3. The quadrants in the Competing Values Framework

It is not news that we live in a dynamic, turbulent, chaotic world. Almost no one would try to predict with any degree of certainty what the world will be like in ten years. Things change too fast. We know that the technology currently exists, for example, to put the equivalent of a full-size computer in a wristwatch, or inject the equivalent of a laptop computer into the bloodstream. New computers will probably be etched on molecules instead of silicone wafers. The mapping of the human genome is probably the greatest source for change, for not only can we now change a banana into an agent to inoculate people against malaria, but new organ development and physiological regulation promises to dramatically alter population life styles. Who can predict the changes that will result? Thus, not only is change currently ubiquitous and constant, but almost everyone predicts that it will escalate exponentially.

The trouble is, when everything is changing, it is impossible to manage change. Let's say you're flying an airplane, for example, moving through the air. Everything is changing. You're constantly moving. The trouble is, it is impossible to guide the plane unless you can find a fixed point, something that doesn't change. You cannot control the plane if everything is in motion. Consider the last flight of John Kennedy, Jr., for example, who began to fly at dusk up the New England coast. He lost sight of land and, because it got dark, of the horizon line as well. He lost his fixed point. The result was disorientation, and he flew his plane into the ocean, probably without knowing he was headed towards water. He couldn't manage change without a stable reference – an immutable, universal, unchanging standard (see Cameron, 2006).

When things are unstable – i.e., an absence of fixed points, dependable principles, or stable benchmarks – people tend to make up their own rules. Without a sense-making framework that helps put into alignment the chaos of the ever-changing environment, people often make sense in ineffective ways. Consider, for example, the high pressure, high velocity environments that exist in the energy-trading, telecommunications, and accounting industries. In several infamous instances, people cheated, lied, or waffled not only because it was to their economic advantage, but because they had created their own rationale for what was acceptable and what was real. They lost sight of fixed points. One key function of the Competing Values Framework is to make it possible to interpret a turbulent and ambiguous environment in a consistent and effective way. The framework permits people to align disparate and dynamic factors in the environment in ways that create value rather than destroy value.

In this sense, the Competing Values Framework is an approach to thinking – that is, to interpreting or making sense of complex phenomena – as well as to developing a repertoire of competencies and strategies that address the complexities being encountered. In this chapter we discuss in more detail the quadrants of the Competing Values Framework that are formed by the two primary dimensions. We identify their key attributes and important implications. Our purpose is to help leaders develop a way to think about complex and ambiguous issues by making a systematic framework accessible and usable. The framework can serve as the fixed point, the stable interpretation system, which allows for effective leadership in conditions of dynamic change.

QUADRANTS

In Chapter 1 we explained that the Competing Values Framework is based on sets of primary and secondary dimensions derived from scholarly research and managerial practice. These dimensions differentiate emphases that oppose one another or that represent contradictory approaches to value creation. The core vertical and horizontal dimensions produce four quadrants, each of which organizes and categorizes a collection of strategies, competencies, and perspectives that leaders may use to foster value creation. Understanding these quadrants is probably the most important aspect of the entire Competing Values Framework, so we will discuss them in some detail here.

Each quadrant is labeled with an action verb connoting the kinds of value creating activities that characterize it – Collaborate, Create, Compete, and Control. Leaders and organizations that create the greatest amount of value have developed high degrees of competency in one or more of these four quadrants. That is, each quadrant represents a way of thinking about opportunities and challenges, an approach to address them, and a set of strategies and tactics that foster value creation in organizations. Figure 3.1 summarizes some of the key attributes of each quadrant.

A great deal of research has confirmed that leaders and organizations gravitate toward one or more of these quadrants over time (Cameron and Quinn, 2006). For leaders this means that they develop a specific set of

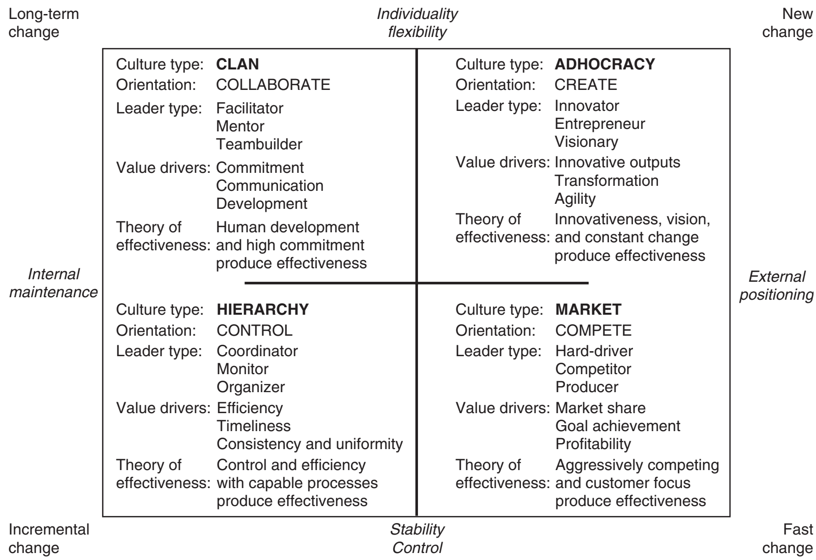

Figure 3.1 The Competing Values Framework – culture, leadership, value drivers, and effectiveness

skills and areas of expertise. They develop mental models as well as behavioral competencies that become biased toward one or more of these quadrants. For organizations it means that they develop a dominant culture, a set of core competencies, and a strategic intent that are characterized by one or more of the quadrants. The Competing Values Framework helps leaders and organizations diagnose and interpret these styles and inclinations and to utilize them in value creation activities. Developing an understanding of, and competency in, the attributes and activities represented in each quadrant is an important key to effective performance. The information included here comes from both empirical research studies as well as numerous organizational interventions using the competing values approach. Let's begin with the lower left quadrant of Figure 3.1.

