dualities (eg. presence-absence, public-private, objective-subjective). Level 3 theorising involves the introduction of new concepts to understand practices. This reflects new ways of thinking and understanding of social phenomena. Level 4 combines a range of differentiations and concepts to construct a broader framework to explain social and organisational patterns ad practices. Level 5 theorising is concerned with meta-narratives and persistent aspects of social life such as social institutions, culture and the distribution of power and resources.
A research project can make a theoretical contribution by focusing on any of these five levels. The scope of this thesis contains a number of these theoretical levels. Analysis of the experience of the employees in the context of the historical performance measurement culture in the Bangladesh public sector corresponds to a Level 3 theorisation. Investigation about the interface (relationship and interaction) between management control practices of the BB and its external environment (political interests and the World Bank) constitute a Level 4 theorisation.

Over-reliance on grand theories in empirical case studies may direct researchers to confirm prior understating and ignore new and contrasting evidence as it does not fit the existing theoretical framework (Llewelyn 2003). Humphrey and Scapens (1996) also argued that overreliance on a prescribed social theory risks directing many researchers to work within the theory and not to challenge it based on evidence based issues and questions discovered in a case. Knights and Collinson (1987) raised similar concerns when they observed that most accounting researchers were hesitant to revise grand theory using their findings. This research project adopted a case study methodology to provide ‘thick descriptions’ (Geertz 1973) of thoughts, beliefs and motivations of organisational members (Llewelyn 2003). This research project analysed individuals’ actions and experiences in a performance management reform by interviewing members of the BB.

### 3.3 NIT as the theoretical lens of the study

This section discusses the major themes of NIT based on a review of its use and developments in the accounting and management literature. NIT was utilised in a wide variety of accounting research over an extended period of time. The survival of NIT over an extended period of time has signified its ability to address critiques and remain relevant to researchers. The continuing relevance of NIT indicates its ability to accommodate and adjust to empirical findings which confirm and sometimes contradict some of its original premises. Highlighting the strengths of the theory in social science research, Scott (2005, p. 477) described:

'It is not a fly-by-night theory that is here today and gone tomorrow. It is not a boutique theory in which some academic entrepreneur declares his or her theory to explain … some limited domain of social behaviour.'
This section takes a broader approach of illuminating the various developments in the field of institutional theory. This thesis does not maintain any prejudice toward any particular branch within NIT. Rather, the aim is to utilise a wide variety of perspectives of the theory to construct a comprehensive point of reference to explore, understand and communicate a management control reform experience in a large regulatory organisation in a developing country.

3.3.1 Structural homogeneity

Organisations adopt structures that are considered legitimate in the external environment (Rodrigues & Craig 2007). The pursuit of such legitimacy brings structural homogeneity in organisations within a field (Meyer & Rowan 1977). DiMaggio and Powell (1983) described the process of homogenization as isomorphism that forces one organisations to resemble others. Dillard, Rigsby and Goodman (2004) defined isomorphism as the adaptation of an institutional logic, process and practice by an organisation. Institutional norms and processes are prevalent in most organisation fields which brings structural uniformity. Business school accreditation, global university rankings and journal rankings, for example, bring uniformity in the recruitment, promotion and research strategies within and across universities worldwide.

Institutional frameworks are often designed to bring homogeneity to organisational practices across national boundaries. The development and diffusion of international financial reporting standards (IFRS) expressly aims to bring comparability and uniformity in financial reporting processes and practices across national boundaries. Transnational regulatory frameworks such as quality assurance standards, global reporting indices, corporate governance guidelines, environmental management templates and social responsibility concepts tend to encourage organisational structures and practices to become increasingly similar.

The World Bank has initiated the CBSP in a number of developing countries to strengthen the regulatory capacity in their central banks. The components of the CBSP include functional reorganisation, automation of central banking services, implementation of a new performance management process, recruitment of staff with appropriate capabilities, improvement of banking supervision and implementation of international central banking standards of accounting and auditing. These reform components have resulted in apparently similar structures and processes in many central banks of developing countries.
3.3.2 Mechanisms of institutionalisation

Institutional researchers have explored the processes through which social expectations are institutionalised in organisational structures and practices. DiMaggio and Powell (1983) discussed three mechanisms which make organisations similar: coercive, mimetic and normative isomorphism. Coercive isomorphism represents structures and practices which are imposed on organisations by external authorities. Government regulations in the areas of environmental performance, factory conditions, minimum wages and board structures are examples of this category. This coercive imposition of structure may also be associated with resource dependency on banks, development organisations and donor countries. For example, Islam and Deegan (2008) described how the multinational buying houses forced the local Bangladeshi clothing manufacturers to comply with environmental regulation to address the concerns of the consumers of the western world.

Mimetic isomorphism takes place when organisations imitate the structure and process of another organisation recognised as successful in their field. Uncertainty about organisational goals, technology and environment encourages a firm to imitate popular innovations and structures to secure legitimacy by showing a commitment toward best practices (DiMaggio & Powell 1983). Normative isomorphism results from professionalisation of organisational members in their fields of expertise. Formal education of key actors (such as senior managers) creates a cognitive base that may influence how an organisation would be structured. For example, the membership of professional networks such as accounting and finance associations create an impetus to follow practices and processes recognised and approved by peers in the profession. Tolbert (1987) examined the socialisation of new organisational members in law firms to maintain task routines. He found that as the new members were selected from the same law school, a firm reduced its reliance on internal formal socialisation mechanisms (reviews and feedback) to maintain task routines. The training in a particular law school generated a cognitive base for work processes that remained unchanged when the graduates entered into a law firm where they worked with older graduates of the same school.

Scott (2001, p. 52) described three pillars of institutions: regulative, normative and cultural cognitive. The regulative pillar represents rules and monitoring that control organisational practices. The normative pillar refers to values that specify moral dimensions of social life. The cognitive pillar refers to the constitution of mental frames through which reality and meaning
are interpreted. Scott (2001) argued that each of these three pillars aim to achieve different sources of legitimacy. The regulative pillar secures legitimacy from legal authority; the normative pillar addresses legitimacy from societal morals and the cognitive pillar emphasizes legitimacy from a common frame of meaning.

Scott (1995) identified four carriers in which institutions are embedded. He defines symbolic systems as models, classifications, representations and logics. Relational systems are expectations connected to networks of social positions. Routines are patterned actions that reflect habits based on tacit knowledge and beliefs. Artifacts are objects and materials to assist performance of tasks. Scott’s (2008b) cross classification of pillars and carriers of institutions are presented in Table 3.1.

<table>
<thead>
<tr>
<th>Carrier</th>
<th>Regulative</th>
<th>Normative</th>
<th>Cultural-cognitive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Symbolic system</td>
<td>Rules, laws</td>
<td>Values, expectations</td>
<td>Categories, typifications</td>
</tr>
<tr>
<td>Relational systems</td>
<td>Governance systems, power systems</td>
<td>Regimes, authority systems</td>
<td>Structural isomorphism, identities</td>
</tr>
<tr>
<td>Routines</td>
<td>Protocols, standard operating procedures</td>
<td>Jobs, roles, obedience to duty</td>
<td>Scripts</td>
</tr>
<tr>
<td>Artifacts</td>
<td>Objects complying with mandated specifications</td>
<td>Objects meeting conventions, standards</td>
<td>Objects possessing symbolic values</td>
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Table 3.1: Institutional pillars and carriers (Scott 2008b)

These institutional forces are not necessarily mutually independent; rather multiple isomorphic mechanisms can operate simultaneously to address relevant stakeholders with divergent power and interests (Maroun & Zijl 2016). The concepts of these pillars and carriers were utilised to understand the institutionalisation process of the performance management reform in the BB. Scott (2008b) explains that the creation, maintenance and disruption of institutions are embedded into the various elements of institutional carriers and pillars.
3.3.3 **Motivation to adopt institutional norms**

Organisational research explores what motivates an organisation to adopt a particular structure and why organisational structures look similar in a field. Thomson (1967) attributed the choice of organisational structure to technological necessity. Institutional theory comes with an explanation that organisational structure reflects taken-for-granted expectations and norms of the wider environment. Organisational adoption of social norms can be independent of an efficiency-centric motive and primarily aimed to secure legitimacy from the relevant constituents.

Lapsley and Pallot (2000) provided a comparative analysis of differential motives in local government organisational changes in Scotland and New Zealand. The Scottish agencies were motivated to adopt new accounting structures to secure legitimacy by appearing as rational and efficiency-centric. The accounting reform was not embedded in organisational management practices. In contrast, New Zealand local authorities internalised accounting in all parts of organisational life and it became a key driver for economic efficiency.

Chang (2006) examined how local managers of health authorities in the UK incorporated performance indicators in their operations in order to seek legitimacy from the central government. Brunsson (2002) demonstrated how a Swedish government unit utilised dual decision making models to conform to conflicting institutional demands. Modell (2001) found support for both legitimacy-seeking and efficiency-enhancing motivations driving the adaptation of performance measurement reform in a Norwegian public sector health care unit. Developing countries often adopt international financial reporting standards to conform to the requirements of transnational development organisations such as the World Bank (Tyrrall, Woodward & Rakhimbekova 2007).

Organisations conform to institutional norms and practices to secure and manage legitimacy. This notion of legitimacy has been extensively investigated in institutional theory literature. Some of the dominant issues that have emerged from this literature are as follows:

- How do organisations manage and use legitimacy? (Greenwood el at. 2008)
- Which audiences confer legitimacy and what form of legitimacy is being conferred? (Scott et al. 2000)
Is legitimacy linked to performance? (Greenwood et al. 2008)

The Bangladesh banking sector plays an important role in the economic development of the country. As a regulator of a large banking sector of an emerging economy, the BB needs to secure legitimacy from a number of stakeholders. In a politically controlled regulatory environment, the BB needs to secure support from political agents. The BB also needs to conform to the prescriptions and reform agenda of international development organisations, such as the World Bank, as they contribute major foreign aid and development assistance. The growing number of professionals in the banking industry also creates a legitimacy requirement from local and international banking, accounting and business communities.

### 3.3.4 Response to institutional pressures

An interesting area in institutional research is how organisations respond to institutional pressures. Meyer and Rowan (1977) made distinctions between legitimacy-seeking behaviour and efficiency-centred rational choice. This led to the notion of decoupling where formal structure represents a symbolic compliance rather than an instrumental action. They stressed that organisations responded to institutional pressures by ceremonial conformity. Organisations appear to adopt structural change in response to institutional demands, but the actual work process is decoupled from it to take into account local circumstances and practical realities. Institutional researchers have documented decoupling of systems as a strategic response to address conflicting demands from multiple constituencies (Lounsbury 2008).

The notion of decoupling is further investigated within the institutional research domain. Modell (2009) provided evidence that the extensiveness of conformity with institutional demands varied across organisations. Rather than viewing decoupling as the norm of an institutional effect, institutional researchers began to perceive it as one among many responses (Westphal & Zajac 1994). Oliver (1991) argued that organisational actors may use variety of ‘strategic responses’ to institutional pressures. He classified organisational responses to institutional demand as conformity, compromise, avoidance, defiance and manipulation.

Institutional research provides evidence of varied conformity to institutional norms. Scott (2003) found organisations who respond to external pressures by ‘internalising’ the threat employ experts in dealing with the new issues. Hoffman’s (1997) study reflected this position
of institutional adaptation when chemical organisations created new departments and recruited environmental engineers to cope with emerging social expectations about corporate environmental accountability.

This thesis investigates how the BB responded to the management control reform agenda of the World Bank. While responding to the World Bank reform, the BB needed to strike a balance between the interests of actors operating within its broader socio-political environment. The direction of the implementation of the new PMS informs how the multiple actors and their positions of power interact to influence the performance management practices. Rather than assuming an automatic adaptation of the World Bank’s prescribed PMS, this research project envisioned varied responses to the elements of the new PMS to reflect the socio-political context of the local environment.

3.3.5 Institutionalisation over time

The creation, maintenance and disruption in institutions take place over time. The time of reference in a research setting is likely to have important implications for the interpretation of the institutionalisation process. Westphal and Zajac (1994) showed that changes in formal rules and structures that might seem ceremonial at first become more real over time. Scott (2008b) argued that vast majority of empirical studies using NIT rely on case studies involving only short time periods. This limited analysis of the historical processes underpinning the development of organisational change is a threat to adequately understanding how institutions are created and maintained.

This study takes a longitudinal approach to study the implementation of the new PMS in the BB. Interviewees often referred to the previous performance measurement routines to explain how they interpreted and practised the new PMS. The interviewees often reflected on how different leadership approaches influenced the BB’s management control practices over time. The interview data was analysed to explore how performance management reform and corresponding practices were maintained, changed and rebuilt over time. This longitudinal view explained how the PMS institution evolved over time and how the relevant actors continued to influence its structure to serve their respective interests.
3.3.6 NIT at an organisational level – a microdynamic perspective

Institutional research is often perceived as the theorisation of social norms which determine individual organisational structures. This position implies that members of an organisation follow institutional norms even if they do not support them (Zelditch & Walker 1984). Zucker (1987) criticised this over-imposing view of institutional theory and argued that members within an organisation influence the adoption, adjustment and practices of institutional norms.

Institutions represent a major source of influence for organisations within a field. However, institutional pressures are transmitted through a web of intra- and extra-organisational interest and agents. Thus, the actual response to institutional expectations cannot be assumed to be independent of the contestation that takes place between individual organisations and external constituents. The focus in NIT research has gradually shifted from a heavy emphasis on larger populations of organisations making up institutional fields as the main unit of analysis to pay greater attention to the role of individual organisations in such fields (Modell 2009).

Zucker (1987, p. 456) identified internal organisation as a source of institutions when ‘within-group processes’ and ‘routines/structures’ become taken-for-granted organisational norms. He described the propensity of within-organisational routines to become institutions as a function of: (i) the degree of formalisation of specific routines; (ii) the history of the structure; and (iii) the degree of embeddedness in a network of structures.

An organisational level analysis has the potential to explain the different ways institutional pressures are felt on the ground. Organisations may differ in the way they respond to institutional pressures. Institutional pressures are moderated, consulted and embedded in organisational activities (Lounsbury 2008). Rather than assuming an imposing constraint, Scott (2008a) called on institutional researchers to explore how institutions are addressed in individual organisations and how such practices transform social expectations and legitimacy. This level of analysis will inform the microdynamics of implementing institutional orders in individual organisations.

Public sector reform is often portrayed as a coercive imposition of best practice frameworks by regulators and resource providers. However, evidence about the implementation experience and practices of these frameworks within individual organisations is limited (Scott 2008a). There is
an opportunity for institutional researchers to inform the process in which individual organisations manage and respond to institutional pressures (Chiwamit, Modell & Yang 2014). The micro view of organisational processes informs how multiple, and often competing, institutions are negotiated by organisational actors through their strategic decisions and day-to-day operations. Rather than viewing organisational responses to external pressures in a ‘black-boxed’ construct, an organisational level analysis informs power distributions, conflicts and social life within an individual organisation (Ribeiro & Scapens 2006, P. 100).

This research utilised an in depth case study approach to penetrate how an international best practice PMS was implemented within a particular organisation. The BB provides a unique setting as the case unit represents both an organisation and a field. Given the focus of the study, it informs what happens within an organisation when it negotiates a major reform which is heavily contested by local political powers, historical work patterns of government sector of a developing country and transnational development organisations. This research opens up the ‘black box’ of implementation experience of an international best practice management control reform in an individual organisation.

3.3.7 Agents and interest

The initial NIT formulations highlighted the stability of institutional forces that structure organisations. The institutional environment was perceived as a deterministic force that can impose structural uniformity on organisations. However, the focus of institutional analysis then shifted toward the role of interests and agency in the creation, maintenance and disruption of institutions. For example, DiMaggio (1988) highlighted the importance of research efforts to shift from analysis of extant institutions to investigating the process of institutionalisation. This processual view of institutions informs the political efforts of actors and interests in shaping institutional norms (DiMaggio 1988; Lounsbury 2008). For example, DiMaggio (1991) provided an account of the political roles of actors in the development of institutional norms in art museums in the United States.

While institutions may bring stability to organisational structures, they are subject to continuous challenge and transformation from actors and agents. A major critique of institutional work is the absence of actors and agency in the construction, maintenance and transformation of institutions. Recent research using NIT encompasses, to a limited extent, the role of actors in
shaping, reshaping and creating institutional logics (Lounsbury 2001; Lounsbury, Ventresca & Hirsch 2003). The fact that the actors are themselves institutionally constrained creates a demand for a theoretical framework which can explain the sources of the actors’ power, opportunities and change initiatives which lead to an evolution, maintenance and re-emergence of institutional arrangements.

The sources of change in institutions are the contradictions within or among the institutions themselves (Sewell 1992). Seo and Creed (2002) identified four sources of contradictions within and among institutions: (i) inefficiency created by adopting institutional rules; (ii) inability to respond to the changes in the external environment; (iii) incompatibility between intra-institutional and inter-institutional norms and practices; and (iv) inability of the existing institutional arrangements to satisfy the interests of some actors who take action to change the current order. These actors then mobilise support and take collective action to bring about institutional changes (Seo & Creed 2002). The strength and speed of the institutional changes are determined by the intensity of the sources of contradictions. For example, the presence of a greater mismatch between the existing social arrangement and the interests of the powerful actors will trigger institutional change.

The understanding of organisational change is complex as it involves many actors, contexts and environmental implications. NIT as a theoretical framework offers a dynamic point of reference to explain the reasons for adopting management control reform, the process in which the reform was implemented, the way individual work life is changed and how the management practices are changed or unchanged during and after the reform. NIT is employed to incorporate multiple actors and interests into the organisational, social and transnational space to offer a processual analysis of what went through an organisation when an international best practice management control tool was adopted in a developing country regulatory context.

3.3.8 Institutional entrepreneurs and institutional work - linking individuals to institutions

The seminal work of DiMaggio (1988) on deinstitutionalisation and institutional change opened up a new area of institutional research. Institutional entrepreneurs are actors who have an interest in and ability to create new institutions or to transform existing ones (Maguire, Hardy
& Lawrence 2004). Institutional researchers had attributed such entrepreneurship to individuals (Maguire, Hardy & Lawrence 2004; Dew 2006), organisations (Dejean, Gond & Leca 2004), professions (Greenwood et al. 2006), networks (Dorado 2005) and social movements (Rao, Morrill & Zald 2000).

A dominant focus on individuals in creating, maintaining and disrupting institutions was theorised by Lawrence, Suddaby and Leca (2009) through their work on institutional work. They connected the lived experience of organisational members and institutions and argued that institutions structure and are structured by organisational actors. Battilana (2006) argued that some individuals secure power from the position they occupy in the society in order to influence institutional norms. Barley (1986) also provided evidence about the ability of individuals to produce and change institutional structures and practices. Researchers in this stream of institutional research shifted their focus from societal level structures to relationships between institutions and the organisations and their members. Highlighting the relevance of this approach of institutional investigation, Lawrence, Suddaby and Leca (2011) commented:

'An institutional work perspective attends more closely to practice and process than to outcome – asking ‘why’ and ‘how’ rather than ‘what’ and ‘when’.'

An emphasis on actors in the process of creating, maintaining and changing institutions was reflected in the analysis of interview data and documentary evidence in this research. Any deviation from the recommended PMS was investigated to understand the motivation, power and politics associated with management control practices. Whether the practices correspond to the recommended PMS model was not the primary concern of this research project; rather emphasis was placed on how and why practices deviated from the intended modes.

### 3.3.9 Institutional logic – multiplicity in institutional domain

Institutional logic is based on an inter-institutional framework which aims to explain how individual and organisational actors influence and are influenced by manifold institutions prevailing in their social systems. Thornton, Ocasio and Lounsbury (2012) argued that organisational actors are situated in multiple social locations with institutional orders emerging from family, religion, state, market, professions and corporations. These institutional logics
represent distinctive principles and practices and these can be competing for higher order acceptance by organisational members.

An institutional logics perspective locates institutions in multiple levels: individual, organisational, field and societal (Thornton, Ocasio & Lounsbury 2012). Organisational actors’ choices are conditioned by the constraints and opportunities provided by these multiple institutions (Friedland & Alford 1991). By taking a multi-level analysis, this framework illuminates the following issues:

- Who changes whom?
- Do the actors change structures or the structures change actors (Hernes 1998)?
- How do the institutions within and between multiple levels interact?

A multi-level research analysis about organisational change provides a rich account of how the managers and individual members negotiate, compromise and strategise with multiple institutions. Describing the relevance of a multi-level analysis in organisational analysis, Thornton, Ocasio and Lounsbury (2012, p. 14) described:

'Researchers that combine multiple levels of analysis in their research are more likely to observe a more accurate picture because, by observing across levels, they can see the workings of mechanisms and … the contradictory nature of institutional logics.'

The existence of multiple institutional logics may lead to different responses to institutional norms depending on the contexts within which organisations operate (Lounsbury 2008). Narayan, Northcott and Parker (2017) illustrated how two universities responded differently while supporting and addressing an institutional demand for research commercialisation. The two universities’ strategic responses to the commercialisation demand considered two competing institutional logics operating in the academic field: autonomy and accountability. The universities’ responses were shaped by their respective historical context, expertise in research and strategies, while demonstrating strong commitment to conform to the research commercialisation demand.
The BB operates in a large regulatory space where more than 100 banks and financial institutions are operating to support the banking needs of an emerging economy. The political culture and its influence over the regulatory functions create a tension between developing prudential regulation and satisfying the interests of the political agents. The influence of the bureaucratic culture of the public sector brings a historically embedded institutional logic. The World Bank and donor countries’ reform agendas need to negotiate with a variety of institutional logics operating in the local regulatory political space.

3.4 Nexus between national and global spaces – a new direction for NIT

Emerging economies like Bangladesh are increasingly connected to the global business world. Bangladesh earns approximately 76% of its export earnings from exporting garments to the USA and European countries (Islam & Deegan 2008). International development organisations such as the World Bank and the Asian Development Bank play an important role in the economic development of Bangladesh. These two organisations provided US$1.7 billion of aid to Bangladesh in 2015 respectively (Byron 2015). Foreign direct investment of US$2.2 billion was made in Bangladesh during 2015 (Rahman 2016).

Bangladesh’s dependence on foreign aid and investment creates a motivation for it to comply with the prescriptions of donor countries. Foreign aid and development assistance are often conditional on developing countries’ adoption of western-centric governance and accounting systems (Irvine 2008; Akisik 2008). Developed countries and international donor agencies have an interest in the development of social, economic and regulatory institutions in developing countries. In a recent visit to Bangladesh, the President of the World Bank urged Bangladesh to undertake reforms in the areas of institutional capacity, the tax system, anti-corruption measures, the judicial system, the nationalised banking sector and business infrastructure (Prothom Alo 2016a).

A globalised economy brings investment opportunities as well as challenges. As capital and trade increasingly flow freely across countries, the global economy is increasingly connected to the emerging economies. The Asian financial crisis of 1997 resulted in the loss of capital and confidence of international investors. The financial crisis eventually led to a movement toward a NIFA to establish stability and reliability in international capital markets (Singh & Newberry 2016b).
The NIFA is based on a premise that standardised structures would lead to increased accountability and transparency in business practices in emerging markets (Humphrey, Loft & Woods 2009). The diffusion of international best practice governance models, accountability mechanisms and financial reporting standards are part of this broader NIFA-based standardisation.

The World Bank had initiated the CBSP in a number of developing countries, including several South Asian countries (such as Bangladesh, India, Pakistan and Sri Lanka) during 2002-03. The aim of the CBSP was to strengthen the regulatory capacity of the central banks of these countries by establishing best practice performance management systems and automation of business processes. These central bank reforms represent both an initiative within the NIFA to encourage the international flow of capital and international development organisations’ agendas for economic and social institution building in developing countries.

A global accountability platform involves negotiation between local and international agencies (Ruggie 2004). The challenge for global governance is to establish best practice mechanisms within the contextual environments of developing countries. These countries’ political and regulatory institutions often exhibit different characteristics to those of the western world. This leads to a need to understand the way accounting and accountability institutions operate in developing countries (Alawattage, Hopper & Wickramasinghe 2007). Public sector accountability remains limited due to low institutional capacity and corruption in many developing countries (Mimba, Helden & Tillema 2007). For example, Brehm (2008) found that financial sector reform in China suffered from contradictory regulations, directed credit control and political corruption.

Buthe (2010) argued that transnational regulations often assumed an existence of local country level institutional capacities. Research evidence suggested that the effectiveness of such institutions are questionable in many developing countries. Bartley (2010) argued that a deeper understanding of the social-political construct is necessary to reveal the full story about the adoption and implementation of any global framework. This thesis argues that an investigation about the interactions among institutions operating in the organisational, national and international space is necessary to understand what happens when a best practice PMS is implemented in a developing country context. A nexus between national and global spaces provides an exciting opportunity for institutional theory to explain how the implementation of
a new PMS in a banking regulatory organisation was negotiated by actors and institutional logics operating in a broader context.

### 3.5 Conclusion

This chapter explains how this thesis utilises NIT to provide a richer analysis of a performance management reform. The substantial developments in the coverage, interpretations and dynamics of NIT over a long period of time reflect its practicality and depth for understanding the implementation of an international best practice management control reform in a developing country. The variety within the NIT framework offers flexibility to interpret experiences at an organisational level to enrich our understanding of a management control reform. The developments and multiplicity in institutional theory dimensions reflects its suitability for studying organisations in diverse contexts.

Zucker (1987) identified three sources of institutional pressures: external environments, other organisations and internal organisational routines. This study considers an institutional space where agents operating in the local and international environment interacted and negotiated the implementation of a new PMS. The PMS construction and practices at the BB represent a continuing contestation among the various agents embedded in the broader institutional space. Describing the relevance of a broader institutional space, Greenwood et al. (2008, p. 31) emphasised:

>'The most notable shift in emphasis and interpretation over the past three decades has been from treating the context of social values and ideas as influences upon organisations, towards recognition of the interplay of organisations with their contexts.'

This thesis extends the NIT coverage to a developing country context. Scott (2005) urged researchers to contribute to the theoretical understanding of institutionalisation processes and expands its conception beyond the domain of the western world. Given the large number of people living in developing countries and their growing relevance to international trade, accounting research can make a real impact by studying institutional capacity building in these economies. This research directly contributes to this agenda by providing an institutional theory.
perspective of a performance management reform as part of a regulatory capacity building initiative in an emerging economy.
Chapter 4: Research methods

4.1 Introduction

This chapter discusses the research methods which are utilised in this thesis to collect, analyse and interpret data. The discussion includes theoretical and methodological perspectives of the chosen research methods. The methodological strength of a thesis provides confidence in its analysis and inference. The theory and rationale behind the selection of methods influence how the readers will interpret the findings of a qualitative research investigation. The aim and scope of this research project are taken into consideration in choosing appropriate research methods.

The previous chapters have elaborated the research questions this project aims to address and how this study positions itself in relation to the extant literature. This chapter explains how the researcher has conducted the investigation and what methods are employed to collect and analyse the data. While it is important to know what new knowledge a research project brings to the literature, the credibility of a research project largely depends on how data is collected and analysed. Knowledge about the methods of data collection and analysis facilitates the understanding the project’s scope, context and findings.

A well-executed research project explains and justifies how the methodology and methods adopted meets its purpose (King & Horrocks 2010). The methodological discussion presented here involves explaining the overall research process including research design and method selection. The epistemological and ontological assumptions behind the research framework are also outlined. The research methods have been selected to correspond with the philosophical assumptions about the study population and associated social reality. This chapter’s description of research methods, with its methodological, epistemological and ontological imperatives, will explain how data about the organisational reality within its broader context was collected and interpreted.
This chapter is structured in several sections. A qualitative research framework and its underlying theoretical assumptions are discussed in the next section. The chapter will then explain why and how a case study approach suits the purpose of this research project. The discussion will then cover various aspects of the interview method. The process of analysing interview data and supporting evidence will also be elaborated. This will be followed by a critical discussion of the research process to ensure integrity of data collection and analysis. The chapter will then conclude by summarising the chosen research methods and associated methodological perspectives.

### 4.2 A qualitative research framework

The selection of methods needs to consider the objectives of a research project and the characteristics of a research field (Jankowicz 1991). Qualitative research is suitable for providing in depth understanding of the perspectives of the study population (Hennink, Hutter & Bailey 2011). Qualitative research techniques are most appropriate for studies where the purpose is to understand ‘how’ and ‘why’ real life institutions and practices take place (Patton 2002). Qualitative research involves thinking abstractly, stepping back and critically analysing situations, obtaining authentic and credible information, having theoretical and social sensitivity and employing an insightful approach to observation (Strauss & Corbin 1990).

A research project needs to be well planned as it aims to understand and explain complex social constructs and human behaviour. Table 4.1 presents Hennink, Hutter & Bailey’s (2011, p. 5) qualitative research framework which includes three components: design, ethnography and analysis. These components and associated activities provide a research protocol governing how the research is conducted. This chapter provides an account of the research process of this study and explains how it corresponds to the nature and aims of the research project.
Chapter 4: Research methods

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<thead>
<tr>
<th>Component</th>
<th>Activities</th>
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<td>Design</td>
<td>• formulating research questions</td>
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<td>Ethnography</td>
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<td>• recruiting participants</td>
</tr>
<tr>
<td></td>
<td>• collecting data</td>
</tr>
<tr>
<td></td>
<td>• making inductive inferences</td>
</tr>
<tr>
<td>Analysis</td>
<td>• developing codes</td>
</tr>
<tr>
<td></td>
<td>• describing and comparing data and themes</td>
</tr>
<tr>
<td></td>
<td>• categorising and conceptualising data</td>
</tr>
<tr>
<td></td>
<td>• developing theory</td>
</tr>
</tbody>
</table>

Table 4.1: Qualitative research cycle

This research project investigates the implementation of a new performance management system in the BB. Management processes are both constitutive of, as well as constituted by, the particular organisational and social context within which it operates (Chua 1986; Hopwood 1978; Morgan & Willmott 1993). An understanding of management control practice thus requires an examination of the holistic context. It involves an analysis of how management control of an organisation interacts with its governance structure and culture (Otley & Berry 1994; Tomkins 1986). There has been increasing recognition by accounting researchers of the need to study accounting within its organisational and environmental contexts (McKinnon 1988). A qualitative research framework is suitable for this study as it aims to uncover the implementation experience of a management control reform in a regulatory organisation which is deeply embedded in the socio-political domain of a developing country.

A distinctive feature of qualitative research is that it allows the researcher to identify and understand structures, processes and practices from the perspectives of the study population (Hennink, Hutter & Bailey 2011). A qualitative researcher studies people in their natural settings to explain how their experiences and behaviour are influenced by the social, economic and cultural context. The BB provides a natural setting to study how a management control reform is implemented by a large regulatory organisation of a developing country. The
investigation was conducted within the local socio-political environment as qualitative research embraces the contextual influences on the behaviour of the study population (Glesne 2006).

4.3 The underlying philosophical assumptions

A qualitative study aims to explain organisational structure, process and behaviour. The exposition of the philosophical assumptions underpinning a qualitative research project opens it to critical scrutiny and assists readers to decide whether to take the enquiry seriously (Crotty 1998). This section explains the method and underlying philosophy which was utilised to analyse the data and construct an organisational reality. It illuminates how the research objectives, philosophical imperatives, data collection and analysis are connected to construct an account of the implementation of a new PMS in the BB (King & Horrocks 2010).

An interpretive paradigm underlies the qualitative research tradition. The interpretive paradigm takes the position that organisational reality is socially constructed as its members’ experiences occur within a social, cultural and personal context (Hennink, Hutter & Bailey 2011). The paradigm questions whether the actions of people and process can truly be analysed without considering the context in which they operate (Snape & Spencer 2003). Organisational studies aim to understand management control structures and processes that include the perspectives of employees. This emic or insider perspective emphasizes the importance of conversation and observation in understanding the social world within an organisation (Snape & Spencer 2003).

The purpose of this research is to understand behaviour, experiences and processes within the management control practices of the BB. This corresponds to the concept of Verstehen which involves understanding the experience of people from their perspective, in their own context and describing it using their own words (Hennink, Hutter & Bailey 2011). This research employed an emic perspective to investigate the perceptions, feelings and actions of the BB’s employees to construct an account of the implementation of a management control reform.

The philosophical foundation of a research project influences how knowledge is defined, constructed and communicated. The ontological premise of this research project assumed an organisational reality which is socially constructed and not independent of its members and environment (Glesne 2006). Crotty (2006) describes ontology as the study of ‘being’ – how
people and their behaviour might exist in real world. This research employed a relativist ontology which views the world as a product of people engaging with one another (King & Horrocks 2010). The regulatory organisations of a developing country work within a local socio-political environment. The reality of organisational life needs to be studied within its broader context. The management control practices of the BB are socially constructed by the actors of the organisational and political fields.

Epistemological traditions influence the methodological approach of a research project. The epistemological position of this research project requires the researcher to construct the organisational reality through interaction and subjective exploration with the members of the BB (Glesne 2006). Epistemological integrity refers to the connectedness between research objective, research design and method (Marshall & Rossman 2006). The focus of this qualitative study is to understand social reality by considering the experiences of actors in the field. To facilitate the construction of an organisational reality, this research project has adopted an interview-based case study approach. This helped the researcher observe and analyse management control practices of the BB within its broader socio-political context.

4.4 Case study

Case studies represent a prominent research strategy within the qualitative research tradition. There is a growing reliance on case studies as a rigorous research strategy to study social constructs (Hartley 2004). A single case study about the management control reform in the BB has served two purposes. Firstly, it has provided a contextual account of the implementation of a management control reform in a large banking regulatory organisation in a developing country. A single case has to make its own case (Shank 2006) and it needs to be of special interest (Stake 1995). The management control reform in the BB provides an important setting as the bank plays an important role of supporting the economic development of a large developing country.

Secondly, the selection of the BB also corresponds to the overall research objective of understanding how management control of a regulatory organisation works within the political influence and traditional bureaucratic culture of a developing country. The contextual focus of this study requires the researcher to investigate social, political and organisational perspectives
of the management control of the BB. This study provides reflection on a World Bank-led reform in the financial sector of Bangladesh which has similar social, economic and political characteristics to many other developing countries.

The findings of the study provide important insights for policy-makers such as the World Bank, who have implemented similar reform programs in many developing countries. Thus, the research provides an ‘analytical generalisation’ (Hartley 2004, p. 331) where it provides a processual understanding of how a management control reform in a regulatory organisation was implemented and experienced in the socio-political construct of a developing country.

A range of methods are utilised in case study research. Participant observation, ethnography, interviews, focus groups and document analysis are widely embraced approaches undertaken in case studies. A combination of methods allows greater understanding of a complex phenomenon (Hartley 2004). This research utilised document analysis, participant observation and focus groups to support and explain interview data. The scope and implementation of these supporting methods are discussed in Section 9. Multiple sources of data also allowed triangulation of data and theory in this project.

Case studies offer a powerful research strategy to understand the actions and experiences of people within their organisational context. There was no hypothesis or prediction about the BB or its members in relation to their management control reform. The study had pursued the stories and perspectives of the managers and employees about the new PMS of the BB. The researcher was open to evidence which may conflict with popular expectations. Hartley (2004, p. 325) discussed the possibility of obtaining inside information and some of it can be ‘informal, unusual, secret or even illicit’. The longitudinal nature of the study provided an opportunity for the researcher to build relationships with the members of the BB. This trust helps to achieve access to rich information about organisational processes and practices.

Quantitative research claims to achieve generalisation through sample sizes and statistical models (Glesne 2006). On the contrary, this case study provided a detailed account of the organisational reality by explaining the context, incentives and actions of the members of the BB. The aim was to discover processes and reasons which influence the behaviours and actions of the employees of the BB. Case studies have the ability to study an object within many dimensions and then to draw insightful interpretation (Selltiz, Wrightsman & Cook 1976). The
contextual analysis included the BB’s intra-organisational dynamics as well as its broader socio-political influences and interests. This broader conceptualisation of the motivators of the MCS of the BB aimed to understand how an international best practice performance management system passed through the local conditions of a large regulatory organisation of a developing country.

The BB was chosen as a case study to investigate the implementation of a major organisational change in a regulatory organisation of a developing country. The utilisation of a field-based case study has enabled this research project to investigate the implementation of a management control reform in the BB within its broader social and environmental context. A case study approach facilitated the development of trust between the researcher and members of the BB. Repeat interviews and email communications over five years gradually built relationships which enabled the researcher to undertake deeper investigations about the management control practices in the BB. The study participants were confident to share their experiences and inform on how their actions were conditioned by the social, cultural and political environment.

4.5 Data for the research

The primary source of data for this research project is the interviews of the employees of the BB. In an interview setting, the researcher had the privilege to see, feel and understand the inside environment of the organisation. The interviewees offered access to other sources of information such as formal reports, office circulars and prior studies. Further discussions about additional sources of evidence is presented in section 3.9. Table 4.2 outlines the multiple sources of data employed in this thesis.
Chapter 4: Research methods

<table>
<thead>
<tr>
<th>Data collection method</th>
<th>Participants / Materials</th>
<th>Time period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviews</td>
<td>Employees of the BB, the MoF, the World Bank and commercial banks</td>
<td>2012-15</td>
</tr>
<tr>
<td>Documentary analysis</td>
<td>Website of the BB</td>
<td>2012-15</td>
</tr>
<tr>
<td></td>
<td>Pre-CBSP research/feasibility reports</td>
<td>2000-02</td>
</tr>
<tr>
<td></td>
<td>Reports of international organisations</td>
<td>2003-14</td>
</tr>
<tr>
<td></td>
<td>Newspaper articles</td>
<td>2011-17</td>
</tr>
<tr>
<td>Participant observation</td>
<td>Day-to-day work environment in the BB</td>
<td>2012-15</td>
</tr>
<tr>
<td>Focus group</td>
<td>Managers of the BB</td>
<td>2012-15</td>
</tr>
</tbody>
</table>

Table 4.2: List of sources of data

Different research methods in social science are unlikely to provide identical accounts of social reality. For example, focus groups provide an account of group or public disclosure (Kitzinger 1994) whereas one-to-one interviews provide the private views of the study participants (Smithson 2000). Barbour (2007) suggested the researcher utilise the comparative potential of various datasets rather than viewing them as a hierarchy of evidence. Multiple methods are employed in this research to achieve ‘triangulation’ (Flick 2007). This allowed comparison between data produced through applying different methods. Any difference between the dataset from different data collection methods was not viewed as ‘problem’, rather these were viewed as ‘resource’ to understand the sources of the differences (Barbour 2007, p. 47). Analysis of different kinds of data had enhanced the researcher’s understanding of the management control practices of the BB (Bloor et al. 2001).

