

# Sustainability and Innovation: Applying the Competing Values Framework

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## Abstract

It is important to be able to leverage an organization's processes to sustain its competitive advantage. On the other hand, it has long been recognized that the tensions between and within R&D, marketing, and operations/production groups exist because of differences in the innate characteristics of the individuals within these groups and different goals. Thus borrowing from the fields of organization development (OD) as well as leadership theory, this paper looks at how the Competing Values Framework combined with strong leadership might be used to manage these tensions and create processes that cannot be easily imitated: securing an organization's ability to differentiate itself from the competition. Furthermore, it would appear that an OD intervention is necessary when competing values exist within an organization. A case study of such an intervention is discussed as it applies to sustainability.

## 1. Introduction

Barney (1991) felt it was important to be able to leverage an organization's processes to sustain its competitive advantage. The processes discussed in this paper focus on collaboration in the work environment. Chinta and Kloppenborg (2010) state that

Process management and various types of projects are both essential to lay a foundation for sustainable, profitable growth. We argue that value creation is a knowledge management process in which processes (for survival today) and projects (for survival tomorrow) have distinct and complementary roles to play. (p. 22).

Furthermore, "studies on sustainability emphasize the power of organizational learning processes, idiosyncratic management styles, and culture" (Williams, 1992, p. 32). Thus being able to find new and better ways to innovate through organizational processes has become progressively more important for sustainability. Furthermore, the relationship between and within marketing, R&D, and operations/production can be said to be key to sustaining a competitive advantage when optimizing a strategy for sustainability through innovation, as it relates to organizational learning and culture. While this is not a new concept, how the Competing Values Framework might be used to support innovation has not been extensively explored in the literature. This paper looks at the tensions between these three functional groups; its impact on innovation; the role of transformational leadership; and the application of

transformational leadership using the Competing Values Framework to create processes to secure an organization's ability to differentiate itself from the competition.

## 2. Discussion and Hypothesis

### 2.1 Tensions Between and Within Functional Groups

Both Barney and Williams recognized the importance of “learning” and applying the tacit knowledge within the organization to create a sustainable competitive advantage. Yet, according to Atuahene-Gima (2005, p. 62), “the source of competitive advantage is how knowledge is coordinated and integrated among functional units rather than knowledge itself.” On the other hand, according to Dutta, Narasimhan, & Rajiv (1999), “the differences in functional goals may actually create a breakdown in communications” (pg. 556). Whereas, “an organization's performance is partially predicted by the management team's backgrounds which include not only the demographic and functional diversity but also socioeconomic diversity and these affect their perception and interpretation of environmental events” (Hambrick and Mason, 1984, p. 453). Conflict between and within functional groups arises as a result of competing organizational goals and objectives: the marketing group is measured on customer satisfaction and value the company can create; and the R&D group is generally measured on the number of new innovations and ways in which it can work with the operations/production group to lower cost outputs (which may or may not be consistent with customer value). Based on this literature review we hypothesize that: **Hypothesis I:** Competing tensions diminish organizational effectiveness in the innovation process; **Hypothesis II:** Disciplinary differences contribute to differences in organizational goals and hence competing tensions.

On the other hand, if the leadership can manage these differences to create a culture that promotes communication and thus innovation, the tensions can be used to create “healthy” conflict. Madanhohan (2005) found that leveraging diversity and the differences, which result from functional roles, can lead to incremental change in the innovation process. Hence, it becomes the role of the leader to create a healthy environment from the natural conflict that arises. This type of leadership that focuses on transforming the organization is commonly called transformational leadership. Thus **Hypothesis III:** Transformational leadership can reduce the tensions in the innovation process by improving communications and increasing collaboration.

Furthermore, Madanhohan found that it is necessary for successful leadership to monitor long-term direction and constantly re-assess the environment in order to reduce risk and increase opportunity. Other researchers have also made compelling arguments that organizational survival and competitive advantage require constant adaptation and change (Marshak, 2004; Oswick, Grant, Michelson, & Wailes, 2005 as cited in Howarth). Yet, this evidence notwithstanding, the failure of organizational change efforts remains very high (Herold, Fedor, & Caldwell, 2007 as cited in Howarth). As a result, cooperation between and among organizational functions is more important than ever. Hence, the leadership style and culture of the organization can be an important factor for sustainability.

