

CREATING CUSTOMER-FOCUSED HEALTHCARE ORGANIZATIONS THROUGH HUMAN RESOURCES

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Learning Objectives

After completing this chapter, the reader should be able to

- describe the significance of customer service in the highly competitive healthcare market,
- distinguish healthcare organizations that exhibit high levels of customer service from those that do not,
- explain the role of human resources management practices in enhancing customer service, and
- discuss six specific human resources strategies that can enhance customer service.

Introduction

The problem with human resources management (HRM) thinking is that it addresses only 50 percent of the “people equation,” focusing on internal customers to the exclusion of external customers. The goal should be to link the external customer’s requirement with the internal human capabilities, thereby optimizing the utility of both. Consequently, the goal of the human resources (HR) function is not to make employees happy or satisfied at work; rather, it is to make happy those employees who are making the external customers happy. Most healthcare organizations’ mission proclaims, “People are our most important asset.” Yet no one really believes such statements. What they really mean is, “People who are serving customers well are our most important asset. Others must either convert to serving customers well or leave.”

Healthcare organizations have not traditionally been focused on the needs, wants, or desires of their patients/customers. As a result of their history and reimbursement sources, they have concentrated on meeting the

expectations of their medical staff and third-party payers. The medical staff have historically had the power to decide where their patients would go for services, and their provider organizations have gone to great lengths to make them happy. Because third-party payers pay the bills, organizations have also spent considerable effort in satisfying them. This limited definition of "customer" has resulted in organizations focusing only on increasing market share, decreasing costs, and expanding revenues to retain the support of their third-party payers and on providing sophisticated technology and in-house amenities to satisfy their doctors. Meanwhile, the patient has been overlooked and underappreciated as the ultimate customer. Even the term "patient" implies a passive person who patiently waits for service from experts who know what that patient needs and who often provide it without consultation with or explanation to the patient.

This paradigm has led to an increasingly unhappy and vocal patient. One study commissioned by the Voluntary Hospitals of America and another survey published in *Fortune* magazine report the following consumer attitudinal trends toward healthcare organizations (*Alliance* 1998):

Public trust in healthcare institutions has declined...with health plans losing more ground than physicians or hospitals. The decline in trust is especially pronounced among consumers age 40 to 59; those with higher income and education levels; and those who have recently changed, added, or selected a physician or hospital. Consumers gave hospitals only a 67 percent satisfaction rating, and compared with 31 other industries, hospitals rank 27th. This placed them just above the Internal Revenue Service and 10 percentage points below the tobacco industry.

Furthermore, 80 percent of Americans agree that hospitals have cut corners to save money, and 77 percent agree that these cuts endanger patients (Healthcare Advisory Board 1999). While these findings are from 1999, such dissatisfaction and cynicism from the public continue and are probably worse today. Currently, many consumers think that in the event that they become seriously ill, their health plan will be more concerned about saving money than providing the best medical care (National Coalition on Health Care 2008).

None of these findings is surprising given that the services paid for by private insurers and government are not likely to reflect consumer preferences for convenience and personal control (Herzlinger 1997, 95). The increasingly involved healthcare consumer (this term, or plainly "consumer," is used throughout the chapter to refer to "patient") and the newly evolved competitive market are forcing healthcare institutions to consider who their customers really are. They are starting to rethink the old paradigm of "take care of the doctors and third-party payers and all good things will follow" and follow the new paradigm of "don't forget the patient as customer" (Ford and

Fottler 2000). Today's consumers, however, have much more knowledge and access to information about the value and quality of their healthcare alternatives. They are more savvy about what they are getting for their healthcare dollar and are increasingly involved in the decisions about how those dollars are spent. Because they have many choices when it comes to insurance coverage and healthcare providers, their voice is being heard. In addition, increasingly vocal consumer groups have changed patients' mind-set from being passive consumers into active participants in their own healthcare decisions.

Regina Herzlinger (1997, 3–4) describes this new healthcare consumer as follows:

They want what they want, they want it fast, and they want it when they want it. Well-informed, overworked, and overburdened with child and elder-care responsibilities, they are a new breed of consumer, and their demands for convenience and control have caused many American businesses to greatly enhance their quality and control their costs...the consumer revolutionaries want their healthcare system to provide them with the same kinds of convenience and mastery they have found with Home Depot, Consumer Reports, and Nordic Track, so that their health status and costs will improve even further.

An Emerging Customer Focus

Current Trends

No one is arguing that physicians and third-party payers are unimportant, but a lot of healthcare observers and insiders are echoing the same point: The patient's significant role in the success or failure of a healthcare organization has grown. Consequently, thriving healthcare organizations are increasingly viewing patients and their families as the "real customers" in the market. These providers are spending more time, money, and energy to convince these customers that the healthcare product they offer has both quality and value.

The results of this change in customer focus can be seen in a number of ways. First, third-party payers are more willing to pay for homeopathic treatments, acupuncture, and even chiropractic treatments, in spite of established medical practice resistance. Second, pharmaceutical companies now spend enormous sums on television and print ads in hopes of directly influencing consumers' use of branded drugs. Direct marketing has proven to be an effective strategy that sways doctors to prescribe certain drugs and circumvents HMO (health maintenance organization) drug guidelines. Third, hospitals have begun to offer such patient amenities as chef-prepared foods, valet parking, and comprehensive single nurse care to retain existing patients and families and attract new consumers who are still deciding on where to seek services.

Consumers now have access to more information through provider report cards, the Internet, and other means; however, this question remains: Why should providers be more responsive to consumers now than they have been in the past? The major environmental forces that led to the increase in competition and greater provider responsiveness to consumers include excess capacity, the consumer movement, deregulation of the healthcare industry, changes to reimbursement systems, declines in occupancy rates, medical tourism, health savings accounts, and retail clinics. Such increased provider competition has resulted in greater interest in redesigning healthcare organizations to make them more customer focused.

