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# Strategic human resource management: what does it mean in practice?

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# Strategic Human Resource Management: What does it mean in practice?



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**A research thesis submitted to the Graduate College of Management,  
Southern Cross University, Australia, in partial fulfilment  
of the requirements for the degree of  
Doctor of Business Administration**

**15 May 2009**

## Statement of Original Authorship

I certify that the substance of this thesis has not currently been submitted for any degree and has not previously being submitted for any other degree. I also certify that to the best of my knowledge any help received in preparing this thesis and all sources used have been acknowledged in this thesis.

Signed .....

Ken Lovell

15 May 2009

## Acknowledgements

This study had its origins in my curiosity about the divergence that I perceived to exist between the management practices recommended in scholarly literature, and often by professional HR managers, and the actions and priorities of senior managers in Australian organisations. I worked as a senior executive in a construction industry employer association for many years and thus obtained an unusually deep insight into the behaviour and beliefs of many firms' managers. Many professed a commitment to developing 'better' ways of managing people in an industry notorious for its history of entrenched antagonism between labour and management, but few seemed to have a systematic approach to bring it about.

In the course of completing an honours thesis I had explored this paradox in the manufacturing industry, examining the extent to which enterprise bargaining agreements included the kind of provisions that one would expect if the parties were genuinely committed to introducing new systems of work organisation. When the opportunity arose to enrol in a doctoral program I decided to investigate the phenomenon in greater depth, using the knowledge and networks I had acquired after 25 years in the building and construction industry.

In the course of the study I have had thoughtful counsel and guidance from numerous scholars, without whom nothing would ever have been accomplished. It is impossible to name them all, but I have to single out Professor Greg Bamber, Dr Cameron Allan, Dr Janis Bailey and Dr Ngaire Bissett for their advice and constructive criticism.

I would pay special tribute to Associate Professor Peter Miller, who as my principal supervisor has displayed a degree of patience, wisdom and professional competence that could not reasonably be surpassed. Without his regular encouragement and ability to keep my eyes fixed on the fact that I was gradually making progress and completion was in sight, I doubt that I would have persevered.

I should add that in my pig-headed way I have sometimes declined to follow advice and any flaws or errors in the study are solely my responsibility.

Completing a doctoral program is not simply a matter of meeting academic requirements and there are numerous administrative byways that have to be navigated from time to time. I am very thankful to the staff of the Graduate College who have consistently made this a comparatively painless process, especially Sue White and Susan Riordan. Di Clark's advice about many editorial matters was also invaluable.

My greatest debt is owed to the managers of the two firms who agreed to participate in the study, and to the employees who gave so freely of their time and thoughts. Staff from the Managing Director down in both companies extended their full co-operation and afforded me an extraordinary degree of trust in the way they disclosed their own opinions and gave access to company documents. Without access to data researchers would be sad creatures indeed and I am forever grateful to these busy people who made the study possible with little prospect of any benefit to themselves.

Completion of the study has given me insights that I wish I had had during the years I was working as an executive in the construction industry. If the findings make a modest contribution to enhancing the links between management practice and the academy, I will regard it as a worthwhile exercise.

Tweed Heads, May 2009

## Abstract

Personnel management has evolved into human resource management (HRM) and more recently into strategic HRM (SHRM). This incremental transformation is easily discernible in scholarly literature but much less is known about the extent to which it has been mirrored in management practices in organisations. This is an *ex post facto* study of the extent to which the behaviour of senior managers in two large Australian construction companies is consistent with either the prescriptions of one or more of the conflicting strands of SHRM scholarship or with the theories that underpin them.

Three specific research questions are posited in the thesis:

1. To what extent are managers adopting and implementing some version of ‘fit’ in implementing SHRM?
2. To what extent are senior managers attempting to use SHRM to obtain a competitive advantage?
3. To what extent are the HRM practices implemented by senior managers consistent with the resource-based view of strategy (RBV)?

Following a review of the literature, several propositions were developed that could then be the subject of empirical investigation. Those propositions were as follows:

- 1: Senior managers who adopt a ‘best practice’ conception of SHRM will try to implement HRM practices based on a universal model derived from external sources.
- 2: Senior managers who adopt a ‘contingent’ conception of SHRM will have a procedure in place whereby HRM practices are intended to be deliberately aligned with a broader organisational strategy.
- 3a: Managers will try to acquire any valuable resources that they perceive are being used by competitors as a source of competitive advantage.
- 3b: If valuable resources that are providing an advantage to competitors cannot be acquired, managers will try to imitate the resource or find a substitute that provides an equivalent advantage.
- 4: To the extent that any senior management resources are devoted to HRM, they will focus on valuable resources that competitors will find difficult or impossible to imitate and for which no substitute is easily available.

5: Management's attempts to create organisational culture or complex capabilities as valuable resources are likely to be tentative and accompanied by unintended consequences.

Following the research design recommended by Yin (2003), these propositions served as the framework for a case study. Two large Australian construction firms were chosen as the units of analysis for the study. Data was collected using a variety of methods, allowing triangulation to improve validity and reliability. The information was then analysed both within each case and between the cases.

Senior managers in neither case organisation had adopted a best practice conception of SHRM. While some individual HRM functions in both firms had been designed to complement overall corporate objectives, indicating limited adoption of a contingent approach to HRM, there was no acceptance by either group of managers that SHRM was a potential source of competitive advantage.

The findings offered useful insights into the RBV. Managers in the study did not act in accordance with some of the assumptions that underpin the RBV, or did so only to a limited extent. They were concerned with developing valuable resources as an end in itself without extensive investigations of the resources that might be available to competitors. Both groups of managers placed great importance on organisational culture as a potential source of competitive advantage but whereas one firm's managers had developed measures to try to manage this culture, the other's had not.

Both scholars and practitioners will benefit from the findings. The assumptions underpinning the RBV can be modified to make it more useful as a framework for understanding organisational behaviour. Greater attention can be given to examining the empirical basis justifying either the best practice or the contingent model of SHRM. Finally, members of the HRM profession can review the 'strategic' contribution they can make to organisations and place greater emphasis on the importance of first identifying and then nurturing the internal human resources that allow an organisation to do certain things better than its competitors.

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## Chapter 1: The research problem and its setting

### 1.1 Background to the research

The particular research problem investigated in this study arises from the intersection of four streams within business studies. These streams comprise strategy studies, especially the resource-based view (RBV); the contingency model of strategic human resource management (SHRM); the best practice model of SHRM; and the study of management fads and fashion. Each stream of scholarship suggests different modes of management behaviour with some inconsistent or even mutually incompatible elements.

Strategic management and SHRM have been the subject of extensive critical evaluation by scholars. Much of that discussion has suggested that both fields suffer from having an insufficient theoretical foundation (see for example Keenoy, 1999; Linstead, Fulop & Lilley, 2004; Noon, 1992). The consequences are claimed to be that much prescriptive literature is deductive in nature and has never been subjected to rigorous testing using scientific methods. Moreover, different schools of thought within the fields of both strategy and SHRM present the practitioner with serious inconsistencies and even contradictions but scholars have made few attempts to resolve them, preferring in the main to develop one of the existing strands of scholarly activity rather than attempt to construct a broader framework that reconciles alternative approaches to the field within a single theory capable of being tested empirically.

In the field of strategic management, Mintzberg and Waters (1985: 31) identified no less than eight different types of strategy in the literature, including planned, process and imposed, and identified two broad ‘deliberate’ and ‘emergent’ classes. Linstead *et al.* (2004: 497-500) have traced the development of strategy models from a rational through a reconfigurationist to a post-modern conception of strategy while noting that the rational version remains the dominant one in business schools, despite the considerable criticism that it has attracted.

There are two broad approaches to SHRM that have been labelled the ‘best practice’ and the ‘contingency’ models (Youndt & Snell, 2004: 339). Although some scholars have argued that the models can be reconciled, others maintain that they are inconsistent.

According to the best practice model of SHRM, all firms should adopt a number of human resource management (HRM) practices as a ‘bundle’, in the belief that the practices work in a



