

# Embracing The Competing Values Framework to Manage Culture

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Since 1995 Chris has followed God's calling as a minister of the gospel and he currently serves as the Senior Pastor of the 1,500-member Oak Hill Baptist Church in Williamson, Georgia. Chris currently hosts a monthly business luncheon called Power Lunch which is dedicated to sharing dynamic leadership principles with a Biblical perspective. Chris is also a frequent speaker to business groups and is the co-founder and editor of [headlineviews.com](http://headlineviews.com), a web site dedicated to strengthening a Biblical worldview.

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## Abstract:

Why do some companies consistently outperform others regardless of industry conditions? This article contends that the single most important factor to long-term exceptional performance is an organization's culture. In order to encourage senior executives to elevate the issue of culture in their strategic thinking, the article introduces the Competing Values Framework as a tool for assessing current and preferred culture, and for managing cultural change. Using specific examples, the goal is to demonstrate aspects of the CVF and offer a template for successfully managing the change process.

Keywords: culture, leadership, strategy, change, organizational effectiveness, competitive advantage, performance, management, creativity, innovation

Three industries have proven exceptionally challenging in the past decade: airlines, fast-food restaurants, and online retailing. The airline industry has been battered to the point that the country's largest carriers report years of red ink and all but one of the industry leaders have gone through bankruptcy. The fast-food industry proved it is not recession-proof as rising commodity prices and razor-thin margins have stymied growth and put several "fast-trackers" out of business. And although online retail sales is growing as a percentage of the overall retail industry, the growth rate has slowed and big box retailers are fighting back with a blend of brick-and-mortar/web retailing. Concerns over high profile security lapses have further dampened this once red-hot market.

Yet three companies have seemingly defied gravity and have experienced stellar performance in the midst of these challenges. Southwest Airlines has an astonishing record of 41 years of consecutive profitability and 20 years on Fortune's "World's Most Admired Companies" list. Privately held Chick-fil-A has grown from its humble beginnings as the Dwarf House in Hapeville, Georgia to become the second largest quick-service chicken restaurant in America with over 1,700 locations and sales exceeding \$4.6 billion. And, although it was acquired by Amazon in 2009, Zappos.com has become the top online shoe retailer and is ranked on Fortune's list of "Best companies to work for."

What distinguishes these companies from their competitors? Perhaps we should be asking the broader question, "What drives effectiveness and exceptional organizational performance?" It must go beyond "getting the right people on the bus." Plenty of marginally performing companies have really smart and committed people. It must go beyond product development. BlackBerry's meteoric fall demonstrates the transience of product uniqueness. It can't be solely strategy since one firm's strategic plan is readily co-opted by others. The answer lies in the strategically vital phenomenon called "organizational culture."

The simple truth, however, is that most C-suite executives are much more comfortable focusing on strategy, marketing, supply-chain logistics, technology trends, finance and global economics than the seemingly esoteric concept of culture. Yet leaders fail to understand and manage their organization's culture at their own (and their organization's) peril. Our goal is to let senior executives know they are not without help and that the Competing Values Framework is a tool that, if properly used, can bring clarity and confidence to the process of assessing, changing, and managing an organization's culture.

## **What Is Organizational Culture?**

Every organization has a culture. Essentially, one can think about culture as "how we do things." A widely published definition of organizational culture is that it refers to "the taken-for-granted values, underlying assumptions, expectations, and definitions that characterize organizations and their members."<sup>i</sup> An organization's culture is discernible in "different layers within an organization along a continuum of accessibility."<sup>ii</sup> Therefore, in order to accurately identify an organization's culture, it is necessary to understand these layers and to properly interpret the cultural indicators at each level.

As shown in Figure 1, at the surface, the most recognizable cultural indicators are known as "artifacts." They include things such as office decor and style, dress codes, language, art, and even public displays of values and creeds. However, while these are the easiest indicators to spot, they can be the most misleading as well. That is because an unfamiliar observer will interpret the meaning and significance of artifacts through their own preconceived biases which

may lead to false impressions of the underlying cultural meaning.