An even more potent factor is the changing views of corporate America toward its role in healthcare cost management. After long relying on managed care companies as the defense against rising employee healthcare benefit costs, some U.S. employers are undergoing a fundamental change in their healthcare cost management strategy by turning healthcare decisions over to their employees. This idea is driven by a confluence of interacting forces, including the backlash against managed care, the popularity of 401K plans, the use of web-based information to help consumers make more informed decisions, the staggering costs of healthcare, and a growing feeling that the nation's healthcare system will not work well until patients themselves hold the purse strings (Weber 1997). The trend of allowing employees to handle their own healthcare benefits, just as they control their retirement money, adds momentum to the growing customer involvement in healthcare decisions (Winslow and Gentry 2000). Other employers have created websites to help employees make health benefit decisions and to sign up for plans. Entrepreneurs are responding to this trend by developing web-based services that would greatly reduce the need for employers to manage this information. In addition, these entrepreneurs are more creative in providing customers with new tools to navigate the healthcare system and to take health into their own hands (Winslow and Gentry 2000).

Corporations are also self-insuring in increasing numbers. This means that healthcare services are increasingly paid for by the corporation's own administrators, instead of the insurance companies. One of the significant advantages of self-insurance is that it allows greater flexibility in the health plans offered. When the employer manages healthcare plans, the employee has a significantly greater voice in how and what these plans provide. Employees or their union representatives need to only persuade their employer of the need to change their choices of healthcare provider or health plan. Thus, the growth of self-insurance leads to patients having a louder voice in making their own healthcare decisions. It also highlights the need for healthcare organizations to understand and use successful best practices of the guest-service industry to gain a competitive advantage in this new patient-as-customer environment.

Ranking and then publicizing the scores (on myriad patient-related measures) of healthcare organizations has changed the attitudes of many healthcare providers about the importance of the patient as customer. Data generated by the Healthcare Advisory Board (1999) suggest that healthcare executives are beginning to respond to the patient-as-customer movement. Interviews with 321 healthcare executives in 1998 reveal that they agree (with a response average greater than 4.0 on a 5-point scale) with each of the following statements:

1. Consumers' new predominance in the healthcare marketplace is increasingly influencing policy, strategy, operations, and investment decisions of organizations in all segments of healthcare.
2. Healthcare organizations will provide education and readily available data to encourage and empower consumers to be direct purchasers of care.
3. Healthcare organizations will develop new products, offer more choices, and provide service enhancements to respond directly to consumer preferences.
4. Healthcare organizations will increasingly invest in feedback mechanisms to ensure that they are in touch with consumer needs and are meeting customer expectations.

Furthermore, national magazines, such as the *U.S. News & World Report*, publish lists of "best hospitals," while local television and newspaper outlets rate the best physicians in their area. National and regional magazines publicize the best physicians and hospitals in the area and across the country. The U.S. Department of Health and Human Services (2008) rates skilled nursing facilities in all states and posts the information on its website. Major clinical users track clinical and satisfaction measures, and these results are publicized in newspapers and on television.

Healthcare executives have begun to expand their customer focus to meet the needs, wants, and desires of their patients, giving them a positive clinical and healthcare experience (Fottler et al. 2000; Fottler, Ford, and Heaton 2002; Pines and Gilmore 1998). In an environment where the consumer can make choices about where to seek care, it is no longer enough for a healthcare organization to just be the best medical provider at the lowest price. The organization now also needs to persuade the consumer that its facility is the most responsive to needs and can meet expectations for a total healthcare experience. The business of healthcare must transform its view of patients, from clinical material to customers with decision-making power.

Studer's Nine Principles of Service

Quint Studer, a major figure in the field of service- and customer-focused healthcare, is a former hospital chief executive officer (CEO) who turned around two

different hospitals financially by focusing on enhanced customer service through human resources management. Subsequently, he set up the Studer Group, a service management consulting firm. Studer's 2004 book *Hardwiring Excellence* details nine principles of service and operational excellence, all of which relate to one or more aspects of human resources management:

1. *Principle 1: Commit to excellence.* This principle is about setting measurable service, quality, finance, growth, and HR goals and identifying the desired results for each goal. Sample HR goals are reduced turnover, reduced vacancies, and reduced agency costs.
2. *Principle 2: Measure the important things.* This principle focuses on objectively assessing the organization's current status and then tracking its progress toward the goals that have been set. Such measurement aligns leadership and employee behaviors toward achievement of goals. Under this principle, HR goals are measured and reported periodically and individuals are held responsible for results.
3. *Principle 3: Build a culture around service.* This principle connects organizational values to actions through the use of employee service teams that focus on areas such as standards of employee behavior, patient satisfaction, becoming an employer of choice, measurement, service recovery, communications, and reward and recognition. Building the culture also involves training staff on saying "key words at key times" and making discharge and post-visit phone calls.
4. *Principle 4: Create and develop leaders.* This principle addresses the fact that gains from the first three principles will not be sustained if leaders are not continuously developed. Healthcare organizations need to equip their leaders with competencies through formal training programs, coaching, support, and evaluation.
5. *Principle 5: Focus on employee satisfaction.* Satisfied employees do a better job of satisfying customers (Denove and Power 2006). Employees want to know that the organization has the right purpose, that their job is worthwhile, and that what they do makes a difference. Managers should also recognize and reward positive employee behaviors.
6. *Principle 6: Build individual accountability.* This principle focuses on how to create a sense of ownership. This process starts when employees take part in interviewing a job candidate during selection. It continues with employees helping to orient and train and being a role model for coworkers. With this principle, new employees are asked to read and sign a Performance Standards Agreement, and managers seek input from these new hires about the job and how it could be improved. Managers should also establish a process to review, recognize, and reward employee suggestions and work innovations.