### 2.2. The Importance of Leadership in Interfunctional Cooperation

The process of continuous improvement and creating a culture of innovation begins with leadership (Snyder, 2004). A partial answer to the problem of fostering inter-functional

cooperation may lie in transformational leadership. Transformational leadership is grounded in communications, psychology, management, and change theory. It complements leader traits theories, leader behavior theories, path-goal theory, group maintenance theories, and participation-in-decision theories. Transformational leadership must be an element, possibly a major element, in any attempt to change behavior and foster cooperation between organizational functions. It also dovetails with the Competing Values Framework, discussed in the next section. In the Competing Values Framework, the transformational leader is focused on flexibility internally and externally. Flexibility may be important to fostering inter-functional cooperation through cultural change or transformation (Hooijberg and Petrock, 1993). By modeling certain behaviors and approaches, transformational leaders change their visions into reality. In contrast to transactional leaders who use legitimate, reward and coercive powers, transformational leaders get people to rise above their personal interests, values, fears and perspectives in favor of group or organizational objectives. In other words, transformational leaders create a sense of shared purpose (Bateman and Snell, 1996).

Tyler (2002) notes the importance of tapping into intrinsic motivation (what people want to do) and tapping into their loyalty and commitment to the larger group (for our purposes in this paper, the larger group includes members in other functions). Together, these two internal motivations lead people to act in the interest of the larger group. According to Tyler (2002),

Efforts to stimulate cooperation by appealing to attitudes and values are more effective ways to encourage cooperation than are approaches that rely on the use of incentives or sanctions to achieve the same objectives. These approaches are found to be more influential in stimulating cooperation than are incentive- or sanction-based systems.... So, people are motivated to engage in cooperative acts without focusing on the rewards for such actions.

One of the tensions between and within and between functional groups has been the differences in values and goals. Hence, a leader, who is transformational, can develop cooperation that is synergistic with the different values and goals can enhance cooperation by creating a synergy based on shared values and commitments. The behavioral implication of this is that, because values and goals are vitally linked to cooperation, leaders need to create a supportive culture that stimulates intrinsic interest in and identification with the group (Tyler, 2002).

Thus it appears that an important role of the leader is to promote change that fosters inter-functional cooperation and communications. The literature presented here appears to support our third hypothesis that Transformational leadership can reduce the tensions in the innovation process by improving communications and increasing collaboration. This paper will provide further evidence of a model using the Competing Values Framework to improve the innovation process through effective leadership.

### **2.3. The Competing Values Framework And The Role Of The Leader**

According to Hooijberg and Petrock (1993), the Competing Values Framework can provide one pathway for a leader to engage the organization in cultural change to promote innovation and sustainability. Value creation in organizations is measured through tangible indicators such as increase in revenue and profitability and monitoring of cost controls as well as

intangibles such as cultural and organizational competencies (Cameron, Quinn, Degraff, Thakor, 2006). It is the ability to orchestrate these factors that often differentiate those who consistently outperform the competition in the marketplace. The Competing Values Framework is best demonstrated in a four-quadrant model as outlined in Figure 1

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		<b>Flexibility</b>			
Internal	<b>Collaborate</b>	<b>Create</b>	External		
	Roles: Mentor Facilitator  Competencies: Understanding self and others Communicating effectively Developing subordinates Building teams Using participative decision making Managing conflict	Roles: Innovator Broker/Networker Entrepreneur  Competencies: Creating/living with change Thinking creatively Presenting ideas Negotiating agreement and commitment Presenting ideas			
	<b>Control</b>	<b>Compete</b>			
	Roles: Monitor Coordinator  Competencies: Monitoring personal performance Managing collective performance Managing organizational performance Managing projects Designing work Managing across functions	Roles: Producer Director  Competencies: Working productively Fostering a productive work environment Managing time and stress Visioning, planning and goal setting Designing and organizing Delegating effectively			
		<b>Stability</b>			

**Figure 1: Overview Of The Components Of The Competing Values Framework**  
Adapted from: Quinn, etal. (2010).

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Roles, competencies, and functions associated within each quadrant of the Competing Values Framework add value to the organization. The Collaborate (i.e. human resources/operations) and Control (i.e. legal, finance and accounting, and production) quadrants contribute to the internal focus of the organization. While the Create (i.e. research and development) and Compete (i.e. sales and marketing) quadrant functions focus on the external environment. Additionally the Collaborate and Create quadrants contribute to organizational flexibility while the Control and Compete quadrants maintain stability. The leadership style required to promote flexibility is classified as transformational. Whereas the leadership style that promotes control is classified as

transactional, as discussed earlier. As most of us who have worked in organizations know, things are not as tidy as they appear in a model: organizational relationships which require cooperation to achieve organizational success are at odds with each other at times. The tensions between and within the functional roles of R&D, marketing, and operations/human resources can impact the innovation process. On the other hand, the Competing Values Framework can provide a model for appreciating the tensions associated with functional relationships relating to organizational performance in areas such as collaboration and competition, creating and controlling, as well as the value creation of each.