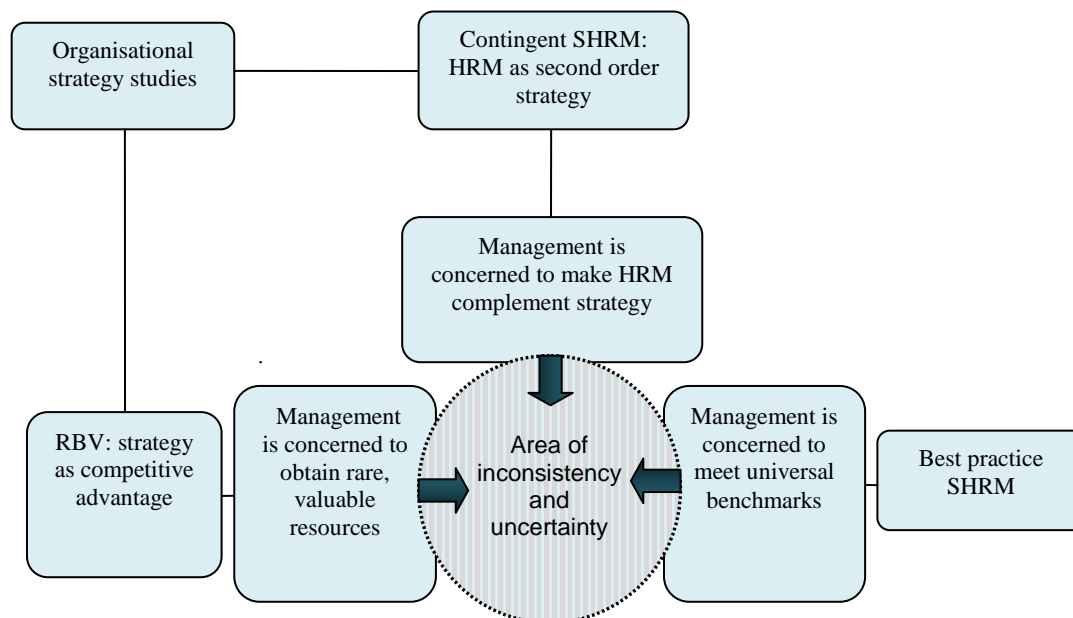
mutually complementary manner. One of the problems with this model is that different scholars have nominated varying combinations of practices for inclusion in the bundle (Wood, 1999a; 1999b). Nevertheless the model is well-established in the literature to the extent that several studies have attempted to discover if the adoption of best practice SHRM was associated with superior organisational performance (Wood, 1999a). These studies have themselves been criticised on methodological grounds (Wood, 1999a; 1999b) and they have almost all been conducted in countries other than Australia. Being questionnaire-based quantitative studies, the researchers have not provided any data about the level of commitment to best practice SHRM on the part of managers or on the extent to which the nominated practices reflect conscious adherence to a model of SHRM. The first issue for this study, then, is the extent to which managers in Australian firms have adopted a best practice model of SHRM and if so, the manner in which they have interpreted ‘best practice’.

The contingent model of SHRM is also well-supported in the literature (see Andersen, Cooper & Zhu, 2007, for a recent Australian overview). It advocates a model in which HRM is a ‘second order’ strategy, using HRM practices to complement and help achieve the organisation’s overall strategy. This assumes of course that the organisation has a deliberate, rational strategy; an assumption which may not be correct according to the strategy models of many management scholars. In the absence of an over-arching organisational strategy it is difficult to understand how there can be any coherent second order strategies in HRM or anything else. Therefore this study addresses the issue of the extent to which Australian managers have adopted a contingent perspective on SHRM.

Other issues arise from the applicability of the RBV to SHRM. The RBV makes certain assumptions about the behaviour of managers which have yet to be empirically validated. The RBV assumes that managers’ chief concern, or one of them, is to obtain a sustained competitive advantage. Embedded in this fundamental premise are other assumptions, including that managers have benchmarks against which they measure competitiveness, that they know who their competitors are, and that they operate in a defined market which allows concepts like normal rate of return and rent to have meaning in practice. Issues for this study are the extent to which these assumptions reflect the observed behaviour of Australian managers.

The RBV also contends that sustained competitive advantage will accrue from access to resources that are rare, valuable, inimitable and incapable of substitution. Once again this proposition depends on certain unstated assumptions, one being that the organisation's environment is sufficiently stable to allow characteristics like rarity and value to be consistently significant and another being that a firm knows what resources competitors possess and consciously tries to imitate or find substitutes for resources perceived as giving another firm a competitive advantage. If the latter assumption is incorrect, it would follow that resources do not need to be incapable of imitation or substitution; mere value and rarity will be sufficient. The issues to be explored in this study then are the extent to which managers behave according to the assumptions embedded in the RBV.

**Figure 1.1:** *Origin of the research problem*



Source: Developed for this study

Figure 1.1 draws these different streams of explanation of management behaviour together into a single model. The area of inconsistency or uncertainty in figure 1.1 is the genesis of the research problem that has given rise to this study.

## **1.2 The research problem, questions and propositions**

Over recent decades a body of scholarship has emerged that might be called ‘mainstream’ HRM. HRM scholars and practitioners now adopt a conception of HRM that transcends mere administrative tasks. Managers may have tacitly acknowledged that more attention needs to

be given to HRM as organisations shift from behavioural control systems to outcome control systems (Bamberger & Fiegenbaum, 1996: 941). There is less agreement about whether HRM has become ‘strategic’, or what that expression means (Harris & Ogbonna, 2001: 158). Scholars take a variety of approaches. Some regard strategy formulation as a task for senior management or even a single transformational leader; others as ‘a series of decisions made by people at many levels in the organization’ (Sisson & Marginson, 1995: 93).

The adjective ‘strategic’ is commonly used to suggest that HRM functions should be designed to help achieve an organisation’s overall objectives (see, for example, Becker & Huselid, 1998; Schuler, Jackson & Storey, 2001). Moreover, it is argued that HRM practices are inter-related and that SHRM should ensure that all practices complement each other and are consistent with some over-arching set of strategic principles.

Within this set of ideas there are actual or at least potential conceptual difficulties that become apparent once one explores the extensive body of strategic management literature. For one thing, lively debate continues about the extent to which organisations are managed strategically in the sense that managers pursue clear, long-term goals using coherent plans (Linstead *et al.* 2004: 497-500). If in fact this is not the practice in some or all organisations, it begs the question of how HRM policies and procedures are meant to be developed to complement a corporate strategy that cannot be adequately articulated.

This is not the only conceptual difficulty. Contemporary HRM teaching material includes a core of ‘best practice’ ideas that are proposed as a model for all organisations. However, much strategic management theory proposes the notion that each enterprise should develop a unique response to its external environment. Consequently an apparent inconsistency arises in reconciling the concept of best practice with a contingency model (Grant & Shields, 2006).

Partly because of SHRM scholars’ ‘singular fascination’ with questions of enterprise competitiveness and profitability, the level of analysis in HRM research has tended to shift from the individual employee to the work unit or enterprise (Delery & Shaw, 2001: 168-9). This may be an undesirably one-dimensional perspective on the link between HRM and enterprise performance, when in fact it is ‘a multi-level question’ (Wood, 1999b: 408). Much research has also tended to investigate the functions of specialist HRM managers or departments rather than the systems or procedures adopted in the organisation. Indeed some

writers (e.g. Bennett, Ketchen & Schultz, 1998) implicitly equate HRM with the activities of an HRM department. This is an unnecessarily restrictive interpretation that fails to acknowledge the existence of enterprises where people are managed without the presence of a dedicated HRM unit. This study is concerned with managers in general, not just the role of specialised HRM staff.

Business schools have been including core HRM and strategic management courses in mainstream programs for many years now at both undergraduate and postgraduate level (Bamber, 1999). Many practising managers also attend conferences, short courses and seminars as part of their professional development, and they read management books, journals and other literature. The principal purpose of HRM scholarship has been to guide and advise practising managers (Watson, 2004: 449). All mainstream management education and information tend to advocate the same three broad principles: HRM best practice should be adopted in all organisations, HRM considerations should be an integral part of corporate strategy, and the key to strategic success lies in developing a unique response to an organisation's external environment.

In short, as has been pointed out by many scholars, HRM scholarship and teaching are based on prescriptions and models that lack a sound theoretical foundation (Watson, 2004: 452). Similar observations can be made about the field of strategic management (Linstead *et al.* 2004: 497-500). Nevertheless, practising managers cannot simply defer decisions about the allocation of resources until a consensus emerges within the academy about strategic management in general and SHRM in particular.

The RBV has been described as the bridge between HRM and strategic management theory (Wright, Dunford & Snell, 2001). Instead of the false start represented by either the best practice or contingency schools of thought, it is argued that HRM's proper role lies in helping to establish conditions where complex capabilities will spontaneously emerge and flourish.

In the absence of clear guidance from empirically-validated theory, it has been argued that managers are prone to adopt 'management fads' (Bamber, 1999). While this is plausible, it is itself a deductive proposition and there is little data available about the extent to which it is true. In other words, it is impossible to know the extent to which models and assumptions and prescriptions in business schools reflect management practice in organisations. That is the

gap in existing knowledge which this study seeks to help in filling; the reasons why this is an important matter are discussed in section 1.6.

The research objective which this study seeks to address is therefore to understand how, or if, managers in organisations interpret and apply one of the approaches to SHRM that have been described and recommended in scholarly literature.

Three specific research questions are posited:

1. To what extent are managers adopting and implementing some version of ‘fit’ in implementing SHRM?
2. To what extent are senior managers attempting to use SHRM to obtain a competitive advantage?
3. To what extent are the HRM practices implemented by senior managers consistent with the RBV?

In accordance with the methodological guidelines set out by Yin (2003), the scholarly literature concerning these questions has been reviewed and several research propositions have been formulated as a framework for the study. These are as follows:

1. Senior managers who adopt a ‘best practice’ conception of SHRM will try to implement HRM practices based on a universal model derived from external sources.
2. Senior managers who adopt a ‘contingent’ conception of SHRM will have a procedure in place whereby HRM practices are intended to be deliberately aligned with a broader organisational strategy.
3. (a) Managers will try to acquire any valuable resources that they perceive are being used by competitors as a source of competitive advantage, and  
(b) If valuable resources that are providing an advantage to competitors cannot be acquired, managers will try to imitate the resource or find a substitute that provides an equivalent advantage.
4. To the extent that any senior management resources are devoted to HRM, they will focus on valuable resources that competitors will find difficult or impossible to imitate and for which no substitute is easily available.

5. Management's attempts to create organisational culture or complex capabilities as valuable resources are likely to be tentative and accompanied by unintended consequences.

