The Competing Values Framework: An Introduction

The Competing Values Framework (CVF) has been named as one of the fifty most important models in the history of business. It originally emerged from empirical research on the question of what makes organizations effective (Quinn and Rohrbaugh, 1983). It has since been extended as a framework that makes sense of high performance in regards to numerous topics in the social sciences and organizations. The CVF has been studied and tested in organizations for more than twenty five years by a group of thought leaders from leading business schools and corporations. It has been the topic of many books and papers and it has been employed in the improvement of thousands of organizations.

Though the framework is most often thought of as a leadership tool it has shown to have many important advantages. The CVF can be used for all aspects and levels in organizations. For example, It can be applied to personal style, yet the same framework can also be used to assess communication, leadership, organizational culture, core competencies, decision making, motivation, human resources practices, quality, employee selection, organizational capabilities, organizational change patterns, strategy, financial performance and many others. A person can use the language and concepts of competing values to work with people on issues at many different levels. This allows an organization to integrate its work around a common language and framework.

The CVF serves primarily as a map, an organizing mechanism, a sense-making device, a source of new ideas, and a learning system. From the CVF comes a theory about how these various aspects of organizations function in simultaneous harmony and tension with one another. The framework helps identify a set of guidelines that can help leaders diagnose and manage the interrelationships, congruencies, and contradictions among these different aspects of organizations. In other words, the framework helps leaders work more comprehensively and more consistently in improving their organizations' performance and value creation.

More than two decades of work on the CVF has produced a set of intervention processes, measurement devices, and change techniques that capture a comprehensive view of the organization, its outcomes, and its leadership. As we explain below, the framework highlights the inherent tensions and contradictions that face organizations and leaders as they navigate their complex and changing environments. It predicts the future success of enterprises with significantly greater accuracy than models currently on the market. It goes beyond the capabilities of other approaches to leadership development, organizational change, or financial valuation in its ability to forecast, measure, and create positive value in organizations.

To understand how the CVF can be used at all these levels and in so many different organizationally relevant areas it is important to have a strong foundational understanding of the framework. The purpose of this paper is to introduce, at a basic level, the CVF.

The basic framework consists of two dimensions—one drawn vertically and the other drawn horizontally—resulting in a two-by-two figure with four quadrants. When studying the effectiveness of organizations more than two decades ago, we noticed that some organizations were effective if they demonstrated flexibility and adaptability, but other organizations were effective if they demonstrated stability and control. Similarly, we discovered that some organizations were effective if they maintained efficient internal processes whereas others were effective if they maintained competitive external positioning relative to customers and clients (**Quinn & Rohrbaugh, 1981; Quinn & Cameron, 1983; Cameron, 1986**). These differences represent the different ends of two dimensions, and these dimensions constitute the rudiments of the CVF.

More specifically, one dimension of the framework differentiates an orientation toward flexibility, discretion, and dynamism from an orientation toward stability, order, and control. For example, on the one hand, some organizations are viewed as effective if they are changing, adaptable, and organic—for instance, neither the product mix nor the organizational form stays in place very long at firms such as Microsoft or Nike—since agility and volatility typify their performance and are keys to their success. Other organizations are viewed as effective if they are stable, predictable, and mechanistic--for instance, most universities, government agencies, and conglomerates such as the New York Stock Exchange and Boeing are characterized by longevity and steadiness in both design and output—so performance is consistent and even. One dimension in the CVF, in other words, represents a continuum ranging from versatility and pliability on one end to consistency and durability on the other end.

The second dimension of the framework differentiates an orientation toward an internal focus and capability, and the integration and unity of processes, from an orientation toward an external focus and opportunities, and differentiation and rivalry regarding outsiders. That is, some organizations have great value associated with their harmonious internal characteristics—for instance, Dell and Hewlett-Packard have traditionally been recognized for a consistent “Dell-way” or “H-P way.” Others have created value primarily by focusing on challenging or competing with others outside their boundaries—for instance, Toyota and Honda are known for “thinking globally but acting locally,” or, for having units adopt the attributes of local environments instead of a centrally prescribed approach. This dimension ranges, in other words, from cohesion and consonance on the one end to separation and independence on the other.

In order to create value in and for organizations, it is sometimes effective to focus on expanding options, creating new ideas, self-organizing, and collaborative learning (i.e., focusing on the Collaborate and Create quadrants). Coping successfully with the changing conditions of the twenty-first century, for example, requires constant adaptability and flexibility. The half life of almost any technology on the planet is less than six months, so single entrepreneurs and laggards in new product development will most certainly be left behind. Just ask leaders in 3-M, Microsoft, or Amazon.com.

