

Avant Healthcare: Building Competitive Advantages From Customer Service

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ABSTRACT

This case examines the importance of customer service in the modern economy. In order to do so, it presents the findings from a case study on Avant Healthcare. In-depth interviews were conducted with two executives from the firm and then the interviews were systemically analyzed. The results give a clear example of how firms can build competitive advantages from customer service.

Keywords: Customer Service, Competitive Advantage, Staffing

INTRODUCTION

The literature in strategic management emphasizes the importance of customer service (Hall, 1993). Hallowell (1996) found strong evidence of a link between customer service and profitability. The idea of customer service is not anything new; its roots trace back to the work of Edward Demming. He was one of the first to emphasize that quality will lead to better products and happier customers, which, in turn, will lead to a source of sustained competitive advantage (Tsutsui, 1996). An increase in global competition, combined with a rise in consumer empowerment has made customer service even more important for firms today (Wathieu et al., 2002).

Enhancing customer service is a challenging endeavor. Yasin (2002) suggests that firms must benchmark their customer service position. This involves researching and benchmarking where they are at relative to their competitors. Once this has been established firms must realistically gage their competencies and build customer service activities around these. Parasuraman et. al. (1985) emphasize that it is then important for firms to constantly reevaluate their customer service.

This case is intended to show how firms can accomplish this, and build competitive advantages from customer service. In order to illustrate this, the case examines the customer service practices of Avant Healthcare and highlights their practices in relation to the best practices from the literature. The subsequent sections of this paper present how Avant Healthcare follows these practices: The next section presents the methods implored. Then the background of Avant is overviewed, followed by delineation of Avant's customers and customer service practices. Concluding thoughts are then offered, and finally the case finishes with some discussion questions.

METHODS

The paper follows a case study method to analyze how Avant Healthcare pursues superior customer service. Following Ardichvili et. al (2003) the study uses semi-structured interviews as the instrument of the case. The interview schedule was designed on the basis of Parasuraman et. al (1985) conceptual model of customer service. The purpose of this was to see what mainstream mechanisms from the customer service literature Avant uses to achieve superior customer service. A semi-structured design was used in order to capture specific points relating to the theory, while still allowing for new insights to be gained from the informants (May, 2001). In order to preserve validity the analysis follows Yin (2003) suggestion to triangulate the findings through multiple sources of data, multiple researchers, or a combination of both. The method implored in this study was collecting data from multiple sources. The data was gathered from two key informants at the firm: Randy Holloran who was the COO and Frank Zanca who was the vice president of marketing. The data was collected using individual interviews with

each informant. These interviews lasted for about one hour each and were conducted in July of 2007.

The data was then transcribed and systematically coded following a systems approach as prescribed by Coffey and Atkinson (1999). Each transcript was then analyzed and groups of ideas were then categorized and related back to the literature on customer service.

AVANT HEALTHCARE BACKGROUND¹

Avant Healthcare is an international medical staffing firm based out of Orlando Florida that brings registered nurses (RNs) from all over the world into the United States and places them in healthcare facilities throughout the United States. Their industry serves a much needed niche of filling staffing voids in the medical field. This need is evidenced by the U.S. Department of Health and Human Services estimates that the RNs shortage was at 110,000 in the year 2000, and that the shortage for RNs will eclipse 800,000 by the year 2020 (NCHWA, 2008).

It is an entailed process to bring qualified RNs to the United States. From the time an RN is recruited until the time they start working in the states usually takes between sixteen and twenty-four months (Brush, Sochalski, & Berger, 2004). Once an agency starts the process of bringing in a RNs there are great costs involved. The interviewees from Avant estimate the cost to be over \$10,000 to bring over an RN, and this cost must almost all be born upfront before the RNs starts working. For the RNs there is a great commitment of time; mostly coming from the many documents they must submit and the difficult exams they must prepare for. Furthermore, Avant like most agencies have a contract with significant financial penalties for RNs that switch agencies or dropout of the process.

CUSTOMERS

Avant places all of its RNs on contracts of eighteen months with hospitals in the states. Even though the RNs are working at hospitals and not at Avant's location, the RNs are still employees of Avant. Therefore Avant sees both the RNs and the hospitals as their customers.

