# Values Management

## Aligning Employee Values and Organization Goals

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This article explores the process by which formal management systems foster the creation of shared organization values, addressing the basic question: Can workplace values be "managed?" Drawing upon interviews conducted at a Department of Defense installation with civilian employees and managers over a 5-year period, we use comparative case analysis to explore differences in the relationships between installation practices and social values across high-performing and low-performing work units. Our findings suggest that strategic values are motivating to employees to the extent that they reflect employees' internal affective, normative, and task-oriented values, a zone of existing values. Although values management is a social process that results from routine interactions, formal management systems provide opportunities to enhance the social interactions that are motivating to employees. Middle managers play key roles in using formal management systems to integrate the organization's strategic practices with values that derive from employees' societal, cultural, and religious experiences.

***Keywords:***   *change management; values management; public service motivation*

In June 2006, the Pentagon, in response to alleged war crimes by U.S. military personnel, mandated that all coalition troops serving in Iraq complete a refresher course in "core values" (Bender, 2006). That same week in response to the arrest of 17 Canadians on charges of conspiring to wage war of terror, a Canadian editorial called for a test to ensure that all Canadians know and understand the core principles and values of Canadian society ("Canadian core values are for all citizens," 2006). The call to use values to influence behavior, however, is not limited to extreme circumstances of war and terror or ethical breaches of behavior. Patrick Lencioni (2002) suggests that a "values management fad" is sweeping through organizations across the globe.

Popular management literature and scholarly research across a variety of disciplines identify the important role that social structures, such as shared belief and value systems, play in influencing employee behavior. Philip Selznick's (1956) *Leadership in administration* and William Ouchi's (1981) *Theory Z*, and popular descriptions of "excellent" or "enduring" corporations (Collins & Porras, 1994; Peters & Waterman, 1982) have led managers to believe that high-performing organizations exercise control of employee behavior by communicating and rewarding behavior consistent with shared values.

Using a DOD facility's efforts to align individual behavior with corporate goals, we explore the process by which management systems foster the creation of shared organization values. In doing so, we address the basic question, "can workplace values be 'managed?'" In the next section, we briefly review the literature on values management. We then describe the design of our study and conclude by reporting our findings and their implications for public management.

# Literature Review

Values management is a term with multiple meanings. We use it in this article to refer to management as a social process that influences individual behavior through shared values systems.[1] We focus our attention on the nature and roles of individual values in the workplace, the impact of shared values on individual and organization performance, and the process of managing workplace values.

## The Role of Values in the Workplace

Kenneth Kernaghan (2003) defines values as "enduring beliefs that influence the choices we make among available means or ends" (p. 711). Values are desirable states, goals or behaviors on which individuals place a high worth (Elizur, Borg, Hunt, & Beck, 1991) that allow them to choose from among available options. Although we refer to "organizational values," this concept refers to the source of values—personal, societal, or organizational (Elizur et al., 1991; Van Wart, 1998). Within an organization, a strong value system is said to exist when organization members share key values related to acceptable behavior within the organization and the organization's strategic direction (Weiner, 1988) and, more important, that they share the espoused values of organizational leaders (Deal & Kennedy, 1982).

Although values are enduring (Meglino & Ravlin, 1998; Weiner, 1988), they are not always consistent. First, values individuals and organizations espouse may differ from what they practice (Schein, 1985). Even assuming consistency between values that are espoused and practiced, individuals within organizations may be confronted with mutually exclusive values (Liedtka, 1991). Individuals may hold values that are in conflict across different sources of values or the content of values.

### Conflict Across Source of Values

Individuals socially construct values through their interactions with others and through their experiences with formal social institutions, including professional training and indoctrination, communication and reward of organization goals and strategies, and laws and regulations by formal legal systems (Van Wart, 1998). "Organizational value," refers to the important principles that guide the behavior of the organization (Liedtka, 1989) and are communicated and rewarded within the organization (Elizur et al., 1991; Van Wart, 1998; Weiner, 1988). Conflicts may exist between individual values learned from family, society, or religion and the values the organization formally espouses through strategic documents, policies, and practices (Liedtka, 1989; Maynard-Moody & Musheno, 2003;

Puffer & Meindl, 1992). Kanungo and Conger (1993), for example, describe how organizations' emphasis on competition for internal recognition and reward, as well as external marketplace competition, may be in conflict with employees' cooperative and altruistic tendencies.

*Conflict Across Content of Values*

Values come in many forms (Agle & Caldwell, 1999; Elizur et al., 1991). Organization values can be categorized as functional or instrumental—focusing on desired modes of conduct—or end state—describing desired outcomes such as organizational prestige or financial condition (Liedkta, 1991; Osborne, 1996; Weiner, 1988). Functional values provide cues to acceptable workplace behavior and generally include such priorities as honesty, diversity, and hard work. In contrast, instrumental values are strategic values that "provide the rationale" for the activities of the organization and link the organization to the environment and its stakeholders. Even within an organization, values may conflict. Liedkta (1991), for example, describes potential conflicts within a company's commitments to employee welfare and their commitment to customer satisfaction.

Much of the public management motivation literature relevant to values management has focused on the unique nature of public sector values. Perry and Wise (1990) proposed that public service motivation is "an individual's predisposition to respond to motives grounded primarily or uniquely in public institutions or organizations" (p. 368) as evidenced by the affective, norm-based, and rational motivations of public employees. Rainey and Steinbauer (1999) propose that unique mission or task values might also motivate public employees. Empirical research suggests that public sector employees are more likely to value work that they perceive as "important" than are private sector employees (Crewson, 1997; Houston, 2000; Rainey, 1982). Inherent within the public service motivation is the assumption that individuals are motivated by multiple, sometimes conflicting, values (Liedtka, 1989).