Beyond artifacts are the stated values and beliefs that are intended to define the organization and guide its practices. Frequently, this level of indicators reflects someone's view of what "ought to be" more than what "is." For example, I have visited companies that claim, quite publicly, that "their number one asset is their people." Yet, when I talked to people throughout the organization, I found that the frequency of reorganizations, the relentless demand for overtime and the disregard for one's family life created a quite different "real" culture. Nevertheless, these espoused values and beliefs are clues to deciphering organizational culture.

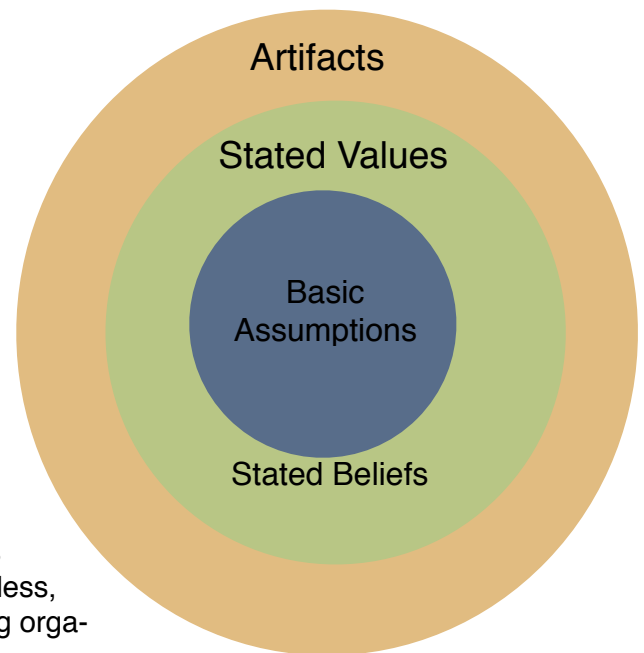


Figure 1

Noted organizational researcher, author and consultant, Edgar Schein, describes the deepest level of culture as the "basic assumptions" that result from "repeated success in implementing certain beliefs and values."<sup>iii</sup> These implicit assumptions, which develop unseen but deep and intransigent roots, result from shared experiences over time. They bring meaning, stability and identity to group life. They define how people relate to each other, what defines success and failure, how results are measured and what mechanisms are used to reward success and correct poor performance. By its nature, then, an organization's culture is difficult to decipher. In fact, most group members are unaware of their own culture unless some crisis creates such disequilibrium that they are confronted with the prospect of questioning their long-held values, beliefs and assumptions.

### The Competing Values Framework

The Competing Values Framework (CVF) is a proven analytical tool that can be used to proactively identify, change and manage an organization's culture. The framework is based on four related orientations of organizational effectiveness. On the one hand, the framework "distinguishes between the dimensions of flexibility, discretion and dynamism at one extreme and stability, order and control at the other."<sup>iv</sup> On the other hand, the CVF measures the tension between an emphasis on internal orientation, integration, and unity from an emphasis on external orientation and differentiation.<sup>v</sup>

Visually, these two dimensions create four distinct quadrants of organizational effectiveness which can be used to assess the relative strength and weakness of four culture types. Although different terms have been used to describe the four cultures, I have found the following descriptions most universally understandable: (1) Collaborative, (2) Creative, (3) Competitive, and (4) Controlling. Figure 2 illustrates the relationship between these four culture types.