The Control Quadrant

Value-enhancing activities in the Control quadrant include pursuing improvements in efficiency by implementing better processes. A mantra for this quadrant might be: 'better, cheaper, and surer.' Possessing a substantial degree of statistical predictability is one of the hallmarks of this quadrant. Organizational effectiveness is associated with capable processes, measurement, and control. Examples of activities relating to value creation in the Control quadrant include quality enhancements such as statistical process control and other quality control processes like six-sigma, cost and productivity improvements, reduction in manufacturing cycle time, and efficiency enhancement measures. These activities help make organizations function more smoothly and efficiently.

Leadership strategies in this quadrant help eliminate errors and increase the regularity and consistency of outcomes. The quadrant includes inwardly focused, disciplined strategies concerned with improving efficiency and cutting costs out of production. The extensive use of processes, systems, and technology are hallmarks of this quadrant. The use of standardized procedures and an emphasis on rule-reinforcement and uniformity predominate.

Activities anchored in the Control quadrant create the most value when failure is not an option – as in industries such as medicine, nuclear power, military services, and transportation – or in highly regulated or stable environments. Value results primarily from increasing certainty, predictability, and regularity, and by eliminating anything that inhibits a perfect or error-free outcome. Adopting enhanced measurement systems, downsizing, and divesting unproductive units all are Control quadrant activities.

Leaders who are most competent in the Control quadrant tend to be organizers and administrators. They pay attention to details, make careful decisions, are precise in their analyses, and focus on one best way. They tend to be conservative, cautious, and logical as problem solvers where procedures are followed methodically, and persistence highlights their style. They are often technical experts and well informed. They keep track of details and obtain power based on information control and technical expertise. Documentation and information management are actively pursued.

Value creation through control competencies – Dell

There are few companies that have created as much value through a single-minded focus on a new business design as Dell has. The business design, predicated on direct PC sales to consumers rather than through the traditional distribution channels, is stunning in its simplicity and has allowed Dell to not only generate enormous value for its shareholders and customers, but also transform the computer industry. At the end of 2003, Dell was trading at a price–earnings multiple of 40, which was much higher than the overall stock market and other stellar firms like Microsoft, GE and Wal-Mart.

There are three keys to Dell's success. First, its direct-sell model contains a business process improvement that permits Dell to not only sell PCs cheaper to customers but also achieve extremely low levels of working capital and high levels of asset turnover. Second, Dell focuses relentlessly on cost efficiencies and operating margin, so that profitability is not sacrificed as higher sales volumes are pursued. Continuous improvement on these dimensions is the norm. And third, the company believes in accountability and employees questioning everything and challenging their bosses. For example, when executives complained about CEO Michael Dell's detached style in 360-degree reviews, he followed-up with personal and organizational changes, that fostered higher levels of engagement.

As is evident, the tools Dell uses to create value come primarily from the Control quadrant. What is interesting, however, is that Dell is also very strong in the Compete quadrant and is beginning to develop strength in the diagonally-opposite Collaborate quadrant.

The Compete Quadrant

Value-enhancing activities in the Compete quadrant include being aggressive and forceful in the pursuit of competitiveness. Organizations that excel in this quadrant emphasize and engender their competitive position. They monitor and scan the signals from the marketplace and on how to deliver shareholder value consistently. Speed is an essential element in maintaining a competitive edge, so results-right-now is a typical demand. A mantra of the Compete quadrant might be: 'compete hard, move fast, and play to win.' Organizational effectiveness is associated with aggressive competition, fast response, and customer focus.

Examples of value creating activities belonging to the Compete quadrant include implementing aggressive measures to expand working capital, outsourcing selected aspects of production or services, acquiring other firms, investing in customer acquisition and customer service activities, and attacking competitor organization's market position. The strategies in this quadrant help position the firm to have a strong standing with investors by creating a superior reputation for delivering excellent financial performance in the immediate term.

Leadership strategies are aimed at producing short-term profitability for shareholders. Customers and clients are of highest priority, and they are defined as the ultimate objective of being in business. Success is judged on the basis of indicators such as market share, revenues, meeting budget targets, and growth in profitability. Rapid response and speed of action are hallmarks of value creating activities, and the philosophies of former Chrysler Chairman Lee Iacocca, 'Lead, follow, or get out of the way,' and former General Electric Chairman Jack Welch, 'Control your destiny or someone else will,' are typical of the Compete quadrant leadership approach. Taking charge, moving fast, and being aggressive are typical values.

Strategies in the Compete quadrant create the most value when organizations must manage a portfolio of initiatives, financial partnerships, acquisitions, or federation agreements. Intense levels of pressure to perform – for example, by financial analysts or shareholders – motivate organizations to emphasize the Compete quadrant. Delivering results, making fast decisions, driving through barriers to achieve results, and building a profit focus all typify the orientation that leaders adopt in their pursuit of value creation.

Individual leaders tend to be hard driving, directive, and competitive. They welcome challenges and stretch goals and have high levels of achievement orientation. Type A personalities (Friedman, 1996), assertive behavior, and strong wills characterize Compete quadrant managers. Their power and success are judged on the basis of results, not through their level of effort or the methods used.

