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The new H.R. conversation

Louis Efron

Abstract

Purpose – *DaVita, Inc., a Fortune 200 health-care company has recently undertaken a Human Resource (HR) transformation. Today, good HR departments can help people and businesses grow. However, many HR departments are stuck in the past and see their role as “personnel” responsible mainly for hiring, firing, attendance and payroll. This is an antiquated perspective of what an HR function does.*

Design/methodology/approach – *This case study based on DaVita’s HR team illustrates how people services drive business objectives in part through aligning with operators across the business, ensuring a robust talent and leadership pipeline and differentiated workforce experience. This was done through developing a people strategy and governance model grounded in the business strategy.*

Findings – *This case study concludes that any HR transformation must include the language of the business, including strategic financial and operational topics and proposals that effectively operationalize and measure people practices to engage workforces and grow businesses. This transformation was grounded in changing the conversation about HR, allowing people services to better serve and address the complex organizational and workforce dynamics that exists today, thus helping organizations win and grow.*

Originality/value – *DaVita is evolving the role of HR to be a critical part of the business that drives results through alignment with operators across the organization.*

Keywords *Business objectives, Governance model, Operational alignment, People practices, People strategy, Transformation human resources*

Paper type *Case study*

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Despite being historically accepted, “I am a people person” is a wrong answer to the question “Why Human Resource (HR)?”

While being a “people person” can certainly make the days of an HR leader more fulfilling, the profile has translated to a perception that has done little to move the profession forward.

If you ask most business leaders what they think of their HR department, you will hear things such as reactive, uncreative or lacking basic business understanding. Compounding the problem, most HR departments suffer from a lack of hands-on business experience and the ongoing stigma that “HR does not do numbers”. As all businesses ultimately come down to numbers, how can anyone claim to be an HR “business partner” without doing numbers?

Today, good HR departments can help people and businesses grow. However, many HR departments are stuck in the past and see their role as “personnel” responsible mainly for hiring, firing, attendance and payroll. More progressive HR departments may be a flashback to the 1960s and 1970s, adding to the mix motivation, organizational behavior and selection assessments.

These HR models of the past are not enough to meet the needs of today’s highly competitive, multigenerational, complex workforce. HR departments must transform themselves into operational people and business strategists to develop a robust talent and leadership pipeline, a differentiated workforce experience and a culturally defined standard of leadership. Doing so creates truly impactful and transformational people practices that help grow businesses.

“HR departments must transform themselves into operational people and business strategists to develop a robust talent and leadership pipeline.”

Why Human Resource?

Framing the 16th Street Mall in downtown Denver, CO, is DaVita's world headquarters or Casa del Mundo as it has affectionately been named. The Fortune 200 kidney-care company boasts more than 70,000 teammates across the globe and has one of the most unique corporate cultures around the world.

From the chief executive on down, nothing is traditional at DaVita. Chief executive officer Kent Thiry is called the Mayor, and suggestions to him are deposited in actual mailboxes placed around what teammates (or citizens) – not employees – call the Village. Functional departments are “communities” within the Village. Instead of using common department names such as HR, training and development or R&D, DaVita calls its departments People Services, Wisdom and Pioneer, respectively.

Corporate teammates who need to unwind, regroup or work in silence can pop into one of the many Zen rooms. Those who want to have a bit of fun can take selfies at the free photo booth, wear costumes at theme events or catch up on emails in a decommissioned ski gondola suspended between the floors of HQ. Most importantly, the company's values of service excellence, integrity, team, continuous improvement, accountability, fulfillment and fun are displayed nearly everywhere and are lived daily by everyone. Core value awards are given frequently to those with extraordinary stories of leading by example, always accompanied with standing ovations and tears of joy. Finally, 13 years ago when the “mayor” declared the organization a “community first and company second”, no one looked back. For example, when a teammate passed away recently, DaVita assisted the family financially to ensure that they were taken care of. “Like a community, we love our teammates and the people they love. That is why we are a community first and company second”, explains Thiry.

