Jenny Urich

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Harmonizing Rules, Values, and Self-Interest

One should bear in mind that there is nothing more difficult to execute, nor more dubious of success, nor more dangerous to administer, than to introduce new political orders. For the one who introduces them has as his enemies all those who profit from the old order, and he has only lukewarm defenders in all those who might profit from the new order. This lukewarmness partly arises from fear of the adversaries who have the law on their side, and partly from the incredulity of men, who do not truly believe in new things unless they have actually had personal experience of them. Therefore, it happens that whenever those who are enemies have the chance to attack, they do so with partisan zeal, whereas those others defend hesitantly, so that they, together with the prince, run the risk of grave danger.

-Niccolò Machiavelli, The Prince, pg 22

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What do Machiavelli's *The Prince*, Sun Tzu's *The Art of War,* and Peter Drucker's *The Effective Executive* all have in common? Though written across a span of over two thousand years, each text is similar in its focus on the strategies and qualities of good leaders, and how they organize the people around them in order to achieve success. This should be as good a clue as any that the discussion on good leadership and organizational design is eternally being reimagined. The study of management changes as society and technology develops, yet certain pillars remain, simply being repackaged as they travel from ancient China, to Renaissance Italy, to corporate America and beyond. Advice on managing a group often boils down to two basic variables a manager has influence over: the *rules* of the organization itself, and the *values* that guide it. Management strategies may focus on developing one or the other to achieve certain results, though it's the integration of the two that is the key to creating lasting change within an organization.

Before anyone can worry about what rules or values would be most effective in their organization, they must first ascertain the degree to which they are able to change them. The opportunity to design an organization from the ground up is rare, so more often than not the question lies in how best to alter an existing order. Likewise, the people within an organization— whether they be long-time employees or new hires— are not blank slates either. They carry the values instilled in them by their society, family, education, and countless other sources. As these values are often deeply internalized, *rules* (or policies, laws, and so on) are therefore considered the easier of the two to change. However, it is never as straightforward as simply imposing rules and expecting results, and rules-based management comes with its own set of challenges, particularly when these rules come into conflict with existing values and interests. As explained in Machiavelli's quote above, change is met with resistance from those who benefit from the old order and hesitancy from those who would benefit from the change itself. In the latter group, this stems from a natural fear of the unknown and from the fact that those benefiting from the existing order are at an advantage against them. In the context of both big business and the government, in which rules coming from a central authority are imposed on peripheral departments, it's also common to see resistance from line managers who feel stifled by the lack of discretion allowed of them. These rules are set with the intention of "protect[ing] against inconsistencies in administrative activities across government and to minimize any misuse or abuse of authority" (Aucoin, 104). It is clear then that consistency and flexibility exist on opposite ends of a scale. To go too far in one direction leads to tension and irritation among one's staff, while the other direction could lead to abuse of authority in what Peter Aucoin calls "error-free management"—the setting of too many rules in order to eliminate all risks (105).

In a situation where highly uniform, standardized results are needed, a strong set of rules and standard procedures are the best way to ensure these results are achieved. For example, fast food corporations need to be sure that they deliver a consistent product across hundreds of stores for the sake of their brand. Therefore it's not surprising that the cooks are trained to follow highly standardized procedures and not to cook in the way they feel is best. Another example would be information gathering: those working for official surveys (such as those done by Statistics Canada) have to follow a very uniform procedure compared to, say, a news anchor interviewing someone at a sporting event. This all has to do with the standards of legitimacy for the information and how it will be used; this illustrates that the best level of standardization always depends on context. The public service tends to favour the safety of consistent standardized procedures, both to avoid risks that could inconvenience or endanger the people and to ensure a similar service experience across the entire country.

When rules-based management is needed, a method of ensuring adherence to the rules is needed as well. Machiavelli suggests that the natural counterpart to good laws are "good armies," which is something not every manager happens to have (Machiavelli, 44). Of course, what this really translates to is an effective *reward structure*: a system that encourages compliance by rewarding certain behaviours and punishing others. Canada and most other nations have "good armies" that discourage people from committing deeds we have collectively decided are bad—theft, murder, and so on—by ensuring a punishment so enormous that the threat of which outweighs whatever benefit the action originally would have offered them. As self-preservation and freedom from incarceration are highly important to most of us, this shifts individual self-interest away from actions that harm the group. Managers and employers effectively have the same power to direct self-interest and steer their organizations where they want them to go. Money is the most common, and perhaps the most powerful, way of aligning the self-interest of the employee with the goals of the employer. Money motivates us to work a job whether or not we enjoy the work itself. Raises and promotions encourage us to work harder at achieving our organization's goals, as does the threat of termination. There are more nuanced ways of aligning self-interest with the organization's interest, values-based management being one of them; but let us first explore what is needed for a rules-based reward structure to be implemented effectively.

No amount of good armies, or frightening punishments, will be enough to persuade everyone to follow the rules unless they know their deeds and misdeeds will be "seen" by others. This is why rules-based management relies on monitoring: not necessarily in the Orwellian sense, but also through the use of performance reports. In the public service, central agencies monitor the various departments in order to improve coordination and fit things into the "big picture," or the party's vision. This monitoring has a number of drawbacks, the first being irritation from the perspective of the line department or subordinate: Aucoin states that "monitoring is often seen as "second-guessing" the decisions of line-department managers. Reporting is often viewed as a valueless activity and a waste of time by line departments" (105). It appears then that what one gains in control, they give up in trust, which leads to tension. There are other critics of performance reporting, such as George Odiorne, who writes in *Management by Objectives* that "the fact of the matter is that most appraisal systems used in the industry today are based on standards that merely make it easy for the boss to fill out a check list and recite the results back to the hapless subordinate to force him to conform"(181). It is important that the performance report is designed in a way that it can measure "success", and perhaps is a waste of time in situations where success can't be easily expressed through numbers and graphs—for example, programs that encourage artistic and creative expression in children. Monitoring, like any action, also takes money and resources that can always be put to use elsewhere, so it's ideal to use it only when necessary.