What roles do shared values play in the workplace? Ultimately shared values determine and regulate relationships between individuals, the organization, and other environmental institutions (Agle & Caldwell, 1999). Shared values create bounds and limits on individual behavior, providing predictability and stability, as well as reducing role conflict and ambiguity (Meglino & Ravlin, 1998; Sagie, Elizur, & Koslwosky, 1996). As a predetermined script of acceptable behavior, values encourage individuals to make decisions without reweighing the costs and benefits for each set of alternatives in each context. These "value scripts" allow individuals to make decisions efficiently and improvise in complex and rapidly changing situations (Weick, 1993) or across diverse settings (Kaufman, 1960; Nohria & Ghoshal, 1994). Ouchi and Jaegers' (1978) research on Japanese management found that once employees understood the company's philosophy, they were able to figure out the correct objective and course of action across a variety of situations.

*Values Place Boundaries on Behavior*

General Donald Campbell describes the role of values in influencing soldiers' behavior in chaotic and unpredictable situations. As he notes,

> "You can't hit every decision that they'll face on the battlefield. But you try to instill in them values, standards that are common to the military and our profession, which is about leadership, duty, honor and integrity. And if you do that, 99.9 percent of our soldiers will go to 100 percent, and they'll all do the right thing" (Knickmeyer, 2006).

Drawing on transaction cost economics, Petersen (2002) argues that values represent the most effective barrier to "opportunistic behavior." Shared values allow individuals to act in a particular way in anticipation of social acceptance, or the reciprocity of similar treatment, or the fear of social punishment. Through guilt, shame, and self-deprecation (Elizur et al., 1991; Meglino & Ravlin 1998; Sagie et al., 1996) individuals also self-sanction their own behavior.

Although organizational values may play an important role in providing internal integration, Schein (1985) suggests that shared values also guide external adaptation. Selznick (1956) described the importance of shared ideology in creating "social institutions" that explicitly communicate the nature of the organization and its distinctive aims, methods, and roles. Values provide a common understanding of the correct way of thinking and acting on strategic issues and opportunities facing organizations (Amis, Slack, & Hinings, 2002; Meglino & Ravlin, 1998; Pant & Lachman, 1998), and shaping employees' beliefs about environments (Osborne, 1996) and relationships with customers and competitors (Morgan, 1997). Individual values that are congruent with an organization's values may strengthen an employee's identification with the organization and ultimately provide employees' meaning, direction, and a sense of what is distinctive about the organization (Corley, 2004; Dobni, Ritchie, & Zerbe, 2000).

## Impact of Shared Organizational Values on Performance

Empirical research on the impact of values on employee or organizational performance has found mixed results. Scholarly research geared to the public sector has found that high-performing government organizations clearly articulate a set of values (Denhardt, 1993; Hale, 1996) and that public sector employees continuously use value systems to make "street level decisions" (Maynard-Moody & Musheno, 2003). Studies of value congruence in the workplace have found that congruence between individual and organizational values is positively related to positive work attitudes, including employee satisfaction, commitment, and involvement (Meglino & Ravlin, 1998), as well as perceptions of workplace ethics (Posner & Schmidt, 1993). Denhardt (1993) identified "commitment to public service values" as one of the characteristics of high-performing public managers. Significant positive relationships between public service motivation and employees' job attitudes and performance have been found both in the United States (Naff & Crum, 1999) and abroad (Sangmook, 2005).

However, other studies of the impact of values on performance have offered mixed results (Alonso & Lewis, 2001). In a rapidly changing environment, shared value that emphasizes conventionality, risk aversion, or behavior inhibition may hurt performance (Amis et al., 2002; Dobni et al., 2000; Landau, Drori, & Porras, 2006; Pant & Lachman, 1998) by promoting resistance to change and encouraging intolerance of diverse views and groupthink. However, as Rainey and Steinbauer (1999) observe, "Strong culture does not need to imply insularity or arrogance. Values strongly espoused in a strong culture can include adaptiveness, surveillance of the environment, and responsiveness" (p. 312).

## The Process of Values Management

Given the potential importance that values have in influencing workplace perfor-mance, it is necessary to move away from the "what" and "why" of values to explore the process by which organizations consciously seek to develop shared values by integrating them into organizational systems (Kernaghan, 2003; Salaway, 2001). A key debate about using shared social structures, such as values or belief systems, to influence employee behavior is whether they can be rationally managed or whether the structures remain an unpredictable part of organization life that is immune to control (Wilkins & Ouchi, 1983). Two perspectives—agency theories of organization governance and inducements/contributions theories from organizational behavior—provide differing insights into the process of values management.

### Agency Theory and Values Management

William Ouchi (1981) uses economic models of human and organization behavior to determine under which conditions organizational values are more efficient and effective methods of governance than bureaucracy or contracting. Shared values allow self-interested parties to see their objectives as being congruent. As Sullivan (1983) interprets Theory Z, managers create a corporate value system or philosophy and then design incentives, such as job security, to reinforce performance toward those established values. Ouchi (1981) acknowledges that national and other institutional cultures shape the form of incentives organizations can use to influence behavior.