These propositions will be used to guide both the collection of data and its analysis.

### ***1.3 Justification for the study***

The research questions are important because they deal with the relationship between the academy and the practitioner. Scholars have commented on the gap that exists between the concerns of business schools and the concerns of practising managers and have called for greater efforts to make teaching and research more relevant to practice (van Aken, 2004). Becker and Huselid (1999: 287) noted that the practice of SHRM may well have 'outpaced the academic work on this topic' and that 'data on how firms actually manage people to provide a source of competitive advantage are scarce'. Watson (2004: 452) has pointed out the scarcity of research into SHRM in contemporary organisations which he attributes to 'the normative and prescriptive bias of mainstream analysis'. Therefore, despite the likelihood that individual managers have interpreted the concepts of HRM and strategic management in diverse ways, it is important to establish empirically what those different interpretations are and the extent to which various responses have been reflected in the behaviour of management in organisations. This is important for two broad reasons.

Firstly, it will contribute to filling the need noted by many scholars for empirical data about both SHRM and the RBV of strategy (see, for example, Fleetwood and Hesketh, 2008: 134; Newbert, 2007: 122). Much of the SHRM literature is based on the premise that successful organisations adopt certain practices but this premise depends largely on deductive reasoning. Scholars have noted that rich empirical data is needed to allow more informed discussion not only of the extent to which the deductive reasoning is supported by practice, but also of the ways in which the deceptively straightforward nostrums of textbook SHRM models are enacted in the messy world of organisational behaviour (Andersen *et al.*, 2007: 168-9). Empirical data of this nature will allow teaching resources to be modified to realign more closely with the organisational context in which students work in practice, making the models used in teaching more relevant and useful at least in the perceptions of students.

Scholars have also pointed to the deductive nature of the RBV and noted the paucity of supporting empirical data which either confirms or contradicts the assumptions about organisational behaviour upon which the RBV is based. It is important to begin to fill this evidentiary gap, given the importance of the RBV in contemporary strategy scholarship (Newbert 2007: 121, citing Powell, 2001; Priem & Butler, 2001a).

Secondly, the findings will contribute to the linkages between teaching and practice that are important to the work of business schools. It has been argued that business schools have a unique responsibility to make their research useful to practitioners (Abrahamson, 1996), or at least to encourage practising managers to have confidence that the functions of business schools are relevant and useful to the work of practising managers. The findings of this study may prompt scholars in academia to reflect upon the linkages between their own teaching and research and the priorities and challenges that managers have in organisations. The study will therefore help to build a virtuous cycle in which research, teaching and practice are mutually reinforcing to the benefit of all concerned.

These objectives are especially important in the area of SHRM, which is open to the criticism that it describes ideal models which have little or no application to the domain of practice. Studies such as this are critical to understanding the way in which prescriptive models of organisational behaviour describe and influence organisational practice.

### ***1.4 Overview of the research design and methodology***

This is a qualitative *ex post facto* case study of two enterprises. The strengths and limitations of qualitative case studies are discussed in chapter 3. In summary, the studies reveal deep, rich information that is hard or impossible to uncover using other methods. The findings from qualitative case studies can be a valuable source of data to use in conjunction with other research findings to provide a multi-layered understanding of a research issue.

Each case study followed the same design principles. First, scholarly literature discussing strategy, SHRM and the RBV was reviewed to develop certain propositions describing the behaviour of managers that could be expected to be found in organisations if the literature's assumptions and prescriptions were applicable in practice (see chapter 2). The two case study organisations were then investigated to discover if these propositions were valid in whole, in part or not at all. Multiple research methods were used, comprising personal interviews,



analysis of organisational documents and written questionnaires. This allowed data to be analysed within each case as well as cross-case comparison.

The case study subjects were selected on the basis of their reputation in the industry for being ‘good’ long-term performers. In other words they had been operating for many years, they were generally profitable, they were regarded by people with knowledge of the industry as leaders in their sector and they had not experienced any significant negative publicity (no mean feat in the Australian construction industry). While such things are difficult to evaluate, they also received generally positive comments from within the industry as being employers who treated staff with respect and fairness, at least by the standards of the industry.

The study set out to explore how senior managers interpreted and applied strategic management and SHRM within their firms. This was done at both an espoused theory and a theory-in-use level; consequently senior managers were interviewed to establish their philosophies, policies and objectives as well as their accounts of the systems and practices that operated in their organisations. The findings from these interviews were then compared to the enterprise’s documents to explore the extent to which espoused positions were reflected in written policies and procedures. Selected middle managers were also interviewed for the same purpose, to test the extent to which espoused positions were put into practice and the extent to which written policies and procedures governed actual behaviour. Finally, all staff were asked to complete a questionnaire about their perceptions of the corporate systems and policies that were meant to achieve senior management’s espoused strategic objectives.

These multiple research methods provided rich data about the expressed interpretations and intentions of line managers with regard to strategy and SHRM, as well as the actual outcomes that could be expected to uncover any differences between stated intentions and philosophies and behaviour in practice.

## **1.5 Definitions**

An absence of conceptual clarity is part of the research problem driving this study. It would therefore be unproductive to attempt to define the key terms that will be used when one of the main purposes of the study is to explore the meanings that have been given to those terms in both relevant academic literature and in practice in organisations.



Nevertheless, certain expressions have been used frequently and consistently throughout the thesis. The study does not attempt to select one out of the competing conceptions in the literature; it has adopted a generic meaning that is sufficiently broad (or at least that is the intention) to accommodate all common formulations of the concept. In the case of corporate strategy and business strategy, the definitions serve the purpose of operationalising ‘fuzzy’ concepts for the purposes of analysis within the study. These terms are as follows:

**Strategy** is used to describe a consistent logic or pattern that can be detected in management decisions over an extended period of time, often but not always intended to sustain or improve the performance of the organisation (see section 2.2).

**Corporate strategy** is used to describe strategic issues about which decisions are made by the CEO and/or boards of directors of an enterprise (see section 2.2.2).

**Business strategy** is used to describe strategic matters decided by managers who report to the CEO (see section 2.2.2).

**Human resource management (HRM)** is used to describe the collection of management tasks included in that description in mainstream HRM textbooks such as Stone (2005) and Nankervis, Compton and Baird (2005). These tasks comprise workforce planning, job design and analysis, recruitment and selection, performance management, staff development, remuneration management and health, safety and welfare management.

**SHRM** is used to describe consciously deliberate attempts by management to implement HRM as a single, coherent function in ways that complement overall organisational strategy or otherwise sustain or improve organisational performance.

One other term is used throughout the thesis with a particular meaning that reflects its origin in case study research methodology (Yin, 2003: 22), as follows.

**Proposition** is used to describe a statement developed with regard to relevant literature, that ought to be accurate if an organisation is behaving in accordance with that literature, and which is capable of verification by empirical investigation.

## **1.6 Limitations**

As an *ex post facto* study, this study has inherent limitations. Data will only reflect the circumstances in the case study organisations at one point in time and may well have been different if gathered five years earlier or later. It is therefore important not to use the study to ground general propositions or new theory. Its usefulness is limited to exploring the validity and applicability of existing prescriptions and models in the literature which do purport to be general in nature. In other words, a finding that at least one case is inconsistent with a supposedly general model will demonstrate that the model is inadequate, but it will not in itself be sufficient to ground a new model. At most, it might suggest ways in which existing models need to be modified or reviewed.

Similar limitations arise from the case study organisations being in Australia and in the construction industry. Unknown factors may mean that even if the findings prove to be inconsistent with propositions developed from the literature, that inconsistency is due to industry or national considerations and cannot necessarily be expected to occur in other industries or nations.

## **1.7 Abbreviations**

The following abbreviations are used throughout the thesis:

CEO	Chief executive officer
HPWS	High performance work system
HR	Human resources
HRM	Human resource management
MD	Managing director
NSW	New South Wales
NT	Northern Territory
RBV	Resource-based view of strategy
SHRM	Strategic human resource management
USA	United States of America
WA	Western Australia

## **1.8 Outline of the thesis**

The study begins by reviewing in chapter 2 the main strands of scholarly writing in two broad fields of management studies: strategic management on the one hand and SHRM on the other. It focuses especially on literature that spans both subject areas. Much of this literature discusses the problems that arise in trying to reconcile ideas from the separate streams of scholarship. A smaller body of work attempts this reconciliation, most especially using the resource based view (RBV) of strategy. As this review of the literature progresses, certain propositions are developed that guide the research design.

Chapter 3 outlines the design of the research and discusses each research method used to gather data. The design and methods are justified within the overall context of mixed method case study research, following the guidelines recommended by Yin (2003).

The findings of the research are presented in chapters 4, 5 and 6. One chapter is devoted to each firm, in the interests of keeping the chapter of manageable proportions: chapter 4 describes the NatBuild findings and chapter 5 the MechCon data. Each chapter follows an identical format to facilitate cross-case comparisons. Chapter 6 compares significant points in the findings from the two individual cases.

Chapter 7, which discusses the data and its implications, ends the thesis. The chapter discusses ways in which management behaviour differs from that predicted by the RBV as well as ways in which it is consistent with the RBV and concludes by noting the implications of the study's findings for theory, practice and further research.

## **1.9 Summary**

The study arose from a problem within management scholarship consisting of competing explanations and prescriptions of SHRM which to some extent at least are inconsistent or even mutually exclusive. Practising senior managers consequently have no scholarly consensus upon which to draw in making decisions about managing HR within their organisations. Little is known about the ways in which managers have responded to that absence of guidance from the academy and this deficiency has been noted by numerous management scholars.

