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Timo Meynhardt ^a; Jörg Metelmann ^a

^a Department of Management, Center for Leadership and Values in Society, University of St. Gallen, St. Gallen, Switzerland

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Pushing the Envelope: Creating Public Value in the Labor Market: An Empirical Study on the Role of Middle Managers

Timo Meynhardt and Jörg Metelmann

Department of Management, Center for Leadership and Values in Society,
University of St. Gallen, St. Gallen, Switzerland

Abstract: This article analyzes public value creation by the German Federal Labour Agency (FLA) from a middle management perspective. We relate the role description of a public value manager by Mark Moore with middle management research inspired by Floyd and Wooldridge. As a result of a case study we conceptualize critical experience of middle management and its antecedents in balancing different value dimensions. The conflict potential is seen less in managing different expectations from the top and the front line, but rather in enacting an integrative public value manager role itself which requires significant adaptive and value-balancing work customarily attributed to professional (private) leadership.

Keywords: role conflict, public value, middle management, value-balancing leadership

INTRODUCTION

Mark Moore's *normative* impetus for managerial behavior in the public sector (Moore, 1995) stimulated an emerging public value management research (Benington, 2005; Blaug et al., 2006; Jørgensen, 2007). Those contributions which focused on *managerial actions* primarily argued deductively, i.e. in a non-empirical and conceptual manner. For example, Kelly et al. (2002), Stoker (2006) and O'Flynn (2007) set up guidelines for correct and efficient actions and Talbot (Talbot, 2006) provided a framework of public value creation. More generally Broussine (2003) named skills of public managers (e.g., tolerance of ambiguity and uncertainty) and Christensen et al. (2007, p. 102ff.) enumerated classifications of manage-

Address correspondence to Timo Meynhardt, Department of Management, Center for Leadership and Values in Society, Tigerbergstrasse 2, CH-9000 St. Gallen, Switzerland; E-mail: timo.meynhardt@unisg.ch

rial role models in the public sector (not explicitly mentioning the *public value* manager).

Deductive research led to deductive critique: To take a prominent example, Rhodes and Wanna (2007) portrayed the new public value managers—without *any* reference to empirical data—as “platonic guardians” and sketched the picture of an anti-democratic turn in administration theory. With reference to contrarian experiences in administrative practices (but *without* empirical evidence), this criticism of Moore has been harshly criticized as “misleading, misplaced or just plain wrong” (Alford, 2008, p. 358), which in turn was dismissed as ‘wish-wash’ and laughable misinterpretation (Rhodes & Wanna, 2008, pp. 367–370).

Whereas Moore based his recommendations on more than 600 case studies, teaching programs and interaction with practitioners, we are not aware of any inductive study afterwards about actual managerial behavior—there are, of course, exceptions as several Work Foundation papers (Collins, 2006, 2007; Fauth, 2006; Horner et al., 2006; Skidmore, 2006).

We conclude that there is a need for more empirical research to further substantiate Moore’s initial notion and link theoretical insight and practice. In this study we illustrate how middle managers in a large German bureaucracy perceive public value creation and identify antecedents causing or mediating the behaviour of managers. We see middle management as a promising unit of analysis, because it is where access to strategic ideas from the top (policy) and implementation (administration) at the bottom are reflected almost naturally.

CONCEPTUAL FRAMEWORK

In their influential study Floyd and Wooldridge (1992) identify four strategic roles for middle management and subsequent activities along two dimensions: “upward/downward” and “integrative/divergent”; of these roles “implementing deliberate strategy” is the most important, because otherwise the whole coordination of diverse elements of strategic change would break down. More than the other activities “synthesizing information,” “championing alternatives,” and “facilitating adaptability” the implementation role requires a concise and self-conscious fulfilment.

To strengthen the middle manager’s capacities continuous investments in the management and organization development are considered necessary (Floyd & Wooldridge, 1994, 1997). Currie and Procter emphasize this need for help for middle managers especially in the public sector because the role conflicts are much more intense due to the enormous changes in thinking about bureaucracy in the last 20 years (Currie & Procter, 2005, p. 1351).

The changes involve a shift towards a more entrepreneurial and economics-oriented approach in administration which has been described as challenging traditional “bureaucracy” by ideas of “enterprise”, as Du Gay put it (du

Gay, 2004, p. 38ff.). Elements of entrepreneurial practice from the private sector, e.g., devolved budgeting, audit, performance appraisal or contract management have been introduced to professionalize bureaucracies in order to create more flexible and adaptable institutions (Osborne & Gaebler, 1992).

As a consequence of the perceived shortcomings of introducing a stricter output/outcome orientation to ensure more economic efficiency and responsiveness to citizens (Göbel, 2007), “traditional public management” was not only contrasted with “new public management” but also with “public value management.”

According to Kelly et al. in the traditional model the role of the manager is to “ensure that rules and appropriate procedures are followed” and she “delivers accountability.” In new public management, the role is “to help define and meet agreed performance targets” and “deliver objectives” (Kelly et al., 2002, p. 10). In public value management, the role is “to play an active role in steering networks of deliberation and delivery and maintain the overall capacity of the system,” and ultimately “deliver dialogue.” Assuming that each of those “management paradigms” highlights important aspects of complex managerial action, they crystallize the essence of shifting dominant foci.

But what are the critical experiences of middle managers seeking to create public value? How do they reflect on their strategic roles and deliveries? What are antecedents for them, i.e., cues that cause middle managers to act and behave in a certain way, and cues mediating potential conflicts in daily operations? We try to fill this research gap by refocusing the tensions of middle managers’ work in public administration.

This focus requires a certain degree of freedom on the part of civil servants (Talbot, 2009, 14), i.e. discretion in administrative decision-making is necessary for plausible argumentation (this is a central point of the ongoing Australian discussion on “Platonic Guardians”, cf. Alford, 2008; Rhodes & Wanna, 2008). In the established division of Germany’s administrative structures (Westphalen & Bellers, 2001, p. 444), both the “regulative administration” (Eingriffsverwaltung) and the “distributive administration” (Leistungsverwaltung) function (partially) according to the principle of discretion, and both of them can be found in the FLA’s daily work on the basis of the Social Law framework.

Starting with a lens of an integrative value theory (Meynhardt, 2004, 2009) our basic assumption of public value creation is an evolutionary perspective, where value is only created in the eye of the beholder. What is not reflected on an individual psychological level is not regarded as value “created”. Value “exists” in relationships as a result of evaluation. “Value is the relationship” as the philosopher Johannes von Heyde put it (1926: 77, own translation). Analysing public value creation thus means understanding, explaining and assessing the evolution of subjective (e)valuations in relationships.

Value creation in this sense is a result of subjective evaluations on the extent to which basic human needs are influenced (satisfied or dissatisfied). *This is the basic act of value creation.* In integrative value theory four basic dimensions are distinguished: utilitarian-instrumental, political-social, moral-ethical,

hedonistic-aesthetical. Public value creation is to be assessed according to those dimensions; it cannot be reduced to just one.

A solid foundation of this value theory is conceptualized in four basic functions or “needs” which are interrelated but not substitutable: need for positive self-evaluation, need for maximizing pleasure, need for gaining control and coherence over one’s conceptional system, need for positive relationships (Epstein, 1989, p. 8; 1993, p. 321). These four basic needs can be translated into an individual’s motivation for e.g., positive self-concept/self-worth and for a feeling of high self-esteem in social comparison. Value then can be “created” in the process of evaluation to the extent that a certain action/ person/ thing/ entity etc. will contribute to satisfying or dissatisfying basic needs (see Table 1).

Public value theory also argues that the “public” in managerial action should be regarded as a “fictitious body,” i.e., as a necessary mental fiction. As it is cognitively impossible to analyze the complex constellations of norms, stakeholders and different claims every time, a manager must simplify complexity and needs to refer to a more abstract concept of “society” and its

Table 1. Relation Between Basic Needs and Basic Value Dimensions

Basic need for . . .	Translation into a motivation for . . . (examples)	Basic value dimension
. . . positive self-evaluation	<ul style="list-style-type: none"> . . . Positive self-concept and self-worth . . . Consistent relationship between self and environment . . . Feeling of high self-esteem (in social comparison) 	Moral-ethical
. . . maximising pleasure and avoiding pain	<ul style="list-style-type: none"> . . . Positive emotions and avoidance of negative feelings . . . Flow-Experience . . . Experience of self-efficacy due to action 	Hedonistical-aesthetical
. . . gaining control and coherence over one’s conceptional system	<ul style="list-style-type: none"> . . . Understanding and controlling environment . . . Predictability of cause and effect relationships . . . Ability to control expectations to cause desired outcomes 	Utilitarian-instrumental
. . . positive relationships	<ul style="list-style-type: none"> Relatedness and belongingness attachment, group identity optimal balance between intimacy and distance 	Political-social

networks und institutions as a regulative idea. From an actors' perspective public value is internal, i.e. an internalized perspective operationalizing "public interest" and linking it to motivational forces.