Similar to perspectives on "managing organization culture," Theory Z implies that values management is a "top-down" process (Sullivan, 1983). Top leaders formulate values and then seek to embed their core ideology into organization communication and reward systems as well as rituals and routines, thereby indoctrinating employees to organization values. Values management is an important function of human resource management (Posner, Kouzes, & Schmidt, 1985) and leadership (Kouzes & Posner, 1995; Trice & Beyer, 1991). Organization leaders manage values through recruitment, selection, and retention of employees; programs that clarify and communicate values, such as strategic plans and mission and vision statement, training, reward systems, and even the budgeting process (Elizur et al., 1991; Landau et al., 2006; Schein, 1985; Van Wart, 1998; Weiner, 1988). Such systems provide clear indications of what is important to leaders and what issues receive their attention. In addition, formal systems, such as pay systems and informal recognition opportunities serve to reward employ-ees for acting on shared values (Deal & Kennedy, 1982; Weiner, 1988).

### Inducement/Contributions and the Mediating Influence of Values

In contrast, classic perspectives that draw on concepts of inducements and contributions (Barnard, 1938; March & Simon, 1958) inherently suggest that individual values moderate the relationship between inducements and contributions. Barnard (1938) suggests that most individuals within an organization are indifferent to participation in the organization, requir-ing organizations to create incentives to encourage individuals to join and expend adequate effort. These inducements align individual self-interest with the goals of the organization. Individuals play a balancing act—balancing both the content of the organization induce-ments and their perceptions of the process of the exchange with their individual values. This

perspective inherently emphasizes the reciprocal relationship between satisfying human values and the "material" and "social" offerings that organizations provide. Similarly, efforts to reconcile expectancy theory with goal-setting theory incorporate values (expectancies) as factors that influence the goals an individual chooses (Locke, 1978). Perry's (2000) process theory of public service motivation posits that individual public service values mediate the relationships between organizational incentives, including work environment and individual behavior. However, conceptualizing values as a "mediating" variable suggests that values cannot be predictably managed (Barnard, 1938; Morgan, 1997).

# Research Context

We explore the management of employee values through a study of a DOD installation's implementation of new strategic management systems. The installation is a multimission, multiservice center that specializes in the design, development, and acquisition of weapons systems, including traditional ordnance systems, and advanced microwave and electronic systems. Faced with increasing demands to produce higher quality products and services at less cost in the competitive post–Cold War era, the installation focused on increasing its efficiency and securing new business to increase the bottom-line financials of the base. To instill a new set of competitive values in the workforce, the installation engaged in a series of initiatives that communicated strategic business goals to all employees and then implemented a new human resource management system—the Personnel Demonstration Project (Demo)—to tie individual performance to strategic goals. We next review the design and implementation of these initiatives.

## Communication of Organization Values

The new performance management system began with initiatives to inform all employees about the installation's mission and strategic goals. Faced with increased competition for both external funding and skilled technical workers, strategic documents and communications emphasized commitment to high-quality products and service, customer attraction and retention, and workforce development. A slogan bantered around by installation leaders was "Happy Financials, Happy Customers, Happy People." The installation communicated these strategic values through meetings, e-mail, posters, and even laminated cards.

## Linking Personnel System to Organization Goals

Demo sought to improve organizational performance by linking employee performance to installation's strategic goals through performance expectations and financial incentive systems. The project gave middle managers increased responsibility to develop individual performance expectations designed to communicate strategic values to employees and to create an understanding and expectation of how their individual performance contributed to organizational performance.

The installation offered unit managers training and guidance on the process of setting expectations. At first, the installation distributed sample products to all managers and later

developed formal templates that cascaded organizational goals from the executive director throughout the multiple layers of the organization—modeling how managers could translate organizational goals for various jobs and positions within their work units.

The new personnel system also gave middle managers increased discretion to financially reward employees for their performance—an important change from tenure-based pay systems. Managers received a fixed number of pay points to allocate to employees based on the salary pool of their work units. To ensure equity in pay-point distribution, the installation conducted extensive training—including the development of a pay-point decision tree—and extensive monitoring of the distribution of points.

Consistent with bureaucratic models of management, top managers formulated organization goals and values, communicated those goals and the values they represented, and designed reward and management systems to reinforce those goals and values. Middle managers acted as a conduits of communication, implemented formal systems, and then monitored and rewarded compliance with organization strategic values.

# Method

We analyzed data gathered from interviews with employees and managers from eight selected work units. We conducted interviews between 1998 and 2003, providing at least two interviews at different points in time for more than half of the employees. Cutting horizontally across work units and vertically across hierarchical lines, these interviews provide rich glimpses of employees' perceptions of the implementation of the strategic systems as well as their own workplace motivations. In total, our final case analysis draws on 97 interviews with 52 employees and managers. Using survey data to identify work units with differing levels of performance, we analyzed the interview data through a comparative case study framework, comparing the processes of values management in high-performing work units to the processes in lower performing work units.

We also supplemented interview data with a review of organization documents and communications. These documents included communications to project staff from organization leaders, internal documents about the design and implementation of the initiatives, and strategic plans and other value statements. In addition, our analysis draws on interviews with top installation executives who provided detailed accounts of the design and implementation of the strategic initiatives and information about the organization's strategic values.

## Comparative Case Study Framework

To organize our analysis, we set up a simplified comparative framework (Miles & Huberman, 1994). We selected eight work units for comparative analysis—four units that reported above-average levels of performance and four units that reported below-average levels of performance in response to questions on 2002 installation-wide survey. The installation collected the survey data independent of our interview data and near the end of our 5 years of interviews. The time ordering and independence of the survey and interview data reduce prospects for self-selection bias.