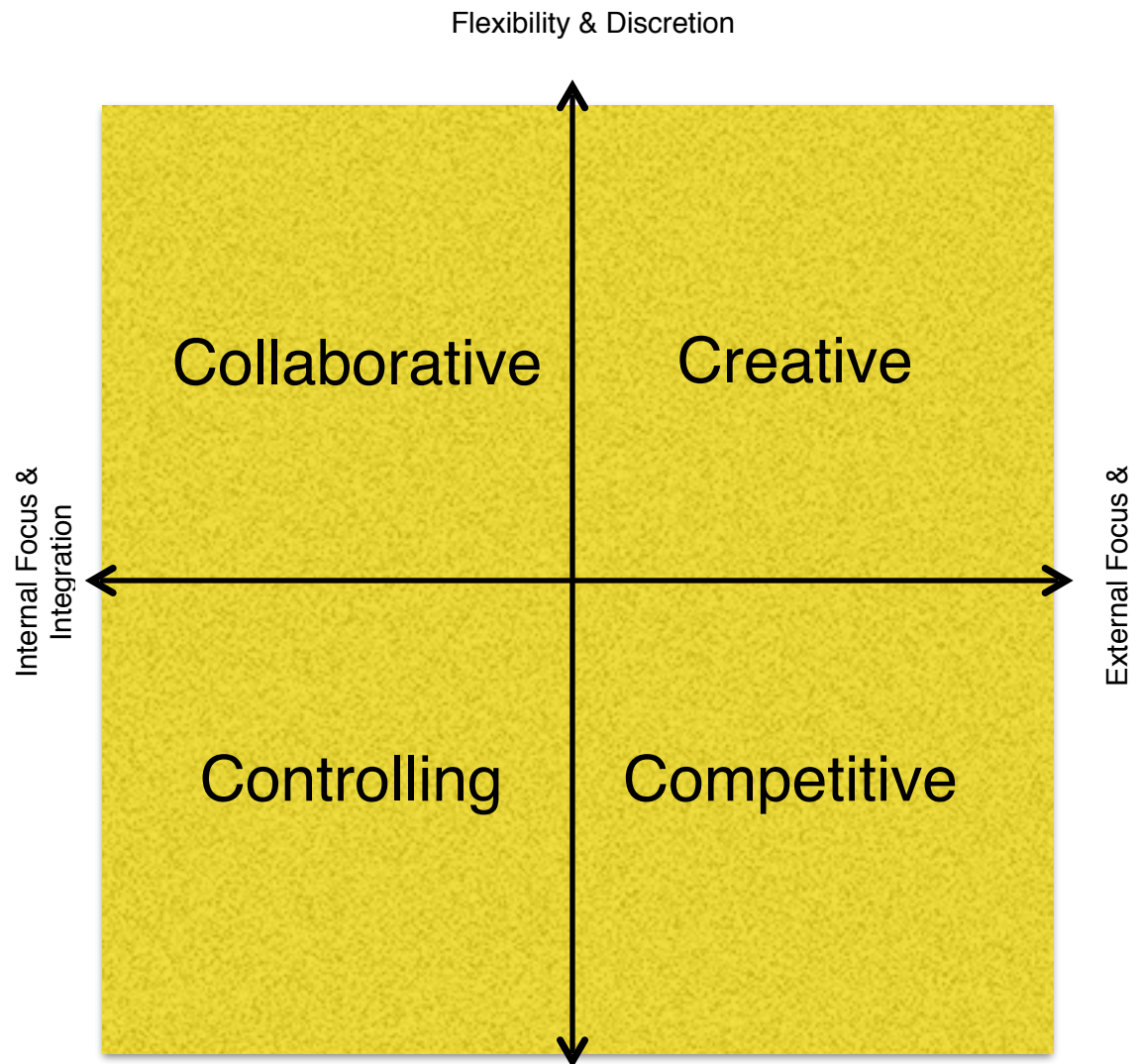


Figure 2

Each quadrant competes with, or is contradictory to, the diagonally opposite quadrant. As such, the Collaborative culture which is more internally focused and values flexibility competes with the Competitive culture which is externally focused and values stability and control. Likewise, the Creative culture which is externally oriented and values a high degree of flexibility and individuality competes with a Controlling culture that is internally oriented and is characterized by procedures, control and predictability. Figure 3 lists the cultural characteristics of each of these four types.

<p><b>Collaborative</b></p> <ul style="list-style-type: none"> <li>• Family-type organization</li> <li>• Leaders act as mentors</li> <li>• Loyalty and tradition are strong values</li> <li>• Commitment is high</li> <li>• Employee development</li> <li>• Values cohesion, morale, teamwork and consensus</li> <li>• Encourages participation</li> </ul>	<p><b>Creative</b></p> <ul style="list-style-type: none"> <li>• Dynamic, entrepreneurial</li> <li>• Creativity valued</li> <li>• Innovation and experimentation is the norm</li> <li>• Success is measured by new and unique products</li> <li>• Individual initiative is encouraged</li> </ul>
<p><b>Controlling</b></p> <ul style="list-style-type: none"> <li>• Formality and structure</li> <li>• Procedures govern</li> <li>• Smoothness and efficiency are valued</li> <li>• Secure employment</li> <li>• Predictability</li> </ul>	<p><b>Competitive</b></p> <ul style="list-style-type: none"> <li>• Results oriented</li> <li>• People are competitive and goal oriented</li> <li>• Leaders are hard-drivers</li> <li>• Emphasis is on winning</li> <li>• Success is measured by market share</li> </ul>