In sum, "public value" points precisely to the evaluations concerning the relation between the individual and the public. With Talbot we thus state that "Public value then is the combined view of the public about what they regard as valuable." (Talbot, 2006: p. 7) In the eyes of a public manager it is linked to her indispensable "judgement" and personal public value ethos.

The public sector is to be seen as a special case of public value creation. Public sector actions are framed by laws and their value creation can be defined as realized public interest. Both of these highly discussed notions—public value and public interest (Bozeman, 2007; Münkler et al., 2001/2002)—relate to a notion of the collective.

Assuming that public interest may in principle be derived from and referred to a constitution, the actual public values as values held by the public may substantially differ. For example, whereas a constitution sets a certain value on individual liberty as a normative frame for any public action under consideration, only shared experience indicates to what extent the intention is realized in everyday life.

In this view public value is not a phenomenon external to the law. Executing law correctly is an attempt to create public value as realized public interest in the public sector. To what extent, however, public value is actually created in this way is less clear: the value "is" only in the perception of the people evaluating their experiences with the execution of norms.

Given this, it may be easy to understand that "public value is not governmental" (Jørgensen & Bozeman, 2007, p. 373f.) either, but a complex link between the individual and society via a dynamic network of evaluations in relationships. Assessing or measuring public value(s) thus means analyzing these networks and determining standards of evaluation (For a review of methods: Bonini, 2005; Cowling, 2006; Hills, 2006).

Against this background, we aim to conceptualize experiences of middle managers in regard to how they integrate and balance potential conflicts between different value-dimensions associated with public value. In this perspective we do not contrast delivery modes ("accountability" vs. "objective" vs. "dialogue"). Rather we focus on factors (antecedents) enabling and inhibiting the creation of public value—regardless of the delivery mode involved.

THE CONTEXT

With its inception in 1927, the FLA was established as the last missing pillar in the German social security system. Alongside an insurance system for pensions, health and accidents, the FLA has been responsible for unemployment insurance, job placement, and counseling. Following the ever changing

economic conditions and social change, the FLA has implemented labor market policies as defined by the ministry in charge.

With the constant rise of unemployment in Germany during the 1970s, 1980s, and 1990s, the FLA has experienced a reasonably steady growth of employees, up to 105,000 as of today—making it the largest employment service provider in Europe. Directed from its central headquarters in Nuremberg, the FLA operates through 10 regional coordination offices and 178 local agencies throughout Germany. One example for the significant role of the FLA in the German social state has been its contribution to the process of German reunification, as the FLA implemented a number of labour market policies maintaining “social peace” following the dramatic economic changes in East Germany (Schmuhl, 2003).

Triggered by the so-called “placement scandal” in 2002, in which job placement figures were found to have been systematically faked, a commission of inquiry, the Hartz-Commission, recommended a changed agenda for the FLA. Preceded by changes in law designed to “activate” the unemployed, the internal reform aimed for an ambitious “turn around” towards a more customer-service oriented and efficient organization based on new public management principles. According to one of our interviewees this reform has been “by far the most significant effort to bring about change the FLA has ever engaged in” (Cf. Eichhorst & Kaiser, 2006; Hinrichs, 2007; Konle-Seidl, 2008; Vaut, 2006).

The major adjustment is a new performance management system, aiming for more systematic output/outcome oriented administrative behaviour based on increased transparency of results. This backbone of reform affected almost all corners of organizational life: accounting and performance benchmarking, centralized procurement, management by objectives and contracting, redefining of leadership roles as well as standardization of daily operations are directed towards a balanced budget and a more effective job placement. Apart from the re-design of all core processes, including a shift towards more functional organizational structures at all levels, support functions like IT systems and human resource management were also seen to be in need of significant revision and update.

The successive implementation of the some twenty reform projects should result in a different working experience on the shop floor. The formerly highly localized workflows were streamlined across the country. Clear instructions guide job counsellors in allocating resources to customers (e.g., training or job placement) and controlling measures direct employee behaviour, e.g., how many customers are to be serviced in a certain period of time.

The essence of the value creation in interacting with the customer can be summarized as follows: Every decision to be made should be legitimized by a strong assumption that reintegration in the first labor market or any other activity to terminate payment become more likely. If there was no economic rationale, a political mandate was required. A concrete change for customers

was seen in reduced waiting time, a strict appointment system with allocated time slots, faster processing of claims and use of customer feedback.

On a managerial level the reform was intended to increase leadership capacity by strengthening an entrepreneurial culture with a greater degree of freedom in deciding on how to achieve goals, and creating a stronger performance culture by means of a change in appraisal systems and compensation. For middle managers this profound formal re-organization implies a more managerial approach: intense engagement in planning and budgeting, tight controlling processes and increased individual accountability require a transition “from a local labour market minister with a lot of money to be spent at discretion” to “a manager implementing centrally negotiated objectives and competing with other local agencies.”

A figures-focused imperative on performance measured against internal benchmarks confronted middle management with a much narrower performance regime than before. At one extreme there had been an attitude of “let 1000 flowers blossom” (let many ideas emerge) in former times, whereas in the new situation the discretion for experiments and local creativity was systematically limited. As a consequence, “the measurable” has become the dominant focus in performance appraisal. Explicitly, this initial reform step was ultimately intended to overcome a perceived leadership deficit, in order “to let leadership take place” and to overcome economically inefficient spending. A top level senior manager summarized the approach: “Good leadership is delivering results *as defined* by internal benchmarks.”

METHODOLOGY

Case Selection

The Federal Labour Agency has been chosen as a case study (Eisenhardt, 1989, 1991; Eisenhardt & Graebner, 2007; Yin, 2003) object due to very specific circumstances. Firstly, as the most ambitious reform effort in the history of the FLA (as stated above), it is also one of the biggest reforms ever in the history of German institutions. Secondly, apart from its being a major case in point with regard to new public management approaches in Germany (*The Economist*, 2006), we can also base our research on an unusually broad variety of background data and deep organizational insight, collected over 4 years. Our approach comes close to what Van de Ven called “engaged scholarship” (Van de Ven, 2007): In shifting roles of attached insider and detached outsider both researchers developed the perspective for this article by using methods of detached basic research (interviews) as well as more involvement of the intervention research kind.

One researcher was involved as a consultant in more than 50 workshops with middle managers, contributed to two organization-wide employee

surveys (60.000 participants), reform project groups (operations, controlling, human resources, change management), executive training, local implementation of reform ideas in 6 local agencies. The other researcher was involved as a project leader in innovative job coaching (ca. 400 participants).

In order to ensure full use of experience of the reform and at the same time to keep a professional distance, the case study was carried out one year after both researchers' consultant interaction had finished.

The single-case design we chose follows an exploratory approach, as emphasized by Stake: "To sharpen the search for understanding, qualitative researchers perceive what is happening in key episodes or testimonies, represent happenings with their own direct interpretation and stories (i.e., narrative). Qualitative research uses these narratives to optimize the opportunity of the reader to gain an experiential understanding of the case" (Stake, 1995).

Identification of Middle Managers

The identification of middle managers depends on the definition chosen, and as Wooldridge et al. conclude in their thorough literature review, a rather broad one is considered to work best (Wooldridge et al., 2008). Referring to Nonaka (Nonaka, 1994), they propose an understanding that "what makes middle managers unique is their access to top management coupled with their knowledge of operations. It is this combination that enables them to function as mediators between the organization's strategy and the every-day-activities."

Currie and Procter have emphasized for middle managers in professional bureaucracies that "middle managers be identified within [the] operational core of the organization, rather than the corporate centre functions such as human resources or business development and that they were positioned in the organizational hierarchy so at least two levels of staff were below them." (Currie & Procter, 2005, p. 1332).

The local chief executive (VG - Vorsitzender der Geschäftsführung) as the manager responsible for operative and financial performance matches with these criteria. Firstly, she is to be found at the operational core of the organization because all the client services in the FLA's portfolio are offered in the local labor agency—the unemployed are never in direct touch with the headquarters in Nuremberg (Bavaria). Secondly, there are three operating levels below the VG:

1. departmental head,
2. team leader,
3. placement officer.