**Table 1**
**Characteristics of Selected Work Units**
**(2002 Survey of Installation Employees)**

| | Increased Motivation[a] | | Increased Efficiency[b] | |
|---|---|---|---|---|
| | % Agree or Strongly Agree | M (Scale 1-5) | % Agree or Strongly Agree | M (Scale 1-5) |
| Average work unit | 0.38 | 3.18 | 0.49 | 3.38 |
| Higher performing work units | | | | |
| Lowest | 0.46 | 3.30 | 0.59 | 3.60 |
| Highest | 0.60 | 3.80 | 0.68 | 3.80 |
| Mean high performing | 0.55 | 3.54 | 0.65 | 3.70 |
| Lowest | 0.28 | 2.79 | 0.32 | 3.10 |
| Highest | 0.38 | 3.18 | 0.54 | 3.50 |
| Mean lower performing | 0.33 | 3.03 | 0.43 | 3.25 |

a. I feel a higher degree of motivation toward my position compared to 1 year ago.
b. I am operating at a higher degree of efficiency compared to 1 year ago.

Drawing on two questions from the 2002 installation survey of workplace attitudes—perceptions of efficiency and motivation—we identified work units that were below or above average on both these measures. Comparing responses across levels of work unit performance allows us to explore causal patterns based on outcome.

To control for the influence of the work units' task environment on employees' responses, we selected a work unit from a support directorate and from each of the different types of technical work units within the high- and low-performing groupings. Some work units serviced and supported traditional weapon systems, and others were involved in research and design of innovative microwave and electronic systems. These differences may have influenced employees' perceptions of their performance and the installation's implementation of the new management system.

On average, as represented in Table 1, approximately 38% of the survey respondents in each work unit reported being more motivated than in the previous year. Just 33% of the respondents in the selected lower performing units and 55% of the respondents in the higher performing work units reported being more motivated. Similarly, although on average, 49% of the employees in each work unit reported performing more efficiently than in the previous year, 65% of the employees in high-performing and just 43% of the employees in lower performing work units reported greater efficiency.

There are at least two potential limitations of using self-reported methods to select cases, including a ceiling effect and the influence of the timing of the survey on employee responses. A ceiling effect suggests that some employees may report little increase in performance or motivation from 1 year to the next because they are already doing all they can—they just cannot work any harder or be more productive. In that case, in the survey, we may expect the highest performing work units to report lower levels of motivation or efficiency. Preliminary analysis of aggregate work unit responses suggests that the ceiling effect has at most a limited effect on aggregate work unit perceptions of motivation

**Table 2**
**Characteristics of Case Study Respondents**

|  | Demo Participants | Case Study Respondents |
|---|---|---|
| Gender |  |  |
|   Female | 16.01 | 25.00 |
| Minority and ethic status |  |  |
|   White | 92.79 | 92.68 |
| Job classification (PATCOB) |  |  |
|   Administrative | 13.03 | 17.07 |
|   Blue collar | 0.62 |  |
|   Clerical | 0.69 |  |
|   Professional | 77.69 | 75.61 |
|   Technical | 7.97 | 7.32 |
| Directorate |  |  |
|   Support[a] | 17.53 | 36.53 |
|   Engineering | 82.47 | 63.47 |
| N | 1,443 | 52 |

a. Combines headquarters, management systems, employee services, public works and supply directorates.

or performance. In general, the units that reported the highest levels of motivation in 2000 also reported the highest levels in 2002, suggesting that the ceiling effect has little impact on their responses.

A second possible concern is that the post-9/11 environment of a defense installation inflated employee's responses. It is interesting to note, however, that in early 2002, only 38% of the employees felt that they were more motivated than in the previous year, only a slight increase from the responses in 2000. In addition, there was no difference in employees' perceptions of efficiency between 2000 and 2002. Both suggest that 9/11 had only limited, if any, impact on survey responses.

In total, our final case analysis draws on 97 interviews with 52 employees: 49 interviews with employees and managers in high-performing work units and 48 interviews with employees and managers in low-performing work units. Table 2 describes employee characteristics for all civilian Demo employees and those included in the comparative case analysis.

Demo employees are largely professional, white-collar employees—engineers, scientists, computer programmers, and support service administrators. On a daily basis, the scientists and engineers are involved in designing, testing, and repairing traditional and experimental weapons and security systems. Administrative employees are engaged in all aspects of the contracting and acquisition processes, as well as the myriad support functions, necessary to maintain a large, complex facility. Professional employees are overwhelmingly White males. Our interviewees are representative of the population of employees participating in Demo in terms of race and occupation. Because we included two support directorates in the comparative case analysis, women are somewhat overrepresented because they occupy administrative positions in these units.

Although employees were generally homogeneous in terms of social and professional characteristics, there were distinctive subcultures across work units. Because workers are

engaged in a variety of tasks, even professional employees represented a variety of disci-plines, including electrical engineering, mechanical engineering, and computer science. They also served different customers and markets, including commercial defense contrac-tors, and as purchasing agents and service members from all four branches of the armed services. Differences in professional background, technological and market orientation are reinforced by geographic isolation, because work units are scattered in separate facilities and labs across a 100-square mile property. Employees frequently commented on the instal-lation's "stove pipe" organization that did little to encourage interactions across work units or even directorates.

## Data

We analyzed data gathered from interviews with employees and managers from the eight selected work units. We conducted interviews between 1998 and 2003, providing at least two interviews at different points in time for more than half of the employees. Cutting horizon-tally across work units and vertically across hierarchical lines, these interviews provide rich glimpses of employees' perceptions of the implementation of the strategic systems as well as their own workplace motivations. Because we conducted the interviews as part of a larger evaluation project, interview questions changed slightly over time to reflect the needs of the organization. Early interviews focused most heavily on the implementation of the system, whereas later interviews addressed the awareness and achievement of the organization's strategic mission.

