

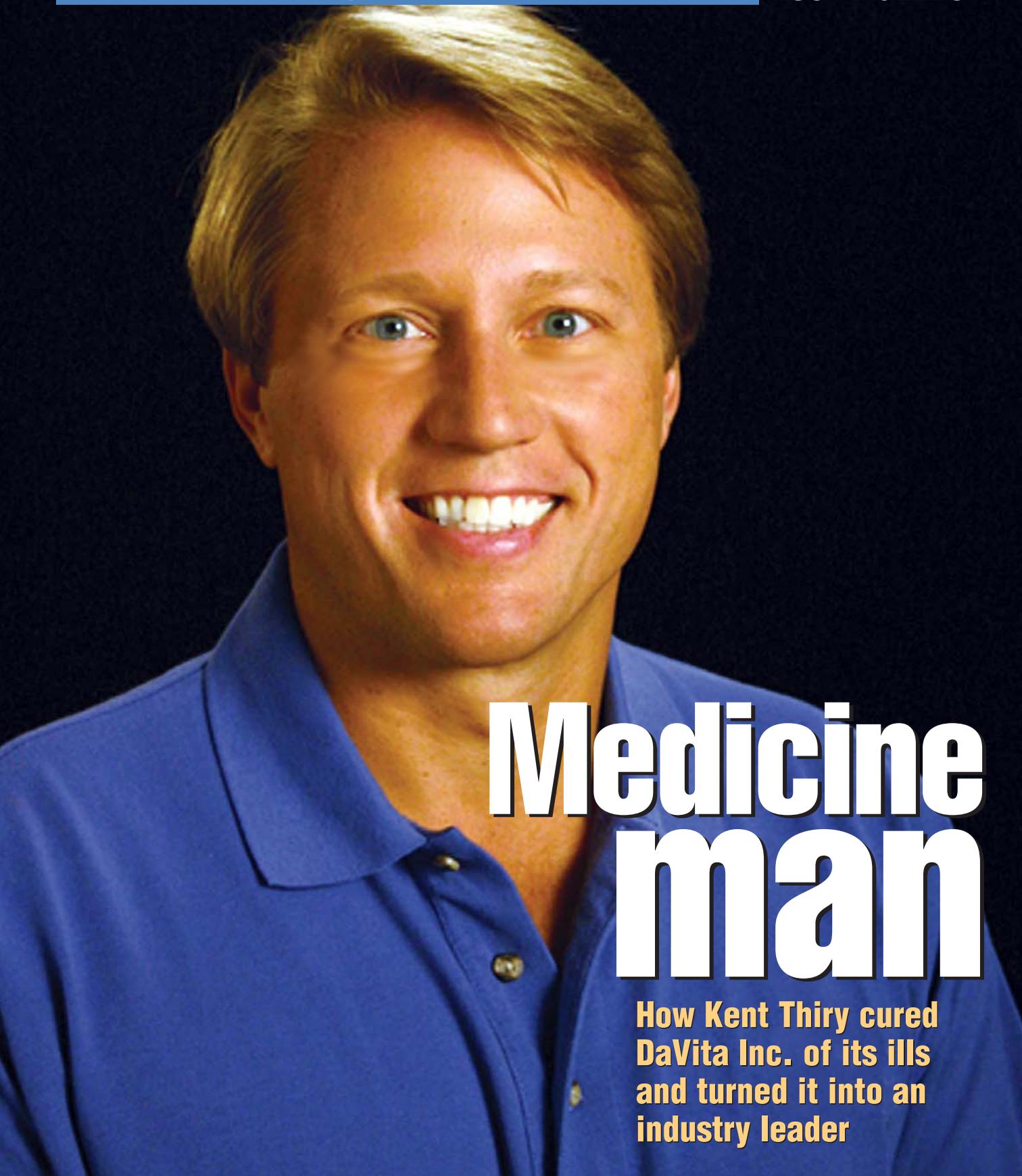
THE MANAGEMENT JOURNAL FOR CORPORATE GROWTH

# SmartBusiness<sup>®</sup>

a SMART BUSINESS NETWORK<sup>®</sup> publication

Electronically reprinted from January 2007

LOS ANGELES



## Medicine man

How Kent Thiry cured  
DaVita Inc. of its ills  
and turned it into an  
industry leader

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# Medicine man

**How Kent Thiry cured DaVita Inc. of its ills and turned it into an industry leader**

BY ERIK CASSANO

**D***aVita was dying.*

Kent Thiry knew it from the instant he took over as chairman and CEO of the company in 1999. DaVita Inc.'s previous regime had made too many acquisitions and spread the company's resources too thin. Operational costs had spiraled out of control. Top managers had left their posts, abandoning the sinking corporate ship. Many of the managers who hadn't left voluntarily had been fired. ❤️ "We had 25 senior managers when I came on," Thiry says. "A few years later, about five were left." ❤️ Cash was dwindling. Within two months, the company would be in danger of missing payroll for some 12,000 employees. ❤️ In short, Thiry inherited a disaster in the making. But he wasn't about to play the role of the doomed captain and go down with the ship.