RNs

One of the main customers of international medical staffing firms is the RNs. Even though the RNs are employed by the medical staffing firm they are still seen as one of the main customers because they are the revenue generators for the firms. Moreover, with the shortage of healthcare professionals throughout the United States these RNs have many options of which agency to work with (Buchan, Parkin, & Sochalski, 2003).

Within the industry there is a large problem with customer commitment and loyalty by the RNs (Lum, Kervin, Clark, Reid, & Sirola, 1998). This stems largely due to the lack of communication by the RNs. Often the RNs do not voice their problems or displeasure with the medical firm they are working for. Instead many RNs complain to friends and colleagues about their dissatisfaction. They also spread their displeasure through other means such as anonymous web blogs like the ones listed below from the popular RN networking site All Nurses (www.allnurses.com, 2007):

"I would definitely stay away from Agency X". I have seen too many horror stories, especially from RNs from the UK about them. They didn't deliver on what they promise and that is a major "no-no" in my book."²

*"Agency X are a bunch of RNs cheating crooks. Stay away from them!"*³

Feedback from blogs like this and negative word of mouth hurts the medical staffing companies because they lose future RNs that would become customers; nurses who might of signed up with a medical staffing firm probably will not if they hear bad things. It also affects the firms because even with the aforementioned high switching costs it is not uncommon for RNs to switch agencies. In some cases international medical companies are seeing as high as thirty percent of their RNs leaving assignment before their contract is complete. Most of these firms do little but accept this dropout and negativity as part of their operating model. They view the complainers as

thorns in their sides that will eventually go away. On occasion some of these firms have countered these negative sentiments with marketing campaigns in trade journals/shows that portray their RNs as completely enjoying their experience. In some other cases, the international medical staffing firms try to appease the RNs by giving them raises and better benefits. However, in most cases this was not the root of the problem and only serves as a temporary fix.

Hospitals

Not only are the RNs Avant's clients, but so are the hospitals where they contract the RNs to work at. This makes for a delicate balancing act because often the RNs ideas of what to expect on a hospital's job site do not perfectly align with what the hospital offers. The reason that the hospitals contract with Avant to get foreign trained RNs is because of the great shortage of RNs. Moreover, many hospitals do not actively recruit foreign RNs on their own because of the complexity of the process of bringing foreign trained RNs into the United States. For this reason they are willing to pay Avant a premium to bring in RNs on a long-term contract.

Even though it is a difficult process to bring foreign RNs into the U.S.—there is still considerable competition in the industry. The interviewees from Avant estimated that there were over fifty direct competitors to Avant. However, both interviewees also said that only ten of them were viable competitors. Many firms tend to get into this business thinking that it is easy to find foreign RNs and bring them over, but many of the firms end up not being able to successfully bring RNs into the country. Trossman (2002) suggests that many international staffing firms have made big promises to foreign RNs and U.S. hospitals, but were unable to deliver on those promises. The Avant interviewees emphasized how firms like these make the hospital clients weary of international staff, and thus make it extra important for Avant to deliver on its promises in order to keep the customers happy. Another major obstacle for keeping the hospitals satisfied is smoothly implementing the RNs onto the hospital staff. Foreign RNs take several weeks longer to orient than similarly experienced American RNs (Bola, Driggers, Dunlap, & Ebersole, 2003). For this reason it is critical for Avant to work with both the RNs and hospitals to smoothly transition the foreign RNs to working at their hospital client's sites. The Avant informants cited long orientation times as the number one reason that hospital clients become unsatisfied. It cost them a lot of extra money to have the nurses on orientation, and also drains the time of other nurses on the hospital staffs to help with orientation.

AVANT'S CUSTOMER SERVICE

From the analysis of the interviews it is clear that Avant has excelled in satisfying both of their customer groups. Their proactive approach is right in line with the suggestions from the literature on customer service. Described below are the steps that Avant uses with both groups of customers to ensure high levels of customer service.

