

Thiry and the senior management group understood they needed the involvement, cooperation, energy, and ideas of the clinic managers, the front-line supervisors who make the centers work. In May of 2000, more than 400 clinic managers, plus people from corporate headquarters assembled in Phoenix, Arizona, for the first of what has now become annual corporate-wide meetings. The choice of location, Phoenix, was intentional, as the phoenix is a bird that rose from the ashes, just as the company was seeking to rise from its precarious condition. At this first meeting, suggestions for a new name for the company were presented. It was the company's teammates, not the board or

just the senior management, collectively assembled at this off-site, who voted on and thereby chose the new name, DaVita, which is an approximate translation of the Italian phrases "to give life" or "he/she gives life."⁵ Also at that meeting, groups discussed, debated, and voted on proposals for the core values. Exhibit 1 shows the mission statement that Thiry presented at the meeting and the core values decided upon by the Phoenix delegation. Over the years, the seventh value, "fun," was added by another election.

⁵"Total Renal Care Announces New Company Name," Investor Relations-DaVita, June 5, 2000.

[Exhibit 1]

DaVita's Mission Statement and Core Values

Our Mission

*To Be The
★ Provider,
Partner And
Employer
Of Choice*

"he/she gives life"

DaVita.

Our Core Values

- Service Excellence*
- ★ Integrity*
- Team*
- Continuous Improvement*
- Accountability*
- Fulfillment*
- Fun*

"he/she gives life"

DaVita.

For much of the first 18 months, Thiry and Mello would hold frequent conference calls with the top 800 or so people in the company to update them on progress. As part of each call, Thiry would say, "What is the incremental evidence that we are serious about our Mission and Values?" And then he would provide an answer to that question. Thiry commented, "There were many periods where, absent the pressure of knowing I had to ask and answer that simple question out loud in front of 800 people, in many instances I would not have launched another program, or policy, or communication. They would have been squeezed out by the harsh realities of normal business—like they normally are."

With increased focus and attention to operational details, the commitment of the company's teammates, and the bank negotiations behind it, DaVita embarked on a remarkable transformation in its performance, achieving not only great financial results, as shown in Exhibit 2, but also consistent, year-over-year improvements in clinical outcomes and reductions in turnover.

THE DAVITA WAY: VALUES AND ORGANIZATIONAL CULTURE

DaVita did not develop its culture by accident. The culture was a result of what Thiry calls "purposeful actions" that "articulated and demonstrated" what a company could be. First, Thiry created a clear, concise, easy-to-remember mission that was quickly turned into a song still sung today. Then, he asked 700 colleagues to come to a consensus on the core values. They also used the following question as a benchmark for their own development: What did other great companies do to cultivate cultures—companies like Southwest and Disney?

Employees became teammates, and, if they "crossed the bridge" of believing the company could be special, they became "citizens" of the "village" (not a company), with Thiry

as "mayor." Hugs were common, as were high-fives and laughter, even among the intense ex-consultants and MBAs who populated the business offices. Through what are called "traditions and symbols," DaVita executives brought organizational change concepts to life and made them real.

Cathy Gelb, who ran the DaVita Academies as part of DaVita University and who had been with the company since 2001, commented that one of the things that distinguished DaVita from the Fortune 1000 companies where she had worked as a freelance training consultant was the tremendous amount of strategic thought and intentionality that went into every single action and decision. She noted that, for instance, all meetings were carefully planned, even to thinking about the particular music that would be used, the sequencing of materials, seating arrangements (for instance, at Academies, should guests be put in the back?), and the specific words and terms that would be employed during presentations. All of this planning was an effort to create the right message and feelings and provide an optimal experience for those in attendance.

Evaluation data were collected about everything, including every meeting and class, and used to make educational activities and meetings more effective over time. Gelb also commented that Thiry did not like the word "culture" because of its association with the word "cult," and there was already some joking about "drinking the Kool Aid" because of DaVita's very strong, carefully managed, and inclusive set of management practices.

The DaVita Way of Managing was captured in a set of phrases—short and easily remembered—that encapsulated many of the values and operating principles of the company. These values, and the associated behaviors, were also incorporated into interview schedules used to select new teammates, into all performance appraisals, and into the company employee attitude and satisfaction surveys.

New, Ours, Special

At DaVita meetings, executives always asked the assembled people to respond to three questions: "What is this company? Whose company is it? What could it be?" The answers, literally

shouted back, were "New," "Ours," and "Special." The idea of "new" was not just that DaVita was a different organization after the 2000 turnaround, but with its ongoing acquisitions and new business ventures it was always