Given DaVita's colorful culture, democratic philosophy (teammates vote on nearly everything) and massive business success, it is not surprising that its HR function operates outside the norm as well.

Eric Severson, former co-Chief HR Officer of the Gap and DaVita's current Chief People Officer, thinks in radically different ways about the HR function. His perspective can be attributed to his deep understanding of human psychology and of the way businesses operate to deliver strong and sustainable top- and bottom-line results.

If you ask Severson, “Why HR?” he will tell you, “I am passionate about operationalizing people practices, building engaging cultures, and growing people in order to build businesses”.

To achieve his desired outcomes, Severson surrounds himself and builds his teams with leaders who have HR and operational business backgrounds. This combination gives leaders an ability to embed and align organizational purpose and people practices in an operational business framework that fulfills the company's purpose, driving financial performance.

Embedding organizational purpose

Research has shown that purpose-driven organizations have consistently outperformed the S&P 500 by as much as 14:1. It also demonstrates that corporate purpose is the single most powerful tool for improving both top- and bottom-line growth.

Despite the remarkable evidence that the purpose matters, a majority of organizations struggle to define and communicate purpose. Most companies cannot clearly articulate why they exist and why their employees see their paychecks as the main reason for working with the organization. Clearly, this failure to capitalize on what purpose alignment can do for an organization represents an enormous lost opportunity.

DaVita is different. When you walk through the hallways of DaVita's offices or facilities, read about the organization or attend any meeting at the company, you find constant reminders of its purpose – “giving life” – an aim that inspired the teammate-chosen name DaVita, drawn from an Italian phrase.

DaVita's purpose is everywhere for everybody to see: pictures and letters of patients posted on the walls; patients and teammates telling their personal stories at meetings; readings of patient, teammate and family letters; and frequent tears of compassion shed for tales of strength, survivorship and loss.

DaVita's purpose is clear, unequivocal and embraced fully by everybody who works for the organization. In fact, teammates are not shy about telling others that if you are not 100 per cent in (Head, Heart and Hands – one of the company's mantras), DaVita is not the place for you. This commitment drives deep care and attention to the quality of patient care and the connection to other teammates in the Village. This passionate connection to the organization's purpose attracts patients and talent to the business, accelerating company growth.

To realize the benefits of an embedded organizational purpose, companies must be intentional about two foundational cultural elements:

1. *Articulation*: What is your organization's purpose for being, beyond making money? Teammates at DaVita – from receptionist to CEO – can articulate why the organization exists: to “give life”.
2. *Alignment*: Does everyone working with or for your business know how their actions help to fulfill the organization's purpose? Teammates at DaVita understand and see how their work connects with and impacts “giving life” to others. DaVita's purpose bookends every business and task objective discussion across its Village.

DaVita's articulation and alignment of its organizational purpose is built into the leadership DNA of the company. It is how the organization recruits, compensates, rewards, recognizes and leads its people.

Achieving operational alignment

Believe it or not, there are HR and other departments in organizations that celebrate hitting objectives while the business as a whole fails. I fully support and recommend recognizing and rewarding all individual and departmental achievements. But if those achievements do not align with the organization's objectives or with its success, should they be celebrated?

“Believe it or not, there are HR and other departments in organizations that celebrate hitting objectives while the business as a whole fails.”

Building a successful and sustainable organization requires a unified company-wide effort. If a department succeeds while others around it fail, something is wrong. While a team's performance can certainly shine during the darkest of times, that high-performing department should be expected to assist those around it in achieving great things too, creating a true Village with shared interests and a common purpose. This concept is reinforced by DaVita's mayor and other company leaders by closing meetings with the iconic Musketeers call and response, "One for all (called by the leader), and all for one! (response from teammates)".

Leaders, employees and departments need to think about "organization first" during all actions and for all objectives. Everyone, top to bottom, needs to support this thinking. Incentive, reward and recognition systems that tie employees' performance to the organization's core purpose and mission – through short- and long-term objectives – unify the organization, ensuring all have skin in the game.