Triangulation of evidence has the potential to draw a more comprehensive picture of the phenomenon under study. The documentary evidence, observation and focus group discussions were analysed to develop and refine guiding interview questions. The supporting evidence provided additional explanations of the interview data (Ghauri & Gronhaug 2005). Newspaper reports sometimes provided valuable contextual accounts which were utilised to interpret interview data. The data analysis chapters refer to these additional sources of data where they are considered to reflect on the interview data. Direct quotes from the additional sources are also presented to provide contextual accounts.
4.6 Interviews

This research utilised interviews as a primary method to collect data about the implementation of a new PMS in the BB. Silverman (2013) has observed this to be a common strategy employed across published qualitative research studies. King and Horrocks (2010, p. 20) discussed three epistemological positions to outline how qualitative interviewing reveals social reality. Their discussion is summarised in Table 4.3. The analysis was based on the following three questions postulated by Willig (2001, p. 12-13):

(i) What kinds of assumptions does the methodology make about the world?
(ii) What kind of knowledge does the methodology aim to produce?
(iii) How does the methodology conceptualise the role of the researchers in the research process?

<table>
<thead>
<tr>
<th>Assumptions about the world</th>
<th>Realist</th>
<th>Contextual</th>
<th>Constructionist</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is unmediated access to the organisational or social life where processes can be located and observed</td>
<td>Context is important to understand individual behaviour and organisational processes</td>
<td>Language constructs particular versions of events and social reality</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Knowledge produced</th>
<th>Realist</th>
<th>Contextual</th>
<th>Constructionist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data is objective and representative of the wider population</td>
<td>Data is embedded in contexts and analysis is made to communicate cultural meanings within an organisation or group</td>
<td>Knowledge is constructed through verbal exchange</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Researchers’ role</th>
<th>Realist</th>
<th>Contextual</th>
<th>Constructionist</th>
</tr>
</thead>
<tbody>
<tr>
<td>The researcher and research process are free of bias and subjectivity</td>
<td>The subjectivity of the researcher in interpreting the context is integral part of the data analysis</td>
<td>The researcher and study population are co-producers of knowledge</td>
<td></td>
</tr>
</tbody>
</table>

*Table 4.3: Summary of epistemological positions of qualitative interviewing*

The epistemological positions of a qualitative interviewing are not mutually exclusive. Rather, they provide distinctive characteristics of social reality. This research employed a qualitative
interview method which included contextual and constructionist epistemological perspectives. The consideration of broader social and political environments reflected the contextual epistemology. The semi-structured interview framework allowed the interviewees to communicate their experiences of the management control processes of the BB. The physical presence of the researcher in the case study organisation also helped to construct an organisational reality through the researcher’s observations, interactions and discussions regarding the management control process with the study population.

Approval was secured from the Human Resource Ethics Committee of the university. A Human Ethics Application was submitted to the university before commencing the field visits and associated collection of interview data. The application addressed the context within which the interviews were conducted and their relevance regarding answering the research questions. The application outlined the research method utilised to collect and analyse data. It discussed the process of securing consent from participants regarding data recording and subsequent analysis. Detailed protocols were outlined in relation to the collection, storage and security of interview data. Considering the politically controlled regulatory environment in Bangladesh, a clear protocol was outlined to ensure that the identity of the interviewees remained anonymous during data analysis and subsequent thesis writing. A guiding set of interview questions was submitted to the Ethics Committee to inform the performance management issues this research project aimed to investigate.

Qualitative interviewing provides an opportunity to have a deep engagement with the study population. While this represents an exciting research framework, the challenge is to obtain access to an appropriate study population. A number of approaches were pursued to access the relevant participants. A purposive sampling technique was first applied to identify the managers who were directly associated with the implementation and management of the new PMS. The CBSP department was primarily responsible for the initial implementation of the PMS. The executive director of the CBSP was interviewed to obtain a detailed account of the initial implementation experience of the new PMS. This interview revealed the key employees of the BB who worked with the World Bank’s consultant on the design and implementation of the PMS. A snowball sampling technique was implemented through the executive director facilitating the researcher’s interviews of the managers who were involved with the implementation of the new PMS. As a ‘gatekeeper’ assisting in access to the potential interviewees (King & Horrocks 2010), the executive director of the Human Resource
Department (HRD) provided access to a number of departmental heads (general managers). The general managers then provided access to employees working in various hierarchical levels of their respective departments.

This qualitative study does not focus on the quantity of the sample population. Rather, this study focuses on the identification of relevant interview participants who are able to bring a variety of perspectives. The objective of qualitative sample selection is to achieve diversity of meaning and experience relevant to the research questions being investigated (King & Horrocks 2010). In order to achieve a variety of respondents, employees working at various hierarchical levels were accessed. This helped to construct a meaningful account of the experiences and reflections of a wide range of people of the BB. Four field visits were made to interview the employees of the BB during 2012-15, with a total of 65 employees being interviewed during these field visits. Table 4.4 provides a list of participants who were interviewed in this study.

<table>
<thead>
<tr>
<th>Organisations and Interviewees</th>
<th>Number of interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The BB:</strong></td>
<td></td>
</tr>
<tr>
<td>Deputy Governor</td>
<td>1</td>
</tr>
<tr>
<td>Executive Directors</td>
<td>5</td>
</tr>
<tr>
<td>General Managers</td>
<td>8</td>
</tr>
<tr>
<td>Deputy General Managers</td>
<td>11</td>
</tr>
<tr>
<td>Joint Directors</td>
<td>14</td>
</tr>
<tr>
<td>Deputy Directors, Assistant Directors and Officers</td>
<td>20</td>
</tr>
<tr>
<td><strong>Regulators:</strong></td>
<td></td>
</tr>
<tr>
<td>Joint Secretary, MoF and Ministry of Planning</td>
<td>2</td>
</tr>
<tr>
<td><strong>World Bank:</strong></td>
<td></td>
</tr>
<tr>
<td>Project Managers</td>
<td>2</td>
</tr>
<tr>
<td><strong>Commercial Banks:</strong></td>
<td></td>
</tr>
<tr>
<td>General Managers</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>65</strong></td>
</tr>
</tbody>
</table>

*Table 4.4: List of interviewed participants*
4.7 The interviewing process

The interviews aimed to explore the challenges and realities associated with the implementation of a new PMS in the BB. To facilitate this line of enquiry, a semi-structured interview method was pursued. The semi-structured interviews allowed the researcher to pursue both a structured line of enquiry and an opportunity to explore new areas based on the stories which voluntarily emanated from the interview discussion. The researcher developed an interview guide that included a number of questions. The direction and scope of the interviews were largely directed by the probe questions based on the responses by the interviewees. Thus, the interview guide provided a starting point and then the discussion varied according to what was communicated by individual interviewees (Roulston 2010). Rather than asking a predetermined set of questions, the researcher sometimes engaged in dialogue with the members of the BB (Bailey 2007). Field researchers are sometimes ‘surprised’ by the data they collect in the field (Ferreira & Merchant 1992). These surprises are analysed to redesign the research questions and add new variables to the theoretical model. The interviews of this study took the form of guided conversations rather than tightly structured formal questions.

Management control process and practices represent a complex construct. The actual practice may not correspond to the formal structure. The apparent compliance with the formal control structure may be accompanied by informal practice which is decoupled from the intended objectives. The management control practices are influenced by both organisational constraints and socio-political contextual institutions. In this construct, the interviewees needed the space and opportunity to inform their management control practices in light of the socio-political environment as well as the organisational culture and beliefs. The interviews of this study aimed to understand how the employees of the BB practised the new PMS.

The researcher had educational training and working experience in Bangladesh. This provided the researcher with a necessary understanding about the social, institutional and political institutions of Bangladesh. The researcher had previously worked in the financial sector of Bangladesh. In his work life in the commercial banks in Bangladesh, the researcher had past interactions with the BB. This personal experience was utilised in the conduct of interviews and subsequent interpretations. The knowledge of the researcher about the local environment and banking sector allowed the interviews to take the form of a guided discussion rather than a structured “question and answer” session. The discussion mode of the interview was
particularly relevant in this research project as the research wanted to explore how the management control reform was implemented and whether the actual practices corresponded to the intended objectives of the reform.

The researcher’s association with the local culture and institutional practices was instrumental in the interviews. The local knowledge of the banking sector and socio-political environment made the researcher an indigenous member of the BB. The researcher was able to understand the meaning of the interview discussion in light of the local context. A deeper understanding of the local environment helped trigger the researcher’s probe questions regarding issues which emerged during the interview discussion. The probe questions often encouraged the interviewees to give a deeper account of the underlying reasons for actual management control practices.

The researcher’s familiarity with the local organisational and national settings and educational training in accounting and banking were instrumental in obtaining access and developing rapport with the members of the BB (Waddington 2004). The researcher’s attributes also carried some risk that he may become so accustomed to the actors’ world that it might limit his ability to observe and investigate as an independent researcher (Parker 2007). A reflexive approach was pursued where the researcher was constantly self-aware of his prior background, education and acquaintance with the local setting in the collection and analysis of data (Roulston 2010). Such a reflective approach was pursued by Parker (2007; 2008) when he examined the management control and strategic decision making of two professional associations by preserving awareness of his dual roles as a member of the boards and a researcher. The researcher informed and consulted about important aspects of interviews, events and documentary evidence with the supervisors during his PhD candidature. The supervisors’ reflection and feedback ensured that the researcher did not exclude data and observation because of his familiarity with the case study organisation and local environment.

The analysis of interview data from the field visits developed the major thematic findings of this research. Rather than expecting the interview data to conform to a pre-determined research hypothesis, this research project had taken the challenge of building a research focus and associated investigation based on the ongoing analysis of interview data. While broader research areas and questions were defined in the earlier part of the research, the specific
formulation of the research questions were informed and modified by what was seen, heard, experienced and interpreted during the field visits to the BB.

This study has utilised an epistemological perspective of interpretivism and Verstehen. The primary aim of this study was to understand the experiences of the study population. In order to communicate participants’ accounts, the interviews were flexible and open. The researcher employed a reflexive frame of mind to respond, redirect and explore new issues which emerged during the interviews (King & Horrocks 2010). The fixed and structured questions of a quantitative survey do not suit the purpose of qualitative interviewing. An interview guide was utilised to cover main topics of interests, but a flexible approach to interviewing was maintained to allow the participants to lead the discussion in unanticipated directions (King & Horrocks 2010).

The initial interview guide was developed based on a review of literature in the area of performance management. The literature review highlighted the various issues associated with the implementation of a PMS. Even though the context under this study is different from most of those published in research journals, the existing research provides a useful analytical framework for investigating performance management. The literature review also considered two contemporary theoretical PMS frameworks. The review of existing literature and the theoretical frameworks therefore provided an understanding of the relevant issues which are associated with a performance management system.

This research had utilised a set of guiding interview questions to facilitate discussion and ensure that important aspects of the management control reforms were covered. The interview

8 Understanding of behaviour or experiences can be viewed from two perspectives: understanding and Verstehen. Understanding involves the use of the researcher’s frame of reference on the issue. Verstehen, on the other hand, refers to the perspectives on the research issues. It involves understanding the life of the study population from their perspectives, in their own context and describing this using their own words (Hennink, Hutter & Bailey 2011). The concept of Verstehen was derived from Wilhelm Dilthey (1833-1911, as cited by Snape and Spencer, 2003 and Hennink, Hutter & Bailey 2011).
questions were adjusted to correspond to the preliminary thematic clustering of interview data from earlier field visits. King and Horrocks (2010) have suggested that researchers adjust the interview questions based on the insights and reflection of earlier interviews. The researcher’s own reflections on the interview data revealed patterns and contradictions which were explored in subsequent field visits. A deeper analysis of interview data sometimes discovered new areas and lines of enquiry which were not explored in earlier field visits. These unexplored areas and issues were then pursued in subsequent field visits. Appendix 1 provides a summary of the guiding interview questions of this study.

4.8 Analysis of interview data

Data analysis is the process whereby the researcher brings structure and meaning to the collected data. For the purpose of this study, data analysis focused on the identification of themes and the development of associated categories that helped explain behaviours and relationships. Key themes and patterns were identified across the whole period of the study through the processes of transcribing, field noting, reflective noting, memo writing, and subsequent analysis, coding and inferences (Hammersley & Atkinson 2007).

The interviews took the form of guided conversations rather than tightly structured formal questions. The interviewees preferred to participate in the interviews in their native language, Bangla. The researcher’s proficiency in the local language made it possible to conduct the interviews in Bangla. With permission from the study participants, interviews were audio recorded. Five interviewees refused permission to record the interviews. They allowed the researcher to take handwritten notes during the interviews. These notes were elaborated on immediately after the interviews so that important stories and contexts underlying the short notes were not lost. The 60 recorded interviews were subsequently transcribed in English. Because of the political sensitivity of the regulatory institutions in Bangladesh, extreme care was taken to ensure that the identities of the participants were not exposed. In order to provide maximum security, the interviews were personally transcribed by the researcher. A total of 515 pages of transcription data were generated from the interviews. The analysis of data and subsequent presentation ensured that there was no direct or indirect way to relate the comments to any particular interview participant.
Field and reflective notes were taken to record insights experienced during and after the interviews. Facial expression, hesitation, apparent emotions and body language in response to questions often conveyed important information. Interviewees sometimes gave a long pause before they commenced their answer. These expressions cannot be captured by the audio recording and subsequent transcription. The gestures and indicators were captured through handwritten notes during the interviews. The researcher listened to the audio recording of the interviews and reviewed the field notes soon after the interview to prepare memos to record the contextual information and non-verbal expressions.

Regulatory organisations in Bangladesh work under the influence of the political government. This political influence on regulatory operations will be discussed in more detail in Chapter 5. Some interviewees were hesitant to express their views on politically sensitive issues. In some instances, employees started to share their views after the interview was formally concluded and the audio-recorder was stopped. In some instances, the views were critical of the management control practices. The researcher allowed the interviewees to continue to express their opinion and often the conversation was facilitated by probe questions. Permission was sought from the participants to take handwritten notes during these conversations and to utilise them in subsequent analysis. In all the cases, the interviewees provided permission to take handwritten notes. These conversations were subsequently recorded in a word document format and attached with the respective interview memo. These conversations reflected the political sensitivity of the regulatory operations of the BB.

King and Horrocks’s (2010) framework for analysing interview data included three steps: descriptive coding, interpretive coding and overarching themes. This study has employed this framework to analyse the interview data. In the first step, the emphasis was on identifying the issues which were of interests to the study population in relation to the research questions. Initially, every transcribed interview was read without any attempt to codify them. Once the transcript became familiar, the participants’ views were highlighted throughout the entire transcript. The participants’ views were codified by assigning relevant labels. These descriptive codes reflect the participants’ experience of the PMS process in the BB.

The second step classified descriptive codes into clusters based on their meanings. The emphasis here shifted from describing participants’ accounts to interpreting the participants’ views about their experiences. Each cluster collected descriptive codes which corresponded to
a common meaning. Each interpretive cluster was allocated a descriptive label which reflected the common meaning. The focus here was to find the meaning of the participants’ views. These interpretive codes were essentially preliminary themes. The construction of interpretive codes involved looking back at the original transcribed data and reflective notes to capture the contexts associated with the responses of the study participants. A reflective approach was employed to group descriptive codes with similar contexts.

The third step derived overarching themes from the interpretive codes. These were higher levels of abstraction from the interpretive codes (King & Horrocks 2010). These themes represented the key concepts which reflected the experiences of the study population. The theoretical perspectives of NIT were reflected upon at this stage to see how the thematic analysis corresponded to the theoretical framework. The relevance of NIT in offering a theoretical explanation of the management control practices of the BB is elaborated in Chapter 4. Following Garrett-Jones et al. (2005) the codes and themes were organised into a hierarchy to identify relationships and patterns.

The data analysis chapters of this thesis included text of a number of comments of the interviewees. The direct quotes were utilised to communicate the contextual positions of the interviewees (Islam & Deegan 2008). The direct quotes have strengthened the analysis of data by bringing the interviewees’ feelings and thinking into this thesis. It enables the reader to better understand how the interviewees interacted with the institutional pressures.

4.9 Supporting evidence

This research has supplemented the interview data using documentary evidence, participant observation and focus group discussions. Table 4.5 provides a list of resources which were utilised in this research to support the interview data. This evidence was utilised to verify the interview data and associated interpretations. Triangulation of data is a widely accepted technique in accounting literature. This brings confidence to the data analysis and resulting inferences. Insights gleaned from alternative sources also help to explain the interview data. The supporting evidence enriched the enquiry by informing the context and meaning of the interviews. Documents and reports often inform areas or issues which require further investigations through interviews.
<table>
<thead>
<tr>
<th>Source of evidence</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Documentary evidence</strong></td>
<td></td>
</tr>
<tr>
<td>Consulting reports</td>
<td>These reports were prepared by overseas consultants. The consultants were appointed by the World Bank to conduct the studies.</td>
</tr>
<tr>
<td>Internal memos, circulars and publications of BB</td>
<td>This reflected the changes and transformation in the performance management structure and practices. The BB provided information about its policies, strategies and activities in its official website.</td>
</tr>
<tr>
<td>Newspaper articles</td>
<td>This explained the contextual socio-political environment in which the BB was constituted.</td>
</tr>
<tr>
<td>Continuous email correspondence</td>
<td>Email correspondence helped to maintain continuous relationships with the interviewees. This helped to secure repeat interviews in subsequent field visits. This also helped to clarify queries during analysis of interview data.</td>
</tr>
<tr>
<td><strong>Participant observation</strong></td>
<td>The researcher’s presence in the BB during the field visits provided a valuable opportunity to observe the people and processes.</td>
</tr>
<tr>
<td><strong>Focus group</strong></td>
<td>This was utilised to reflect on group discussion of the participants regarding complex organisational and socio-political institutions which influence the MCS of the BB.</td>
</tr>
</tbody>
</table>

Table 4.5: List of supporting evidence

4.9.1 Documentary evidence

This research project examined consultants’ report surrounding the initiation and implementation of the new PMS. Few consulting studies of the operational efficiency of the BB have been conducted. These reports were prepared by experts who were recruited by the World Bank. The consultants interviewed employees at various levels to understand the structures and work processes of the BB. For example, a US-based consulting firm, Maxwell PLC, was appointed by the World Bank to study the organisational structures of the BB. They conducted the study for three years (2001-2002) which included discussion with employees and senior management. The objective of the study was to develop an organisational structure for
the BB to improve its efficiency. This report highlighted characteristics of the organisational structure of the BB. They proposed higher delegation of authority and leaner organisational hierarchy. The report provided rich contextual knowledge about the organisational structure and processes of the BB.

The BB allowed the researcher to read official memos and circulars regarding the PMS, but did not give permission to take printed or scanned copies of the memos. The internal documents regarding the PMS provided information about the developments and transformations of the PMS. The memos also provided evidence of the changes in the PMS during the study period. They also raised critical relevant issues which were investigated during the interview sessions. The access to memos and circulars enabled the interviews to reflect on the contemporary issues regarding performance management in the BB.

Newspapers generally enjoy a reasonable level of independence and freedom of speech compared to other public media (television, radio, bureau of statistics) in Bangladesh. Critical regulatory limitations are often highlighted in newspapers. Newspaper articles relating to the BB, financial markets, political influences on the banking sector and enforcement of banking regulation were collected and analysed. This thesis utilised this information to augment and substantiate the interview analysis. The views of important stakeholders were collected from the newspapers and are presented in this thesis. Three leading newspapers (two in Bangla and one in English) were examined. All three newspapers were widely circulated in Bangladesh.

Waddington (2004) supplemented his participant observation study by collecting documents (for example, strike bulletins, propaganda leaflets, and trade union meeting minutes) and local and national media coverage during the Ansells Brewery strike in 1981. The documents helped him understand how a series of historical events had shaped the values, attitudes and animosity between employees and management of the company. This study utilised analysis of documents to supplement and confirm interview data. The document analysis also provide new direction for interviews. The analysis of documents (consultants’ reports, official memos and newspapers) therefore provided a historical and demographic account of the management control practices of the BB.

Email correspondence was utilised to clarify issues in relation to the analysis of interview data. The initial interviews asked the interviewees whether they were contactable via email. Most of
the interviewees agreed to allow follow-up email correspondence. The email correspondence helped to maintain an ongoing connection with the interviewees. This ongoing contact helped to facilitate repeat interviews in subsequent visits. This continuing relationship also helped the researcher to earn the trust of the interviewees. This trust was instrumental in subsequent interviewees when the research started to explore issues in greater detail.

Four field visits to the BB were undertaken to conduct the interviews. A total of 65 employees, managers and senior executives were interviewed during the field visits. The interviews lasted between 45 minutes to two hours. The BB provided the researcher an office station during the field visits. The researcher was allowed to stay in the BB during office hours during the field visits. A total of 50 working days were spent in the BB to conduct the interviews and review documentary evidence. The presence of the researcher in the BB also created an opportunity for the researcher to see the working life of the BB’s employees. In one instance, the researcher had the opportunity to observe the actions of the employees during a mid-year performance review. The observation strongly corresponded to the interview data. The opportunity to operate inside the organisation, at many points in time, enabled the researcher to observe and better understand management control practices within the BB.

4.9.2 Participant observation

Participant observation involves social interaction between the researcher and study participants in the setting of the latter (Taylor & Bogdan 1984). This allows the observer to obtain a direct account of the actions and interactions of the study subjects and talk to them about their experiences (Waddington, 2004). This field research utilised the opportunity to observe people in their setting and witness their interactions with each other and external stakeholders (Bailey 2007). Spradley (1980) provided a list of features that an observer may find in social setting: spaces, objects, actors, acts, activities, events, time, goals and feelings. The presence of the researcher at the case study site provided an opportunity to observe how people manage a management control process. When describing the importance of observation, Bailey (2007, p. 79) explained:

'Whereas obtaining members’ accounts about activities within a setting through interviews and interactions is fundamental to field research, so too is seeing with one’s own eyes.'
Participant observation ranges from mostly observation to mostly participation (Glesne, 2006). Waddington (2004) discussed four classifications of field-based observation: complete observer, observer as participant, participant as observer and complete participant. Most field research uses a combination of observation and participation. Field researchers are actively engaged in interactions and involved in the everyday life of the setting (Bailey, 2007). In this study, the researcher was provided access to the BB from 9:00am to 5:00pm each day during the study period. The researcher was able to observe the routine and non-routine events, activities and conversations of the employees. The researcher was provided with a workstation on an open floor where 40 employees worked. After the first two field visits, people working in various departments recognised the researcher and often invited him to join discussions. The nature of the observation was more aligned with the ‘observer as participant’ as the researcher mostly observed the behaviour and events whilst engaging in some interaction with the employees of the BB.

While participation observation can work as a stand-alone qualitative research method, this study has utilised it to support and supplement interviews. Through participant observation, this researcher explored how the actions of the BB’s employees corresponded to their words (Glesne 2006). Observation provides opportunity to access both day-to-day events and special events. For example, the researcher had the opportunity to observe the actions and behaviour of the employees of the BB during a mid-year performance evaluation exercise. The researcher continually analysed the observations for meaning (what is going on here?) and its relationship to the research questions of this thesis (Glesne 2006).

The researcher carefully recorded all the observations made during his presence in the BB. Loftland and Lofland (1995) discussed three forms of note taking: mental, jotted and full field notes. The researcher utilised all three forms of note taking approaches. Often during interviews, observations were made of body language such as long pauses, smiles and gestures. These were recorded using quick dot points with a few words noted. Sometimes observations were made of conversations between employees and mental notes were taken, as taking handwritten notes risked disrupting the normal flow of the dialogue. However, full field notes were written at the end of each field day visit where detailed observations and references (position and interests) were made about the people involved.
The field notes were both descriptive and analytical in order to provide a rich account of the context, person and setting (Glesne 2006). Discussions between staff during lunch breaks or on the stairs often triggered questions and concerns about management control practices at the BB. These questions were discussed during formal interviews and helped to focus on practices that mattered to the study participants. The dialogue, tone and frequently used words were native to the BB and helped the researcher to word interview questions (Glesne 2006). The gestures and body language provided additional meaning to the transcribed interview data. The researcher made an effort to maintain detailed notes of the observations so that they could be reflected upon at a later point in time.

4.9.3 Focus group

Through the focus group, the researcher aimed to encourage group interactions about the research topic (Kitzinger & Barbour 1999). Rather than asking the same question to each member of the group, the researcher focused on analysing interactions between group members (Barbour 2007). Pollack (2003) recommended the employment of both focus group discussions and one-to-one interviews in settings where differences in power and positions influence disclosure. This is particularly relevant in the current study as the management control of the BB is influenced by a hierarchy of powerful positions emanating from local organisational leadership and broader political interests. In this situation, members of a group may not all agree with each other's responses on various aspects of the research questions. Barbour (2007) termed this as a ‘questioning the disclosure’ platform and recommended it as a suitable method when the researcher’s aim is achieving consensus.

Following Bloor et al. (2001), the focus group method was utilised in this research in four ancillary roles. Firstly, it was utilised as pre-pilot work when the researcher visited the BB to explore the opportunity to conduct the research. This provided a contextual account of the relevance and scope of the research topic (management control). The views from the focus groups were also helpful in designing the study and the initial interview questions guide. Secondly, focus groups were employed to explain some of the one-to-one interview data which were related to a complex web of organisational and political interests. The focus groups also raised new areas of investigation which were incorporated into subsequent field visits. Thirdly, focus groups were utilised to obtain triangulation of data as they confirmed, explained and supplemented the interview data. Lastly, focus groups were utilised to communicate the
research findings to the interviewed employees of the BB. These concluding group discussions achieved two things: (i) the employees provided their views of the findings (often referred to as “members’ validation”); and (ii) it provided the opportunity to deepen the earlier analysis as the participants provided additional data and reflections on the findings. Overall, an end-of-project focus group discussion provided an assurance to the researcher that the social reality of the BB (in relation to the implementation of a new PMS) had truly been understood and communicated (Bloor et al. 2001).

Focus group discussions concentrated on critical issues related to PMS practices. A variety of employees and managers (in terms of work and hierarchical positions) were selected to form the focus groups to ensure that a vibrant discussion took place with multiple perspectives and experiences. The issue of consistency of PMS practices attracted significant attention in the group discussions, followed by the importance of training, professionalism and salary structure. The initial discussion agenda for the focus group was developed based on the interview questions utilised in individual interviews. However, the focus groups were also open to new issues which had important implications for the management control practices of the BB. Two focus group discussions took place. Five managers (working in the positions of joint director, deputy general manager and general manager) participated in each of the focus groups.

### 4.10 Longitudinal study

This study covers an extended period of time over which PMS was implemented in the BB. A total of four site visits were conducted to collect views and reflections about the consultation, implementation process and effect of the new PMS. Table 4.6 shows the timing and purposes of the site visits. The interviews took place over three years and some repeat interviews were conducted to obtain further insights. The multiple field visits allowed the researcher to ask follow-up questions in light of analysis of previous interview data.
### Table 4.6: Time and purpose of field visits

<table>
<thead>
<tr>
<th>Visits</th>
<th>Time</th>
<th>Major purposes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial</td>
<td>June 2012</td>
<td>Initial enquiry and 1(^{st}) round of interviews.</td>
</tr>
<tr>
<td>2(^{nd})</td>
<td>December 2012 - January 2013</td>
<td>2(^{nd}) round of formal interviews with the senior executives, managers and employees of the BB.</td>
</tr>
<tr>
<td>3(^{rd})</td>
<td>December 2013 - February 2014</td>
<td>3(^{rd}) round of interviews. This involved some repeat interviews to conduct deeper investigation about the views which were expressed in earlier field visits.</td>
</tr>
<tr>
<td>4(^{th})</td>
<td>December 2014 – February 2015</td>
<td>4(^{th}) round of interviews and two focus group discussions.</td>
</tr>
</tbody>
</table>

The new PMS was part of a broader management control reform which was initiated in 2002. The management control reform was an organisational change initiative under the World Bank sponsored CBSP. Maxwell PLC, a US-based consulting firm, conducted a study on the functional structure of the BB. This study highlighted the need for a functional reorganisation of the BB and the introduction of a new PMS. The recommendations of Maxwell PLC worked as a foundation for a large scale organisational change initiative at the BB. The World Bank sponsored the CBSP to strengthen the regulatory capacity of the BB. One major component of the CBSP was to implement a new PMS.

A wide range of employees of the BB were interviewed during 2012-15. The field visits provided rich data about the management control reform at the BB. The semi-structured interview mode provided interviewees with the flexibility to share their experiences regarding the new PMS. The analysis of data found the existence of three distinct time periods: (i) pre-PMS (before 2003); (ii) PMS consultation (2003-6); and (iii) implementation (2007 onward). Table 4.7 presents a timeframe of events surrounding the implementation of the PMS.
<table>
<thead>
<tr>
<th>Time</th>
<th>Events</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Maxwell PLC</td>
<td>Study regarding the organisational hierarchy and recommended a new structure for the BB.</td>
</tr>
<tr>
<td>2003</td>
<td>CBSP</td>
<td>This is a formal organisational change program. One major component of the program was to install a new performance management system.</td>
</tr>
<tr>
<td>2004-6</td>
<td>Initial consultation</td>
<td>The World Bank recruited a consultant to implement a new PMS. There was wide scale consultation which included branch and regional offices of the BB.</td>
</tr>
<tr>
<td>2007</td>
<td>Implementation</td>
<td>The PMS was first introduced as a test project along with the traditional ACR.</td>
</tr>
<tr>
<td>2008</td>
<td>Formal PMS</td>
<td>The PMS was officially introduced and the old system was terminated.</td>
</tr>
</tbody>
</table>

Table 4.7: Major events in relation to the new PMS

The interviewees’ reflections of their experiences over an extended time period provided a rich data set about the transition and transformation to a new PMS. The time taken from initiation to ultimate enactment of the new PMS took a rather extended period of time as the implementation was interrupted by political intervention and changes in leadership. The interview data reflected the various events which shaped the implementation of the PMS. The semi-structured format of interviews allowed the interviewees to communicate their views without being constrained by any specific timeframe. This enabled the interviewees to recollect events and experiences from earlier periods (eg. initial consultation) which had implications for the implementation of the new PMS. The interview data gathered over an extended period of time helped to construct a story with a historical and processual context-rich analysis.

4.11 Assurance of data integrity

There are a number of factors that may compromise the rigour of field-based case studies. Patton (2002) put emphasis on validity and reliability in the design of a qualitative research project. Dependability, applicability and transferability are essential characteristics of qualitative research (Lincoln & Guba, 1985; Mathison, 1988). These terms are utilised to
describe the accuracy and applicability of the methodology adopted and the outcomes of the research carried out by the researcher.

The validity and reliability of qualitative research can be limited by a number of factors. McKinnon (1988) identified four main groups of ‘threats’ to validity and reliability in field study research. Firstly, the presence of the researcher may influence the setting to be studied (also known as ‘observer-caused effect’). Secondly, observer bias may influence the collection and interpretation of data. McKinnon’s third ‘threat’ to the validity and reliability of field research is possible data access limitations. Finally, the complexities of the field may limit the validity and reliability of the research; the evidence provided by the interviewees may be self-serving or misleading (Kirk & Miller 1986).

A number of strategies were employed in this research to reduce the threats to validity and reliability of data collection and analysis. The researcher possesses knowledge about the banking environment by virtue of his six years’ work experience in Bangladeshi banks prior to the commencement of this research project. While working in these financial institutions, the researcher had the opportunity to visit the BB and observe their management control systems. This personal experience of the researcher provided valuable contextual understanding about the management control environment of the BB. This knowledge helped the researcher to understand the views of the interviewees and initiate, where necessary, probe questions to enable deeper investigation. This follows prior research tradition of using the researcher’s work experience to obtain insights into data interpretation and analysis (see eg. Uddin & Choudhury 2008).

A thematic approach was implemented to interpret data in order to reduce the threat of ‘observer bias’ in relation to data analysis. Observer bias represents the possibility of observing the phenomenon in a manner that differs from the ‘true’ observation (Simon & Burstein 1985). This relates to the tendency of the interviewer to interpret data solely based on personal belief and perception. This thesis has employed thematic analysis which focused on the identification of themes and patterns in the data to explain behaviours and relationships (McKinnon 1988). The interview data was classified into descriptive codes, interpretive codes and overarching themes. The themes were then utilised to understand the management control practices of the BB. This data analysis approach ensured that the themes and resulting interpretations emerged freely from the data.
Multiple sources of evidence (interview data, newspaper information, BB’s internal circulars, memos and other published documents) have been utilised to improve the reliability and validity of this thesis. The application of supporting evidence enabled the identification of ‘repeated instances of a phenomena’ within the study (McKinnon 1988). Comparison (triangulation) of such data improves the reliability of each form of evidence through the support and contradiction of other forms of evidence (Jorgensen 1989). Finally, the interviews were conducted in four different time periods. This longitudinal feature of the study helped the researcher to observe the patterns, politics and processes involved in the management control reform of the BB.

4.12 Conclusion

This chapter outlines the research methods of this study. It serves two purposes: (i) it aims to assist the reader to understand this thesis by explaining how the data has been collected and analysed; (ii) it aims to assure the trustworthiness of the study’s findings by explaining the research process that was undertaken to ensure reliability and validity of data analysis. This qualitative study provides a contextual account of the experiences of the study participants and explains the organisational structure and practices by studying organisational members. This study and its participants socially construct a contextualised organisational reality. The reader needs to be familiarised with the research process to understand its scope, meaning and implications.

This study aims to explain the performance management practices of the BB within its organisational and socio-political context. As the study considers a wide range of institutional forces, it offers a detailed account of the research process to explain how it captures the phenomenon. To facilitate this endeavour, this chapter has explained its qualitative research framework and philosophical assumptions. The epistemological, ontological and methodological perspectives of the chosen research method have been outlined. The suitability of BB as a case study has been explained in light of the objectives of the research project. A detailed account of the interview method included the design of guiding questions, participant selection, interview techniques and data analysis framework. The chapter has also explained the strategies of the study to address potential threats to qualitative research. These included the
utilisation of data triangulation by documentary evidence and observation, the researcher’s knowledge about the local environment and development of trust through association with the case organisation.

The strength of research method is critical to the authenticity and credibility of a qualitative study. Qualitative research often contributes to policy development and institutional changes. The potential for qualitative research to make a policy contribution depends on how it can convince the readers about its observation, analysis and inference. This persuasion depends on the theoretical and practical relevance of the chosen research methods. This chapter has outlined the process of collecting and interpreting the interview data and other supporting evidence. This presentation of the research process aims to enable readers to make an informed judgement about this study’s account of the performance management reform of the BB.
Chapter 5: Political colonisation of regulatory institutions: implications for performance management

5.1 Introduction

This chapter investigates how the broader political environment of Bangladesh has influenced implementation of a new PMS in the BB. Any regulatory organisation is situated within the broader socio-political environment of a country. This is particularly important in a country like Bangladesh where regulatory institutions are subject to greater control from political agents. Regulatory institutions historically have been subject to a process of politicisation where political agents exerted influence on their operations. As a consequence of this politicisation, organisational analysis within the regulatory space needs to consider political influence and interest.

The roles of the political system in many developing countries goes beyond establishing prudential regulation and overseeing the operation of the market. In a crony capitalistic environment, political agents can exert direct influence over the operations of regulatory institutions (Adly 2009). The links between political power and managers of regulatory institutions are an important element of any organisational change initiative in a developing country context. This thesis considered how the broader political institutions operating in Bangladesh interfered a World Bank-led organisational reform in the BB. The following reflection of a former country director of the World Bank in Bangladesh highlighted the embeddedness of political influence and corruption in regulatory institutions (quoted in Mahmud 2010, p. 1):

There is evidence of corruption in almost every transaction in Bangladesh. However, the corruption cannot be located in any formal process. Many good projects were initiated, but then abandoned due to weak government. The political
institutions of the country are weak. Actually, discussion about any problems of the country indicates weaknesses of political governance.'

In a review of institutional analysis of organisational forms and practices, Greenwood et al. (2008) found evidence of a gradual shift in emphasis from treating the external environment as an influence upon organisations towards investigating how organisational members interact and negotiate with a complex web of social agents. An exclusion of political influence in a developing country context would lead to a partial account of an organisational change. This thesis has adopted an emerging institutional approach of investigating how individuals interact and negotiate with social and political institutions rather than viewing the latter only as a context which exerts influences upon organisations (Greenwood et al. 2008). Zucker (1987) identified three sources of institutional pressures: external environment, other organisations’ practices and internal organisational routines. Organisational practices are constituted within these three sources of institutional pressures. This chapter considers the political imperatives of performance management reform in a regulatory institution of a developing country.

Printed media (popular newspapers) was analysed to supplement the interview data in order to understand how political agents influence regulatory institutions in Bangladesh. Transparency International Bangladesh (2014a) found that the media experienced freedom in Bangladesh in communicating social and political events. The independence of the media justified the utilisation of newspaper articles to complement the interview data. The newspaper articles provided important analyses of banking issues which were relevant to the operations of the BB. The newspapers also provided commentaries on banking policies and problems. Such news coverage was instrumental to understand the ways in which political pressures influenced how managers of the BB regulated the banking sector of the country. This, in turn, helped explain how individual and collective performances within were defined, measured and rewarded. A similar approach was adopted by Ashraf and Uddin (2016) in order to understand the political conditions under which managers of a public sector organisation operate in Pakistan.

This chapter begins with a discussion about the political landscape of Bangladesh, which was dominated by two political parties. It then discusses the corruption in the political system followed by its implication for regulatory organisations in Bangladesh. The chapter then discusses how the politically patronised unions disrupted the implementation of organisational change initiatives which were part of the performance management reform. It concludes with a
summary of the influences of political agents and interests in shaping the performance management practices in the BB.

5.2 The *Old* and *New* performance management models

The previous and new performance management system was known as the ACR and PMS respectively within the BB. The old ACR was utilised from 1972 to 2006 in the BB. The new PMS was introduced in 2007 in the BB as part of the organisational reform led by the World Bank.

