



Six Levers to Build a Differentiated Organizational Culture

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Executive culture champions

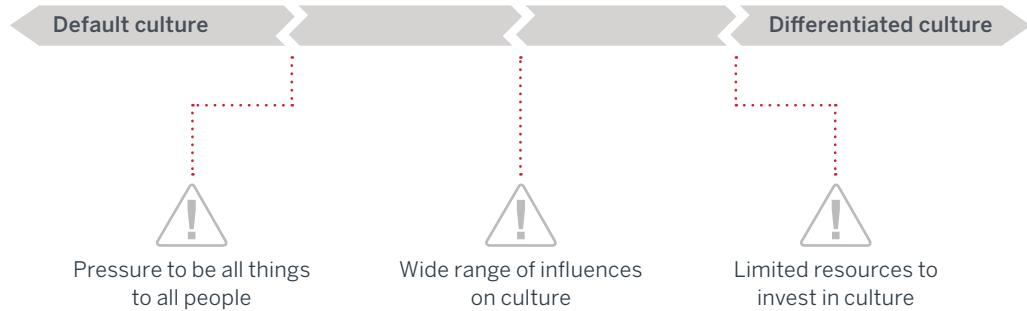
Every organization has a culture

The question is: Is your culture one you deliberately built—or one that has arisen by default? A growing number of progressive organizations are purposefully investing time, energy, and resources into building a deliberate culture that advances multiple strategic aims. These high-performing organizations succeed because they've built a specific type of culture that's rare to see in health care—an intentionally differentiated culture that sets them apart from their competitors.



Shifting toward a differentiated culture is not easy. In this research briefing, we discuss how to tackle the most common challenges associated with building a differentiated culture and help you assess where to focus your efforts.

How to overcome three barriers to a differentiated culture



The first barrier to building a differentiated culture is the pressure to be all things to all people. Given the tight labor market, many organizations are understandably inclined to build a culture that appeals to all candidates. But if you take this approach, your culture—by definition—won't be differentiated. Instead, you need to **crystallize your cultural aspiration** and share this ambition in a way that resonates specifically with the candidates you most want to attract and retain. Our research uncovered the key lever to achieving this aim: deliberate organizational values. Having deliberate organizational values means intentionally choosing a small subset of organizational values to outperform on (and being comfortable with “good enough” performance on the others).

The second barrier is the wide range of influences on culture: senior leaders, managers, and frontline staff all shape culture. Beyond people, there are plenty of other influences and events that can have a significant impact—a merger or sudden downturn in the organization's finances, for example. It's difficult to define, let alone change, a culture in constant flux due to circumstances beyond your control. Our research uncovered two lessons from organizations that have overcome this barrier. First, **leverage talent management processes to animate your culture**. The three levers that will help achieve this are: performance management, leader development, and hiring. But talent management processes alone won't be enough to shift culture. That's why the second organizational lesson is equally critical: **make your cultural aspiration the new normal**, not an HR project. The two levers you can apply toward this goal are senior leader role modeling and positive peer pressure.

The third barrier to building a differentiated culture is the limited resources available in light of other competing priorities. The good news: overcoming the first two barriers will help you decide where to focus your investment. Since every organizational process contributes to culture, you don't necessarily have to *do more* to change your culture; you simply need to view these processes through a different lens.

Make **principled investments** in your culture



Pressure to be all things to all people

► **Lesson 1: Crystallize your cultural aspiration**

LEVER 01 Deliberate organizational values



Wide range of influences on culture

► **Lesson 2: Use talent management to shift your culture toward your aspiration**