In a situation where flexibility, discretion, and creative problem solving would be more effective than a high level of standardization, less is more in terms of rules. Yet the fact remains that even within a flexible environment, there are results that the organization aims to achieve—therefore, it is essential that superiors and subordinates, central management and line departments are all guided by similar motivations. This is where a shared set of values becomes important. Rules effectively take certain choices away from workers, while values determine how a worker will respond when he or she comes across a choice. The *value structure* of an organization is the counterpart to a rule-based reward structure: "it indicates what behaviors, and often what attitudes and characteristics behind behaviors, are considered good and bad"(Miner, 51). The rewards and punishments of a value structure are social rather than material: embodying the values championed by the group will be rewarded with respect and acceptance, while failing to meet them risks estrangement. Every group, no matter how open-minded they claim to be, has a limit to how much a member can actually act against the norm before ostracization occurs. It's therefore easy to see how a value structure that agrees with the aims of the organization can be very powerful in creating a motivated and self-regulating workforce.

The values of an organization should be aligned with its rules, and therefore its reward and punishment structure. This can be difficult when values are internal and, in some cases, unconscious. In his book *Management Theory*, John B. Miner gives an example of how the two can become mismatched through a lack of self-awareness:

> Thus, in one company, youth, nonconformity, self-confidence, hard work, and problem solving were found to be elements of the value structure [99]. Most of these are generally considered desirable characteristics, and one would expect that many of the managers would be aware of their importance in the company. Yet the reward structure of the same firm emphasized age, anxiety, a desire to avoid people, and high intelligence. Not only are these two structures lacking in integration, but many aspects of the reward structures must certainly be a part of the organizational unconscious. It seems unlikely that they could continue to exist if they were not. (57)

A problem like this would have to be addressed through an alteration of either the reward structure or the value structure; otherwise, the employees would quickly learn that the values championed by their organization are mostly lip-service, and the path to success lies in following a different, implicit set of behaviours. Miner states that "it is not uncommon for new company presidents to sell their organizations on value climates emphasizing creativity and personal freedom only to have these new values thwarted by a failure to introduce changes in the traditional reward structure"(55). Thus the difficulty in implementing values comes not only from changing the values within the employees themselves (or finding new employees with these values), but also from designing the organization so that acting by these values is rewarded *materially*.

The value structure of an organization can be changed using a number of techniques. In the essay "Values Management", Laurie Paarlberg and James Perry write that "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 statements, training, reward systems, and even the budgeting process" (387). These are not strategies that work overnight: "recruitment, selection, and retention of employees" implies that influencing values is difficult enough that it's easier to screen for the desired values during the interview process than it is to change them within existing employees. The importance of "mission and vision statements" is further elaborated on in another essay by Paarlberg, "Transformational Leadership and Public Service Motivation", where she writes that "leaders who communicate a value-based organizational ideology—manifested through mission, vision, and strategy—positively influence employee behavior" (711). Within a democratic government, parties often define themselves through their values first and foremost: whether they are conservative or liberal is usually what the average person knows about a party if they know nothing else about their policies, history, and so on. Most political parties make their values and vision statements readily available on their official websites (as does the Public Service Commission of Canada, despite being nonpartisan—without their own declaration to value nonpartisanship, the value statements of the various parties would be somewhat pointless).

Just as the values and rules of an organization must align, so too do the goals of the organization and the self-interest of the individuals. If they aren't in harmony, one runs the risk of encountering either overt unwillingness or the principal-agent problem (the worry that an agent is working in their own self-interest rather than that of their principal). As organizations grow more complex and positions are created that require flexibility and creativity, the potential consequences resulting from a conflict of interest grow. The public service is a good example of this: though it exists to assist the leading party in achieving its goals, it is also staffed independently rather than being appointed and tends to have more technical expertise than the ministers it serves. Though public servants are meant to be fair, transparent, and nonpartisan when it comes to their professional duties, the hypothetical power they would have if they went against these values tends to lead to wariness on the part of ministers. Encouraging a shared set of values only goes so far in assuaging this fear: the development of partisan counterparts to the nonpartisan bureaucrats (such as the Prime Minister's Office) implies that leaders ultimately trust their subordinates more when their self-interests are more closely aligned.

A totalitarian organization relying only on rules-based management will need to strain its eyes constantly trying to make sure its employees don't work against the organization itself, failing to make use of the advantages a shared value structure and aligned self-interest would bestow in terms of self-regulation and motivation. Likewise, a values-based organization lacking rules and a functional reward structure will deliver uncontrollable results, which is inappropriate for all but the most artistic situations, and certainly not ideal for the majority of governmental operations. This is under the assumption that either organization could last long without collapsing. Therefore the argument is not that one is better than the other, but that the two must be harmonized and that there are good and bad ways to do so. Regardless of whether one's organization requires uniform consistency or flexible creativity, the most important thing a manager could get wrong is having his or her employees want something different from the organization itself. When introducing change, this fact will help reduce resistance towards the new order, and prevent reverting back to the old one.

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