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“No one, no matter how well you’re doing financially, can feel good about cash and low turnover unless it’s supported by excellent customer care. You’d have a sustainable enterprise, but you’d have no soul.”

Kent Thiry,  
chairman and CEO,  
DaVita Inc.

When just about everybody else was fleeing, Thiry saw an opportunity to not only save the dialysis services company but propel it to new heights.

For Thiry, it wasn’t just about straightening out DaVita’s numbers. It was about crafting a whole new outlook for everyone in the company.

### The initial steps

Soon after taking the reins, Thiry identified four areas he needed to concentrate on to save DaVita, which posted \$1.45 billion in net operating revenue in 1999.

“It’s relatively clear what you have to do in the beginning,” Thiry says. “First is to collect cash. Second is to build a new leadership team. Third is to share a vision of the future. Fourth is to build credibility on the first three.”

Thiry created a “maniacal focus” on the fundamentals of executing the day-to-day operations of the business by driving home to the employees that the basics are the foundation upon which everything else is built.

“We became more tenacious and timely with our bill collecting,” he says. “We needed to start billing on a more timely and accurate basis.”

With the foundation stabilized, Thiry set about rebuilding the top of the company by forming a new executive team.

Thiry began pulling from every resource he had, relying on in-house recruiting, past connections and personnel services to rebuild DaVita’s front office.

Thiry wasn’t grasping at straws, however.



He was seeking out executives he believed could withstand the upheaval of a rebuilding project and emerge stronger leaders for it.

He was looking for three primary characteristics. He wanted managers who fit the company’s mission and values, had sharp conceptualizing and analytical skills — which he terms “intellectual horsepower” — and had a no-nonsense attitude about getting to work.

“We call them ‘GSD,’ or ‘Get Stuff Done’ workers,” he says.

Those three criteria were essential because, after a certain point, those characteristics can’t be taught.

“A person’s values are pretty ingrained by the time someone is 35, 40 years old,” he says. “Intellectual horsepower is also pretty ingrained, as is whether or not you are a GSD-type of person. But other areas — management skills, leadership and functional skills — they can still be taught.”

Refocusing on the financials and rebuilding the front office helped stabilize the company. Then it was time to start mapping the future.

But, at the time, DaVita’s work force was far from confident in the company’s leadership. Thiry had a massive job ahead of him to win the support of his employees and sell them on the company’s future.

### Appealing to employees

Thiry had to draw a line in the sand when forming his plan to rebuild DaVita. He needed to come up with a long-term plan that would make the company prosperous, but not allow those in the company to get too far ahead of themselves while executing the plan.

Thiry says he acknowledged that there would be far more questions than answers in the early going, and he needed to field those questions regardless of where they came from.

With employees spread across 500 locations, giving them all access to corporate headquarters was a task in and of itself.

“The communication plan had, by necessity, many pieces,” he says. “Most of our teammates didn’t have a phone extension at work, or even a work e-mail address, because they are hands-on caregivers.”

DaVita started increasing its phone and e-mail network to connect the caregivers.

“We probably increased by 500 percent



the number of teammates who were on the voicemail system so we could be communicating with them,” he says.

Thiry also began inviting hundreds of employees to take part in company calls, during which he reported on recent events and took questions.

“We wanted to show everyone that tough questions could be asked,” he says. “Then they got to personally assess whether the answers sounded intelligent, honest and pragmatic.”

The employees weren’t first and foremost interested in the large plan for the future; they simply wanted to know if DaVita — and their jobs — would still exist in six months or a year. With that in mind, Thiry didn’t paint long-range visions for his employees at first. Instead, he concentrated on the small, incremental victories.

“First, we needed to define what progress was,” he says. “It was clear we weren’t going to be scoring any big touchdowns immediately. So you had to define what was a first down so that people could feel good, and that while we were still in trouble in those first months, we were unambiguously making progress.”

Thiry says the worst thing you can do when your company is in trouble is to gloss things over. So while he highlighted the initial small victories, he also made it clear to the DaVita team that the company was not out of the woods.

Employees want to know what is going

on, good or bad, and being up-front with them is crucial if you want them to buy in to the company’s rehabilitation. Thiry says he made up his mind at the outset that it was best to be frank with his workers, even about his own shortcomings.