LEVER 02 Performance management

LEVER 03 Leader development

LEVER 04 Hiring

► **Lesson 3: Make your cultural aspiration the new normal**

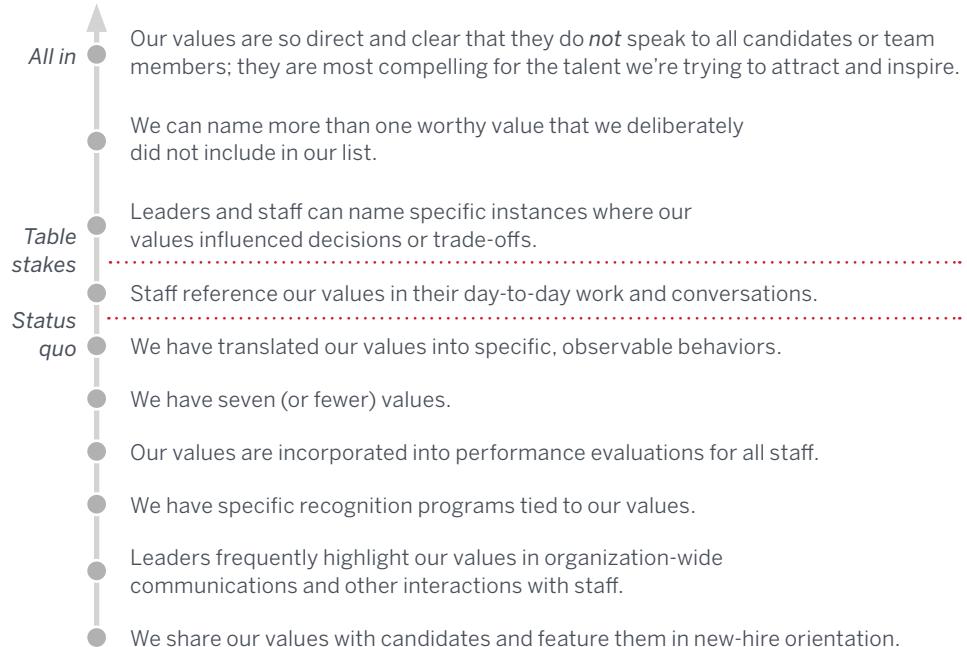
LEVER 05 Senior leader role modeling

LEVER 06 Positive peer pressure

Every organization's culture is at a different point on the spectrum from default to differentiated. We've created an accompanying investment guide to help you assess your starting point and focus your efforts. The guide is organized around the six levers that organizations can use to shift their culture. For each lever, we've plotted a series of "milestones" along a spectrum. Moving from bottom to top, these milestones mark progressive degrees of how effectively you can use this lever to differentiate your culture. You'll see an example on the next page.

EXAMPLE LEVER

Deliberate organizational values



Individual organizations need to craft their own customized investment strategies. As you build your strategy, we recommend following two key principles.

First, organizations striving to build a deliberate culture should reach a minimum threshold on each cultural lever. To help you identify that threshold, we've drawn a line labeled "table stakes" on each lever. The milestone immediately below this line is the minimum milestone we recommend all organizations achieve. Reaching this minimum milestone will ensure that a particular lever doesn't drag down your larger efforts to advance your culture.

Second, you should choose one or two levers in which to invest heavily, or go "all in." On each lever, "all in" is represented by the top-most milestone. You can build a differentiated culture by going "all in" on just one or two levers—as long as you reach the minimum table stakes threshold on the other levers. Whether you choose one or two levers to invest heavily in will depend on the bandwidth you have remaining after pursuing the table stakes milestones across all six levers.

To determine where to allocate your efforts for your unique organization, we encourage you to use the rest of this briefing to assess your current state.

LEVER 01

Deliberate organizational values

All in

- Our values are so direct and clear that they do *not* speak to all candidates or team members; they are most compelling for the talent we're trying to attract and inspire.

Table stakes

- We can name more than one worthy value that we deliberately did not include in our list.

Status quo

- Leaders and staff can name specific instances where our values influenced decisions or trade-offs.
- Staff reference our values in their day-to-day work and conversations.

Table stakes

- We have translated our values into specific, observable behaviors.

Status quo

- We have seven (or fewer) values.

Table stakes

- Our values are incorporated into performance evaluations for all staff.

Status quo

- We have specific recognition programs tied to our values.

Table stakes

- Leaders frequently highlight our values in organization-wide communications and other interactions with staff.

Status quo

- We share our values with candidates and feature them in new-hire orientation.

Strategies to move up the spectrum

3

Use values to differentiate your culture from your competition's

2

Make values pithy and memorable

1

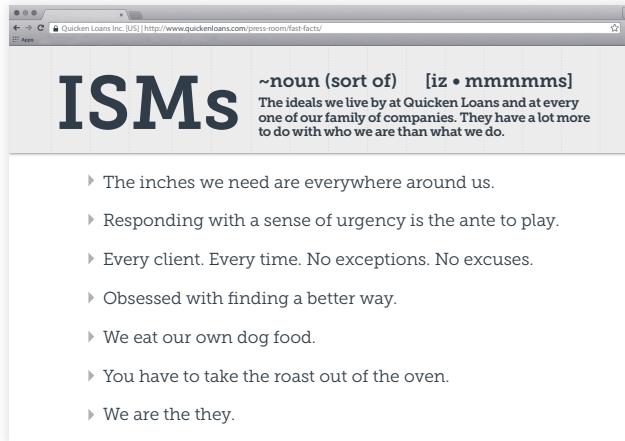
Embed a consistent set of values across your organization

Deliberate organizational values

You know you've gone all in on values when [your values are so direct and clear that they do not speak to all candidates and team members.]