The performance management within the BB has developed over time. This development was influenced by a number of factors including (i) the history of performance-related activities within the BB, (ii) the broader public sector organisations in Bangladesh, and (iii) the performance management logics and corresponding models of the World Bank. Many features of the World Bank-led reform were different from the traditional performance measurement practices prevailing in the BB and within the public sector in Bangladesh. This section will highlight some of the major differences between the old performance measurement and the new PMS. The three data analysis chapters will then discuss how agents of the BB and its external environment influence the institutionalisation of the new PMS.

5.2.1 Consultation

Under the ACR, there was no opportunity for employees to be involved in the planning and evaluation of performance. The supervisor had sole authority to evaluate the performance of employees. There was no performance planning, mid-year review and year-end discussion within the performance management process. In contrast, the new PMS required the engagement between the supervisor and employees at various stages of the performance management process. For example, the new PMS encouraged interaction between supervisors and employees at performance planning, mid-year review and year-end performance evaluation. The PMS also incorporated self-assessment of employees in the year-end performance appraisal form.
5.2.2 Disclosure

The previous ACR maintained confidentiality of performance assessment grades. The employees did not know their performance grades. These performance evaluation grades were only utilised in promotion decisions by the senior management of the BB. The new PMS encouraged full disclosure of the performance management process. The new PMS recommended a collaborative approach during the identification of goals and its measurement indicators. The supervising managers were encouraged to meet the employees during the mid-year review discussion to provide feedback about their performance. The year-end performance evaluation was subject to intra- and inter-departmental moderation to ensure consistency in performance appraisal activities. These moderations were designed to bring accountability by incorporating evidence-based performance evaluation. Supervisors were also encouraged to maintain EBR to record of performance-related information of employees.

5.2.3 Performance indicators

The previous ACR required the supervisor to assess an employee on the following items using a scale. The five scale points are as follows:

- A = Excellent
- B = Very good
- C = Good
- D = Satisfactory
- E = Unsatisfactory

The ACR utilised the following performance indicators. The performance evaluation documents did not define the meaning and scope of these indicators. The interpretation and measurement issues were left with the discretion of the supervising managers.

- Personality
- Personal character (intelligence and moral)
- Timeliness
- Initiative and work ability
- Perseverance and devotion to work
- Judgement and companionship
- Intelligence and mental alert
Responsibility (general and economic matters)
Knowledge about official rules and work processes
Capacity to plan, organise and supervise work
Qualitative and quantitative assessment of completed work
Written and oral communication skill
Cooperation and behaviour with subordinates, contemporaries, supervisors and public
Leadership quality
Capacity to complete works
Ability and inclination of use Bangla language in official work
Standard of living
  • live within the known income
  • It is heard that the person lives outside the known income
Association with other activities
  • Does not involve with undesired activities
  • Frequently involve with undesired activities

The new PMS introduced two components in the performance evaluation form. The first component required the supervisors to assess the timeliness and performance quality of employees for each of the objectives set at the start of the year. The second component required the supervisor to assess an employee on the following competency indicators. The performance appraisal form included a detailed description of each of these competency indicators. For example, for the rank of officer and additional director the following competency indicators were set:

- Organisational commitment
- Interests in modernisation of BB
- Dynamism
- Initiative
- Professional integrity
- Innovation and continuous improvement
- Communication and coordination
- Concerns for details
- Teamwork
- Stakeholder service orientation
5.3 Politics and family dynasty

The history of Bangladesh politics was marked by the assassination of political leaders and the exercise of military power. After Bangladesh attained political independence in 1971, the leader of the Bangladesh Awami League (BAL), Sheikh Mujibur Rahman, formed the first Government of Bangladesh. He was assassinated by a group of military officers in 1975. After a period of political unrest, a government was formed by General Ziaur Rahman. He eventually formed a political party, the Bangladesh Nationalist Party (BNP), in 1978. He was assassinated by a rival group of military officers in 1981. Thereafter, General Ershad continued the military rule and remained president of the country until 1990. He was removed from office by a nationwide political movement to end military government. The country re-established parliamentary democracy in 1991.

After achieving independence in 1971, the country adopted a socialist view of governance. Most of the large manufacturing businesses were nationalised in 1972. However, market-based economic reform started to take place during the 1980's. The donor countries and international development organisations such as the World Bank prescribed privatisation and liberalisation of the Bangladesh economy. Most of the nationalised manufacturing businesses were returned to private ownership during the 1990's. During this time, the government allowed banks and insurance companies to operate in the private sector. Since the 1990's, all governments and major political parties (BAL and BNP) adopted a market-based political philosophy and encouraged private sector development in manufacturing, services, trade and commerce.

After achieving political independence, Bangladesh started a parliamentary democracy in 1972. The country then moved to a presidential system in 1973 and this continued until 1990. There were three presidents during this presidential system of government: Sheikh Mujibur Rahman (1973-75), General Ziaur Rahman (1976-1980) and General Ershad (1981-90). Under this presidential system, the president was elected by the people of the country. Once elected, the president became the head of the government and appointed all ministers.

Bangladesh returned to parliamentary democracy in 1991. Parliamentary elections were held in 1991 and all political parties competed for the 300 parliamentary seats. The BNP won the election and formed government in 1991. Under the parliamentary system, members of the parliament elect the president. The president then invites the leader of the political party (and
its alliance) which secures a majority of 151 seats or more in the election to form the government. The leader of the winning party becomes the prime minister and appoints all of the ministers of the government. The president does not have any executive power and only acts according to the instructions of the prime minister. The president fulfils a ceremonial position within the parliamentary democracy of Bangladesh.

The return of parliamentary democracy to Bangladesh resulted in two major parties dominating its political landscape. The family members of the founders of these parties have controlled the politics of the country since 1991. The current prime minister, Sheikh Hasina, who is the daughter of the late President Sheikh Mujibur, has been the leader of BAL since 1981. Another former prime minister, Begum Khaleda Zia, is the widow of the late President Ziaur Rahman, and has been the leader of the BNP since 1982.

<table>
<thead>
<tr>
<th>Name of political party</th>
<th>Party Leader and President/Prime Minister</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAL</td>
<td>Sheikh Mujibur Rahman</td>
<td>1972-75</td>
</tr>
<tr>
<td>Military intervention</td>
<td>General Ziaur Rahman</td>
<td>1975-77</td>
</tr>
<tr>
<td>BNP</td>
<td>General Ziaur Rahman</td>
<td>1978-81</td>
</tr>
<tr>
<td>Military intervention</td>
<td>General Ershad</td>
<td>1982-90</td>
</tr>
<tr>
<td>BNP</td>
<td>Khaleda Zia</td>
<td>1991-95</td>
</tr>
<tr>
<td>BAL</td>
<td>Sheikh Hasina</td>
<td>1996-2000</td>
</tr>
<tr>
<td>BNP</td>
<td>Khaleda Zia</td>
<td>2001-05</td>
</tr>
<tr>
<td>Military intervention</td>
<td></td>
<td>2006-07</td>
</tr>
<tr>
<td>BAL</td>
<td>Sheikh Hasina</td>
<td>2008-12</td>
</tr>
<tr>
<td>BAL</td>
<td>Sheikh Hasina</td>
<td>2013&lt;sup&gt;9&lt;/sup&gt;-</td>
</tr>
</tbody>
</table>

*Table 5.1: Political leadership in Bangladesh*

<sup>9</sup> The major opposition party, the BNP, didn’t participate in the 2013 parliament election.
The two leaders (Sheikh Hasina and Khaleda Zia) maintained control within their respective parties. They possessed extensive authority over party decisions such as the selection of party membership and positions. It is necessary for party activists to get personal approval from the party leader to secure a leadership position. Political analysts have expressed concerns over the lack of democracy within the major parties (Rono 2016). The one person centric political culture drives party followers to maintain loyalty to the Sheikh or Zia family. Accountability within the political parties and government is largely confined to the approval of the party leaders. The Sheikh and Zia families control the activities of the two major political parties. The influence of the prime minister over the political party is reflected by the following interview comment:

'People try to enter into the good books of the prime minister. No one will question a minister or party leader who has the prime minister’s blessing. It is an elected dictatorship. There is almost no democracy within the political parties.' [General Manager, BB]

The concentration of power among so few political leaders influences the relationships between regulatory organisations and government. The recent resignation of the governor highlight the influence of the political leaders over the BB. An international cyber hacker group expropriated large amounts of foreign reserves by compromising the fund management system of the BB. The finance minister complained to the prime minister about the failure of the governor of the BB to protect the foreign reserve and required her permission to ask the governor to resign. The finance minister also accused the governor of mismanagement and inefficiency in running the BB. The governor initially defended his position and continued to work in his office. However after being instructed by the prime minister, he submitted his resignation. In a statement from the Prime Minister’s Office, the government highlighted the significant contribution made by the outgoing governor in the expansion of agricultural credit and rural banking. The MoF had the official authority to make the appointment of the governor of the BB. However, in practice, personal approval of the prime minister was the ultimate decision maker for the appointment of a governor. In a statement after his resignation, the governor made the following comment in a press conference (Prothom Alo, 2016c):

'I believe that the prime minister has appointed me as governor of the Bangladesh Bank. I can only tender my resignation to her.'
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The Bangladesh Bank Order 1972 (then amended in 2003) included regulations and policies regarding the operations of the BB and specified terms of reference for the appointment of the governor. However, actual practices differed from many of the provisions of the Bangladesh Bank Order 1972. In actuality, the prime minister selects who will be the governor of the BB. Personal acquaintance with the prime minister and political loyalty have often been the primary consideration for such appointments. A consultative process has been largely absent in the selection of governor. For example, the interviewed senior managers of the BB advised that the current governor was selected overnight by the prime minister and the appointment did not involve any consultation with stakeholders, including the board of the BB.

The concentration of political power with the prime minister has reduced the capacity of political and regulatory institutions of the country. Riaz (2016) described it as a ‘personal shadow’ overpowering the social and constitutional institutions of the country. The weakness of political institutions such as the Election Commission, Parliament and government has resulted in large scale violence between the competing political parties. Hasan’s (2013) analysis of political violence estimates approximately 2,519 deaths and 100,000 injuries during the period 1991-2013. His analysis revealed that approximately 1,500 people lost their lives during 2014-15 in election related violence. This political hostility has led to the politicisation of democratic and regulatory institutions of the country. For example, Jahangir (2013) provided evidence that the government had politicised a large proportion of the judiciary and government administration and forcibly retired 300 employees who did not demonstrate support of the party. There were also concerns about transparency in the recruitment and promotion of government employees (Transparency International Bangladesh 2014b).

The two political families and their associates influence the operations of regulatory institutions in Bangladesh. Management control and associated performance management within the regulatory organisations therefore need to take into account the influence of the broader socio-political agents and interests. The context, power and independence of regulatory institutions of developing countries like Bangladesh exhibit different characteristics than those of many western developed countries. The outcome of any financial sector reform depends on how effectively new regulations are enforced in the local environment. This thesis aimed to investigate how performance was measured and recognised within a regulatory organisation of
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a developing country. This chapter focuses on how the performance management practice in BB negotiated the political institutions of the country.

5.4 Corruption and the political system

Mimba, Helden and Tillema (2007) argued that corruption has weakened public sector accountability in many developing countries. Brehm (2008) found that political corruption destabilised financial sector reform in China. International development organisations have expressed their concerns regarding corruption in Bangladesh (Iftekharuzzaman 2014). The World Bank withdrew its credit assistance of US$1.2 billion for the construction of the Padma River Bridge in Bangladesh in 2012. The World Bank brought specific corruption allegations against a senior minister and some project officials of the government regarding the selection of contractors (Farzana 2012). The World Bank demanded the government initiate an investigation into the corruption. However, the Government of Bangladesh refuted the World Bank allegations and did not take any action against the minister and project officers. The World Bank and other international development organisations then decided to withdraw their funding for the project.

'It is important to ensure transparency in any construction work. The World Bank does not want to be associated with corrupt practices. We cannot keep our commitment to a project when there is evidence about corruption and irregularities. We moved away from it to safeguard our resources. This withdrawing support, however, increases the government’s awareness about good governance.' [Director of the World Bank, quoted in Prothom Alo 2012b]

Rashid et al. (2013) investigated the changes in personal wealth of elected parliament members by comparing their asset declarations during the 2008 and 2013 elections. He found that many parliamentary members registered an abnormal increase of personal wealth during that period (from 2008 to 2013). Transparency International’s Corruption Perceptions Index identified a

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10 All election candidates needed to submit a statement of their personal assets to the Election Commission of Bangladesh.
high level of corruption in Bangladesh. Ninety-three percent of the people surveyed by Transparency International, perceived the political parties and police as the most corrupt institutions in Bangladesh (Prothom Alo 2013). The Government of Bangladesh did not accept these corruption indices, considering such reports to be international propaganda to undermine the political and economic success of Bangladesh (Prothom Alo 2012a).

Political leaders maintain close contact with many leading business groups. Many businesses provide political parties with economic and other benefits in return for preferential treatment in areas of securing contacts, licences, taxes and approvals of regulatory compliance. Politicians influence the regulatory institutions to favour their allied business groups. During 2001-2006, the personal workplace of Tareq Zia, the son of the then prime minister (locally known as the ‘Hawa Bhaban’11) was regarded as the power base for many government decisions (Jahan 2015, p. 52). Even though Tareq Zia was not holding any ministerial or administrative position, he maintained influence over the operation of various government agencies. Many businesses built relationships with Tareq Zia in order to secure licences and contracts. The Hawa Bhaban even exerted influence over the promotion and transfer of government employees (Jahan 2015).

Zakaria (2015) provided an account of the direct associations of business entrepreneurs in the national politics in Bangladesh. He found that the percentage of business entrepreneurs as a proportion of the total number of elected members of the national parliament increased from 48% in 1996 to 63% in 2009. The comparative percentages for the US Congress and British Parliament are 39% and 25% respectively. Parliamentary membership and connections with politicians were often utilised to secure contracts and businesses. Islam (2015a) argued that business entrepreneurs’ involvement in politics was not motivated by public service; rather they aimed to utilise political power to succeed in business. Businesses in Bangladesh have been increasingly required to secure political connections for their survival. Some entrepreneurs viewed political connections as a strategic tool to secure government contracts and expand businesses.

11 ‘Hawa Bhaban’ is a Bangla word. The word ‘Hawa’ and ‘Bhaban’ refers to wind and building in Bangla language. In Bangladesh culture, a (both residential and commercial) building is provided with a name. Hawa Bhaban was the name of the building in which Tareq Zia (son of the then Prime Minister Khaleda Zia) operated his personal office during 2001-2005.
Politics should not be treated as an investment. It should be about serving the people. This is the only country in the world where nominations [for parliamentary elections] of political parties are available for money. Political influence is now spread too deeply into trade unions and government employees.’ [Former Chief Justice of Bangladesh, quoted in Prothom Alo 2011a]

'Politics has now gone into the pockets of businessmen.’ [President of Bangladesh, quoted in Liton 2015]

Corruption in the political space has weakened the effectiveness of regulatory institutions in Bangladesh. The newspapers have often highlighted corruption in the banking sector (Prothom Alo 2016d). Interviewed managers reported that the BB failed to initiate corrective actions against corruption and irregularities in many commercial banks. The corrupt businesses and bank officials are often protected by the political leaders who exert influence over the management of the BB. Thus, management control practices in the BB needed to accommodate many corrupt business practices within the banking sector. The development and eventual institutionalisation of performance management reform within will be shown to have been disrupted and adjusted to reflect the economic and political realities of the country. An understanding of the influence of the political imperatives could explain why some management control reforms such the PMS failed to generate intended outcomes.

5.5 The banking regulator in a political environment

The corruption in politics and the interconnectedness of political power and large businesses carries implications for the operation of regulatory organisations in Bangladesh. The management of the regulatory organisations pursues approval of the political party. Political loyalty is an important consideration in the appointment of senior executives in regulatory bodies. The following discussion aims to explain how the BB operates in a politically controlled environment.
5.5.1 Banking sector – vulnerable to political pressures and corruption

Banks are the major source of external finance for Bangladeshi businesses. Equity finance from the stock market is limited in Bangladesh. A large number of developing countries feature a large debt market compared to equity markets. In order to address the capital and banking needs of businesses, the banking sector has expanded in the last two decades. The banking sector includes six nationalised and 57 private commercial banks. In addition, there are 31 private leasing and housing finance companies\(^\text{12}\) (Bangladesh Bank 2017). While the banking sector has expanded to address the needs of an emerging economy, it has experienced profound problems. Corruption and lack of governance has persisted in many areas, including the banking sector.

The BB was often criticised for its failure to address the problems in the banking sector. The interviewed managers declared that political leaders exerted pressures through senior management to ignore irregularities in commercial banks. The scheduling and classification of loans were also influenced by political agents. Defaults in loan repayments imposed restrictions for borrowers in Bangladesh. For example, loan defaulters were not eligible for new loans and prevented from becoming members of the parliament. Interviewed employees highlighted the influence of political power to force the BB and commercial banks not to reveal defaults for politically connected businesses. Bank officials became involved in accounting manipulation and loan reclassification to allow these businesses to maintain a clear credit record.

'We often do not report the irregularities of commercial banks. The senior management decides what we report. They will transfer us to other departments if we do not listen to the instructions. We work under huge pressures.' [Joint Director, Banking Inspection Department]

The nationalised banks constitute a large portion of the banking sector of Bangladesh. Managers and directors of these banks were involved in some recent corruption and irregularities. The newspapers exposed a number of banking scandals involving corruption within the commercial

\(^{12}\) The lease and housing finance companies are financial institutions which can take deposits and lend money. They cannot offer current account services to their customers.
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banks. Hossain (2015) found that while, overall, default loans represented 10.47% of total loans, the default percentages were significantly higher for nationalised banks. He found that the default rates were: Bangladesh Small Industries and Commerce Bank Limited (BASIC) 57%, Sonali Bank 29%, Agrani Bank 19%, Bangladesh Development Bank 43%, Krishi Bank 33% and Rajshahi Krishi Unnayan Bank 34%\textsuperscript{13}. Ahmed (2017) found that 78% of industrial borrowers had utilised political connections to secure loans from nationalised banks. Since the government holds majority shares in the nationalised banks, the MoF appointed the senior management of these banks. Islam (2015b) found evidence that the chairman and directors in nationalised banks were primarily appointed on the basis of political considerations.

The government of Bangladesh empowered the Anti-Corruption Commission to arrest bank officials. The Bangladesh Association of Bankers raised concerns about the arrest of large number of general bank employees. Though the commission arrested 70 bank officials in 2016 in relation to different banking scandals and fund embezzlement, the senior executives and directors allegedly involved were not brought to justice due to political connections (Noman 2016). The senior executives and board members had been largely appointed based on political considerations. The finance minister acknowledged the failure to discipline the people responsible for major banking scandals because of political affiliation and influence (Prothom Alo 2015c).

'Bribery, influence, corruption and abuse of power have become major problems for our banking industry. Increasing involvement of politicians in the banking business has also become a concern.' [Professor Muzaffer Ahmad, a leading economist, quoted in Rahman 2008.]

\textbf{5.5.2 Political appointment of the governors}

The professional communities in Bangladesh maintain their connections with major political parties. The academic staff of public universities, for example, are involved in intra-organisational associations which support the political ideologies of the political parties. The

\textsuperscript{13} These are the six nationalised banks in Bangladesh.
two academic associations supporting the BAL and BNP are known as the ‘blue panel’ and ‘white panel’, respectively. Sharifuzaman (2016b) provided evidence that the majority of the appointments of the vice-chancellors of the public universities and research institutes were primarily based on political loyalty. Similar political philosophy-based associations were apparent in all public sector organisations.

Membership of associations of political parties are motivated by potential appointment to large regulatory and state organisations. During the government of the BNP, Dr Iajuddin Ahmed, was appointed as president of the country\(^\text{14}\). He was a senior leader of the pro-BNP University of Dhaka Teachers’ Association (White panel). Similar instances of appointments based on political loyalty was evident in public sector organisations. Senior leaders of pro-party professional associations were appointed as the senior executives of the Securities and Exchange Commission, state hospitals, utility corporations, research institutes and nationalised commercial enterprises. These appointments represented reward for long-time loyalty of professionals to political ideologies.

The MoF appoints the Governor of the BB for a term of five years. In the last 20 years, no governor has served for two consecutive terms. Each change in government has resulted in a change of governor at the BB. Governors were recruited based on their political loyalty and association with the senior leaders of the ruling political party. The preceding governor was a university academic who was associated with the Teachers’ Association of the BAL; the political party currently in government.

Hossain (2016) investigated the academic qualifications and professional experience of the governors of the central banks of South Asian countries. He found that banking experience and knowledge about the financial markets were the primary characteristics of the governors in Pakistan, India and Sri Lanka. In contrast, most of the governors in Bangladesh were former government bureaucrats. Five out of nine members of the board of the BB represented government departments. Describing the appointment process of the governor in Bangladesh,

\(^{14}\) The president is elected by the members of the parliament. Because of its majority voting power, the incumbent party’s preferred candidate becomes the president.
a former economist of the International Monetary Fund commented (quoted in Hossain 2016, p. 1):

'The appointment process of the governor in Bangladesh is not transparent. There are competent individuals in the country for the position. However, the government looks for political loyalty. Instead of competence and experience, they look for their own people. In the process, many wrong people are appointed in important positions.'

The recruitment process of the deputy governors was managed by the MoF. In the past, the MoF accepted the recommendations of the BB board regarding the recruitment of deputy governors. However, the ministry then established a more direct involvement in the recruitment process. The MoF advertised the positions and interviewed potential candidates. Managers advised that the direct involvement of the MoF in the recruitment process created motivation for senior managers to maintain favourable relationships with the political leaders. This motivated some senior managers to compromise their regulatory power to benefit the businesses of the political leaders. Managers believed that the politicisation of the recruitment process sometimes resulted in more emphasis being placed on political loyalty than the competencies of the candidates.

'There is some frustration about the recruitment of deputy governors under the control of ministry. Although the process is called a competition, it is actually not. This is a matter of political persuasion. The hard truth is that everyone is trying to get in touch with the big leaders of the ruling party.' [Deputy Director, BB.]

The influence of the government in the recruitment process was recently debated in the Bangladesh media. After the resignation of Dr Atiur Rahman, the government appointed a former government bureaucrat as the governor of the BB. There was no consultation with the BB board or stakeholders. The prime minister appointed a new governor on the very day Dr Atiur Rahman was asked to resign. The appointment of a new governor without any consultation reflected the lack of autonomy of the central bank in Bangladesh (Khan 2016). The contracts of the two deputy governors were terminated following the security breach of the foreign exchange reserve account of the BB. However, the MoF had not disclosed any reason for the termination of the two deputy governors’ contracts.
Political appointment of the senior management of the BB has influenced the internal control mechanism of the BB. Loyalty toward the political party overshadows the formal PMS process. Senior managers needed to ensure compliance with the expectations of the government and political agents. This political persuasion has been embedded in the management control practices of the bank. The formal PMS needed to negotiate with an embedded organisational expectation of conformity to political interests. Performance management considers the ability of a manager to perform banking regulatory functions while complying with the expectation of political agents.

Institutions are embedded at organisational, industry and societal levels (Thornton, Ocasio & Lounsbury 2012). The institutionalisation of a performance management reform in the BB depends on how the managers negotiated the interests and influence of actors at various levels of the institutional environment. The power of the government to appoint senior executives without following any effective consultation reflected the extent of political control over the BB. The BB’s ability to restrict banking irregularities in the banking sector was severely contained by political influence. The managers of the BB felt compelled to address the pressures exerted by the political environment. The World Bank recommended PMS did not fully reflect how the performance of employees was understood and evaluated in the BB. An employee’s performance was eventually determined by both technical efficiency and the ability to negotiate political pressures. Managing the pressures emanating from the political environment was critical for the BB’s ability to operate in its institutional environment. Thus the pressures from the political environment influenced how the performance management reform was practiced and institutionalised in the BB.

5.5.3 A submissive corporate culture

The interference of political interests in the regulatory functions influenced the organisational culture of the BB. The monetary policies and bank supervision of the BB needed to comply with the expectation of the government. An interviewed joint director of the BB, who was responsible for liaison with the MoF, provided the following account during the interview to reflect political influence over the operations of the BB:
The World Bank committed financial assistance for the construction of the Padma River Bridge in Bangladesh. In 2011, it brought corruption charges against some members of the government in relation to the selection of contractors for the project. The government had denied any existence of such corruption. The World Bank then withdrew itself from the funding of the project. They also decided to reassess their commitment to other development programs. In some cases, the World Bank had withheld funding to some projects which were coordinated by the BB.

I told the deputy secretary of the MoF that the World Bank has stopped funding on several development projects under the public-private partnership program. Can you please settle the issues with the World Bank so that we can continue these projects?

He [deputy secretary], with an angry and agitated tone said, what issues? There are no issues with the World Bank. All the projects are going well.

Then I said, I am sorry, sir, I wanted to ensure the flow of funding for the projects as it affects a large numbers of businesses in the local community. I did not want to criticise the government.

He [deputy secretary] then told me, you should not talk in that way. Everything is going well and the government is working very well.’

The manager of the BB was anxious after the meeting and feared disciplinary action by the BB in case the secretary reported the incident to the BB governor. The manager advised that they needed to be very cautious about what and how they communicated their views to the MoF and other government departments. Any criticism of the government was perceived as a threat to the government. An organisational culture of obedience to the ruling party was apparent in all regulatory organisations in Bangladesh. A culture of obedience to the ruling political party had institutionalised over time and any departure from this practice was treated as lack of professional integrity and competence.

Senior executives of the BB feared losing the faith of the political agents because of any unrest resulting from organisational reform initiatives. Senior management preferred the ‘status quo’
as any organisational change would destabilise the environment and attract the attention of the
government. Media coverage of unrest in the workplace was viewed as a failure of the senior
executives of the regulatory organisations. The political agents often required the senior
managers of regulatory organisations to make compromises with the employees to avoid unrests
in the workplace. The managers of the BB often preferred the status quo to avoid any politically
supported union activities.

The banking laws created dual authority in relation to the monitoring of nationalised
commercial banks. The Bank Companies Act required the BB to monitor activities of private
sector banks. The government formed a department within the MoF in 2010 to supervise the
nationalised banks. The International Monetary Fund had disputed the government’s decision
to keep control over the nationalised banks. It recommended the MoF delegate the supervision
authority over the nationalised banks to the BB. However, the supervision authority over the
nationalised banks has remained under the control of the MoF.

The nationalised banks have been criticised for large-scale banking irregularities and corruption
(Prothom Alo 2016d). In a report to the MoF in 2011, the BB highlighted capital inadequacy
and a lack of good governance at the nationalised banks (Ahmed 2011). It also informed the
MoF about the undue influence of the banks’ board members regarding the lending activities,
promotion and transfer decisions of the banks. The BB urged the MoF to take corrective actions.
The finance minister questioned the authority of the BB to monitor the activities of the
nationalised banks and none of the BB recommendations were addressed (Hossain & Islam
2016). However, the MoF blamed the BB for the recent scandals in the nationalised banks and
questioned the ability and competence of the BB to supervise the banking sector (Ahmed &
Islam 2012).

Interviewed senior managers highlighted that the MoF influence over the BB often weakened
its capacity to take corrective action against irregularities in the banking sector. Managers
highlighted that a tension between the BB and MoF had developed when the previous governor
(Dr Atiur Rahman) started to implement new initiatives such as micro-finance, CSR in the
banking industry and women entrepreneurship. The ministries, including the MoF, work under
the direct control of the government of Bangladesh. The BB needed to negotiate the interests
of the politically powerful MoF when addressing the reform prescriptions of the World Bank.
The institutional space of the BB is comprised of multiple agents competing for supremacy and control. The World Bank was instrumental in prescribing a new PMS in the BB to strengthen its regulatory capacity to oversee the banking sector. However, the historical dominance of the MoF over the BB’s operations brought with it a political imperative, which spanned across the recognition of performances and promotion practices within the BB. Brehm (2008) found a similar dominant role of the MoF in the banking sector reforms in China.

5.5.4 Influence of union activities

Activities of unions influenced management control practices of public sector organisations in Bangladesh. The union activities are often regarded as violent and disruptive. Most of the union members are junior ranked employees in Bangladeshi public sector organisations. Union members of the BB are mostly Class C or D category employees. They had a limited role in the planning and practice of management control systems at the BB. Interviewed union leaders showed a lack of understanding about the objectives and implementation process of performance management reform. The activities of the trade unions are considered a major barrier to restructuring public sector organisations. Private sector business entrepreneurs were often reluctant to allow union activities despite pressure from World Bank and donor countries.

Most of the union members in the Bangladeshi public sector provide support services such as maintenance, transportation, security and property management. Union members are not involved in the management processes of public sector organisations. Because of their limited education and technical qualifications, they are unable to understand the efficiency and strategic measures of organisations. At the same time, lower qualifications and expertise have made them vulnerable to any restructuring and rationalisation programs. The detachment of union activists from the managerial activities of the organisation created tension in strategic and operational measures.

'The kormokorta [management] will always try to take advantage of the kormochary [employees working in lower levels of organisational hierarchy]. We need to be

15 The nature and responsibilities of employees in these categories were discussed in Section 5.5.2 of this Chapter.
The lack of engagement of the union members with the strategic and managerial processes was apparent in the privatisation initiatives of the nationalised jute enterprises in Bangladesh. Jute was the major export product of Bangladesh during the 1970's. It was called the ‘golden fibre’ of Bangladesh as it contributed to significant export earnings. The market for jute products began to change significantly due to the low price in international markets and widespread use of plastic products. The nationalised jute enterprises experienced large-scale resistance from the unions against modernisation and privatisation initiatives during the 1980's. The management of nationalised jute enterprises failed to implement organisational restructuring to address the changing market conditions. The union members feared the loss of jobs as a result of any organisational reform agenda. The detachment of union members from the management processes made them unable to appreciate the importance of efficiency measures. The inability of the jute enterprises to address the new market environment caused operating losses during the 1980's. Under pressure from donor countries and the World Bank, the government stopped subsidising the jute industry. A large number of jute enterprises subsequently closed down during the 1990's.

Union movements in Bangladesh was limited to public sector organisations. Every public sector organisation like the BB has its own union. The union leaders maintained a good rapport with the government and political leaders. None of the union leaders was a member of the senior management of the BB. Support from the political parties and government is their primary strength. The unions regularly hold rallies and events at the BB’s official site to express support to the political party in power.

The union members believed that management utilises organisational change initiatives to exploit the employees. Strategic issues such as efficiency, competition and modernisation were not appreciated by the union activists. The union leaders utilised their political connections to exert pressure on management. In 2011, the BB reinstated six union activists who were expelled from the office because of their involvement in the physical assault of an assistant director (Prothom Alo 2011b). The political connections of the union forced the BB management to withdraw its disciplinary action against these people. The following section shows how
activities of politically sponsored union influenced the implementation of a new PMS in the BB.

The union represents a powerful agency in the institutional environment of public sector organisations in Bangladesh. Their connectedness with the political parties enabled them to create strong resistance to organisational reforms. The union members were able to exert significant influence over the BB management in the implementation of the new PMS. The following sections discuss how the politically connected union members disrupted the institutionalisation of the new PMS in the BB.

5.6 Reforms under Maxwell Stamp PLC

The Maxwell Stamp PLC, an international economic and business consultancy firm, was appointed by the World Bank to reform the organisational structure of the BB in accordance with the objectives and role of a central bank. The investigation was conducted as part of the establishment of a new PMS. The study recommended an organisational restructuring to bring efficiency and accountability to the BB. The following section analyses the implementation experience of the reform recommended by Maxwell Stamp PLC.

5.6.1 Functional reorganisation

The public sector organisations in Bangladesh were often criticised for excessive employee numbers and hierarchical complexity. The Maxwell Stamp PLC study aimed to understand the workflow of the BB and suggest a hierarchical structure which would promote efficiency of its regulatory functions. The promotion of employees was based on seniority (number of years served in the organisation). Employees were often promoted by creating new positions and layers in the organisational hierarchy. This resulted in fragmented responsibility centres and authority was spread over too many managers.

16 Public sector institutions include government organisations (ministries), regulatory bodies (such as the BB and the SEC) and nationalised commercial institutions (such as the nationalised commercial banks).
Employees highlighted problems of creating excessive organisational layers. Workflow was interrupted as the approval process involved several managers. It was harder to make individual managers accountable as responsibilities were widely spread over many departments. The Maxwell Stamp PLC project considered the 1983 organisation charts of the BB as the base and compared it to the 2002 organisation charts. They investigated the functions of the BB and the associated structures that support those functions. They found that the BB had created unnecessary hierarchical layers and recruited excessive numbers of employees.

The Maxwell Stamp PLC study recommended that departments of the BB should be classified into major clusters. Each cluster would include departments which required a particular set of expertise and knowledge. Employees would be encouraged to remain within a given cluster to create specialisation in their work. For example, the departments of foreign exchange policy, treasury management and foreign exchange reserve management were grouped into one cluster. Senior managers advised that the functional reorganisation of the Maxwell Stamp PLC study was not implemented in the BB.

'The clustering of departments has implications for the promotion of the senior managers. For example, they suggested to create one department of banking supervision. Currently, there are three supervision departments. If you make one, you will have one General Manager instead of 3. It will affect the 20 promotions and people will not accept it. The current organisation structure is just the opposite of what the Maxwell Stamp PLC report recommends.' [General Manager, BB]

Maxwell Stamp PLC’s proposal of classifying the departments into five clusters aimed to manage performance of and develop expertise in employees of the BB. Each cluster would combine departments with complementary aims and functions. The proposal recommended training and placing employees in the departments within a cluster. This would develop employee specialisation in each cluster. The senior managers feared that the recommended clusters would result in fewer departments and some positions would be made redundant. The recommendations of Maxwell Stamp PLC was never implemented at the BB. However, the BB management refrained from making any official announcement discarding the Maxwell Stamp PLC’s recommendation of clustering departments.
Maxwell Stamp PLC conducted an extensive study of the BB’s organisational structure and interviewed a wide range of employees. As a World Bank sponsored project, Maxwell Stamp PLC received clear support from the BB management. However the recommendation to create clusters was never seriously considered by the BB management once Maxwell Stamp PLC left the BB. Though the World Bank appeared to be a powerful agent in the design stage of the restructuring plan, its actual implementation was moderated by the agents operating in the local environment. Some interviewed senior managers supported the Maxwell Stamp PLC recommendation, arguing that it became more difficult to manage the performance of the BB with its operation spreading across 53 departments. However, the majority of local managers rejected the recommendation of the World Bank to reform the BB’s organisational structure. Thus the World Bank’s attempt to institutionalise its recommended organisational restructure was interrupted by the actors (managers of the BB) in the local settings.

5.6.2 Failure of voluntary early retirement scheme and recruitment through the posso scheme

Until 2003, recruitment at the BB was made at four levels: assistant director (AD), officer, Category C and Category D. Figure 5.1 shows the organisational hierarchy of the BB in 2003. The AD was the highest ranked graduate position. Applicants needed to have First Class Honours or a Master's Degree for the AD position. A university degree was required for an officer position (but the minimum requirement was not a First Class Honours or Master’s Degree). Recruitment for both AD and officer levels were conducted through competitive exams.

After Bangladesh achieved independence in 1971, a socialist political view influenced the operation of government and other public sector organisations. Providing employment to a large number of people became one of the major objectives of public sector organisations. Rather than outsourcing support services (such as cleaning, security, transport, housing and property maintenance), public sector organisations directly recruit people to perform these activities.
Employees were recruited in Category C and D to perform these support services for the BB. The qualification required for Categories C and D was a secondary school certificate\textsuperscript{17}.

Many of the Category C and D employees were promoted to management positions over time due to a seniority-based promotion process. Promotee officer was an informal label referring to employees who were promoted to management positions from Category C and D. Interviewed managers advised that the majority of promotee officers lacked skills and capacity to work in management positions. They often created disruptions in managerial work through their association with the union and political agents. The majority of the Category C and D employees did not have an academic qualification or training from a university.

'These people [promotee officers] created huge problems in the bank as they did not have the capacity and knowledge to make managerial decisions. When they joined the team, they could not contribute.' [Deputy General Manager, BB]

The Maxwell Stamp PLC study found evidence of excessive manpower and overlapping hierarchical layers at the BB. They suggested a major organisational restructure to eliminate overlapping hierarchical layers.

\textsuperscript{17} Examination after Year 10 at Secondary School.
excess employees. They recommended the positions of officer, Category C and D become redundant. They proposed a voluntary retirement scheme for existing employees working in these positions. The Maxwell Stamp PLC study required the BB to concentrate on the core functions of a central bank. In order to improve the organisational capacity, it suggested the BB recruit graduates with high academic credentials appropriate to support the functions of a central bank.

The BB initially accepted the recommendations of Maxwell Stump PLC’s organisational restructuring plan. It decided to remove the positions of officer and Category C and D. It also offered a voluntary early retirement scheme to existing employees. The announcement of the voluntary early retirement scheme started a violent resistance from the union. The union’s protest soon secured support from political agents. The following quote reflects the severity of the conditions which was caused by the union leaders:

'It was a very hostile environment. They were angry and almost try to beat us. Because of the hostile attitude, it was impossible to work at the office.' [Deputy Director, BB]

The international donor agencies exerted pressure on the Bangladeshi Government to initiate reforms in regulatory organisations in order to secure funding for various development projects. There was a pressure on the BB to comply with the recommendations of the Maxwell PLC so as to comply with a broader financial sector reform agenda of the World Bank. However, the BB management needed to negotiate local socio-political conditions and pressures. The politically supported union protests made it difficult for the BB to adopt and implement the restructuring plan.

The difficulty of implementing a restructure plan forced the BB management to find an alternate way to portray apparent compliance with the Maxwell Stamp PLC’s recommendations. To address the protests by union activists, the BB proposed a revised organisational change plan. The positions of officer, Category C and D were disestablished with an opportunity for existing employees in these positions to continue to work until their natural retirement. The bank decided to reduce the workforce in these categories through natural attrition. The officer rank was disestablished by promoting all existing employees to the position of Assistant Director.
The objective was to allow people with the right capacity and knowledge to operate in the managerial positions. However, we did the opposite. The general manager of HRD became famous because a lot of officers got promotion. In a day, 500 officers were made assistant director.’ [Deputy General Manager, BB]

The BB had failed to implement the voluntary early retirement scheme because of pressure from the union leaders. Though union members were not included in the senior management positions, they exerted significant influence over organisational change at the BB. The union members mobilised strength from their relationships with the political leaders. The union demonstrations and protests in the BB head office during the implementation phase of the organisational reform disrupted the activities of the BB. However, the BB management was hesitant to take action against the union leaders because of their political connections. The political institutions provided support for the organisational agents (union members) to create a strong resistance to the performance management reform in the BB. The evidence in this case suggests that actors within an institutional environment do not necessarily compete for dominance, since an alliance between agents could enable them to affect the institutionalisation of a performance management reform. Here, the union leaders and the political agents created a consolidated pressure on the BB management in relation to the organisational change initiative.