**Figure 3**

Source: Cameron and Quinn, 2011

The user-friendly interface for the CVF is the six dimensional survey known as the Organizational Culture Assessment Instrument (OCAI). This survey asks four questions related to the following six areas of organizational functionality: dominant cultural characteristics, organizational leadership, management of employees, organizational cohesiveness, strategic emphasis and criteria for success. The logic behind the framework allows one to “score” the OCAI from any number of respondents, plot the results on a quadrant and assess the relative strength of each of the four culture types. Although indicators for all four culture types will be present in any functioning organization, the CVF is able to highlight the dominant cultural characteristics.

As can be seen from the sample culture profiles below, survey respondents can answer questions with a focus on the *current* culture, and separately on their view of the *preferred* culture, that is, how things should be. Not only can one compare the existing with the preferred culture profiles, but one is able to also assess the degree of congruence between specific leaders and the group. The integrity of the underlying questions and the framework, as well as the visual nature of the approach, gives organizational leaders the tools necessary to take the mystery and mystique out of understanding and managing one’s culture.

## Illustrative Profiles

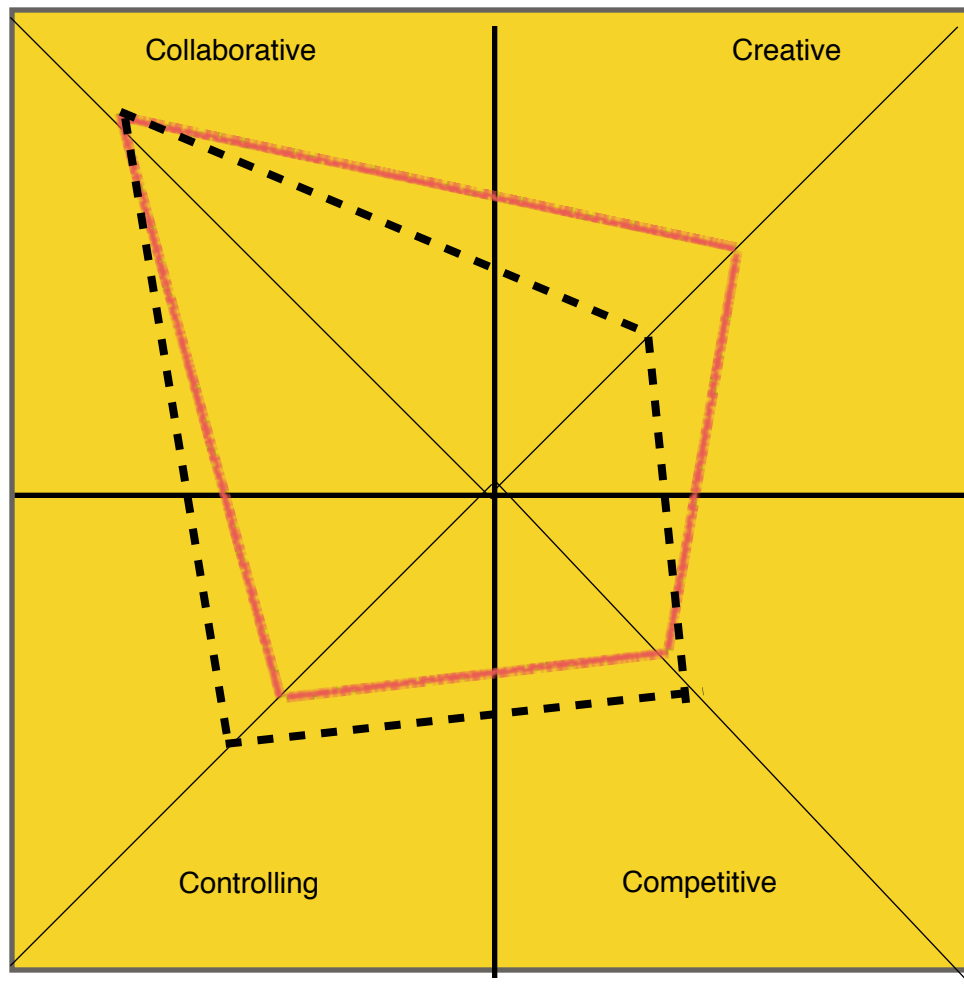


Figure 4

Figure 4 shows the cultural profile for a faith-based, non-profit organization with approximately \$2M in annual revenue. The dotted black line shows the relative measure of cultural indicators as it *currently* exists. The solid red line shows the *preferred* culture based on the OCAI surveys of the organization's entire staff.