Your organizational values are your starting point for shifting toward a differentiated culture—but only if they clearly distinguish you from other health systems in your market. Most organizations have done an admirable job of translating their values into specific, observable behaviors. If you've already reached this milestone, don't be tempted to stop there. To reach the table stakes on this lever, staff need to reference your values in their day-to-day work and conversations.

To reach this milestone, you'll first need to **make your values pithy and memorable**, a strategy increasingly used by cultural exemplars. For example, compare two values: "teamwork" and "we are the they." The second comes from the financial services firm Quicken Loans. Quicken's leaders use the value "we are the they" as a highly memorable way of reminding staff that everyone—including senior leaders and staff in other departments—is on the same team and needs to trust each other.



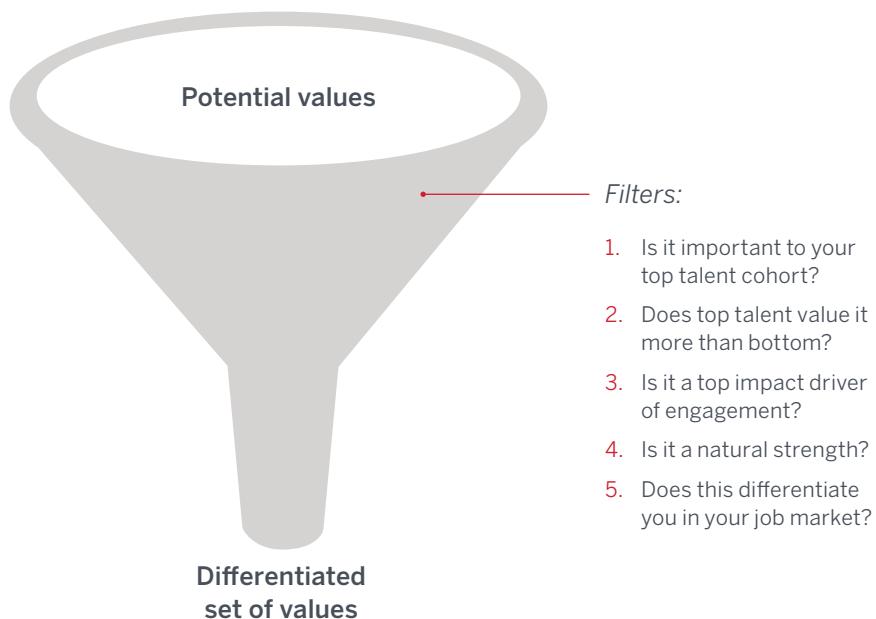
Sample tactics that ensure "ISMs" guide behavior

- Senior leaders facilitate day-long values session at orientation
- New hires receive specific, real-life examples of what it looks like to live (or not live) each "ISM"
- Employees can award 16 unique recognition cards (one per "ISM") to colleagues whose behavior is consistent with "ISMs"

To go all in on values, the next step is to use values to differentiate your culture from your competition's so candidates and staff don't view your organization as interchangeable with your competitors. In health care, organizational values are often about broad themes such as service excellence, world-class care, or financial stewardship. These are all laudable aims, but they're not substantially different from other health care organizations' values.

Developing a differentiated set of values is as much about what you leave off your final list as it is about what you leave on the list. You and your executive team will need to become comfortable with the idea of outperforming on a small set of compelling values while simply doing "well enough" on the others. To help you make these tough trade-offs, apply the five filters shown below to each potential value you're considering.