Although a human resource department employee arranged the interviews, participation was voluntary, and some employees declined to participate, particularly during the second round of interviews. We used structured interviews, consisting of about 10 questions. For this analysis, we focus on employees' and managers' responses to the following issues: motivations for work performance, awareness of strategic goals of the installation, under-standing of how their work unit contributed to strategic goals, and perceptions of the process of establishing expectations and rewarding performance toward goals. Interviews ranged in length from 30 min to 1.5 hrs, with 45 min being the average length.

## Findings

Three key findings emerge from our analysis. First, organization goals are motivating employees to the extent that such strategic goals reflect employees' internal affective, nor-mative, and task-oriented values, a "zone of existing values." Middle managers play key roles in interpreting strategic values in terms of employees' values and their everyday work responsibilities, as well as communicating and rewarding performance toward those values in ways that reflect and build on employees' individual values. As such, middle managers play key roles as "integrators," connecting organization strategy to employees' functional values that derive from societal, cultural, and religious experiences. Finally, the very process of values management is a social process. The routine interactions of employees and managers that create social values and efforts to control and mandate conformity in these social processes may backfire. Over time, the work units that reported the highest

levels of performance were ultimately those units in which managers resisted the standard-
ization of the new management systems and instead used the flexibility of the management
systems to foster social interactions and even create their own rules of governance. In the
following sections, we review these findings in detail.

## Values That Motivate Workplace Performance

Installation leaders' strategic values emphasized the need to succeed in the highly com-
petitive weapons marketplace by producing high-quality products to attract and retain cus-
tomers and by developing the workforce necessary to be "top" in the market. Employees in
both high- and low-performing work units report that the installation's competitive strate-
gic values have little personal meaning for them. Although employees are aware of the exis-
tence of the organization's strategic plan, few employees were able to name the values of
the organization, despite 4 years of effort to make all employees aware of the organizations'
values. We attribute this to a disconnect between the content and source of the organiza-
tion's strategic values and the nature of employees' functional values. Barnard (1938)
believed that each employee had a range within which he/she would willingly accept orders
without questioning authority. Our findings suggest that employees respond to organization
values and the process of rewarding progress toward those values only to the extent that
such goals and incentives fall within a "zone of existing values."

### Content of Values

Consistent with research on public service motivation (Perry, 2000), most employees
report being strongly motivated to do a good job at work by affective, norm-based and cog-
nitive or task-oriented values. Support of their customer, who most employees perceived to
be the "war fighter," was a primary motivator for most installation employees, reflecting
employee's patriotic values, personal relationships with end users of their services, and
their own experiences in the military. Although employees had been in the military or had
family members of friends on active duty, other employees referred to relationships that
were more abstract. One engineer working in a work unit that provided repair and modifi-
cations to munitions nodded toward a recruiting poster on the wall and said, "I work for
Special Forces." Another engineer in the same work unit noted that everyday he is moti-
vated "Knowing that there is some guy—male or female—out there not going to his kids'
ball games to make sure that we're safe at home." He went on to comment that he was pass-
ing up other career opportunities that would involve a move away from that unit to stay and
respond to the needs of the troops he supports—"It's not the money. It's those guys."

Interviews and organization documents suggest, however, that the installation customer is
very different from the customer that motivates the average employee. Installation docu-
ments indicate that since the late 1990s, leaders have tried to change employees' perceptions
of who are the installation's customers. Strategic communications increasingly focused on
those customers—government contractors, DOD purchasing agencies, or private defense
contractors—that provided funding to the installation whereas employees continued to
perceive the soldier or sailor who used their weapon system as their customer.

Employees also mentioned that their relationships with their coworkers motivated them
to do a good job. As one female manager in an engineering unit commented, "This is a

great place to work. I have got 137 of the most dedicated people that you could possibly find." Other employees commented that they had been working with the same team for years and had a commitment to their team members, both as coworkers and as friends. Finally, a few others more generically commented that they worked hard and did their best because they wanted to be liked by those with whom they worked—expressing the importance of reciprocity in reinforcing individual behavior. For employees in support units, there was a common sentiment—they did a good job because they wanted to "please" their internal customers.

### Source of Values

Across all work units, employees mention that their workplace values are derived from religious teachings, family upbringing, general societal indoctrination, or even workplace relationships. Employees frequently cite "divine providence" or "this is what God would want me to do" as the reason for working hard each day. Familial upbringing also influenced work ethics. As a supervisory engineer comments, "Anything I do I try to do the best I can to succeed. It's based on values from my parents and my religion."

Still other employees commented on patriotic values, like making the American fleet "number 1." Although the theme of the customer as "war fighter" was particularly strong in interviews after September 11, employee commitments generally reflect enduring patriotic values that are deeply embedded in individuals' personal experiences. As a senior engineer remarked, "Could it be that I was at an impressionable age when JFK said, 'Ask not what your country can do for you, but what you can do for your country?'"

Competitive values also motivated employees in both high- and low-performing work units, but they emanated from different sources. Managers in high-performing work units frequently mentioned the importance of internal personal goals—the desire to do their best or to be recognized as being the best. As one manager in a high-performing work unit described his motivation, "Personal pride. I know how to do this and if I goofed up, it would reflect on me." In contrast, managers in low-performing work units were more likely to focus on the installation's competitive goals—increased business, long-term productivity, and growth—as sources of personal motivation (Table 3).

## The Relationship Between Individual Values and Installation Goals

Although employees in both high- and low-performing work units shared similar value systems, they differed in their abilities to connect the strategic values of the installation to their work responsibilities. Most employees in all work units are aware of the installation's strategic plan, and they could recollect that it was hanging up somewhere in their work unit; they knew that they could find it on the installation's Web page or they remembered that they had a laminated card with the plan inscribed on it somewhere in their desk. However, most report that the goals communicated by the organization have little meaning for their daily work, and few employees find the communication of these goals engaging and meaningful. Employee's perspectives about the installation's emphasis on "customer orientation" very clearly reflected this attitude.

