Equil Consulting

THE COMPETING VALUES FRAMEWORK

The Competing Values Framework was developed by Professors Cameron and Quinn at the University of Michigan. The theory was initially developed to illustrate the dimensions of effective organizational performance. Since its inception, it has proven to be a very proficient model that is also used to understand a much wider array of organizational and individual occurrences including but not limited to deeper theories of organizational effectiveness, leadership competencies and development, organizational culture, stages of business life cycle development, organizational quality, defined leadership roles, improved insight into financial strategy and information processing, and knowledge transfer. According to some sources, the Framework has been recognized as one of the 40 most important frameworks in the history of business management.

From the initial research 20 years ago and the supplemental and expanded empirical studies, two major dimensions reliably emerged. One of these dimensions differentiates an emphasis on flexibility, choice, and enterprise from an emphasis on steadiness, order, and control. This differentiation illustrates how some companies/organizations and management are viewed as effective if they are constantly evolving, changing, adaptable, and transformational. On the other end of the spectrum, organizations and management can be recognized as effective if they are stable, unsurprising, and consistent.

The other dimension is defined by either an inward focus on collaboration and unity or an external focus on marketplace competition. The distinction on this axis can be viewed as managers who are rewarded for either effective team building and their ability to create a culture of harmony with those who effectively gain market share from competitors and further define their company based on their ability to deliver a highly specialized and unique solution.

This research and the resulting Framework has been so illuminating it has sparked similar supporting research in a wide variety of specialties including cognitive learning and human development. Also, because this Framework is so overarching, it has become a central part of human capital management, organizational strategy and the basis for leadership development programs.

These dimensions' form four quadrants, and fall along a spectrum that defines a distinct set of organizational and individual elements. These help to define the necessary characteristics and behaviors that are necessary for management and employees to successfully meet and/or exceed organizational goals. These four quadrants are competing or in opposition with the other contrasting assumption. Each of these dimensions emphasizes a core value that is opposite from the value on the other end of the continuum (flexibility vs. stability; internal vs. external.)

Leadership development and succession planning is often dictated by organizational culture. The requisite tools and criteria for success are many times derived directly from the Framework quadrant characteristics. A clear understanding of the organization's cultural needs drives these development programs so that education for executive and senior management is aligned to train and refine tools that align perfectly with the organization's culture and the broad-based needs that drive employee engagement and efficiency.

Organizational Culture Assessment Instrument (OCAI)

The Competing Values Framework research lent itself effortlessly to the creation of an easy to administer, yet powerful assessment; the OCAI. The OCAI has been normed in over 12,000 organizations and has provided a mountain of data through its deceptively simple construct.

Test takers complete a 15-minute questionnaire that assesses six key characteristics of their current corporate culture as well as their desired corporate culture (questions being the same for both):

- *Dominant characteristics:* First thing people experience when they encounter your organization or its employees
- *Organizational leadership:* Primary leadership style or the most prevalent in the organization
- *Management of employees:* The management of employees and the style that characterizes how employees are treated
- *Organization glue:* Why employees work together. The bonding mechanisms that hold the organization together
- *Strategic emphases:* The emphasis that drives organizational strategy
- *Criteria of success:* The criteria that determine how victory is defined, how employees are rewarded, who is promoted, etc.

The data derived from these six key characteristics are then averaged to create a profile (both individual and group) illustrating:

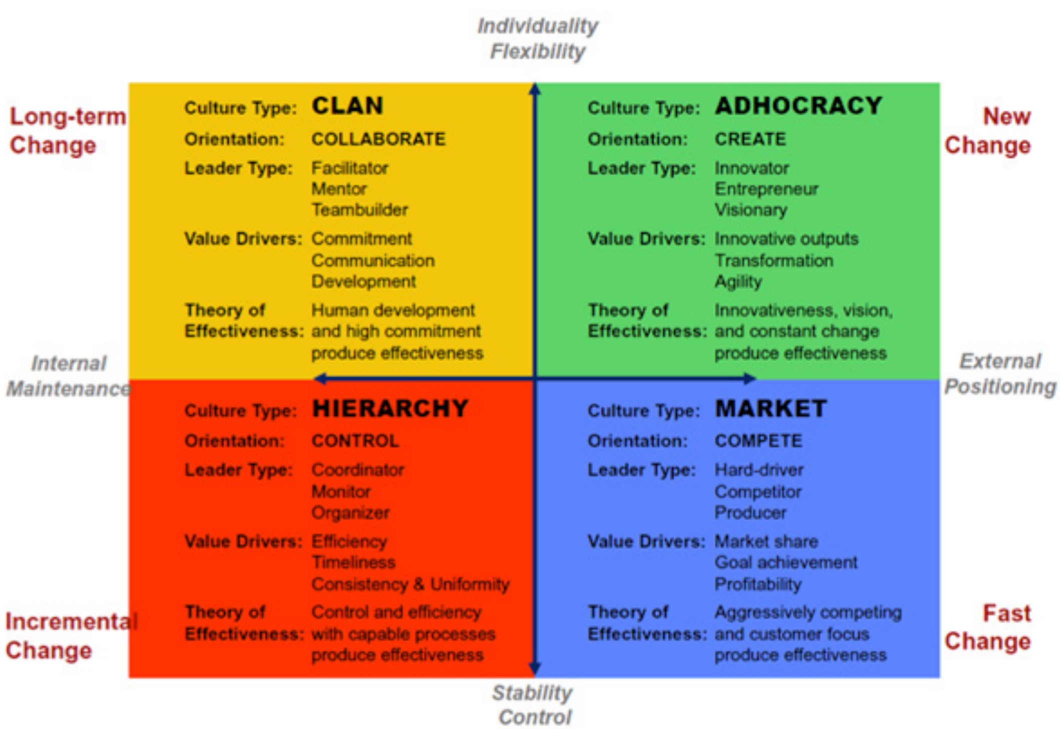
- The dominant culture
- The strength of the dominant culture (the amount of points given)
- Discrepancy between present and preferred culture
- The congruency of the six features. Cultural incongruence frequently leads to a desire to change, because different values and goals can take a lot of time and debate
- Evaluation of the culture profile with the average for the sector

Quadrants

In its most basic form and to illustrate the most pervasive currents:

COLLABORATE (CLAN) *Do things together*	**CREATE (ADHOCRACY)** *Do things first*
CONTROL (HIERARCHY) *Do things right*	**COMPETE (MARKET)** *Do things fast*

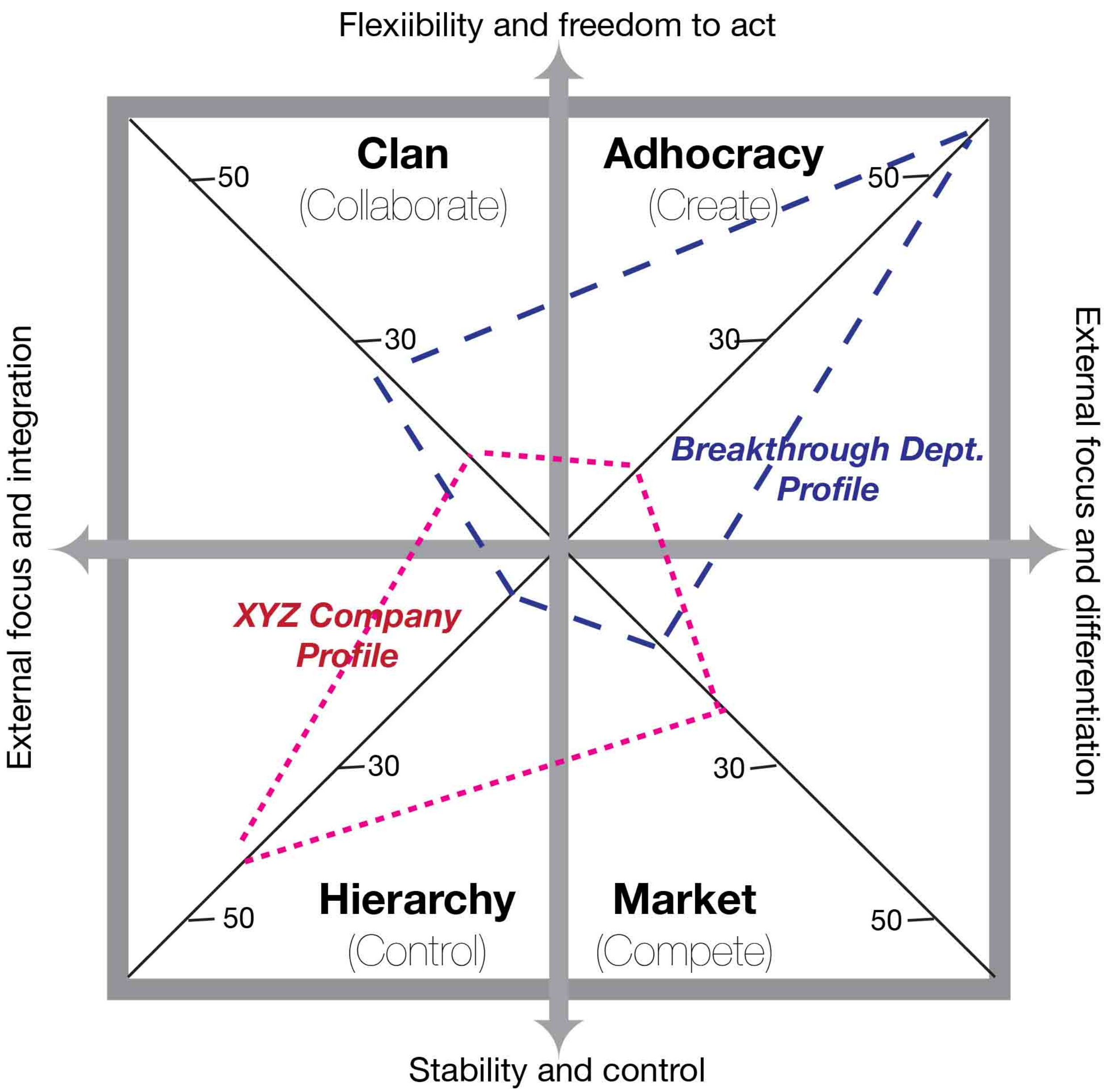
A more robust understanding of this quadrant explicitly illustrates how the underpinnings of these cultural characteristics will drive and shape organizational effectiveness and more importantly strategic goal achievement, leadership development, succession planning and financial success.