Five filters to isolate a discrete set of core values

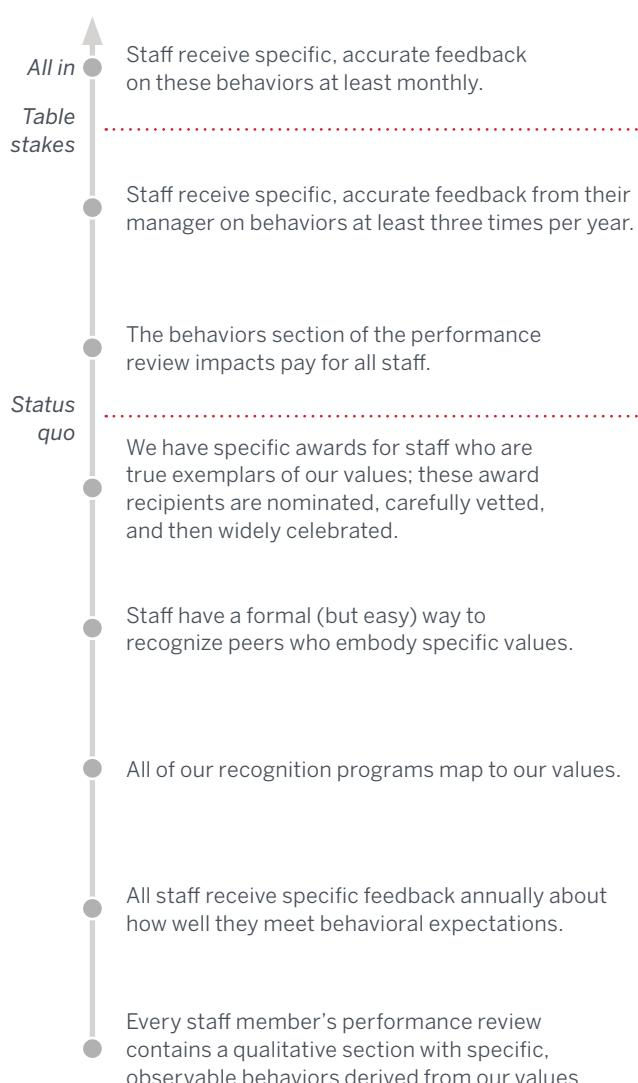


Applying these filters will help you isolate a core set of values that speak compellingly to the type of talent you want to attract and retain.

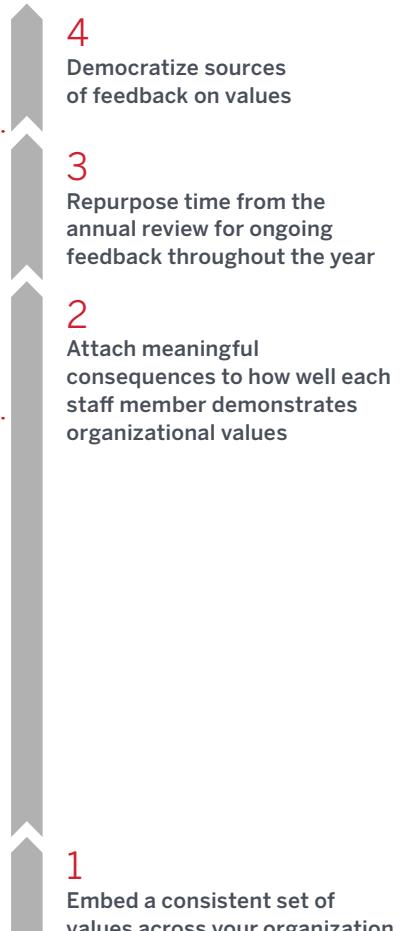
Developing a differentiated set of values is as much about what you leave off your final list as it is about what you leave on the list.

LEVER 02

Performance management



Strategies to move up the spectrum



Performance management

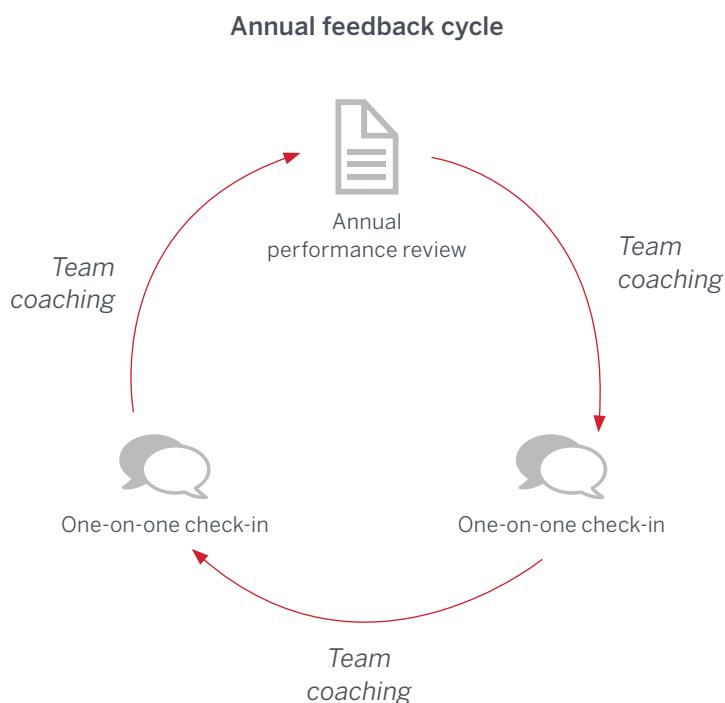
You know you've gone all in on performance management when [managers give staff specific, accurate feedback on behaviors at least monthly.]