As noted earlier, tensions can exist between and within the production (Control) and R&D (Create), marketing (Compete) and operations/production and R&D given the activities each performs to create value. The leader assumes the role of promoting a culture of cooperation. Ways in which these tensions can be managed include leadership that demonstrates strong skills in the areas of negotiating agreement and commitment, managing collective performance, managing across functions, fostering a productive work environment, visioning planning and goal setting, and fostering creative thinking by parties working together in these areas. (Quinn, et al 2010) Interestingly, the one quadrant with limited resource allocation by all three of these functions (Collaborate) could best serve the endeavors of all three groups when it comes to innovation management and sustainability. Members from the functions of human resources, training and development, and/or organization development (Collaborate) can serve these functions by facilitating effective integration or operations.

Performing a self assessment and departmental assessment in the skills and competencies area of all four quadrants to identify activities that are critically important and determining how individuals and departments collectively perform is an initial step that results in the identification level of importance and competency gaps. Aligning the results of the self assessments with the goals and objectives of the organization can facilitate an understanding of how performance may be impacted unless improvements are made. With the results of the assessments, departmental and individual development plans may be created, resources required for development can be identified, ways in which success can be monitored can be initiated, and timelines for reassessing performance can be set.

Engaging in a continuous process of self assessment, competency development, monitoring, and re-evaluation coupled with the functional processes associated with R&D, operations/production and marketing, organizations can ensure a culture in which departments remain aligned with priorities that increase and sustain value creation and thus secure an organization's ability to differentiate itself from the competition. As such, organizations remain sustainable through the ability to innovate. It is the role of the leader to transform the culture of the organization to support the processes that promote innovation. As noted by Van Looy, Martens, and Debackere (2005), it is through management practices aimed at interfunctional coordination that promotes the flexibility that enables the innovation process.

Thus, the Competing Values Framework is one way to assess the role of the leaders, the culture of the organization, and its ability to remain flexible. Applying theoretical concepts of organization development and change to situations within a department can create positive

change which enables members to better manage the “compete” and “collaborate tensions” of the Competing Values Framework is one way to begin the process of organizational collaboration. However, organization development (OD) as a change strategy is based on individual perceptions and “if there are significant differences among individuals about what the ideal should be, then some resistance to a change program could develop” (Armenakis ,Bedeian, & Nieburh, 1979, p. 68). Thus “success in organizational change and development is contingent on selecting and effectively implementing an appropriate intervention”, at both the individual and group level (Armenakis ,Bedeian, & Nieburh ,1979, p. 59).

The following case study is one example of an applied planned change methodology using process consultation to increase skills and behavior associated with collaboration within a marketing team for a large transportation service provider. The intervention began in the marketing department because of like goals among the members and recognition of the divisive conflict within this department by the leader. It will be shown how the intervention process applied the Competing Values Framework to enhance cooperation. What is particularly important in this case study, the organization that was studied was a global organization. The marketing group here was dispersed across many nations, increasing the diversity of the group and increasing the complexity of the operations from different goals resulting from cultural differences. A fictitious name of the organization will be used in this case study to protect confidentiality.

### **3. Case Study**

European Marine Transport is a fictitious name for a global marine transportation company specializing in cargo transfer, which is headquartered in Europe with regional marketing offices in North America, throughout Europe and the Middle East. Although the regional offices work autonomously in aspects of marketing campaigns and advertising relationships, the strategic direction is set by the marketing team in headquarters. Innovation in a transportation organization comes from improved and effective processes to increase customer value. In this case study the internal communication and lack of collaboration among marketing personnel in the United States caused increased tensions within the operating center. These differences caused tensions, impacting the performance of the organization: supporting our first and second hypotheses.

In a desire to develop more collaboration among marketing team members within North America the regional vice president of marketing for European Marine Transport contacted its director of human resources for assistance. The director sought the advice of an external organization development consultant who was familiar with the culture of the organization to work with the team to increase its effectiveness. The organization development consultant, human resources director and vice president of marketing for North America applied a process consultation approach to planned change as the means to address the situation. Process consultation is a means by which a consultant or manager helps people and groups help themselves by providing frameworks within which issues can be identified, goals set, and improvement made (Schein, 1998). The initial step in helping the people help themselves was to identify ways in which a change could occur that was systematic in nature and could be used by the members of the organization as an iterative means for sustained improvement.