Other times it is better to focus on maintaining objectivity, gathering and analyzing data, and carefully monitoring progress (i.e., focusing on the Control and Compete quadrants). Just as constant change requires the identification of something stable to be effectively managed, so also organizations require predictability and reliability to produce lasting value. Companies that consistently outperform the market over time are those that have stable cultures, consistent visions, and dependable processes, including firms such as Harley-Davidson, Rubbermaid, and Walgreens (**Collins & Porras, 1998**).

Creating value also can be pursued by focusing on external opportunities such as acquisitions, identifying future trends, pursuing innovative ideas, and competing for market share and growth (the Create and Compete quadrants). The focus is on the right side of the framework, or on opportunities located outside the boundaries of the organization. General Electric, for example, has remained one of the world’s most successful firms by constantly engaging, acquiring, and competing with entities outside its the traditional market niches (**Tichy & Sherman**, 1994). On the other hand, value creation may also occur through an emphasis on internal capability, or on systems, culture, cost reduction, continuous quality improvement, and human development (the

Collaborate and Control quadrants). The focus is on the left side of the framework, or on elements located inside organizational boundaries. General Electric is also a good example of a company that created enormous value by adopting an internal six sigma quality initiative and a wholesale adoption of the internet as a way of doing business.

Together these two core dimensions form four quadrants, each representing a distinct cluster of criteria—whether referring to leadership, effectiveness, value creation, structure, learning, or other organizationally-relevant factors. The resulting framework represents the way people *evaluate* organizations*,* the way they *process information* and *learn* about their environments, the way they *organize* and *lead* others, the kinds of *value created* for customers, the clustering of *organizational elements*, and so on. The framework also defines what people see as good, right, and appropriate. It captures the fundamental values—or culture—that exist in organizations (**Cameron & Quinn, 1999**). Most importantly, it identifies the multiple ways in which value can be created and measured in organizations.

What is notable about these four quadrants is that they represent opposite or competing assumptions. Each continuum highlights value creation and key performance criteria that are opposite from the value creation and performance criteria on the other end of the continuum--i.e., flexibility versus stability, internal focus versus external focus. The dimensions, therefore, produce quadrants that are also contradictory or competing on the diagonal. The upper left quadrant (Collaborate, yellow), for example, identifies value creation and performance criteria that emphasize an internal, organic focus, whereas the lower right quadrant (Compete, Blue) identifies value creation and performance criteria that emphasize external, control focus. Similarly, the upper right quadrant (Create, Green) identifies value creation and performance criteria that emphasize external, organic focus whereas the lower left quadrant (Control, Red) emphasizes internal, control value creation and performance criteria. These competing or opposite elements in each quadrant give rise to one of the most important features of the CVF, the presence and necessity of paradox.

Each of the four quadrants has been given a label in order to characterize its most notable characteristics for creating value. In communicating to practicing leaders and managers we have found it helpful to use action verbs as labels which can cue leaders as to the kinds of activities that relate to value creation in each quadrant—C*ollaborate*, *Create*, *Compete*, *and Control.*

Dynamics. One of the most important applications of the CVF is as a guide for change. Hundreds of organizations have used the framework to diagnose and implement culture change, establish competitive strategy, motivate employees, facilitate organizational development and change, implement quality processes, develop high potential leaders, and so on. These change initiatives have highlighted the existence of two secondary dimensions in the framework that help guide the improvement of performance and value creation.

One dimension identifies key differences in *dynamics,* or approaches to change. Specifically, the continuum from the upper right quadrant to the lower left quadrant separates an emphasis on change that is new, innovative, unique, and transformational compared to small incremental change that emphasizes efficiency, predictability, and continuity in the lower left quadrant. This continuum separates a focus on *new* from a focus on *better.* Some organizations such as Cisco and 3-M create value by focusing primarily on new product development and creating new market niches *(being new)*, whereas other organizations such as CH2MHill and Wal-Mart focus primarily on rationalizing processes and continuously improving existing services and delivery systems *(being better)*.

The continuum stretching from the lower right quadrant to the upper left quadrant separates an emphasis on fast, short-term, immediate change (lower right) compared to an emphasis on long-term, developmental, sustained change (upper left). This continuum separates a focus on *speed* from a focus on *development.* Companies celebrated by Fast Company or Inc. magazines, for example, are recognized because of their emphasis on reducing cycle times and producing value in ever smaller units of time. Speed drives value creation activities. Other firms such as McDonalds, Rubbermaid, Walgreen's, and Berkshire Hathaway are recognized for their emphasis on staying power over time and the value they place on endurance and toughness. Resiliency drives value creation.