Value creation through compete competencies – General Dynamics

When former astronaut Bill Anders took over as CEO of General Dynamics in 1991, the defense industry was shrinking dramatically as a consequence of the end of the Cold War. The typical response of companies in such a circumstance is to avoid shrinkage by diversifying outside their core businesses. However, such a strategy has rarely proved successful. Bill Anders adopted a different strategy. His strategy was to:

- Consider divesting any business unit with General Dynamic that could not be either number one or number two in its industry and could not have sufficient scale to justify dedicated factories.
- Lay off employees to downsize wherever needed.
- Focus resources on the remaining businesses.
- Re-engineer executive compensation packages to remove linkages of bonuses to accounting measures of performance and provide instead high-powered incentives that linked executive bonuses to improvements in cash flow and increases in shareholder value.
- Put executives through a week-long education program on shareholder value and managing for cash flow.

As a consequence, in the next few years General Dynamics shrank from a company with over $9 billion in sales to just over $3 billion in sales, but the market value of its equity grew over 300 percent during this time. It is evident that the tools of value creation employed by Anders – divestitures, downsizing and market-dominance criteria to decide where to focus resources – came from the Compete quadrant. However, Anders didn't ignore other quadrants entirely, as evidenced by his focus on executive education and the re-engineering of executive compensation, the diagonally-opposite Collaborate quadrant.

The Create Quadrant

Value-enhancing activities in the Create quadrant deal with innovation in the products and services the organization produces. A mantra of this quadrant might be: 'Create, innovate, and envision the future.'

Organizations that excel in this quadrant effectively handle discontinuity, change, and risk. They allow for freedom of thought and action among employees so that rule breaking and stretching beyond barriers are common characteristics of the organization's culture. Organizational effectiveness is associated with entrepreneurship, vision, and constant change.

Examples of value creating activities in this quadrant include innovative product-line extensions, radical new process breakthroughs (e.g., Polaroid's development of instant photography), innovations in distribution and logistics that redefine entire industries (e.g., Dell, Wal-Mart), and developing new technologies (e.g., gene splicing and quantum computing). Focusing on the strategies in this quadrant enables companies to leapfrog their competitors and achieve breakthrough levels of performance. The risk–return ratio is very different, of course, when pursuing inventive entrepreneurial strategies compared to the strategies associated with the Control and Compete quadrants. The potential payoff is high when creating new value, but so is the probability of failure. Moreover, the pace at which results occur and with which success is achieved is also unpredictable.

Leaders' strategies are aimed at producing new products and services, creating new market niches, and producing value by enhancing the processes by which entrepreneurship can be enhanced in the organization. Elaborating the portfolio of products and services through innovation and helping new ventures process to flourish are key challenges of Create quadrant leaders.

Create quadrant strategies produce the most value in hyper-turbulent, fast moving environments that demand cutting edge ideas and innovations.

Organizations that can predict the future and adapt readily to emerging dynamic conditions will flourish while other organizations are awaiting the uncertainty to diminish. Create quadrant organizations excel at being pioneers and definers of industry or sector trends. Thoughtful experimentation, learning from mistakes, and failing fast (for example, trying out a lot of ideas that probably won't work) in order to succeed more quickly (for example, find the ones that do work) are typical of successful Create quadrant organizations.

Individual leaders who excel in this quadrant tend to be gifted visionaries and futurists, inclined toward risk, and unafraid of uncertainty. They are typically adept at creating fantasy, dreams, and vision for the organization. But those dreams and visions are not merely pie-in-the-sky thinking. The ability to stay abreast of changes, remain imaginative, and undertake original actions makes Create quadrant leaders the darlings of fast-paced industries such as information technology, bio-engineering, and communications.

Value creation through create competencies – W.L. Gore

One of the best innovators is a privately-held company based in Newark, Delaware, called W.L. Gore, which operates in a number of product areas, including guitar strings, dental floss, medical devices and fuel cells (*Fortune*, 2003). The company is best known as the manufacturer of Gore-Tex fabric. It innovates continuously on a lot of different fronts and uses its inventions to keep entering new businesses. How does W.L. Gore do it? Here are the tools the company uses:

- *Use potential customers for help:* The company routinely seeks out potential users of products it is developing to elicit ideas. For example, it sought the help of physicians to create thoracic graft, and hunters to test garments made of a new fabric that blocks human odor.
- *Let employees determine what they want to do:* Gore employees do not have titles or bosses in the conventional sense and work on projects they believe are most worthy of their time. As a result, they tend to be very passionate about what they are doing. Moreover, research associates get to spend 10 percent of their work hours as 'dabble time,' developing their own ideas.
- *Use a diversified innovation approach:* At any one time, Gore typically has hundreds of projects in various stages of development. The company uses a decentralized innovation approach most of the time, and the diversified approach enhances the odds of at least some innovations becoming commercially profitable.
- *Know when to let go:* Since not every innovation turns into a sustainable product, Gore also divests products when it deems appropriate. For example, a Gore associate developed gunk-repelling coating for bike cables. The company did not see much potential in that business but thought the product had potential for use on guitar strings. Elixir, a Gore product, is today the leading brand of acoustic guitar strings in the U.S.

Inspecting Gore's approach to innovation, we see that the company uses tools from a variety of quadrants to be successful in developing its Create competencies. Using customers to help in innovation and knowing when to let go are Compete tools, employees' freedom to innovate in a flat organization is a Collaborate tool, and using a diversified innovation approach is a Create tool.

The Collaborate Quadrant

Value-enhancing activities in the Collaborate quadrant deal with building human competencies, developing people, and solidifying an organizational culture. The approach to change in this quadrant is deliberate and methodical because consensual and cooperative processes rule. A mantra of this competence might be: 'human development, human empowerment, human commitment.' The focus is on building cohesion through consensus and satisfaction through involvement. Organizations succeed because they hire, develop, and retain their human resource base. Organizational effectiveness is associated with human development and high levels of participant engagement.

