

Interview Randall Schuler, Professor of HR Strategy and Global HR Management, Rutgers University, New Jersey

***'Gaining competitive advantage through HR?
We were studying that as far back as 1984'***

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[INTRODUCTION]

We spoke with Professor Randall Schuler at the School of Management and Labor Relations on the New Brunswick campus of Rutgers University in New Jersey. Rutgers University has expanded since 1766 from a colonial college into an illustrious State University a short distance from New York. In the interview, Schuler set out his vision of the importance of strategic HR in gaining competitive advantage. He also provided a glimpse of what he believes the main challenges will be in the coming years to enable HR to make an effective contribution to achieving business success. He concluded by explaining what HR has to learn to be able to operate in a world 'without borders'.

Rutgers is one of the leading universities in strategic HR. It houses the world's largest faculty focusing on HR strategy and international HR. Faculty members include renowned professors Mark Huselid, Charles Fay, Susan Jackson and Randall Schuler. We spoke with one of them, Professor Randall Schuler, during our annual study trip, which was to New York this time. He founded the Center for Global Strategic HRM and with more than 55 books and upward of 100 articles to his credit, he has an impressive record of service in his field, HR strategy and global HR management.

HR Strategy is often still based on assumptions

We asked Schuler for his views on HR strategy and its increasing importance in his field. He sees strategy formulation as a difficult task. "Besides the practical complexities of making a proper analysis and interpreting the results, strategy often founders when placed in the specific context of the organisation. Every aspect of an effective HR strategy supports the company or business strategy concerned; take recruitment and selection or development and remuneration, for example." Schuler sees a clear tendency towards strategic HR becoming a general part of business management. "When you talk about HR strategy, you're actually talking about HR's contribution to the organisation's success, to gaining a competitive advantage." Schuler is not particularly excited about the current popularity of strategic HR per se. "We were studying these issues as far back

as 1984. You shouldn't overestimate the value of strategic HR either. A business strategy's success depends on all kinds of factors. HR is just one of them." The important thing is to look at the assumptions you make when you determine your strategy. "Do you believe your employees work harder if you pay them more or are they in fact more effective if you pay them a little less and they are able to go home on time? There are so many questions that we can't really answer. To a great extent, the way we set up and manage organisations is determined by assumptions of this kind."

"When I look at the interpretation of strategy in organisations, I make a distinction between policies and practices. *Policies* indicate what you want to create – your chosen direction. This is derived from the strategic choices. *Practices* are much more concerned with daily operations. They indicate what's happening in the organisation and exactly what managers are doing. You can link your policies to the business strategy but it still doesn't guarantee that line managers will act accordingly." Schuler believes that effective HR takes place in the 'HR Triangle': Employee – Manager – HR Professional. "Together they provide a logical link between the business strategy, policies and practices."

Is there such a thing as a best-practice HR strategy?

There are various ways to market yourself as an organisation and to distinguish yourself from competitors. Product leadership, cost-price leadership and service leadership are familiar ways of positioning your organisation. Positioning is generally the starting point for setting up and developing the organisation. We asked Schuler whether he thinks that various specific HR strategies fit in with business strategies. Or: if your organisation has a low cost strategy, what sort of low cost HR strategy does it have? Schuler: "In 1987, when Susan Jackson and I were using Michael Porter's framework as a basis for looking at the implications for strategic HR themes, we also tried to develop different HR policies on the basis of various business strategies. We discovered that it's extremely difficult to make blueprints for this. Simplification is difficult because each situation is determined by so many factors. If you take two businesses that produce the same products and have the same competitive strategy, they can still have completely different HR policies. This is because of the differences in their history, technology, leadership, values, vision and culture." In this sense, Schuler does not therefore believe in best practices and benchmarking, especially not for value-adding HR processes. "I don't believe in an easy cookbook approach."

What does best practice actually mean? It involves a risk. "If you go to a doctor because you have a high cholesterol level, you can't say beforehand that there's a best solution. It's important for a doctor to make an accurate diagnosis and to examine you properly before giving you a prescription. The same applies to organisations. That's why I think organisations needn't be afraid of letting others look at how they operate. Even if you adopted all of an organisation's practices, you still wouldn't achieve the same results. It's still about human actions and each organisation is unique."

Local activities under an over-arching philosophy

Schuler pointed out that it is even difficult to speak of a single strategy within organisations. "Where we are now, the New Brunswick campus, is the birthplace of Johnson & Johnson, one of the largest multinationals in health care. Johnson & Johnson operates in 250 different businesses. Although they are all related to health care, you even see different HR policies in the business units. And it is of course wise to have an overall credo. Johnson & Johnson also believe that each employee is important, that everything they do should be in the interest of stakeholders, the world around them and the environment. I believe more in local activities under an over-arching philosophy." Schuler says an overarching philosophy is important but that it is important not to burden the local operation with practices imposed from above. "You can only say that everyone in the organisation has to participate in 360° feedback, for instance. How that's given shape is up to the local management." Schuler believes that such an approach

takes into account local requirements. "So, using different strategies alongside each other in an organisation can even be effective. It isn't a barrier to sharing practices and looking for cost savings."