Planned change is a process by which an organization determines an opportunity for improvement and applies a systematic means for that improvement. Individuals, such as organization development (OD) consultants, familiar with applying process interventions use a series of steps or phases to engage members of the organization. These steps include: entry and contracting with members of the organization who desire the improvement; diagnosing the situation through data collection; providing feedback on the data collection; design interventions for improvement; implementing the intervention for change; and evaluating the effectiveness of the change (Cummings and Worley, 2009). The change in this case was to improve collaboration and develop consensus for the organizational goals.

The OD consultant conducted an information exchange with the vice president of marketing to determine what she hoped to accomplish: increase accountability and the ways in which members worked with each other and their supervisors. Discussions were held on departmental reporting structure, responsibilities of various team members, explicit examples of the present behavior of the department and desired behavior were also described. These discussions were an important part of the process because they set clear objectives for the initiative. Mutual expectations were exchanged and it was agreed that the process would occur in four 4-hour meetings over a period of 4-6 months and would include the process consultation philosophy described above: members would be engaged in a process for planned change that would enable them to help themselves and sustain improvement.

It was determined that the following goals and objectives would serve for the intervention sessions: identify behaviors that contribute to marketing departmental effectiveness applying the Competing Values Framework (CVF); self-assessment of individual and departmental effectiveness against the CVF in areas of performance and importance; perform gap analysis; set priorities; identify ways in which changed behaviors would be measured. The results of a series of the four hour sessions provided evidence of the four top-rated skill areas as shown in figure II:

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<b>Skill</b>	<b>CVF Quadrant</b>	<b>Spread/Gap</b>	<b>Scored Level of Importance</b>
Managing Conflict	Collaborate	3.7	4.8
Developing Employees	Collaborate	2.9	5.0
Setting Goals and Objectives	Compete	2.1	5.0
Building and Maintaining a Power Based	Create	2.4	4.25

**Figure II: Identification of Top Rated Skill Areas and Spread**

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Those skills where the highest spread occurred became the two areas that the department determined they wanted to close the gap. As a result, training was provided in the top two areas (managing conflict and developing employees). Thus the self-assessment of individual and collective performance and training was an important step in this intervention. Furthermore, behaviors and practices were agreed upon by members of the group to more effectively manage the conflict that would occur on a day to day basis and ways in which changes in behavior would be measured were identified.

Thus in this case study, a learning organization was developed to improve the communications and processes within the marketing function. By improving collaboration and commitment, tensions among group members were reduced. It is expected that this type of OD intervention could be duplicated to improve intradepartmental and cross-functional effectiveness by reducing the competing tensions within and between marketing, R&D, and the operations within organizations.

#### **4. Conclusion**

It remains important for organizations to continue to be innovative, especially in the face of constant economic, market, technological, and social change, and increasing global competition. Close coordination and cooperation among groups, and a culture that supports innovation has been shown in the scholarly literature to determine the success of pursuing a differentiation strategy based on innovation. We have shown how the Competing Values Framework is one model that can help an organization assess the ways to foster cooperation within and between R&D, Operations/production, and Marketing operations. The case study illustrated an empirical example of how the Competing Values Framework can be used to support sustainability.

Key to the success of this intervention was the role of the leader. As noted by Wirtenberg, Lipsky, Abram, Conway, & Slepian, (2007) “The leader must clarify and communicate succinctly the purpose and mission of the organization to inspire and engage the workforce” (Wirtenberg, Lipsky, Abram, Conway, & Slepian, 2007, p. 19). The leader in this organization requested that the intervention take place to reduce the competing values within the organization. It is recommended in this paper that transformational leadership is critical. We see several reasons for this: the leader must be able to recognize the different motivational behaviors of each group and leverage those to promote cooperation, and the leader must also be able to implement processes that add value to the organization and seek internal/external assistance when needed. This can occur through processes that promote self assessment and realign priorities to be consistent with those of the overall organization, such as the OD intervention describe in the case study. In our case study the leadership was important to improving the collaboration within the group and thus supports our third hypothesis that Transformational leadership can reduce the tensions in the innovation process by improving communications and increasing collaboration.

The skills of the leader and how they related to the culture of the organization are modeled in Competing Values Framework. Applying this framework is one way that the

tensions can be assessed and then transformed. While this paper has relied on previous findings related to sustainability and the role of the leader, the case study in this area was used to empirically support the use of the Competing Values Framework to assess the role of the leader for improving the cooperation and creating a sense of shared vision and commitment; communication; and flexibility leading to increased performance. Through the use of an intervention process consultation, members of the marketing department for the transportation organization increased their knowledge of the Competing Values Framework and the skills associated with increasing their own effectiveness of working with each other: enabling them to help themselves. Further research could be developed to quantitatively support the effect of developing a similar intervention within research and development and operations/production (as was done in the marketing department) and then cross-functionally between marketing, research and development, and operations/production in the innovation process.

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