



## Employee relationship management – Realizing competitive advantage through information technology? ☆

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### ABSTRACT

Employee relationship management (ERM) constitutes an emerging trend of managing human resources by building and maintaining individualized and mutually valuable relationships with employees based on information technology. However, given the early and still emerging state, there is little knowledge and agreement regarding ERM. Hence, the current paper attempts to clarify the concept and derive research implications. The formation and the strategic, processual and technological components of ERM are derived and discussed based on the Customer Relationship Management (CRM) concept that preceded it. As a result, a first general outline of an interesting and ambitious concept is presented. Based on the outline, major implications for further conceptual elaboration, theoretical foundation and empirical evaluation of ERM are derived to propose directions for future research.

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### 1. Introduction

For some time now, the set of suggestions on how to manage human resources has comprised an additional member named employee relationship management or ERM. Basically, ERM has been openly borrowed from the widely used Customer Relationship Management or CRM and aims at transferring principles of technology-based relationship building from the customer to the employee domain. A general definition hence understands ERM as “... *strategy, programs and technology to effectively manage how firms relate to prospective, current and former employees*” (Rogers, 2008, 48). Like any other new management concept, ERM is viewed as an advantageous approach that offers mutual values for employees and employers. Major values promised to employees are the greatest possible satisfaction of their individual needs, while the increased attraction, retention, motivation and performance of employees are values promised to employers (e.g., Keim & Fritsch, 2008; Schweitzer & Lyons, 2008; Wargborn, 2009).

So far ERM has mainly been propagated by practitioners such as consultants (e.g., Moss, 2007; Rowe & Tucker, 2006) and software vendors (e.g., Lermusiaux & Snell, 2005; Shapiro, 2007). In addition, there are a few organizations that seem to have already adopted some facets of ERM (see e.g., the results in Balthazard, 2006 and the examples in Rowe & Tucker, 2006). However, given its early and still emerging state, there is currently little knowledge and agreement regarding ERM. A commonly accepted definition is missing, and the rare explicit delineations are often vague or yield rather heterogeneous comprehensions, such as ERM as a certain strategy (e.g., Wargborn, 2009), as certain HR practices (e.g., Balthazard, 2006), or as certain HR information systems (e.g., Shapiro, 2007). Moreover, there are comparable terms, such as “talent relationship management” (e.g., Katoen & Macioschek, 2007), “human capital relationship management” (e.g., Rowe & Tucker, 2006) or “candidate relationship management” (e.g., Keim & Fritsch, 2008), although it is unclear whether these terms denote the same concept.

This current tension between the promises and the ambiguity of ERM clearly constitutes an unfavorable situation for both research and practice. On the one hand, a valuable idea for improving human resource management may be overlooked; on the

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other hand, an insubstantial fad may be pursued. Hence, there is a need for conceptual clarification of ERM to decide whether and how it should be considered in future research and practice. The current paper therefore aims at offering a clarification of the concept by generating an *outline* of ERM and, subsequently, deriving *implications* for research. In the outline, the *formation* and the *components* of ERM are discussed and subsequently summarized in a *synopsis*. Given that ERM constitutes a frank analogy of CRM, these parts are derived from and compared with the formation and components of CRM. Subsequently, the *conceptual elaboration*, the *theoretical foundation* and the *empirical evaluation* are substantiated as major *implications* to offer guidance for future research.

## 2. Outline

### 2.1. Formation

Understanding the formation of a management concept as historic occurrence and development, the formation of ERM should constitute a first aspect for clarification – given that this elucidates the contextual settings and the respective motivations for the concept. Since the formation of ERM is explicitly based on the preceding formation of CRM (e.g., Keim & Fritsch, 2008), the formation of CRM is first briefly traced and then compared to the formation of ERM.

#### 2.1.1. CRM formation

Tracking the formation of CRM requires going back about three decades to when relationship-orientation in marketing appeared as an alternative to the then prevailing transaction-orientation. Transaction-oriented marketing focused on offering standardized products/services in anonymous, passive and uniform mass markets. Thus, the main goal of marketing consisted of sale-transactions using conventional marketing methods (e.g., Grönroos, 1997). When markets became increasingly saturated and hyper-competitive, however, more and more buyer markets emerged; this created an increasingly precarious situation for many corporations. As transaction-oriented marketing was not able to satisfactorily cope with this situation, the suggestion was made to replace it with “relationship marketing”, which is a concept that aims to build long-term relationships that are valuable for both customers and organizations (e.g., Berry, 1983; Grönroos, 1994). Thus “market pull” forces are cited as a first explanation for the formation of CRM. In addition, marketing-related information technology forged ahead. An ever-increasing range of customer-related data and functions was offered, and the advent of the Internet created previously unknown possibilities for communicating and interacting with an even larger number of distant customers (e.g., Paas & Kuijlen, 2001; Paulissen, Milis, & Brengmann, 2005). Given these possibilities, the idea of CRM as a technology-enabled realization of relationship marketing emerged. Initial CRM-systems were developed, continuously improved and increasingly adopted (e.g., Kotorov, 2003; Parvatiyar & Sheth, 2001). Hence, a second rationale for CRM was the “technology push”.

CRM has since been widely adopted in practice and constitutes a well-established research area, and even the current “paradigm” of marketing research (e.g., Harker & Egan, 2006; Palmer, Lindgreen, & Vanhamme, 2005; Zablah, Bellenger, & Johnston, 2004). In generalizing the concept of CRM the idea of “general relationship management” is now being discussed. This idea states that firms should compete by developing and maintaining successful relationships with *all* of their stakeholders, i.e., with employees, suppliers, investors, etc. in addition to customers (e.g., Frow & Payne, 2009; Gummesson, 2002). Evidently, general relationship management asserts generalizable relationship management principles and not only suggests, but also postulates the transfer of the concept to the HR domain (e.g., Frow & Payne, 2009).

#### 2.1.2. ERM formation

With the appearance of ERM roughly a decade ago the relationship management idea was occasionally picked up in practice and research. The fact that nearly every ERM contribution explicitly referred to CRM (e.g., Gillenson & Sanders, 2005; Keim & Fritsch, 2008; Schweitzer & Lyons, 2008) substantiates the importance of CRM in the formation of ERM. The existence of a widely implemented earlier concept thus clearly contributed to the formation of ERM, so this “conceptual push” constitutes a first explanation for ERM formation. Beyond this, however, there were and are remarkable parallels to the contextual settings of CRM formation. To begin with, severe changes in labor markets were expected based on demographic changes, and have partly already taken place. The shortage of qualified employees turned numerous labor markets into sellers' markets with a clear shift of power toward employees. This lack of crucial resources constituted an increasingly precarious situation for more and more corporations, and there was clear doubt in practice as to whether conventional HR concepts would be able to cope with it successfully (e.g., Michaels, Handfield-Jones, & Axelrod, 2001; Rowe & Tucker, 2006). As was the case with the formation of CRM, the formation of ERM can thus be explained by “market pull”. Moreover, HR information technology made progress, as well, and an increasing amount of data and functions became available. Likewise, the increasing opportunities for communicating and interacting with employees via the Web led to the development of “electronic HRM” (e.g., Stone & Lukaszewski, 2009; Strohmeier, 2007), and claims were made to utilize corresponding technologies, such as self-service, to realize relationship management in HR (e.g., Dorgan, 2003; Wilky & Christie, 2000; Yang, Stafford, & Gillenson, 2011). Again paralleling the formation of CRM, a “technology push” furthered the idea of ERM as well. In contrast to CRM, however, ERM is neither being frequently put into practice, nor is it widely researched.

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