Furthermore, taking up an additional argument given by Currie and Procter (2005, p. 1332) which also goes along with Wooldridge et al., the top management team identifies the local VG as the relevant middle manager.

Table 2. List of Interviews with Middle Managers

VG-middle manager's labour agency (inhabitants)	Part of Germany	Labor market situation	Experience in FLA prior to reform process	Diverse jobs and experience within FLA
Small City (60.000)	Nord	Average	Yes	Yes
Small city (60.000)	East	Difficult	Yes	Yes
Small major city (100.000)	East	Average	Yes	Yes
Small major city (120.000)	South	Positive	Yes (Ex-GO)	Yes
Small major city (200.000)	South	Average	Yes	Yes
Small major city (200.000)	East	Average	Yes	Yes
Small major city (270.000)	West	Difficult	Yes (Ex-VG)	Yes
Middle-sized major city (500.000)	South	Positive	Yes (Ex-VG)	Yes
Middle-sized major city (600.000)	West	Difficult	Yes	Yes
Metropolis subarea (1.100.000)	East	Difficult	Yes (Ex-VG)	Yes
Metropolis (1.300.000)	South	Positive	Yes (Ex-Go)	Yes
Metropolis (1.300.000)	South	Positive	Yes (pension in 2002)	Yes

Table 2 identifies the selection of interview partners. On the basis of a number of preliminary talks and following a theoretical sampling logic we carefully selected cases to show sufficient variation in external contingencies (size of city, geography, and labor market situation) but also a solid experience base (prior to reform, diversity of roles).

As an interesting constellation supporting triangulation, we decided

1. to use the opportunity to gather data from two different types of middle manager positions: VG as formal head of the local labour agency and GO with operational responsibilities (worked together); and
2. to talk to middle managers who worked as an area's VG successively.

Data Gathering and Analysis

Next to the 11 interviews with middle managers, we interviewed 11 top-level-managers to contrast different perspectives (see Table 3, Top management team was identified as being part of the "dominant coalition" resp. "upper

Table 3. Corpus of Interviews with Top Managers

Top management interviewees	number
Board of Governors	3 (1x Ex)
Next-level and above Management	8
Personnel Board	1

echelons”: Cyert & March, 1963; Hambrick & Mason, 1984). To triangulate, we also included an outsider perspective, namely 3 interviews with executives from another public employment service (Switzerland), who had relevant experience and insight into the FLA.

The interviews were recorded between February and July 2008 and then transcribed; the length varied between 60 and 200 minutes. Variations occurred on the one hand due to very practical situations (managers’ time schedule) and were on the other hand made possible by the semi-structured interview scheme which allowed for great context sensitivity for the interviewee’s perspective.

Following the basic assumption of value theory stated above, we focused on the subjective experience of interviewees. We inquired not into facts of operational performance, but into their individual evaluations. These are not merely seen as opinions or an indicator of a common mood, but the evaluations *are* the value of the discussed institution. The core structure of six basic themes nonetheless guaranteed comparativity of the gathered data as these items were treated in *every* interview:

1. What were your first personal experiences with the FLA?
2. What are constant claims on the FLA?
3. Who defines whether the FLA is successful or not?
4. What are the FLA’s value contributions, where does it destroy value?
5. What is missing to fully capture public value internally?
6. Where do you identify the FLA’s value opportunities in the future?

This structure was maintained constant during the data gathering process. As data gathering and data analysis did overlap (Bryman & Burgess, 1993), the authors were constantly (re-)interpreting transcripts of interviews, observational notes and documentary evidence. In an ongoing process emerging themes were refined and chance associations eliminated to increase reliability and validity. Our case study thus represents a second-order interpretation of perceptions of interviewees, triangulated by observational and documentary evidence (Taylor & Bogdan, 1984).

FINDINGS

Our study consists of two main findings: *First*, despite fundamental cultural differences in the bureaucratic systems of the United States and Germany, we

found evidence for Mark Moore's notion of the public entrepreneur within self-descriptions of middle managers in the FLA. *Second*, we found that middle managers experience not only a conflict as a result of being in the middle of the hierarchy but also conflict in balancing the different value dimensions *inherent* to their position.

Characteristics of Middle Management in the FLA Engaging in Public Value Creation

Mark Moore basically aimed at a normative theory of public value manager behaviour. The leaders in the public sector should be guided to optimize their strategic performance by offering the image of a public "explorer" who is able to seek value creation possibilities on the basis of a rather broad notion of "value" (Moore, 1995, p. 20). This change in orientation seemed necessary because Moore critically viewed tendencies in American society to put private consumption far above common goals. Taxation nonetheless ensures a citizen's contribution to the community. The custodians of this common money—i.e., the public manager in a broad sense—thus cannot be judged according to the paradigm of the economic marketplace and individual preference, but to the paradigm of the political marketplace of citizenship. Moore's concern then was to make public leaders take up a collective perspective and create (seek, sharpen, augment) value in a democratic order.

But how is this going to happen? And: what is the basis of this explicitly normative theory? Moore has suggested an evaluation scheme for public institutions and their manager: (Moore, 1995: p. 52ff.)

1. Values are rooted in the desires and perceptions of the individuals
2. Some of these wishes are expressed by the representational system of government = channeled wills of citizens
3. Public Managers may create value
 - (a) by direct spending (for a park etc.)
 - (b) by establishing an open, innovative institution ("helping to define rather than create public value")
4. Accountability towards the "owners" (taxpayers) is more important than spending
5. What the owners buy from an institution is a "story contained in a policy" (equal to a brochure of a private enterprise)
6. Goals and ends are to be determined according to societal change

The public manager as public value manager must take into account the law (democratically legitimized wills of the citizens), the political sphere, directly affected citizens ("owners") and public opinion. In the face of these accountabilities being

creative means balancing and telling a good story about why one wants to take a certain action.

These accounts are to be seen against the background of a specific American distrust of bureaucracy. Moore's manager seems to be urged to prove on every page/ every second that she is neither corrupt nor pursuing individual goals and thus abusing the power assigned. This appears as another reason for Moore to turn to the private manager: referring to his positively connoted characteristics such as flexibility, innovative power and strict performance control by success should upvalue the actions of the public manager in the eye of the public.

In continental Europe, especially Germany with its traditions of Prussian administrative ethos (practically) and Weberian research (theoretically), a completely different image is predominant (Isensee, 2002; Maier, 1986). In the public eye, administration is not considered as being corrupt or open to abuse in the first place, but—in negative respects—as too formalized, slow and insufficiently oriented to the customer. That was and is still particularly true for the FLA, which was identified as the authority with the worst reputation in a representative study (Schröder et al., 2006).

Thus managers working on the FLA's organizational change must deal with *different* problems than Moore's ideal-type public manager. Our interviews however show that they arrive at similar strategies and solutions. For example, it has been a great challenge after the start of the reform in 2003 to compensate for the fact of heavy budget cutbacks. The FLA wasn't the "rich uncle" anymore, as a VG of a middle-sized major city (600.000 inhabitants) explains:

The loss of money, power and influence means loss of value and public reputation, and even promising projects can't be carried out as in the past. The colleagues did a lot of things that made people say: Wow, the labour agency. That's all gone now and must be compensated for . . . And the only way to do so is through individual commitment.

A colleague from a smaller town (60.000 inhabitants) in Northern Germany adds that these efforts have often been rewarded:

Much more could be done in this moderating, networking segment which gives impulses to society. That wasn't so decisive previously. We always played a part in some way, but earlier our role was greater because we had the money. We were important because we were able to spend a fortune. In 2004 I anticipated: "Now the money's gone, it's been given to the ARGE (Arbeitsgemeinschaft = working cooperation between employment service and social assistance office), and no one's going to talk to us anymore". But it didn't turn out like that, we're still accepted partners, and that shows that we can achieve a lot.

As concrete evidence of project-network activities (Stoker, 2006) examples from all over the country may be enumerated: deepened occupational orientation in schools, networks ensuring the availability of specialists in shrinking regions, job placement coordination in major industrial settlements (as project partner of municipalities and enterprises), summer camp with pupils finishing the “Hauptschule” (secondary modern school, the basic school-leaving level in Germany) to prevent them from immediate unemployment due to the lack of elementary education. These projects stand in a long and often ambivalent tradition of the FLA’s direct contributions to society. There are various offers in regular social welfare programmes that originally emerged from projects initiated by the FLA (such as “meals on wheels”—a service providing meals for people in need, e.g., the elderly). Particularly after the reunification there has been a significant impact of FLA active labour market policy via ABM (job creation scheme) and SAM (structure adaptation measure) on urban development, cultural institutions, environmental protection and sports club equipment (Schmuhl, 2003, p. 564ff.).