This dimension separates value creation strategies on the basis of speed and scope of action. Two key questions addressed are: "How quickly must we act to create value?" (*Velocity*), and: "How much change must we initiate to create value?" (*Magnitude*).

Level of Analysis. Another supplemental dimension in the CVF refers to the different levels of analysis that must be considered by leaders who desire to create value. Whereas the issue of level of analysis is not unique to the CVF and has been of central concern in management and organizational studies for decades (**Cameron, 1980**), the CVF highlights the need for congruence among *individual* dynamics, *organizational* dynamics, and different types of *outcomes* associated with value creation

Each level emphasizes different elements in the value creation process which, when aligned in a congruent way, reinforce one another in the creation of value. Many organizations focus narrowly on a few types of outcomes—primarily emphasizing financial wealth such as stock price, sales, and profit. The CVF makes clear, however, that achieving valued outcomes in each of the quadrants is crucial for organizational effectiveness over the long term. Leaders should consider multiple outcomes as they pursue value creation strategies. Narrowly defining value to include only economic returns, for example, ensures that the organization will encounter difficulties over time. Outcomes in all four quadrants should be consciously and actively pursued. The development of a well-rounded outcomes portfolio (**Gadiesh & Gilbert, 1998**) guided by the CVF, in other words, is an effective strategy for ensuring long-term success and value enhancement.

Aligning desired outcomes, organizational dynamics, and individual attributes is an important condition for effective performance and value creation (**Cameron & Quinn, 1999**), and using the CVF way of thinking makes this alignment straightforward and unambiguous. These different levels of analysis must each be considered in value creation activities, and alignment among them is an important part of successful application of the CVF. Considering which level of analysis upon which to focus value creation attempts, in addition to aligning individual competencies with organizational capabilities and desired outcomes, are key choices of leaders wishing to increase value.

An Illustration. In 1937, Kiichiro Toyoda founded the Toyota Motor Company in Japan as a spin-off from Toyoda Automatic Loom Works to manufacture cars roughly based on the designs of Chrysler and Chevrolet. Toyota emerged from the rubble of war in the late 1950s to become Asia's premiere manufacturing company and swiftly moved from a regional to a global brand. Gaining a foothold in the United States during the oil embargo of the 1970s, Toyota systematically extended its product array from compact cars, like the Corolla, to mid-size sedans. In the late 1980s, Toyota accomplished the previously unimaginable by successfully introducing, Lexus, a luxury car line to compete with European blue bloods BMW and Mercedes. In fact, the newly introduced Lexus established previously unimaginable initial quality records, and may be said to have been the car that most sparked the quality revolution in the North American auto industry. Today, Toyota is Japan's biggest carmaker with over $120 billion in annual sales.

Toyota is one the few companies that has demonstrated an ability to pursue several directions simultaneously. The traditional organizational identity at Toyota was highly focused and internally directed. Perfecting "lean production" and "just in time" manufacturing techniques, Toyota became symbolized by quality and efficiency which made it a benchmark for automobile manufacturing worldwide. Engineering, extensive product testing and process redesign are competencies for which Toyota has become renowned. More recently, Toyota became more adaptive in order to respond to external challenges confronting the firm. In the face of internal calls for protectionism, Toyota diversified its manufacturing and assembly plants from its core location in Toyota City in Aichi, Japan, to new plants in many regions of the world. To survive the worldwide recession and Asian currency crisis of the late 1990s, Toyota introduced innovative "flexible platform" manufacturing to manage global supply and demand for their products at optimal prices regardless of currency fluctuations. Recently, Toyota has also ventured into non-auto areas such as financial services, and it now runs the Internet portal, Gazoo.com.

The value creation story of Toyota represents both ends of the core dimensions and dynamics continua discussed earlier. Toyota's initial approach to value creation was characterized by internally focused, incremental, and control oriented activities. Fine-tuning production and reducing defects were chief areas of concern. Thereafter, however, the introduction of a luxury car—which exceeded by a substantial margin the quality and design standards of competitors in Europe and the United States—coupled with a dramatically successful global manufacturing and distribution strategy and a rapid automobile design process, put Toyota squarely on the opposite side of the dimensions and dynamics continua. The company, in other words, created value by responding simultaneously to competing tensions and opposites. It was fast and slow, incremental and transformational all at the same time. It created value with flexibility and anticipation as well as with stability and control. It exemplifies a focus on both internal and external concerns. It focused on the future and the past, the short-run and the long-run, quick results and long-lasting results, change and stability, transformation and incrementalism.

In short, by understanding the CVF, and making appropriate choices and effort toward change around the positive tensions facing your organization you will begin to create greater value in your organization.