7. *Principle 7: Align behavior with goals and values.* Management needs to develop an objective evaluation tool that includes a component for holding everyone responsible for results. Such evaluations should be aligned with desired behaviors. Monthly progress reports and 90-day plans can reinforce desired behaviors for both leaders and subordinates. Research has shown that employees are more satisfied with their jobs if they are evaluated by measures that are aligned with organizational mission and values that are communicated to them (Ford et al. 2006).
8. *Principle 8: Communicate at all levels.* When all employees understand what is important and what is expected, they take charge of their own development and feel more fulfilled. As a result, patients get better care and leaders are more effective. Possible tools for achieving excellent communication include a 90-day work plan, employee forums, communication boards, and storytelling.
9. *Principle 9: Recognize and reward success.* Success that is acknowledged by leaders is success that is repeated. Staff members appreciate specific feedback. Studies show that employees need three complements for every criticism to maintain a good relationship with their supervisor (Studer 2004, 232–33). Reward and recognition teams can assist leaders in identifying reward and recognition strategies that have the greatest impact. Rewards and recognition align everyone's behavior toward desired results.

Customer-Oriented Human Resources

The challenges today for healthcare organizations are building loyalty and retaining customers. Employees are a key component and a major link to long-term customer loyalty (McCarthy 1997). They are also significant internal customers whom the organization must serve.

Having loyal customers brings multiple values to the organization (Berkowitz 2006). It costs five times more to acquire a new customer than to keep an existing one. The loyal customer also delivers a greater "lifetime value" in terms of financial return to the organization. Per customer revenue growth and profits are greater with loyal customers because they already interact with the employees, understand the scheduling and billing processes, or know who to contact in the event of a problem. That is, loyal customers are more efficient to serve than customers who are less familiar with the organization.

Furthermore, loyal customers are advocates who provide referrals to the organization. They have a broader "zone of tolerance" in that they are more willing to give an organization the benefit of the doubt when a problem arises. Also, loyal customers pay a premium price to stay with the service provider (Reichheld 1996).

The healthcare service value from the patient's viewpoint can be defined by the following equation (Heskett, Sasser, and Schlesinger 1997):

$$\text{Value} = \frac{\text{Clinical quality} + \text{Service process quality}}{(\text{Price} + \text{Service acquisition cost})}$$

Clinical quality is the result of the technology and the staff expertise provided by the organization. Service process quality reflects the patient's perception of the dependability, responsiveness, authority, empathy, and tangible qualities of the service. The importance of service process quality is indicated by the fact that 80 percent of medical malpractice suits have nothing to do with the actual clinical quality of the service encounter (Berkowitz 2006). A major explanation is that the patient or loved one was angered by the service process quality, independent of the clinical quality of the care provided (Heskett, Sasser, and Schlesinger 1997). Price is the out-of-pocket cost to access services. Service acquisition cost refers to how much effort the customer puts in to access the service. In sum, clinical quality, service process quality, and service acquisition cost (from the patient's perspective) are all significantly affected by how well the human resources of the organization are managed.

The HR function can proactively add strategic value by enhancing the customer service capability of the organization. This capability, in turn, may enhance retention of existing customers while attracting additional customers to build market share. To enhance customer service, two preconditions must exist. First, key decision makers must make a conscious decision to make customer service a desirable organizational focus or agenda. Second, obstacles to customer service must be removed. Such barriers include overly bureaucratic infrastructure, too many people involved in obtaining an approval, and supervisors who are threatened by subordinate initiative. Each of these needs to be addressed if the HR function is to effectively enhance customer service (Ashkenas et al. 1995).

With these preconditions in place, organizations can then build an HR infrastructure that fosters and maintains customer service ethics. Key components of this infrastructure will include the following:

- Senior leaders communicate customer service initiatives.
- Customer service role models are publicly acknowledged through multiple media.
- Evidence of customer service is explicitly applied as a criterion for hiring at all levels.
- Promotion of current staff specifically considers the employee's customer service commitment and capability.
- Development of customer service skills is included in organization-wide training initiatives.
- Senior executives model customer service concepts.

- Specific organizational, departmental, and individual goals exist for customer service measures, such as ensuring patient satisfaction and addressing customer complaints.
- Customer service success is measured at multiple levels using various methods and is then publicized.
- Economic and noneconomic rewards for achieving customer service goals are provided and publicized.

In the next section, we examine six key HRM strategies that leading or benchmark healthcare and customer-focused organizations have discovered as critical in meeting and exceeding their customers' expectations. Lessons learned by the hospitality industry from their guest-relations experience can be readily adopted by the healthcare industry as it moves from the old paradigm to the new paradigm. If the competitive market demands that healthcare providers treat patients as important, primary customers (instead of as willing bystanders to their own healthcare experience), then these principles of hospitality can make the difference.

Exemplars of customer-driven organizations such as Disney, Marriott, and Southwest Airlines know that their success is based on meeting and exceeding their guests' expectations. This means that they spend considerable time and energy identifying and measuring what their guests say are the factors behind the quality and value of the service experience. Benchmark organizations manage the entire experience to the highest degree possible so that their guests' expectations are met and even exceeded. They know that the best predictor of intention to return and satisfaction with the guest-service experience can be identified and managed. They make sure that the key drivers in their guests' decision processes become the key drivers in their organizations' decision processes. This is especially important because the service product is largely intangible.

Just as benchmark hospitality organizations know that the quality and value of the service experience are in the minds of the guests, so too must healthcare organizations recognize this simple truth. Even if a surgical tool, an x-ray machine, or some other physical component is involved in the healthcare experience, every healthcare provider knows well the significance of the intangibles. Healthcare customers expect that not only will the surgeon successfully remove the diseased organ, but the surgeon will also show empathy and concern before and after the procedure. Healthcare customers also expect the operating room and the inpatient room to be sterile, the physical surroundings to be bright and tidy, the nursing staff to be responsive, and the services to be prompt.