But the negative reputation of the FLA tarnishes this basically positive estimation:

We have to make more friends as the FLA, most of all on the level of decision makers. Our modest corporate image is still a great deficit because it inhibits our performance, too. It inhibits every staff member who's not proud to work for us, because it's not a big deal like saying: I work for Porsche or Microsoft. This corporate image also reduces the trust of our clients, when they listen to public opinion and hear things like: Ah, they mess things up, make lots of mistakes.

This statement could stand for many others and demonstrates that the evaluations of the societal value environment are very important.

The VG-middle manager is forced to combine her personal story with that of the reform, i.e., to sell its undoubtedly positive results as the above mentioned “story contained in a policy” (VG, small major city with 200.000 inhabitants):

At the moment, I can well prove my success to the opinion leaders: They come to the agency, it's quiet, no one in the waiting zone, no complaints, my members of the Bundestag tell me that they don't get any complaints about the FLA. In sum, the external reputation is positive, and one can strongly corroborate this with results of a fiscal kind. Yet, this will change.

This success on a local level is primarily owed to the reform as a whole, which induced nationwide improvements of service quality by implementing operational changes. A modern customer center, including a large call-center,

a systematic appointment system with specialists, and a quicker payment procedure have altered the “face to the customer.”

The last sentence (“Yet, this will change”) indicates awareness for constant changes in the economy (e.g., recession), politics (“my members of the Bundestag”) and public opinion (“they don’t get any complaints about the FLA”, i.e., citizens complaints to their delegates)—variables which clearly influence expectations about the FLA. It is important to note that even astonishing financial results (in 2007 about 18 billion Euro surplus!) cannot counterbalance societal embeddedness and the negative reputation of the FLA.

Altogether most of the middle managers’ self-descriptions show significant characteristics of Moore’s public value manager. The statements by middle managers above reflect self-initiative, readiness to take risks where the payoff may not necessarily come in the short-term, as they search for and explore creative ways to fulfil their task in conflicting situations in an entrepreneurial way. Almost “naturally,” this local, highly context-sensitive creative managerial action faces conflicts in considering different value dimensions (economic, political, moral). Our second finding suggests:

Middle Management Experiences Conflicts in Balancing Different Value Dimensions

In one interview a top manager summarized the central suspicion: “Public value is not only about good intentions, but also about smart execution. And this is the problem.” For reasons we will refer to later on, top management remains sceptical towards more degrees of freedom for creative action. As an executive stated: “Society did not thank us for a more open and experimental approach, in regard to a multitude of aspects. Besides, local degrees of freedom also led to arbitrary action.”

As a result of the reform since 2003 the many value dimensions were narrowed down to what top management called “core business” (job placement) and have been implemented in a new planning and controlling system, including performance standards and benchmarking (Eichhorst & Kaiser, 2006). Steering processes via performance indicators without discretion for personal “escapades” of middle managers (formerly called the “Local Secretary of Labour” or “Local Sovereign”) obviously offers security. As a case in point, the use of an article of law otherwise legitimizing creative, experimental action was limited. From a middle management perspective, the initial impulse to focus resources was not rejected in the first place, but as a consequence over time this meant permanent confrontation between centralized control and local sensitivities.

The local creative action might also result from the described financial budgets being available for many years, which rendered an FLA manager very attractive as a co-financier in local communities. But as a historical view

reveals, an ideal of entrepreneurialism in the FLA is anchored much deeper. One path-defining reason for this could be that in the beginning of the 20th century the job-services developed as services at the local community level. Only in 1927 were these very different local entities regulated by law (unitized in a three-part administration with nationwide standards). But the years before, full of experiments and trial-and-error-approaches, had already stimulated the formation of role models in labour market policy. One of these shows clear similarities with the “explorer”-profile:

Particularly the head of an Arbeitsnachweis (former labour agency) or of one of its departments must not be an uninspired average civil servant, but he must have a special skill to hold this office. He must be extraordinarily alert, inventive and resolute. Not only in office, but also in his spare time he must permanently think of developing his office; he must use every occasion to intervene and be informed about every movement in the labour market that is covered by the activities of the office, in brief: like a competent salesman he must constantly aspire to enlarge the effectiveness of his institution. But civil servants with these skills are rare and can only be acquired and kept if they are paid adequate earnings. (from 1911, Rudolf von Fürer on “The Shaping of Labour Markets” cf. Maier, 2008, p. 111).

Right from the start there is a trajectory of a positively connoted managerial role with the manager as active network actor and enabler. And likewise there is right from the start with the foundation of the “Reichsanstalt für Arbeit” (Federal Institution for Labour) the opposite tendency towards assigning all the tasks to the general office (Schmuhl, 2003, p. 143). From a purely managerial point of view this distinctive tension may be regarded as a classic tension between headquarters and local units (as also described in strategy research as difficulties arising from a separation of thinking and doing) (Mintzberg, 1978).

We already mentioned the substantial role played by the FLA in German reunification. In many cities the local agency’s budget exceeded the municipal budget by far—as an example in cash value: the VG of *one* agency in an industrial region in the ex-GDR administered no less than 1 (one) billion DM for active labour market measures (The total amount of payments over the years 1991 to 2000 added up to about 180 billion DM according to a former FLA-president) (Jagoda, 2000, p. 91).

This practice did not simply reach its financial limits, as the statement of a member of the governing board (most important decision making board) proves:

The problem was—until the reform, which I attribute to Gerster (chief executive 2002–2003) and Weise (2003-)—that nothing was rationally

comprehended: What's the effect of the FLA? Weise always said: "The philosophy was throwing money on every problem, thinking that this was part of the solution." And it was completely impossible to believe that it could be part of the aggravation of the problem. But this is possible, as one knows in the meanwhile.

Besides, the FLA was confronted with the so-called placement scandal as described above. At the beginning of 2002, the inspection report of the German Federal Court of Auditors tested the placement statistics in five labor agencies and concluded that 70% of the placements were booked inaccurately. The FLA's internal audit confirmed these figures for a further 11 agencies. It turned out that these errors were not exceptions, and the success and quality of mediation performance had to be regarded as much lower than expected: one third of the 30% correct mediations approved by the Court of Auditors later emerged as "artificial" because the unemployed clients had been sent to jobs in the second labour market, which was partly kept alive with FLA money for active labour market politics (Konle-Seidl, 2008; Vaut 2006).

The scandal exacerbated far-reaching scepticism towards the FLA in the political environment (*The Economist*, 2006; Hundt, 2002). This critical perspective—lack of transparency, low efficiency and exaggerated costs—was compounded with challenges reflecting general changes from a national industrial to a globalized service society (Schmuhl, 2003, p. xix; Thuy et al., 2001 p. 9ff.). Lack of legitimacy and a fiscal crisis fortified each other as major driving forces of administrative reforms (Pollitt & Bouckaert, 2004). So it is no coincidence that the placement scandal ran parallel with the peak of German enthusiasm for New Public Management impulses: The national scandal opened up a "window of opportunity" for a major reform of the institution that has already been described above.

These recent events set the context for public value creation in the FLA from a top management-perspective. It seems rational to send very rigid signals to its 178 middle managers and limit the scope of value creation. A formerly highly differentiated set of local approaches (as a reflection of a larger autonomy and managerial creativity) with often unclear or even detrimental effects on job placements and budget were no longer acceptable in a new public management paradigm, where transparency and quantifiable results are at the centre.

As interview statements state more precisely, top management-decisions in this situation were never intended to fully support a purely economic approach. The focus on short-term key figures without focussing too much on long-term effectiveness was regarded strategically necessary. Being aware of the arising tension, top management called for a more explicit contract by the politicians justifying an additional mandate for resource-intensive active labour market activities (e.g., for so-called "Betreuungskunden", clients faced with multiple obstacles to finding a job). In other words, everything not being

justified by a short-term impact (integration in the labour market, savings) should be extra-legitimized from authorities.

The FLA leaders' openness towards questions of a more integrative value creation approach might be rooted in a deep conviction that a short-term perspective per se does not solve the problems. On the other hand it has been plain to top managers (as well as middle managers) that returning to the logic of massive socio-political interventions is virtually impossible. Broadening the focus of effectiveness from a restricted fiscal perspective towards a more integrative performance system could be the next step, as statements suggest. New Public Management would then have to be seen as a coercive step, but not as the end of reform.

But the political context and pressure on top management's decisions might not be fully evident on the grass-roots level. This becomes particularly clear when contrasting the double-sided tensions between key figure prevalence and integrative approach (as strategy tension, as tension in hierarchical communication) with foreign estimations contributed by other national public employment services with different structures and mentalities. For triangulation purposes, we have held diverse background interviews in Austria and Switzerland.