Many employees in high-performing units are not able to rattle off the installation's written goals, but they are likely to make a connection between broad installation values

**Table 3**
**Employee Values That Motivate Workplace Performance:**
**Similarities and Differences Across Work Units**

|  | Similarities across all work units: Affective and Normative values | |
| --- | --- | --- |
| Nature of individual values | • Customer relationships: direct and abstract; internal and external<br>• Personal relationships with coworkers<br>• Reciprocity in relationships<br>• Enjoyment of work tasks<br>• Patriotism | |
| Source of values | • Spirituality; religious teachings<br>• Family upbringing<br>• Societal teachings and expectations | |
|  | Differences across work units: Competitive values | |
|  | Low-Performing Work Units | High-Performing Work Units |
| Nature of individual values | Increase business; long-term organization growth and productivity | To be the best, pride in my work |
| Source of values | Organization | Inner: Family teachings, self-worth |

and their individual work expectations, such as quality or efficient customer service. In addition, they are more likely to recognize how the new human resource system contributed to the installation's mission than are employees in low-performing work units. In essence, employees in high-performing work units, though no more likely to name the official strategic goals, are more likely to recognize how their performance broadly contributes to the organization and its mission (Table 4).

## Middle Managers and the Management of Value Systems

Why are employees in high-performing work units more likely to be able to connect their work performance to broad organization goals? Our analysis suggests that managers, particularly middle managers, play key roles in facilitating a continuous process of integration in which they link employees' existing values to organization values as opposed to communicating organization strategic goals and rewarding conformance with those goals. This process of integration involves interpreting strategic values in terms of employees' values and local work responsibilities and using formal management systems, when possible, to facilitate social interactions. In the following sections, we describe the middle managers' use of management tools in the integration process. We also describe the consequences of standardizing the management process over time.

### Interpreting Strategic Goals in Terms of Local Work Responsibilities

Consistent with the concepts of sense making (Gioia & Chittipeddi, 1991; Weick, 1993), interviews suggest that managers in higher performing work units play important roles in

**Table 4**
**The Relationship Between Individual Values and**
**Installation Strategic Goals**

|  | Low-Performing Work Units | High-Performing Work Units |
|---|---|---|
| Employee perceptions | Lack of knowledge of organization goals | Lack of clarity of organization goals |
|  | Little connection between organization goals and daily responsibilities | Perceived connection between broader organizational mission and work unit and individual contributions |
| Manager perceptions | No attention to corporate goals OR | Development of complementary goals for work unit |
|  | Tight coupling to organization financial goals | Adaptation of organization goals in terms of local work unit needs |
|  | Focus on increased business | Interpretation of organization goals in terms of individual core values |
|  | Focus on institutional customers and purchasing agents | Focus on "war fighter" satisfaction |

interpreting organization values in terms of individual functional values and work unit routines. One manager in a high-performing work unit that provides high-tech electronic systems to the naval fleet described how he developed a complementary set of goals for his work unit that supported the installations' goals by identifying ways in which their unit could strive for "value added to the customer." As he described, "Think of life as a consumer and why you chose between businesses. It's a combination of two things: I want to talk to someone who is competent and I want a fair price. Sometimes you pay more for good advice and knowledge." He therefore focused employees' performance expectations on being a good steward of the organization's resources and having the competence to provide high-quality service to the fleet. In this and other high-performing work units, managers emphasize the needs of the "field services" and the "war fighter." Such efforts clearly reflect employees' strong affective and normative values.

In addition, managers of high-performing work units strived to interpret broad strategic values into goals that are meaningful for employees in their daily work. One manager in an engineering unit that develops security systems for the Navy was unable to articulate the strategic goals of the organization. However, he connected his work unit to the organization's mission through his unit's provision of high-quality services at good prices. He was then able to tie that accomplishment to the larger mission of the Navy, a particularly strong motivator in the post-9/11 environment. As he described, "what we do helps them [Navy] to do a better job to protect their people." Ultimately, he focused on the "mission of the department." He perceived that his work unit was just a small part of the installation's operations, "too far down the food chain," for the installation's goals to be useful in motivating employee performance.

Managers in high-performing work units were also better able to connect their operations to the less tangible, but no less important, support goals of the organization. For example, although many managers struggled with the relevance of the installation's vague

human resources goals, a manager in a high-performing engineering unit that tested electronic warfare systems focused on his responsibility to develop and maintain "core competencies" necessary for high-quality work. He stressed the importance of using his work unit's expertise to innovate and create new products. As he described, "[we] need employees to think about things that don't exist." He also emphasized the importance of creating goals that are more specific to his unit's work as a complement to the vague goals of the organization.

Similarly, a manager in a high-performing work unit that provided human resource support to the entire installation described the installation's strategic goals as "nonsensical" to the daily activities of employees in his unit. However, later he was able to articulate their contribution to the strategic mission of the organization by recognizing that "We do things that enhance the overall productivity of the workforces. Everything that we ultimately do could be seen in that light. We try to take care of people the best way that you can so they'll be productive."