Examples of activities in this competence include clarifying and reinforcing organizational values, norms, and expectations; developing employees and cross-functional work groups; implementing programs to enhance employee retention; and fostering teamwork and decentralized decision making. Examples include Intel's non-bureaucratic office structure in which all employees (including former-CEO Andrew Grove) work in easily accessible cubicles, the empowering of field managers by CEO Jack Greenberg at McDonald's Corporation, and the large investments in employee training and development by General Electric and Motorola. It is the activities in this quadrant that help to sustain and prolong the capabilities of the organization to create value.

Leaders' strategies are aimed at building the human capacity of the organization. Human and social capital take priority over financial capital because they are assumed to produce financial capital. Interpersonal skills and competent human interaction are crucial prerequisites to value creation in this quadrant, so leadership strategies emphasize the development of effective relationships. A sense of community, a commitment to culture, and a willingness to cooperate are key outcomes of Collaborate quadrant strategies.

Collaborate quadrant strategies produce the most value for organizations when stability must be maintained in the face of uncertainty. Forming effective and long-lasting partnerships across organizational boundaries – inside and outside the organization – is often a requirement for long-term success, and competency in the Collaborate quadrant is the pathway to achieve those ends.

Individual leaders who excel in the Collaborate quadrant tend to take on roles of parent figure, mentor, facilitator, and team builder. They value shared objectives, mutual contribution, and a sense of collectivity among their employees. They produce working environments that are free of conflict and tension, and organization members tend to be more loyal to the organization and to the team than in organizations emphasizing the other quadrants. Helping individuals develop needed skills, ensuring a fit between job requirements and skills, and fostering life balance all are key objectives of Collaborate quadrant leaders regarding the individuals for whom they have responsibility.

Value creation through collaborate competencies – SPX

SPX is a leading manufacturer of tools that automobile manufacturers require that their dealers use when they perform repairs on cars still under warranty. The company also makes electronic diagnostic equipment and emissions-testing equipment for car dealers and auto service centers, as well as a variety of components for the auto industry. In 1995, however, the company was struggling financially, with its stock price hitting a low of $10.75 per share. In the spring of 1995, the company decided to adopt Economic Value Added (EVA) for incentive compensation, performance assessment and resource allocation. In conjunction with this, CEO John Blystone took the following steps:

- Sold its Sealed Power division to Dana Corporation.
- Established collaborative stretch goals for Earnings per share and EVA improvement to achieve targets in one-fifth the time Wall Street was expecting. These stretch goals were established through dialogue with SPX managers.
- Reorganized the company's ten operating divisions into three main product groups with highly integrated strategies.
- Organized monthly presentations by division managers to their peers regarding specific actions they were taking to achieve their goals, best practices, and celebratory events.
- Redesigned the compensation system so that employees were rewarded for improvements in EVA.

As is evidence, SPX achieved its value-creation goals by using a combination of Collaborate and Compete tools. Improving its stock price was a Compete goal and the divestiture of Sealed Power was a move from the Compete quadrant. However, what made SPX's EVA implementation successful were primarily Collaborate tools – the collaborative determination of stretch goals, the sharing of best practices, and the reengineering of the compensation system.

Figure 3.2 summarizes the primary emphases of the four quadrants.

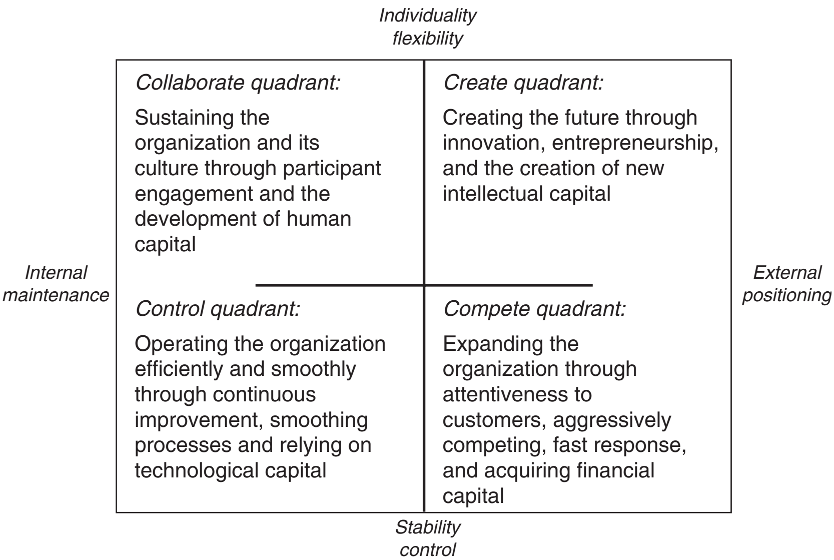

Figure 3.2 Emphases of the four quadrants in the Competing Values Framework

FUNCTIONAL AREAS AND RESOURCE MAPS

Activities in each of the quadrants create value, of course, but they do so in different ways. These differences can sometimes become a source of tension in organizations, since the value created in one quadrant may be under-appreciated when viewed from the standpoint of another quadrant. For example, assume that we can map the percentage of human and financial resources dedicated to various functional activities in a typical manufacturing business. We might draw a map like the one in Figure 3.3, for example, to depict the production function in the organization. This map is created by showing a greater emphasis in a particular quadrant when a point on the diagonal line is drawn further away from the middle point. The further out on the line the point is drawn, the greater the degree of emphasis in that particular quadrant. (More will be said about how to precisely construct such a map or profile in Chapter 7.)