Whereas the Austrian labor market service (AMS) faces similar tensions and problems after the implementation of an adapted balanced scorecard model in 2006 (BMW, 2006), the Swiss situation turned out to be completely different and thus illustrative. In-depth interviews covering three hierarchy levels from local responsible to ministry department executive provided profound insight into strategy, management control system and middle manager's action framework in Switzerland in comparison to Germany. A former FLA-employee, now working in the Swiss public employment service, critically commented on top management's NPM-focus:

It's a complete farce to state: "We're managing by agreements on objectives"—these are no agreements, but virtually prescriptions. Head office says: "I want to have some more percentage here, some less there. It's up to you to deal with it". But then you find yourself in follow-up talks listening to: "Oh, you haven't made it, why not?" This leads to an ingenious reporting system even going as far as the presentation of a fantastic best-practice-platform, but it is totally oversized and kills creativity. Because I've seen too many managers who were not leaders but well-behaved clerks who tried to reach the goals demanded by RD (regional department, middle level) and head office. In my opinion, the FLA will break down over this in the long run.

From this perspective of the Swiss employment service, the new management approach appears "hardline." A department manager responsible for the labour market in the Ministry of Economics in Berne sums up his experiences in Germany:

It definitely has so much to do with trust. In our Swiss case one could even say with naivety when we state: "Here in Berne we don't know; the people on the spot know better." In the FLA's head office people know how to do things or at least believe that they do, that was my impression. But I've been surprised again and again how many bright people I met in the agencies all over Germany, and at how they were talked about at the head office: "They won't make it anyway". Not so good for the climate of an enterprise, I guess. And then raising the pressure on the agencies and, yes, partially using brute force to get them to the level they want.

The executive of a regional labour office in East Switzerland picks up the 'trust'-argument and adds the importance of context sensitivity on the spot:

It's the job of the assistant or placement officer to set priorities. He has to invest his resources in where he sees possible success in the labour market. We have so unbelievably many figures, all too many . . . One must have trust and may not confine employees too much. In my opinion, this is killing effectiveness. But I noticed the German placement officers don't have this discretionary space. And I also noticed that to some extent the front-line is weakened. Take the EURES-advisors (EUROpean Employment Services) for example, they were moved off the front-line because it was considered more effective to keep them all centralized in Nuremberg or Bonn. For us Swiss federalists, it's a completely implausible judgment. Because we send as much staff as we can to the front.

Following the different statements it becomes obvious that top management and middle management have different ideas about the importance of sensitivity to local circumstances. As a statement by a governing board member documents:

I'd consider it important that middle managers' creativity is not misused for self-profiling, in the sense that they claim: "It's my unique selling point having the best and most beautiful lounge." They should on the contrary come up with a strong team spirit: "Whatever I reckon as right and good, it's only really good if we can carry it off anywhere". Right from the beginning eight to ten persons should negotiate on an idea and find a kind of informal consensus, so things can be multiplied for the institution as a whole. And not: "This is my baby." That's why I perceive local activity as a difficult matter because we have to put some uniformity into it.

Immediately, the perspective is refocused on multiplication (logic of key figures), not on an application logic on the spot. The VG-middle manager's

view of the problem is in stark contrast: Her task is to bridge the tension between measurable key figures and an emerging additional opportunity for public value creation, which substantially contributes to job placements but is not easy to measure.

I have to trust that what I'm doing will add to the higher intention and purpose. An example: We've established a network to ensure the availability of specialists consisting of ten institutions, among them the FLA as a coordinator, and it was my advance contribution as responsible middle manager to order that a placement officer should do nothing else but this network coordination. Of course I cannot assess him like all the other employer-oriented placement officers. Thus, I have to trust that my superiors in the FLA's hierarchy have faith in me that this measure will principally improve matching processes in my area and raise the penetration rate, and a lot more.

What is the motivation of this VG (city with 60.000 inhabitants) for such entrepreneurial activities?

I've got to do everything in relation to my region. I cannot tell whether this is fully appreciated all the time or rather not: anyway, I'm 54 and that's my way of doing things. My position is to say: If I go too far in using my discretion, they can of course say "that was stretching it a bit"—After all I'm in a hierarchy. I remember well the introduction of the new Client Centre when the phrase used was: "These are crash barriers". And I said to myself: Sometimes crash barriers are there to be used, so I have to run into them to improve myself.

This management approach reflects Moore's call for a public manager who would override prescriptions and test out limits in the worst case ("After-the-fact-accountability") (Moore, 1995: p. 305f.). To guarantee that this *explorative habitus* does not end-up in arbitrary action, it must rest in a person of great sovereignty, richness of experience and cool judgment—Moore has named this a "cool, inner concentration" (Moore, 1995: p. 308).

Key figures should guide my activities, and for long-term, sustainable strategies our figures don't do that. That's why I have to be convinced myself that it's the right thing I'm doing—even if I cannot rely on a performance indicator to confirm it. (VG, city with 600.000 inhabitants)

What middle managers state time and again is a one-sided domination of key figures. This can paralyze creative action and huge value creation potentials may not be realized: "Good ideas routinely died before they ever saw the light of day" (Huy, 2002, p. 74).

Vice versa a key figure for rewarding creative action could enhance managerial engagement significantly. Our interviews however did show the conflict is *not* simply resolved by a new figure. As another VG-middle manager adds that this is “because even every new quantitative key figure is overloaded; how much more will a rather qualitative one be – the crucial point is to transmit the right spirit.”

As a VG-middle manager from the ex-GDR explains (small major city with 200.000 inhabitants):

We have given—this is particularly true for the new Laender (federal states)—only little or few weapons to our first executive level when changing from implementing to leading. They haven’t received the special knowledge a leader needs. If you look closer at the many deficits which exist in this field—the FLA is doing many things which I regard as fully correct and necessary. But the need is so great that I have to say: In many ways our problems are problems of the executive staff.

One aspect of the “right spirit” named by a former middle manager (metropolis in West Germany, 1.300.000 inhabitants):

At that time I was deeply impressed not only by the diversity of employees, but also by the many executives who acted autonomously. I met many managers with a clear orientation towards the deeper spirit of the task, who permanently tried to shape things and they are great persons who influenced the thoughts of their employees. (. . .) On the other hand this arbitrariness that lets many impossible managers loose in this field, with no risk. I’m not talking about specific persons, though I’ve got one or two in my mind. It was impressive to see the executive training courses in Lauf (the FLA’s academy, near Nuremberg), where they dealt with big issues, but the question of a binding application to everyday life was left open. That has not been changed until now, not even by the reform.

DISCUSSION

Middle management research often focused on the conflict potential arising from a hierarchical “sandwich position” of being in between top management and operations. Our findings support the basic idea. “Championing alternatives,” “implementing strategy” from above, as well as “synthesizing information” and “facilitating adaptability” by moderating the criticism of actors below is all part of the every day life and managerial cognition as we saw it in the FLA. The FLA’s middle managers act both autonomously as well as semi-autonomously *and* in full hierarchical dependency.

These problems have often been discussed as “role conflicts” so far (Currie & Procter, 2005; Goffee & Scase, 1992; Graen, 1976; Johnson & Frohman, 1989; Westley, 1990), and middle managers are analysed as being “uncertain about whether change is appropriate, what kind of change is appropriate, and therefore, which strategic role is expected” (Floyd & Lane, 2000: p. 163). Our findings clearly support the notion of “role conflicts” due to different expectations in an organizational hierarchy (Floyd & Lane, 2000). A strong dependence on expectations in the environment, as Currie and Procter argue for the public sector (Currie & Procter, 2005, p. 1334), is also found in the FLA.

Our research also shows that the FLA’s middle management is not “uncertain” on what role to perform, on whether or not they should create public value. There is strong commitment on *what* to achieve, and on modernizing this institution (often referred to as “my FLA”). This type of “sandwich position” is widely accepted. This appears as a rather “natural” conflict. Meeting expectations both from top management (“being an efficient manager meeting targets”) and from the frontline (“being empathetic and caring”) and different external expectations do not seem to be the only part of critical experience in public value creation.

A closer look at role theory may explain this result. Floyd and Lane (2000) follow the definition of Biddle who locates dissensus of expectations between individuals precisely as inter-sender role conflict resulting from interacting with different people *in contrast to* intra-sender conflict (Biddle, 1979). Kahn et al., however, differentiate more precisely between inter-role conflicts (multiple roles) and intra-role conflicts including *both* inter-sender conflicts and intra-sender conflicts (Kahn et al., 1964; Wiswede, 1997, p. 117).