Challenges for HR

Schuler sees HR as an important driving force for an organisation's success. When asked what he believes the main challenges will be in the coming years to enable HR to contribute to increasing the competitive advantage, he had to think for a moment. "The world around us is changing rapidly and we need to get better at anticipating the changes. How HR can help with that is perhaps best summed up by five challenges."

The first challenge is to increase the business part of HR: managing data. "We'll increasingly be challenged to produce business evidence of the impact of HR interventions on business outcomes. Imagine that an organisation discovers that it has too many employees. The initial reaction is to permanently lay off workers. But what happens if we approach the problem from a business angle: if you allow the employee population to fall by more than 10%, the fall in shareholder value is much sharper than 10%. Why? Because your credibility decreases. You turned out not to be capable of letting the number of employees 'breathe' with the business over time. Consequently, shareholders say that you're also probably not capable of properly managing other aspects of the business. Information on causal relationships is therefore becoming more important."

The second challenge is to incorporate external trends and new insights into the business. "Looking forward, what happens tomorrow?" How can we use HR to make a better contribution to the organisation's success? "An outside-in approach enables us to see more opportunities. What is the latest thinking? What will hit us? What's the organisational impact? And what does this all mean for our contact with employees, community relations, the environment, competition, suppliers, investors, and unions? An outside-in approach also offers an opportunity to look at your own organisation more objectively. What sort of organisation have we created together and is it still capable of meeting future challenges?"

Schuler thinks that the third challenge for HR is to better facilitate senior and middle management to lead the organisation. Management's impact on performance turns out to be extremely important. HR should help determine which competencies and conduct are necessary to realise the organisation's strategy. "We'll have to introduce mechanisms to make people management comprehensible."

Schuler's fourth point is the increasing importance of monitoring systems. The business context has become so complex that you need intelligent indicators to determine whether you're on track. "Where do we want to go and where are we now? In HR's case, this means indicators at the process level. It involves asking questions such as: do our selection methods still meet the requirements or should we recruit new employees in Bangalore, Mumbai or Shanghai?"

Finally, Schuler believes that HR can make an important contribution to increasing the executive powers of managers. We can set up everything perfectly: the best policies and practices, the best monitoring systems, and the best consultants in-house. But none of that guarantees proper execution. "At the end of the day, all the action is right here...the interactions between manager and employee."

New questions demand new skills

Besides the above challenges, Schuler believes knowledge of business models is also becoming increasingly important. Given the growth in the number of mergers & acquisitions and changes in the supply chain, the rate of change in business models will

continue to accelerate. Questions such as: 'What should you do if you're called to account for the quality of a finished product but you're not responsible for the entire chain?'; 'What is our core business?' and 'What do we do and what can others do better?' lead to new cooperation issues that have an impact on your business model. Given the ongoing internationalisation of business processes, HR will face issues concerned with location and relocation, for example. We 'have to move' to India now but we might be somewhere else again in five years. Governments are increasingly holding organisations responsible for the 'footprint' they leave behind when they leave. It's no longer acceptable for an organisation to just leave things in a mess. If you profit from a location's advantages, you also have to give something back in terms of social entrepreneurship. Governments look at organisations through a magnifying glass. What will they do for us? What will happen if they leave? What will they do with our citizens? What will they do for the local population? These are just examples of new issues that HR will have to face. New issues call for new competencies for HR: scenario-based thinking, challenges, competency analysis, market analysis. They also require a response to their impact on business models, tasks and responsibilities, legal alliances, social aspects and so forth.

Conclusion

The conviction that competitive advantage can be gained through HR is clearly not new. Randall Schuler, as well as many of his colleagues, have been working on it since 1984. However, the shape given to HR to actually realise competitive advantage is different nowadays. HR is facing various new challenges as a result of issues such as internationalisation and increasingly business-oriented expectations for HR. During the interview, we again became convinced of HR's importance and the added value that it can provide for organisations. However, we were warned not to always turn to best practices but to continue to look properly at the local and business-specific context of organisations and to be aware of the assumptions that form the basis of our interpretation of HR policies. Wise words from an old hand in the field ...

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Randall S. Schuler is Professor of HR Strategy and Global HR Management. He was the former director of the HRM Master Programme and was the founder and former director of the Center for Global Strategic Human Resource Management at Rutgers University in New Jersey. He is also in great demand as a visiting lecturer at various illustrious universities and institutions. His fields are global Human Resource Management, Strategic Human Resource Management, the HRM function in organisations and the relationship between business strategy and Human Resource Management. Schuler has written an impressive body of specialist literature: more than 55 books, in excess of 50 chapters in reference works and upward of 100 articles in professional and academic international journals.



He is also a Fellow of the American Psychological Association, the British Academy of Management, the Society for Industrial and Organizational Psychology and the Academy of Management.