The BB had adjusted its organisational change plan in response to the protests of the union. The BB replaced the early retirement scheme with a natural attrition program. It disestablished the position of officers and promoted all existing employees to the next level. This alternative approach enabled the BB to portray an apparent compliance with the demands of both the World Bank and union leaders. By allowing the existing employees to continue their service until their natural retirement, the BB managed the pressures of the politically supported union resistance. However, the retention of employees in these positions weakened the primary motive of the performance management reform. The services of these positions were deemed as ‘non-essential’ for the BB. The academic qualification and expertise of employees in these positions did not correspond to the requirements of the new PMS. The retention of these employees until their natural retirement was inconsistent with the spirit of the new PMS.

Oliver (1991) introduced a strategic perspective within institutional theory. She argued that managers might engage in an array of strategic responses to institutional pressures. These
strategic initiatives may aim to compromise, avoid or manipulate institutional pressures. Here the BB initially appeared to conform to the World Bank’s recommendation to disestablish the positions of officer and Category C and D. However, the BB experienced resistance from the union, which secured political patronage though their connections with political leaders of the government. The BB was faced with institutional pressures coming from two sources: the politically connected union members and the World Bank. Accordingly, it needed to address the conflicting institutional demands in relation to its organisational reform. It therefore pursued a strategy of satisfying both these institutional pressures by ceasing future recruitment in these positions while allowing the existing employees to continue until their natural retirement.

The recruitment of posso was introduced in the BB in 2011. The offspring or relatives of Category C and D level employees were recruited under the posso scheme. Under this recruitment scheme, people were recruited on a daily basis to provide support services. Since they were recruited on a daily basis, they were not initially recognised as Category C or D staff of the bank. This recruitment scheme has also recruited large numbers of people as data entry computer officers (DECO) over the last few years. The primary duty of these employees was to input data into the various databases of the BB. Recruitment under this scheme did not require any recruitment exam. These employees remained with the BB for an extended period of time. Many of these employees were later promoted to managerial positions of the BB.

'He was recruited as DECO on a daily basis … then after four years, they become senior DECO … then after five years, officer … then after three years, Assistant Director. No additional qualification was necessary to get these promotions.' [Assistant Director, BB]

'Ultimately they are entering into the mainstream. At one stage, they will become the promoted officers.' [Deputy General Manager, BB]

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18 Posso is a Bangla word. This means dependent or adopted. The offspring or relatives of category C and D level employees were considered posso. The BB introduced a recruitment scheme in 2008 employing people on daily contracts. These positions were equivalent to the previous Category C and D, in which new appointments were closed under the performance management reform in 2006. This scheme, locally known as ‘posso quota’, provided employment to the offspring or relatives of existing employees working in Category C and D. These positions were not advertised externally. The offspring of employees working in these categories were provided an opportunity to secure employment.
The union exerted persistent pressure on management to convert the positions from ‘daily basis’ to permanent employment. A large portion of the employees under the scheme were offspring of union members. The union leaders utilised their political connections to exert pressure on the senior management of the BB.

'There is one incident where the governor did not allow this [converting the people recruited under daily basis to permanent employees]. But on the final day of his service, the union pressured him to offer permanent employment to daily-basis employees with ten years of service.' [Joint Director, BB]

The recruitment of employees under the posso scheme essentially revived the previously disestablished positions. The recruitment was initially made on a daily basis and this continued for an extended period of time. Many of these employees were offered permanent positions in the bank. The recruitment through the posso scheme provided evidence that an apparent disestablishment of certain positions in the initial years of a reform could return to an organisation over time. The persistent pressure from the union was eventually successful in fostering recruitment into positions which had been previously discontinued. The BB initially adopted a revised version of the World Bank-led reform, but gradually returned to its earlier position in response to persistent socio-political pressure originating from the local environment.

The recruitment under the posso scheme provided a time dimension of institutional transformation within an organisation. New recruitment to the positions of officer, Category C and D ceased in 2006. Recruitment under the posso scheme started in 2011. After sustained pressure from the unions, these ‘daily basis’ contracts were converted to permanent positions in 2014. Once the ‘daily basis’ contracts were converted into permanent positions, they essentially re-established the positions of officers and Category C and D. The union pressure forced the BB to discard the voluntary early retirement scheme and allow the then existing employees to continue to their natural retirement. Then the union continued to exert pressures on the BB and eventually successfully reopened recruitment for these positions. This analysis addresses Scott’s (2008b) call for the institutional researcher to consider a longer timeline horizon in order to understand how institutions are created, maintained and transformed. The disestablishment of the positions of officer and Category C and D was an immediate response
to the World Bank-led performance management reform. After several years of the reform, however, the BB started to recruit people into these position through ‘daily contracts’. The interviewees’ recollection of events since the adoption of the PMS provided a rich account of how old and disestablished organisational structures (such as Category C and D) reappeared over time. By allowing recruitment of people without the necessary expertise relevant to the BB, the posso scheme challenged the fundamental theme of the performance management reform.

Senior managers expressed deep concern about the recruitment of people under the posso scheme. These people did not possess the required training and expertise to occupy a management position at a central bank. Many senior managers feared the return of the previous promotee officer problem in the BB through recruitment of people under the posso scheme.

'This is suicidal for an institution. Actually, we made it worse. Previously some people were employed as officers through a recruitment test. These people had graduate qualifications. Now we have started recruiting people without a university degree. There is no formal recruitment test for these appointments. The only consideration here is the recruitment of the offspring of people working in at certain level. These people are gradually promoted to management positions over time. Many of these people are not capable of making managerial decisions.' [Deputy General Manager in a focus group discussion]

### 5.7 Conclusion

This chapter focuses on the first research question of this thesis, which investigated the influence of political agents and interests over the implementation of a new PMS. This research found evidence of a crony capitalist environment where the BB’s enforcement actions were politicised to favour selected groups of business elites. The interviewed managers working in the banking supervision department reported that their ability to report irregularities and malpractice in commercial banks was conditioned by political interest. The political appointment of the governor and deputy governors made the BB susceptible to the pressures of political agents. Personal acquaintance with political leaders influenced appointments and
renewal of senior level contracts in the BB. Performance was judged on how an employee managed the central banking operations within a politically controlled environment.

The new PMS was initiated through an organisational restructuring which disestablished the positions of officer, Category C and D. The aim of the reform was to recruit people with university training to suit the functional capabilities of the central bank. The recruitment, training and promotion processes were tailored to a performance-based mechanism. The academic qualification and activities of these employees do not correspond to the core functions of the BB. A seniority-based promotion approach allowed these employees to progress to managerial level. These employees (locally known as promotee officers), were a threat to the performance-based culture of the BB. The reform agenda was strongly contested by the unions with patronage from political leaders. The BB then pursued an alternative strategy to manage the pressures from two agents – the union and the World Bank. Rather than an outright discontinuation of the employees, the BB decided to undertake new recruitment into these positions while allowing the existing employees to continue their services until natural retirement. The local agents (union leaders), with the support from the political parties, forced the BB management to adjust the performance management reform. The union secured support from the political environment to register a strong resistance to the organisational change initiative. The BB’s decision to allow the employees in these positions to continue until their natural retirement weakened the new PMS’s objective of merit-based recruiting and support and recognition for merit-based employees.

A more politically empowered intervention in the management control was evident in the recruitment of people under a posso scheme. The scheme started to recruit offspring of previously disestablished Category C and D level employees. This recruitment directly challenged the BB’s effort to build a performance-based culture within the organisation. The re-emergence of the recruitment of people under the posso scheme reverted the BB to an organisational structure where promotions were mostly based on seniority. The union was successful in securing political support to force the BB to convert ‘daily basis’ contracts to

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19 ‘Promotee’ is a local vocabulary in the BB. This term refers to the employees who were initially recruited in Category C and D positions and then promoted to the positions of officer and above. In majority of the cases, these employees were promoted based on seniority (length of service in the BB).
permanent positions. This provided evidence that a performance management reform was transformed as the local agent (union members) was successful by exerting persistent pressure on the management of the BB.

The chapter provided evidence that the role of political agents and interests need careful consideration when investigating the implementation of a major organisational reform in a developing country’s regulatory organisation. Political corruption influenced the effectiveness of the BB in regulating the banking industry in Bangladesh. The formal PMS of the BB incorporated professional development and work efficiency as a yardstick for recruitment and promotion. While the BB recognised the importance of training and development to strengthen its supervisory capacity, the political imperative dominated how an employee would be valued and rewarded within the organisation. Managerial efficiency and technical knowledge were secondary to political loyalty. The political appointment of senior executives contributed to an increasing politicisation of the regulatory operation of the BB. While a performance-based promotion and recognition criteria appeared on paper, powerful political agents exerted influence over what practices would be appreciated and how these would be rewarded.
Chapter 6: Organisational structure and culture: implications for performance management

6.1 Introduction

This chapter investigates the influence of intra-organisational agents, structure and practices on the implementation of a World Bank-recommended PMS in the BB. The institutionalisation of a World Bank-led performance management reform depends on how it influences and reshapes the historical organisational norms and practices of the BB. Zucker (1987) emphasised that internal management practices could become taken-for-granted norms within an organisation. She asserted that organisational practices are institutionalised because of repetitive practices and bureaucratic routines. The institutionalisation of the new PMS in the BB needed to consider how the historical organisational practices would be adjusted by the new performance management logics.

A ‘micro’ view of organisational processes has developed as an emerging branch of institutional theory (Moll, Burns & Major 2006; Narayan, Northcott & Parker 2017). This organisational level analysis incorporates the perspectives of the BB managers in order to understand how performance management practices responded to institutional pressures. The BB’s internal control mechanisms were influenced by the traditional bureaucratic culture of public sector organisations in Bangladesh. Regulatory organisations in Bangladesh practised a seniority-based promotion process. The BB was the first regulatory organisation in Bangladesh where a performance management reform was initiated to replace the seniority-based promotion of employees with a performance-based one. The new PMS challenged long-standing cultural values of a public sector organisation in Bangladesh. This chapter discusses how the features of the new PMS were positioned within the historical performance measurement norms and practices of the BB.
Chapter 6: Organisational structure and culture: implications for performance management

The chapter first discusses the influence of the governors over the strategic priorities and reform agenda of the BB. It then explains the recruitment practices, performance assessment matrix and promotion criteria of the BB. This is followed by an analysis of how the traditional cultural attributes of the BB negotiated the logics of the new PMS. The chapter then discusses the implication of the public sector compensation structure for the implementation of the new PMS. It then elaborates how a set of informal mechanisms are utilised to recognise and reward performance. The chapter concludes by summarising the implication of intra-organisational imperatives on the implementation of the PMS.

6.2 Governor: leadership and management philosophy

As the central bank of a developing country, the BB was involved in a wide variety of functions. In addition to the routine monetary policy operations of a central bank, the BB deals with issues of national interests such as loan defaults, corruption in the banking sector, agricultural loans, small and medium-sized business (SME) finance, rural finance and women’s entrepreneurship. The economic, social and political environment of Bangladesh required the BB to pursue a broader economic and social development role. The BB is an important organisation for the social and economic development of the country. As the chief executive of the BB, the governor influences the financial, economic and social policies of the country.

The governor’s role was central to determining, shaping and instigating the strategic priorities of the BB. The personal philosophy and professional background of the governor influenced the focus of the organisation. Table 6.1 provides a summary of academic and professional backgrounds of the governors of the BB since 1996 (Bangladesh Bank 2016). Governors have been powerful actors who render normative and coercive pressures to sponsor management control mechanisms. The political nature of the appointment provided a governor with the required power to promote new strategic priorities.

The interviewed managers reported that each governor had a distinct focus on their chosen strategic priorities. The signature reforms of each governor corresponded to their academic training and previous professional experience. For example, Dr Atiur Rahman (2009-16) placed an emphasis of the central bank in the areas of women’s entrepreneurship, SME finance, corporate social responsibility (CSR) and agriculture. Interviewed senior managers reported
that Dr Atiur Rahman believed that rather than limiting its focus to monetary policies, the BB should address agriculture and rural poverty in the country. Many of his initiatives were often perceived as ‘non-traditional central banking’ by some bankers in Bangladesh.

'The current governor [Dr Atiur Rahman] has emphasised areas such as agriculture, financial inclusion, women entrepreneurship, and SME finance in addition to the monetary policy or traditional functions of the central bank. He believes that central bank of a country like Bangladesh needs to support the agro-based economy. Accordingly, he has taken initiatives to empower marginal farmers.' [Executive Director, BB]

<table>
<thead>
<tr>
<th>Name</th>
<th>Tenure</th>
<th>Qualifications and professional background</th>
<th>Signature reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fazle Kabir</td>
<td>2016-</td>
<td>Masters in Economics</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Former Bureaucrat</td>
<td></td>
</tr>
<tr>
<td>Dr Atiur Rahman</td>
<td>2009-2016</td>
<td>PhD in Economics</td>
<td>CSR, Micro-finance and Strategic Plan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Former Bureaucrat</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>A Professor of Economics at the University of Dhaka</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Actively involved with the Teachers’ Association of the Bangladesh Awami League</td>
<td></td>
</tr>
<tr>
<td>Dr Salehuddin</td>
<td>2005-09</td>
<td>PhD in Economics</td>
<td>Micro-finance</td>
</tr>
<tr>
<td>Ahmed</td>
<td></td>
<td>Former Bureaucrat</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Worked in development finance institutions</td>
<td></td>
</tr>
</tbody>
</table>

20 Fazle Kabir was appointed as the governor on March 15, 2016. The interviews for this research project were conducted during 2001-2015 when Dr Atiur Rahman was the Governor of the Bank.

21 The Awami League Government, who won the parliamentary election in December 2008, appointed Dr Atiur Rahman as governor. The Awami League Government was re-elected in the 2013 parliamentary election. The other major political party, the Bangladesh Nationalist Party, did not participate in the 2013 election. The Awami League Government renewed Dr Rahman’s contract in 2013.
Chapter 6: Organisational structure and culture: implications for performance management

<table>
<thead>
<tr>
<th>Name</th>
<th>Tenure</th>
<th>Qualifications and professional background</th>
<th>Signature reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Fakruddin Ahmed</td>
<td>2001-05</td>
<td>PhD in Economics&lt;br&gt;Former Bureaucrat&lt;br&gt;Worked in the World Bank</td>
<td>Management control reform</td>
</tr>
<tr>
<td>Dr Farashuddin Ahmed</td>
<td>1998-2001</td>
<td>PhD in Economics&lt;br&gt;Former Bureaucrat</td>
<td>Management control reform</td>
</tr>
</tbody>
</table>

Table 6.1: Governors and their signature reforms

Interviewed officials considered that Dr Fakruddin had a profound impact on the management control reform in the BB. Many managers believed that the BB looked different under his leadership. He had extensive experience in implementing World Bank-led organisational and institutional reform in different countries. His time as governor saw the BB internalising some major organisational reforms.

'He was very distinct in this aspect. His vision was to find a place in the global central banking community by having high standards of performance.' [Executive Director, BB]

'He was the only person who took strong initiative about management control reform.' [Assistant Director, BB]

The appointment of the governor of the BB has been primarily based on political loyalty. The prime minister, often in consultation with the finance minister, appointed the governor of the BB. A change in government has been accompanied by a change in governor of the BB. This political loyalty of the organisational leader often motivated union activists to seek political support to realise their demands. The political considerations in the appointment of governor brought about two powerful influences over the operations of the BB. Firstly, it exposed the BB to the influence of the political actors and their supported business groups and unions. Secondly, it allowed the governor to influence the strategic priorities of the BB. The appointment symbolised a political approval for the governor to dictate the operations of the
BB. While maintaining political loyalty, governors could influence the strategic priorities of the BB.

Many interviewed managers highlighted the success of Dr Fakhruddin, during his governorship, in mediating political pressure in order to facilitate management control reform. They believed that he was appointed as the governor because of his leadership at the World Bank. This international profile and context enabled him to reduce the political interference in the internal operations of the bank.

'Because of his previous association with the World Bank, he was in a better position to manage political pressure. It was in his tenure, ten union officials were terminated because of an assault on a senior manager of the bank. The union was not able to secure the support of the ruling political party to reverse the BB’s action. The appointment of governors like Dr Fakhruddin can go a long way implementing various reforms in the central bank and wider banking sector.' [Executive Director, BB]

Fakhruddin directed the senior managers to engage with the employees to implement the new PMS. During his time, the BB was able to change seniority-based promotion practices and some employees were promoted based on their merit. However, subsequent governors did not provide extensive support for the practices of the new PMS. While supportive of the reform agenda, subsequent governors’ engagement with the new PMS was limited.

'We made massive engagement in the first few years of the PMS reform. The engagement has then fully stopped. If the top management did not have the commitment, then it became difficult to sustain it.' [Executive Director, BB]

'Right from the start Dr Salehuddin [Fakhruddin’s successor] did not endorse many things regarding the management control reforms. He might think that Dr Fakhruddin worked in the World Bank and that was why he wanted to carry out a World Bank-led project.' [Deputy Director, BB]

The governors of the BB played an important role in shaping its management control structure. Dr Fakhruddin’s sponsorship was critical to the initial implementation phase of the new PMS.
The governor’s persistence with the new PMS resulted in some promotions of employees where performance received priority over seniority. Maguire, Hardy & Lawrence (2004) and Dew (2006) attributed institutional entrepreneurship to individuals who possessed the ability to create new institutions. The governor’s engagement resembled an institutional entrepreneurial activism which enabled a new performance management logic to be internalised in the BB.

The change in promotion practices, however, were not sustained once Dr Fakhruddin left the BB. Changes of BB governor invariably affect the strategic priorities of that organisation. The PMS implementation experienced limited support from the senior executives after Dr Fakhruddin departed, with the PMS being gradually distanced from its initial propositions over time. While showing an apparent support for the PMS, subsequent governors avoided the initiatives that had been designed to institutionalise the PMS.

The institutional capacity of the BB to maintain organisational reform was constrained by changes in its leadership. The political loyalty-based appointment of governors meant that the leadership of the BB changed with the change in government. The continuation of reforms of the preceding governor was viewed as support for the previous government’s policies. Organisational reforms were often perceived as the personal agenda of a governor, rather than an institutional logic. This personal attribution had created a leadership construct where the incumbent governor introduced his or her signature policies. Thus, each change in governor brought about changes in the strategic agenda of the BB. Interviewed managers saw each change of governor impeding organisational adoption of the existing reforms. When a new governor was appointed, senior managers waited for new strategic directions. While previous reforms were not overtly abandoned, the organisational focus and priorities were diverted to new initiatives when a new governor was appointed.

Thus, the institutionalisation process of the organisational reforms in at the BB was interrupted by the change of governors. The institutionalisation of new structures suffered from a lack of stability in BB leadership. The changes in government and associated change of governor produced ongoing changes in the strategic priorities of the BB so that the embeddedness of political influence over the BB did not allow the organisational reforms to be sustained over medium to long terms.
'Once the governor was changed, the whole thing [management control reform] stopped. The senior management always think about the will of the new governor. Innovative ideas are not institutionalised and continued.' [Deputy Director, BB]

'Change in leadership meant change in reform. The theme was distorted … it reached a position where the original vision about reform ceased to exist.' [Deputy General Manager, BB]

6.3 Promotion and recognition practices

The promotion processes in the BB involved a number-based performance measurement matrix. Senior managers reported that a formulae based, mechanical approach enabled them to avoid political pressures around the promotion decision. A total mark of 89 or above out of 100 constituted an excellent performance grade. Table 6.2 illustrates the performance measurement matrix which was utilised in promotion decisions at the BB.
Chapter 6: Organisational structure and culture: implications for performance management

<table>
<thead>
<tr>
<th>Performance indicators</th>
<th>Marking process</th>
<th>Maximum points</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMS grades</td>
<td>The supervisor assesses performance at the end of each year. The performance assessment and associated marks are as follow: Excellent = 14, Very good = 10, Good = 8, Unsatisfactory = 0. This number is known as a PMS grade for an employee. An employee gets 14 if his/her performance is assessed as ‘excellent’ by the supervisor. In promotion decisions, an employee’s PMS grades for the last five years are considered. Thus, the maximum possible number for PMS grades for the last five years is 70.</td>
<td>14*5 = 70</td>
</tr>
<tr>
<td>Length of Service</td>
<td>Five marks for every years served in the existing post. The maximum score in this performance indicator is ten marks.</td>
<td>5*2 = 10</td>
</tr>
<tr>
<td>Postgraduate qualification</td>
<td>For a postgraduate qualification (no extra marks for double Masters or MBA or PhD) = 14</td>
<td>14</td>
</tr>
<tr>
<td>Banking diploma</td>
<td>Three marks for each of the two banking diploma degrees.</td>
<td>3* = 6</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Table 6.2: Performance measurement matrix

The promotion process utilised a 2:1 construct where the first two promotions were based on performance score (based on the performance measurement matrix in Table 6.2) and the third one was based on seniority (length of service in the BB). This means that if three employees were promoted from the position of assistant director to joint director, two employees with the highest marks (based on the performance measurement matrix in Table 6.2) were promoted. In the case of the third promotion, the performance score was not considered. The third promotion was based on the length of services, ie. the employee with the highest number of years in their current position was promoted. If the length of service of the applicants for promotion were equal, the recruitment examination scores were determined by seniority.

Promotion of employees based on seniority (length of service) was practised in the BB and other public sector organisations in Bangladesh. Zucker (1987) identified the history of a structure as a powerful influence over what practices become taken-for-granted organisational
norms. The management of the BB did not entirely ignore the practices of promoting employees based on seniority. While the BB management was successful in introducing a new PMS, it was still possible to be promoted based on seniority. Even though performance-based promotions of employees was the fundamental theme of the new PMS, it allowed some opportunities for employees to be promoted based on seniority. Thus the historical practices of promotions of employees based on seniority had a strong influence over the performance management reform in the BB.

The BB introduced an annual ‘recognition award’ in 2009. The winners were presented with a ‘certificate for excellence’ to recognise their outstanding contribution to the bank. Interviewed managers questioned the selection process for this award. They believed that the nomination for the award should come from the departmental head. Instead, most of the awards were presented to employees who were acquainted with and familiar with the executives of the bank.

'So far, 25 people have got the award. Out of them about four or five people are really good. The rest of the people got it because they have access to executive directors or deputy governors. The things are done by the top management silently. Thus the impact of reward and recognition on the motivation of general employees is low.' [Assistant Director, BB]

The regular recruitment of large numbers of graduates intensified the problems associated with lack of promotion opportunities within the BB. Recruitment in the BB was not based on any assessment of task requirements and scope of the organisation. The management of the BB had the authority to recruit graduates. It became customary to recruit 100 graduates every couple of years. The HRD of the BB conducted the recruitment activities which included written examinations and interviews. The promotion opportunities primarily depended on positions vacated by retirements. This created limited opportunities for promotion for the majority of the recruited employees.

'The HRD is recruiting hundreds of people every year without any analysis of work requirements. This will create a huge frustration in future when these large numbers of people will not get promotion because there is not much scope available in the bank.' [Joint Director]
Employees were occasionally promoted to the higher position without any changes to their job responsibilities. This upgrade brought about changes only to the designations of employees. The strategy was adopted by the BB to address the frustration of employees regarding the long wait for promotions. Sometimes employees waited 15 years without any progression to the next level. Interviewed employees expressed their frustration about this upgrade practice.

>'If I get a promotion without any change in my work, this does not motivate me. Even after waiting for a long time, if I get a promotion which gives me some new opportunity; it will be much more welcome. The current frustration is not only related to the long wait for promotion, but it also relates to the fact that sometimes promotions only represent a change in designation with no new challenges in terms of job duties.' [Deputy General Manager]

This situation in the BB reflected the general environment in the Bangladesh public sector where mass promotion of employees to higher levels without any vacancies became a regular practice (Ahmed 2014). The political governments utilised this mechanism to promote employees who were loyal to a political party. This was also utilised to address frustration in the public service regarding the long wait to achieve promotion. In a study of public sector promotion practices, Sharifuzzaman (2016a) provided evidence that the number of government employees promoted was higher than the number of positions available. His study found that 2,573 employees were employed in 1,367 positions of additional secretary, joint secretary and deputy secretary. A large number of employees were promoted to senior levels without considering the needs of the government departments. Ahmed (2014) found that promoted employees often shared a single position and some employees performed the work of junior ranks in the public sector of Bangladesh. Majumder (2014) found that organisational need was not considered in promoting employees in the public sector. He provided evidence that a large number of promoted public sector senior managers were not allocated an office, support and facilities corresponding to their positions. Political influence was the primary driver of a large number of promotions. Promoted employees often continued to perform the same duty as their previous post. These promotions created administrative complexity in the public sector of Bangladesh (Ahmed 2014).

Promotion of employees in the public sector in Bangladesh often reflected a mere change of designations. Promotions did not change the responsibilities and authority of employees. This
practice of upgrading existing positions to the next level in the organisational hierarchy was also practised in the BB. The extent to which a network of structures was embedded in an organisation determined how organisational practices become institutionalised (Zucker 1987). The BB was connected to the public sector organisational network. The MoF had a significant influence over the activities of the BB. This connectedness of the BB with public sector management practices influenced how the new PMS was practised. All employees working in a particular rank were sometimes promoted to a higher rank without considering the performance of the individual employee. Thus the promotions of employees often reflected a broader public sector management philosophy, rather than an objective evaluation of the performance of individual employees.

6.4 Traditional organisational culture

Cultures are shared values, beliefs and interpretations of significant events that are carried over time (House et al. 2004). Peterson and Wood (2008) described the development of culture as a process of socialisation and an artefact of long-term memory. Since culture influences cognition, behaviour and interaction (Smith, Peterson & Thomas 2008), national culture would directly influence the perceptions and practices of accounting (Cieslewicz 2014). Accounting can be utilised as a symbol of rationality to secure legitimacy from powerful external constituencies. Dent (1991) illuminated how the conceptualisation of an organisation as a cultural construct could help to explain accounting’s influence. In relation to a UK railway company, he illustrated how the traditional ‘railway culture (based on engineering and logistical dominance)’ was replaced by a ‘business culture (modelled on cost efficiency and profit maximisation)’. While accounting was traditionally a recordkeeping exercise, it gradually took a different role when the railway company took on a business culture of ‘managing for profit’ (p. 716). Accounting was instrumental in transforming the railway company from a social service to a business enterprise, with budgets, cost management and performance targets becoming the dominant thinking in the organisation.

Wickramasinghe and Hopper (2005) provided evidence of how conventional management control interacted with the rural culture in a textile mill in Indonesia. After privatisation of the mill, the management control mechanisms were utilised to instil capitalistic values of efficiency and a modern industrial culture. However, the new accounting technologies (budgets and
performance planning) needed to negotiate a complex web of local traditions and interests involving political ideologies, trade unions, ethnicity and culture. Efferin and Hopper (2007) found that the Chinese-Indonesian owners of the business preferred relationship-based management control, which was commensurate with the Chinese cultural values of trust, subjectivity and group rewards. The Chinese ethnicity and network between Chinese Indonesian also influence the firm’s recruitment and strategic orientation.

The World Bank initiated performance management reform to strengthen the capacity of the BB. The international best practice PMS intended to measure, recognise and reward service excellence in the BB. The actual application of the new PMS was, however, influenced by the local organisational culture in the BB. The long-standing practices of performance measurement and recognition in the Bangladeshi public sector influenced the implementation and subsequent practise of the new PMS.

Organisational culture interacts with the wider social institutions and ‘both are importing and exporting values, beliefs and knowledge’ (Dent 1991, p. 709). Distinct subcultures can co-exist within an organisation (Dent 1991) and they could contest each other for domination (Feldman 1986). The interrelationship between organisational culture and the broader social institutions was important for this study. The World Bank-led performance management reform challenged the BB’s long-standing organisational practices of performance measurement and employee promotion.

The internal organisational culture of the BB influenced the performance management reform in the BB. Two cultural imperatives were evident from interviewees’ experiences of the new PMS: interpersonal relationship and secrecy. These cultural values were deeply embedded into the performance management practices of the BB. Interpersonal relationships between employees were an important element of the organisational culture in the BB. Managers felt a moral compulsion, as opposed to professional responsibility, to assist subordinate employees in obtaining promotion. An objective assessment about the performance of employees often challenged personal obligations of helping people to progress in their career. A number of employees highlighted that inter-personal relationships became an obstacle to the effective implementation of the new PMS.
'PMS grading is sometimes based on inter-personal relationships rather than on performance. I make sure that our social relationship does not suffer because of the evaluation report.' [General Manager]

'If someone [the subordinate] is not working, I give warning. But at the end, I don’t give bad report. What is the benefit of destroying the career [of the subordinate] … this thinking always strikes in our mind.' [General Manager]

The new PMS suggested an open discussion between supervisors and employees regarding planning, review and assessment of performance. The new PMS was based on the philosophy that an open discussion regarding performance helped employees to understand their responsibilities and the way their performance would be evaluated and rewarded. However, open discussion regarding performance planning and evaluation had never been practised in the BB. Interviewed senior managers admitted that they did not feel comfortable talking about performance related issues with the employees.

'In our cultural setting, open discussion regarding performance related issues is not practised. Discussion and disclosure of performance evaluation does not take place in public sector organisations in Bangladesh.' [Joint Director]

Managers believed that open communication about performance would create confrontational relationships in the BB. Historically, Bangladeshi public sector organisations maintained confidentiality of the performance grades awarded. They felt that adverse feedback and associated judgement would undermine their relationships with the employees. Managers also feared disruption in the workplace because of discussion and disclosure of performance grades.

'As a supervisor, I think that open discussion may bring a bad result. The people who get a low score may be reluctant to work with me. We have faced it. Full disclosure may bring unwarranted consequences and disrupt office discipline.' [Deputy General Manager]

Discussion and disclosure of performance management were new concepts for the employees of the BB. The previous performance measurement system kept performance related grades confidential. This system, which was called the ACR, allowed the supervisor to decide the
performance grades without consulting with the employees. The supervisor was not required to provide any justification or evidence to support their assessment of employee performance. Interviewed managers believed that the confidential nature of the ACR would not transform to an open and consultative process in the BB.

'We didn’t come out of the culture of confidentiality. I think that it is about outlook or mindset. Until we change our outlook, the new PMS will not give any benefit.' [Deputy Director]

Communication and consultation between supervisors and subordinates were essential components of the PMS. The objective was to move beyond a mere performance measurement exercise. The new PMS aimed to manage performance to support employees and the organisation to achieve their goals. Open communication would potentially identify areas where employees needed training to upgrade their skills and capabilities. Interviewed senior managers believed that open communication was necessary for effective performance management. They believed that open discussion might cause some tension at the initial stage, but would bring benefits to the organisation over time.

'There is nothing an employee can do if we inform him, after five years of service, that he is not promoted on merit basis because his performance grades are not good. It works as a shock for the employee. There is no way he can rectify it. If we discuss and disclose performance grades, then there is an opportunity for a person to learn and improve.' [Manager]

The practice of keeping performance grades confidential continued even though the new PMS highlighted the benefits of an open system. Open discussion and disclosure intended to give the employees an opportunity to understand how performance was assessed. Employees believed that open communication would clear up any doubts about performance assessment. Open communication would bring accountability to both the supervisors and employees, as they needed to defend their performance and associated assessment with evidence and logic.

'If the reports are fully disclosed, then I cannot really give excellent report to a person who does not work well. If I give a good grade to a person who is not working well, then everyone will know. Under the current system, the grades
depend on the evaluators’ discretion and there is no pressure to justify it.’ [General Manager]

The merits of open discussion about performance assessment and disclosure of performance grades were widely acknowledged by general employees. However, the cultural tradition made it uncomfortable for both employees and managers to engage in open discussion about performance planning and assessment. The institutionalisation of the new PMS depended on the extent to which a cultural shift took place toward a new practice based on discussion and communication. The evidence of this research suggested that, though the technical logic of open and consultative approach was appreciated, the actual practice was shaped by a dominant organisational culture of secrecy.

The implementation experience of the PMS in the BB resembled an institutional logic platform where multiple norms and practices co-existed and competed for supremacy. The new PMS brought institutional logics of disclosure of performance targets and assessment. These features of the new PMS stood in sharp contrast to historical organisational practices of secrecy regarding performance measurement. Open discussion and communication of performance grades challenged the traditional interpersonal relationships between managers and employees of the BB. Communicating weaknesses of a person was perceived as an impolite and uncaring gesture. Though appreciating the benefits of an open discussion and communication of performance management logic, most of the interviewed employees and managers preferred a confidential performance grading which more suited their cultural tradition.

6.5 Public pay scale – an impediment to a performance-based outlook

The public sector of Bangladesh maintained a pay-scale which was not regularly adjusted with the inflation rate and cost of living. There was significant disparity between the salaries of the BB and those of the commercial banks. The BB was increasingly facing a challenge to attract good employees with its current salary structures.

'Our remuneration is low as compared to the banking sector. This should be changed. If this is not addressed, there will be time when good graduates will not be interested to work in the central bank.’ [Deputy Director]
'Our retention rate is 70% or even less. After staying here for few years, people start searching for opportunities elsewhere – particularly in the private sector. Excellent graduates used to join the public service in the past. That is not the case now. The glory of public service is decreasing over time. Better graduates now prefer the private sector which offers attractive compensation package.' [Joint Director]

Interviewed employees highlighted the problems associated with inadequate compensation packages in the BB. Some employees had limited motivation toward work as they become involved with other commitments such as part-time teaching at universities and management consultancy work. The BB offered home loans to its employees at low interest rates. Some employees invested this fund in business or the share market. Some managers found that employees were often too busy with their other engagements and provided inadequate service to the BB. Even though the BB had official policies to ensure that the loans were utilised to build or purchase residential homes, these were not enforced or monitored. It was widely known at the BB that many employees utilised the loans for business purposes.

'No one can live a comfortable life with this salary. This is why many people are not motivated. They are often interested in trading in the share market and involved in other businesses. They concentrate on other things and attention to work gets diluted.' [Deputy General Manager]

'There is disillusionment. People came here to build a career in a prestigious organisation. Soon they realise that the compensation is not good enough. You cannot force people to work only by threatening people by PMS. You need to motivate people.' [Joint Director]

A large disparity between the salary levels between the BB and the commercial banks impacted the motivation of employees of the BB.

'When I go to a private bank for inspection, I realise that they earn four times higher than me. It creates a mental distance. I feel downgraded.' [Assistant Director]
The Bangladesh economy experienced an economic growth rate of approximately 6% during 2012-16 (Prothom Alo 2016b). This economic development was primarily attributable to an expanding private sector. The increasing disparity of compensation between public and the growing private sector made it difficult to attract high quality graduates to work for the BB. The BB also experienced an increasing loss of managers to private sector banks. Senior managers believed that a PMS alone would not bring better performance unless the bank attracted good employees to the bank.

'Many of our batch mates left the bank. If we had a good compensation package, these people might not leave.' [Joint Director]

The impact [of low salary and low motivation] will be serious in near future. If the thing is not properly addressed, you will not get good people working in the central bank.' [Deputy General Manager]

The BB management undertook several initiatives to address the severe disparities between the compensation packages of the BB and private sector commercial banks. The BB conducted a comparative study of the salary structures of the central banks of South Asian countries in 2008. They found that the central banks of other South Asian countries determined their own salary structures. However, the remuneration of the BB employees followed a national government pay scale. This created a disparity between the salary obtainable in the BB and in commercial banks. The BB initiated several attempts to separate its compensation package from the national pay scale. It wanted the authority to determine a compensation package that would enable it to attract employees with the required qualifications and experience. However, the MoF did not allow the BB to decide its own compensation package. The government and the MoF did not want to disrupt the long-standing practice of public sector organisations in Bangladesh following the national government pay scale.

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22 The government departments and other public sector organisations (including the judicial, police and military) followed a national pay scale established by the government. The salary of employees of different levels of the hierarchy were defined by this national pay scale.
Chapter 6: Organisational structure and culture: implications for performance management

The comparative compensation study was approved by the BB board. It went to the ministry again and again. They never allowed it to happen.' [Executive Director]

Broadbent and Laughlin (2009) highlighted the importance of financial incentives in the successful operation of a PMS. Their PMS framework requires an organisation to articulate what financial benefits are associated with the achievement of target performance. The performance management reform in the BB did not incorporate any financial incentives for higher performance. The management of the BB undertook several initiatives to change the compensation structure. However, the MoF did not allow the BB to depart from the compensation structure of the public sector organisations in Bangladesh. Political control of the MoF over the BB prevented it from reforming its compensation and incentive structure. The political institutions appeared to dominate the institutionalisation of performance management reform in the BB. Interviewed managers believed that the performance management reform did not make any real impact as it failed to link financial incentives to higher performance.

'The MoF did not allow the BB to set its own compensation structure. The MoF does not want to lose its control over the BB. The MoF maintains a strong presence in the appointment of senior management and other strategic priorities of the BB.' [Senior Manager of the World Bank, Bangladesh Office]

6.6 An informal mechanism for recognising performance

A seniority-based promotion process offered limited opportunities to reward employees for superior performance. The financial benefits were dictated by a national pay scale for the public sector organisations in Bangladesh. Informal mechanisms had evolved over time to reward and recognise employees within the bank. These informal practices were employed as alternative mechanisms to reward excellent performance.

Senior management depended on a select number of people to perform policy-making and strategic activities of the BB. At departmental level, the general managers ‘handpicked’ these people to work in their teams. The general managers interacted with this select group of people performing key activities of the departments.
'I only rely on four to five people. I know that these people can do the job. If the HR wants the names of the top five performers of my department, I can certainly provide this information. However, the current PMS cannot benefit these people.’ [General Manager]

'The employees in a department know who these people are. You will never find them in their desks. You will see them sitting in the chambers of the general managers.' [Deputy Director]

The senior executives of the BB followed similar suit by depending on some selected employees to perform strategic projects. It was evident that the governor and deputy governor asked an assistant director or deputy director to complete a task without consulting with relevant general manager or executive director.