*Adapted from OCAI-Online Workshop materials.

Visual Data Presentation

The data collected through the OCAI questionnaire is organized to highlight any disparities in current and expected cultural expectations. While the reports can be tailored for both individual and group interpretation, the below gives an example of the pictorial representation of the data.



*Adapted from OCAI-Online Workshop materials.

M&A: "Look Before You Leap"

Mergers and acquisitions are some of the most complex business strategies to enact. They require a deep understanding of what an acquiring organization needs and consequently what the acquired organization can provide.

Acquiring companies need to adopt a "look before you leap" strategy to M&A. Having a clear understanding of how their organization operates, and what value drivers are critical for the organization's success will inform strategy and subsequently a narrow list of acquisition targets.

To achieve this insight, companies should conduct an internal organizational culture exploration to assure that strategy is understood and aligned throughout the organization. The OCAI provides a data that will help leadership understand if the value drivers that employees/staff embrace, align with the value drivers necessary to support the overall strategy of the organization.

Example: A large mission-driven hospital system has been making regular acquisitions of smaller, regional health systems. Leadership has targeted mission-driven acquisitions, assuming there are shared value-drivers to aid integration. Unfortunately, this anticipated post-merger synergy has not come to fruition.

Before the next acquisition, the leadership of the broader system assesses the ideal culture of recently acquired organizations and compares these to the ideal culture of the broader leadership. Through the OCAI results and workshop feedback, it became evident that there is incongruence between the values of the acquiring organization and the smaller regional acquisitions. The acquiring system is very growth oriented, externally focused and always looking to expand into new geographical regions and expand market share (Compete quadrant). The smaller acquisitions were internally focused, concerned with developing their delivery teams and unconcerned with external growth (Collaborate and Control oriented). This misalignment created a culture of mistrust and derailed the integration strategy.

Understanding that this incongruence existed helped leadership to:

- *Communicate to newly acquired organizations that their appetite for growth is based on the desire to share what they believe to be a superior healthcare delivery strategy rooted in shared mission-driven values found in each organization.*
- *Better identify acquisition targets that may already be more congruent with their external culture and also anticipate potential integration issues.*

The Wrap

While identifying and understanding corporate culture is essential, many organizations have not fully realized the impact corporate culture has on talent acquisition and retention strategies, management team/board construction, leadership development and succession planning, operational effectiveness, product/service development, brand development and management, etc. Understanding and effectively managing corporate culture is less about creating a place to work and more about designing a culture that supports and promotes all aspects of your corporate strategies for success.