Typically, most of manufacturing's activities are in the Control quadrant. The focus is on improving costs, quality, and predictability. Some activities are devoted to maintaining employee morale and developing collaboration among employees – activities in the Collaborate quadrant – and some activities are devoted to understanding customer needs and helping the company

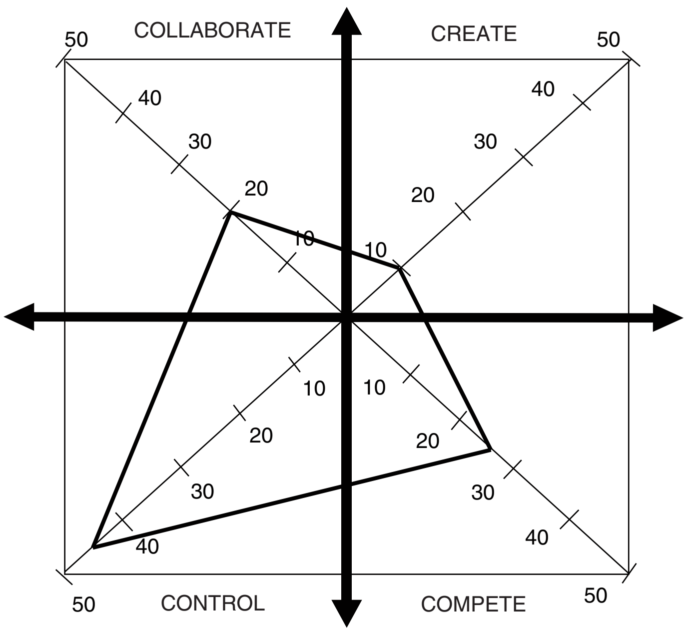

Figure 3.3 A map of the production function

increase competitiveness – activities in the Compete quadrant – but the Collaborate and Compete competencies' activities consume far fewer organizational resources than do those in the Control quadrant. Efficient procedures, mistake-free production, and on-time delivery are of central concern from the standpoint of the operations function.

From the standpoint of research and development or new product development, however, the preferred map would look quite different. Because the challenge is to create new products and services, stretch the boundaries of knowledge, and stay ahead of customer preference curves, these units require far more resources to be devoted to the Create quadrant. Figure 3.4 depicts a preferred resource map from the standpoint of R&D.

A typical new product development function requires that most of its resources be allocated to activities in the Create quadrant. This may involve new equipment, trial and error experiments, multiple prototypes, and an assumption of very inefficient processes. Some focus is typically dedicated to maintaining collaboration and teamwork among R&D staff members – the Collaborate quadrant – and constant contact is usually required with customers as well as monitoring the external environment – Compete quadrant activities – but little attention is paid to error-free, carefully controlled,

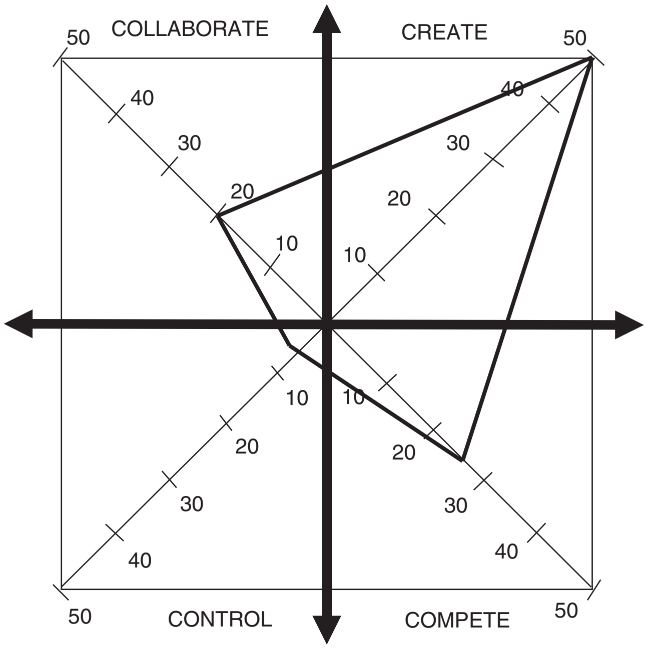

Figure 3.4 A map of the new product development function

tightly measured processes in the Control quadrant. Tension sometimes results in the typical company, therefore, when one function views resource allocation decisions from their own functional standpoint rather than from a company-wide perspective.

Similarly, the sales and marketing functions are continuously interacting with customers and clients, working hard to meet their needs, expectations, and time frames, and arguing for a product mix and service delivery process that creates customer loyalty. New products have to be better than those offered by competitors, and the name of the game is to outperform the competition. A map of this function's preferred resource allocation would typically look like Figure 3.5. Most company resources would be devoted to customers, generating rapid response, and activities that responded aggressively to external demands. Innovation and new product development are important to help respond to customers – the Create quadrant – and efficient and error free production is also a necessity – the Control quadrant. The slow, developmental approach typical of the Collaborate quadrant, however, is antithetical to the demands of the ever-changing marketplace, so few resources can afford to be allocated to those activities.