The New Paradigm

As we have been emphasizing, a patient's determination of the quality and value of his or her total healthcare experience depends on more than the

success or failure of the medical procedure or clinical service. It is derived from a holistic perception of the experience, beginning with the admission and ending with the bill payment. In a sense, this view (negative or positive) may never end, as the nature of a provider's relationship with the patient is inherently ongoing in that the customer continues to receive direct or indirect reminders (through ads and other communications) that the organization is a high-quality provider and welcomes the patient should he or she seek to return if a need arises. As it is for famous retailers (such as Nordstrom) and all hospitality businesses, the idea of repeat customers is a critical consideration for healthcare organizations as well.

Whom the organization defines as its customers determines how it makes various decisions, a consideration that drives the new paradigm. Table 17.1 summarizes the differences between the old paradigm (focus on physicians and third-party payers) and the new paradigm (focus on the patient as customer).

Six Customer-Focused Strategies

Following is a discussion of six strategies that healthcare executives can use to respond to the new paradigm and to implement them in a healthcare environment. Examples from both the guest-service and healthcare industries are cited (Ford and Fottler 2000; Fottler, Ford, and Heaton 2002).

Strategy 1: Identify the Key Drivers of Customer Satisfaction

Successful customer service organizations learn what makes their customers happy through the customers themselves. They extensively conduct surveys to find out needs, wants, expectations, and definitions of a quality service experience. Findings from such surveys then become the basis for organizational plans, operational strategies, and other service decisions. In other words, the key drivers should be identified by the healthcare consumer, not the strategic planners sitting in their isolated offices.

A firm that runs a theme park, for example, may find through its guest research that patrons like cleanliness of the park, friendliness and helpfulness of the staff, and short waits in ride and concession lines. With this knowledge, the firm can then strategically respond, putting its effort and financial resources into keeping the park clean, training employees to be pleasant and helpful, and building enough capacity to keep the waiting lines minimal. This attention to customer drivers is especially important when the customer's intention to return hinges on his or her overall satisfaction with the park.

Similarly, a healthcare organization can survey its patients. Key patient drivers may include quality of hospital food; physician's communication skills; and the staff's courtesy, warmth, and friendliness. Once these drivers are identified and their relationship to the patient's intention to return is shown, the organization can then make improvements to each driver. Such enhancements

<i>Human Resources Strategy</i>	<i>Old Paradigm (Focus on Physicians and Third-Party Payers)</i>	<i>New Paradigm (Focus on Patients as Customers)</i>
1. Key drivers of patient/customer satisfaction	Clinical effectiveness and cost efficiency	Patient/customer perceptions of quality and value
2. Patient involvement in healthcare	Limited involvement	Maximum involvement
3. Organizational culture	Provider driven	Patient/customer driven
4. Staff selection and training	Focused only on clinical skills	Focused on both clinical and patient/customer service skills
5. Employee motivation	Rewards for technical proficiency	Rewards for both technical and customer service proficiency
6. Measures of effectiveness	Costs, clinical processes, and medical outcomes	Total service experience

TABLE 17.1
A Comparison
Between the
Old Paradigm
and the New
Paradigm

may translate into providing communication training to both physicians and staff and evaluating hospital menus.

In the past, joint-replacement patients at the University of Alabama at Birmingham Health System were required to arrive early in the morning for surgery and to stay long enough to receive the service and procedure they needed. Now, these patients are able to purchase an entire package that includes a three-night stay in redesigned rooms similar to those at high-quality hotels, preadmission one day before surgery, gourmet meals served in a communal setting with other joint-replacement patients, and specially assigned nursing staff. The hospital is so pleased with its patients' reactions to this package that it is beginning to provide such an amenity to patients with other diagnoses.

All of the key drivers identified by healthcare consumers have implications on HRM practices such as employee selection, training, and performance appraisal. In turn, HR activities also have an effect on efforts to meet the patient expectations. Because good clinical outcomes alone do not make the total healthcare experience impressive, caregivers with only technical and clinical capabilities do not make a healthcare organization competitive in a market full of consumers looking to be satisfied.

**Strategy 2:
Encourage
Customer
Involvement
and
Participation
in the Service
Experience**

Think of the patient as a partial employee who is responsible for coproducing the healthcare experience. Most customer service organizations are fully aware of the value and benefits of letting their customers participate in the service experience.

First, whatever customers do for themselves is one less thing that the organization has to pay someone to do for them. In other words, patients and their family can take on some tasks that employees normally perform for them. Second, customers who coproduce the service experience are more satisfied with the outcome because they cannot criticize something that they have produced and designed to suit their own tastes and needs. For example, a person who makes his or her own salad cannot complain that the salad is not exactly what he or she wanted. Third, customers involved in a process can help supervise employees. With a customer watching the moves and attitudes of the employee, the employee will tend to behave more appropriately and work more fastidiously. A loyal repeat customer can even train the employee on how to face customers or educate other customers on how to enjoy or best benefit from the service experience.

Considering an involved patient as a partial employee is a novel concept. Most physicians, employees, and organizations tend to see healthcare consumers as passive and submissive objects to whom the experts do something, instead of with whom. However, the reality today is that consumers want to get involved in their own care and are not shy about making demands and suggestions about how their care should be delivered. They are no longer passive or content with just waiting in bed as so-called experts circle them, making decisions about their life. Most healthcare employees know that, at some point, a patient has to be involved in his or her care. A surgery patient has to get up and walk after the procedure, a psychiatric patient has to attend and participate in therapy, and a person with a general illness has to tell the doctor where it hurts. However, most employees are unclear on the idea of allowing patients to coproduce the healthcare experience or to participate in their own wellness routine, even though enough studies (and discussions with hospital lawyers) have been done that repeatedly emphasize the value of the medical staff communicating and consulting with patients to enhance patient satisfaction.

Until the patient fully comprehends and agrees to the regimen of care, the best doctors and best treatment facilities in the world will not be able to help the patient prevent illness or get well. An example of how patient participation can be effective can be seen in hospices, where the family and loved ones are asked to be part of making the hospice patient comfortable and content. Another example of patient involvement is when patients are allowed to manage the administration of their own medication through the use of a pump. Often, the result of this practice is quicker healing and less discomfort

for the patient and lower costs for the organization, as the patient typically uses less painkillers or another type of drug.