'Sometimes the governor depends on junior ranked employees without involving the middle management. This is an administrative weakness.' [General Manager]

'Often the general manager feels professional jealousy because of this assignment. He feels agitated because he is not consulted by the deputy governor. Often this creates problem for the well-performing officers. He may end up getting a poor PMS grade.' [Deputy Director]

The general employees of the BB labelled this selected number of employees as the ‘elite group’. This elite group of employees were recognised in the bank through their involvement in strategic initiatives and development projects. They were invited to prestigious occasions like the annual general managers’ meeting and strategic planning day. Participation in these events represented a gesture of appreciation from senior executives to this selected group of employees for their contribution.

'The general managers’ conference takes place outside the capital city. Other than the general managers and senior executives, a selected number of employees will go there. This is a recognition for their effort and contribution.' [Assistant Director]
International development organisations such as the World Bank offered overseas training opportunities to BB employees to strengthen their regulatory capacity. As member of a number of international monetary forums, the BB staff received opportunities to participate in training courses, seminars and conferences. These foreign training courses were utilised to reward employees for their superior performance. The BB provided financial benefits (approximately BDT 100,000)\(^{23}\) to an employee for attending each foreign training. The BB did not follow any formal selection policy for employee training and development. The senior executives (governor, deputy governors and executive directors) of the bank selected employees for overseas training and conferences.

‘The selections for foreign training are not needs based. The selection committee for training is headed by the deputy governors. When training opportunities come around, they make the selection.’ [Deputy Director]

The official training policy encouraged department heads to communicate training needs to the HRD. However, such policy recommendations were not followed when selecting employees for training programs. During the field visits, it was observed that employees attended foreign trainings which had little relevance to their job responsibility in the BB.

‘In the majority of the cases, people are sent to training which has no relationship with the work they do.’ [Assistant Director]

Interviewed senior executives defended their approach of awarding foreign training opportunities to a selected number of employees who were involved in strategic and development projects of the BB. They acknowledged the limitations of the promotion process in rewarding and recognising outstanding performance. They also highlighted the compensation package of the bank which failed to create any financial incentive for superior performance. They believed that the benefits associated with foreign training were an alternative avenue to recognise excellent performance.

\(^{23}\) Exchange rate on 14/10/2016: Australian $1 = Bangladesh Taka (BDT) 59.33
Chapter 6: Organisational structure and culture: implications for performance management

'These people are rewarded because they do the job. When we call for volunteers, these people respond. I often see people who prefer to sit idle. They need to prove themselves when they get an opportunity. When a person works, then nobody complains. But when he gets some benefits, then people starts to criticize. Naturally, I will give some benefits to people who work hard.' [General Manager]

This research found evidence of informal mechanisms of recognising and rewarding performance. The new PMS had some initial success in promoting employees based on performance. However, the performance management process gradually returned to seniority-based promotions as it failed to maintain the support from the senior executives after the departure of Fakhruddin. The senior management utilised alternative mechanisms to reward and recognise excellent performance. This alternative approach utilised, for example, overseas training opportunities to reward better performance. The governors and senior executives often worked directly with junior ranked employees, bypassing the bureaucratic and hierarchical structure of the bank. This created an elite group of employees who secured direct access to senior executives of the bank.

Explaining the motivation for following institutional norms, Meyer and Rowan (1977) differentiated efficiency-centric rational choice from legitimacy-seeking behaviour. They argued that organisations may appear to adopt structural changes in response to institutional demands, but the actual work practices may follow local norms and realities. Oliver (1991) discussed a variety of strategic responses that organisations may pursue to manage institutional pressures. This research found evidence of informal processes designed to recognise the performance of employees, as the formal PMS largely failed to link performance with financial incentives. The formal PMS was showcased to conform to the prescription of the World Bank, whereas informal mechanisms were employed to address the operational needs of the bank. Both systems co-existed and it enabled the bank to conform to multiple institutional demands which had differing characteristics and intentions.

Employees expressed frustration about the reliance of senior executives on a limited number of people. This practice had demotivated many employees as their work and contribution were not appreciated. Overreliance on a selected number of people created an organisational environment where the majority of the members distanced themselves from organisational reform initiatives.
'You are patronizing three to four people in a department … this results in a culture of favouritism. The rest of the people are lagging behind … not only in work, but also in recognition. When I see that I am not highlighted, I feel demotivated to put in my effort. This is a very bad thing for the organisation.' [Deputy Director]

This over-reliance on a select number of people by senior management was perceived by general employees as a constraint upon developing a performance-based recognition culture. They believed that there was often a tendency for employees to show off their performance and loyalty to the senior executives. Rather than focusing on regular responsibilities, these employees looked for opportunities to assist senior executives and socialise with them.

'You will rarely see them in the department. They are either in the general manager’s room or on the executive floor. Some people are involved in this relationship building exercise. And, it worked; they are getting training and are involved in strategic projects. Some of them have received ten training courses in three years, whereas many people didn’t attend any overseas training in 20-30 years.' [Joint Director]

6.7 Conclusion

This chapter addressed the second research question of this thesis, investigating how the actors and long-standing practices within the BB influenced the implementation of a new PMS. It has employed an organisational-level analysis of how the World Bank prescribed PMS negotiated the historical performance management practices of the BB. Institutional theory recognises management practices as powerful sources of institutionalisation within an organisation (Zucker 1987). The history of the performance measurement practices in the BB and its embeddedness in the broader public sector management in Bangladesh created a challenge for the implementation of the new PMS. The performance-based promotion and transparency in the performance assessment within the new PMS challenged the traditional bureaucratic culture of secrecy in public sector organisations in Bangladesh. This research provides evidence that historical performance management practices in the BB continued to influence how individual performance was assessed and recognised.
The governors exerted significant influence over the strategic priorities of the bank. The political nature of the appointment of governor makes the organisation vulnerable to pressures from the government. The leadership of the organisation changed with the change in government. This change in governor based on political alliances brought about instability in the management control practices including performance management. The new PMS started strongly with the support from a governor who had long association with the World Bank. The PMS then experienced lack of support from the senior management once Dr Fakhruddin left the BB and a new governor took office.

The BB, like other public sector organisations of the country, had kept performance assessment activities confidential. The new PMS intended to bring transparency and accountability to performance measurement and recognition practices. While the majority of the managers and employees acknowledged the benefits of the normative logics of open discussion and disclosure of performance assessments, its actual implementation created distress and uncertainty among supervisors and employees. While a consultative and transparent performance management process intended to enhance accountability, it put the traditional bureaucratic authority structure to test. Managers were uncomfortable disclosing and explaining performance assessments of the employees.

The traditional Bangladeshi culture preserved a patron-client relationship between supervisors and subordinate employees. The supervisors were not expected to defend and justify how they assessed performance of employees. Most of the managers felt uncomfortable and threatened by the proposed open communication mechanism of the new PMS. Weaknesses of an employee were not expected to be disclosed openly as it implied dishonour and lack of respect. As a result, managers preferred to keep the performance assessment confidential.

Efficacy of the new PMS and its institutionalisation were moderated by internal institutions in the BB. The traditional organisational culture of secrecy appeared too strong to be dismantled by an international best practice PMS. This evidence provides support to Zucker’s (1987) argument that an over-emphasis on external institutions ignored the internal practices and its power to mediate organisational practices. The BB inherited a traditional and bureaucratic public sector performance management process. This long-standing practice was not disestablished overnight because of the arrival of a new PMS.
Strong interpersonal relationships between employees and managers created challenges for the practice of a new PMS. Managers feared the possible deterioration of interpersonal relationships if the performance grades were communicated and discussed. An alternative arrangement evolved to reward performance as the formal PMS largely failed to achieve its objectives. Overseas training was utilised to recognise and reward people for outstanding performance. Senior managers also handpicked a group of people and engaged them in strategic projects. This indirect approach of rewarding superior performance was preferred to an open system of assessing and rewarding employee performance. The formal PMS largely portrayed a ceremonial compliance while informal mechanisms were utilised to address the practical realities at a field level.

This chapter investigated how the internal organisational structure and practices influenced the institutionalisation of a World Bank recommended performance management reform in the BB. The internal processes gradually became taken-for-granted organisational norms and routines in the BB. They also reflected the political control over the BB and how public sector organisations were managed in Bangladesh. A number of features of the new PMS were undermined by traditional organisational practices. Thus the pressures from the institutional environment to reform the performance management system were moderated by the internal forces and practices in the BB. The resulting outcome of the performance management reform reflected a contestation between the normative logics of the World Bank recommended PMS and the historical structures and routines at the organisational level.
Chapter 7: Interface between international best practice PMS and local organisational adoption

7.1 Introduction

This chapter discusses how a regulatory organisation in a developing country adopted and practised a World Bank recommended PMS. Donor countries and international development organisations influence social, economic and political development in developing countries. This thesis investigated a World Bank-led organisational change initiative in the BB. The implementation of an international best practice PMS was not limited to the formal adoption of such structure. The recommended PMS template also passed through a host of local organisational agents and processes.

This chapter aims to answer the third major research question of this thesis which investigates how the new PMS was translated into the management control environment of the BB. The discussion focuses on three areas about the implementation and practice of the PMS. Firstly, how features of the PMS were implemented and how any deviations from the recommended model were justified. Many features of the PMS (such as performance planning, EBR, moderation and performance reports) were new to the BB. This chapter analyses how these features of the PMS were practised or adjusted in response to the local pressures and practicalities. Secondly, the chapter discusses the role of the senior managers in practising and institutionalising the new PMS. Thirdly, an analysis is presented to evaluate the effectiveness of the new PMS and whether it had achieved its intended objectives, such as performance-based promotions and leaner organisational hierarchy.

Institutional theory is criticised for its limited emphasis on the roles of actors and agencies in the creation and transformation of institutions (Lounsbury, Ventresca & Hirsch 2003).
Organisational agents and socio-political context determines how organisational changes are practised and gradually institutionalised. Rather than assuming a deterministic role of institutional pressures, Scott (2008a) suggested researchers investigate how institutions are addressed in individual organisations and how the resulting practices correspond to social expectations and legitimacy. The new PMS in the BB retained, modified and adjusted a number of its characteristics over time. These adjustments reflected the power of local agents in negotiating and mediating the institutionalisation of the new PMS. This chapter reflects how the PMS structures were disrupted and eventually modified over time to create a distance between intended and actual practices. The organisational agents and interests were pivotal in the initial rise and subsequent demise of a new PMS in the BB.

The chapter commences with a discussion of the influence of international development organisations in the economic and political events in Bangladesh. The chapter then discusses how major components of a best practice PMS were practised. The BB’s ability to retain performance management reform is then discussed, followed by an analysis of the nature and effect of the translated PMS documentation in Bangla. The chapter then discusses why interviews were not included in the promotion process and the limited ability of the HRD to sustain the changes. A discussion about the role of senior executives in the performance management practices is followed by an analysis of the extent to which performance-based promotions were institutionalised in the BB. The chapter concludes by summarising how an international best practice performance management structure was adopted and practised in a regulatory organisation of a developing country.

### 7.2 International development organisations as reform agents in Bangladesh

International development organisations, such as the World Bank, play an important role in shaping the economic and regulatory processes in developing countries. These organisations are able to exert influence over the governance processes of developing countries because of their ability to control the flow and conditions of foreign aid. The influence of the World Bank was evident in its engagement with the Government of Bangladesh regarding, for example, a corruption allegation in the construction of the Padma River bridge project. The government
involved its MoF, Ministry of Communication and the Anti-Corruption Commission to investigate the World Bank claim.

International development organisations such as the World Bank prescribes best practice governance and accountability structures for developing countries. For example, the World Bank and other international donor organisations require developing countries to adopt IFRS to strengthen their accountability practices (Tyrrall, Woodward & Rakhimbekova 2007). The adoption of IFRS by many developing countries is a reflection of the coercive power of transnational development organisations. The World Bank had historical engagement in the development of financial markets in Bangladesh. It played a significant role in the ‘financial sector liberalisation program’ which privatised some nationalised commercial banks and allowed banking in the private sector in Bangladesh since 1982. The financial sector reform program introduced significant structural reforms such as removal of interest rate ceilings, exchange rate liberalisation and the amendment of banking laws in Bangladesh.

The World Bank initiated CBSPs in developing countries. An international best practice PMS was a key component of the CBSP. The implementation of a new PMS in the BB took place in three distinct phases. Firstly, in 2002 the World Bank recruited Maxwell Stump PLC, an international management consulting firm, to recommend a hierarchical structure and employee requirements in the BB. Secondly, an international performance management consultant was appointed in 2003 to develop a best practice PMS for the BB. Finally, a new PMS was formally implemented in the BB in 2007.

The effectiveness of the adoption of an international best practice reform depends on how local environment, organisational culture and political interests influence the institutionalisation of new structures (Brehm 2008). This research revealed that the PMS was adjusted to reflect the local context. A number of features of the recommended PMS were eliminated, modified and adjusted in response to the local pressures and practicalities. The remainder of the chapter discusses how the individual components of the recommended PMS were adopted and implemented in the BB.
Chapter 7: Interface between international best practice PMS and local organisational adoption

7.3 PMS mechanisms – divergence between recommended policy and practice

The World Bank appointed international consultants to plan, design and implement a best practice PMS for the BB. The various components of the new PMS are summarised in Table 7.1. Three PMS mechanisms were investigated: performance planning, EBR and moderation. The analysis aims to explain how actual practices complied or differed from the intended practices. This analysis provides an opportunity to reflect on how an international best practice PMS was implemented in a local setting of a developing country banking regulatory organisation.

<table>
<thead>
<tr>
<th>Time period</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 20X1</td>
<td>Performance planning</td>
</tr>
<tr>
<td>October 20X1</td>
<td>Half-yearly review</td>
</tr>
<tr>
<td>March 20X2</td>
<td>Moderation</td>
</tr>
<tr>
<td>March 20X2</td>
<td>Final grading</td>
</tr>
</tbody>
</table>

Table 7.1: PMS Cycle for an assessment year (April 20X1 – March 20X2)

7.3.1 Performance planning

The first element of the PMS was performance planning, which outlined yearly performance targets for individual employees. The process started with identifying goals for an employee and developing performance targets. This process aimed to create an understanding and agreement about service excellence from each employee. The performance planning also outlined how performance would be evaluated.

Employees of the BB struggled to identify and explain goals for planning performance. Some argued that goal setting was not applicable in a regulatory organisation like the BB. The general managers found it difficult to identify goals for individual employees and then link those to their daily activities.
Chapter 7: Interface between international best practice
PMS and local organisational adoption

The work in Bangladesh Bank is analytical … quantification does not reflect the complexity and nature of the work. I believe that this PMS is applicable for manufacturing businesses. It should be modified and customised to reflect the activities of the Bangladesh Bank.’ [Joint Director]

Interviewed managers of the banking policy department stated that their work involved correspondence with external constituents such as the MoF, World Bank, commercial banks, SEC and various economic forums. The managers found it difficult to quantify the resources, nature and effectiveness of such activities using the PMS matrix.

'If you work in a manufacturing industry, you can measure how much you produce or whether you have achieved your sales target. These are visible and you can quantify those. Things are not like that in the Bangladesh Bank. If you are preparing a new banking law or policy, how can you measure such activity?’ [Deputy General Manager]

'From the very beginning, the management did not accept the PMS. They said that this was an industry concept. There is nothing measurable here. We do policy level work and the PMS is not applicable here.’ [Deputy Director]

Managers explained that training was required to enable employees to identify, discuss and measure performance goals. The employees were not familiar with planning, measuring and reporting of performance.

'We need to make qualitative judgements. There is lack of competence to define, understand and evaluate performance.’ [Assistant Director]

7.3.2 EBR

The PMS required managers to maintain an EBR to record performance related information about an employee. The PMS described it as a systematic record of performance, peer assessments and observations about an employee. It was recommended as a basis for preparing the final PMS report and performance grades. EBR was designed to bring accountability into the performance assessment practices.
Chapter 7: Interface between international best practice
PMS and local organisational adoption

‘If I maintain it, I have to watch you … I have to record your performance … this EBR will help the supervisor to make an objective assessment of performance.’

[Joint Director]

The World Bank consultants recommended the practice of EBR to identify training and development needs. The potential benefits of keeping an EBR for employee capacity development were largely ignored in the BB. Managers reported that the EBR was practised in the initial few years of the implementation of PMS. However, its practice gradually decreased and eventually disappeared from the performance management process.

‘Supervisors view it as a wasteful exercise and an interruption to their regular work.’

[Deputy Director]

The previous ACR did not require maintenance of any records about the performance of employees. Supervisors evaluated the performance at the end of the year based on an overall judgement. There was no evidence-based documentation to substantiate performance grades of employees. The new PMS was designed to address this deficiency and facilitate an evidence-based evaluation of employee performance.

Managers argued that it was increasingly difficult to make objective evaluations of large numbers of employees without performance related records. An overall judgemental approach might have worked in the past as the number of people working under a supervisor was small. However, the performance evaluation of approximately 4,500 employees created significant challenges without the maintenance of regular performance related records.

The EBR was a key element of the PMS as its practice would integrate the performance management logics into daily activities of the BB. The EBR was aimed at providing a detailed record of activities of employees and represented an accountability mechanism within the PMS by offering an objective basis for evaluating performance. The EBR was planned as a mechanism which would enable managers to make informed assessments of the performance of employees in the BB. The EBR was implemented in the initial years of the new PMS as the senior managers were instructed by the governor to ensure the maintenance of performance related documentation. However, the practice of EBR gradually disappeared from the
performance management activities of the BB. Though the EBR was a component of the official PMS, the supervisors and employees did not practise it. This reflected Meyer and Rowan’s (1977) institutional proposition of decoupling, where formal structure deviated from actual practice. The actual maintenance of the EBR was not monitored and enforced by the senior management. The EBR stayed only as a formal cosmetic rule and failed to be institutionalised in the organisation. Thus the PMS, like the previous ACR, allowed the managers to assess performance of employees without keeping any records and documentation.

Broadbent and Laughlin (2009) highlighted the importance of accountability to create trust in the PMS. They recommended that organisations ensure that financial benefits are transferred to the employees who achieve performance targets. This research found evidence of the importance of accountability in the assessment of performance in the BB. In the absence of an EBR, there was no accountability mechanism to ensure that managers evaluated the performance of employees based on evidence. The managers were able to assess the performance of employees without any consultation or records. The absence of an EBR led to a lack of trust and transparency in the performance management practices in the BB. The absence of accountability limited the ability of the new PMS to develop a performance-based recognition culture in the BB. The performance-based evaluation and recognition logic of the PMS largely failed to become an institutionalised practice in the BB due to the absence of accountability mechanisms such as an EBR.

7.3.3 Moderation to ensure comparability and consistency

The PMS recommended two mechanisms to ensure consistency and transparency: intra- and inter-departmental moderation. The intra-departmental moderation would facilitate the sharing of information relating to performance assessments within a department. Inter-departmental moderation would involve interaction between departments to ensure consistency in the identification of goals, development of performance targets and measurement of performance across the bank. One executive director, who later worked as a consultant for the implementation of the PMS, mentioned:

‘The PMS recommended a moderation committee which would include all general managers and executive directors. They would go through the high and low
performance grades. The committee aimed to ensure inter-departmental and within-departmental consistency.' [Executive Director]

The inter-departmental moderation did not take place in the BB. The absence of inter-departmental moderation created confusion among supervising managers. Managers often hesitated to apply their judgement in performance evaluations as they were uncertain about the yardstick utilised in other departments. In the absence of bank-wide moderations, there were large discrepancies in the PMS grades across departments.

'In some departments, 90% of the people are getting excellent reports. In another department, even though employees are giving a lot more effort, only 60% of the employees are getting excellent reports.' [Deputy General Manager]

'Bank-wide moderation should be done. Otherwise, there is no level playing field.' [General Manager]

'We could not set the standard in a uniform way. This leaves us with a risk. When I evaluate the performance of a person as ‘good’, a manager of another department may consider the same performance an excellent one.' [Deputy General Manager]

The PMS suggested formation of moderation committees by two immediate supervisors. In the case of the evaluation of an assistant director, the moderation committee would consist of one deputy director and one joint director. However, the BB implemented a modified version of the recommended moderation process. The bank decided to form one moderation committee for all performance evaluation within a department. The committee was headed by the departmental head; the general manager. The influence of general managers often overshadowed the moderation process.

'The PMS was supposed to be between the supervisor and the subordinate. The inside information is that most of the things depends of the departmental head. Personal choice, liking and disliking of a general manager influenced the performance grades … the departmental head decides the performance grades.' [Deputy Director]
A senior executive (former deputy governor) was interviewed to obtain a historical background of the performance measurement practices in the BB. The previous ACR was practised during his time in the BB. He declared that even though there was no formal procedure of intra-departmental and inter-departmental moderation, there was an informal mechanism to ensure comparability and objectivity. During his time, the senior executives talked about the performance of individual employees and particular attention was directed to the ones who had outstanding performance. These conversations took place during lunch times, tea breaks and social gatherings. Through these informal meetings, senior managers came to know about employees who were performing well. This information was utilised for performance evaluation and promotion decisions.

'The general managers used to see and evaluate extreme cases [excellent grades and very low grades]. The general managers often talked to each other about grades and the reasons for excellent grades. The general manager also talked to appraisers about excellent grades. There was no formal policy, but there was a moderation practice … a common sense thing to do.' [A former Deputy Governor of the BB]

The former deputy governor mentioned that the senior executives (executive directors and deputy governors) were also involved in this informal moderation process. The deputy governors sometimes enquired about excellent grades to assess their true merit. This informal practice of sharing information informed senior executives about excellent employees of the BB. This informal mechanism of sharing performance related information was largely possible because of the limited number of management level employees working during the 1980's and 1990's. The number of management level employees has increased significantly since 2000, in order to supervise the expanding banking sector of the country. The informal mechanisms were not practical since the early 2000's as there were a large number of departments, senior managers and employees.

The informal moderation practices of the previous ACR was, in substance, an institution within the organisation. Even though it was not part of a formal process, its logic was spontaneously accepted by key organisational members. The repetitive practice of this inter-departmental moderation logic during lunch time and tea break conversations about excellent performers and their performance attributes made it an organisational routine. Zucker (1987) provided evidence of within group processes becoming taken-for-granted organisational norms. The power of such
institutions was evident in the BB when senior executives shared performance-related information in informal settings to facilitate performance-based promotions. In sharp contrast, the moderation processes of the new PMS was not embedded in organisational practices. The inter-departmental moderation was a formal component of the PMS and supervisors were informed about its purpose and utilisation during the initial consultation period. As the PMS failed to distinguish excellent performers, there was no incentive for managers to practise its processes. Managers did not feel pressured to maintain effective inter-departmental moderation as it was not enforced by the senior executives.

Lounsbury, Ventresca and Hirsch (2003) highlighted the role of actors in shaping and disrupting institutional logics. This research found evidence of how the local managers disrupted the institutional logics of the new PMS. The moderation of performance grades within a department signified an important institutional explanation. The PMS model involved immediate supervisors in the moderation. For example, the moderation of performance grades for assistant directors was planned to be performed by the joint directors of a department. However, the general managers wanted to keep control over the performance assessment of employees. They did not approve the delegation of moderation authority to other supervisors within a department. In response to the pressures from the general managers, the senior executives decided to establish one departmental moderation committee headed by a general manager to approve all the performance grades within a department.

The performance management reform in the BB intended to delegate the performance assessment authority to managers working at various levels of the organisational hierarchy. This reform reflected a deviation from the historical practice of concentrating performance assessment authority with general managers. The general managers of the BB exerted their influence to modify the moderation process in order to retain control over the performance evaluation of employees. Local actors were successful in bringing changes to the PMS to maintain their authority in the organisation. The BB management decided to alter the World Bank-recommended PMS by allowing the general managers to have exclusive authority to determine the final performance grades of all employees in a department.
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7.4 (Non) retention of reform logics

Management control reform initiatives were mostly kept as a documentary exercise of senior managers. Seminars and workshops about the reform initiatives were attended by a limited number of employees. Many employees of the BB considered reform initiatives as a coercive imposition of control structures by the World Bank.

'The World Bank imposed the PMS on the Bangladesh Bank. To what extent it was realistic or whether it fitted with our organisation and environment was not considered.' [General Manager]

The World Bank appointed international management consulting firms in the planning, design and implementation of organisational reform initiatives. During the planning and design stages, the consulting firms engaged and interviewed relevant senior executives, department heads and employees of the bank. The consultants prepared reports that outlined the rationale, design and implementation guidance for organisational reform initiatives. These reports were submitted for the consideration and approval of the senior management. During the field visit to the BB, the researcher attempted to access the consultants’ reports for management control reform initiatives. These reports had the potential to communicate important contextual information about management control practices in the bank.

Interviewed senior managers advised that the BB conducted a study about the salary structures of the central banks of some South Asian countries in 2006. This study was conducted to justify an independent pay scale for the BB. The study provided evidence that central banks of other South Asian countries enjoyed autonomy in determining pay-scales for their employees. The findings of the report were utilised in an effort to convince the MoF to allow the BB to set its own remuneration packages. The HRD was unable to locate this study report within the BB. The consultants’ reports were not preserved by the BB. Most of these reports were lost when the employees who were associated with reform initiatives retired from the bank.

Maxwell Stamp PLC, an international management consultancy firm, conducted an investigation into the functional structure of the BB. The investigation recommended a restructuring to adjust the organisational hierarchy to support the functions of the BB. The consultants interviewed senior management and general employees to understand workflows
and authority structures. The report had proposed an alternative functional and accountability structure which had implications for performance management. The final report of the consultants could not be found during the field visits. Senior managers were able to provide a copy of the draft report of the consultants.

'The findings of their investigation was never formally communicated to us. It was hard to find the actual report. I remembered them submitting a formal report and presentation, but the implementation of the report is a different issue.’ [Deputy General Manager]

The loss of the consultants’ reports and implementation guidance limited the capacity of the BB to sustain the organisational reforms. The change agents (the World Bank, consultants and the senior managers associated with the organisational change initiatives) were the carriers of the reform logics. As many management control reforms largely failed to penetrate the organisational logics and practices of the BB, employees often distanced themselves from the project documents. Institutional theory highlights the possibility that an organisation may appear to adopt a new structural change to manage institutional pressure, but the reform may not be embedded into the actual work processes and actions (Meyer & Rowan 1977). Lapsley and Pallot (2000) provided evidence that accounting reform in a Scottish local government unit did not influence its actual management control practices. The loss of the consultants’ reports represents evidence that many of the World Bank-led organisational reform initiatives remained a ceremonial conformity without having an impact on the management control practices of the BB.

One former deputy governor suspected that a World Bank appointed consulting firm left the BB without submitting a formal report in relation to a major organisational restructure. A survey was undertaken to understand employees’ perceptions about the new PMS during the pre-implementation time period (2005-06). A summary report was prepared on the survey results and presented to the senior management. Neither the final summary report nor the completed survey questionnaire was available during the field visits. A managers of the HRD advised that his copy of the report was lost in a computer failure. When commenting on the unavailability of the report, one mid-level manager, who was associated with the survey, pointed out that it could have been intentionally destroyed to influence the implementation of the performance management reform:
'They have lost a good thing. The questionnaire was very good. Maybe they did not want to preserve it.' [Joint Director]

The organisational change initiatives in the BB were weakened once the consultants left the organisation. The loss or destruction of important project reports was an indication of the lack of embeddedness of the change programs into the management control practices of the BB. Important studies and reports surrounding the implementation of a best practice PMS were apparently lost as the employees retired or transferred to other departments. The absence of these documents often resulted in a lack of understanding about the context and philosophy of the performance management reform. Individual managers adjusted the PMS process without referring to the logics contained in the original project report. The original spirit of the organisational change initiatives was gradually diluted as the management control structures were adjusted without conforming to the intent of the reforms.

The BB lacked organisational commitment to sustain international best practice reforms. An apparent adoption of best practice management controls gradually lost its intensity as the initial change agents (the World Bank consultants and BB employees involved in the reform projects) left the organisation. The institutionalisation of organisational changes depends on how an organisation sustains the reform logics and processes (Zelditch & Walker 1984). The implementation experience of a new PMS in the BB provided evidence that adoption of a best practice structure was disrupted by the lack of preservation of organisational knowledge and the commitment to put it into practice. The BB lacked organisational capacity to sustain the organisational reform logics. The World Bank-led performance management reform was short-lived as the change agents (the governor and consultants) left the organisation. Though change in the performance recognition practices was visible in the initial years of the PMS, it largely failed to become an institution within the BB.

7.5 Changes in the PMS through translation

A new PMS was introduced in the bank to replace the previous ACR system in 2007. The World Bank consultants developed PMS materials such as information booklet, a dictionary explaining key concepts, assessment forms and reporting templates. All these materials were
printed in English. The BB management identified the language barrier as a major reason for low participation in the PMS processes. The assessment forms were translated into Bangla in 2012 to facilitate higher employee participation. The English language often created difficulty for employees with regards to understanding the concepts and assessing performance. The translation of the PMS documents was intended to address this concern.

When the BB issued the PMS documents in Bangla, they departed from the original version in a number of key aspects. In the English version, there was place for the supervisors and subordinate employees to write comments. This writing could be utilised as feedback to the employees about performance related issues. The new Bangla form did not have any space for writing comments and feedback about performance. One person in HR made the following comment to justify the removal of this section from the assessment form.

'Some managers do not want to give time to the PMS because of the writing requirement. By reducing the writing requirement, we have designed an objective performance evaluation like a set of multiple choice questions.' [Deputy Director]

Managers believed that writing scope provided an opportunity to explain how a particular assessment was conducted. This explanation assisted in discharging accountability in the performance assessment process. This writing space was provided for supervisors to summarise the performance related information of employees. One interviewed senior manager mentioned that the writing space provided an opportunity to reflect on the information recorded in the EBR. It also gave opportunities to highlight areas where an employee needed to improve his or her performance. The HRD could utilise this feedback in designing appropriate training programs to enhance the skills of the employees. Some interviewees believed that the new translated version of PMS reduced its strengths.

'The new Bangla version utilised a tick mark format. There is no scope for a supervisor to elaborate on how much you did, how well you did it and how you were evaluated.' [Joint Director]

'There was a criticism that the previous PMS was not understandable. The right thing is to make it understandable. Instead, they just change the PMS and make it similar to the old ACR.' [General Manager]
Westphal and Zajac (1994) argued that a formal structure may transform over time. Oliver (1991) discussed the variety of ‘strategic responses’ to institutional pressures. The translation of the PMS into Bangla constituted an organisational response to reshape the new PMS. The powerful actors (senior managers) then used the translation opportunity to make alterations to the PMS process. The yearly performance management activities started with the identification of goals for an employee. This was a consultative process involving an employee and their supervisor. The English version of the annual performance appraisal form included a description of goals for which performance would be assessed. The Bangla version of the annual performance appraisal form did not provide any description of the goals of an employee. It only required the supervisor to indicate the level of performance on a measurement scale. The measurement scale included five points with numerical weights: highest (100), high (90), medium (80), low (50) and very low (20). The annual performance appraisal form did not require the appraiser to include any information about the goals and objectives of an employee. Thus the Bangla version of the annual performance assessment form resulted in a disconnection between the goals that were agreed for an employee and the assessment of performance.

The English version of the annual performance assessment form provided an opportunity for an employees (appraisee) to mention what he/she believed (self-assessment) about their achievement of goals. Interviewed employees reported that this provided an opportunity to self-reflect on their goals, activities and contributions. However, the Bangla version of the annual performance assessment form excluded this opportunity for an employee to self-reflect and assess their own performance. Interviewed employees believed that the Bangla version of the annual performance assessment form reduced the engagement of an appraisee with the performance management activities. The implementation of the PMS in the BB provided evidence that the performance management practices gradually transformed. A translation of the formal PMS documents into local language resulted in changes to the performance management practices. The Bangla version of the performance assessment form thus excluded some features of the PMS which were recommended by the World Bank.
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7.6 Interview to assess performance – a culturally feared instrument

The PMS model recommended interviewing potential candidates for promotion. It suggested that the interviews would constitute 35% of total promotion marks. The interview component of the PMS was never implemented in the BB. Employees believed that interviews might bring political influence into the promotion process.

'Initially there was a plan to include interviews as part of the process for selecting employees for promotion. But there was fear that the interviews might bring biasness and political influence into the promotion process.' [Executive Director]

Experience of the promotion process of the nationalised commercial banks influenced perceptions about interviews. There were allegations of bribery and political influence in the promotion process in these banks. Ahmed (2011) provided evidence that political leaders exerted direct influence on the management of national commercial banks. This political influence affected the promotions and transfer decisions of these banks. The interview component of the promotion process was utilised to advantage employees with political patronage. These practices in the nationalised banks contributed to the BB employees’ fear of establishing interviews for promotion decisions.

'Bangladesh Bank is not an isolated island, it is a part of the country. The culture of the country comes to your organisation and people. We need to consider these things in bringing changes.' [Joint Director]

'Actually, there is a negative perception about interviews in our country. Interviews are quite subjective and often create opportunities for favouritism.' [Deputy Director]

Senior managers believed that absence of interviews from the promotion process reduced the opportunity to evaluate employees’ potential. They believed that an interview would allow better employees to demonstrate how they made significant contributions to the BB. Some senior managers recommended inclusion of external expert members on the interview panel to reduce the threat of bias and political influence.
'The current promotion process is simple maths. If you have a diploma, you will get this number, if you have a masters, you will get that number. But the actual performance is unrecognised. I think that when you promote someone, you should consider performance and leadership attributes. I think that interviews can provide an opportunity to consider these factors.' [Deputy Governor]

Thornton, Ocasio and Lounsbury (2012) argued that organisational members can be situated with institutional orders originating from family, religion, state, market, professions and corporations. The corruption and influence over the interview process in the nationalised banks created an institutional logic within the BB that prevented the inclusion of interviews in the promotion process. The institutional proposition of interviews to identify leadership and managerial capacity in an employee was overshadowed by the institutionalised fear of political influence and favouritism within such a process.

Employees within an organisation were conditioned by the constraints and opportunities provided by these multiple, often contradicting, institutions (Friedland & Alford 1991). While employees of the BB were appreciative of the interview component of the World Bank recommended PMS, the politically controlled environment forced them to distance themselves from it. Employees acknowledged that interviews in promotion decisions would provide a valuable opportunity to distinguish performance excellence. An Interview was a component of the employee promotion processes in the nationalised commercial banks in Bangladesh. The BB employees interviewed emphasised that the political leaders often influenced the interview process in favour of their chosen candidates. Thus, interviews were utilised as a mechanism to bring political influence into the promotion decisions of the nationalised commercial banks. The BB employees’ long-standing belief about possible political influence motivated them to dismiss interviews from the promotion process, even though they believed its efficiency-centric utility in recognising and rewarding excellent performance. The efficiency-centric choice was sacrificed to overcome the fear associated with the perceived realities in the local environment. The exclusion of the interviews did not reflect the performance-based recognition logic of the new PMS, but it facilitated mitigation of the political control over the promotion decisions in the BB.
7.7 Senior management role in sustaining reforms

Changes in the leadership of the BB affected the implementation of its organisational reforms. Political considerations in the appointment of governors affected the institutionalisation of organisational change imperatives. The bank had experienced four governors in the previous decade. This section discusses the contribution of the senior executives at the levels of deputy governor, executive director and general manager towards sustaining management control reform initiatives.

The senior executives generally joined the bank as an assistant director and were gradually promoted within the bank. Their long association with the bank provided them with detailed knowledge about the processes and practices of the organisation. These positions were more permanent than that of the governor. The executives’ roles were critical in the maintenance of the management control reforms. When asked about the influence of the senior executives in the institutionalisation of PMS, a manager replied:

'There is a lack of leadership in the senior management of the bank. They need to inform the incumbent governor about the importance of existing practices if new things need to be accommodated with the existing ones. However, they do not perform such role. They wait for the governor’s direction and agenda.' [Executive Director]

Senior executives of the bank often preferred the status quo and did not engage in organisational reform initiatives. The implementation of the new PMS started in 2002 when Fakhruddin was the governor. He strongly supported the performance management reform initiative. However, his intentions were not shared and owned by the senior executives. They viewed it as an imposed structure by the World Bank and the governor.

'The result of such imposition was that the deputy governors kept silent in front of the governor. But when they talked to the executive directors, he used to say, ‘this is a message from the governor’. The executive directors told the general managers that these were not their views; they were asked to follow these new structures. The ultimate effect was that the governor’s vision was not shared and owned by the senior executives.' [Joint Director]
Some junior members of the PMS implementation team encouraged senior executives to communicate and enforce the PMS. However, the junior members failed to make any difference as the senior executives took an inactive approach toward the enforcement of the performance management reform.

'I told the deputy governors to call the general managers to explain the high number of excellent grades in the department. However, they never did it.' [Joint Director]

'They just maintained the status quo. They thought that why change … there is always resistance change … why take the risk … just continue the existing system.' [Deputy General Manager]

The PMS implementation team of the BB conducted an analysis which clearly showed problems in PMS practices. However, the senior executives decided to take a silent approach regarding this.

'I prepared a report to reflect how the PMS was practised in the bank. I showed them the data for the 30 departments; reports, the number of excellent grades and assessment details. I told the deputy governors and executive directors to ask the general managers to explain the reports … if necessary, asked them to change the grades. If the deputy governor simply asked a general manager, ‘why so many people of your department got excellent reports’, things could have been different.' [Employee]

Interviewees explained that the deputy governors’ efforts to please the governor were motivated by explicit and implicit incentives. The deputy governors were appointed for a three year term and the governor’s recommendation was a key element in the contract renewal process. The implicit incentives resulted from the governor’s nominations for memberships of various national committees. Engagement with national economic and policy-making forums created opportunities for senior executives to build networks with government and key political agents. This acquaintance with key political and economic constituents was important to secure prestigious positions in the financial sector. A number of senior executives of the bank was
appointed as advisors to the prime minister's office, chief executives of nationalised banks and members of economic policy-making organisations.

Interviews highlighted the need for stronger leadership from the senior executives to sustain management control reforms. Communication and consultation about the new PMS significantly reduced after the World Bank consultants left the organisation. Senior executives’ active involvement was necessary to maintain the consultative engagement with the members of the BB to institutionalise the new PMS.