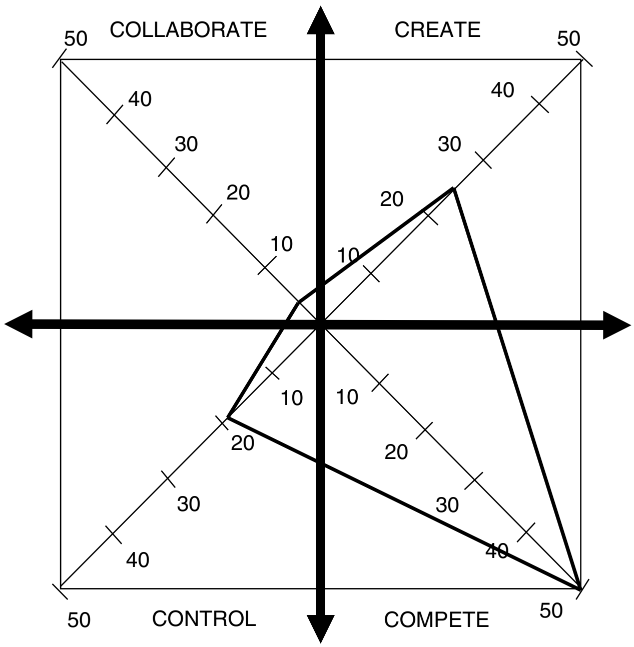

Figure 3.5 A map of the sales and marketing function

Finally, from the standpoint of the human resources and training and development functions, the most important resource allocation decisions that can be made are investments in human capital. Developing leaders, providing motivational incentives and compensation, and fostering employee engagement and loyalty are the keys to long-term company success. The preferred resource allocation map, therefore, typically looks like Figure 3.6. Opportunities for individual discretion and initiative are important – the Create quadrant – as are adequate measurement and appraisal systems – the Control quadrant – with a constant eye on the customer – the Compete quadrant – but empowerment, cooperation, teamwork, and human development get by far the highest allocation of resources.

The point is that each functional area in a typical company views its primary mission slightly differently, and resource allocation decisions always require tradeoffs and compromises. Any organization that ignores or devalues one function, for example, is likely to have a difficult time succeeding in the long run. External conditions and corporate strategies may dictate that some allocation priorities take precedence over others, of course, and organizational life cycles may also help determine when certain

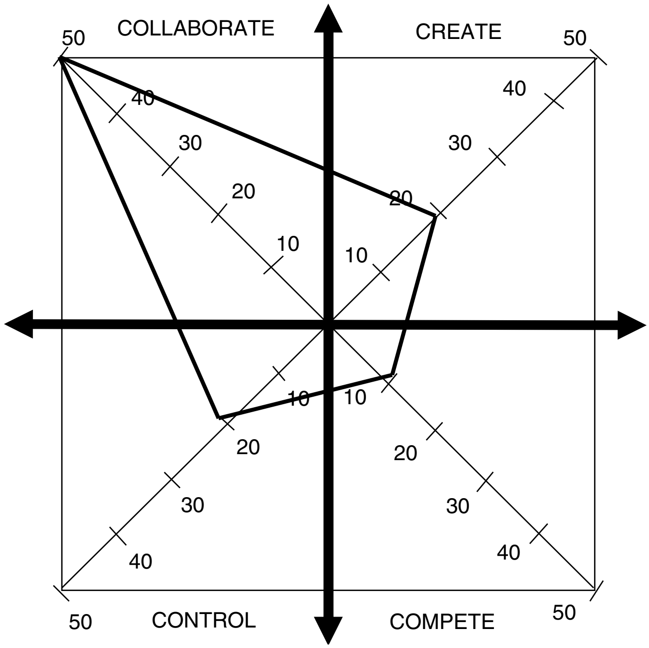

Figure 3.6 *A map of the human resources function*

functions are advantaged relative to others (Quinn and Cameron, 1983). Moreover, each functional area will prefer that resources be allocated to activities in all four competencies, but the relative allocation of resources will vary from one functional area to the next. Predictable tensions are likely to arise, therefore, and the Competing Values Framework can help firms diagnose appropriate trade-offs.

COMPETITION ACROSS QUADRANTS

An important insight highlighted by the Competing Values Framework, then, is that competing values, competing preferences, and competing priorities exist in any organization. Activities in the four quadrants compete for constrained resources. It is sometimes difficult to appreciate how they all create value when resource allocation priorities are viewed from different vantage points in the organization. It is even more difficult to understand how the seemingly competing values may become complementary values.

As has been emphasized before, the value-enhancing activities located in quadrants diagonally across from each other appear to be diametrically