Most organizations dedicate a large amount of time and energy to the annual performance evaluation process. It would be a shame to invest those resources in a process that doesn't actively advance your culture. Most organizations reward staff who are true exemplars of the organization's values. But to reach table stakes for this lever, you'll need to shift two milestones higher, to the point where staff receive specific, accurate feedback from their manager on behaviors at least three times per year.

To reach this milestone, you'll first need to **attach meaningful consequences to how well each staff member demonstrates organizational values**. One way to do this is through merit-based pay: tying compensation to performance. Many organizations base a substantial portion of frontline staff's overall performance rating on demonstrated behaviors. Less often, the rating then informs the staff member's pay increase. Even less often, this type of behavioral-based pay applies to physicians.

To reach table stakes, you'll also need to **repurpose time from the annual review for ongoing feedback throughout the year**. If staff are having only one conversation per year about how their actions support your culture, change will happen at an unacceptably slow pace. But managers have so many direct reports and other responsibilities that you can't simply mandate more conversations throughout the year without offsetting their workload.

If you're going to ask managers to shift toward giving staff feedback more often, you'll need to dramatically streamline the annual review process. Cutting down the review will free up time for managers to have more frequent performance conversations with staff—ideally at least three times per year, including the annual review. In addition, managers can and should take better advantage of the time they already spend with their teams during huddles to provide more frequent feedback on team performance.



To go all in on performance management, you'll need to **democratize sources of feedback on values**. In other words, solicit feedback from sources other than the manager. Annual peer review is a familiar method for soliciting peer feedback. But, by definition, an annual peer review means staff receive peer feedback only once a year—not often enough to meaningfully impact performance. The clothing company Patagonia encourages staff to request peer feedback throughout the year. Patagonia uses a mobile-friendly app that prompts staff to provide peer feedback. You don't need sophisticated technology like Patagonia to achieve a similar outcome: the more clearly defined your values are, the easier it will be to encourage peers to share specific feedback with each other, even if your system for doing so is paper-based.

The more clearly defined your values are, the easier it will be to encourage peers to share specific feedback.

LEVER 03

Leader development

All in

- Managers create such strong team cultures that they gain an organization-wide reputation as a team people want to work on.

Table stakes

- Managers confidently handle the vast majority of instances where their staff are not contributing to the desired culture and rarely rely on HR as a go-between.
- Managers have meaningful interactions with every direct report (so they're able to directly model our culture).

Status quo

- We can cite specific examples of not promoting managers who produced impressive outcomes but weren't cultural exemplars.
- We mandate a specific intervention (e.g., one-on-one coaching) for all managers whose team cultures fall below a predetermined threshold (for example, as measured via an engagement survey).
- We have a formal way (e.g., engagement survey questions, 360-degree feedback) to identify managers who don't have a positive impact on their team's culture.

- Managers identify instances where staff behavior does not align with our culture and share specific feedback with staff.
- Managers devote time to team-building and other activities that have a positive impact on their team's culture.
- Our leadership competency model highlights leaders' contribution to shaping our culture.

