

Strategic Human Resource Management (SHRM): What is it – REALLY???

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Learning From Students

Last week, I was invited to present in the Distinguished Professor series at the University of Colorado (CU), Boulder. The audience consisted of a group of doctoral students who are studying HR strategy, macro economics, organization behavior, strategy, entrepreneurship, and more. The CU students were particularly impressive as they have a very broad range of prior work experience (impressive means they are smart, interesting, fun to hang out with, and they had tough questions).

A few weeks before I gave my speech, another professor spoke to the students about strategic human resource management. As a result of hearing my presentation and that of the prior SHRM lecturer, I was asked the following question: What is HR strategy?

The students had been reading all the relevant SHRM literature, and they did not think the volumes of articles and books provided an answer. I'm not surprised. I've been struggling with this new phrase for the last 20 years. I've asked senior VPs of HRM, senior professors in the field, CEOs, consultants, and more, and no one has

ever answered the question to my satisfaction. So, I decided to take a stab at answering the question myself.

Let's start with a definition. Human resource strategy is the result of a set of decisions a company makes about the humans with whom it does business. Hmm, sounds easy. Marketing strategy is the set of decisions a company makes about how it does marketing; finance strategy is the set of decisions a company makes about finance, etc. But let's diagnose this a bit and see why there is no much confusion in the field.

Who Are The Humans?

When we talk about humans in human resources, why do we limit our discussion to only employees? What about all the other humans with whom an organization does business? It seems to me that if HR executives are good at helping business leaders make decisions about employees, then why can't they provide these leaders with assistance and skill development for decision making with regards to other humans? Shouldn't your human resource strategy be focused on ALL of your people or stakeholders?

As long as we stay tied to the notion that "humans" are only employees, then HRM cannot be strategic. Leaders make decisions, and they need to consider the effect of their decisions on everyone. If our job is to help develop and support leaders who need to

be strategic, we cannot do this by limiting our definition of humans.

Consider the current interest in expanding the external brand within the firm. We know that brand loyalty is important, and therefore, many organizations are trying to use branding to build a stable base of loyal external customers and internal employees. These firms recognize that all of the humans with whom they do business see the same advertisements, deal with the same managers, and are exposed to the same messages. Therefore, to be strategic, the message should be consistent at all times.

What Is It About Humans That Matters?

If we agree that the "human" in "human resource management (HRM)" should be more than employees, then to be strategic, we must consider why humans are important to business success. The mere existence of humans is not enough; however, the field of human capital management does seem to lead us down a path of thinking that humans are assets. According to the rules of accounting and financial management, assets need to be controlled. Control of the human asset would then be important for long-term business success.

However, I argue that humans are not the asset. Relationships with humans are the true asset, and relationships cannot be controlled (have you ever

tried to do this at home and quickly learned it does not work?). Relationships are negotiated and renegotiated and then renegotiated. Relationships take care and nurturing, and you have to constantly monitor how you are doing.

When relationships are optimized, you get “above and beyond” behaviors as a result. This may be translated into loyalty, engagement, trust, and more. Consider the companies listed in Fortune Magazine’s “100 Best Companies To Work For.” They all have processes in place to improve employee relationships. For example, top-ranked Edward Jones provides all employees with substantial training, Vision Service Providers honors co-workers who have passed away, Adobe Systems offers frequent job rotations and Friday night beer bashes, and J.M. Smucker lets employees taste test new products. At Qualcomm, sick days are based on an honor system, and “90% of the staff looks forward to coming to work.”

With employees, my research shows that above and beyond behaviors include more teamwork, submitting suggestions and new ideas, helping another team member when it’s not part of the job, and more. With customers, above and beyond behavior means sticking with a vendor even when their prices go up. Consider the effect of the relationship management

campaigns of both Southwest Airlines and Wal-Mart. These two companies are consistently ranked as best employers and high growth firms with repeat business and high customer service because they constantly make relationships with people a high priority.

Who’s In Charge Of Optimizing Human Relationships?

It’s interesting to note that, although there is considerable support for the notion that relationships are an organization’s true asset, in most companies, no one department, person, or group tends to be held accountable for the total stakeholder relationship strategy. Finance is in charge of relationships with shareholders and potential investors; marketing and sales are in charge of relationships with customers; managers and HRM are in charge of relationships with employees; purchasing and manufacturing are in charge of relationships with vendors, and the list goes on. But no one group is in charge of assuring that there is one coherent stakeholder strategy for a business. Thus, the true asset – human relationships – is often mismanaged.

However, it seems that the HRM department could be in the perfect position to fill this void. Why can’t HRM take on the role of REAL human relationship strategy (note that I changed the term from resource to relationship to reflect the key asset)? As the

key group in charge of leadership and management development, HRM can impact the decisions leaders make about humans.

“Research and consulting firm Gartner projects HR business process outsourcing (BPO) will reach \$55 billion in 2005,” according to IOMA’s Human Resource Department Management Report. “Dataquest, Inc. predicts the U.S. HR outsourcing market will burgeon into a \$58.5 billion industry by 2005, up from \$21.7 billion in 2000.” With the current wave of customer relationship management and employee relationship management technology support, executive coaching, outsourcing, and more, the time for relationship management is here or close for every business.

If HRM Does Not Take The Lead, Who Will?

If HRM does not start down the relationship management path, someone else will, and as “old” HRM continues to be outsourced, one must wonder what will be left for today’s HR executives? Relationship management is an opportunity that can be seized by HR executives who are truly strategic and who understand what is needed for their businesses to succeed today and remain competitive as the business landscape continues to evolve and change.

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Theresa M. Welbourne, Ph.D. is the founder, President and CEO of eePulse, Inc. as well as an Associate Professor of Organization Behavior and Human Resource Management at the University of Michigan Business School. Prior to summer, 1999, she was on the faculty of the Human Resource Studies Department (from 1992 to 1999) and the Entrepreneurship and Personal Enterprise Program (from 1993 to 1999) at Cornell University. She received her Ph.D. in Business from the University of Colorado, Boulder in 1992. Prior to that, she spent approximately ten years working in the field of human resource management as a practitioner and as a consultant. Dr. Welbourne's expertise is in the area of employee management in high growth and high change organizations. Her particular focus is on understanding how various human resource, communication, leadership, and rewards strategies affect the longer-term performance of organizations and the employees within those firms. As CEO of eePulse, Inc., she leads a technology and research business that is delivering web-based Pulse surveys powered by the company's proprietary software called Measurecom™. The measurement and communication tool was developed based on Dr. Welbourne's research and consulting. She conducted a number of studies with initial public offering firms and large firms undergoing large-scale interventions.

In these studies, she demonstrated the direct effects of leadership and human resource management strategies on firm survival and financial performance (e.g. stock price growth, earnings growth, etc.). Her research has been featured in popular publications such as Inc. Magazine, The Wall Street Journal, Business Week, The New York Times, and Entrepreneur Magazine. Her work has been published in several books and in journals such as the Academy of Management Journal, Journal of Management, Human Resource Planning, Executive Talent, Compensation and Benefits Review, Journal of Applied Psychology, and Journal of High Technology Management Research. She is currently writing a book (publisher is Jossey-Bass) that summarizes all of her research to date.

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