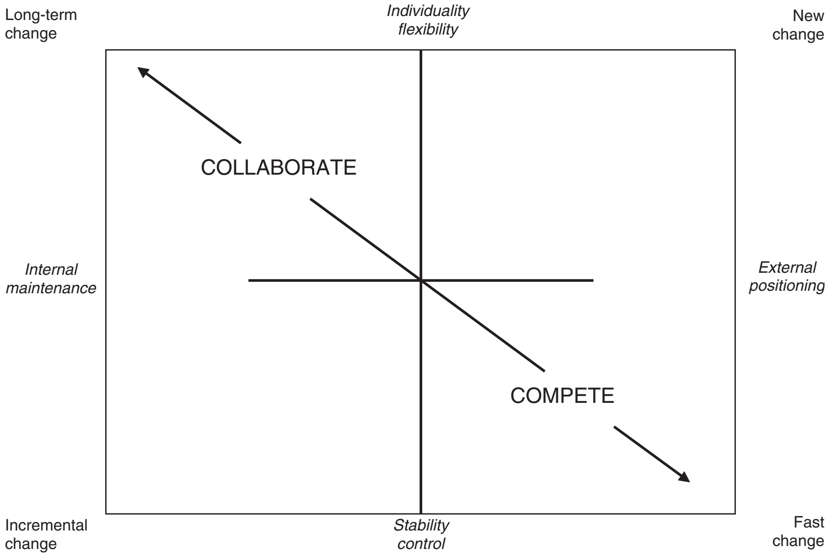

Figure 3.7 The Compete versus Collaborate quadrants

opposed. Thus, a person who works primarily in the Compete quadrant will typically view many activities in the Collaborate quadrant as actually destroying value (Figure 3.7). The reason for this is simple. People self-select in deciding the area of the organization in which they want to work and the kinds of value-creating activities in which they want to engage. Those who work in a functional area focused primarily in the Compete quadrant (e.g., strategic marketing) develop a deeply rooted belief that the best way to add value is by engaging in the activities associated with that particular quadrant. Further, the performance metrics with which they assess the value of any activity are those best suited for the activities in the Compete quadrant (e.g., sales, profits, customer returns). Viewed from the perspective of these metrics, much of what happens in the Collaborate quadrant looks like a waste of resources (e.g., training, team meetings, empowerment activities).

The same logic applies to the Control and Create competencies (see Figure 3.8). The low success rate and the unpredictability of project completion times that characterize the Create quadrant are abhorred by those whose focus is in the Control quadrant. The reason is that the Control quadrant prides itself on a high success rate and predictable project completion times. If those focused in the Control quadrant behaved like those focused in the Create quadrant, they would be considered failures.

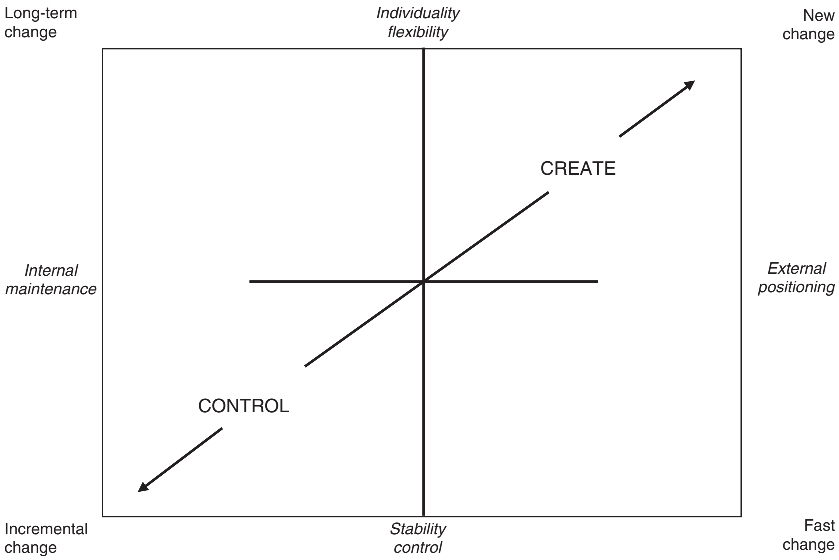

Figure 3.8 The Create versus Control quadrants

Because different functional areas in the organization assign differing degrees of importance to the different competencies, it is easy to see why they often work at cross-purposes. The vocabulary, mechanisms, priorities, required management skills, and measurement systems of the four competencies are so different that even if everybody in the organization is creating value, not everyone would recognize it or value it.

Because every organization faces constrained resources, allocating more assets to one quadrant will diminish the value creation potential of the quadrant diagonally across. Any move toward one quadrant will typically pull the organization away from the diagonally opposite quadrant. For example, the teambuilding and social capital development activities of the Collaborate quadrant create expenses that detract from value creation as measured by the Compete quadrant, where the metrics are quite often short-term, bottom-line, financial impact. Similarly, when a corporation responds to the call of the Compete quadrant and restructures itself by downsizing a portion of its workforce, those in the Collaborate quadrant see the decision as a reckless destruction of value for short-term gain. In their eyes, it disrupts the organization's culture and can damage employee morale.

Take Scott Paper Company as an example. The world's largest producer of consumer tissue products had performed poorly in financial terms for four years in a row, forcing the board of directors to bring in Albert Dunlap as chairman and CEO in 1994. Dunlap responded by substantially restructuring the company, adopting incentive-based compensation, and firing over 11 000 people. These were classic moves of someone operating in the Compete quadrant, moves that immediately generated substantial shareholder value. But, they came across as value destroyers to observers in the Collaborate quadrant because of the perceived destruction of human and social capital. The enemy, it is generally assumed, lives in the quadrant diagonally across from our perspective, and this perception engenders numerous frictions in organizations.

AS THE ORGANIZATION EVOLVES SO DOES THE RELATIVE IMPORTANCE OF EACH QUADRANT

Although tensions naturally arise in terms of how value-creating activities are viewed in the different competencies, virtually every organization needs to pursue activities in all four competencies. The relative emphases on the different competencies will depend on strategic priorities, life cycle development, and environmental conditions.

An example of the shifts in priorities associated with different quadrants, consider the development of Apple Computer Company (see Cameron and Quinn, 2006). Steven Jobs and Steven Wozniak invented the first personal computer in the garage of Jobs' parents' home, and Apple Computer Company was subsequently formed to produce personal computers. With mid-20s Jobs as CEO, employees were young, dynamic, unconstrained people who prided themselves in being free of policy manuals and rule books. The culture was characterized by a strong emphasis on entrepreneurship, innovation, and originality (Profile A in Figure 3.9). As is typical of most Create quadrant companies, a single entrepreneurial, charismatic leader was setting direction, and the company was flexible and freewheeling. The press described the group as renegades and 'crazies.'