Two case studies will therefore be undertaken to explore how two large Australian construction firms manage their HR in practice and the extent, if at all, to which their HRM is consistent with any of the models or prescriptions in academic literature. While the study's findings will be limited to one industry and two firms, they will provide rich data to gain valuable insights into the links between the work of the academy and that of practising managers.

## Chapter 2: Literature review

### 2.1 Introduction

This chapter reviews the literature from the two fields of study that are central to this study: strategy and HRM. Published literature in both areas is of course extensive so it is beyond the scope of this study to survey it all. In fact the sheer volume of the literature and the speed with which it continues to grow contribute significantly to the problem that inspired this study. Faced with such a wealth of theory and information, far beyond any individual's ability even to monitor let alone to evaluate, how do practising managers respond? To what extent are they trying to implement practices that are recommended in the literature?

The chapter begins by discussing the concept of strategy in business studies in section 2.2. It then describes in section 2.3 the links between the dominant conception of strategy as a purposeful management activity and alternative models of SHRM. Section 2.4 discusses the RBV, including arguments that it offers a bridge between strategy theory and SHRM scholarship.

The problematic nature of much of the strategy and SHRM literature is noted throughout the chapter, not in preparation for any attempt to resolve the difficulties or to propose alternative theoretical frameworks, but to demonstrate the inconsistent and sometimes mutually exclusive descriptions and prescriptions which confront practising managers. These practical problems underpin a series of propositions which are developed in section 2.5, describing the behaviour which one would expect to occur in organisations if managers were to act in accordance with one or another of the various strands of literature discussed in the chapter. These propositions are key elements in the study's research design, which is discussed and justified in chapter 3.

Strategy is concerned amongst other things with the allocation of an organisation's resources and for most organisations employees are an essential resource. At this very basic analytical level, therefore, the connection between strategy and people is clear. However, people are not like inanimate resources that can be acquired, modified and disposed of in the same way as other elements in the production of goods and services. Organisations can employ people but the amount and quality of the work that those people do is not something that can be

controlled by management edict. Consequently, managers have to devise and implement practices that produce the desired behaviour on the part of employees.

As well as trying to influence employees' behaviour, of course, managers are concerned with other issues such as the nature of the goods and services that the organisation intends to produce, the type of customer which the organisation will try to attract, sources of capital, relationships with regulatory authorities and so on. Many scholars have discussed these matters as if they were unrelated to issues of employee behaviour. Others have discussed employee behaviour as if it were unrelated to an organisation's other activities. However in recent years there has been an increasing level of agreement that the two fields of inquiry are in fact inextricably linked and should be considered in a holistic manner.

The main part of this chapter then discusses the links between two fields of study that have often been regarded as separate and distinct: 'strategic management' and 'HRM'. One issue that arises is the extent to which HRM can be made the 'servant' of an organisation's strategy within a perspective that regards management as a command and control function. An alternative perspective is that strategy and HRM practices are interdependent and cannot be considered to be in any kind of hierarchical relationship. Complicating the discussion is the emergence of the notion of SHRM as a set of practices associated with superior organisational performance, despite the reservations that are mentioned later in the chapter. Before exploring these issues, however, it will be useful to summarise briefly the way in which the independent notions of management strategy and HRM developed.

## **2.2 Parent disciplines**

SHRM is a comparatively recent concept in both the theory and practice of management and is something of a bastard child of disparate scholarly disciplines. Organisational psychology led from concern with employee satisfaction through the concept of organisational climate to notions like corporate culture and its implications for firm performance. Labour economics contributed the perspective of human capital and the desirability of maximising employee productivity, while organisational behaviour studies of the sources of organisational performance have incrementally absorbed the psychologies of individual motivation and group processes and their relationships with the various conceptions of organisational strategy. It is therefore unsurprising that scholars from different disciplines have examined SHRM through very different lenses.

### **2.3 The concept of strategy**

In management studies, the term ‘strategy’ was originally adopted as a metaphor. The word ‘strategy’ originated in studies of warfare (Lundy & Cowling, 1996: 16). According to the Macquarie Dictionary, strategy is ‘generalship; the science or art of combining and employing the means of war in planning and directing large military movements and operations’. An alternative meaning given by the same source is ‘skilful management in getting the better of an adversary or attaining an end’. These two meanings have been combined in management writing, so that strategy usually denotes the science or art of combining and employing the means of production in attaining important objectives that have a significant long-term impact on an organisation’s viability or effectiveness. The power of the military metaphor is its ability to convey the role of manager as ‘general’ in the ongoing campaign to overcome ‘adversaries’, whether they be competitors, customers, regulatory authorities or indeed employees.

Over many years, scholars have developed many different concepts of strategy, and there has been some debate and disagreement about precisely what the metaphor should mean (Foss, 1996). Purcell and Ahlstrand (1994: 28-9) argue that strategic decisions differ from others because they are marked by higher degrees of uncertainty, they demand an integrated management approach and they are concerned with change. Lundy and Cowling (1996: 17) identify five elements in strategy: leading, positioning, deploying resources, securing competitive advantage and achieving success in the prevailing environment. Other scholars argue that such a rational presentation of management oversimplifies the complex nature of organisational behaviour. According to Linstead *et al.* (2004: 497-531), three approaches to strategy can be identified in the literature: a ‘rationalist model’, a ‘reconfigurationist model’ and a ‘postmodern approach’.

Linstead *et al.*’s (2004: 498-99) ‘rationalist’ model of strategic management assumes that managers have access to all the relevant information necessary to make informed long-term decisions about their organisation and possess power, in the form of legitimate authority, to implement their decisions. Strategy is therefore an objective planning process. Their ‘reconfigurationist’ model acknowledges that rational decision-making is often in reality ‘bounded’ because managers do not have all the information they need to make informed decisions; moreover, that many stakeholders have some power to influence outcomes.

Consequently strategy is more likely to be what Mintzberg and Waters (1985: 20) call ‘emergent’, developing incrementally and capable of alternative interpretations.

The ‘postmodern’ approach described by Linstead *et al.* (2004: 499-500) regards ‘strategy’ as an attempt to direct and interpret organisational discourse. In this perspective strategy does not represent a rational decision-making process at all. Rather is it an attempt to create narratives that will support existing power relations within an organisation.

Linstead *et al.* (2004: 497-500) outline an issue that is central to this study, namely, the distinction between the rational conception of strategy that informs most prescriptive writing on the subject and the reconfigurationist and postmodern approaches that are increasingly underpinning contemporary strategic management scholarship. As they note,

[T]he rationalist approach has dominated strategic discourse and contains the majority of the key elements that many managers would either identify or be taught to consider as universally applicable ways to go about formulating strategy.

(p 500)

The literature therefore presents an interesting issue for exploration. On the one hand, prescriptive writing about strategic management is based on a rational model that implies that managers have information and power. On the other hand, contemporary scholarship suggests that this frame is misleading and that in fact managers are only some of many actors engaged in a continuous process that accounts for organisational outcomes. The issue of interest for this study is the extent to which managers themselves are aware of this inconsistency between prescription and reality and the nature of their reaction.

Of particular interest for the purposes of this study, of course, is the extent to which attempts at rational strategy affect HRM. Before considering those implications, however, it will be useful to explore in more detail some of the many questions that have been explored within the study of strategic management.

### ***2.3.1 Is strategy purposeful?***

One such question is the extent to which strategy is purposeful (Lundy & Cowling, 1996: 20-31; Purcell & Ahlstrand, 1994: 45). In other words, do managers tend consciously to choose



one set of long-term objectives for their enterprise from a number of possible alternative sets, and then allocate scarce resources in accordance with a deliberate plan to achieve those objectives? Legge (1995: 98) refers to this as the ‘classical’ approach to strategy, under which strategies emerge ‘from a conscious, rationalistic, decision-making process, fully formulated, explicit and articulated, a set of orders for others, lower down the organisation, to carry out’. Mintzberg and Lampel (1999: 22) contend that this approach, named the ‘design school’ by Mintzberg (Linstead *et al.*, 2004: 502), ‘was the dominant view of the strategy process, at least into the 1970s, and, some might argue, to the present day, given its implicit influence on most teaching and practice’.

Alternatively, are managers more inclined to react to external influences, so that strategy only emerges with hindsight, reflective of a tendency to prefer a consistent kind of response to events? Mintzberg and Waters (1985: 20) call such strategies ‘emergent’ in contrast to ‘deliberate’ (purposeful) strategies and say that they constitute ‘patterns or consistencies realized despite, or in the absence of, intentions’. It would perhaps be understandable if many managers were less attracted to this version of strategy than to the ‘classical’ approach, which places managers in a more heroic or at least more powerful role and may indeed promote a managerialist ideology (Legge, 1995: 102). Nevertheless, the assumptions underpinning the concepts of both deliberate and emergent strategies assume that senior management plays a central role in organisational strategy, even if in the case of an emergent strategy it may be an unintended one.