The Shouldice Hospital in Toronto, Canada, focuses on the repair of abdominal hernias (Herzlinger 1997, 159). Its operating procedures are the products of intense deliberation about patient comfort, convenience, and health status. Shouldice has an integrated operating system carefully designed so that each of its activities reinforces the others. The system purposely places considerable demands on the patients. Meals are served only in the dining room, and patients' rooms lack a telephone or a television. Patients even prepare themselves for surgery by shaving the area to be operated on and are expected to walk from the operating room. Staff members also discourage patients from lingering in bed and demand them to engage in aerobic exercise. This system creates higher levels of patient satisfaction because patients are empowered. It also results in lower costs and higher quality than seen in general hospitals.

Organizational culture is generally defined as the beliefs, values, and ways that are unique to the organization. Culture communicates to all employees what is important and what is not, what is appropriate behavior and what is not, and how to interact with others both inside and outside the organization. In other words, culture is both "the way we do things around here" and "why we are what we are."

Leaders teach and communicate the culture by what they reward, recognize, punish, and praise. They highlight points of importance and perpetuate the culture through the formal reward and recognition system and through informal stories about organizational values, heroes, and legends. A classic illustration of this point in the guest-service industry is the legend told to employees at Olive Garden restaurants. When Olive Garden was just beginning to establish a strong customer service culture and teach it to all employees, one of its restaurants encountered a portly customer named Larry. Larry wrote a letter to the president of Olive Garden to tell him of the delightful meal, the great service, and the wonderful dining experience he had. Unfortunately, according to Larry, the armchairs in the restaurant were too narrow for someone his size, making him uncomfortable. Larry suggested that Olive Garden do something to better accommodate people like him. Olive Garden's president immediately responded by ordering two chairs for each restaurant that did not have arms (now known throughout the chain as "Larry chairs") to accommodate heavier guests. This one letter and a simple suggestion gave Olive Garden not only an opportunity to better serve its customers but also an inspiring story that can be told to new employees to illustrate how dedicated the company is in providing exceptional customer service. Legends strongly communicate the cultural value of customer service.

Strategy 3: Develop a Customer- Focused Culture

In healthcare organizations, telling stories of legends and heroes helps to explain the new paradigm of a service culture that the patient expects. Under the old paradigm, staff told only stories about how the hospital had responded to or accommodated a physician's or an HMO's needs, wants, and demands. The shift to the new paradigm, however, necessitates the creation or recollection of stories, legends, and heroes that extol an employee who provided effective patient care that enhanced a patient's overall satisfaction with the healthcare experience. For example, in one nursing home, the legend is about a nurse's aide. The aide one day discovered that an elderly resident, who had no interest in eating anything, had a passion for peanut butter milkshakes. The aide went out of her way, on her own time, to make such a concoction so that the resident would eat something. A top manager told this story in an employee gathering and recognized this person with a customer satisfaction award. This story and the subsequent satisfaction from the organization, employee, and resident had an enormous impact on defining the culture in this nursing home: Do whatever it takes to achieve patient satisfaction.

A strong culture with the "right" values can reinforce customer service. More and more healthcare executives are seeking ways to identify job candidates whose values are similar to those of the organization. Irvine Medical Center in California uses testing and interviews to evaluate employee-hospital congruence on values such as service orientation, proactiveness, and teamwork (Eubanks 1991). The medical center has found that selecting employees who share its core values has greatly reinforced its corporate culture. These hiring practices have achieved better results than the "chit-chat" interviews and reference checks that previously were the norm. Research indicates that nurses whose values are congruent with those of their employing hospitals tend to remain in their organizations longer (Vandenberghe 1991).

Culture building should not start and end at the new-employee orientation; cultural values have to be reinforced. One appropriate venue for doing this is the staff retreat. One of the objectives of a retreat should be to build a customer service culture, leading employees to discuss questions such as who are our customers, what do they want, what values does the organization need to adopt to deliver what customers want, and what human resources practices will nurture those values? (*Hospitals* 1991). Neutral outside facilitators can help staff participants differentiate between their individual and institutional values and to reconcile the two when necessary.

The stronger the culture, the less necessary it is to rely on typical bureaucratic control mechanisms such as policies, procedures, and managerial directives. Because so much of the healthcare experience happens in the encounter between the patient and staff, healthcare organizations must be able to depend on staff to do the right things (i.e., exceed expectations). Culture is critically important in ensuring that these right things happen, guiding employees even when their supervisors are not nearby.

Unlike a manufacturing organization in which the production process is fairly predictable, the process of providing a healthcare experience is subject to incredible variation—that is, as many different things can happen as there are different types of people. Because defining all the possibilities is impossible, the healthcare organization must rely on its employees to understand what is expected and deliver that expectation to the customer every time. The more uncertain the task, the more employees must depend on corporate values rather than on managerial instructions, formal policies, and established procedures to guide their behavior (Davidoff and Uttal 1989).

The HR department adds considerable value to the organization when it helps develop a customer-focused corporate culture. This entails enhancing each employee's understanding of and valuing what healthcare consumers want and need (both from a clinical and team service standpoint). This effort facilitates the organization's reactive responses to short-term market demands and enhances the organization's capability to proactively track future market directions and thus provide appropriate services (Cespedes 1995). Initial research on the HR practices that have the greatest influence on creating customer-focused cultures suggests the value of the following practices (Brockbank 1999):

- Provide a free flow of information through customer focus groups, videotapes or DVDs, audiotapes or CDs, in-house visits, and employee involvement in market research.
- Implement a comprehensive communication program that emphasizes the importance of organizational unity to win the hearts and minds of external customers.
- Ensure that measurement, rewards, training, and promotions reinforce the importance of customer focus.
- Design organizational structures and physical settings that facilitate teamwork around customer requirements.
- “Walk the walk” and “talk the talk” of customer service.