RNs

Compared with other companies within the industry, Avant has excelled in the customer service to their RNs. There are four main ways that they have accomplished this. First, they establish very open and clear communication about the immigration process and what the RNs should expect on every step of the way. Second, Avant employs a diverse support staff that is effective at communicating and relating with the foreign RNs. This support staff also holds cultural training programs for the RNs. Cultural shock is a major problem with bringing foreign trained nurse onto U.S. hospital staffs (Bola et al., 2003; Yi & Jezewski, 2000). The cultural training greatly helps the RNs make a smooth transition into the country. Third, Avant regularly asks for feedback from their RNs on how they can improve the process. Fourth, Avant works with the RNs to quickly identify and resolve any concerns they might have. The net effect of all of these has been an extremely high level of satisfaction and loyalty by Avant's RNs. Avant has lost less than one percent of its RNs. Avant has also been able to leverage this loyalty to attracting many RNs through referrals: over 500 new RNs signing up with their program who were referred from current Avant RNs.

This customer service has been a large source of competitive advantage. Although this customer service for the RNs has taken considerable investment, according to the Avant informants this investment has paid them back

many times over from the money they have saved from not losing nurses. The referrals from the current Avant RNs have also saved them a considerable amount of time and money in recruitment. Moreover, it has also given them the advantage of being more selective in choosing their nurses. The more talented nurses have saved them money because these nurses have a higher pass rate on their exams and also have a lower failure rate once they actually start working. Moreover, the more talented nurses also contribute towards the satisfaction of the hospital clients.

Hospitals

Avant follows almost the same customer processes with their hospital clients. They first establish clear communication with the hospitals about the process the hospitals will go through to get an RN. Avant then has many check points with the hospitals where they contact the hospitals to let them know where each RN the hospital is expecting is in the immigration process. Second, they meet with the hospitals staff that will be directly working with the RNs to educate them about foreign RNs, and to give them basic training to help them better work with the foreign RNs. Third, Avant regularly asks for feedback from the hospitals on how they can improve their service. This is critical for Avant because there is little industry specific reporting that they can use to benchmark their performance. So they must rely on the customers, tradeshow, and word of mouth to gauge their customer service position.

Avant's superior customer service with the hospitals helped them increase their revenues from 2004 to 2007 by five-fold. It also helped them retain 100 percent of their client base over the same time period. The satisfied hospital also contributed towards opening fifteen new hospital clients from 2004 to 2007; their current clients are so satisfied that they regularly serve as referrals for Avant—several new clients have even been picked up from unsolicited referrals from their clients. Industry statistics for the customer service levels for the international RN staffing industry is unavailable. However, Avant administers their own customer satisfaction survey with all of their hospital clients. Part of this survey is a ranking of Avant's services in comparison to other international RN suppliers their clients are using. According to this survey, Avant was ranked as the top provider for all of their hospitals (that use more than one international RN provider). This survey certainly is not completely scientific, but combined with other satisfaction and performance indicators do show that Avant's customer service for their hospital clients is excellent. This high level of customer service has given Avant an advantage over their competitors that has allowed them to easily obtain customers, while still charging a premium for their service.

CONCLUSION

This case clearly shows how a firm can build competitive advantages from superior customer service. It was not intended for theory building or theory testing. Rather its intent is to show how a company applying good customer service practices can leverage this to help its competitive position. Avant is an excellent example of this. The analysis of the data from the semi-structured interviews shows that Avant's customer service practices are right in line with what the literature suggests. The interviews also indicated that this has been a competitive advantage that Avant has used to grow their business. This case raises several questions related to customer service, which are delineated below.

QUESTIONS

1. How has Avant Healthcare's superior customer service helped build competitive advantages?
2. What is the importance of Avant proactively asking their RNs about possible concerns and how could this help Avant better their customer service?
3. Discuss why customer service has become so important.
4. What kinds of long term implications can poor customer service have on performance?

ENDNOTES

1. Unless otherwise cited the information presented in this section on Avant Healthcare comes from the two interviews with Randy Holloran and Frank Zanka.
2. Agency X was used in place of the name of the firm that was named on the blog.
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AUTHOR INFORMATION

Jon Carrick, is a visiting assistant professor of management at Palm Beach Atlantic University. He has a master's degree in international business from the University of Florida, and is currently finishing his Ph.D. from the University of Glasgow (Scotland). His current research interests include the internationalization of small firms, non-financial value added by venture capitalists, and strategy. On top of writing on these topics, Jon has practical experience running small international firms.

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