While strategy scholars continue to discuss the comparative incidence of each type of strategy, many agree that the extent to which managers can act deliberately is contingent on a complex range of factors (Bluedorn, Johnson, Cartwright & Barringer, 1994: 202; Leopold, Harris & Watson, 1999: 27). Such an approach still rests, of course, on a rational approach to strategy in its unstated assumption, namely, that purposeful strategy is an objective that may be pursued if circumstances allow. It does not accommodate the postmodern idea that purposeful strategy is unachievable in contemporary organisations regardless of the surrounding circumstances. On this postmodern view, strategy is a continuous process that involves both formulation and implementation, and is ‘a way managers try to simplify and order a world too complex and chaotic for them to understand’ (Legge, 1995: 100-01). In other words, strategy has no objective reality. It refers to attempts to construct a narrative that justifies events in organisational life and validates the existing power relations within it.

## **2.4 Strategy and HRM**

An organisation's resources are scarce in the conventional economic sense that they are finite. Similarly, 'labour' is regarded as a resource in conventional economics. Strategic questions include the allocation of scarce resources within an enterprise. It is therefore not surprising that the management of employees has come to be considered from a strategic perspective by many scholars (Gunnigle, Turner & Morley, 1998: 115; Sisson & Marginson, 1995: 107), and in recent years has increasingly been regarded as a potential source of competitive advantage (Becker & Huselid, 1998: 54). However, lively debates continue: what exactly constitutes SHRM (Keenoy, 1999)? How, if at all, does it differ from 'ordinary' HRM? Is there a single 'best practice' HRM strategy (or 'menu' of strategies), or does each enterprise have a unique strategy (Kaufman, 2001b)? Do HRM strategies exist as things-in-themselves or do they come into being in response to the needs of corporate and business strategies (Purcell, 2001)? To what extent can managers develop and implement effective HRM strategies in practice (Godard & Delaney, 2000)?

These and related questions have been the subject of a vast amount of scholarly investigation, even if the 'mix between description, prediction and prescription ... makes much of the human resource strategy writing so messy' (Storey and Sisson, 1993: 59). Nevertheless, this literature sets the context for the problems driving this study, so it is useful to summarise the principal themes that have driven the debates, and to isolate the questions about which no consensus yet exists in the literature. The way in which managers have responded to this lack of consensus is the basic research question that this study attempts to answer, at least insofar as the two case study firms are concerned.

HRM evolved from what used to be known as personnel management (Beaumont, 1992: 20). A distinguishing feature of personnel management was its functional, non-strategic nature. Functions such as recruitment and training were administered independently. Influencing employee behaviour, especially by increasing productivity, was regarded as a technical capability to be improved through research (Delery & Shaw, 2001: 167). This focus on individual employee behaviour reflected the influence of the human relations school on management theory after the Second World War (Bamber, 1999). Earlier literature theorising about the effects on firm performance of the way in which people were treated at work tended

to be ignored, such as accounts of improved employee satisfaction in companies that practised ‘welfare capitalism’ as a union-avoidance measure (Kaufman, 2001a).

Kaufman (2001b: 356) believes that the surging interest in strategic management since the 1980s had a ‘dramatic’ impact on the development of HRM because it emphasised the importance of treating employees not as a homogeneous input to the production process but as a resource whose quality and quantity of output was capable of deliberate manipulation. Over the last 20 years, two propositions have gained wide acceptance in the HRM literature. The first is that HRM should be managed ‘strategically’, in that HRM practices should complement an organisation’s overall strategy. The second is that a set of HRM practices can be described which collectively constitute ‘SHRM’. Both propositions raise some problematic issues that are discussed in the following sections.

Purcell (1995: 63) implies that HRM must be strategic in nature, ‘evoking a world of deliberate policy-making’. Bechet and Walker (1993: 2) endorse this view, arguing that HRM functions ‘address planned business changes’ and are therefore ‘considered strategic’. If one accepts this concept of HRM, then it follows that enterprises marked by emergent corporate and business strategies are by definition incapable of engaging in SHRM. Legge (1995: 103) supports this view, arguing that one cannot sensibly discuss linking HRM to corporate strategy unless one adopts a deliberate view of strategy. Nevertheless, many writers seem either to be unaware of, or to regard as unimportant, the debates surrounding the nature of strategy and the assumptions underpinning much of the SHRM literature (Storey & Sisson, 1993: 69). As Guest (1998: 41) notes, it is hard to find any ‘common themes’ that link the various approaches to HRM, ‘beyond general statements about the importance of human resources and about the need to consider them strategically’.

#### *2.4.1 Matching HRM to organisational strategy*

What might be called the ‘elementary’ perspective on HRM can be summarised as follows. Firstly, employees are important assets in which enterprises typically invest considerable time and money. Secondly, enterprises whose employees perform poorly can expect to suffer a competitive disadvantage (‘performance’, in this context, often being explicated poorly or not at all, an issue with implications that will be discussed later in this chapter). Thirdly, it follows that managers should pay attention to managing HR by learning how to do it effectively, instead of acting as if employees were joined to the enterprise by nothing more

than an economic or a legal relationship. In this context, ‘effectively’ means learning state of the art HRM techniques: “‘good practice’ which all employers *ought* to follow irrespective of business circumstances’ (Purcell & Ahlstrand, 1994: 63, italics in original). Many HRM textbooks and much of the literature published for practitioners assume that such state of the art techniques are known, or at least in the process of becoming so (Brockbank, 1999: 342), and studies into them continue to appear in the literature (for example, Huang, 2001). This line of thought is consistent with the view of those like Donaldson and Hilmer (1998) that management is a profession with a ‘body of knowledge that practitioners need to master’ (p 18).

Most mainstream management literature incorporates this elementary approach to HRM as good management practice (Korczynski, 2002: 21), although not all would categorise it as ‘strategic’ (cf Purcell & Ahlstrand, 1994: 39). However, from here on, contentious issues begin to emerge. One arises from the problematic nature of defining ‘employee performance’. In some of the literature – this is particularly true of literature aimed at practitioners and students – the desired outcomes of ‘good’ HRM are expressed in terms of employee behaviour and attitudes. If employees are managed using the recommended HRM practices, they will be highly satisfied with their jobs, strongly motivated, loyal and less likely to leave, more attentive to timekeeping, and so on. Sometimes an explicit link will be drawn between these outcomes and enterprise performance (see, for example, Delery & Shaw, 2001: 174); sometimes the connection will be unstated, presumably because it is regarded as self-evident.

#### ***2.4.2 The emergence of SHRM***

Over recent years, most HRM scholars have (explicitly or otherwise) advocated a particular ‘strategic’ concept of HRM. The strategic element consists firstly of co-ordinating each separate HRM activity – recruitment, selection, rewards management, training and so on – so that they complement each other, thus maximising the favourable employee behavioural outcomes mentioned earlier (Becker & Huselid, 1998: 55). This is referred to as ‘internal’ or ‘horizontal’ ‘fit’. The second strategic requirement is to give HRM its proper place in overall enterprise management, so that other management decisions take account of HR implications (and desirably, are themselves partly shaped by HRM considerations). Over time, these propositions have gained wide acceptance as ‘SHRM’.

A rational approach to strategy underpins SHRM, with its assumptions that strategy is something developed and implemented by a small group of senior managers. In the SHRM model, an HR manager is part of that senior management group. Employees should be managed in ways that match outcomes to the objectives driving corporate and business strategy (Becker & Huselid, 1998: 55). Consequently, HR practices are subordinate to broader enterprise strategic goals: ‘before specific HR plans can be developed ... corporate and business level plans must be developed’ (Schuler *et al.* 2001: 118). As Lengnick-Hall and Lengnick-Hall note (1988: 31), ‘traditional models [of SHRM] focus on matching people to strategy, but not on matching strategy to people’. According to Schuler *et al.* (2001: 121):

the four main tasks of HR are:

- managing employee assignments and opportunities;
- managing employee competencies;
- managing employee behaviours;
- managing employee motivation.

On this view, HRM depends on the direction of corporate strategy and is a ‘downstream’ activity (Legge, 1995: 97) that Boswell (2006: 1489) labels ‘strategic alignment’. Garavan, Morley, Heraty, Lucewicz and Suchodolski (1998: 201) have identified this subordinate role as one of three ‘core elements of HRM’ that ‘transcend national boundaries’, while Leopold, Harris and Watson (1999: 25) refer to it as being ‘at the heart’ of ‘mainstream “SHRM” literature’. Lundy and Cowling (1996:49) call the concept ‘strategic integration’ and note that despite the frequency with which the notion is espoused in the literature, ‘theoretical and applied perspectives on how to achieve [it] are in their infancy’.

Other scholars have reservations. For example, Bamberger & Fiegenbaum (1996: 931, citing Bamberger & Phiullips, 1991; Dyer & Holder, 1988 and Lengnick-Hall & Lengnick-Hall, 1988) have noted a potential ‘reciprocal influence’ between corporate strategy and HRM strategy. Bechet and Walker (1993: 6) have also asserted the interdependence of business and HRM strategies, suggesting that the situation may be much more complex than a simple rank ordering of managerial activities. Beer and Eisenstat (2000: 29) assert that

[c]ompanies have long known that, to be competitive, they must develop a good strategy and then appropriately realign structure, systems, leadership

behaviour, human resource policies, culture, values and management processes.’

According to this school of thought, enterprises need to develop and implement a set of procedures that best accommodate broader strategic goals (Becker & Huselid, 1998: 58). Brockbank (1999) has proposed a model under which HRM can progress from an ‘operationally reactive’ function, through ‘operationally proactive’ and ‘strategically reactive’ to a ‘strategically proactive’ function, suggesting that the last is the approach that will make the greatest potential contribution to competitive advantage.