In contrast, when we asked managers in low-performing work units how their work unit contributes to the installation's strategic mission, they offered two contrasting responses: "no clue" or they referred back to the installation's official strategic plan. Some managers in low-performing work units saw absolutely no connection between the installation's goals and local operations, reporting that the installation goals either "don't make sense" or are too far removed from their local responsibilities. Other managers of low-performing work units refer directly back to the installation's strategic goals, particularly the desire to get future business for the installation. As one manager in a contract support unit explained, his unit "buys the supplies and gimmicks that the rest of [the installation] needs." He focuses on customer satisfaction to increase business for the organization. "Increase scope of our support for that customer. How many direct work years are they spending on us? Do they want us for another year? Do they have another project for us?" Although these goals are quantifiable and directly tied to the strategic values of the organization, they appear to do little to motivate employees.

### Interpreting Strategic Values in Light of Individual Values

Key differences also existed across high- and low-performing work units in how managers relate installation values to employee values. Our interviews suggest that managers in high-performing work units interpret strategic values in terms of employees' individual values, their zone of existing values.

Employees in high-performing work units commented that their performance expectations often involved personal goals, such as pursuing higher education, building personal pride, and self-advancement—goals that may not relate to a specific contract. One manager in a high-performing engineering unit also notes that his unit's individual expectations are more principled than technical and center on functional values such as honesty, teamwork, commitment to the customer, and on being a good steward of the installation's resources. Building on employees' commitment to customers, he believed that customer service is top priority. As he observed, "It isn't money that makes people happy. First they need to believe in what they're doing." Managers in high-performing units also suggest that they view the content of performance expectation documents and performance conversations as general understandings, often of a social nature, as opposed to technical specifications of jobs.

Managers in units with lower levels of performance often described expectations as technical instruments and mention gathering "data" to analyze progress toward accomplishment. A manager in a low-performing acquisitions unit described the expectations as generic templates that he developed from job descriptions in coordination with his peers. He observed, "three supervisors got together, looked at the job descriptions of employees and decided what are the mandatory tasks and what is important." Employees in his work unit described their expectations as "too general." As one female administrative clerk noted, there were "enough holes in it that you can drive a Mack truck through it." Another employee expressed frustration that his performance expectation included a personal goal to obtain an MBA, a goal that had no meaning in his profession.

Another manager in a low-performing engineering work unit described the written expectations as an explicit contract between workers and managers that allows job requirements to be itemized. As he comments, "You can talk till you're blue in the face, but words are very different compared to having something in black and white." Correspondingly, employees in his work unit described their performance expectations as "generic documents," "boilerplates," and "ambiguous."

Employees and managers across all work units report that the content of the values represented in the pay-for-performance system did not match their individual values. Although many employees talked about the importance of their work relationships, pay points are individual and provide no rewards for team or group accomplishments. Employees fear that the zero-sum nature of pay-point distribution actually hurts individual working relationships—encouraging competition instead of teamwork. These findings are consistent with existing critiques of the implementation of pay-for-performance systems in government organizations (Ingraham, 1993; Perry, 1986). Pay-for-performance systems may send the signal that the relationship between the workers and the goals of the organization are a market relationship, diluting the employees' intrinsic motivations for performance (Burgess & Ratto, 2003) and negatively affecting employees' performance (Deckop, Mangel, & Cirka, 1999).

### Facilitating Social Interactions

Our analysis also suggests that not only is the content of the performance management system important, but to be effective, the process of implementation must also reinforce employee values. Managers in high-performing work units use the expectation process to facilitate work relationships, particularly between themselves and their subordinates. Employees and managers in high-performing work units repeatedly emphasized the social process of establishing expectations and reviewing performance. In these units, the process of developing performance expectations and evaluating their progress toward established goals is ongoing and involves both managers and employees in face-to-face interaction.

Employees in these work units generally described the process as a dialogue in which "we went back and forth till we agreed." For these managers, the process of setting performance expectations was just one of many social tools available to develop and encourage positive working relationships with employees. As one manager in an engineering unit who referred to himself as a "walk-through manager" described,

We work as a team. [I] sit down with employees and ask, "are these reasonable goals"? There's good dialogue. We have no surprises. Go along through the year, [at] mid-year review we ask, "Are we on track?" . . . I would know if there is a problem and I let them know right away if there is. We have constant communication and dialogue.

Managers in high-performing work units also perceived that such interactions in establishing and reviewing performance were important reinforcements for employee behavior.

In contrast, employees and managers in low-performing work units described the development and use of performance expectations in their work units as a standardized, impersonal system. As one employee described, "[my] expectations were designed in a closet—presented as 'this is what I want you to do'." In low-performing work units, employees are more likely to report that they and their managers developed the expectations through electronic communications, as opposed to face-to-face interaction. Employees also commented on the "static" nature of expectations. As one employee noted, "[three years ago] . . . we wrote it, tweaked it, and now it pretty much stays the same."

Employees and managers also expressed frustration with the implementation of the reward system. In contrast to the inherent social nature of the expectation process, one of the limitations of using the pay-for-performance system to reinforce organizational values is its "asocial" design. The Demo pay-for-performance system did not provide any social recognition for high performance. Employees feel that because the pay points are "secret," the distribution of pay points provides no public recognition of accomplishments. As one employee comments, "a true incentive is something that is presented to you with a 'thank you' as opposed to a check in the mail. I heard a story about someone getting their twenty-year pin in the elevator, well that's too personal—it could have been in front of their team." Both managers and employees across all work units expressed similar frustrations with the "asocial" nature of the pay-for-performance system (Table 5).

*Standardization of the Management System*

Over time, leaders' efforts to standardize the implementation of the performance expectation process may have reduced managers' ability to facilitate the development of organization values. Installation leaders distributed a template of performance development documents to make performance expectations consistent across work units. The template cascaded the installation's Baldrige criteria from the director through the various levels of the hierarchy so that each employee's expectations mirrored the top leaders' expectations. As one top administrator described the impact of cascading goals on his work unit, before the change,

I went to my program management plan. The mission of my organization determined what was most important for me to do to execute those objectives. Then I delegated those responsibilities. I have a mission and strategic plan for our office, what we are all about. I have metrics to measure those objectives.

