public administration
doi: 10.1111/padm.12086

REVIEWS

BANK BEHAVIOUR AND RESILIENCE: THE EFFECT OF STRUCTURES, INSTITUTIONS AND AGENTS

Caner Bakir
Palgrave Macmillan, 2013, 232 pp., £65.00 (hb), ISBN 9780230202474

Banks are at the centre of value creation and destruction. The global financial crisis has served as a reminder that far from being 'solid institutions', banks should be regarded as critical organizational actors within modern economies' institutional ecology.

The crisis also showed that banks and the banking system are too important to be left to regulate themselves, and this is where this book is especially powerful: it puts banks in their institutional context, discussing how a healthy banking system results from a network of institutional complementarities, in which divergent interests are negotiated and balanced without any one stakeholder dominating others.

The above thesis results from a careful consideration of the banking system in a number of important economies, with special interest for the case of Australia and for 'Australian exceptionalism': why did the banking system in Australia manage to navigate through the global financial crisis without a ripple? Regardless of one's appreciation of exceptionalism, discussing cases that diverge, either positively (as the case here) or negatively, will help readers to understand why processes unfold in conceptually interesting ways.

Caner Bakir, a faculty member at Koç University, avoids tempting dualistic explanations, such as conservative vs. opportunistic behaviours, or patient vs. impatient capital, to follow a more complicated and duality-sensitive explanation, where different interests are articulated in a complex manner. According to Bakir, dualistic explanations are too simplistic for such a complex reality. Instead, one needs to consider the interactions among several structures, institutions, and agents to explain how some systems are more stable than others.

The author uses the conceptual lens provided by institutional theory and emphasizes the importance of focusing on the different interests of stakeholders. The resulting explanation is that the stability of the banking systems depends upon a complex net of institutional arrangements rather than on one single source, no matter how salient. For example, short-termism and the culture of lavish bonuses associated with the chase for over-optimistic returns (*Financial Times* 2012) can be relevant, but they are only a part of the equation. The total picture is more complex than that.

Bakir emphasizes the interaction between structural variables (macroeconomic structure, market structure, currency structure, and ideational structure), institutional variables (prudential regulation/supervision, monetary policy, competition regulation/supervision, tax policy, government subsidies, and the legal system), agency-level enabling conditions (business model, organizational culture, corporate governance, public sector actors, and politicians' will to act), and outcomes (financial system resilience and financial system fragility).

To defend the structure–institutions–agency interplay (SIA) the author starts with an analysis of the sources of bank behaviour and institutional change, explaining the SIA framework (chapter 1). The book continues with the discussion of the varieties of national financial systems from an institutional perspective (chapter 2), and subsequently dives into the specifics of the Australian case. Chapter 3 analyses the sources and consequences of bank behaviour, chapter 4 discusses the political economy of prudential regulation in Australia, and chapter 5 is dedicated to the political economy of competition regulation in Australia. Chapter 6 concludes with a discussion of bank behaviour and resilience in a cross-national setting, considering the cases of Australia, Canada, Germany, Japan, the UK, and the USA.

Bank Behaviour and Resilience offers a powerful case for the consideration of banking as part of a complex inter-institutional system whose functioning depends upon complementarities and interactions. For the readers of this journal the message is that it is a responsibility of the state and of public officials and organizations to participate in the process in the name of the citizens. *Laissez-faire* approaches may be less effective than inter-institutional complementarities. *Laissez-faire* deprives banking of the collective rationality emanating from a system in which actors have to fight for their interests while making the pursuit of their interests acceptable to other stakeholders. The book could not be more timely.

The book is recommended reading for those interested in banking and the regulation of the banking system. Its contribution is less substantive in discussing resilience. The word features in the title but is more or less absent from the discussion. Unless one has a very broad and generous understanding of what resilience is all about, the book will be more about stability or robustness than about resilience itself. The reference list speaks for itself, with 'resilience' being almost absent.

The book will thus be directed to the reader interested in the macro level of institutional analysis but less so to someone exploring the dynamics that facilitate institutional change at the level of micro-processes (e.g. Beunza and Stark 2003; Reay *et al.* 2006). Bakir contributes to the literature by studying the effects of structures and institutions, more than of micro agents. Future authors might wish to explore how agency – by means of choices of individuals (such as traders; see, e.g. Roberts and Bea 2001) – may put resilience to the test. Researchers may also ask: how do organizations create the agents that challenge their institutional legitimacy? Constructing the banking system as a complex economic ecology, in summary, has the merit of showing why stability results from a strong institutional polyphony (Kornberger *et al.* 2006), rather than from the dominance of a single institutional voice, no matter how powerful or seductive.

REFERENCES

Beunza, D. and D. Stark. 2003. 'The Organization of Responsiveness: Innovation and Recovery in the Trading Rooms of Lower Manhattan', *Socio-Economic Review*, 1, 2, 135–64.

Financial Times. 2012. 'Restoring Trust in the Banking Sector', 5 November, p. 6.

Kornberger, M., S.R. Clegg and C. Carter. 2006. 'Rethinking the Polyphonic Organization: Managing as Discursive Practice', *Scandinavian Journal of Management*, 22, 1, 3–30.

Reay, T., K. Golden-Biddle and K. Germann. 2006. 'Legitimizing a New Role: Small Wins and Microprocesses of Change', *Academy of Management Journal*, 49, 5, 977–98.

Roberts, K.H. and R.G. Bea. 2001. 'When Systems Fail: From the Titanic to the Estonia', *Organizational Dynamics*, 29, 179–91.

Miguel Pina e Cunha
Nova School of Business and Economics