If the HR function is a strategic partner in the organization, its personnel must become highly knowledgeable about external customers. According to the HR competency study at the University of Michigan, an HR professional's knowledge base must include an understanding of competitors, customers, marketing, and sales (Brockbank, Ulrich, and James 1997). Lack of integration between marketing activities and HR practices is a major contribution to the suboptimization of organizational marketing (Ballantyne, Christopher, and Payne 1995).

The healthcare industry often does not invest in what it claims to value. Although it says that customer satisfaction and employee retention are the most important aspects of its business, the industry often fails to invest adequately in either (*Modern Healthcare* 1998). Instead, healthcare's to-do lists focus on such areas as upgrading technology, collaborating with others to

build networks, diversifying business lines, and reengineering business and clerical services. In contrast, patients care most about responsiveness, information about their case, pain management, and positive attitudes from physicians and other caregivers (Studer and Boylan 2000). An obvious disconnect exists, and as a result the actions of healthcare executives indicate that they do not give high priority to the major concerns of their customers. However, both employees and healthcare consumers judge leaders not on what they say but on what they do, and what they do is focus on other organizational priorities, not on customers.

Culture begins at the top; thus, a commitment to customer service should start at the executive level. The behaviors continually shown by senior management are more important than the slogans and communications they generate. The CEO and senior management must “walk the talk” of customer service if that message is to be believed throughout the organization (Denove and Power 2006). Reinforcement of the customer-focused culture also requires appropriate employee selection and training as discussed in the next strategy.

**Strategy 4:
Find, Hire,
and Train
Competent
and Caring
Employees**

A service business is, by definition, one that is based on people rather than on products. A gap exists between the expected service quality and the delivered service quality when staff are insufficient in numbers, poorly trained, or poorly motivated. Findings of Gallup polls of service workers suggest great cause for concern. Gallup has reported that 55 percent of service workers in its database have no enthusiasm for their work, and one in five of these workers is so unenthusiased and negative that he or she poisons the workplace. Gallup refers to these workers as “not engaged” (*USA Today* 2001). More recent data indicate that 59 percent of employees were “not engaged” and 14 percent were “actively disengaged” (*Gallup Management Journal* 2006).

Nonclinical staff who interact with patients or their families fulfill two critical roles: (1) as impression managers and (2) as gatekeepers. As *impression managers*, support employees must recognize that they are the organization to the customer-patient. As *gatekeepers*, they play a key role in implementing service delivery standards. When service employees work with a generally positive work attitude, the customers they serve report high satisfaction levels. Customers are highly satisfied as well when employees deliver high-quality service, and vice versa (Schneider and Bowen 1995). The guest-service literature suggests that only a certain percentage of people really care about giving high-quality service. In the book *Positively Outrageous Service*, author Scott Gross (1991) calls employees who like to provide great service “lovers.” These employees give customers a feel-good level of service—that is, it feels good because the employee connects with the customer even for a brief period of time. Such a service encounter makes the customer feel that something is special and memorable about the experience.

The challenge for healthcare executives is to recruit employees who love to give great service, continually train all employees in guest-service principles, and provide positive incentives to maintain and improve on these principles. Gross (1991, 159) estimates that people who love to serve represent only one in ten of the available workforce. He states that these 10 percent cannot get enough of their customers; 5 percent of workers, however, want to be left alone; and 85 percent have a prevalent mind-set of "take 'em or leave 'em." If Gross's percentages are accurate, he raises two major challenges for healthcare executives. First, they need to develop a process that will systematically recruit and select those 10 percent who are truly committed to providing excellent service. Second, they must work even harder to teach their other employees how to provide the same quality of service that the "lovers" give naturally. In other words, the successful service organizations know how to "select the best and train the rest."

Guest-service organizations like Disney, Marriott, and Southwest Airlines know this lesson well. They spend countless dollars recruiting, selecting, and training their guest-contact employees to provide excellent customer service. They know that the impact of their service is created at the moment of truth when the customer has an encounter with the employee. Ensuring that the guest-contact employee is effective in providing an excellent service experience is vital for both meeting expectations and influencing the intent to return or use the service again. The important point to remember is that outstanding guest-service organizations know that the people they put in front of their guests must not only be well trained in the necessary job skills but must also have the personality, disposition, and willingness to provide a high-quality service experience.

Healthcare organizations that follow the old paradigm tend to select employees based on experience and clinical credentials only, overlooking the applicants' lack of customer service skills. Clinical skills are a definite requisite for caregivers and cannot be undermined; however, those organizations that seek to move into the new customer paradigm must also give consideration to, or develop ways to identify, potential employees who have an innate understanding of how to treat their patients as guests. Both Irvine Medical Center in California and Lutheran General Hospital in Illinois use testing and structured interviews to analyze a job applicant's fit with institutional values such as service orientation and servanthood (Eubanks 1991). In addition, some hospitals and healthcare systems offer courses or seminars in guest relations. Such an initiative is only the beginning of the movement toward the new paradigm. The willingness of the senior management in these organizations to sponsor such training is a strong statement of the value they place on this critical customer-orientation part of the healthcare employee's total responsibility. The emergency department (ED) of INOVA Fairfax Hospital in Virginia initiated customer service training in 1994 (Mayer and Cates 2004). All

ED staff involved in patient contact (i.e., physicians, nurses, technicians, registration personnel, core secretaries, social workers, radiology technicians, and respiratory therapists) are required to attend an eight-hour customer service training program. The program covers basic customer service principles; teaches how to recognize patients and customers; points out service-industry benchmarking leaders; gives tips on how to recognize and manage stress, how to strengthen communication and negotiation skills, and how to be more empowered and be customer-service proactive; and discusses service transitions, service fail-safes, change management, and customer-service core competencies. Customer-service updates are offered three times a year, and attendance to these updates is mandatory. Modules on conflict resolution, advanced communication skills, and assertiveness techniques, among others, are offered in these updates.