It is not surprising that a faith-based, non-profit organization would have a strong collaborative culture that is characterized by an internal and flexible orientation, and that it values a family-style atmosphere with a high degree of loyalty, commitment, teamwork and participation. It's next highest measure emphasizes smooth operations, procedures and a sense of predictability. Also not surprising is that it's least dominant cultural indicators are those associated with a competitive, hard-driving emphasis on winning and market share. What is interesting is that the staff believes a more entrepreneurial, risk-taking culture that values creativity is needed to operate successfully in the changing, increasingly more secular environment of America. However,

in their desire to shift toward creativity, the group does not want to lose its collaborative foundation.

Figure 5 shows the same group responses as shown in Figure 4 as well as the individual survey response of the organization's CEO. The dotted green line shows the CEO's view of the current culture and the solid purple line shows the CEO's preferred cultural responses.

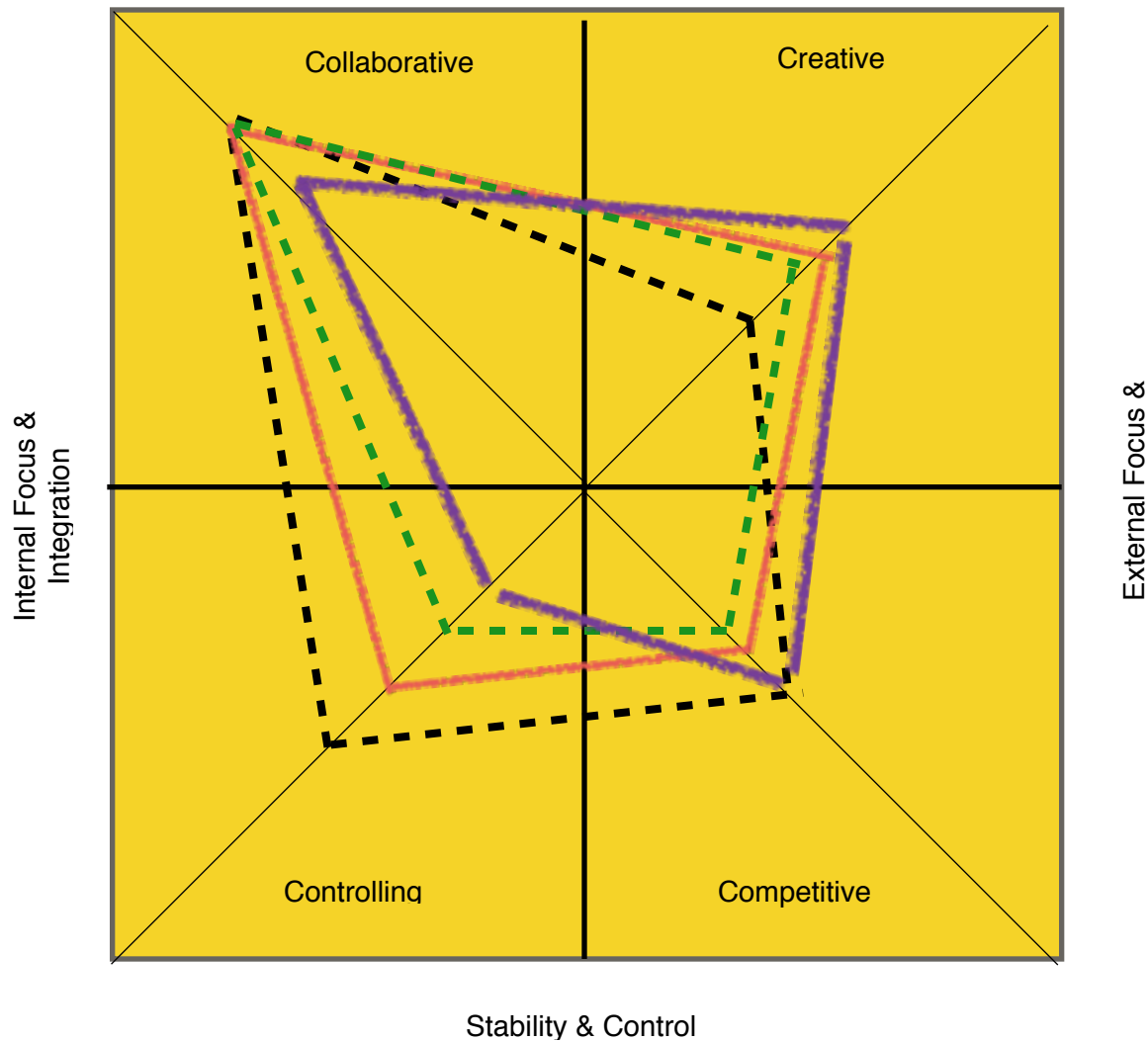


Figure 5

At a glance one sees that there is general congruence between how the CEO and all the other staff view the organization's culture. Also, while there are differences in the degree of change believed necessary, there is also general agreement in the overall direction of the perception of needed changes. For example, the staff and the CEO perceive the the organization needs to become more creative and less controlling. However, it appears that the CEO sees a need to become more competitive at the expense of losing some measure of the collaborative, family-



oriented culture that others value greatly. Upon questioning the CEO, we were able to determine that his responses took into account the expectation of significant growth (which he saw as diluting the existing family culture) and the need to engage the Millennial generation which is generally more skeptical of religious commitment than previous generations.

While the distinctions shown in Figure 5 may not appear dramatic, in fact, a change to a more competitive, market-focused culture for a non-profit organization is a significant challenge. However, the marketplace is replete with examples of even more dramatic cultural changes as companies have successfully adapted their culture to meet an ever-changing environment. For example, the early years of Apple Computers reflected a creative culture stemming mainly from the charismatic personality of Steve Jobs. As the company grew, the employees began to identify with being part of the “Apple family” and there was a noticeable shift toward the collaborative style. Eventually, the sheer size of the company demanded a major shift