At the heart of Severson's recently launched people strategy is a governance model that leverages decision-making from all areas of the business, not just HR. The key difference between most HR strategies and Severson's governance model is the use of the word "people" rather than "HR" at the start of the phrase. Severson explains:

This is not an HR strategy. It is a business strategy involving our people. Everyone in our organization must be involved in a business strategy. Our business is nothing without our people. HR is just a part of the bigger picture.

With a governance model designed to create a path for the way strategic business decisions are made, Severson's structure guides conversations through feedback bodies made up of functional leaders across the business. For example, a proposal to launch a career development program for entry-level patient care technicians would be developed in a multifunctional partnership with a people services lane leader such as the director of benefits, elevated to a pillar leadership such as the vice president of teammate experience, then vetted through a multifunctional people operations strategy team before going to a field-based body called Create A Special Place and sometimes to executive leadership. While the model adds decision-making layers, in practice, it reduces bureaucracy, increases decision-making speed and produces more successful and sustainable outcomes.

Severson also restructured his people services team into a three-pillar model designed to interlock with the rest of the business to support common organizational goals and objectives together with its people strategy. At the base of the pillar structure sits a support function called agile operations to ensure the integrity, speed and effectiveness of the governance model.

The three-pillar structure consists of the following:

1. *Leadership and talent pipeline*: This involves proactive hiring and development of the right people at the right time.
2. *Teammate experience*: This is a differentiated experience created by optimizing every teammate touchpoint.
3. *The DaVita Way*: This is a Village-wide dedication of using the Head, Heart and Hands to live the organization's values, fulfill its purpose and care for one another with the same intensity DaVita cares for its patients.

All pillar leaders oversee lanes. For example, the pillar I co-lead, teammate experience, looks after compensation, benefits, diversity and belonging labor relations, mergers and acquisition integration and all teammate support centers. All objectives within each pillar include focused return on investment measures. In the leadership and talent pipeline pillar, the goal is to proactively and consistently source, fill and develop a majority of prioritized

talent needs by 2020. Additional measurement inputs include surveys on leadership via a Voice of the Customer platform, which provides insights into support levels, delivery and performance; a pulse teammate engagement survey; and a total rewards optimization survey, which gauges what teammates most value and what tradeoffs they are willing to make for other, more desirable, benefits.

The goal of Severson's people strategy, governance model and team structure is to unleash teammate potential to unlock Village performance in line with desired business outcomes, creating a special place to work for all. Collaboration – with a strong focus on cross-functional stakeholder alignment – is core to the transformation's success.

Human Resource's new agenda

As illustrated by DaVita's people services transformation, today's HR conversation must include the language of the business, including strategic financial and operational topics and proposals that effectively operationalize and measure people practices to engage workforces and grow businesses.

By changing the conversation, HR can better serve and address the complex organizational and workforce dynamics that exists today, helping organizations win and grow.

About the author

Louis Efron is a globally recognized thought leader, speaker, writer and Fortune 200 HR Executive. He is the author of *How to Find a Job, Career and Life You Love, Purpose Meets Execution, Beyond the Ink*, and the children's book *What Kind of Bee Can I Be?* He is a contributing writer for Forbes and Huffington Post and the founder of the charity World Child Cancer USA. His career credits include Head of Global Engagement for Tesla Motors, International VP of HR for JDA Software, VP of HR for the Fortune 300 medical device company, Stryker and Broadway theater, and he currently serves as the VP of Teammate Experience at DaVita, a Fortune 200 medical company and on the Advisory Board for Ashford University, Forbes School of Business and Technology. He studied Labor Relations at Cornell University, New York State School of Industrial and Labor Relations, and Advanced Leadership at Harvard Business School. He holds BA from California State University, Fullerton, as well as BS and JD from Saratoga University School of Law. Louis Efron can be contacted at: louis.efron@davita.com

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