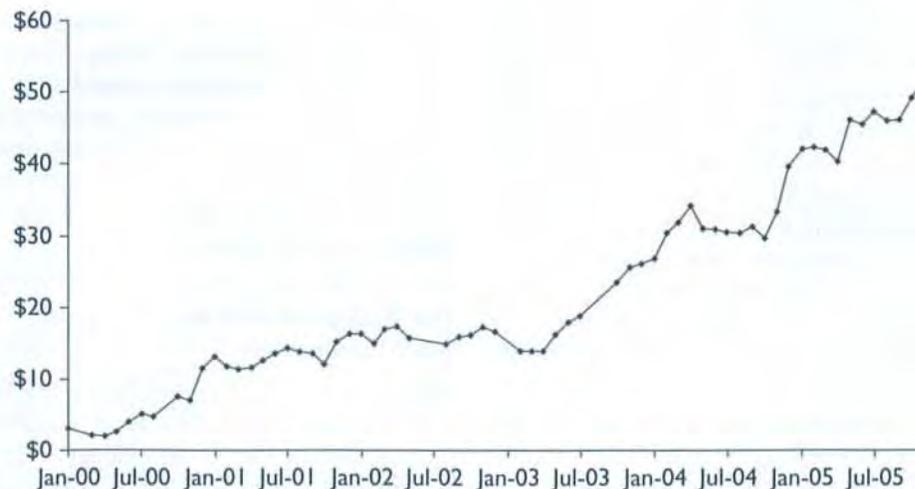
[Exhibit 2]

DaVita Financial Results

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------|--------|--------|--------|--------|--------|--------|
| Revenues (\$millions) | 1445.4 | 1486.3 | 1650.8 | 1854.6 | 2016.4 | 2298.6 |
| Operating margin | 13.0% | 19.6% | 25.6% | 24.6% | 28.3% | 27.8% |
| Net profit (\$millions) | <56.4> | 17.0 | 98.1 | 147.8 | 163.2 | 217.3 |
| Earnings per share | <.46> | 0.13 | 0.76 | 1.23 | 1.69 | 2.11 |
| Cash flow per share | 0.46 | 1.06 | 1.59 | 2.33 | 2.46 | 3.08 |

Source: Value Line Investment Survey.

DaVita Split-Adjusted Stock Price



a new place reinventing itself. "Ours" means that the company is the responsibility and under the control of the teammates who work for it, who have the opportunity to make the company what they would like it to be. This leads to the last question. Note that the executives do not ask what "is" the company, but rather, "What could it be?" The answer, "special," captures in a word the aspirations for building an organization that is truly unique in its culture and its results for its patients, while "could" reflects the fact that the development of the organization is a journey, and although it has achieved great things, its aspirations are for more, and that being special is something yet to be fully achieved.

We Said, We Did

Accountability is an important value at DaVita. So is measurement—the company measured not just clinical outcomes, costs, and labor utilization, but almost everything that was related to dimensions of performance. In addition, there is an emphasis on systematic, planned thinking and actions. All of this came together in the idea of follow-up, something that began at the very top of the organization. As Richard Fontaine, one of the directors on the company's board, explained, at virtually every board meeting Thiry would present a list of issues and questions from the preceding meeting, and then go through them one at a time and explain what the company and he had done about each. This included, for instance, progress on building a succession planning process and preparing back-up people ready for senior-level positions. Similarly, at DaVita Academies, if the company had made assurances or promises to the workforce—to get an answer to some question, to address some concern or problem—Thiry would explain what had been done and end with, "We said, we did."

The implication was that the company and each person in it was accountable for meeting its commitments—for addressing issues and explaining how another important value,

continuous improvement, was occurring. As several people noted, if someone was in a position of often having to say, "We said, but we didn't do," that person would probably not last long at an organization that stressed accountability and getting stuff done.

One for All, All for One

This idea, from the *Three Musketeers* books and movies, was a prominent theme in the company. Thiry's office at corporate headquarters in El Segundo, California, near the Los Angeles airport, had a movie poster from *The Man with the Iron Mask*, and has hanging in it the sword that Thiry brandishes—in full Musketeer uniform—at DaVita Academies and other meetings. The phrase represents one way of understanding the idea of community and shared obligations and responsibility. "One for all" means that it is the obligation of every DaVita teammate to contribute what they can to the whole, to expend their best efforts on behalf of the collective, and to take responsibility for the company and each of its members. "All for one" means that just as the individual should devote himself or herself to the group, the group has a responsibility to help that individual develop and succeed and surmount difficult setbacks and transitions.

An example of this care and community was a fund called the DaVita Village Network, to which DaVita teammates contributed to help others out with, for example, unexpected medical expenses or other financial needs. Teammate contributions to the DaVita Village Network were matched by contributions made by the company out of its profits.