in culture. Steve Jobs was forced out and John Sculley was hired to move the company toward a more controlling culture in order to emphasize efficiency and marketing. However, the shift toward control came at the cost of innovation and Apple eventually faced the possibility of bankruptcy. With the rehiring of Steve Jobs in 1997, Apple shifted back toward a creative culture, except this time there was a more balanced positioning between all four culture types.

For any particular organization, the degree of needed change depends on many factors. There is no “right” culture for all companies. However, even companies recognized for their “strong” culture must remain adaptive as the environment shifts.

## **Leadership, Change and the CVF**

Leadership and organizational culture are integrally linked. In large measure, a leader’s highest calling is to see the future and initiate successful change. However, change of any type is difficult, and changing one’s culture is even more so. After all, from the definition I offered above, we see that culture is the product of shared experiences in *what has gone right*. People have invested in the status quo and it offers a sense of security.

The CVF offers leaders a practical roadmap to assess where the organization is, where it should be, and how to plan and monitor progress along the way. The CVF also opens the door for people throughout the organization to participate in the process. Rather than holding onto the past, participants become a catalyst for defining what change means and what it does not mean.

For example, in the case of the non-profit organization illustrated above, the CVF reveals the need for leadership messaging if the organization is to successfully move away from the long-cherished collaborative culture toward a more externally-focused organization that values creativity, individual initiative and growth. Part of that message will involve communicating the case concerning the changing environment, the hazards of maintaining the status quo and the benefits of change. When used to guide group change sessions, the CVF provides leaders and participants a model that will help people visualize where they are going and why.

## **Steps To Initiate Cultural Change**

Recognizing the need for cultural change is a necessary *first* step. However, the CVF has been used to develop a comprehensive plan to execute and communicate organizational change in a



manner that greatly increases the likelihood of success. At Cotton Sail Consulting, we use the acronym C.U.L.T.U.R.E. to share the basic elements of a process originally proposed by Kim Cameron and Robert Quinn. I have summarized the steps here in hopes that organizational leaders will build a sense of confidence that, with the right help, cultural change can be an exciting and profitable journey.