Initial results of INOVA's efforts showed that all 14 key quality characteristics identified in the organization's customer satisfaction survey increased during the one-year study period (May 1, 1994 to April 30, 1995) (Mayer and Cates 2004). The most dramatic improvements were in the likelihood of customers returning, overall customer satisfaction, and physician and nurse skills. In addition, patient complaints declined by more than 70 percent, and patient compliments increased by more than 100 percent. The clear implication of this data is that customer service training offers a competitive market advantage to healthcare institutions.

Customer service courses in healthcare may explore the following areas:

- Standard operating procedures for interacting and handling problems
- Team orientation
- Training and use of multiskilled health practitioners
- Flexibility in addressing concerns
- Communicating
- Responsibility for customers
- Results of focus groups
- Exchange of information across organizational units
- Greeting and making eye contact
- Calling customers by name
- Responding to requests and concerns

An organization's reputation can aid its recruitment efforts. As authors Benjamin Schneider and David Bowen (1995, 115) note, employers who have a positive image in the community and a satisfied and motivated workforce have a deep applicant pool from which they can fish out the best. These "employers of choice" are good neighbors to the community and have established their reputation for hiring and developing people for the long term. Their mentality, according to Len Berry (1995), is to "recruit rather than save on

those who leave.” In other words, hold out employee selection for the better applicants and then invest in their growth and development; keep the challenged but motivated staff in their current jobs, and offer them future opportunities with the organization. Hiring the right people, training them, and empowering them to do the right things are critical to creating the “customer advocates” who will recruit other highly capable employees and customers (Denove and Power 2006).

Selling a healthcare employment opportunity is like selling a healthcare experience. If the company has a reputation for offering high-quality jobs and career opportunities, it will attract high-quality applicants and build a pool of people who prefer to work for that company rather than for the competition. As mentioned earlier, Quint Studer took over a hospital that suffered from high turnover and low staff morale. Within three years, Studer’s strategy of emphasizing customer service by focusing on employee selection, training, and rewards had reduced turnover by 67 percent and, according to employee satisfaction surveys, tripled the level of employee morale (Studer and Boylan 2000). The hospital went on to become the “employer of choice” for northwest Florida.

Successful service companies that top the J. D. Power customer satisfaction surveys recruit for values and personality rather than technical skills alone; empower employees to act on their own; pay above market rate if necessary; attract career-minded individuals who care about the long-term satisfaction of their customers; promote from within; provide career ladders for everyone; and offer creative employee benefits such as telecommuting, flexible work schedule, and job sharing (Denove and Power 2006).

In the guest-service industry, the normal practice is to recognize and reward employees not only for their technical excellence but also for their ability to deliver guest satisfaction. In other words, a delicious, one-of-a-kind gourmet meal will not make a guest happy if it is served by someone unpleasant and insulting to the guest. Similarly, a nonturbulent, quiet plane ride will not count as an excellent trip if the flight attendant is rude to the passengers. Because the customer service aspect of the total job performance is so important, managers of guest-service organizations are evaluated on the manner with which the service was provided in addition to the quality of all the components that went into that service. These managers spend countless hours motivating their employees to be both technically proficient and guest-focused.

There is also a demonstrated statistical relationship between happy employees and happy customers in the guest-service industry (Ford and Heaton 2000). If the employees are having a fun, enjoyable time of serving guests, they will positively influence the experience of the guests they are serving. This is a fundamental philosophy of CEO Herb Kellerman of Southwest Airlines. Managers in guest-service organizations know the importance of keeping

**Strategy 5:
Train and
Motivate Staff
to Provide
Excellent
Customer
Service**

their employees upbeat, happy, and positive so that they not only deliver the product in the way they were trained but do so in a way that promotes an exceptional service.

Traditionally, healthcare managers measured and reinforced healthcare services according to the definition of "excellent" service by other providers and accreditation agencies. Managers and their organizations were evaluated only on aggregate statistical measures or Joint Commission accreditation standards, which typically assessed the organization's structure, processes, or clinical outcomes. In other words, "high quality" meant a hospital that has a below-average mortality rate, or a surgeon who has a high survival rate for heart transplants, or an HMO that has a large percentage of female patients receiving mammograms. Thus, the reward and reinforcement mechanisms were focused on these provider-dominated measures of success. In the new paradigm, managers, staff, and organizations must be measured and rewarded on the extent to which they provide customer satisfaction. Because "what gets measured gets managed," the motivation and reward systems must include measures of customer satisfaction as well as employee attitudes to ensure that the managers spend the necessary time and effort on these vital aspects of customer service.

**Strategy 6:
Measure
and Hold Staff
Responsible
for All Aspects
of the Service
Experience**

Excellent service organizations, like Marriott, Disney, Nordstrom, and Southwest Airlines, send out questionnaires, interview departing guests, and pay people to sample the guest-service experience provided by the organization. These are highly systemic investigations that yield the necessary data for understanding and assessing customer perception of the quality and value of the service experience.

Asking the customer directly is especially important in healthcare for three reasons. First, the healthcare service is an intangible product that is consumed at the moment it is produced. Only the person who has undergone the experience has a complete understanding of it. Second, each healthcare consumer is unique not only in character and background but also in the way he or she experiences the service, which depends on various internal and external factors. Each consumer can deliver a personalized account of any problems that arose during the service and can give a suggestion on how to remedy and prevent such problems. Third, managers equipped with first-hand feedback can better design measures for what is important to the customer and subsequently oversee them more effectively; as the popular saying goes, "what gets measured gets managed."