The Village—Not Just a Company, But a Community

Related to the idea of "one for all, all for one" was the idea of DaVita as a community—represented in the word "village." Corporate headquarters in El Segundo was referred to as "Casa DaVita" (the house of DaVita), and

village language and imagery were used in many ways. Joe Mello would tell a story from one of his favorite books about a man living on a hillside who sees other members of his village below in danger from an onrushing flood, and sets his own house on fire, so that when the people rush up the hill to put out the fire, they are saved from the flood. The word "worker" was never used and seldom was the word "employee"—instead, people were referred to as "teammates" or "citizens" and, consistent with the village imagery, language that evoked the idea of "citizenship" and the mutual obligations of citizens and their community was emphasized. In the words of Gina Randolph, a group vice president, "We think of ourselves as a village where each facility is a neighborhood." When pressed on how important these distinctions were, she responded, "From the viewpoint of a career that spans several decades, this is the first time I have had the privilege of working for a company whose Mission and Values are so completely alive and not hanging on the wall."⁶

No Brag, Just Facts

DaVita was committed to a fact-based approach to management and decision making, to talking to people about the facts, and to using facts and evidence as much as possible for every decision and statement. So, when Thiry stood up at a DaVita Academy meeting and stated that DaVita provides the best care for dialysis patients in the industry—a statement that, on its surface, was not unlike the typical corporate claim about its quality, service, or leading edge technology—he then provided quantitative data showing how DaVita was doing on specific clinical outcome measures, ending with the phrase, "No brag, just facts." It was a way of cementing the idea that people at the company should attempt to anchor

their judgments, their statements, and their claims in quantitative data, not in hyperbole or wishes.

Fact-based decision making was reinforced in the company's measurement system. Clinic managers received monthly, multipage reports showing how their performance compared to goals or budgets, to their own prior results, and to other facilities in their region, in their division, and in DaVita as a whole. Annual surveys of employees provided information on satisfaction and engagement, as well as perceptions about the extent to which people felt the company was living up to its Mission and Values.

But what was most interesting, and what really reinforced the commitment to a fact-based, measurement-rich culture, was what happened when the company was unable to measure something of importance. Patients who did not show up for dialysis because they were in the hospital or on vacation made scheduling labor more difficult and affected labor productivity. But this indicator could not be captured systematically given current management information systems. Therefore, the measure was included in the monthly reports as a blank graph with the notation, "Not Available." As Joe Mello explained, if there were some important critical data that could not yet be assessed, the company included them anyway on the reports, showing they were not available. This presentation of a missing measure, month after month, encouraged people to figure out ways to measure what might have first been viewed and dismissed as "unmeasurable," and therefore the availability of data useful for making decisions kept improving.

We Are Here

DaVita wanted to encourage its teammates to be fully involved and present in the company, not just physically but also emotionally. There were "We Are Here Awards," which were \$1,000 in

⁶David Robbins, <http://srarchitects.com/health%20care.htm>.

vacation expenses given to randomly selected non-exempt (hourly paid) teammates who had perfect attendance (no unplanned absences) during a 90-day period. At DaVita meetings, teams would be asked if they were here, and would respond with a cheer, or chant, or yell, or some combination that indicated not only physical presence but also involvement and commitment. In Thiry's office, painted on the wall was the saying, "This is not a dress rehearsal, this is my Life." There was an emphasis on having people fully engaged in their work and with the company, so they could find meaning and fulfillment in their jobs and in their associations with teammates.

The Shining Star

The "i" in DaVita was dotted as a star, referred to as a "shining star." Thiry would say that the star lived in a lush green valley and only came out to sit on top of the "i" when a DaVita teammate did something special for a patient or a fellow teammate. Because at any given moment there was always someone doing something special in the company, the star was always "out." At the national awards ceremony, the highest awards were called "Shining Star Awards," for people who not only performed their jobs with exceptional proficiency, but who also exemplified the DaVita values and who contributed to the well-being of the team.

DAVITA MANAGEMENT PRACTICES

Values and beliefs, ways of being, and the organizational culture had to be produced and reproduced every day to be real and meaningful. DaVita did a number of things to ensure that its Mission and Values would infuse the day-to-day behavior of its teammates and to help ensure that it operated in ways consistent with its aspirations. Many of its management practices seemed (and were) like common sense. All were products of extensive discussion by people inside the company, and all were talked about regularly, practiced,

and were embedded in everything the company did.

The DaVita Way and the DaVita Way of Managing

DaVita thought that it was beliefs that drove behaviors that, in turn, produced performance. As Thiry explained it, the "DaVita Way" was "what (who) we are: our Beliefs (which have been introduced and articulated over the past few years), as well as the consistently practiced Behaviors (which are derived from those beliefs)." The company articulated and lived its beliefs through talking about its history, its symbols and traditions, the idea of the village, communication, talking about the future, and caring and sharing for members of the community. The DaVita Way of Managing defined a set of behaviors and competencies that the company sought to promote and produce, and which formed the basis of all of its selection and performance management practices, and were reinforced in its educational activities. There were four behaviors critical to the DaVita Way of Managing: It (1) gets the right stuff done, (2) fosters team, (3) stewards resources, and (4) builds relationships.

There was one other aspect to the DaVita management approach—an emphasis on execution. When the leadership, including Mello, Vlcek, and Thiry, had been together at Vivra, they had noticed that even though they had an extremely talented executive team of about nine people who were all working hard, things were not happening. They went to on an off-site meeting and concluded that there were four elements critical for effective execution: (1) absolute clarity of purpose, (2) absolute accountability, (3) relentless follow-up, and (4) celebrating successes. These principles and practices helped build operational excellence and an ability to get things done at DaVita, where they were very much a part of the fabric of the management approach.