This is of course a perspective that regards employees very much as ‘human assets’ to be managed in a rational, top-down fashion. Many scholars have taken issue with this approach and these views will be outlined shortly. Before doing so, it will be useful to outline the contemporary view of the constituent elements of SHRM.

#### *2.4.3 High commitment HRM and high performance work systems*

At the same time as the concept of SHRM was becoming firmly established in the literature, a model of HRM practices was being developed which is associated with high commitment on the part of employees and high levels of organisational performance. This model has been subject to vigorous criticism that is discussed in later sections of the chapter; this section merely summarises the relevant literature.

This concept of SHRM evolved from the literature associated with ‘flexible specialisation’ (Piore & Sabel, 1984) and the so-called ‘socio-technical’ approach to work organisation. It rejects the tenets of ‘Taylorist’ systems, that combine strict adherence to the one ‘best way’ of doing a task with a rigid separation of planning from execution. In broad terms, it incorporates a ‘post-Fordist’ approach to work organisation, incorporating ‘practices such as job flexibility, teamworking and minimal status differentials’ (Wood, 1999b: 368), as an explicit rejection of the principles of managing employees embodied in ‘scientific management’. The bulk of this literature deals with process work, originating in manufacturing and subsequently dealing with many service industries. However the focus has remained on what might be called operatives as opposed to managerial and professional staff, despite the increasing numbers of people who are employed in these occupations in post-industrial societies like Australia.

This raises an important issue that is discussed in a later section of this chapter, namely, to which components of a firm's workforce is SHRM directed? Because of its rational, directive nature, the SHRM model assumes that an organisation's staff can be divided into the managers and the managed but such an assumption can be challenged on several grounds. For the moment, however, it is convenient to conclude the discussion of high performance work systems.

Proponents of socio-technical work organisation claimed that scientific management was no longer appropriate in many enterprises because of changes in technology and the product market. They argued that emerging models of work organisation in successful organisations involved teams of multi-skilled workers, attuned to customer requirements, adaptable and committed to continuous self-directed improvement in task design (Fox, 1991: 175-76). Critics of these propositions argued, amongst other things, that the evidence that was said to validate the model came almost exclusively from limited manufacturing industry research that was not generalisable even within that sector (Pilkington, 1998).

Many scholars have criticised the HPWS model of SHRM, both on ethical grounds (see, for example, Woodall & Winstanley, 2001) and on the grounds that it misconceives the nature of organisations. Beaumont (1992), Purcell and Ahlstrand (1994: 30) and Lundy and Cowling (1996:49) have noted the American origins of the term HRM, Beaumont contending (1992: 20) that 'the US human resource management literature is overwhelmingly of a highly descriptive and prescriptive nature'. The empirical foundations on which it rests have been called into question in two respects: an alleged lack of evidence that the favoured procedures actually cause the claimed outcomes in terms of employee behaviours, and an alleged lack of evidence that those behaviours will benefit all enterprises in all circumstances. Its theoretical deficiencies have often been noted (for example, Guest, 1998; Kaufman, 2001b: 363).

Nevertheless, for many researchers, the test of whether or not management has adopted SHRM is the extent to which it has implemented a HPWS. According to Wood (1999b: 375), Guest (1987) went even further by claiming that strategically oriented, high-involvement management constituted HRM itself. Any system of managing employees that did not meet these criteria was therefore not HRM, but something else.



In the 1990s there was strong interest in management literature about the extent to which this new model of work organisation was being adopted in practice, and the generic term ‘high performance work system’ (HPWS) came into widespread use to describe work organisation methods that included post-Fordist practices (Godard & Delaney, 2000; Wood, 1999a). Simultaneously, the model’s principles and procedures began to be promoted as contemporary ‘best practice’ in SHRM (for example Pfeffer, 1994; 1998). They were sometimes contrasted favourably with a contingent approach to HRM (e.g. Kaye, 1999). This happened despite the fact that empirical evidence about any associations between a HPWS and enterprise performance was comparatively scarce (Godard & Delaney, 2000). Like several other concepts discussed in this chapter, HPWS is an expression whose popularity in the literature exceeds its precision. Generally, it means a ‘commitment’ HRM model to be contrasted with the Taylorist ‘control’ model (see, for example, Lundy & Cowling, 1996: 53), and it contains several specific policies and procedures.

Many writers now equate SHRM with HPWS (Kaufman, 2001b: 357), despite divergence within the literature about the component parts of a HPWS. For example Wood (1999a), in an extensive review of quantitative studies, noted that each researcher developed a unique set of variables to use to test for the presence of a HPWS in an organisation. Boxall and Purcell (2003: 19-23) have also noted that attempts to evaluate relationships between the existence of HPWS and organisational outcomes vary in the outcomes they measure and generally fail to include the impact on employees. While there was considerable commonality, the sets of variables were by no means identical. Despite this imprecision, SHRM based on the adoption of a HPWS is the most frequently advocated prescriptive model of employee relations presented to managers in contemporary literature.

This type of debate has been a feature of much of the literature about HRM, particularly SHRM. On the one hand, models of SHRM tend to be normative (Gratton, Hope-Hailey, Stiles & Truss 1999: 17) while on the other, much highly regarded work has been concerned at its core with arguments about whether the thing being discussed actually exists, and if it does, what it is (see, for example, Guest, 1998).

Bamberger & Fiegenbaum (1996) have noted the tendency for managers to adopt practices because they have been legitimised in model enterprises that then serve as reference points. In Australia, the federal government and much of the trade union movement joined with most



employer groups in actively promoting this new HRM ‘paradigm’ (Commonwealth of Australia, 1992; 1995). Advice to emulate ‘model sites’ was the approach used in the Australian construction industry to promote a reform agenda in the early 1990s (Commonwealth of Australia, 1995). There is a suggestion in this ‘follow the model’ approach to defining good management of the ‘fads and fashion’ phenomenon that has influenced management practices in many organisations (Sheppeck & Militello, 2000: 5) and van Aken (2004: 220) has noted that fads seem to have more influence on management behaviour than the work of the academy.

The discussion of SHRM in the mainstream literature has therefore reached a problematic stage. Grant and Shields (2006: 315) have observed that different interpretations of HRM lead their proponents ‘to draw markedly different conclusions for the application and desired outcomes of HRM ... and the extent to which it is applied in organisations.’ On the one hand, managers are urged to adopt a HPWS based on a prescriptive model. This is the ‘best practice’ approach that echoes the ‘one best way’ principles of scientific management. On the other hand, managers are also urged to develop HRM practices that complement their organisation’s broader strategies. Since these broader strategies are likely to be intended to obtain competitive advantage by differentiating the organisation from competitors, it is hard to reconcile them with a single ‘best practice’ SHRM that should be adopted universally. This apparent inconsistency is the subject of the next section.

#### 2.4.4 The contingency/best practice dilemma

Snell, Youndt and Wright (1996: 62) ‘define SHRM rather broadly as *organizational systems designed to achieve competitive advantage through people*’ (italics in original). This emphasis on competitive advantage is, of course, central to many conceptualisations of organisational strategy. Embedded in the notion of competitive advantage is the need to do everything, or at least something, differently to an organisation’s competitors. This is the logic that makes HRM contingent on broader organisational strategy. Such a contingency model is, however, inconsistent with the prescriptive advocacy of a single ‘best practice’ SHRM (Legge, 1995: 126).

As noted earlier, the contingency model can only be sustained by adopting a rational, top-down approach to the whole process of managing, consistent with the ‘design school’ of

strategic management scholarship (Linstead *et al.*, 2004: 498). Strategy is something that an organisation ‘has’, and once it has an overall strategy it can develop a suitable HRM strategy.

However, the idea that an HRM strategy needs to be developed to suit a particular organisational strategy sits uncomfortably with the other prevalent view of SHRM, namely, that organisations should adopt best practice (Korczynski, 2002: 25). Becker and Huselid (1998: 56) claim that an emphasis on “‘best practices” and “benchmarking” as the foundations for their contribution to firm success’ has been the ‘traditional view’ of HRM. HPWS advocates such as Pfeffer (1994, 1998) prescribe a generic set of HRM practices as a model to which all organisations should aspire and Guest, Michie, Conway and Sheehan (2003: 293, citing Becker & Gerhart, 1996 and Becker & Huselid, 1998) found that within the US literature there was more support for internal than external fit. As Purcell (2001: 60-61) comments, best practice approaches are signified by denoting HRM as ‘it’, that is, ‘a set of practices unified as a particular managerial approach to labour management’.

Scholars and practising managers are therefore faced with these two versions of SHRM, the contingency model and the best practice prescription (Boxall & Purcell, 2003: 47; Youndt & Snell, 2004: 339). In considering the issue, Kaufman (2001b: 343) asked whether HRM is a ‘generic activity done by all business organizations with employees’ or alternatively, a ‘strategic, human capital approach to people management’. He went on to argue that under the first meaning all kinds of strategies could exist, whereas under the latter meaning, ‘the very concept of “HRM strategy” becomes either contradictory or considerably narrower in application’. Pilkington (1998) has also pointed out the incompatibility between contingent notions of strategy and the ‘best practice’ concept inherent in HPWS.