Strategies to move up the spectrum

5
Help managers uncover and resolve conflicting incentives

4
Scope the manager role to enable a deliberate focus on culture

3
Provide targeted support for struggling managers

2
Equip managers with in-the-moment tools to coach staff on behavior

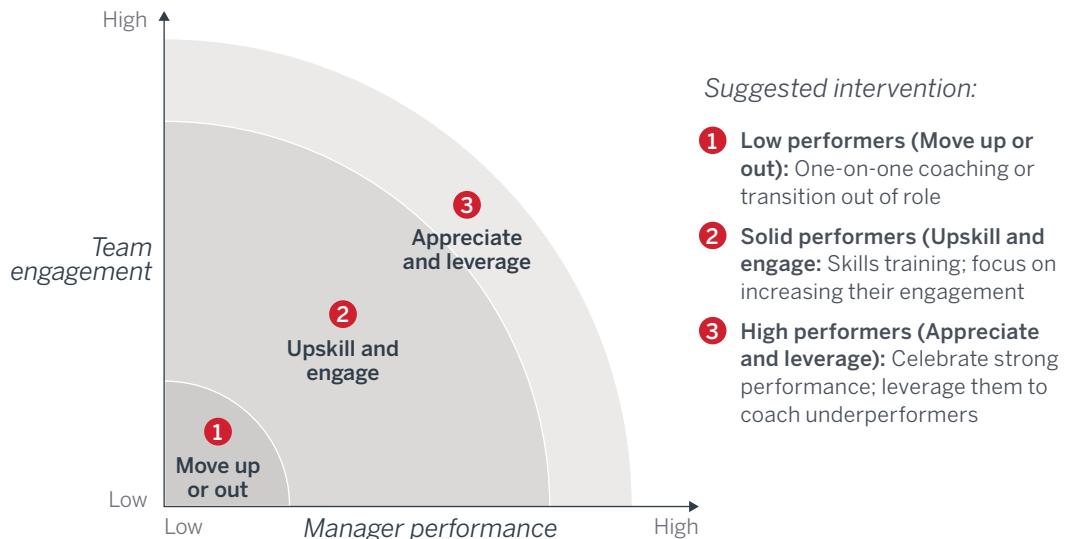
1
Show all staff what it means to be a leader here

Leader development

You know you've gone all in on leader development when [you have a legion of managers whose team cultures inspire every team member.]

Ultimately, much of the day-to-day work to advance your culture falls to frontline managers. They are responsible for shaping the cultures of their teams, and they're also the leaders that frontline staff interact with most often. Most organizations have made progress on equipping managers with the skills and tools they need to regularly identify and address instances where staff behavior does not align with the culture. But you'll need to move several milestones beyond this to reach table stakes: regularly choosing not to promote managers who produce impressive outcomes but aren't cultural exemplars. To reach table stakes, **you'll need to provide targeted support for managers who are struggling to advance your culture.** We recommend using two factors to identify struggling managers: the manager's team engagement scores and the manager's performance on business outcomes. Based on these sets of data, you can sort managers into one of three buckets shown below—each of which requires a different type of investment to support them in building a strong team culture.

Identifying high- and low-performing managers



To move beyond table stakes, you'll need to **scope the manager role to enable a deliberate focus on culture**. There are two ways to free up manager bandwidth.

- 1 Subdivide large units into smaller "microsystems." Microsystem leaders (often given the title "assistant nurse manager") own all people management responsibilities for staff in their microsystem, alleviating pressure on managers.
- 2 Deploy specialists to help managers with discrete tasks. The goal with this approach is to transfer a subset of specific responsibilities—for example, data tracking or business functions—to a dedicated expert.

Even if managers have the knowledge, skills, and bandwidth to focus on culture, you still might not end up with a cadre of leaders capable of attracting and inspiring the talent you need. If you really want to go all in, you'll need to pursue one final strategy: **help managers uncover and resolve conflicting personal incentives** regarding what's best for supporting your culture and what's best, or easiest, for them personally. For example, a manager who sees a team member behaving in a way that does not align with your culture faces a choice: the hard road of having an uncomfortable conversation, or the easier one of looking the other way.

We recommend taking a critical look at your leadership development programs to ensure they equip managers not only with knowledge and skills, but also support developing the attitudes they need to succeed. Leaders can be highly skilled at having difficult conversations, for example, but without the right attitude about *why* to have these conversations, they may never apply the skill.

To go all in on leader development, managers can't avoid uncomfortable conversations; they need to address issues in the moment.

LEVER 04

Hiring

All in

- We hire great cultural fits even if there's not a budget slot open at the moment (but one will likely appear soon).
- Poor cultural fits rarely make it past the 90-day probationary period; we actively push them out.
- Recruiters do not pass any candidates to managers unless they are strong cultural fits (as measured by our screens).

Table stakes

- Hiring managers actively sell the position to candidates who are great cultural fits.

Status quo

- We have a formal process to assess how well each candidate embodies our desired culture.
- We highlight distinct aspects of our culture in all our recruitment channels.
- We showcase our culture during orientation.

Strategies to move up the spectrum



- 4**
Absorb short-term costs to hire candidates with the best cultural fit
- 3**
Instill accountability among recruiters and hiring managers for keeping the bar high for cultural fit
- 2**
Formally screen all candidates for cultural fit—and help managers act on the results
- 1**
Show candidates what it's like to work at this organization

Hiring

You know you've gone all in on hiring when [**you are willing to absorb short-term costs to hire staff who are the best cultural fit.**]

It will be a lot easier to achieve a differentiated culture if you're bringing in people who are aligned with your culture from the start. Most organizations have a formal process to assess how well each candidate embodies their culture. But far fewer organizations use their culture screens as a true knockout factor. To reach table stakes, you'll need to.