The general lack of authority and power of senior managers was highlighted by a former deputy governor. The senior managers of the BB were gradually losing power and authority. Senior managers of the bank were lacking entrepreneurial and innovative attitudes. The former deputy governor commented:

'The senior executives [deputy governors] in the 1970’s were much stronger and self-sufficient. The governors used to listen to them. There was great amount of authority and knowledge in the top management. However, things had changed over time. Nowadays the senior management just follows the instructions of the governor.' [A former Deputy Governor]

The research found evidence of significant influence of the general managers in the PMS process. A general manager is the head of a department at the BB. The initial PMS did not require the general manager to become involved in the performance evaluation of all employees. For example, the performance evaluation of an assistant director was supposed to be performed by a deputy director and a joint director. However, the general managers influenced the senior management to involve them in the performance evaluation of all employees within the respective departments. The BB then adjusted the PMS to provide the general managers with the power to approve performance grades of all employees. In this modified version, the supervisors assessed the performance of an employee and forwarded it to the General Manager for approval. There is only one moderation committee in a department which was headed by the general manager. This process provided the general managers with exclusive authority to assess employee performance.
'The general manager actually decides the grades. Even though he is not working directly with all the employees in a department, the performance grades depend on general manager’s will.' [Joint Director]

Some employees expressed their frustration about the ability of the general managers to determine the performance grades. One employee explained how the general manager coerced her to downgrade the PMS grade of an employee because of a personal dispute.

'I was the supervisor of an excellent employee who had an argument with the general manager regarding his transfer. At the time of performance evaluation, the general manager asked me to change the performance grade of the employee. I gave the employee an excellent grade, but the general manager wanted to downgrade the evaluation. I told him that I will not change the report as he worked so well. He wrote things in pencil and asked me to write it up. I was very much shocked. Then the deputy general manager prepared a revised performance evaluation form for the employee and wanted me to sign it. I told him that you were forcing me to write it. He told me to follow the instruction of the general manager. Subsequently, it is evident that the man was dropped from promotion twice because of one report. I was forced to give a particular grade.' [Joint Director]

DiMaggio (1988) emphasised the importance of investigating the process of institutionalisation. This processual approach reveals how actors and interests influence the institutionalisation of structures (Lounsbury 2008). As the governor of the BB, Dr Fakhruddin Ahmed was largely successful in implementing the World Bank recommended performance management reform. Most of the senior executives did not provide the leadership support needed to transform the BB into a performance-based organisation. Many senior executives (deputy governors, executive directors and general managers) distanced themselves from enforcing the new PMS at the BB. While ostensibly supporting the reform initiative, they lacked the commitment to enforce the application of the new structure. They preferred the status quo and did not want to challenge the long-standing practice of promotions based on seniority. Interviewed senior managers, who were involved in the PMS implementation team during 2002-08), stated that the lack of leadership and entrepreneurial capacity of the senior executives severely limited the BB’s capacity to sustain organisational reforms. When Dr Fakhruddin Ahmed left the organisation, the PMS did not gain leadership support from the senior executives of the BB. An
apparently successful adoption of a best practice PMS failed to take on institutional form due to the lack of leadership ability within the BB to sustain organisational change.

7.8 Capacity of the HRD to implement the PMS

The World Bank consultants highlighted the role of the HRD in the effective implementation of the PMS. They suggested the development of specialists in the areas of recruitment, promotion and performance evaluation. The HRD of the BB lacked employees with specialised training and knowledge about human resource management.

'The HR does not have the right outlook. Most of our HR people do not have any HR related education and training. That is why their thinking process hasn’t developed in the right way.' [Assistant Director]

The lack of capacity in the HRD was also evident in other public sector organisations in Bangladesh. Chakma (2012) provided evidence of limited capacity and resources of the HRD of the Ministry of Education in Bangladesh. There were only two employees to manage the ACR of 13,000 employees of the Education Department. It also lacked resources to preserve and analyse the performance reports of a large number of employees.

Employees reported that there was limited opportunity for training and development in the HRD. Two HRD employees who won the award for excellence for their contribution in the implementation of the new PMS model did not continue working in the department. When asked why they chose to leave the HRD, one award winning employee advised:

'Actually, I left the place at my own will. There was not much career prospect in the HRD. The Bank does not value this department. There is not enough opportunity for training and development there.' [Joint Director]

Some managers explained that a transfer to the HRD was sometimes perceived as a negative signal for career advancement. Excellent employees often were not willing to work in the HRD.
'What we see is that the best performers are not transferred to the HR department. The people who are not performing well are transferred to HR. In doing so, the image of HR has deteriorated. If dynamic and energetic officers are brought to the HR, the perception about the HR department would be better.' [Deputy Director]

The HRD largely failed to take an entrepreneurial role in the institutionalisation of the PMS in the BB. The HRD did not utilise performance reports to identify the development needs of employees and, accordingly, arrange resources and training. The HRD’s role in the BB was limited to administrative work related to recruitment, transfer, promotion and overseas travel arrangements. It did not take a developmental role in strengthening performance management and recognition. Employees of the bank often lacked conceptual understanding about the identification, measurement and management of performance indicators. The HDR did not introduce any effective measures to improve the understanding and practice of the new PMS.

Scott (2001) described the role of the cultural-cognitive dimension of institutional order. This perspective refers to the constitution of mental frame through which reality and meaning are interpreted in an organisation. The interviewed managers reported that the BB did not appoint any senior managers with specialised knowledge and expertise in human resource management. The lack of expertise in performance management issues weakened the ability of the BB to practise and sustain the new PMS. Managers and employees often faced difficulties in understanding various components of the PMS such as identification of goals and key performance indicators. They experienced difficulty in defining and measuring competency related aspects of performance. Senior managers also declared their own limitations in communicating performance related issues in the year end performance review forms. There was no designated person in the HRD to clarify the PMS related queries. The HRD was primarily responsible for distributing and collating the mid-year and year-end performance review forms. The HRD managers advised that they are under-resourced and lacked technical expertise for managing the new PMS. The lack of knowledge about performance-related concepts and framework in the BB limited the institutionalisation of the best practice PMS. When the World Bank consultants left, the BB lacked the capacity to implement and practice the PMS. As a result, the PMS largely remained as a formal compliance document without having real impact on the operational logics of the BB.
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7.9 The new PMS – reflection of performance?

The primary objective of the PMS was to replace the traditional seniority-based promotion process with a performance-based one. An interviewed senior executive, who was involved with the implementation of the PMS, claimed some success of the PMS in its early years. The BB promotion processes focused on performance and some employees were promoted on the basis of their excellent services and capacities.

'Initially it did provide some results. More merit-based promotion took place. After that period, it slowed down and diluted. Merit-based promotion was really increased during 2007-08. After that, the process was compromised and almost everyone was getting high performance grades. Ultimately the process had failed.' [General Manager]

The move from traditional seniority-based practices to a performance-based one raised concerns and resistance. In the initial period, the PMS received strong support from the governor. One executive director advised:

'We were able to make the promotion policy merit-oriented. We had to face huge resistance because of it. There were many people who were omitted in the promotion in that time. We managed those.' [Executive Director]

The rigour of PMS process started to diminish from 2009. It began to produce an excessive number of excellent performance grades. The previous promotion system included a 2:1 construct where two seniority-based promotions were followed by one merit-based promotion. The new promotion system has a 2:1 construct where two merit-based promotions were to be followed by one seniority-based promotion. Even though the new PMS construct favoured merit-based promotion, a significantly large number of excellent performance grades made it ineffective.

'You may find 20 excellent grades out of 200 people in 2007-08. If you see now, almost 80% of the people are getting excellent grades.' [Deputy General Manager]
'There are 29 assistant directors; all of them got excellent reports. We know that four or five of them truly deserved excellent grades. If you look at the performance grades of the 4,500 employees of the bank, you will find that 80% to 90% got an excellent report. It is not possible in any country or place. In one word, the PMS is a failed product.' [Joint Director]

Even though the new PMS provided a structured format for assessing performance, its problematic application resulted in less promotions being made based on the operational performance of employees. Even though the formal system was designed to encourage promotions based on higher performance, the PMS largely failed to differentiate service excellence.

'Under the previous system, people were given ‘satisfactory’ or ‘below satisfactory’ report. But under the PMS, the grades did not fall below ‘good’.' [Joint Director]

'In the past [under the ACR], excellent grades were awarded to employees who made an outstanding contribution. It was extremely rare for a person to get an excellent grade. Even though the promotion ratio was 2:1 [two on seniority and one on merit], the merit was properly assessed. But now, many people receive excellent PMS reports.' [General Manager]

There is a great deal of frustration in the BB about the failure of the PMS. The frustration was reflected when an interviewed deputy general manager described the following conversation at a senior level executive meeting of the BB:

'General Manager: Most of the employees in my department lack the capacity to perform well. We can’t really expect excellent outcomes from them.

Deputy Governor: The view does not reflect in the PMS report of your department. Ninety-eight percent of the employees of your department received excellent reports.'

As the PMS generated excessive excellent grades, the promotion decisions largely depended on the length of service (seniority). For example, a person with ten years of service in the bank
was senior to employees with nine years of service. For employees who were recruited at the same time, seniority was based on the score they obtained in the recruitment examination. A higher mark in the recruitment exam would give a candidate higher seniority. The entry exam score remained the primary determinant of seniority for the life of an employee. This entry exam-based seniority created frustration among many employees of the bank as it did not consider the continuous learning and development of employees.

'The screening process needs to be logical. You should not be promoted only because you scored the highest mark in the recruitment exam. Promotion should be based on learning and performance in the work place.' [Assistant Director]

'It’s like the compartments in the train; they will follow each other. If I have 300 people in front of me, unless they retire, or are promoted or leave the job, I will not get promotion.' [Deputy General Manager]

Employees attributed the limited effectiveness of the PMS to the absence of financial incentives for higher performance. The initial consultation process of the PMS promised financial incentives for excellent performance. However, the BB failed to link monetary incentives with performance management practices.

'Until you can link performance management to promotion and financial incentive, it cannot encourage better performance. The PMS needs to offer something for the employees to make them interested in it.' [General Manager]

The PMS has not been embedded into the operational activities of the BB. Instead it has remained as a ‘once in a year exercise’ to fulfil the requirement of the formal management control system.

'I think that 4,500 employees do not remember it throughout the whole year. Only when the PMS report submission date arrives, people think about it … realise that there is something called PMS in the Bangladesh Bank.' [Deputy Director]

'At the end of the year, when I prepare my PMS report, people surrounding me copy that. They take the soft copy, they change the name … they change some writing
and then submit it. There may be two or three persons in a department who do it sincerely.’ [Deputy Director]

The essence of the PMS was diluted when it was only utilised for the promotion process. An employee needed to obtain excellent PMS grades in the five years prior to the promotion year to secure a performance based promotion. Any grades below the ‘excellence level’ was perceived as a detriment to the career development of an employee. The bank management failed to consider that the PMS was not just a measurement instrument, rather it was a performance management process. The PMS process and reports were not utilised to strengthen the capacity of the employees. Rather than a consultative and collaborative approach toward goal identification, performance targets, training needs assessment, capacity development and recognition, the PMS was primarily interpreted as a year-end formality to conform to the organisation's formal structure. In such a construct, the PMS was decoupled from its objectives and subsequently did not become an institution within the bank.

'If one bad performance grade is not going to disadvantage you and you will get an opportunity to work on your limitation and improve – which is probably the objective of PMS – it may motivate employees to practise the PMS effectively. What happens now is that you get one bad report and it puts you back for promotion. If the impact was not so severe, we could have taken it positively.’ [Assistant Director]

The primary objective of the new PMS was to establish performance-based promotions in the BB. It achieved some initial success as promotions were based on higher performance. However, the PMS gradually became ineffective as it started to generate excessive numbers of excellent grades. The PMS was eventually unable to distinguish higher performance as the majority of the employees received the maximum grades. The longitudinal focus of this study was able to trace the movement of an institutional logic from success in its initial life to an ineffective mechanism over time. The findings reinforced Scott’s (2008b) observation that focusing on the short term could constitute a threat to understanding how institutions have been formed and maintained in organisations. The evidence in this study indicated a resurgence of the former structure once a powerful change agent (Governor Fakhruddin Ahmed) left office. The union members gradually forced the BB to open up recruitment of positions (below the assistant director level), which were previously disestablished. Thus, the PMS had some
temporary effect on recruitment and recognition of performance. The change of governor and government created a new opportunity for union members to pursue their agenda.

7.10 Conclusion

The primary aim of this chapter was to address the third research question of this thesis. It focused on the interaction between international best practice management control structures and local organisational realities. The best practice PMS replaced an age-old performance measurement system in the BB. The managers found it difficult to understand how the identification and measurement of performance related to the regulatory activities of the bank. They believed that the concept might not be applicable to a regulatory organisation like the BB. This lack of understanding was aggravated by limited expertise and resources in the HRD. This cognitive deficiency about performance management related issues did not institutionalise the PMS into the organisational practice.

Senior executives were not committed to the implementation of the new PMS. While showing apparent support for the system, they did not engage in the practice of performance management mechanisms. The absence of recommended PMS mechanisms such as EBRs, inter-departmental moderation and interviews were not questioned and reinstated by the senior executives of the BB. The general managers’ strong opposition to the delegation of performance grading resulted in a single departmental moderation committee. This enabled the general manager to control the performance grading for all employees within a department. Thus, powerful agents (deputy governors, executive directors and general managers) exerted influence over the actual practise of the new PMS. This resulted in practices which did not correspond to the intended objective and structure of the PMS framework as recommended by the World Bank consultants.

The PMS was a major transformation in performance management in the BB. The BB was the first regulatory organisation in Bangladesh where a best practice performance management mechanism was implemented to replace the traditional ACR. With the strong support from the governor, the PMS showed success in its initial years. The system resulted in promotions based on performance excellence. However, powerful organisational agents undermined the institutional strength of the new PMS through adjustments and non-compliance. The ultimate
result was the failure of the system's ability to distinguish performance excellence. The PMS gradually became a superficial formal structure which largely failed to achieve its original purpose.

An organisation operates within multiple institutional logics emanating from its local and external environment (Lounsbury 2008). The official adoption of a World Bank recommended PMS did not transform the performance management practices in the BB. Once adopted by the BB, the best practice PMS entered an organisational platform which was characterised by competing institutional logics representing local practices and historical norms. For example, the open communication and disclosure of performance grades stood in sharp contrast to the long-standing organisational culture of secrecy. While the PMS registered success in its initial period, it largely failed to become an institution within the management control logics of the BB.

The implementation experience of the PMS provides evidence about how organisational actors influenced the structure and practice of the Word Bank-recommended performance management reform. The translation of the PMS documents from English to the local language was utilised as an opportunity to impose changes on the performance management practices. The general managers were successful in restricting the implementation of the delegation of performance assessment authority to managers at various levels of the organisational hierarchy. This resulted in a concentration of authority by the general managers who were able to determine the ultimate performance grades of employees in a department. The new PMS failed to change the historical structure which allowed the general managers to possess sole authority over the performance management of employees. As the supervising managers ultimately could not assess the performance of employees, the practice of EBR, mid-year performance assessments and consultations regarding identification and measurement of individual goals became largely irrelevant. The general managers’ efforts to maintain their control over the departmental activities reduced the relevance of the new PMS to influence performance management activities in the BB.
Chapter 8: Conclusion

8.1 An overview

This research project aimed to illuminate how traditional bureaucratic routines, socio-political environments and global forces interacted and influenced the implementation of a new PMS in the BB. This thesis found evidence that actual adoption and practices might differ from the intended process of an international best practice PMS. The social and political imperatives were found to exert influence over the implementation of a performance management reform. The technical and normative logics of the prescribed PMS needed to be placed within the local institutional context to understand how performance was managed in a large regulatory organisation of a developing country. This thesis found evidence that institutional pressures originating from the political, organisational and international (World Bank) spaces influenced the adoption, implementation and eventual practices of a new PMS in the BB.

Ittner and Larcker (1998) called upon researchers to investigate the social processes of performance measurement reform in the public sector. For example, Agyemang and Broadbent (2015) investigated the nexus between societal expectation about research excellence and organisational responses and its impact on academics working in the UK universities. The social side of the organisation is important in understanding the implementation and outcome of new accounting technologies (Agyemang & Broadbent 2015; Broadbent & Guthrie 1992). This is particularly important in public sector accounting reform as the managers of public sector organisations are simultaneously accountable for and to multiple constituents of the society. Organisational culture, social norms and associated institutions are intertwined in a complex construct that ultimately influences how new accounting logics are interpreted and practised by employees. This research considers the influence of organisational and socio-political level institutions in order to understand how a World Bank recommended performance management reform was implemented in a banking regulatory organisation of a developing country.
Chapter 8: Conclusion

The remainder of the chapter is arranged in seven sections. It begins with a contextual account which examines how the socio-political environment influenced the implementation of a best practice PMS. The next section reflects on the methodology utilised and how it had addresses the specific context and objectives of this investigation. This is followed by two sections which explain the significance of the study’s findings. Firstly, the findings are presented in terms of the research questions this research aims to address. Then the theoretical contribution of the research is presented. The chapter will then discuss the limitations of the research, followed by an agenda for future research in this area. It concludes with an overall reflection on the findings of this research project.

8.2 A contextual account

This section provides a contextual account of this research project. This discussion will relate the investigations of this research project to the existing accounting literature and identify its contribution to policy makers and the academic community. Broadbent and Laughlin (2009) highlighted the importance of internal and external environment in relation to the operation of a PMS framework. Internal environment includes the history and networks of within-organisational routines (Zucker 1987). External environment covers the interests and power of relevant stakeholders. In the context of a large regulatory organisation in a developing country, the external environment also includes the influence of international development organisations such as the World Bank. This research considers the political environment (Chapter 5), within-organisational institutions (Chapter 6) and organisational adoption (Chapter 7) in relation to a World Bank-led performance management reform in a regulatory organisation of a developing country.

This research investigation considered the interactions between internal and external sources of institutional pressures to understand performance management practices of the BB. This approach was motivated by Malmi and Brown’s (2008) proposition that any management control mechanism is built into a package of planning, reward, administration and cultural constructs. Fisher (1998) argued that an isolated investigation about the operation of a management control mechanism without consideration of the influence of the broader environment would lead to incomplete inferences. This research considered the influence of
both the internal and external environment while investigating the implementation of a performance management reform in the BB.

NPM has been generally recognised as a major driver of transformation in public sector organisations worldwide. These organisational reforms aimed to bring about changes in the management control structures and associated accountabilities in public sector organisations (Parker & Gould 1999; Dixon, Kouzmin & Korac-Kakabadse 1998). There has been increasing attention towards the design of PMS’ within public sector organisations to promote accountability and efficiency (Kloot & Martin 2000). This has provided accounting researchers with an opportunity to investigate how such organisational changes affect the public sector management’s relationships and interactions with relevant stakeholders. For example, Lapsley and Skaerbaek (2012) provided evidence that the negotiation between new managerial imperatives and political influences created tensions in public sector management. This research found evidence that an international best practice PMS was influenced by BB’s relationship with its various constituents.

A large number of developing countries are increasingly connected to global trade, investment and communities. South Asian countries such as Bangladesh, India and Sri Lanka have become production houses of major global clothing brands. The World Bank (2016c) categorised South Asia as the ‘global factory’; predicting it to become the workplace for 30% of the world’s workforce by 2030. Bangladesh is now the second largest exporter of apparel globally. The country has achieved an average annual economic growth rate of 6% over the last five years. With a current population of about 160 million, Bangladesh aims to be a middle income country by 2021 (Raihan 2016). Given the economic and social importance of developing countries, evidence about their accounting and accountability has been opaque (Alawattage, Hopper & Wickramasinghe 2007). In response, this research illuminates the performance management processes and associated accountability practices within a large regulatory organisation in a developing country.

International development organisations are increasingly involved in the social and economic reforms in developing countries. The World Bank has become a significant contributor to economic and social development in Bangladesh. It has sponsored a number of financial sector reforms in Bangladesh. This research project investigated one such reform by investigating the implementation of a new PMS in the BB as a case study. The findings and insights from this
research will be useful to both local and international policy makers. Mimba, Helden and Tillema (2007) suggested that public sector organisations in developing countries were characterised by low institutional capacity, limited involvement of stakeholders and high levels of corruption and informality. Bartley (2010, p. 27) argued that World Bank initiated reform programs might not work ‘as advertised’ due to different institutional settings in developing countries.

This research specifically investigated how the implementation of a new PMS was influenced by the local political environment, within-organisational routines, traditional Bangladeshi public sector norms and international development organisations. It has revealed how a best practice PMS was ‘filtered, renegotiated, or compromised as they enter particular political jurisdiction’ (Bartley 2010, p. 27). Such knowledge will be useful in understanding how an international best practice framework operates in a developing country context, and can contribute to the design and implementation of future financial sector reforms.

### 8.3 Methodological imperatives

This investigation utilised field-based constructionist and interpretive qualitative research methods (interviews, observation and documentary analysis). A qualitative research design has enabled this research to understand performance management structures, processes and practices from the perspectives of the BB members. The method also allowed a natural setting in which participants could share their experience of a new PMS. This investigation took the position that organisational reality could only be constructed by analysing its members' experience within a social and cultural context (Hennink, Hutter & Bailey 2011). This insider perspective emphasised the importance of conversation and observation in understanding organisational reality.

A semi-structured interview method was utilised to collect evidence in this research project. The physical presence of the researcher in the case study organisation enabled the researcher to observe, feel and reflect on the interview discussions. The interviews were conducted in a guided discussion form to allow organisational members to share their experience. This discussion was often directed by probe questions based on the views of the interviewees about
performance management practices. The open nature of the interviews encouraged participants to share their experiences and feelings about how the new PMS was implemented and practised.

The regulatory organisations worked under the strict control of the government and political agents in Bangladesh. The governor and deputy governors of the BB were directly recruited by the MoF under the direction of the prime minister. The union activities within the BB were also influenced by political agents. In such a politically influenced environment, actual management control practices were somewhat hidden and labelled as ‘normal’ to confirm political loyalty. Open disclosure about management control structures and practices in a regulatory organisation was not generally available in the public domain.

The challenge for the researcher was to uncover the reality of a performance management reform in a large regulatory organisation operating in a politically controlled environment. Documents available in the public domain often did not reflect the management control practices in the BB. Interview was chosen as the primary data collection method as it enabled the participants to reflect on the broader political and bureaucratic influences over the practice of a new PMS. Anonymity was promised in relation to the identification of participants. This helped to address any fear of the interviewees in relation to sharing politically sensitive information. The interviews were planned using a discursive platform in order to engage participants to share their experience within a broader organisational and political context.

The researcher’s familiarity with the local organisational and national culture was instrumental in developing rapport with the members of the BB. Local insights enabled the researcher to understand the interview discussions and initiate probe questions to achieve deeper investigation. The interviewer’s local background also made the participants sufficiently comfortable to share their personal experiences about the practice of the new PMS. A reflexive frame of mind was utilised to respond and explore new issues which emerged during the interviews (King & Horrocks 2010).

The interview data was analysed to identify themes that explained behaviours and relationships. Key themes and patterns were identified through a process of transcribing, field noting, reflective noting, memo writing, coding and categorising. The study covers an extended period of time over which a new PMS and associated organisational changes were implemented in the
BB. This allowed the researcher to observe the initial adoption of a new control mechanism and the gradual adjustments of actual processes and practices over time.

The interview data was supplemented by documentary evidence, participant observation and focus group discussion. The supporting evidence enriched the investigation by informing the context and provided richer explanations of the interview data. Newspapers often provided important information about political influences and corruption in the banking sector. Participant observations provided a first-hand opportunity to observe management control practices in the BB. During the field visits, the researcher witnessed, for example, activities during a mid-year performance review in the BB. The focus groups were utilised to tease out some critical issues arising from the interview discussions. The focus group discussions often provided a deeper account of some within-organisational and external environmental institutions which influenced performance management practices in the BB.

The data collection and analysis considered the socio-political constructs within which the BB operated. An interview-based, qualitative research method was pursued to tease out the actors and interests that influenced the implementation of a new PMS in the BB. A flexible researcher frame of mind was instrumental in uncovering the intra-organisational and external institutions which were embedded in the management control practices of the BB.

8.4 Addressing the research questions

This section provides a summary of the findings and resulting insights of this research project. The discussion is presented under three headings that correspond to the research questions this thesis purports to address. It also shows how the findings of this thesis confirm and contrast existing research evidence about performance management reform. The implementation of a performance management reform in the BB was analysed using three perspectives. These perspectives were analysed and reflected in the data analysis chapters. The remainder of the section provides an overview of the insights gleaned from the analysis of interviews and supporting evidence.
8.4.1 The political influence and control

The first research question (RQ 1) considers the impact of the broader political environment on the performance management practices of the BB. This thesis took the position that political agents and their interests exerted direct influence over performance management practices in a regulatory organisation. Chapter 5 incorporated the political imperatives of the performance management of a banking regulatory organisation in Bangladesh. This reflected Broadbent and Guthrie’s (2008) approach, highlighting the importance of contexts in understanding public sector accounting reform. Their notion of ‘contextually technical accounting’ considers the context as the primary focus in understanding how accounting influences organisational structure and practices. It also responded to the argument by Baier, March and Satren (1986) that power relationships and political bargaining processes have received limited attention in performance management literature. Thus the study presented here did not limit its focus to the technical rationality and processes of a new PMS. It extended its coverage to incorporate the influence of political interests and organisational actors over the implementation of a performance management reform in the BB. Analysis of the interview data revealed two major themes that corresponded to the two sub-questions of the RQ1.

RQ 1(1) triggered an investigation of the direct involvement of the political actors in the operation of the BB. Political control was evident through the appointment of senior executives by the MoF. All the governors of the BB were recruited by the MoF. Since its establishment in 1972, only one out of eleven governors have been recruited from the senior executives of the BB. The appointment of governor was utilised to reward long-standing loyalty toward a political party and its leadership. Most of the governors were retired bureaucrats from government departments. Political influence extended into other bank recruiting when the MoF was directly involved in the appointment of the deputy governors. The board of the BB was also dominated by the representatives of government departments. The appointment of the board members and senior executive positions were directly controlled by the MoF. This enabled the political parties to exert significant influence over the operation of the BB.

The lack of accountability and democracy within political parties and governments resulted in an absence of a consultation process for appointments of senior executives in public sector organisations. Political power in the country was historically dominated by two parties. Each of these parties was controlled by a family whose members occupied key positions in the
The appointment of senior executive positions of public sector organisations was largely controlled by the members of these political families. Approval from the party leader was key to the strength of the heads of the public sector organisations. Prime Minister Sheikh Hasina’s confidence in and support for the previous governor, Atiur Rahman, enabled the latter to initiate a number of new initiatives in the banking sector. Even though the finance minister was not pleased about the BB’s involvement in social development programs, he did not intervene, since the governor had secured the support of the prime minister.

The concentration of political power within few individuals was evident in the removal of the governor of the BB in 2017. A group of international cyber hackers managed to access the foreign reserve account of the BB. The government soon asked the governor and two deputy governors to resign without any official investigation about the security breach. The prime minister, in consultation with the few members of the cabinet, announced the appointment of a new governor on the same day. There was no search committee or consultation regarding the appointment of the new governor. This event demonstrated the extent to which the governor and deputy governors were exposed to the political powerbrokers of the country. This provides support for Hoque and Hopper’s (1994) proposition that promotion decisions in a nationalised jute mill in Bangladesh favoured employees supporting the government party.

The consideration of political loyalty in the appointment of senior executives and the subsequent renewal of employment contracts created an organisational culture within the BB where serving the interests of the political leaders was institutionalised. Such politically motivated recruitment at the senior levels of the BB placed political loyalty as a priority over work performance within the promotion and recognition practices within the bank. The employees of the banking inspection department of the BB revealed that irregularities in the commercial banks were often hidden from the press and escaped disciplinary action because of political intervention. Performance evaluations considered an employee’s ability to manage political influence while carrying out the operations of the BB. Technical efficiency was secondary to the ability to satisfy the interests of the political agents.

RQ 1(2) triggered investigation of the political influence exerted by the unions in relation to the PMS reform. The World Bank consultant recommended a major organisational change as part of the introduction of a new PMS. The World Bank proposed the removal of the positions of Category C and D and officers whose activities, capabilities and contributions were not essential
to the functions of the BB. Through a seniority-based promotion policy, a large number of these employees had been promoted to management positions. These employees created problems as they did not have the capacity to perform the managerial activities of the BB.

The BB’s initiative of disestablishment of these positions were contested by the union members. The union members threatened the officials who were involved in the implementation of the organisational restructuring. The BB management retreated from their original position and adjusted their reform initiative by stopping future recruitment in these positions. Instead, they allowed the existing employees to continue their employment until normal retirement. Hoque and Hopper (1994) found similar evidence of direct links between trade unions in the nationalised jute mills and the political parties in Bangladesh. They reported that the politically connected unions resisted organisational reform in the jute mills.

The BB’s decision to stop recruitment in the positions of officer, Category C and D was changed over the course of time when it started recruiting people employed on a daily basis. This scheme only allowed recruitment of the offspring of existing Category C and D employees. Some employees’ contracts were converted from ‘daily basis’ to permanent positions over the years. After securing permanent positions, employees were promoted based on seniority (length of service).

This research study’s findings are consistent with Yapa and Ukwatte’s (2015) observations that political influence and corruption affected the public sector financial reporting reform in Sri Lanka. Nagirikandalage and Binsardi (2015) also found that politicisation and bureaucracy influenced public sector accounting reform in Sri Lanka. Political control over the regulatory organisations in Bangladesh influenced the implementation of performance management reform in the BB. The political institutions exerted influence over how employee performance was recognised and rewarded in the public sector organisations in Bangladesh.

### 8.4.2 Organisational structure and culture

The second research question investigated the influence of within-organisational institutions over the attempt to mimic international best practice PMS. The institutions within the BB were developed by a number of forces over time. Intra-organisational routines in the BB were shaped by the governors’ backgrounds, public sector management control traditions and informal
mechanisms employed to reward higher performance. This corresponded to Otley’s (2003) observation that organisational, professional and individual cultures influence how MCS are perceived and practised. Furthermore, Liguori (2012) highlighted the importance of intra-organisational dynamics in the implementation of public sector reform initiatives. An international best practice PMS was suggested as a means of negotiating with these intra-organisational institutions to create new routines.

Broadbent and Laughlin (2009) have argued that internal environment provides challenges and opportunities for the PMS of an organisation. They see the history of organisational practices as having an important influence over the institutionalisation process of new structures and processes. Nagirikandalage and Binsardi (2015) also found that cultural factors influenced public sector accounting reform in Sri Lanka. Thus, management practices may reflect the norms of the broader organisational field. Similarly, this study found that the BB’s management practices, including its performance management system, were influenced by the norms of the public sector organisations in Bangladesh.

RQ 2(1) specifically addressed the role of the senior executives in shaping the management control practices of the BB. The governor exerted significant influence over the management control practices of the bank. The political appointment of the governor resulted in four different governors appointed over the previous 12 years. These appointments were based on long-standing loyalty toward a political party and its leader. Personal acquaintance with the party chief was seen as overriding approval of a governor’s actions. This enabled a governor to implement new strategic directions. Each governor brought in their own signature policies and influenced the bank’s strategic positions. Previous reform agendas were often diluted with the recruitment of a new governor. An example was the current governor’s view that micro-finance and women entrepreneurship development were not central objectives of a central bank. These two activities had been prioritised by the immediately preceding governor of the BB.

The planning, design and implementation of the new PMS took place during the time of Dr Fakhruddin Ahmed as governor. He had extensive experience of working in the World Bank. His association with the World Bank provided him the power to deal with the politically supported union activities. He was able to respond to the union’s protests with a modified version of an organisational restructuring plan. He terminated the contracts of ten union officials
Dr Ahmed set up a team to work with the World Bank consultants to facilitate planning, consultation and implementation of the new PMS. Therefore, in his time as a governor, some employees were promoted based on performance. Munir, Baird and Perera (2013) found similar evidence in a state owned commercial bank in Pakistan where the newly appointed independent directors and president played a leading role in implementing a management control change. Akbar, Pilcher and Perrin (2012) also found a significant relationship between the managerial use of new performance indicators and the commitment of top management in an Indonesian local government unit. The study presented here found evidence supporting Ligouri’s (2012) assertion that transformational leadership and technical capabilities are necessary tools for implementing organisational reform. The departure of Governor Ahmed resulted in a gradual decrease in senior managements’ interest in the PMS. Though it was retained as a formal performance management mechanism, its practice experienced a sharp decline over time. The deputy governor and executive directors looked for approval from the governor and MoF. The senior management lacked the autonomy to set the strategic direction of the BB. Securing the approval from the governor and MoF became the primary consideration for promotion and recognition.

The new PMS initially delegated the performance planning and assessments to various hierarchical levels. The original PMS model required the immediate supervisors to conduct the performance assessment of employees. However, the general managers exerted significant influence to change the PMS model so they preserved the right to approve the performance grades of employees. This modification of the PMS model concentrated the performance assessment authority in the departmental head. This created an incentive to secure the support of the departmental head for the year end performance assessment.

RQ 2(2) triggered an investigation into how the new PMS affected the traditional organisational culture of interpersonal relationships and secrecy. It has long been argued that a management control reform is influenced by processes and practices developed and inherited by organisational members (Ouchi 1979). The performance management of the BB was influenced by the practices of other public sector organisations in Bangladesh. The new PMS represented a clear departure from the traditional performance measurement practices of the public sector.
organisations in Bangladesh. This study has provided evidence on how the new performance management logics were perceived and practised in the BB.

The new PMS challenged the traditional organisational culture of secrecy in relation to performance management. The public sector organisations in Bangladesh maintained strict confidentiality regarding the performance assessment of employees. The employees did not know how their performance was assessed by their supervisors. The new PMS required the employees and supervisors engage in open communication regarding performance planning, evaluation and assessment. The supervisors and employees were not familiar with an open discussion about performance management. Open discussion did not fit with the local cultural traditions where communicating limitations and failures was regarded as inducing ‘shame’ for an employee. Both the supervisors and employees felt uncomfortable about being involved in a face-to-face discussion about weaknesses and assessment of performance. Rather, they preferred confidentiality of the performance assessment process. The BB inherited a traditional culture in which the supervisors did not discuss and justify performance related issues with employees. A patron-client relationship existed where the supervisors possessed full authority over assessing the performance of subordinates.

Strong interpersonal relationships existed between employees and managers in the BB. The supervisors believed that disclosure of performance grades would impact on their relationship with employees. Similar evidence was reported by Yang and Modell (2013) in their analysis of how managers of a Chinese government unit implemented an organisational change by balancing moral-based and merit-based conceptions of performance. The moral-based perception of performance was based on personal likings and gift giving. These acts have long been embedded in the Chinese way of building relationships. The existence of personal likings and respect can build a culture where an attitude of humility was considered to have more influence than high-level performance. A similar relationship-based organisational culture dominated the performance management practices in the BB.

Modell (2004) contends that an understanding about the implementation of performance measurement reforms requires analysis of the interplay between new and old myths. The resulting institutionalisation depends on how old myths are challenged or replaced by new myths. The traditional culture of secrecy and impersonal relationship-based attitude toward the assessment of employee performance represented old myths within the BB. Open
communication and disclosure of performance grades within the new PMS represented new myths in the managerial operations of the BB. Even though the new myths made some progress during the initial years of the implementation of the performance management reform, the old myths of secrecy and the relationship-based approach of performance management regained their influence over time.

RQ 2(3) required investigation of the prevalence of any informal mechanisms for rewarding and recognising higher level performance. The formal mechanism of financial incentives for performance was largely absent in the BB. Employees raised their concerns about the inadequacy of government pay-scales to create incentives for higher performance. A large number of employees often took on additional work in order to support their families. There was a large discrepancy between the compensation packages between the BB and the commercial banks. The BB undertook several initiatives to address the issues regarding the low compensation package. It wanted to free itself from using the government pay-scales to determine the remuneration of employees. The BB had argued that it could not attract and retain people with relevant expertise as its compensation package was inadequate compared to the private sector banks and international development organisations working in Bangladesh. To substantiate its case to determine its own salary structure, the BB made a comparative study of the compensation packages of central banks in South Asia. The study showed that, with the exception of the BB, the central banks in this region determine their compensation packages to attract and recruit people. However, the MoF refused to allow the BB to determine its own compensation structure.

In the absence of a formal structure for providing financial incentives for high performance, the BB utilised some informal mechanisms to reward exceptional or improved performance. Overseas training opportunities were provided to high performing employees. The bank offered additional financial benefits for selected employees’ attendance at such training programs. Most of this training took place in developed western countries and were funded by the World Bank. The opportunity to visit these countries acted as incentives for high-performing employees.

The existence of such informal management practices is also evident in Brunsson’s (2002) investigation of the implementation of MBO in Swedish government units aiming to promote accountability. He found that the MBO did not change the political decision making process. The government units relied on a reactive model to address emergent national issues. The
adoption of MBO enabled the political leaders to adhere to institutional notions of accountability and the ongoing use of reactive models provided the necessary flexibility to address the economic and social issues of political interest.

The senior executives depended on a select number of employees in the bank. These employees were selected by the senior management and they were regarded as the ‘elite group’ within the bank. A formal organisational hierarchy was accompanied by a private arrangement whereby departmental heads ‘handpicked’ a selected number of people to work in strategic and priority projects. Similar approaches were followed by the governor and deputy governors when they selected employees working in junior ranks, bypassing the formal authority structure. Social recognition was apparent as these people worked directly with senior management. These selected employees were recognised through membership of strategic teams and invitations to important occasions such as strategic planning days of the bank. An annual ‘reward and recognition award’ was often utilised to provide public recognition for these employees.

This private selection of employees was not appreciated by most employees of the bank. Other employees considered themselves abandoned by senior management. The preferential treatment of the select group of employees for overseas training, membership of strategic teams and acquaintance with the senior management created frustration among a vast majority of the employees. They argued that dependence on ‘few people’ was not conducive to the development of professional capacity in the BB.