“Every year, when I give my state of the (company) address, I start by pointing out my failures and areas of underperformance,” he says. “That is not a fun thing to do, but how can I possibly expect others to have reasonable conversations with me about their mistakes if I don’t start with my own?”

If you don’t have credibility as a CEO, you don’t have much else, at least in the eyes of your employees. That fact is compounded when your company is on shaky ground.

“People can’t work hard, people can’t behave in an apolitical, team-oriented way, people can’t start to be honest about their own weaknesses and failures until they believe senior management demonstrates honesty around tough issues,” he says.

#### **It takes a village**

Thiry says a major part of rebuilding DaVita was forging a new identity for the company.

He wanted more than a workplace. He wanted a community, something that behaved, in some respects, like a village.

“We think of ourselves first as a community of human beings that just happens to be organized in the form of a company,” he

“ We wanted to show everyone that tough questions could be asked. Then they got to personally assess whether the answers sounded intelligent, honest and pragmatic.”

Kent Thiry,  
chairman and CEO,  
DaVita Inc.

# The Thiry file

says. "In a village, people have both rights and responsibilities that go beyond doing an honest day's work for an honest day's pay."

When DaVita started back on an upswing, the company was recast as a village, and employees became teammates.

"It implies a much deeper social contract between the teammates and the leadership," Thiry says. "We didn't just want to provide a job and have people do a job."

It's important that employees take emotional ownership in the company, and they do that when leadership gives them a sense of belonging, a sense that they should care about their co-workers because their co-workers care about them.

"We wanted to create a real-world community where our people would take care of each other in the same way you'd want your neighbors to take care of each other in a real, physical village."

Communicating the village concept helped show employees that the turnaround was going to be about more than just making the company financially healthy again. It was the beginning of a new outlook on business.

"It demonstrated that it's not just about profits, that we wanted to share any prosperity that did happen with the broader team, and we were going to be a qualitatively different place to work than other health care companies," he says.

The village concept is part of what Thiry says is DaVita's "soul," and the sense of community shouldn't just stop at the employee level. It's something that employees should extend to customers.

"No one, no matter how well you're doing financially, can feel good about cash and low turnover unless it's supported by excellent customer care," he says. "You'd have a sustainable enterprise, but you'd have no soul."

Providing excellent service is something most employees want to do if enabled. While turning the company around, Thiry says he wanted to tap in to his employees' desire to do good work.

"Most people want to provide great care, and all I had to do was give them the freedom to do it," he says. "We spent six months and involved about 900 people in selecting our core values. We regularly discussed our mission and values openly, about whether we were living up to them.

**Age:** 50

**Born:** Milwaukee

**Education:** Bachelor of arts degree, political science, Stanford; MBA with honors, Harvard Business School

**What is the best business lesson you've learned?**

Just like beauty is in the eye of the beholder, leadership is in the eye of those you lead. You are not the leader you think you are, you are the leader they think you are.

**What type of people do you admire most in business?**

Leaders who create work environments that are simultaneously fulfilling and competitively strong. Life is too short to concede that work should be anything but fulfilling, no matter what the task is.

**How do you define success in business?**

Competitive success combined with a work environment that is marked by a high level of mutual emotional commitment and trust.



"By doing that kind of communicating, we liberated thousands of people to follow their own inner voice. After that, we didn't have to do very much other than get out of the way."

Today, the El Segundo-based company has bounced back to become an industry leader.

From \$1.45 billion in net operating revenue in 1999 with a net loss of \$147 million, the company posted \$2.97 billion in annual net operating revenue and net income of \$229 million in 2005. It is projecting revenue will approach \$5 billion for 2006 and has swelled to 27,000 employees.

Refocusing the company's outlook on business also gave Thiry a new perspective on being a CEO. He says he learned that if CEOs want to change their company for the better, they must be the ones to take the reins and make that change happen.

"There is a quote by Gandhi, 'You must be the change you want to see in the world,'" Thiry says. "It applies not only to life, it applies to leadership in a turnaround."

He says the experience of saving his company taught him several basic lessons that will stay with him for the rest of his career:

■ It is important, no matter how dire the economic situation, to discuss your mission and values from Day One.

"Don't postpone that until you've achieved economic stability," he says.

■ You learn more about yourself during the tough times than any other time.

"You see the decisions you make and how you respond to bad news," he says. "I think I grew more as a human being during those couple of years."

■ A company will produce the most of what it honors the most.

"If you just honor profits, that's what you'll get," he says. "If you honor other things, you'll get other things. So you better damn well decide what you are going to honor."

**HOW TO REACH:** DaVita Inc., [www.davita.com](http://www.davita.com)



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  - Profiled in a business school case study by Stanford professor Jeffrey Pfeffer
  - Achieves high staff satisfaction and retention rates
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*Fulfillment*

*Fun*