In our study another “source” of conflict potential for middle managers became prevalent. It is also “in” the role itself, but due to *intra*-sender conflicts, i.e., it is in the middle of different value dimensions. According to Kahn et al. this is specifically a role conflict, unlike a person-role conflict, where a manager feels difficulties in identifying with a social role, because of her personal convictions (see Figure 1).

Our research suggests that conflicts also arise from the task *itself*, almost partly separated from inter-sender conflict. In other words (and at first sight counter-intuitive), being sandwiched in the hierarchy leads to a different role. The “sandwich position” in public value creation here involves the role of reconciling, integrating and managing multi-dimensional evaluations in a way that public value is not reduced to either pure economic results or political, moral or hedonistic dimensions. As our interviews indicate it is about value-balancing between quantifiable and non-quantifiable results—internally and for the public.

Following our value theory, unclear expectations, the need for subjective interpretation and sense-making—all these psychological phenomena of evaluation are at the very core of public value creation itself. In role theory—based on Kahn et al.—those experiences are conceptualized as role ambiguity,

Figure 1. Types of role conflict FLA: Intrasender conflict as value-balancing task is to be highlighted.

i.e., as a “direct function of the discrepancy between information available to the person and that which is required for adequate performance of his role” (Kahn et al., 1964, p. 73). This ambiguity however cannot be reduced by more homogeneous expectations from different senders; it does not solve the problem.

In other words: Intra-role conflicts in public value creation are not only caused by hierarchy-based inter-sender conflicts, but also by task-based intra-sender conflicts. For the specific organization of the FLA, complexity has its roots in *historical* developments as described earlier, but also in the *nature of the task* at hand. Public value creation is local. Following integrative value theory it is about shaping experiences in concrete relationships.

Defining a public value manager’s task as shaping collective modes of experience and realizing (unexpected) value opportunities is a challenge for middle management. Against the background of our findings it is all too obvious that this claim has a number of antecedents.

In a complex systemic interplay of variables there is no single factor explaining the phenomenon. However, the antecedents experienced as most critical for FLA middle management were identified. Based on our data we distinguish between antecedents which are rather directly influenced internally and antecedents rather indirectly influenced externally (see Figure 2).

Internal Antecedents

Management Control System (MCS)

Following Marginson the construct management control systems can be used to summarize administrative controls, performance measurement systems and less tangible belief and boundary systems—together aiming to coordinate action for desired outputs and outcomes (Marginson, 2002). The effects on

Figure 2. Internal and external antecedents for public value creation.

middle management behavior “are little documented or understood” (Marginson, 2002, p. 1019). In our research the management control system appeared as the major and most important antecedent for public value creating action of middle management.

As reflected in many VG-middle managers’ quotations, the predominant approach in the “steering system” (the FLA’s term for management control system) of planning and controlling based on hard key figures narrows the individual degrees of freedom for creative managerial action. The reason, as described, can be found in organizational history with the urgent need to change an inefficient bureaucracy into a labour *agency* with an augmentation of leadership capacity and operational performance. This dramatic turn-around in 2003 and 2004 might have led to a rather mechanistic implementation of output/outcome measuring tools that can be seen as an in-between phase on the way to multi-dimensional value creation from today’s point of view.

Implementing microeconomic planning and controlling procedures requires a learning process, as a high ranking representative of the employee committee critically remarks:

We have to be careful to write “Kontrollring,” not with a “C” but with “K”—that’s how I put it in assemblies (“K” from German “Kontrolle,” meaning here: surveillance) (. . .) Because to me it seems as if the controlling system gets abused by executives with deficits or simply due to the fact that executives are not able to evaluate their employees otherwise. Or to be prudent let’s say “misused.” They take the figures and values they have as a measurement of capability and incapability, and this is mistaking the system.

The conflict between key figure and core values in the ‘steering system’ reaches down to the placement officer, the lowest level in the hierarchy. One of the central values, if not the core of the FLA’s culture is *help*, assistance to someone looking for job (motto of the vision statement: “We bring people and work together”). This value strongly influences local staff up to the middle manager (GO = executive with operational responsibilities, 120.000 inhabitants):

Right from the moment when key figures bring a certain drive to the place, a kind of defensive attitude and even anxiety come up very fast. This has been explained like this: “Well, our social political mission is actually . . . and so on. I became a placement officer to help people.”

And I think there still is this strong basic idea of ‘wanting-to-help’, even when you smile about them in job interviews because one thinks: “If you knew what you’re about to engage in—key figures 1,2,3 etc.!” I would appreciate going all the way and saying: Let’s stop for a minute, take a look at where we are, what we’re doing, what we have accomplished. There is still a long way to go, but: What is our value for society?

The discomfiture of the FLA’s “social political soul” due to the ongoing reform can revive older reservations of the periphery against the headquarters that have been cultivated for years (Ex-VG-middle manager with 50 years of job-experience in the FLA, 1.300.000 inhabitants)

At that time I said: “You know, the fatal thing about this whole apparatus is our perception that in the headquarters you don’t find the thinkers (“Denker”) but the tinkerers (“Ausdenker”). Every day they invent something new which they take for our life, and they sort of correct our life, lead us down the right path. But the notion they have has always been wrong and that’s why they’re always wrong in setting the course.”

The *felt* discrepancy between the *felt* previous organizational climate and culture and the key figure logic of controlling could only be bridged if there was an indicator for softer performance factors that highlights good personnel work, a sustainable management of organizational change and value-seeking initiatives in the environment. But in the headquarters there is no consensus on this “soft” key figure. The top management team is ambivalent about less tightly applied planning and control. So the ideal of “emotional balancing” (Huy, 2002) expressed in a VG-middle manager’s statement seems to be still remote:

As VG, my wish is to have as many opportunities as possible to steer things on my own and use the existing tools as I like to apply them in my agency. Every region has its specific situation, has its own problems—

I want to advise strongly against any levelling! Nonetheless I do see the necessity of measuring and controlling the freedom for manoeuvre of the agencies, and I feel that the headquarters and the regional departments have the need and the opportunity to survey what happens in the agencies.

On the other hand, one might argue that only via this hard and maybe exaggerated cut in the organizational processes could the *other* value dimensions become as clearly recognizable as they are now. A balanced interpretation of the implementation effects of management control systems would even state that there are also gains in scope of action for the FLA's middle managers as there were often many more detailed instructions for them prior to the reform. This could be seen as a mostly overlooked positive impact of NPM. At the same time, there are still clear instructions from the headquarters following an input-steering model, e.g., the prescribed percentage of unemployed to be sent on training programmes to acquire qualifications.

The emerging logic of value-balancing, acclaimed by all actors in middle management and top management as our interviews prove, can thus be seen as a deeply rooted basic assumption: Performance is more than financial and process key figures, but there is no good total performance without them—there is nothing as anti-social as wasting contributors' or taxpayers' money. The steering system must be coupled more loosely to the total performance measurement; it is not a matter of yes or no of economic imperatives but of degree, with the mission of finding the best circumstances for value creation in all of the operational sectors.

Against the background of the basic assumptions of our integrative value approach it is crucial to underline that public value creation in the public sector is not an add-on-business ("economic performance/ key figures okay, so let's do something additional for the public"), but the very heart of the institution. In every meeting of the unemployed client with her placement officer, in every contact of the middle manager with a local enterprise or municipal representative, "society is at the table as well." This is the extremely demanding nature of the public value concept that cannot be overestimated.

Interestingly and partly counter-intuitively the most relevant antecedent is thus not to be found in (external) legal obligation. On the contrary, § 1 of the Social Law, Book III, could be used for legitimizing almost any measure of labour politics. It is the actual stress of the FLA's top management team on performance indicators (internal antecedent) that restricts possible actions – and partly finds itself trapped in the performance paradox:

It really is a confronting paradox to argue that the performance movement is in fact acting against improving performance, not just because of the use of wrong indicators or gaming, but because of the essential features of this focus on performance. (. . .) One of the issues is to what

extent performance is pushing other values away because of its maximising and uncompromising obsession. This is a matter of standards of performance which make other standards suffer. (Pollitt & Bouckaert, 2004: p. 166)

In the same direction, Smith argues that the outcome of a narrow performance management system, i.e., dominant focus on quantifiable outputs, goes along with tunnel vision, myopia, measure fixation and ossification of the organization (Smith, 1995). Our study shows that it is not the steering system itself which causes tensions, but the growing self-reinforcement of the system in using it due to an administrative culture in which correct execution has a long track record and is seen as a value itself. Marginson concludes in a similar way, i.e., emphasizing the managerial perception of any system as the mediating variable (Marginson, 2002: p. 1027).