### 8.4.3 Local adoption of international best practice

The third research question investigated the actual adoption of an international best practice PMS in the BB. This research question was structured into two sub-questions. RQ 3(1) triggered investigation of what components of the recommended PMS was (or was not) adopted and modified in the BB and why such practices had been operationalised. This research found evidence that the adopted version of the PMS was quite different from the one recommended by the World Bank consultants. The BB managers adjusted the recommended model in light of the local conditions. Some elements of the PMS model were never implemented, while others were practised at a ceremonial level. The research also discovered that adjustments were made to the PMS model over the course of time.
Interviewed managers and employees complained of the lack of guidance and understanding about the performance management process. The employees of the bank found it difficult to quantify performance. Employees carried the preconception that quantitative measurement of performance was only applicable to manufacturing businesses. There was lack of understanding of how performance would be planned, managed and measured for a banking regulatory organisation. The performance planning did not generate a clear understanding of what was expected from an employee and how performance would be judged at the end of the year. Arnaboldi, Lapsley and Steccolini (2015) observed that performance measurement in public services is naturally a challenging construct and careful resolution about measurement-related issues must be reached to manage performance. They cautioned that inappropriate understanding and practice of PMS could potentially lead to negative effects on staff morale. The mid-year review only took place when it was required by the senior management. Thus, it was not institutionalised into the performance management logic of the bank.

The original PMS model highlighted the importance of maintaining an EBR as an objective basis for evaluating performance. It was practised during the initial years of the new PMS. However, the practice of maintaining an EBR declined over the years. Since the ultimate grades were decided by the departmental head, the immediate supervisor of an employee was not motivated to keep a record of performance related information. At the end of the year, the general manager made the assessment based on his/her personal observations. This resembles Hopper, Lassou and Soobaroyen’s (2017) observation that technically sound Western accounting systems were often adopted in developing countries to gain legitimacy from international funding bodies such as the World Bank and International Monetary Fund, but played only a limited role in bringing about transparency and accountability.

There was also an absence of moderation to ensure consistency in performance assessments in the BB. The World Bank recommended two types of moderation in the PMS. The first moderation was designed to compare the performance assessment practices between departments. This practice was recommended in order to share knowledge about how performance was planned, managed and assessed across departments in the bank. However, the senior managers did not enforce the inter-departmental moderation within the bank. As the performance measurements and associated promotions were largely based on seniority, the management felt lesser incentive to enforce the inter-departmental moderation. The second mechanism, within-departmental moderation, took place in the initial years of the new PMS
until the process was hijacked by the general manager. The general managers insisted that senior management allow only one moderation within a department. The departmental moderation ensured the general managers control over the performance assessments of employees.

The promotion process in the Bangladesh public sector was primarily based on seniority. Most of the public sector organisations recruit employees through a recruitment test. In cases of identical service length, seniority was determined based on the score in the entry exam. The employees expressed deep frustration about promotions throughout the entire service time, based on the entry exam marks. This did not reflect how employees performed during their actual service time in the BB. In order to incorporate the service excellence and knowledge of an employee, the World Bank consultants incorporated an ‘interview’ component into the staff promotion process. However, the BB’s management did not adopt the interview component as they feared favouritism, corruption and political pressures in the promotion decisions. The majority of employees also opposed the interview mechanism. The financial corruption and political influences in the staff promotion process of state owned banks created a sense of fear among the BB employees about interviews.

The BB largely failed to maintain the logics of performance management reforms. The majority of the organisational reforms in the BB were planned, designed and implemented by the World Bank consultants. They tried to install international best practice organisational structures and processes in the BB. Each change initiative went through a consultation process and a final report was presented to the management of the BB. These reports included the context, rationale and description of the new processes. When requested by the researcher, the bank officials could not find a number of these reports. The reports on the organisational restructure (by Maxwell Stamp PLC), comparative salary study, and employees’ perception survey of the new PMS and bank inspection (by Federica Santos, a World Bank consultant) were not available in the BB. As the original reports were not preserved, it was difficult to understand the intention and mechanisms of the recommended organisational change initiatives.

RQ 3(2) required an investigation into whether the BB achieved its intended objective of leaner organisational hierarchy and performance-based promotion. The primary aim of the new PMS was to provide the BB with an efficient workforce. The first step toward this organisational reform was to disestablish the positions of officers, Category C and D. Employees working in
these positions did not have the training and experience to make any effective contribution to the operations of a central bank. The BB was successful in implementing an adjusted version of this reform by stopping future recruitments in these positions while allowing the current employees to continue until their natural retirement. However, the reform was short-lived, as recruitment in these positions returned through a different mechanism; initially ‘daily contracts’ which were eventually converted into ‘full time contracts’.

The second step was to introduce performance-based promotion in the BB. It aimed to recognise and promote high performing employees in the BB. The ultimate objective was to strengthen the regulatory capacity of the BB by promoting employees with the required capacity and experience. While the new PMS resulted in some performance-based promotions in the initial years, its effectiveness soon started to diminish. From 2009, the number of excellent performance grades awarded was so high that it became difficult to differentiate high performing employees from the rest.

Interviewees claimed that the performance grades did not differentiate employees who performed extremely well in the BB. The general managers were not accountable for their assessment of employee performance, as the senior executives (executive directors and deputy governors) did not enforce effective practice of the PMS. The employees were not given the opportunity to engage in performance assessment activities and the performance grades were officially kept secret at the BB. This lack of accountability about performance grades led to mistrust about the reliability and relevance of the PMS. Broadbent and Laughlin (2009) highlighted the necessity of accountability in the effective operation of a PMS. They argued that performance assessments and corresponding rewards need to be transparent and objective to create trust. In the BB’s case, the excessive number of excellent grades diminished the reliability of the new PMS. Eventually, the promotion process reverted to a ‘seniority-basis’ where promotion decisions were largely independent of the actual performance and capacities of employees. The PMS only stayed as a formal structure and it became a ceremonial ‘one day’ practice.

It is clear from this study’s investigation that the organisational change initiative through the introduction of a new PMS and abolition of officer, Category C and D had not penetrated into the organisational institutional logics. The reform was undertaken in response to pressures from the World Bank. In the initial years of this reform, the BB tried to accomplish two objectives:
(i) complying with the prescription of the World Bank; and (ii) improving the organisational strength and capacity through a performance-based promotion and recognition practice. This can be compared with Modell (2001) who found evidence of both legitimacy-seeking and efficiency-enhancing motives of hospital management in response to public health care reform in Norway. Even though the hospital was able to attract government grants by optimising a new cost index, it was also utilised to improve the internal control practices. However, such legitimacy efficiency centric dual imperatives were short-lived in the case of BB, since its traditional bureaucratic culture and political influencers soon over-shadowed the efficiency-centric logic of the reform.

In their research about accounting reform in the Tanzanian local government, Goddard and Mzenzi’s (2015) concluded that management control measures such as budgeting and performance measurements were primarily aimed at securing organisational legitimacy. The local authority utilised the accounting reform to secure financial support from the central government. The efficiency-centric managerial imperatives were overshadowed by the legitimacy-centric motives in the adoption of new accounting structures. In comparison, during the initial stage of the implementation, the BB’s adoption of the new PMS showed both efficiency-centric and legitimacy-seeking motives. During the first few years of the new PMS, there was documented evidence of performance related information, performance planning and monitoring. While securing organisational legitimacy from the World Bank, the BB was also able to promote an efficiency-centric imperative as more employees were promoted based on performance. However, the efficiency-centric imperative failed to become institutionalised in the longer term, as the traditional bureaucratic and relationship-based culture gradually dominated the performance management practices.

The limited role of senior executives was highlighted as a major weakness of the organisational change initiatives in the BB. The World Bank initiated PMS was initially supported by the Governor Fakhruddin. He set up a specific unit to coordinate the implementation of the PMS. However, the performance management practices at the ground level were largely controlled by the senior executives (deputy governors, executive directors and general managers). With a few exceptions, the senior executives did not enforce the PMS processes. They communicated the reform as ‘directive from the top (governor)’. PMS mechanisms such as performance planning, EBR and open communication of performance assessments were largely absent from actual practices. When Fakhruddin left the organisation, the PMS gradually became a cosmetic
structure for securing legitimacy from the World Bank. As one senior manager described the situation as ‘the sheep are out in the field without the Masters’. The PMS became a set of documents which were filled in, collated and filed without any real impact on the actual performance evaluation and recognition.

The gradual demise of the PMS from the organisational practice in the BB resembled Wickramasinghe, Hopper and Rathnasiri’s (2004) evidence about the implementation experience of a management control reform in a Sri Lankan telecommunication company. In a partial privatisation reform, 35% of the shares of the company were sold to a Japanese telecom. The new Japanese chief executive’s organisational reform was short-lived as managers and political actors started to influence the management control practices and were ultimately successful in replacing the Japanese executive with a government bureaucrat.

The PMS was introduced in the BB to institutionalise a performance management perspective. The previous ACR system was a performance measurement system only designed to facilitate staff promotion decisions. However, the new PMS intended to institutionalise a performance management imperative by planning, managing and communicating performance and assessment. However, the new PMS soon found itself as a tool for promotion decision only. The requirement for an employee to achieve five consecutive excellent performance grades to secure a performance-based promotion weakened the effectiveness of the PMS. It created incentives for employees to influence the performance assessment process. This was facilitated by a relationship-based organisational culture prevalent in Bangladeshi public sector organisations. Any performance assessment below the grade of excellent was viewed as an impediment to obtaining a promotion in the BB. The management perspective of the new PMS was overshadowed by the sole focus on securing a grade of excellent from the PMS.

Modell (2004) envisaged that public sector managers may continue to pursue a traditional financially oriented performance measurement agenda while portraying a ceremonial compliance with efficiency-based models. This was evident in this study of the BB. The formal PMS demonstrated BB’s conformity to a best practice performance management mechanism prescribed by the World Bank. After the initial few years of the implementation, the traditional values of interpersonal relationships, secrecy and political influence prioritised length of service over performance excellence in staff promotion decisions.
8.5 Theoretical contribution

A theory can explain accounting practices in particular situations and their implications for stakeholders (Deegan 2009). This research performs this role by explaining how an international best practice PMS was implemented and practised by a banking regulator of a developing country. This thesis provides a contribution to the NIT literature about how institutions from transnational, local, political and organisational spaces can be contested to influence a management control reform. Using Llewelyn’s (2003) framework, this research has investigated the interface (relationship, interaction and contestation) between agents operating in the within-organisational and external environment.

Researchers have cautioned against over-reliance on grand theories as this can at times limit pursuit of new relationships and discovery of new knowledge. Knights and Collinson (1987) and Humphrey and Scapens (1996) suggested researchers challenge grand theories based on evidence. These concerns were taken into account by utilising NIT to reflect on the research evidence, rather than aiming to force the evidence into NIT propositions. Interviews allowed the members of the BB to freely express their experiences in relation to a new PMS. Data analysis and discussion were utilised to extend NIT to understand management control in a unique setting where institutions from the within-organisation, external political environment and an international development organisation were negotiated and contested.

The research setting of this study offers three distinctive features: (i) public sector accounting reform; (ii) accounting and accountability practices in a developing country regulatory space; and (iii) the role of the World Bank in financial sector reform. Researchers need to consider the interface between private sector proto-type performance measures and multidimensional accountability of public sector managers. This requires an appreciation of prevailing institutions in the public sector space. Researchers need to explore how the long-standing managerial imperatives are supported and adjusted by organisational reform initiatives. International development organisations such as the World Bank work in the social and economic development of developing countries such as Bangladesh. The implementation and outcome of World Bank-led reform initiatives need to consider the institutional environment of developing countries.
Countries like Bangladesh experience a lack of democracy, political influence over regulatory institutions and corruption. These institutions pose significant challenges for and influence over the implementation of public sector reforms in Bangladesh. Transparency International’s Corruption Perceptions Index has found evidence of corruption in many developing countries like Bangladesh. Such corruption is often facilitated by a lack of transparency in government and regulatory operations (Hooper et al. 2009). Institutional features of the regulatory environment of Bangladesh were considered in understanding the outcome of World Bank-led performance management reform in the BB.

NIT illuminates the influence of established social orders which shape organisational structures and practices. However, it considers the influence of actors within the social environment and organisations in maintaining and transforming institutional orders (Scott 2008; DiMaggio & Powell 1983). Institutions are a socially constructed template for organisational actions. Though institutions provide some form of homogeneity in organisational structures, their maintenance and transformation depend on ongoing contestation between groups and social environment (Zucker 1987; Barley 1986; Burns & Scapens 2000). This research project considers the role and influence of institutions prevailing at the supranational (the World Bank), national and organisational levels. Thornton, Ocasio and Lounsbury (2012) highlighted the importance of considering the institutions located in multiple levels: individual, organisational, field and societal. Organisational actors’ practices are conditioned by the constraints and opportunities provided by these institutions prevailing at various levels (Friedland & Alford 1991). This research employed a multi-level institutional approach to generate a rich account of how the managers and individual members of the BB negotiated, compromised and strategised the World Bank-led performance management reform. Figure 8.1 provides a snapshot of the NIT exposition utilised in this research project.

In a study of western accounting reforms in Nigeria, Bakre, Lauwo and McCartney (2017) submitted that such reforms needed to consider the local socio-economic and political environment. Hopper, Lassou and Soobaroyen (2017, p. 140) acknowledged that the technical and economic rationale of western reforms in developing countries ‘were mediated by socio-political and cultural factors, with positive and negative, and intended or unintended, consequences’. Figure 8.1 considers the agents and interests of the socio-political environment and their influence on the institutionalisation of the PMS at the BB. While the institutional logic coming from the World Bank was important and powerful, the practice of the PMS was
mediated by the local organisational, socio-political and cultural institutions. The consideration of the social-political space involved an analysis of how the BB negotiated the multiple institutional logics emanating from various stakeholders. For example Carlsson-Wall, Kraus and Messner (2016) demonstrated how a Swedish football club utilised its performance measurement system to manage major institutional logics: (i) a demand for excellence in sports (measured by position in the league table); and (ii) a demand for financial success (profitability). Public sector organisations in developing countries are subject to multiple institutional logics as the managers need to address institutional demands originating from its obligation to provide services, a control imposing political environment and World Bank-led reform initiatives. Figure 8.1 captures the environment of such multi-institutional logics in which the BB operates.
The research found evidence of DiMaggio and Powell’s (1983) three forms of isomorphic pressures for the BB to adopt and respond to institutional demand. The coercive pressures came from the World Bank which was working to strengthen the regulatory capacity of the banking sector in Bangladesh. The World Bank has sponsored and managed a number of organisational change programs in the BB over the last 20 years. The World Bank had a strong presence in the policy-making processes in Bangladesh. The normative imperatives resulted from the professional background of the governors of the BB. Most of the governors possessed formal training (PhD in economics) from Western universities and maintained professional networks with international development organisations. The BB also embarked upon a mimetic adoption of international best practice structures to maintain legitimacy in the global central banking

Figure 8.1: NIT exposition in this thesis

The research found evidence of DiMaggio and Powell’s (1983) three forms of isomorphic pressures for the BB to adopt and respond to institutional demand. The coercive pressures came from the World Bank which was working to strengthen the regulatory capacity of the banking sector in Bangladesh. The World Bank has sponsored and managed a number of organisational change programs in the BB over the last 20 years. The World Bank had a strong presence in the policy-making processes in Bangladesh. The normative imperatives resulted from the professional background of the governors of the BB. Most of the governors possessed formal training (PhD in economics) from Western universities and maintained professional networks with international development organisations. The BB also embarked upon a mimetic adoption of international best practice structures to maintain legitimacy in the global central banking
community. However, the technically sound PMS did not penetrate the performance management logic of the BB. This provided further support for Hopper, Lassou and Soobaroyen’s (2017) assertion that formal accounting mechanisms imposed by international development organisations often remained ceremonial and ‘irrelevant rituals’ in developing countries. The actual performance management practices in BB were gradually decoupled from the formal PMS and essentially returned to the traditional practices prevalent in the public sector organisations of Bangladesh.

The motivation for the adoption of the new PMS primarily came from the need to conform to the expectations of the World Bank. However, the response of the BB reflected a compromised position to satisfy constituents with conflicting interests. The BB adjusted the initial organisational reform by stopping future recruitment in some positions while allowing the existing employees to continue their employment until their regular retirement. The new PMS and associated organisational change received strong support from the Governor Fakhruddin Ahmed. With strong support from the governor, the bank was able to deinstitutionalise the previous seniority-based promotion practices in the initial years of the new PMS. Maguire, Hardy and Lawrence (2004) defined institutional entrepreneurs as actors who had the ability to create new institutions or to transform existing ones. Lawrence, Suddaby and Leca (2009) highlighted the influence of individuals in creating, maintaining and transforming institutions. Dr Ahmed resembled an institutional entrepreneur who was able to implement a new performance management practice in the bank. However, the exit of the governor opened the door for the old routine to be re-established.

The implementation of a new PMS in the BB has been illuminated by some aspects of NIT. The NIT framework was exploited to tease out the why and how of the implementation experience of an organisational change. This enabled the research to apply NIT in a setting which has offered valuable insights about an organisational reform in a developing country’s social, political and organisational context. In addition, this research focused on two contemporary issues that required empirical enquiry and theoretical development within the NIT literature. The remainder of this section analyses the contribution of this research in these two areas.
8.5.1 NIT at an organisational level

NIT has been criticised for assuming an over socialised view of individual behaviour (Zucker 1987). This implies that individual members of an organisation are always forced to conform to institutional norms. This over-imposing of social orders did not explain why individual organisations demonstrate practice diversity in their pursuit of legitimacy from their institutional environment. This research aimed to address Scott’s (2008a) call for institutional researchers to explore how individual organisations respond to institutional pressures and how they influence social expectation and legitimacy.

Zucker (1987) discussed internal organisations as a source of institutions when work processes and routines become taken-for-granted organisational norms. He identified three mechanisms whose strength could influence the degree to which internal processes become institutionalised within organisations: (i) formalisation of routine; (ii) history of the structure; and (iii) embeddedness in a network of structures. Prior to the performance management reform, the BB followed the performance measurement practices of the public sector organisations in Bangladesh. The traditional performance measurement system was based on seniority-based promotions and non-disclosure of performance grades. A number of features of the new PMS were different from the long-standing performance recognition practices of the Bangladeshi public sector. This research provided evidence regarding within-organisational institutions that influenced the implementation and practice of a performance management reform. The BB could not overturn the traditional performance measurement process with the introduction of a new PMS. The old performance measurement practices remained embedded in the institutional logic of the organisation.

This research utilised NIT in an organisational context which was characterised by a number of local and international forces. The setting considered how actors and interests embedded in both within-organisational and external environment influenced the implementation of a management control reform. Rather than considering the actors of the external environment as contextual forces influencing the development of management control practices, it illuminated how internal organisational institutions and managers interacted with the external agencies (Greenwood et al. 2008). A historical perspective was employed where the transition from the previous system to a new international best practice PMS was discussed. In the process, this
This study considered a broader institutional setting to investigate the implementation of a new PMS in a large regulatory organisation. Zucker (1987) discussed three sources of institutional pressures: external environment, contemporary organisations and within-organisational routines. This research considered these sources and their probable interaction to understand what happened when an international best practice PMS was introduced in a regulatory organisation. The external environment comprised of the influence of the national political agents and the World Bank. The traditional performance measurements and promotion processes of public sector organisations had influenced performance management reform in the BB. The practice of traditional performance measurement processes over a long period created certain routines in the BB. This research provided evidence on how institutions emancipated from within-organisational and external environment interacted during the implementation of the performance management reform.

8.5.2 NIT in a global accountability platform

This research extends NIT propositions in the context of a performance management reform within a large regulatory organisation of a developing country. There is limited understanding about institutions and institutionalisation processes in the context of developing countries (Scott 2005). The legal, political and cultural institutions of developing countries are often different from those of developed countries. Research evidence about institutions and how they influence accounting practices in developing countries are important for both national and international policy makers.

The Asian financial crisis of 1997 triggered a movement toward a NIFA to establish stability and reliability in the financial markets of emerging economies (Singh & Newberry 2008). Standardised structures such as corporate governance guidelines and financial reporting standards were recommended for developing countries. International development organisations such as the World Bank and International Monetary Fund played an important role in the promotion of these structures in developing countries. The shift of manufacturing and support services to developing countries also increased their importance to global investors and consumers. For example, Bangladesh is now the second largest exporter of apparel and the
production house of leading clothing brands. Economic development in developing countries and their association with global trades required the establishment of regulatory and market institutions in these economies.

The World Bank initiated the CBSP in a number of developing countries. The aim of the reform was to strengthen the regulatory capacity of the central banks in these countries. One key element of this reform was the introduction of an international best practice PMS. This global accountability platform involved application of best practice structures in emerging economies with differential institutional capacities.

Buthe (2010) argued that local country level institutions cannot simply be assumed to be effective. For example, Brehm (2008) found that financial sector reform in China was conditioned by political corruption and contradictory regulations. Bartley (2010) highlighted the need to understand local socio-political constructs to understand the implementation of transnational certification. This research provided evidence about the political and public sector bureaucratic institutions in Bangladesh. It reveals how the politically sponsored union activists influenced management to make adjustments to an organisational change program in the BB.

A large number of international and local development organisations are involved in the improvement of business and regulatory capacities in developing countries. Economic and social reform became a priority for international development organisations such as the World Bank. What remains to be understood is how the local agents, interests and institutions interact with international best practice models. An imposed organisational reform agenda cannot be assumed to replace the traditional accounting and accountability practices in a regulatory organisation situated in a developing country. For example, the long-standing seniority-based promotion practice and secrecy in performance assessment in the BB stood in sharp contrast to a transparent and merit-based concept of a new PMS.

This research provides an institutional perspective of how a best practice PMS influenced and was influenced by the within-organisational and external institutions. The BB pursued a strategic response to an organisational change recommended by the World Bank. An adjusted approach was employed to satisfy both the World Bank and the local union activists. The traditional routines and public sector performance measurement practices gradually dominated the efficiency-centric focus of the new PMS. The interaction between local agents and World
Bank-recommended model did not end when the BB officially adopted the new PMS. The contestation between local logics and international best practice imperatives continued over the years and it eventually resulted in a management control structure which was different to the originally recommended model.

A research agenda to examine the interface between local and global accountability platforms required consideration of manifold institutions prevailing at various levels. This research considered the interaction of institutions arising from a wide range of local and international constituencies. The features of the new PMS (open communication and disclosure of performance grades) stood in sharp contrast to the traditional organisational culture of secrecy and inter-personal relationships in the BB. These multiple institutions and their contestation provided a rich account of how an international best practice PMS was practiced, changed and modified.

Institutional understanding about the adoption of international best practice management control structures is a valuable research agenda. The governance and business practices in developing countries are increasingly attracting the attention of a global community. A large number of multinational corporations are now operating in the developing countries. International organisations such as the World Bank are increasingly involved in regulatory reform in emerging economies. This research provides an institutional understanding about the local organisational routines and the way they interact with an international best practice PMS. Findings of this research offer insights for policy makers at local and international levels. This also enriches the scope and utility of the NIT by locating it within a global-local interactive accountability domain.

### 8.6 Limitations

This section highlights the limitations of this research project. An appreciation of the limitations of a research investigation enables readers to make careful interpretation of its findings. The BB worked in a controlled environment where political actors exerted influence in its operation. The senior executives of the bank were directly appointed by the government. In such a politically controlled environment, the employees and managers of the bank might be reluctant to disclose their true experiences and attitudes to the management control practices. Even
though anonymity was promised, some interview participants might not give full disclosure of how political intervention impacted their regulatory functions.

This was a case study about an organisational change in a banking regulator of a developing country. The research could not be taken as a statistical generalisation about regulatory reform experience in developing countries. The institutional environment, agents and interests were unique to the case study organisation. This research maintains two positions in relation to the generalisability. Firstly, large numbers of developing countries exhibited similar institutional characteristics such as a politically controlled regulatory environment, weak regulation and the influence of international development organisations such as the World Bank (Humphrey, Loft & Woods 2009; O’Donnell 1994; Mimba, Helden & Tillema 2007). The findings from this case study would generate useful insights about how regulations are practised in developing countries. Secondly, this research offers an analytical generalisation by relating findings to social processes and relations (Parker & Northcott 2016). The knowledge accumulated in the research represents a ‘process generalisation’ (Simon 2009) which may be transferable between and among developing countries’ contexts.

Interviews provided an opportunity to access the experience of organisational members about the new PMS. The selection of interviewees carefully considered the representation of all levels of the organisational hierarchy. The interview data was supplemented by documentary evidence, focus group discussion and direct observation of the researcher. These supporting sources of evidence were utilised to guide and strengthen the interview discussions. The additional evidence was also instrumental in the analysis of the interview data.

8.7 An agenda for future research

The World Bank has estimated that 30% of the world’s work force will be located in South Asia by 2030 (World Bank 2016c). This provides an important opportunity for academic research about this region. Human rights, workforce safety, corporate governance, regulatory efficiency and public sector management in this region should be of interest to policy makers both at the national and international level. The role of international development organisations such as the World Bank is critical for supporting economic and social developments in this region.
Economic growth in developing countries invariably requires sound financial market infrastructure. A prudent and strong financial market is necessary for attracting both domestic and foreign capital. The role of financial sector regulators such as the central bank, SEC, stock exchange and the MoF have been significant in supporting economic development. Academic research can offer valuable insights into the way regulatory capacity can be strengthened to facilitate economic growth in developing countries. Accounting research in the areas of accountability and regulation can therefore contribute to the economic and social transformation in these countries.

Many developing countries are characterised by a large banking sector. The banks provide the major source of finance for businesses. However, there are significant challenges in the banking sector of developing countries. Corruption, political influence and inadequate governance are major limitations in the banking sector of developing countries such as Bangladesh. There are opportunities for accounting researchers to investigate how banking regulations can be made more effective within the social and political context of these countries. This knowledge can assist policy makers and pressure groups to establish necessary reforms to strengthen the regulatory capacities in these economies.

8.8 Overall reflection

This research investigated an organisational change initiative in a developing country banking regulatory organisation. The institutionalisation process was affected by three distinct sources: (i) political environment; (ii) intra-organisational routines; and (iii) the interface between international best practice and organisational adoption. These institutions interacted and negotiated to influence the implementation and practice of a new PMS in the BB.

Political influence was facilitated by the appointment of the governor and deputy governors by the MoF. The BB’s supervision and enforcement actions over commercial banks’ irregularities in credit approvals, loan classifications and governance practices were influenced by political agents. While the BB recognised the importance of a performance-based promotion practice, a political, loyalty-based organisational culture influenced how employees would be recognised. Technical efficiency was secondary to political loyalty in judging performance within the BB.
The politically supported union activists also exerted significant influence in order to bring bank adjustment to organisational change programs.

Within-organisational routines of the BB moderated the practice of the new PMS. Features of the best practice PMS, such as transparency in planning, managing and assessment of performance, challenged the traditional culture of secrecy. Open communication about performance created tensions in the historical patron-client relationships between managers and employees. Interpersonal relationships and modesty took precedence over superior performance. Instead of practising the formal PMS, an informal mechanism was developed and institutionalised to reward performance. Overseas training and social recognition within the bank were utilised to reward and acknowledge outstanding performance. However, such an approach was not appreciated by the majority of employees who were unable to secure the acquaintance of senior management. An elite group of high performers was created parallel to the formal organisational hierarchy. Membership of the elite group allowed an employee to work directly with the senior executives, bypassing the formal hierarchical structure.

The PMS adopted was somewhat of a variant of the model originally proposed by the World Bank consultants. The BB adjusted the recommended model in light of the local organisational and political imperatives. Interviews to judge the capacities of employees in promotion decisions were never implemented because of the fear of political influence and corruption, as was widely evident in the nationalised commercial banks. Once the World Bank consultants left the organisation, the performance management processes gradually reverted back to the practices of the old system. The decentralisation of performance management at local levels was successfully reverted when the general managers successfully influenced senior executives to modify the PMS to allow them to decide the performance grades of the employees. The BB’s effort to establish its own salary packages to make high quality appointments was denied by the MoF. The absence of financial reward in response to improved performance weakened the effectiveness of the new PMS.

This research found evidence that performance management routines transformed over time. Chenhall and Euske (2007) provided evidence of life cycle of management control reform where it had an initial adoption stage, subsequent reaction stage and, finally, a renewal stage. The implementation and practice of the World Bank recommended PMS in the BB exhibited such a life cycle. Adoption of the PMS was followed by some success in implementing
performance-based promotion practices. However, the performance-based concept of recognition gradually disappeared because of the lack of sponsorship from senior management. In the initial years of the implementation of PMS, the recruitment for the posts of officer, Category C and D was stopped. However, recruitment restarted after few years when the institutional logics of the new PMS were weakened by change of leadership, political pressures and the traditional bureaucratic organisational culture. Modell (2001) provided evidence of the existence of both legitimacy seeking and efficiency enhancing rationales in the implementation of a Norwegian hospital reform. Such a combination of legitimacy seeking and efficiency-centric imperatives was not sustained in the BB. Gradually, the performance management reform become a mechanism for BB to secure legitimacy from the World Bank. The local agents eventually rendered the PMS a ceremonial structure primarily to display conformance to the World Bank’s best practice recommendation.

There is a call for research that addresses how management accounting practices in the public sector in developing countries are impacted by the interplay between international donor agencies and the local political, economic and cultural contexts (Helden & Uddin 2016). Helden and Ouda (2016, p. 2) cautioned, ‘if those donor pressures are strong, but public sector organisations do not have the capabilities to adopt and implement advanced accounting tools … in a local community context, their quality may be so low that the traditional informal instruments remain in place’. This research contributes to the existing literature by providing evidence about how the local organisational and socio-political agents and contexts have exerted influence over the interpretation, adoption and transformation of a World Bank-led performance management reform in a developing country. The findings of this research carry implications for policy makers that will be beneficial in the design of future reform programs.

There is a dearth of research evidence about implementation experience and the associated dynamics of performance management reform at a micro-organisational level. For example, Nyamori, Abdul-Rahaman and Samkin (2017) asserted that the implementation and effect of public sector reforms in the African countries had not been adequately researched by accounting scholars. Chanda, Burton and Dunne (2017) found that despite relative political stability in Zambia compared to many other African nations, institutional weaknesses and corruption reduced the effectiveness of corporate governance reform in Zambia. This research contributes to accounting research literature by providing empirical evidence about the effect of a
performance management reform on the employees and managers of a regulatory organisation of a developing country.

Chapter 2 of this thesis provides a review of literature on performance management reform in public sector organisations in developing countries. This review identified a paucity of empirical research investigating the effect of performance management reform on individual employees and managers in developing countries. The developed and developing countries are increasingly connected through trade, immigration and partnerships. International development organisations such as the United Nations and World Bank are increasingly playing an important role to strengthen the effectiveness of economic, social and political institutions of developing countries. This research contributes to the global governance reform literature by providing empirical evidence about the implementation experience of a World Bank-led reform in a developing country and how it affects the performance management at individual level. This research informs how employees and managers are incentivised to establish an effective regulatory environment to facilitate economic growth and financial sector governance in a developing country.

The findings of this research are useful for policy makers at the domestic and international levels. The Government of Bangladesh placed importance on the economic and social development targets placed by international organisations such as the World Bank and the United Nations. The Government of Bangladesh is working with international organisations to implement global initiatives such as the United Nations’ Sustainable Development Goals (SDGs)\(^\text{24}\). Economic growth, accountable institutions and global partnerships in relation to developing countries represent key components of these SDGs. This research illuminates an important regulatory reform brought by the World Bank in a developing country. Accounting research highlighted the importance of understanding accounting and accountability practices

in the context of developing countries in the successful implementation of international best practice policy recommendation (Goddard et al. 2016).

Bebbington and Unerman (2018) discussed the potential for accounting research in the context of the United Nations’ SDG program. They highlighted the importance of accounting technologies such as target setting and reporting in the implementation of the United Nations’ development programs. SGD 16 directly included the aim to ‘build effective, accountable and inclusive institutions at all levels’. This research delivers policy implications in this spectrum in two ways: (1) it investigated an organisational reform in the banking regulatory organisation, which was aimed to strengthen the regulatory capacity in the financial market of Bangladesh; (ii) it investigated the accountability mechanism within the regulatory organisation by investigating how performance was measured, managed and recognised at individual level.

This research has direct relevance to national and international policy makers about the design, implementation and effect of economic reforms in developing countries. In relation to public sector reform in a developing country, this thesis provided empirical evidence about (i) what worked and (ii) what didn’t work and why, in a performance management reform. As performance management at the individual level constitutes an important element of the management control system, the findings of this research carries relevance for future policy design and implementation.
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25 This thesis followed the referencing guideline recommended by the RMIT University. The guideline can be accessed at <http://www1.rmit.edu.au/browse;ID=8rwjnkcmfoeez>


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References


Appendix 1

Interview Guide

A Participant Information Sheet was provided to the interview participants prior to the start of the interviews. This document provided a summary description of the aims, scope and purpose of the research project. It also introduced the researcher and research institution to the participants. The researcher also explained the content of the document to interview participants. Specific permission to record the interviews using a digital recorder was requested.

Q: How do you experience the new PMS in the BB?

Q: How does the new PMS correspond to the organisational culture of the BB?
   Probe: How objective are the measurements of performance?

Q: How do you experience the performance planning at the start of the year?
   Probe: How are the goals identified?
   Probe: How are the goals measured?

Q: How do you experience the measurement of competence variables?

Q: What is the status of maintaining an EBR?
   Probe: Do the supervisors need to substantiate (eg. document) their evaluation of subordinates’ performances?

Q: Is the performance review communicated to the employees?
   Probe: Are feedback sessions taking place?
   Probe: How do you experience the mid-year review of performance?

Q: What is the reason for not accepting the original PMS framework proposed by Rohana?
   Probe: Why did the BB exclude the promotion committee (PC) rating which was part of the original PMS framework?
Q: What is your opinion about the latest changes to the PMS Form?
   Probe: There is no space for providing comments. What is your opinion about it?

Q: How do you find the practice of departmental & bank-wide moderations of performance grading?

Q: What role do the general managers play in the PMS process?

Q: What is your view about the compensation packages of the BB?

Q: Do the employees have sufficient understanding and skills about the PMS?

Q: To what extent does the HRD consolidate and analyse PMS documents to improve employee capacities?

Q: How are the training needs assessed?
   Probe: How are employees selected for training?

Q: Are PMS grades taken into consideration in promotion decisions?
   Probe: What is the balance between seniority versus performance under the new PMS?

Q: What is the role of the top management in the implementation of the PMS?

Q: Does the appointment of senior executives (governors and deputy governors) by the government have any impact on the internal control of the BB?

Q: What effect do the unions have on the management of the BB?

Q: What is the ownership of employees of transnational regulations?

Q: What is your overall opinion about the future of PMS in the BB?
Appendix 2
Ethics Approval

This PhD project started in 2011 when I was enrolled at the University of South Australia. I formally transferred my PhD and was admitted to RMIT University on 7 January 2016.

The interview data was collected during 2012-15. The specific timeframe of the field visits and interviews are as follows:

<table>
<thead>
<tr>
<th>Field visits to the Bangladesh Bank (case unit)</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st visit</td>
<td>June 2012</td>
</tr>
<tr>
<td>2nd visit</td>
<td>December 2012 to January 2013</td>
</tr>
<tr>
<td>3rd visit</td>
<td>December 2013 to February 2014</td>
</tr>
<tr>
<td>4th and final</td>
<td>December 2014 to February 2015</td>
</tr>
</tbody>
</table>

I had received ethics approval from the University of South Australia for the period of 4 May 2012 - 4 May 2016. All interviews were conducted within the timeframe specified in the ethics approval of the University of South Australia.

The ethics approval letters issued by the University of South Australia are attached as part of this Appendix.
Appendix 2: Ethics Approval

From: ethics@unisa.edu.au
Sent: Friday, 4 May 2012 2:24 AM
To: Masum, Mahmud Al - masma002; ethics@unisa.edu.au
Cc: Masum, Mahmud Al - masma002; Lee Parker
Subject: Human Ethics: Application approved

Dear Applicant

Re: Ethics protocol "Investigating the implementation of management control in a Central Bank reform process"
Ethics Protocol no. 0000028336

Thank you for submitting your ethics protocol for consideration. Your protocol has been considered by the E1 Committee Review Group.

I am pleased to advise that your protocol has been granted ethics approval and meets the requirements of the National Statement on Ethical Conduct in Human Research. Please note that the E1 Committee Review Group's decision will be reported to the next meeting of the Human Research Ethics Committee for endorsement.

Please regard this email as formal notification of approval.

Ethics approval is always made on the basis of a number of conditions detailed at http://www.unisa.edu.au/res/forms/docs/humanresearchethics_conditions.doc; it is important that you are familiar with, and abide by, these conditions. It is also essential that you conduct all research according to UniSA guidelines, which can be found at http://www.unisa.edu.au/res/ethics/default.asp

Please note, if your project is a clinical trial you are required to register it in a publicly accessible trials registry prior to enrolment of the first participant (e.g. Australian New Zealand Clinical Trials Registry http://www.anzctr.org.au/Survey/UserQuestion.aspx) as a condition of ethics approval.

Best wishes for your research.

Executive Officer
UnISA's Human Research Ethics Committee
CRICOS provider number 00121B

Research and Innovation Services
University of South Australia
General Purpose Building, Mawson Lakes Campus
Mawson Lakes Boulevard, Mawson Lakes, SA, 5095, Australia
From: Human Ethics <humanethics@unisa.edu.au>
Sent: Thursday, 16 April 2015 4:35 AM
To: Masum, Mahmud Al - masma002
Subject: Annual Report and Extension Request Processed – Ethics Protocol no. 0000028336

Dear Mahmud Al

Re: Ethics Protocol 0000028336 - "Investigating the implementation of management control in a Central Bank reform process"

Thank you for submitting an Annual Report and Extension Request for your protocol. The Ethics Compliance Officer has reviewed your request and approved a 12 month extension. The new expiry date is 04/05/2016. Please regard this email as formal notification of extension approval.

As HREC can only give 12 months extension per application, please submit a further application for extension or a project completion report, as appropriate, before 04/05/2016.

Ethics approval is always made on the basis of a number of conditions detailed in the attachment; it is important that you are familiar with, and abide by, these conditions. It is also essential that you conduct all research according to UniSA guidelines, which can be found at [http://www.unisa.edu.au/res/ethics/default.asp](http://www.unisa.edu.au/res/ethics/default.asp)

Best wishes for the continuation of your research.