At a minimum, you should **help managers act on screening results.** Consider setting a minimum cultural assessment score that candidates must meet to secure an interview. In addition, prepare your hiring managers to "sell" your organization to candidates whose screening results indicate they are a great fit. Coach your hiring managers to use the final interview with a top-tier candidate as an opportunity to convince them that they should choose your organization.

To move further toward all in, you need to **instill greater accountability among recruiters and hiring managers to keep the bar high for cultural fit.** One tactic is to share transparent data around the quality of new hires—for example, sharing the turnover rate for new hires recommended by the cultural screen as compared to the rate for new hires not recommended by the screen. A second option is to involve a senior leader (a department director or VP) as the final step in the interview process. Hiring managers will be less likely to pass on mediocre candidates if they know a senior leader will ultimately interview them.

If you want to go all in on hiring, consider your organization's willingness to absorb short-term costs to hire staff with the best cultural fit. Yale New Haven Hospital has implemented a “forward-hiring” strategy for their medical service line that enables them to hire great candidates even if there are no open budget slots available. Service line leaders hire staff as a cohort to fill vacancies as they occur across the year. Each new hire orients on two units in the service line and flexes between the two units until a vacancy opens.

Yale New Haven Hospital makes an up-front investment to forward-hire and train staff. However, their process also reduces premium labor costs incurred as a result of long time to fill. Forward-hiring helps leaders and recruiters avoid scrambling to fill open positions with any warm body when a vacancy does arise.

Consider your organization's willingness to absorb short-term costs to hire staff who are the best cultural fit.

LEVER 05

Senior leader role modeling

All in ↑ Senior leaders regularly share stories about times when the organization fell short of fully embodying its values and highlight key lessons from those examples.

Table stakes Senior leaders regularly share lessons and advice on living the values based on their own experience.

Status quo Every department, facility, and physician practice has a small group interaction (e.g., rounding or office hours) with a senior leader at least once a month.

Every senior leader devotes time to small-group or one-on-one conversations with frontline staff at least once a month.

Senior leaders explicitly state the values guiding specific organizational decisions whenever they share organizational updates with staff.

Senior leaders join training sessions for new managers to emphasize the role of leaders in shaping culture.

Senior leaders publicly recognize teams or individuals that fully embody our organization's values at least once a quarter.

Senior leaders introduce our culture to new hires at orientation.

Strategies to move up the spectrum

2 Help executives share "culture legends" with the organization

1 Scale high-visibility opportunities for executives to connect with staff

Senior leader role modeling

You know you've gone all in on senior leader role modeling when [senior leaders routinely share stories of times when the organization fell short of fully embodying its values and highlight key lessons.]

To fully embed your cultural aspirations in your organization's social norms, you'll need help from key influencers across the organization—senior leaders in particular. Most organizations have made significant progress ensuring each senior leader devotes time to small-group or one-on-one conversations with frontline staff at least once a month. But it's increasingly difficult for executives to connect with every staff member in today's environment. Leaders' spans of control are larger, reporting relationships have more layers, and health care systems span larger geographic areas. To reach table stakes, every department, facility, and physician practice should have a small-group interaction with a senior leader at least once a month.

You can extend the reach of senior leaders by **scaling high-visibility opportunities for executives to connect with staff**. One effective way to scale the impact of executives' time and one-on-one attention is through "speed mentoring." At Miami Valley Hospital (MVH), senior leaders from across the organization meet with staff for brief conversations and rotate every seven minutes. Staff receive leader biographies in advance and can meet with senior leaders within or outside their department to ask questions about career pathing, the organization, or other topics. Within a single hour, senior leaders can have meaningful interactions with six or seven frontline staff members.

A second way to scale senior leaders' positive impact on your organization's culture is to expand the bench of strong culture role models. For example, one organization uses a process called "shadow rounding" to help new senior leaders build the skills they need to model the culture for frontline staff. In shadow rounding, a new senior leader first observes an experienced leader round with frontline staff. Then the experienced leader observes the new leader while rounding and shares feedback.

A third approach is to leverage technology to scale meaningful staff interactions with executives. In addition to broadcasting live events, we recommend offering virtual-only events—that is, events designed specifically for virtual attendees. The best virtual-only events feature just a few minutes of an executive presenting information for context—followed by two-way conversation with virtual participants for the majority of the session.