In sum, our case study suggests that a management control system does not suppress public value creation per se, but it sharply raises awareness for the different value dimensions and explicitly calls for balancing them. The quality of the system and its use reflects the organization's inner state of imperatives as to which and how values should be balanced.

Managers' Capacities

The possible path for further institutional development on the basis of an integrative value management is thus to be seen neither as a roll-back towards former times nor as a simple movement forwards, but as the call for constant learning and adaptation. Managing different value expectations on the basis of solid performance results, i.e., keeping up the tensions in a modified controlling system, requires highly skilled leaders.

As we have outlined, our approach does not aim at a kind of "public value ethos" (Jørgensen, 2007, p. 371ff.) but more distinctly at a specific kind of value-consciousness on the part of the middle manager. Improving actions as communicator and networker in a complex environment is a process requirement, but the real progress would be a substantially negotiated local strategy on the basis of an integrative value scheme. As the quoted opinions suggest, this demand for qualities usually associated with leadership development might turn out to be a bottleneck in the actual organizational culture (Currie & Procter, 2005, p. 1351). It is nonetheless the task for the future. This goes back to a top management statement: "Public value is not only about good intentions, but also about smart execution."

In fact we identified a lot of balancing and adaptive work customarily attributed to professional (private) leadership (Heifetz, 1994). Providing for a public value compass could be one way of supporting concrete managerial decision-making in practice (Meynhardt & Metelmann, 2008), thus translating the complex structure of a value-balancing leadership model into a feasible management tool.

Role Security

Currie and Procter identified job insecurity as a contingent factor, limiting middle management in enacting a more strategic role (Currie & Procter, 2005, p. 1344). As an effect, job insecurity causes the breakdown of existing relationships, as middle managers tend to compete for posts and those appointed still felt threatened (Currie & Procter, 2005: p. 1337). In our case study, the variable job insecurity played a different role. In the FLA it is not about loss of job in general, but rather a loss of a specific position as a middle manager. Due to a new contract system, the initial appointment is for five years, and afterwards it is decided—on the basis of an appraisal system—whether or not the contract will be extended. As an antecedent for managerial action, it alters middle managements approach to the job. One interviewee described an extreme version as “sea-lion management: everybody aims only for the next herring. This inhibits long-term perspectives.”

This fundamentally different social security situation is reflected in leadership style, as a former VG-middle manager (metropolis-subarea) explains:

The great advantage was that no one in this place had to wonder if he would get his money punctually on the first of the month. Knowing that you'll receive your money is social security, and to me this is a value that should and must and could unleash much more energy—but you always have to remind your employees of it, and that's what I regularly did. (. . .) A second point is a climate of fearlessness resulting from this social security that can be positively channelled by saying: Ok, if we're as privileged as that, let's do something with it.

Risk taking is obviously a two-sided sword: A safety net may stimulate entrepreneurial spirit, but is also a moral hazard, e.g., fostering complacency. Here, the self-perception as “privileged” because of a long-term employment contract is a critical factor for the kind of atmosphere the middle manager is able to induce. The argument of financial security has further importance as the public sector in general pays lower wages.

The FLA has to learn one thing: Change is only possible if you treat the few protagonists you are dealing with—and in the end this is the chief executive of the local labour agency—as adult people. And it is, as I can tell from personal experiences, definitely not the strength of the FLA to treat people in a socially responsible or at least humanly decent manner. And when you even pay substandard wages compared to the national standards, then you have to think about the demands you can make. That's the problem.

If extrinsic rewards do play a less important role in the FLA for creative managerial action, then offering some continuity becomes even more important

(Badelt, 1987; Schedler & Proeller, 2006). Role security is not limited to middle managers, but also plays a critical role for employees. The high staff turnover the last years due to part-time contracts results in ‘importing fresh wind’ but also a limited skill-base which the middle manager can access. The highly complex individual requirements for the management of public value, i.e., influencing complex evaluations of unemployed, employers and the like, also rest on the quality of relationships based on deep expertise and trust.

External Antecedents

Legal Obligation

An important antecedent is the public sector’s obligation by law. Especially in the German/continental European tradition of written law a solid framework of norms and regulations is pre-given for any bureaucratic enactment. In the public sector there is a fundamental imperative to create public value—as defined by a constitution or a similar legal framework. In this sense, the public sector is a special case where it is not a question of “what” values one should help to create, but a question of “how” to realize this imperative effectively and to substantiate it in an appropriate fashion. To search for the public value intention in given law is not arbitrary but the basic frame for public action. Of course, a law system also evolves over time; social reality feeds back into it and promotes a certain dynamics. However, as a *reason and boundary* (Schuppert, 2002, p. 67) it guides public value creation.

Prior to administrative decisions any law must be interpreted in the four classical ways once established by Savigny:

1. literal (should explain the basic content and implications of the law),
2. historical (the contexts of law genesis, its justification),
3. systematic (relation of this norm to other norms and the basic rights),
4. teleological (spirit and purpose of the law) (Rückert, 2006; Vogenauer, 2001).

This is *not* a theoretical point, irrelevant to daily practice—as middle managers say, looking up the legal basis of decisions is part of the profile. The law can also be seen as a basis of the self-confident acceptance (“ethos”) of a pluralistic value management and as such an enabler of the specific FLA condition.

As already mentioned above with reference to Marginson (2002, p. 1027), it is perception of the inhibiting or enabling forces of the antecedent rather than its ‘objective’ shape that influences managerial action. One interviewee stated that often activities are critically judged and stopped arguing with legal constraints that result from interpretations against the background of actual strategic decisions more than from a *de lege lata* perspective. Both the

antecedent MCS and legal obligation thus document managerial cognition and (value-) consciousness as crucial strategic factors and subsequently the importance of research on sense-making processes (Balogun & Johnson, 2004; Rouleau, 2005).

Multitude of Expectations

Also leading back to the core of our research question, the multi-lateral accountability of the FLA is an important characteristic, if not even *the USP* of this administration in Germany, as a high ranking member of the board of governors put it in one of our interviews. This is a specific antecedent different in nature from a stakeholder perspective in the private sector (Freeman, 1984).

Historically, following Hegel's paradigmatic distinction, this institution as an example of welfare measures via social politics has always been located *between state and society*. In Hegel's theory of society prominent features of the growing modern industrial capitalism were summarized for the first time, thus pointing at the tensions between the political ideal of equality and emerging socio-economic inequalities (Kaufmann, 2003, p. 18ff.). The concept of the "social question" brought these tensions to the public consciousness and led to social reform efforts trying to bridge this gap.

In its structure, the FLA as a (late) result of these efforts reflects the impulses both from civil society itself (actors on the labour market: trade unions, reform movement and associations, tardily also employers) as well as the (federal) state's claim to guarantee equal treatment via legal and nationwide norms and services. Thus, up to now, there have always been *two* governance structures: Government (Ministry of Labour) as well as the Board of Governors consisting of the societal actors of the labour market (employers and employees, and actually also the municipalities and Laender as third parties).

Originating in the desire of the market forces to establish a protection against market failure in the labour market, the unemployment insurance in 1927 then became a compulsory insurance with persistent effects for legitimization of the FLA's actions (Schmuhl, 2003, p. 143). Arguments in favour of strict controlling and rigid budgeting underline the accountability for insurance payers' contributions (the value is set dominantly on the utilitarian-instrumental dimension of which the financial dimension is a semi-autonomous part). On the opposite side, broader "social political" concepts often refer to investments not only in compensation (=money in the case of unemployment) as an insurance case, but also in prevention (active labour market policy), thus focusing the value contribution on the moral-ethical and political-social level.

But there are not only the claims of the Ministry (also guaranteeing a cleared budget), of the employers' associations, of trade unions, local authorities and the citizens in a double role as tax payers and employment insurance contributors (compulsory insurance) but also of politicians (accountable for

voters = taxpayers), welfare institutions (cooperating with the FLA in the field of qualification, and the second labour market) and the media which constantly fuel the need to “fight back against unemployment” and criticise the structure of the FLA (“What do these people actually do?”).