Kind regards

Abbie

Abbie Cawley
Ethics and Integrity Support Officer
University of South Australia | Mawson Lakes Campus | Mawson Lakes SA 5095 GPO Box 2471 | Adelaide | South Australia 5001
E-mail: Abbie.Cawley@unisa.edu.au
Ph: +61 8 8302 6380 | Fax: +61 8 8302 3521
Human Ethics Application

Protocol Number : 0000028336
Application Title : Investigating the implementation of management control in a Central Bank reform process
Date of Submission : 10/04/2012
Primary Investigator : Mr Mahmud Al Masum
Appendix 2: Ethics Approval

Instructions

Instructions:
1. The following provides brief information on how to complete an online ethics application. For more detailed information, please refer to the User Guides available at the UniSA website. Please note that there is also a User Guide for the Principal Supervisor to assist supervisors with the review of student applications. The User Guides also detail the process to follow should you be required to respond to reviewer’s comments.

2. The system allows researchers to complete and submit human ethics applications electronically. Applicants navigate their way through the application by answering a number of questions. Sections, pages and/or questions appear based on the answers to previous questions therefore it is advisable that you complete questions sequentially in order to avoid skipping questions unintentionally. At times, word limits may prevent you from providing all the information you need to include. If this is the case, please include the necessary information as either a separate document and add it as an attachment (function available on the Attachments tab on the left hand menu available from the Application Overview screen), or as a page comment. Please refer to the User Guides if you are unsure how to use these functions.

3. Please ensure you enter requested information in the tabs available from the Application Overview screen’s left hand menu (Investigators, Attachments etc.). Submitted applications that do not contain the required information will be returned to you and therefore the review process will be delayed. Refer to the User Guides if you are unsure how to use these functions.

4. Student applicants: Please note that you must email your supervisor a copy of all attachments included in your application.

A. The research activity must not commence until ethics approval is finalised.
   ○ I agree

Prior Assessment

Non- UniSA HREC
1.1 Has another Human Research Ethics Committee (other than UniSA) reviewed this research project before and does this clearance/approval accurately describe the project as it is to be conducted?
   ○ Yes ○ No

UniSA HREC
2.1 In this application a resubmission of an application that was considered by UniSA HREC and the decision was ’Not Approved: Resubmit’, ’Not Approved’ or ”Approved subject to” and the status has expired (ie amendments were not made within the 6 month timeframe. Please note if your application is Approved subject to and 6 months has not lapsed then you should use the application you submitted to make the required changes.
   ○ Yes Not approved: resubmit
   ○ Yes: Not Approved
   ○ Yes: Approved subject to and the status has expired
   ○ No

Project data:

Ethics training
3.1 Have you had human ethics training in the last 24 months? (Please do not include training you have attended regarding how to use the online ethics system).
   ○ Yes ○ No

3.2 Who provided the human ethics training?
   The Ethics Centre of South Australia

3.3 Where was the training held?
   City East Campus, The University of South Australia

Project type
4.1 Main type of research (e.g. staff, PhD).
   ○ Honours
   ○ Course Approval

2 / 15
Appendix 2: Ethics Approval

4.1.2 Please note that, if you are a student applicant, your application will be forwarded to your principal supervisor once submitted for their approval. If they are satisfied with your application it will be forwarded to the relevant review group. If your supervisor requires changes to be made then your application will be returned to you to make the required changes.

4.2 Are there any other types of research involved (not identified in 4.1). Please select all that apply:

- PhD
- Masters by Course work
- Masters by Research
- Professional Doctorate
- Undergraduate
- Graduate Diploma / Graduate Certificate
- Staff
- Other

4.3 Please list which school(s) the UniSA researchers are from:

- School of Commerce

5.1 Title of research project:

Investigating the implementation of management control in a Central Bank reform process

5.2 Plain English title:

Investigating the implementation of management control in a Central Bank reform process.

This research project investigates the implementation of management control system (MCS) in the Central Bank of Bangladesh (hereafter referred to as BB). The Central Bank Strengthening Project (CBSP), sponsored and directed by the World Bank (WB), represents a significant organisational change initiative in the BB. The objective of the CBSP is to achieve a strong and effective regulatory and supervisory system for the banking sector of Bangladesh. This research project investigates the changes in MCS that result from the organisational change instigated by the CBSP.

5.3 What are the aims of your research:

This research project aims to investigate:

I. the process of implementing management control reform in the Central Bank of a developing country;

II. how the behaviour of the relevant actors is transformed during and after the financial sector reform to understand whether the reform program has achieved its desired outcome;

III. how local institutions, powerful stakeholders and political environment affect the implementation of financial sector reform program.

5.4 List your research questions or hypotheses. Your protocol should clearly identify the questions which you want your research to answer.

The central objective of the research project is to investigate the implementation of management control in a Central Bank reform process in Bangladesh. This central objective is expressed in three specific research questions:

I. What are employees' attitudes and expectations of management control change brought by CBSP?
Appendix 2: Ethics Approval

5.3 Explain the need for, and value of, your research. Place the aims in the context of existing research or practice. (You must include a list of not more than 10 key references as an attachment to support your answer to this question. These are to be attached to the attachment tab available from the Application Overview screen).

The role of MNC within organisational change has become an important concern for management accounting researchers (Burns & Vairvo, 2001). The empirical evidence examining the effectiveness of MNC practices emerging from organisational change is mixed (Burns & Vairvo, 2001). This creates the need to examine how social and political issues affect the MNC facilitation change (Chen and Enke, 2007). This research will contribute to the literature by investigating the implementation of MNC in a broader socio-political context.

Financial sector reform programs constitute major macro-economic policy instruments pursued in developing countries. These reforms, mostly advocated by donor countries and international development organisations, are aimed at developing the financial market to help economic development in developing nations. However, it is often argued that many financial sector reform programs do not achieve their intended outcomes (Bhattacharya and Chowdhury 2003; Chowdhury and Rehman 2000). This raises an important question as to why many reform programs fail to achieve their intended objectives.

Financial sector reform is embedded in the social and political environment of a country. Brehm (2008) argues that a normative approach based on international best practice may fail to bring financial stability in many emerging countries. The reason is that the institutional embedding of financial sector reform in developing countries influences the implementation and outcomes of financial sector reform programs (Adly, 2009). Bartley (2010) called researchers to explore how standards are filtered, renegotiated, or compromised as they enter their political jurisdiction. Such knowledge will inform what local factors should be considered and managed to get the intended result of reform initiatives.

Brehm (2008) sheds light on the impact of financial sector reform (in the form of sound risk management practices) in Chinese commercial banks. He observed that the direction of the reforms was significantly different from their objectives due to weak incentives to enforce respective policies. Bonin and Huang (2001) found that the introduction of asset management companies (AMC) were not successful in China as compared to the experience of such reform in the United States and Europe. The AMCs were structured as Government agencies in China, thus exposed to political pressure and employees have incentives to satisfy political agendas. Opper (2003) found that interconnectedness between China's political and economic systems creates little incentive for state bureaucracy to effectively fight financial misreporting. This research will contribute to research literature by providing evidence on how a financial sector reform is implemented, transformed, and changed the Central Bank of a developing country.

This research has the potential to uncover the dynamic interaction between local institutions and financial sector reform process. The findings of this research carry implications for policy makers since they will inform them about the potential role of local institutions and practices in the implementation of financial sector reform. Such knowledge will be beneficial in the design and implementation of future reform programs.

5.6 Please describe your research design and methodology (e.g. where will the data collection occur, what will participants be asked to do during the course of data collection, how long will the interview/focus group/filling out the questionnaire take, etc.).

This project will use an interview-based case study approach to investigate how management control is implemented in a central bank reform program. Case studies have the ability to study an object within many dimensions and then to draw insightful interpretation (Selzitz, Wrightman and Cook 1976). There has been increasing recognition by accounting researchers of the need to study accounting with its organisational and environmental contexts (McKinney, 1985). Case studies are used to understand complex social phenomena (Yin, 2003). The utilisation of field-based case studies enables this research project to investigate managerial incentives in implementing the reform initiatives by considering the broader social and environmental context in which the Central Bank operates in Bangladesh.

Both primary and secondary data will be collected over a period of three years: 2012-14. Primary data will be collected via interviews with senior managers of the BB, the Ministry of Finance, the Ministry of Planning, the WB and the World Bank, the BB. The selection of interview respondents will pay attention to the need to use a variety of perspectives on the phenomenon under examination (McKinney 1988). Secondary data will be collected from newspaper articles relating to the BB, internal memos and circulars of the BB and other official reports. Secondary sources of information can provide valuable insights into the research topic. Secondary data can also be used to validate the reflections and interpretations which are constructed from the interview data (Ghauri and Gronhagen, 2002).

Following Lillis and Mundy (2005) this research employed semi-structured interviews of multiple individuals.
Appendix 2: Ethics Approval

with different perspectives and interests. While the semi-structured interviews allow the discussions to be focused on the main issues, they also facilitate uncovering new views and reflections. The interviews will take the form of guided conversations rather than tightly structured formal questions. Thus, the case study interviews alternate on two levels at the same time: satisfying the needs of the line of inquiry while simultaneously introducing open-ended questions (Yin 2003).

Interviews will be audio recorded and subsequently transcribed. Field and reflective notes will be taken to record insights and reflections experienced during and after the interviews. In addition to the transcribed data, field notes will be written that detail the contexts of the interviewee's views. Data analysis will focus on the identification of themes and the development of associated categories that will help explain behaviours and relationships. Key themes and patterns will be identified across the whole period of the study through the processes of transcribing, field noting, reflective noting, memo writing, and subsequent analysis, coding and inferencing (Hammerley and Atkinson 1995).

This evidence of the research will be interpreted within a theoretical framework provided by the New Institutional Theory (NIT). The primary argument of NIT is that formal organisational structure not only reflects technological necessity and resource dependencies but 'institutional forces' (Scott 2006). The transformational agency theory (TAT) presents a significant enrichment to the application of NIT in this research project. The TAT is particularly useful in understanding the role of various agents such as the WB, the Government of Bangladesh, BB, workers' union and political agents in the implementation of MCS in the BB. This research project uses the TAT as a supplementary theoretical framework to make an extensive analysis of the change agents' role in the evolution, maintenance and mediatism of the MCS in BB. The TAT as a support theory to the focal NIT helps to understand the institutional arrangement as well as agents' role in the implementation of MCS reform initiatives in the BB.

5.7 Proposed commencement date

<table>
<thead>
<tr>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>14/02/2011</td>
</tr>
</tbody>
</table>

5.8 Proposed completion date

<table>
<thead>
<tr>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/11/2015</td>
</tr>
</tbody>
</table>

Resources

Project funding

6.1 Have you applied for funding for this project from any external sources?*

- Yes and application for the funds has been successful
- Yes but the outcome of the application is not yet known
- No

6.5 Will the project be supported in ways other than direct funding (eg in-kind support/equipment by an external party)?*

- Yes
- No

Ownership of Data

8.1 Detail who will own the data and the results of your research (student researchers normally own their own research and data unless there is a written agreement between the student and the University / third party; staff research and data is normally owned by UniSA).

- UniSA
- Student researcher
- Other

8.2 Does the owner of the information or any other party have any right to impose limitations or conditions on the publication of the results of this project?*

- Yes
- No

8.3 Please note that it is the researcher's responsibility to ensure that, where required, an appropriate agreement is in place. If you are unsure whether this is needed, please consult the UniSA website. Do you require an agreement regarding ownership or do you currently have an agreement in place?*

- An agreement is required
- An agreement is not required

Data storage, access, disposal

9.1 The information which will be stored at the completion of this project is of the following type(s). Please select all that apply.*

- Individually identifiable
- Re-identifiable
- Non-identifiable
Appendix 2: Ethics Approval

9.1.1 Give reasons why it is necessary to store information in identifiable or potentially identifiable form (coded). 

Data will be collected and stored in re-identifiable form in which identifiers will be removed and replaced by a code. The re-identification of data will help the researcher to understand the context in which the views are expressed. While identification of interviewees will not be possible from research output, re-identification of data will help the researcher to provide a contextual analysis.

9.1.2 If the data can be re-identified using a code, specify the security arrangements and access for the code.

The audio taped data will be kept in a safe environment (locked cabinet). The School of Commerce (Way Lee Building, City West, UniSA) will hold a copy of the original data. Data will be collected and stored in re-identifiable form in which identifiers will be removed and replaced by a code. The identifiers associated with the codes will only be preserved by the research student and supervisors.

9.2 Where will the data be stored (please be specific with the address e.g. If stored at UniSA please specify which campus and the office/room location)?

The audio taped data and certified transcript will be kept in a safe environment (locked cabinet). The School of Commerce (Way Lee Building, City West, UniSA) will hold a copy of the original data in order to verify the validity of the research data should that be necessary. Data will be collected and stored in re-identifiable form in which identifiers will be removed and replaced by a code.

9.3 For how long will the information be stored after the completion of the project? Why has this period been chosen?

In accordance with the Australian Code for the Responsible Conduct of Research the audio taped data and a certified transcript will be retained for five years in a safe environment. This will facilitate the use of the data to develop research papers for publication in academic research journals.

9.4 In what formats will the information be stored during the research project? (e.g. paper copy, computer file on floppy disk or CD, audio tape, USB memory stick, videotape, film).

The interviews will be audio-recorded and subsequently transcribed in word document. Both the audio recording and transcription will be stored in a computer and appropriate backup will be maintained in the formats of preserving the data in USB and external hard drive. The printed copy of the transcription will also be kept in the secure storage facility of the School of Commerce.

9.5 How will information, in all forms, be disposed after the retention time has lapsed? (Please refer to the Ownership and Retention of Data Policy. The Head of School (or equivalent) must be aware of this process.)

The printed interview transcriptions will be disposed using confidential paper shredding disposal bin. The electronic information (audio-taped interviews and copy of such recording in computer and external hard drive) will be disposed by deleting electronic files in computer and external hard drive.

9.6 Will any other individual(s), organisation(s) or researcher(s) (other than those listed on the Investigators tab) have authority to use or have access to the information?

☐ Yes ☐ No

9.7 Specify the measures to be taken to ensure the security of information from misuse, loss, or unauthorised access while stored during the research project? (e.g. will identifiers be removed and at what stage? Will the information be physically stored in a locked cabinet?)

The data will be kept in the secure storage facility of the School of Commerce. The audio recording and subsequent transcription will be marked by codes and as such the identity of the interviewees will not be recorded. The data will be accessed in an unauthorized way. The details of the codes (with identifiers) will only be retained by the PhD candidate and the supervisors.

9.8 If the principal researcher leaves UniSA prior to the finalisation of data collection and/or before the storage retention time has lapsed, the researcher(s) will comply with the Universities Ownership and Retention of Data Policy in relation to the storage of data / information collected for, used in, or generated by this project.

☐ I agree ☐ I do not agree

Insurance

10.1 Please refer to the UniSA website: Do you require insurance cover for this project?

☐ Yes ☐ No

10.1.1 Do you have insurance cover for this project?

☐ Yes ☐ No

10.1.2 Please note that you must provide UniSA HREC with a copy of the insurance cover confirmation letter/email. Final approval cannot be given until the insurance confirmation has been received.
Appendix 2: Ethics Approval

Project scope

Scope

11.1 Is the activity archival research? A large proportion of activity involving the analysis of documents, publicly available information, or previously collected data may be outside the scope of the University's human research ethics arrangements.
   ○ Yes  ☐ No

11.2 Is the work being conducted only for UniSA administrative/service delivery purposes?
   ○ Yes  ☐ No

Scope

12.1 Should the work be characterised as quality assurance or an audit, rather than human research within the scope of the University’s human research ethics arrangements?
   ○ Yes  ☐ No

12.2 Is the work a practical exercise or test conducted for teaching purposes in a University administered facility? (Please refer to Appendix 2 of Guidelines for Evaluation Activities Involving UniSA Students and Staff)
   ○ Yes  ☐ No

Scope

13.1 Is the work a routine experiment or procedure conducted for teaching purposes in a University administered facility?
   ○ Yes  ☐ No

13.2 Is the work/data collection conducted by a student only for teaching/learning purposes?
   ○ Yes  ☐ No

Research type and participants

Research type

14.1 This project involves: (Please select all that apply.)
   ○ Research using qualitative methods
   ○ Research using quantitative methods, population level data or databases, e.g. survey research, epidemiological research
   ○ None of the above

14.2 What research methodologies will you use? (Please select all that apply.)
   ○ Anonymous questionnaires
   ○ Internet questionnaires
   ○ Questionnaires requesting intimate personal, identifying, or sensitive information
   ○ Other questionnaires
   ○ Face to face interviews which do not request personal or sensitive information
   ○ Face to face interviews which request personal or sensitive information
   ○ Telephone survey which does not request personal or sensitive information
   ○ Telephone survey which requests personal or sensitive information
   ○ Focus groups
   ○ Action Research
   ○ Evaluation research
   ○ Observation of participants’ usual activities
   ○ Observation of an activity set up for the purposes of the study
   ○ Access to medical records (or records which contain intimate personal information, and are individually identifiable and are not publicly available)
   ○ Experiment or testing of a procedure, drug or equipment
   ○ Use of biological hazards, GMOs or pathogenic organisms
   ○ Use of carcinogenics and/or toxic chemicals, including heavy metals
   ○ Use of Radiation (ionising and/or non-ionising, but not Ultrasound)
   ○ Other

14.2.2 Is it intended that the interview/focus group transcript will be shown or made available to participants?
   ○ Yes  ☐ No
14.2.1 Why is it considered important that participants have access to this information?

Individual interviewee will be provided the option to review his/her interview transcript. This option will provide two advantages: (i) the interviews will have the chance to modify or clarify their answers if they wish to do so and (ii) the review will create the opportunity to conduct follow up interviews and reflect on issues which require further investigation.

14.3 Will you be audio-taping, video-taping, or taking photographs of participants during the course of the study? Please select all that apply.
- [x] Audio-taping
- [x] Videotaping
- [x] Photographs
- [ ] No

14.3.1 Why is it necessary to collect data in this form?

The interview data will be audio-recorded. This helps to capture the views of the interviews. This allows the research to explore probing questions during the interview. The wording of interviewees often creates important meaning and audio recording will help to capture these motions. Handwritten notes will be taken where interviewees refuse to allow audio-recording.

Participant information

15.1 How many participant groups are involved in this research project?

1

15.2 Please provide the following details for this group: (Select 'New group' to enter the required information for each participant group. Important note: Once you have completed the required fields, you must select the green tick to save your response)

<table>
<thead>
<tr>
<th>Group name</th>
<th>Employees of the Bangladesh Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected number of participants</td>
<td>33</td>
</tr>
<tr>
<td>Age range</td>
<td>28-55</td>
</tr>
<tr>
<td>Other relevant characteristics of this group</td>
<td>Managers and employees who are involved with the management control system of the Bangladesh Bank.</td>
</tr>
<tr>
<td>Why are these characteristics relevant to the aims of the project?</td>
<td>This PhD project investigates the implementation of management control (MCS) in a central bank reform initiative. Managers and employees who are involved with the management control system will provide valuable insights about the implementation process and result of the MCS reform initiative.</td>
</tr>
<tr>
<td>In lay terms and not more than 200 words, explain what the participation will involve</td>
<td>This research project will collect information about the perception, expectation and experience of employees of the BB and other stakeholders about the management control reform brought by CBOP. The interview questions will be related to three areas: (i) the context; (ii) the implementation process; and (iii) the implications (results) of the management control reform.</td>
</tr>
</tbody>
</table>

15.3 What is the expected total number of participants in this project at all sites?

40

15.3.1 Please justify the chosen sample size

List of targeted categories of people to be interviewed is attached. The selection of interview respondents pays attention to the need to obtain a variety of perspectives on the phenomenon under examination (McKinnon 1986). The selection of 40 interviews ensures coverage of the views and influences of different stakeholders associated with the issues under investigation.

Selection of participants

16.1 What process(es) will be used to identify potential participants?

Interviewee will be identified by employing both purposive and snowball sampling. Purposive sampling allows investigation of possible cases that fit particular criteria. Snowball sampling covers individuals referred
Appendix 2: Ethics Approval

by initial interviewees. The sample selection is based on meeting the following criteria: experience in the MICS of the BB and experience in banking practice and regulation.

16.2 Will potential participants be 'screened' or given a test/questionnaire to assess their suitability as a participant for the study?*
   ○ Yes ○ No

16.3 Describe how initial contact will be made with potential participants.*

The Bangladesh Bank has provided me the official permission to conduct this research. The Central Bank Strengthening Project (CBSP) Department will be my initial contact. This Department will introduce me to other departments who are related to the implementation of CBSP. I will also use referrals from the interviewees to access other relevant stakeholders.

16.4 Is an advertisement, e-mail, website, letter or telephone call proposed as the form of initial contact with potential participants?*
   ○ Yes ○ No

16.5 List the selection and, if appropriate to your study, the exclusion criteria for participants.*

The sample selection is based on meeting the following criteria: experience in the MICS of the BB and experience in banking practice and regulation.

16.6 If it became known that a person or participant group was recruited to, participated in, or was excluded from the research, would that knowledge expose the person to any disadvantage or risk?*
   ○ Yes ○ No ○ Not Applicable

Project start, end, location details
17.1 Will the research be undertaken in Australia?*
   ○ Yes ○ No

17.2 Will the research be undertaken overseas?*
   ○ Yes ○ No

17.2.1 In which country(ies) will the research be undertaken? Please detail the location for the research (e.g. city/town, province/state).*

The primary research site is the Central Bank of Bangladesh. Some interviews will be taken at the World Bank, the Ministry of Finance and two commercial banks. All these institutions are situated in the capital city Dhaka in Bangladesh. These institutions are secured and there is no risk in working within these institutions.

17.2.2 In how many overseas sites, or site types, will the research be conducted? (Please list all organisations where participants will be specifically recruited from)*

1

Please note: you must obtain written approval from the organisations where the research will be undertaken and either attach the letter to the application or forward this to the Ethics and Compliance Officer before final approval can be granted for the project.

17.2.2.1 Please enter the following details for the overseas site(s): (Select 'Add site' to enter the required information). Important note: Once you have completed the required fields, you must select the green tick to save your response)*

<table>
<thead>
<tr>
<th>Site name</th>
<th>Bangladesh Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site location</td>
<td>Dhaka, Bangladesh</td>
</tr>
<tr>
<td>Start date at site</td>
<td>01/09/2012</td>
</tr>
<tr>
<td>End date at site</td>
<td>31/12/2012</td>
</tr>
</tbody>
</table>

Please note: Since your research involve one or more overseas organisations, you must obtain insurance cover for your research. Please ensure that you have answered "Yes" to Q10.1 on the Insurance page of the ethics application.

17.3 Are there any time-critical aspects of the research project of which the review committee should be aware?*
   ○ Yes ○ No
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Irregular consent process

Limited disclosure / waive consent
18.1 Does the research involve limited disclosure to participants. Refer to Chapter 2.3 of the National Statement. Yes ☐ No ☐
18.2 Are you asking the HREC / review body to waive the requirement of consent? Refer to Chapter 2.3 of the National Statement. Yes ☐ No ☐

Covert observation
19.1 Does the research involve covert observation? Refer to Chapter 2.3 of the National Statement. Yes ☐ No ☐

Deception
20.1 Does the research involve deception. Refer to Chapter 2.3 of the National Statement. Yes ☐ No ☐

Project type

Project type
21.1 Does the research involve any of the following? Please select all that apply. ☐
☐ Drugs, narcotics, poisons, placebo will be ingested / injected, or an invasive procedure will be administered
☐ Clinical trials
☐ Cellular therapy
☐ The collection and / or use of human samples. This includes tissue, blood or other body fluid collection / extraction
☐ Genetic testing and/or genetic research
☐ Human gametes or use or creation of human embryos
☐ A practice or intervention which is an alternative to a standard practice or intervention
☐ Investigating workplace practices which could possibly impact on workplace relationships
☐ Conducting the research overseas and recruiting participants
☐ None of the above

Participants

Recruitment
38.1 Who will you be recruiting as participants for this study? (If there is a high chance that you will be recruiting one of these groups, you should also select that participant group).
☐ General public (over 18 years of age)
☐ Members of a collectivity
☐ People whose first language is not English
☐ People who are illiterate
☐ Pregnant women/human foetus
☐ Children
☐ People who are in a dependant or unequal relationship
☐ People who are highly dependent on medical care
☐ People with a cognitive impairment
☐ Aboriginal and/or Torres Strait Islander peoples
☐ People who may be involved in illegal activity
☐ UniSA staff
☐ UniSA students
☐ Not recruiting participants
☐ Other

38.1.1 Describe other: ☐

The employees of the BB will be approached for interviews. Formal permission will be taken from the BB to allow the researcher to interview its employees. Some officers of other institutions (the WB, the Ministry and banks) will be interviewed. Permission is not required from these other institutions as the participants will provide their personal opinion about the management structure of the BB.
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36.2 Does the research involve issues likely to be considered significant to Indigenous peoples?*

☐ Yes ☐ No ☐ Not Applicable

Risk to Participants

5.1.1 Please select all that apply. This research project:

☐ Has the potential to expose participants to potential civil, criminal or other proceedings
☐ Makes it possible for third parties to identify participants
☐ Involves a risk of physical injury
☐ Involves human exposure to ionizing and/or non-ionising radiation (including X-ray)
☐ Involves exposure to disease or infection
☐ Involves pain or significant discomfort
☐ Involves psychological or emotional stress
☐ Involves sensitive personal information
☐ Could expose participants to potential loss of professional reputation, market standing, or employability
☐ Could result in significant negative impact upon personal relations
☐ Offers an inducement which could be considered coercive
☐ Involves the participation of people who legally cannot provide voluntary and informed consent for their participation in research
☐ None of the above

Right to Privacy

66.1 Does IS42 or the Commonwealth Privacy Act apply to the research (eg access to identified personal data held by third parties subject to privacy regimes)? Refer to the Privacy Law*

☐ Yes ☐ No

Collection method

67.1 Data collected for this research project will be collected directly from participants (e.g. they are completing a question about themselves, their thoughts, their opinions etc)*

☐ Yes ☐ No

67.1.1 Information which will be collected for this research project directly from the participant

67.1.2 Describe the information that will be collected directly from participants. Be specific where appropriate*

This research project will collect information about the perception, expectation and experience of employees of the BB and other stakeholders about the management control reform brought by CEBP. The interview questions will be related to three areas: (i) the context; (ii) the implementation process; and (iii) the implications (results) of the management control reform.

67.1.3 The information collected by the research team about participants will be in the following form(s). Please select all that apply.*

☐ Individually identifiable
☐ Re-identifiable
☐ Non-Identifiable

67.1.3.1 Give reasons why it is necessary to collect information in Individually identifiable or Re-identifiable form.*

The views of the interviewees will be expressed in aggregate form and the identity of the participants will not be disclosed in the thesis and probable future research publication. The audio recording of interviews and subsequent transcription will be marked by codes. The details of the codes (with identifiers) will only be retained by the PhD candidate and the supervisor.

67.2 Data collected for this research project will be collected from another person about the participant (e.g. asking participants’ doctors about their patients medical history)*

☐ Yes ☐ No

67.3 Data collected for this research project will involve the use or disclosure of information by an agency, authority or organization (other than UniSA)? (e.g. accessing participants’ medical records)*

☐ Yes ☐ No

67.4 Data collected for this research project will involve using information which you or your organisation collected previously for a
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67.5 Describe and justify how you will analyse the data collected from or about the participants.

Data analysis will focus on the identification of themes and the development of associated categories that will help explain behaviours and relationships. Key themes and patterns will be identified across the whole period of the study through the processes of transcribing, field noting, reflective noting, memo writing, and subsequent analysis, coding and inferences (Hammersley and Atkinson 1995).

67.6 Indicate whichever of the following applies to this project. Please select all that apply.

- Information collected for, used in, or generated by this project will not be used for any other purpose.
- Information collected for, used in, or generated by this project will/may be used for another purpose by the researcher for which ethical approval will be sought.
- Information collected for, used in or generated by this project will be used to establish a database/data collection/register for future use by the researcher for which ethical approval will be sought.
- Information collected for, used in, or generated by this project will/may be made available to a third party for a subsequent use for which ethical approval will be sought.
- Other

Participants Relationships

68.1 Is there an existing relationship or one likely to arise during the research, between the potential participants and any member of the research team or an organisation involved in the research?

- Yes
- No

68.2 Does the researcher/investigator have another role in relation to the participant?

- Yes
- No

68.3 Will the research impact upon, or change, an existing relationship between participants and researcher/investigator or organisations?

- Yes
- No

Consent

69.1 Will consent for participation in this research be sought from all participants? Refer to Chapter 2.2 of the National Statement.

- Yes
- No

69.1.2 Will there be participants who have capacity to give consent for themselves?

- Yes
- No

69.1.2.1 What mechanisms/assessments/tools are to be used, if any, to determine each of these participants' capacity to decide whether or not to participate?

The employees of the Bangladesh Bank, the World Bank, the Ministry of Finance of the Government of Bangladesh and two commercial banks will be approached for interviews. The information sheet will provide the details of the project and the fact that they can decide not to participate without giving any reason. There is no obligation for the employees to participate in this project.

69.1.3 Will there be participants who do not have capacity to give consent for themselves?

- Yes
- No

Consent process

70.1 Describe the consent process, if any, by which participants or those deciding for them will be informed about, and choose whether or not to participate in, the project.

The nature of the data collection and reporting of the research will be communicated through ‘participant information sheet’. The participants will be informed about their right to decline participation or use of audio recording in the interview. Oral consent will be taken from the participants as written consent may make them uncomfortable as such practice is not common in Bangladesh.

70.2 If a participant or person on behalf of a participant chooses not to participate, are there specific consequences of which they should be made aware, prior to making this decision?

- Yes
- No

70.3 If a participant or person on behalf of a participant chooses to withdraw from the research, are there specific consequences of which
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they should be made aware, prior to giving consent?*
- Yes * No

70.4 Can individual participants be identifiable by other members of their group? (e.g. co-workers, focus group members etc.)*
- Yes * No

70.7 Will consent be specific or extended or unspecified? Refer to statements 2.2.14-2.2.18 of the National Statement*
- Specific * Extended * Unspecific

Risks and benefits

Please note that when answering the following questions, only risks beyond those encountered in everyday life are relevant. Refer to Chapter 2.1 of the National Statement.

71.1 Are there any risks to participants as a result of participation in this research project (e.g. physical, psychological, spiritual, emotional, legal, social, financial well-being, employability or professional relationships)?*
- Yes * No

71.2 What expected benefits (if any) will this research have for the wider community?*

This research will investigate the dynamic interaction between local institutions and financial sector reform process. The research findings carry implications for policy makers since they will inform them about the potential role of local institutions and practices in the implementation of financial sector reform. Such knowledge will be beneficial in the implementation of future reform programs.

71.3 What expected benefits (if any) will this research have for participants?*

CESF is a major reform initiative in the BB. Summary of the research findings will be made available to the participants. This research will inform the participants about how various stakeholders perceive and evaluate the implementation of CESF. This knowledge will help them to identify potential areas of MCS which needs improvement.

71.4 Are there any other risks involved in this research? (e.g. to the research team, the organisation, others (e.g. physical, psychological, spiritual, emotional, legal, social, financial well-being, employability or professional relationships)?*
- Yes * No

Risks and benefits cont.

72.1 Is it anticipated that the research will lead to commercial benefit for the investigator(s) and or the research sponsor(s)?*
- Yes * No

72.2 Is there a risk that the dissemination of results could cause harm of any kind to individual participants - whether their physical, psychological, spiritual, emotional, legal, social or financial well-being, or to their employability or professional relationships - or to their communities?*
- Yes * No

72.3 Describe how the members of the research team will monitor the conduct of the research? (e.g. Will regular meetings be held between researchers? Will student researchers be in regular contact with their supervisors? etc.)*

This research student and supervisors will make regular meetings to monitor the progress of the research project. The University of South Australia ensures that two progress reports (minor and major Planning and Review Progress Reports) are prepared by the research student and supervisors. These reports and associated meetings will ensure that the research is done in an appropriate way.

72.4 It is mandatory for researchers to report suspected cases of child abuse/neglect, domestic violence, bullying, illegal activities, use of illicit substances, abuse of elderly persons, professional negligence etc.

72.4.1 Is it likely that this will be disclosed during the course of the project?*
- Yes * No

Researcher training

73.1 List the relevant qualifications, experiences and/or skills of the research team which equip them to conduct this research*

The research student has academic qualification (Masters by research from the UniSA) and research publication (in ERA rank 8 journal). He has academic qualification and work experience in Bangladesh banking.
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73.2 Do the researchers involved in this research project require any additional training in order to undertake this research?*
  ○ Yes ○ No

Report of results:
74.1 Is it intended that results of the research that relate to a specific participant be reported to that participant?*
  ○ Yes ○ No ○ Not Applicable

74.4 Explain/justify why results will not be reported to participants.*

Summary of the research findings will be made available to the participants. This research will inform the participants about how various stakeholders perceive and evaluate the implementation of CBSP. The results will be reported in aggregate form and will not include the identity of individual participants.

74.2 Is the research likely to produce information of personal significance to individual participants?*
  ○ Yes ○ No

74.3 Will individual participant’s results be recorded with their personal records?*
  ○ Yes ○ No ○ Not Applicable

74.4 Is it intended that all or some of the results that relate to a specific participant be reported to anyone other than that participant?*
  ○ Yes ○ No

74.5 Will research participants have the opportunity to receive a copy of your final report or summary of the findings if they wish?*
  ○ Yes ○ No

74.5.1 How will you provide a copy of the final report or summary of the findings?*

All the participants have email access. Summary of the research findings will be made available to the participants through email.

Report of results cont.
75.1 Is the research likely to reveal a significant risk to the health or well being of persons other than the participant (e.g. family members, colleagues)?*
  ○ Yes ○ No

75.2 Is there a risk that the dissemination of results could cause harm of any kind to individual participants - whether their physical, psychological, spiritual, emotional, social or financial well-being, or to their employability or professional relationships - or to their communities?*
  ○ Yes ○ No

75.3 How is it intended to disseminate the results of the research? Please select all that apply.*
  □ Thesis/dissertation
  □ Journal article/s
  □ Research paper
  □ Conference presentation
  □ Commissioned report
  □ Other

75.4 Will the confidentiality of participants and their data be protected in the dissemination of research results?*
  ○ Yes ○ No ○ Not Applicable

75.4.1 Explain how confidentiality of participants and their data will be protected in the dissemination of research results.*

The results of the research will be reported in aggregate form and will not include the identity of individual participants.

Declaration

The Primary Contact for this project is responsible for the application that is submitted and must be the one to agree to
the following statement.

"On behalf of the research team for this project, I confirm that all members of the research have read the current NHMRC National Statement on Ethical Conduct in Human Research. The research team accepts responsibility for the ethical and appropriate conduct of the procedures detailed in this application, confirm that the research team will conduct this project in accordance with the principles described in the National Statement, and confirm that the research team will comply with any other condition laid down by the University of South Australia's Human Research Ethics Committee."*

☐ I agree
Title of PhD project: Investigating the implementation of a performance management system in a central bank reform process

This research is conducted by Mahmud Al Masum as part of the Doctor of Philosophy Program. The objective of this study is to investigate the implementation of a performance management reform at the Bangladesh Bank. Financial sector reform programs constitute major macroeconomic policy instruments pursued in Bangladesh. These reform programs are aimed at developing the financial markets to facilitate economic development in Bangladesh. There is little research which looks at the interplay of international best practice reform agendas and local socio-political institutions of developing countries. This research aims to contribute to this end.

The findings of this research carries implications for policy makers since it will inform them about the potential role of local institutions and practices in the implementation of financial sector reform. Such knowledge will be beneficial in the design and implementation of similar future reform programs. This knowledge will be helpful to the Bangladesh Bank to strengthen its performance management system.

This research will interview key stakeholders in management control system of the BB. I invite you to participate in the interview and give me your valuable insights about the performance management reform in the Bangladesh Bank. Please note that your participation is voluntary and you may withdraw yourself anytime without providing any reason. Also please note that all records containing personal information will remain confidential and no information that could lead to identification of any individual will be released.

The interviews will be audio recorded (if allowed by the participants) and subsequently transcribed into a Word document. This project has been approved by the University of South Australia’s Human Research Ethics Committee. If you have any ethical concerns about the project or questions about your rights as a participant please contact the Executive Officer of this committee, Tel: +61 8 8302 3118; Email: Vicki.allen@unisa.edu.au

Thank you for your cooperation.

Mahmud Al Masum
Lecturer, The University of Adelaide Business School
10 Pulteney Street, Adelaide, SA5000, Australia.
Email: mahmud.masum@adelaide.edu.au

Principal Supervisor of the PhD project:
Professor Lee Parker
School of Commerce, University of South Australia
Way Lee Building, City West Campus, 37-44 North Terrace, Adelaide, SA 5000, Australia.
Tel:(61-8)83020007, Email: lee.parker@unisa.edu.au
Appendix 4
Permission to audio recording of interview

This research project will interview key stakeholders to investigate the implementation of a performance management system at the central bank of Bangladesh (Bangladesh Bank). Interviewees often feel reluctant to sign a consent form as they are not familiar with such practices in Bangladesh. Interviews are widely used to conduct research in Bangladesh. Such research often uses oral consent before interviewing relevant stakeholders. This research project intends to obtain oral consent from the participant interviewees. Comprehensive information covering the scope of the project and the rights of the participants will be provided to interviewees verbally and through the ‘Participant Information Sheet’.

**Project title:** Investigating the implementation of a performance management system in a central bank reform process

**Researcher’s name:** Mahmud Al Masum

**Supervisor’s name:** Professor Lee Parker
School of Commerce, University of South Australia
Way Lee Building, Room: 4-68, City West Campus, 37-44 North Terrace, Adelaide, SA 5000, Australia.
Tel:(61-8)83020007, Email: lee.parker@unisa.edu.au

- You have read the ‘Participant Information Sheet’ and the nature and purpose of the research project has been explained to you. I understand that you have agreed to take part.
- You may withdraw from the research project at any stage and that this will not affect your status now or in the future.
- You understand that while information gained during the study may be published, you will not be identified and your personal details will remain confidential.
- You will be audio recorded during the interview.
- You understand that the recording will be stored securely for five years in a safe environment. The data will only be accessed by the researchers of the project for the purpose of writing academic articles.

Name of participant………………………………………………………………..

Date……………………

I have provided information about the research to the research participant and believe that he/she understands what is involved.

Researcher’s signature and date……………………………………………………