Within a few of years of incorporation, Apple established one of the most successful ventures ever experienced in the industry – the formation of a group of 'pirates,' dubbed the Macintosh Team. This team of selected employees was charged with developing a computer that people would want to purchase for use in their homes. Until then, computers were large, intimidating pieces of hardware that merely replaced slide rules for engineers and mathematicians. They filled entire rooms. They computed numbers. Few would have considered using one for personal or family applications. This small group of Apple Computer Company pirates, however, designed and developed the Macintosh Computer – a fun, approachable, all-in-one kind

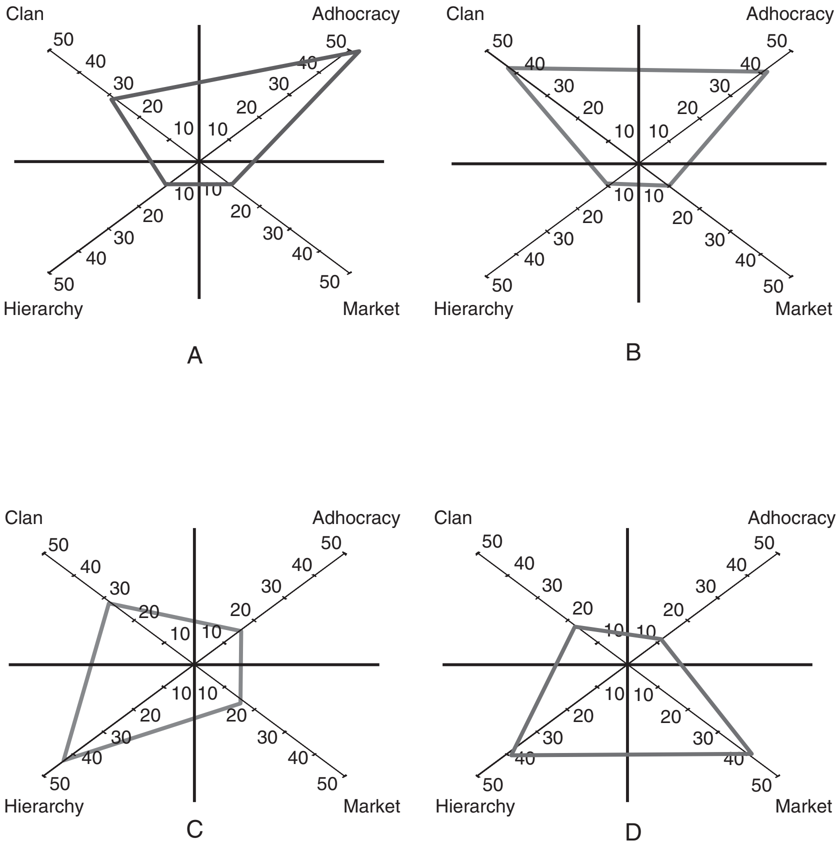

Figure 3.9 *Change in emphasis in competing values quadrants over organization life cycles*

of machine. It was the first to incorporate a mouse, icons or pictures on a screen, and software that could actually paint a picture (MacPaint) on what formerly had been only a computational device. This team's endeavors were so successful (as was the rest of the company's business) that the entire organization shifted priorities and culture. It came to look like Profile B in Figure 3.9 – a highly cohesive clan. Employees wore Apple logos on their clothes, had Apple bumper stickers on their cars, and spoke warmly of the 'Apple family.'

In a relatively short time, hundreds of thousands of Apple and Macintosh computers were being sold, distribution channels were expanding worldwide, and of a large array of highly competitive rivals emerged (e.g., IBM, Compaq, Wang). The freewheeling Apple clan was faced with a need for policies, standard procedures, and inventory controls. Rules and regulations were needed or, in other words, a Control orientation had to be developed (see Profile C). Apple's CEO, Jobs, was the quintessential innovator and team leader, perfectly comfortable in an organization where priorities were aimed squarely at the Create and Collaborate quadrants. He was not an efficiency expert and administrator and not inclined to manage in a hierarchy. John Scully from PepsiCo was hired, therefore, to manage the required shift in priorities toward stability and control.

Predictably this shift created such a crisis in the organization – with the former Collaborate and Create orientations being supplanted by a Control orientation – that founder Jobs was actually ousted from the company. The new set of values and priorities made Jobs' orientation out of sync with current demands. This shift to a Control orientation almost always produces a sense of exigency, of abandoning core values, of replacing family feelings with bureaucracy. John Scully was a master efficiency and marketing expert, however, and his skills matched more closely the shifting resource allocation priorities of Apple as its growth and expansion produced the need for this new orientation.

As Apple developed into a large, mature organization under Scully, a fourth shift occurred, as represented in Profile D in Figure 3.9. Apple ceased to be the agile, innovative company that characterized the young group of renegades in its early life, but instead was an outstanding example of efficiency and marketing proficiency. In many organizations, this profile becomes the norm, with the former Collaborate and Create resource allocation priorities being minimized and the Control and Compete priorities being emphasized. Many management consultants and leadership gurus almost exclusively focus on assisting companies to develop the capability to reinstitute team focused, collaborate, entrepreneurial, and flexible attributes. This is because many large and mature firms get stuck in their overemphasis on the Control and Compete quadrants. They lose sight of the importance of some resources being dedicated to the upper two quadrants. Such was the case with Apple, which narrowly escaped bankruptcy after 15 years of an overly restrictive emphasis on the two bottom quadrants. In the 1990s, Apple was saved from financial demise by the rehiring of founder Jobs who re-emphasized the company's priorities in the two upper quadrants.

Not that all four quadrants must be emphasized equally, of course, and not all effective firms have equal emphasis in each quadrant. Circumstances almost always dictate that an imbalance, in fact, is important. But, organizations must develop the capability to shift emphases when the demands of the competitive environment require it.