The multi-lateral expectations directed at the FLA as a whole as well as at middle managers on the spot can thus be seen as the paradigmatic example of what Olsen stated as the only adequate framing of the subject of administration studies:

Public administration is likely to be assessed in terms of whatever are perceived as important problems by vocal groups in society. (. . .) Making sense of contemporary public administration, then, requires an understanding of the complex ecology of institutions, actors, rules, values, principles, goals, interests, beliefs, powers, and cleavages in which it operates. (Olsen, 2006, p. 7)

Research on public managers has reflected these fundamental work conditions (Olsen, 1988; Pollitt, 2003). As a main motif of our research on empirical cases, we find evidence of what O’Flynn synthesized as “multiple accountability systems including citizens as overseers of government, customers as users and taxpayers as funders” and “multiple goals including responding to citizen/user preferences, renewing mandate and trust through quality service, steering network” as the dominant model of accountability and managerial goals (O’Flynn, 2007, p. 10).

And yet, this formal and structural description does not include the *normative content* of public value creation (in terms of political sciences: no policy, just polity and politics). Public value thinking is contrasted with the “managerialism” associated with new public management ideas and underscores limits and paradoxes of a rather narrow notion of measurable performance (Bouckaert & Halligan, 2008, p. 157ff.; Schedler & Proeller, 2006). But our research does indicate that critical experience for middle management is not reflected in a perceived contradiction between deliveries or delivery modes (“accountability” vs. “objectives” vs. “dialogue”), but in conflicts resulting from different value dimensions. All of them are part of public value creation.

A closer look at the findings of our case through the lens of the underlying integrative value theory can provide first evidence of a substantial public value management on the part of middle managers. On the basis of the four-dimensional value scheme it is easy to understand that putting the focus on mainly one dimension must cause trouble to a value-consciousness as far developed as that of most of the FLA’s middle managers. Due to their socialisation (mainly in the paradigm of ‘help’) and the strong foundation in the German constitution (Article 20: “The BRD as a democratic and social federal state”) and law (obligation to any public sector actions) they engage self-confidently in

their role as multi-lateral agents in favour of the value the institutions contribute to the general public.

Superior Bureaucracy

The FLA is formally subordinated to the Ministry of Employment and Social Affairs which itself is part of the executive to the legislator in the shape of the elected government. Public value management as an activating tool promoting the entrepreneurial skills of administration finds its place between the typically separate branches of policy making and administration, with tendencies to challenge this division—but not overriding it, as was critically noted (Alford, 2008; Rhodes & Wanna, 2008): public value creation is bound by democratic legitimization.

The FLA's top management strategies thus still depend on discussions in the political field and possible redirections in governmental politics. Within the broader range of measures in the social political field, labour market policy might not be considered as important as modifications in the health care system, pension policy or the sector of education. As a result, trade offs between these major claims might lead to changes in the legal basis of the FLA's work that can hardly be averted, such as actual plans in the current coalition government to reduce the percentage of the insurance contribution (with effects on the FLA's fiscal situation especially in times of predicted economic recession).

External Reputation

Public value is created as a result of evaluation. By nature there is a strong subjective element in what different stakeholders regard as "valuable." Managing operations provides the "fact base," but is not the value "itself." The reputation of an institution is a crucial item in public value creation. As one quote colourfully showed, the persistent negative attitude of the majority of Germany's public opinion has inhibiting effects not only on client management (e.g., an increased number of complaints against official notifications) and within the organization as the difficulty to motivate employees, but also in daily operations of the VG-middle manager in his local environment.

Paraphrasing Bouckaert's and Halligan's findings concerning the role of trust (2008, p. 26), the reputation of the FLA can be described not only as a dependent variable but also as a moderator or even independent variable: *The corporate image you wish to change initially stands in your way*. As a consequence of introducing new public management principles the reporting to the public of rather narrow, quantifiable performance measures in turn reinforces a limited scope of public value creation.

As an external antecedent, as our research indicates, reputation is key. If the FLA is not considered a competent network partner and high-performing

organization, the public value creation opportunities are limited on the demand side. Making the FLA an accepted actor and having a foot-in-the-door in the rapidly changing labour market is hard work when on the federal level the organization is not perceived as an agent of change but still as a slow moving bureaucracy on the one hand, and, on the other hand, as a purely performance driven pseudo-Enterprise (in du Gay's interpretation). Furthermore, management reputation locally is an ambivalent business as the increase in network partners' acknowledgement is often paid for by satisfying special interests of stakeholders. Thus, the shape of the external antecedent "reputation" on a local level might not be fighting negative prejudices as much as it is maintaining a value-balancing strategy that is not *dominated* by quick wins due to generous financial cooperation.

CONCLUSION

Our study builds on existing debates on public value management on the one and the strategic role of middle managers on the other hand. To lead back the theory of public value managers' action framework to a solid empirical basis we have analyzed their self-descriptions, top management's assessment and the attributions of other employees (Switzerland). We have found evidence that Moore's concept is applicable in the completely different cultural context and history of German administration. Furthermore we were able to define two main groups of antecedents enabling and limiting the public value creation by middle managers in Europe's biggest administration, which links our results to the field of strategic management research. Our pretence is to have elaborated seven antecedents that could be fully transformed in testable variables in a broader quantitative-qualitative research design.

Apart from identifying some antecedents not yet discussed intensely in the literature on middle managers (legal obligation, reputation), we would emphasize the need to take a more precise look at role conflicts. There have been one-sided interpretations of the seminal work of Kahn et al. leading to unnecessary restriction of description potentials. We suggest further research on the basis of a three-part role-understanding differentiating between inter-role conflicts (multiple roles) and intra-role conflicts including *both* inter-sender conflicts and intra-sender conflicts.

The complex work of the FLA's middle managers not only required structural adaptations of role model theory but also transformations of the contents dealt with. The highly self-reflective and strategically well-informed middle manager finds himself involved in value conflicts most significantly brought to the surface as the tension between key figures and creative project management. He is more than an insecure part somewhere on a tween deck of the "tanker" FLA—Moore's hints at Heifetz' "walk on the razor's edge" (Moore, 1995, p. 308) at the end of "Creating Public Value" should really be

taken seriously. For our FLA case we would even describe this middle manager's situation as paradigmatic for the institution as a whole. The tensions in balancing different value-dimensions reflect the ongoing enormous changes in the FLA's organizational culture. Middle managers' evaluations should not only be seen as important strategic resources for the implementation of top management goals (following Floyd and Wooldridge), but as an indicator of feasibility and commitment at the bottom of the hierarchy (King & Zeithaml, 2001).

Enabling the middle managers' job of managing ambivalences then requires more than a "good work"-atmosphere suggested in the Work Foundation's final report on "How should public servants be managed to deliver public value" (Coats & Passmore, 2008). Most of the "ingredients" of good work (e.g., secure employment, proper balance between effort and reward, fair treatment, strong relationship in the workplace) match indeed with our observation. Especially this last aspect, also referred to as "social capital", seems to be of some importance to the FLA's middle managers. As one of them argued, the benchmarking of their monthly performances in combination with compulsory follow-up talks for the worst 10 agencies results in group pressure and a reduction of deviant alternative proposals. This "internal reputation" could be seen as a part of the antecedent MCS but further research is needed to corroborate this point.

It is the external antecedents that make the business more difficult than this. In every movement of public sector actors, "society as a whole sits at the table"—that is the *conditio sine qua non*. It is the challenge for leaders "to bring diverse stakeholders together in shared-power arrangements in which they can pool information, other resources and activities around a common purpose", as Crosby and Bryson put it (Crosby & Bryson, 2005, p. 184). Our value-balancing approach goes along with their integrative leadership to provide for the common good (Bryson & Crosby, 2006), but we would suggest a straighter division between contents and procedure: The matrix of the four stable value dimensions serves as the *content* heuristic for negotiating and networking in the *process* of evaluating.

As argued above, the predominance of procedural framings (as for example in the model of the "eight main leadership capabilities" presented by Crosby and Bryson, 2005, p. 187f.) does not really contribute to the solution of the essential problems linked to value creation for the public or the common good—these are "problems in studying values" (Jørgensen & Bozeman, 2007, p. 354) and in grounding 'public value' "in our evolved and contradictory human nature" (Talbot, 2006, p. 3). Our value-balancing leadership approach tries to bring these different perspectives together: rooted in value philosophy with the four dimensions, analyzing evaluations as societal communication about values, aiming at a (public) value compass for practitioners on a middle and top management level.

In narrower public value management discourse, we suggest the analysis of tensions due to substantial value conflicts because it seems more rewarding

than conceptual debates on the right use of the “entrepreneur”-metaphor (du Gay, 2004) and the degree to which a civil servant might act according his own ideas. This value-balancing could also prevent us from a reductionist confrontation of New Public Management and Public Value Management, as the ongoing changes in administrative practices are not about black or white but quite complex and interlaced. Finally, the richness of data and possible interpretations in this case could motivate further empirical research in the field of public value creation and management.

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