Unfortunately, today, most dimensions of customer satisfaction in healthcare are neither measured nor managed, and patients' perceptions of convenience, comfort, and service quality are ignored. The healthcare equivalent of surveys of consumer perception, like the Zagat's survey of restaurants

and the J. D. Power surveys of automobiles, have yet to appear (Herzlinger 1997, 94). Furthermore, accreditation of hospitals and industry-developed ratings of HMOs do not appear to be highly correlated with independent surveys of user satisfaction (*Consumer Reports* 1996). Many healthcare organizations (hospitals, healthcare systems, even physician practices), however, use measurement techniques to understand their customers' perception of the service experience. They send out questionnaires to patients after receiving care at their facility to identify areas that were satisfactory and those that were flawed or that impeded the desired level of service. More and more, the industry is realizing the consequences of failing their customers twice—once if the service is poor and twice if the problem is not determined and corrected immediately. Learning and responding to mistakes early are equally important in the pursuit of the new customer-focus paradigm.

Other measurement tactics include mystery shoppers, comment cards, focus groups, and other creative surveys. The Campbell Health System in Texas reinforces its patient satisfaction data by using mystery shoppers who report the details of the service encounters. Managers then share the feedback in a way that is meaningful and motivating for the staff (Millstead 1999). Healthcare organizations can measure and reward superior service by establishing a baseline of patient satisfaction in every unit and then continually sampling patient attitudes. This approach can help to identify both problems and opportunities. Salick Healthcare, which operates outpatient cancer centers in many states, has meticulously maintained patient records from which it has worked up detailed practice guidelines to standardize and refine the treatment of numerous types of cancer (Bianco 1998). Salick has been able to achieve better clinical outcomes, higher levels of customer satisfaction, and lower costs of care.

The key HR task is to link customer expectations and satisfaction back to the factors that are measured in the organization's performance appraisal system. This will undoubtedly mean significant differences in the criteria for different positions. Success in meeting customer expectations should also be reinforced through economic and noneconomic rewards. An increasing number of companies (e.g., Federal Express, Best Buy, various restaurants) use internal and external "customer approved" measures as sources of employee performance appraisal information. Examples are answering a telephone within four rings or responding to an e-mail within one day. Managers establish customer service measures and employee goals that are connected to company goals. Achievement of these customer service goals is often linked to compensation through incentive programs. The aim of including customer service measures in performance reviews is to produce more objective evaluations, more effective employees, more satisfied customers, and better financial performance.

Organizations also have internal customers—people who work in the facility who can provide feedback on anyone inside the organization with

whom they work and/or on whose work outputs they depend. Healthcare executives who rely on the HR department for employee selection and training services can conduct an internal customer evaluation on that department. For both administrative and developmental purposes, internal customers can provide extremely useful feedback about the value added by an employee or a team of employees. Both internal and external customers should be included in the performance appraisal processes. By surveying external customers for employee performance appraisals, organizations can produce more objective evaluations, more effective employees, more satisfied customers, and better organizational outcomes (Radcliff 2002). Customer input into the appraisal process focuses the employee on what he or she can do to better meet customer needs, how customers view their performance, and what skills the employee needs to focus on improving (Jacobson 2005).

To measure service performance, an organization must remember that customer expectations are a key factor in customer perception of the ultimate level of performance. To build customer loyalty and commitment, expectations must be exceeded (Lee 2003). Note that each customer contact point (e.g., reception, admission, pharmacy) is critical to the customer's overall satisfaction with the entire service and the customer's willingness to return or recommend the organization. Therefore, at each contact point (or moment of truth), four questions must be asked:

1. How important was "x" in terms of your overall satisfaction with the organization?
2. How well did "x" meet your expectations?
3. Would you return if you need similar services in the future?
4. Would you recommend our organization to a friend or family member? Why or why not?

Answers to such questions should be fed back to both managers and staff in those contact points where the customer service encounter occurred. Such data should constitute a major factor in individual performance appraisals for both staff and managers. They can also be used to identify areas where additional staff training may be necessary. Finally, merit salary increases should be related, in part, to these data.

In sum, excellent service providers do the following (Denove and Power 2006, 232):

- Collect the right information from customers.
- Properly analyze the information and forward the analysis to those who are in a position to use it.
- Properly act on the information in terms of performance evaluations and merit salary increases.

Summary

Patients and healthcare consumers today are assertive. They are proactive in their search for convenient, cost-effective, high-quality, and customer-focused healthcare. The healthcare system is now more responsive to these demands, and the growth of medical savings accounts should enhance this trend (Goodman and Musgrave 1992).

Achieving competitive advantage in this hypercompetitive market requires developing organizational capabilities that are difficult for competitors to duplicate in the short run. Capabilities represent integrating and coordinating mechanisms that bring together resources and competencies that are superior to those of competitors (Henderson and Cockburn 1994). When implemented as a total system, the six HR strategies presented in this chapter represent one such integrative and coordinating mechanism for achieving competitive advantage through increased customer satisfaction. These strategies are derived from the best practices of the guest-service industry and have been developed and modified over many years to be applicable to the needs of the healthcare field.

Some may argue that because healthcare deals with more serious issues of life, death, and health status, healthcare consumers are not as interested in the amenities of service delivery as are customers of guest-services organizations. However, no data can support this claim, and patients who have received excellent clinical and customer care will argue otherwise. These six strategies are indivisible, and not one is more important than the other. They must be linked together and aligned to enable the organization to achieve the level of service excellence demanded by healthcare consumers today (Ford et al. 2006). That is what healthcare organizations must do under the new customer-focused paradigm.

Implementing these strategies (from identification of key drivers to measurement of employee performance) requires a champion (preferably from senior management) who will identify benchmark service organizations, cross organizational boundaries, and make true customer service the highest value in the organization. Following the strategies takes considerable time (several years) and effort, and success is not guaranteed. Most healthcare organizations have made progress toward putting some of these strategies into practice; however, we do not know of any that have been successful with all strategies.

If these strategies can be successfully implemented, they would provide capabilities that can become a core competency of the organization (Prahalad and Hamel 1990). In such a case, the core competency is the collective learning about how to coordinate diverse operational skills and integrate multiple activities toward enhancing customer satisfaction. Because the process of implementing the principles requires a long-term commitment, the principles will be extremely difficult for a competitor to emulate as a short-term fix.