Some attempts have been made to reconcile the inconsistency. For example, Becker and Huselid (1998) argue that the elements of a HPWS are necessary, but not sufficient, for a ‘strategic impact’ and that the latter depends on ‘the proper firm specific alignment of these policies with one another and the firm’s strategic objectives’ (p 85). However, they do not demonstrate convincingly why other, non-HPWS ‘policies’ might not have a higher ‘strategic impact’ for some firms.

Barney and Wright (1998: 34) try to accommodate both models by arguing that best practice will at best provide ‘competitive parity’. In other words, organisations that fail to adopt best

practice will suffer a competitive disadvantage. They go on to suggest that HRM practices can have an additional contingent dimension that might provide a competitive advantage. It is not clear, however, how such abstractions can provide the basis of a general model of SHRM. Surely to the extent that a modification of best practice provides a competitive advantage, it has simply established a new best practice benchmark. If this is not the case because the advantage depends on the organisation's unique broad strategy, then that is no more than a restatement of the contingency model. Of course it may be that there are certain 'core' HRM policies and procedures for which best practice benchmarks can be described and others which are more suited to a contingent approach. Such a model is theoretically plausible but it has yet to be persuasively presented in the literature in sufficient detail to be tested empirically.

Indeed, scholars who are sceptical about the claims made by the proponents of either model have commented on the relatively sparse amount of research data upon which they rest. Godard and Delaney (2000: 494) believe that the proponents of the HPWS model 'have seemed less interested in studying variations in what management actually does than in establishing what management should do'. Legge (1995: 116) noted a similar empirical deficiency in respect of claims made about the benefits of the contingency approach to SHRM.

In short, mainstream SHRM literature presents two models of SHRM which on the face of it are impossible to reconcile. While Boxall and Purcell (2003: chapter 9) have suggested that the best practice/best fit dilemma can potentially be resolved if one includes the variable of an industry's stage of development, this proposition has not been widely adopted in other literature and raises its own definitional problems. Can the dilemma be resolved if one abandons the rational approach that underpins the design school of strategic management in favour of a reconfigurationist approach? This is the subject of the next section.

#### ***2.4.5. The process school/best practice dilemma***

The contingency model assumes a corporate strategy is something that an organisation 'has'. The 'process school', on the other hand, regards strategy as something that an organisation 'is', with 'formulation and implementation being merged together, adjusted and revised with learning a key attribute' (Purcell, 2001: 67). Following Mintzberg (1987: 66, cited in Linstead *et al.*, 2004: 519), Purcell (2001: 67) calls this 'strategy "crafting"', to signify that

strategy actually reflects a dynamic process in which many organisational stakeholders play a role. On this view, senior management can at best develop broad strategic guidelines.

Once again, an inconsistency with the best practice model is apparent. Best practice as embodied in the HPWS model assumes the existence of ‘one best way’ to establish HRM practices, although as noted earlier, its proponents differ about the nature of those practices. Imposing best practice is incompatible with process approaches to strategy which ‘require a form of consensus from employees affected by the decision’ (Purcell, 2001: 72). In other words an organisation’s senior management cannot dictate HRM practices any more than they can dictate other aspects of employee behaviour: practices will develop incrementally in processes that reflect organisational power and politics.

Therefore it is clear that there is no ‘grand theory’ of SHRM that has the support of all scholars, and that lively debate continues about the merits of the various models that have been constructed. This of course is not a situation that is unique to the study of HRM but it does present practical challenges to managers who wish to adopt HRM practices that will lead to the best performance outcomes in their organisations – however performance is defined by different managers. They do not have the luxury of doing nothing until the availability of more empirical evidence provides greater certainty. The value of qualitative studies such as this one is that they reveal in depth the extent to which managers in ‘non-benchmark’ firms have adopted some or all of the elements of the various SHRM models.

As will become apparent in chapters 4 and 5, managers in the two firms in this study implemented SHRM in a complex, uncertain and sometimes contradictory fashion. It will therefore be useful in the next section to summarise a body of literature that ignores such complexities and attempts to analyse organisational behaviour using simplistic taxonomies and typologies. The purpose of this discussion is to demonstrate the limitations of such quantitative studies in building a meaningful presentation of organisational processes.

#### *2.4.6 Taxonomies and typologies*

Classifying enterprises into one of a number of categories - for example, those that have adopted a HPWS and those that have not - is an analytical measure that has been used extensively in studying both strategic management and HRM. It is not a new framework for research (Jackson & Schuler, 1995). One of the earliest and most often-cited examples is

Miles and Snow's (1984) categorisation of enterprises as either 'defenders', 'prospectors' or 'analysers', each of whom could be described by reference to their strategic behaviour and organisational characteristics. According to Bennett *et al.* (1998: 5), Miles and Snow's work has been the foundation of much SHRM research.

Another popular categorisation is based on Porter's (1985) three 'generic strategies': cost leadership, differentiation and focus. Schuler and Jackson (1987) and Schuler (1989) attempted to apply Porter's 'strategic choices' to the adoption of different 'packages' of HRM practices. They outlined three packages that best complemented the alternative competitive strategies of innovation, quality enhancement and cost reduction.

Placing firms into categories in this way may ignore divergence and inconsistencies within the organisations themselves (Snell *et al.* 1996: 81). Research questions often use binary variables: either the firm does or does not exhibit the nominated behaviour (use of self-directed work teams, performance-related pay, skill-based career paths and so on). The assumption is that a simple response can be given in respect of all employees.

In practice, managers are likely to have regard to differences that exist between various groups of employees in developing HRM policies and procedures (Delery & Shaw, 2001: 177). Consequently, each enterprise will have an individual HRM 'architecture', with for example some employees being engaged under a HPWS and others under a Taylorist system (Lepak and Snell, 1999). To the extent that firms do have such complex architectures, then 'much of the current SHRM research may be overly simplistic' (Lepak & Snell, 1999: 45). For example, the work of Huselid and Becker (Becker & Huselid, 1998; Huselid, 1995) depends in part on findings from surveys consisting of questions that do not permit multiple answers. To take just two instances from a 1994 survey [cited in Becker & Huselid, 1998: 74], questions included 'how many hours of training per year are typically received by an experienced employee?' – which presumed that there was such a 'typical' experience – and 'what proportion of the workforce receives formal performance appraisals?' – allowing a possible response of '50 per cent' when the deeper finding might be '100 per cent of groups A and B, none from groups C, D and E'.

Taxonomies and typologies for research are superficially attractive: they facilitate model-building and research using measurable proxies. However, almost by definition, they cannot

explain inter-firm differences, an important one being competitive advantage (Becker & Huselid, 1998: 58). Moreover, the nature of the linkages between organisational strategy and HRM has often been ‘developed at an abstract and highly generalized level’ (Purcell & Ahlstrand, 1994: 36). Godfrey and Hill (1995: 531) have pointed out that ‘scientific’ models that depend on measurable variables may be allowing method to drive theory, whereas organisational behaviour might actually be explicable by reference to variables that are unobservable (and therefore by definition incapable of quantitative study). Delery & Shaw (2001: 192) contend that a partial solution is to improve research methods by gathering deeper and more representative data. As will be argued in chapter 3, qualitative studies such as this one provide an alternative and arguably superior ‘lens’ through which to view organisational behaviour.

#### *2.4.7 SHRM and enterprise performance*

Most available empirical studies focus on outcomes and not processes. Researchers have concentrated on describing HRM policies and procedures, usually with the intention of finding out if any associations exist between a given bundle of policies and procedures and some other enterprise outcome/s (for example, Becker & Huselid, 1998; Huselid, 1995). Of course, the presence of a particular policy or procedure does not of itself say anything about the processes that are actually followed in the organisation. Chapters 4 and 5 mention several instances where the actual practices in the organisations in this study were quite different to the formal policy or procedure.

Much of the HRM strategy literature tends to make assumptions about management behaviour that are ‘overly rational’ (Bamberger & Fiegenbaum, 1996: 928); the (usually implicit) assumption is that HRM policies and procedures exist in an enterprise through rational management choice and purposive action (Purcell & Ahlstrand, 1994: 45), and that the presence or absence of these policies and procedures may be associated with better or worse enterprise performance (for an extensive review of these studies, see Wood, 1999b).

Such a frame of inquiry invites the observation that if certain procedures are associated with superior performance, then other enterprises could be expected to adopt similar practices, yet they have not. This of itself invites questions about the extent to which managers act in a rational manner. Of course, some answers to this apparent conundrum can be imagined. The procedures in question might not be known to other enterprises’ managers, or as Whipp

(1992: 52) observes, they might be very difficult to implement. However, these are unconvincing. The very fact that the procedures are being described in the literature means that they are hardly a secret; and if they are so difficult to implement that they require extraordinary effort, one would expect that also to be reported in the literature, as a consideration that offsets any reported benefits. In most instances, that has not been the case.

Other explanations may be more persuasive. One is that the effectiveness of these procedures, and even the feasibility of adopting them in the first place, may depend on other factors within an enterprise that have been identified incompletely or not at all. Therefore, what was comparatively easy to implement in one enterprise may prove difficult or impossible in another, even though both enterprises seem to operate in comparable circumstances. The existence of these unknown factors may explain why management fads, promoted because they seem to have been associated with success in one enterprise, often prove so difficult to transfer to other businesses. It may also explain why many managers are sceptical about the efficacy of fads – they may understand from experience that the reasons for the apparent success of a policy or procedure may be far more complex than is realised by outsiders or even those who first implemented it.