After the development of cascading objectives

Then two years later, [the installation] wanted the Demo objectives to fit with the strategic plan, so they sent out objectives that fit within the Baldrige criteria and [the installation] goals.

**Table 5**
**Differences in the Implementation of**
**Management Systems Across Work Units**

|  | Low-Performing Work Units | High-Performing Work Units |
| --- | --- | --- |
| Employee perceptions | Standardized, impersonal system | Establishing expectations and reviewing performance is a social process |
|  | Lack of involvement in the process | Ongoing process<br>Give and take dialogue<br>Personal nature of the expectations |
| Manager perceptions | Technical instruments<br>    Use of generic templates<br>    Explicit contracts | Management is a social process<br>HR systems provide an opportunity for social interaction<br>Importance of incorporating broad social principles:<br>For example, integrity |

So I overhauled my objectives to fit the [installation] template. So the last two years, the objectives of people in my unit aren't much different from anywhere else. So we've lost the connection between their daily jobs. So it's not unique and tailored to any organization. The objectives are now less specific to a position. It makes it more difficult from an objective measurement of day-to-day performance. [The installation's] strategic plan is abstract. The board of directors and CEO decided to do it that way. Who am I?

Managers in high-performing work units were more likely to ignore the standardization of the expectation process, relying on their own processes to develop performance expectations, than were managers in low-performing units.

Similarly, over time the implementation of the pay-for-performance system became more standardized. Early interviews suggested that most managers clearly viewed the pay-for-performance system as a potentially important tool of communication, using phrases like "send a message to low performers" or "0 points provide a kick in the pants" to describe the value of the system. However, over time, informants began to comment on the inflexibility of the system and the strapping on of more regulations.

Over time, both employees and managers began to describe the distribution of pay points as "a game." However, one manager of a high-performing work unit, in the face of increasing top-down regulations, created his own local governance system to monitor the distribution of points. Recognizing the importance of oversight in any system that provided managers' with extensive discretion, he set up an internal system for supervisors within his work unit to review the distribution of pay points. He felt that internal group review reduced the likelihood of supervisors intentionally or inadvertently rewarding their favorites. Unlike review from further up the chain of command, local supervisors had enough experience and contact with employees within the work unit to provide oversight for their peers. This local system of checks and balances provided an interesting example of how one middle

manager created his own social process to govern the new management system and foster accountability within the work unit.

# Discussion

This article attempts to shed light on the considerations that managers must take in using formal systems to align employee values with organization strategic values. "Can values be managed?" Our findings suggest "no" and "yes."

Gareth Morgan (1997) notes, "The whole history of organization and management theory is based on the idea that it is possible to organize, predict and control" (p. 300). Implicit in the rational management model is the assumption that material rewards, punishments, or nonmaterial incentives that provide a sense of belonging or self-fulfillment can entice employees to pursue an organization's strategic values. Efforts to align employee behavior with the strategic values of the organization inherently focus on the hard design of the management systems. In addition, the values of the organization, as well as the incentives provided to cooperate with those values are determined from the "top" of the organization and hierarchically imposed.

In contrast, our analysis suggests that organizations cannot influence employee behavior by communicating "the values of the organization," as articulated by top leadership through formal presentations or the distribution of laminated cards. Employees are motivated by broad societal and cultural values. Employees respond to organization values and management efforts, such as expectation and incentive systems, that they perceive as being within the zone of these existing values.

The process of aligning values is a social process that occurs through routine interactions between employees, managers, and perhaps even customers and other stakeholders. These routine interactions reinforce employees' existing values. Although our findings suggest that values management is very much an emergent process, it does not suggest that the process occurs without the influence of organizational leadership or without the use of formal management tools. Middle managers play key roles in integrating individual values through the interpretation of strategic goals. Management tools, particularly in this case, the performance management system, structure the process, providing a formal opportunity to both articulate values and signify which employee values are important to the organization's mission. Although there may be an inherent variation in implementation across various work units, this variation allows for the interpretation and facilitation of interactions in terms of individual and local work unit routines. If provided the opportunity, local patterns of governance may arise to monitor such social processes.

This article attempts to broaden our understanding of the process of values management through the example of a particular context. As such, there are inherent limitations in our study. First, the cultural and racial homogeneity of the employees may have influenced these findings. Additional research is needed to understand how shared values influence the behavior of more diverse groups of employees. Second, our study relies on secondary survey data and open-ended interview data to explore the concepts of values management, concepts that are inherently ambiguous. Our survey data also provided a general self-assessment of individual performance but no objective measure of work unit performance.

We may expect that employees describing themselves as internally motivated to "do their best" will also describe themselves as more motivated.

Despite these limitations, our research questions and findings have important implications for understanding public administration in the changing context of the twenty-first century. Theoretically, our research offers another opportunity for public administration scholars to reflect on the importance of integrating an understanding of social processes, particularly values that may be unique to public service employees, within the context of traditional bureaucratic and hierarchical structures. As government employees increasingly operate under complex expectations of networked and enterprise government that challenges models of administration based on hierarchically imposed rules and procedures, values management may offer an additional and complementary method of coordinating diverse and often competing belief systems. As Agle and Caldwell (1999) suggest "values will be even more important in governing the new organizational forms of tomorrow" (p. 327).

## Note

1. Combines headquarters, management systems, employee services, public works, and supply directorates.

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