To go all in on this lever, scale alone won't be enough. The messages senior leaders are delivering also need to resonate with frontline staff. We recommend tapping into the power of storytelling by **helping executives share "culture legends" with the organization**. Throughout history, stories have been used to convey values to the next generation, with good reason—compelling stories stick with people. To craft your own cultural legends for your organization, consider telling the story of a time your organization fell short of fully embodying a core value. Explaining a time when the organization lost its way can help staff appreciate what the value looks like (and doesn't look like) in practice. Most importantly, ensure that the story has a specific moral or teaching point that maps clearly to an organizational value.

In addition to broadcasting live events with senior leaders, offer virtual-only events designed specifically for virtual attendees to talk with senior leaders.

LEVER 06

Positive peer pressure

All in

- Staff coach peers in the moment, unprompted, on how to embody an organizational value more fully.

Table stakes

- Managers give staff insight into how their peers are performing on individual goals related to core organizational values.

Status quo

- Staff perform specific tasks together and share feedback on observable criteria related to organizational values.
- Managers create coaching partnerships between peers who are exemplars of an organizational value and peers who are struggling.
- All staff know how their team is performing against group goals related to core organizational values.
- Managers encourage staff to share feedback on peers' past performance.
- Managers hold all formal and informal authority to assess and coach staff on behavior.

Strategies to move up the spectrum

3
Empower peers to provide ongoing feedback and coaching

2
Create discrete opportunities for in-the-moment peer feedback

1
Equip managers to rally staff around team goals

Positive peer pressure

You know you've gone all in on positive peer pressure when [staff routinely coach one another, unprompted, on how to embody an organizational value more fully.]

Frontline staff spend far more time working directly with each other than with leaders, which means positive peer pressure can have a significant impact on how each team member lives the organization's values. Most organizations ensure all staff know how their team is performing against group goals related to organizational values (for example, the team's performance on patient satisfaction or clinical quality metrics). Knowing how the team is performing as a whole is a good start, but it won't get you to table stakes, where staff perform specific tasks together and share feedback on observable criteria related to organizational values.

To reach table stakes, you'll need to **create discrete opportunities for in-the-moment peer feedback**. Sharing feedback with peers can be awkward and uncomfortable, and staff often lack the skill to give feedback effectively. Creating formal opportunities for peers to share feedback helps overcome these barriers by giving staff explicit permission and support to share feedback. One way to do this is to give pairs of staff shared accountability for specific tasks—such as joint bedside reports for on-coming and off-going nurses, where the two nurses meet at a patient's bedside to assess the patient's condition together.

To go all in on peer pressure, you'll need to **empower peers to provide ongoing feedback and coaching** whenever the needs arises, not just when staff are given a formal opportunity to do so. Most health care organizations are still very early in pursuing this strategy. Some have designated specific signals or phrases staff can use with each another to immediately convey feedback. For example, staff on one team we spoke with use the innocuous cue "Are those new shoes?" to help bring a team member back to the current situation if it seems like he or she is not fully present for the patient.

A second tactic that organizations have used to nudge peers to exchange feedback is sharing individual-level performance data. The goal is to give staff visibility into how they and their peers are performing so they know who to ask for help.

Additional resources

The HR Advancement Center offers a number of **ready-made resources** to help you build a differentiated culture. Please find the resources listed below on advisory.com by entering the titles in the search bar.

LEVER 02

Performance management

Research report: Shift from Annual Performance Management to Continuous Feedback

Research report: Must-Do Steps for Trustworthy Performance Evaluation

Implementation resource: HR's Guide to Accurate Evaluations

Implementation resource: The Manager's Guide to Accurate Evaluations

LEVER 03

Leader development

Implementation resource: Sample Tiered Leadership Competency Model

Tool: Leadership Competency Diagnostic

Implementation resource: The Manager's Guide to Engaging Staff

Implementation resource: Customizable Business Case for Reallocating Staffing Resources to Better Support Managers

LEVER 04

Hiring

Implementation resource: The Recruiter's Guide to Hiring Top Talent

Implementation resource: Behavioral-Based Interviewing Toolkit

Research report: Win Talent in a Candidate-Centric Market

LEVER 05

Senior leader role modeling

Implementation resource: The Executive's Guide to Engaging Staff

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Sources

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Page 23: Miami Valley Hospital, Dayton, OH; Nursing Executive Center, *Win Millennials' Loyalty*, Advisory Board, 2016.

HR Advancement Center interviews and analysis.

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