1. **C**onsensus on the **C**urrent **C**ulture -

- The first step in the journey is to use the CVF and the OCAI to identify how members view the current culture. Through a series of work sessions, consensus should be reached about the current culture.

2. **U**ncover the preferred culture -

- In a similar fashion to step one, the team members need to uncover the preferred culture that will most likely lead to a successful future.

3. **L**ist what the changes will and will not mean -

- This step is very important in relieving fears and reducing the natural reluctance to embrace change. For example, in the non-profit example above, participants should list specific changes that will lead to a less controlling culture (i.e. fewer levels of sign-off, more distributed authority to make decisions, etc.). They should also list what this does not mean (i.e. no accountability, no standardize metrics, etc.).

4. **T**ell it in a story -

- Storytelling is one of the most powerful ways to change people's minds when deep-seated opinions and values are involved. In this step of the journey, team members identify actual experiences that demonstrate the value of the cultural changes the group is adopting. For example, in a company shifting more toward the creative culture, one might share examples of how a mid-range employee used her newly-granted discretion to spend money to solve a customer's problem in a satisfactory way.

5. **U**nveil the Plan -

- Once consensus is reached on what change means and does not mean, the CVF helps members articulate specific steps to move toward the preferred culture. With regard to each of the culture quadrants, the team should ask, "What should we do more of?" "What should we do less of?" "What should we keep doing?" Along the way, Cameron and Quinn recommend identifying some quick "wins" in order to build momentum and credibility with regard to the changes.<sup>vi</sup> As the plan is executed, the CVF should be used to measure and communicate progress.

6. **R**ecognize the leader implications

- On the one hand, leaders must be sufficiently familiar and passionate about the need, benefits and process of change that they inspire others. Additionally, culture changes may require new competencies be developed by leaders and team members. The CVF has been used to identify leadership development needs.

7. **E**valuate and communicate

- One will only really know if one's change efforts are successful if they know how to measure success. Also, as an organization works through the strategic plan for change, having milestone metrics in place will keep the effort on track. The CVF provides a platform for identifying the most useful metrics and for monitoring progress along the way. In addition to measuring results, having a robust plan for communicating the transition to a new culture will keep the effort alive. As mentioned above, one of the key strengths of the CVF is its potential to involve people from all levels of the organization.

## **Conclusion**

Bill Schneider, president of the Corporate Development Group, an organizational consulting firm with over 215 global affiliates contends that "Organizational culture is so powerful that its impact supersedes all other factors when it comes to economic performance."<sup>vii</sup> It is hoped that this article has reinforced that sentiment and encouraged organizational leaders with an understanding of how the Competing Values Framework can bring clarity to the issue of managing culture. With the assistance of an experienced "change agent," team members can assess their current and preferred culture and begin the journey of transformational change.

<sup>i</sup> Cameron, K. S. and Quinn, R. E. 2011. *Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework* (Third Edition). Jossey-Bass: San Francisco.

<sup>ii</sup> Giberson, T. R., Resick, C. J., Dickson, M. W., Mitchelson, J. K., Randall, K. R. and Clark, M. A. 2009. "Leadership and Organizational Culture: Linking CEO Characteristics to Culture Values." *Journal of Business Psychology*. 24: 123-137.

<sup>iii</sup> Schein, E. H. 2010. *Organizational Culture and Leadership* (4th Edition). Jossey-Bass: San Francisco.

<sup>iv</sup> Dastmalchian, A., Lee, S. and Ng, I. 2000. "The interplay between organizational and national cultures: a comparison of organizational practices in Canada and South Korea using the Competing Values Framework." *International Journal of Human Resource Management*. 11:2 April: 388-412.

<sup>v</sup> Cameron, K. S. and Quinn, R. E. 2011. *Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework* (Third Edition). Jossey-Bass: San Francisco.

<sup>vi</sup> Ibid

<sup>vii</sup> Schneider, W. E. 2000. "Why good management ideas fail: the neglected power of organizational culture." *Strategy & Leadership*. 28.1.2000: 24-29.