In other words, managers may well be sceptical about the worth of alleged best practice because of an intuitive belief (or prejudice) that it would ‘not work’ in their organisation. Of course many other factors might also play a part in a negative attitude to new practices, including an individual manager’s fears that s/he would not be able to manage change effectively or that a new practice would threaten his or her power within the organisation. However, it is the idea that some practices are not readily transferable between organisations that has given rise to an influential body of strategy and SHRM literature and it is to that literature that the chapter now turns.

## ***2.5 The resource based view of strategy***

The possibility that competitive advantage depends on doing things differently, rather than matching some prescriptive best practice, has given rise to a substantial body of literature in the field of general management strategy, generally called the ‘resource based view’ (RBV). Its self-conscious articulation is generally traced to an article published by Jay Barney in 1991 (Priem & Butler, 2001a), although the expression was used earlier (e.g. Wernerfelt, 1984). The core of the RBV is the proposition that if an enterprise utilises a resource that is



valuable and rare, it will enjoy a competitive advantage over other enterprises; and that if that resource is hard for competitors to imitate or find a substitute for, then the competitive advantage is likely to be sustained for some considerable time (Dierickx & Cool, 1997: 165). In early discussions of the RBV, resources tended to be conceptualised as tangible items, or at least as things that could be readily described. Andrews (1984: 119), for example, cited as examples ‘brand names, in-house knowledge of technology, employment of skilled personnel, trade contacts, machinery, efficient procedures, capital etc.’ As will be discussed in more detail later in this chapter, more recent development of the RBV has extended the notion of resources to include organisational qualities marked by ambiguity and complexity.

The RBV is not so much an alternative theory to other strategic management theories as a different perspective. Much of the RBV would not be a novel concept for practising managers; in particular, many of them would understand the value of possessing valuable resources that are also rare (Priem & Butler, 2001b: 63). The RBV’s point of departure from earlier approaches to strategy studies arises from its focus on the firm’s internal resources as the source of its strategic thrust, whereas other perspectives regarded the firm’s resources as things that could be acquired or modified at will to accommodate the external requirements of the environment in which the firm operated (Teece, Pisano & Shuen 1997: 514). To put it another way, the RBV shifts the emphasis in strategic decision-making from market positioning considerations to internal resources (Grant, 1991: 117; Prahalad & Hamel, 1997). The RBV is ‘one of the most widely accepted theoretical perspectives in the strategic management field’ (Newbert 2007: 121, citing Powell, 2001; Priem & Butler, 2001 and Rouse & Daellenbach, 2002) and has played an increasingly important role in scholarly consideration of SHRM.

### *2.5.1 Implications of the RBV for HRM*

According to the RBV, sustained competitive advantage accrues from having one or more resources that are valuable, rare, inimitable and incapable of being replaced by a substitute. If this is a valid proposition, it is immediately obvious that ‘best practice’ SHRM can never provide an enterprise with a sustained competitive advantage. The logic of the best practice SHRM literature is that employees should be managed according to a prescribed set of practices. While employees will be a valuable resource, they are unlikely to be rare, because SHRM practices if implemented in accordance with best practice will produce a plentiful supply of suitable workers. Moreover, suitable employees will certainly not be inimitable;



indeed, a feature of SHRM is its reliance on imitating enterprises that can demonstrate a successful track record.

If this argument is correct, and the RBV is also valid, then SHRM plays and can play no part in an enterprise's search for sustained competitive advantage. SHRM will simply be an administrative function like accounting with accepted standards of professional practice. Enterprises whose managers fail to implement contemporary best practice will suffer a loss in performance, but there will be no scope for anybody to gain an advantage. The possible exception might be that occasionally one enterprise's management modifies one element of SHRM in a way that improves its performance. Even in these instances, however, any first mover competitive advantage will be short-lived, as the innovation will soon be copied by others.

That is the status of HRM as a source of competitive advantage if one accepts both the RBV and the normative, best practice view of SHRM. If, however, one accepts the RBV but rejects the best practice conception of SHRM, an entirely different prospect emerges. If one accepts the possibility that there are as many possible HRM strategies as there are enterprises, then the RBV offers a framework to analyse how HRM can explain the existence of performance differences between enterprises in comparable circumstances (Delery & Shaw, 2001: 166). The RBV has therefore become the 'bridge' joining the fields of HRM and strategic management (Wright *et al.* 2001) or has at least induced strategy scholars to take more interest in HRM (Anderson, 2007: 660). Reviewing the previous decade, Paauwe and Boselie (2003: 56) concluded that the RBV 'has become the dominant theory in the debate on strategic HRM and on how human resources and related HR practices can have an effect on firm performance'. If one adopts the RBV, HRM is not so much an agglomeration of administrative tasks as a way of linking employees to each other and to the enterprise that is as individual as the enterprise itself: a 'huge network' of 'organizational routines' like those mentioned by Grant (1991: 122). Its effect is not limited to employee skills and behaviour, but also weaves those HRM outcomes 'within the broader fabric of organizational processes, systems and ultimately, competencies' (Wright *et al* 2001: 710).

In other words, instead of a prescriptive 'best practice', there is an infinite number of potential ways in which different practices can be combined. Moreover, in sharp contrast to the whole SHRM concept, under the RBV there is no way of knowing in advance which

particular combination of practices (if any) will provide a sustained competitive advantage. While the contingency model of SHRM takes it for granted that management is able to plan and implement an HRM architecture that complements organisational strategy, the RBV emphasises the inherent difficulty of creating any complex capability that can be a source of sustained competitive advantage. Consequently not only is the RBV inconsistent with the whole notion of best practice, it is equally inconsistent with a rational, context-driven approach to SHRM and strategic management generally.

RBV scholars have generally treated HRM as an important potential source of competitive resources. In other words, they have overtly or implicitly assumed that human assets offer potentially greater scope for inimitability than physical technologies (Fiol, 2001: 692). In doing so, they have ‘brought legitimacy’ to the long-standing position advocated by many HR professionals, that human assets can be a source of competitive advantage (Wright *et al.* 2001: 702). However, it is important to understand that this goes beyond the traditional, rational ‘human capital’ view of an organisation’s employees. In the words of John Purcell (1995: 65), ‘the most pressing human resource issue facing the firm is to identify its unique (human) resource capabilities’. An RBV of HRM does not focus on the characteristics of individual employees; it suggests instead that the sources of competitive advantage are the complex capabilities that unique combinations of employee characteristics can provide to an organisation. It also acknowledges that these capabilities are often poorly understood and quite inconsistent with rational, top-down approaches to HRM.

### *2.5.2 Causal ambiguity and path dependence*

On this view, the rareness and inimitability of an enterprise’s HR may depend on their causal ambiguity. Causal ambiguity describes a state of uncertainty: an outcome is known, but the chain of events that caused that particular outcome instead of some feasible alternative is not understood, or at best can only be a matter for speculation. If HRM outcomes are affected by causal ambiguity, it will be difficult or impossible to know why they are as they are. It follows that imitation will be very difficult or impossible, because would-be imitators will not be able to discover how to replicate the outcomes. Indeed, causal ambiguity will usually extend to those within the enterprise as well as its competitors (King & Zeithaml, 2001: 76); if it were not so, it would be necessary to keep the causes a secret within the enterprise, like the mythical secret formula for Coca-Cola.

Another potential source of rareness and inimitability of HR lies in path dependence. This means that while competing enterprises might appear comparable, in that they possess similar technical means of production, access to capital and so on, each enterprise has, nevertheless, a unique character. This unique character arises from each organisation's history, the nature and configuration of its employees' tacit knowledge, the personalities of its owners and/or senior management team and so on. The way in which these characteristics combine may impede attempts to adopt the policies and procedures of other businesses or even prevent it altogether.

Causal ambiguity and path dependence may explain how resources create a competitive advantage in terms of neo-classical microeconomic theory (Barney, 2001a: 645). They may make some factors of production inelastic in supply, because competitors cannot duplicate the resource or may take a long time to do so. Consequently the enterprise that has the use of the resource can generate returns higher than the industry norm. Causal ambiguity can also act as a barrier to entry and thus allow all firms in an industry to enjoy higher returns than would be the case in a perfect market (Grant, 1991: 125). A key insight offered by the RBV is that such resources were not acquired deliberately using rational management techniques. The RBV may provide insights into the reasons for sustained competitive advantage after the event but is less useful in predicting the future (Paauwe and Boselie (2003: 58). Indeed management may not even understand the source of the organisation's competitive advantage to the extent that they give credit to rational policies and procedures that did little on any objective measures to improve the organisation's performance.

This kind of RBV logic, applied to HRM, has persuaded some scholars that the source of competitive advantage in HR lies not in employing the 'best people' (however defined), nor in adopting particular policies or procedures in isolation, but in developing 'bundles' of policies and procedures, or 'systems' (Snell *et al.* 1996: 80), that operate synergistically. Their complex nature means that they are likely to be causally ambiguous and path dependent, although that proposition has not yet been tested empirically (Wright *et al.* 2001: 708). It also means that research methods which assume that enterprises can be placed into one of a small number of different strategy types may be inappropriate (Hoskisson, Hitt, Wan & Yiu, 1999). The existence of a theoretically infinite number of possible resource configurations means that any such typologies will be arbitrary and represent an attempt to force strategic management studies back into a rational framework. Acknowledging the

complexities involved in understanding competitive advantage through the lens of the RBV also creates challenges for those who would provide useful advice to practising managers (Priem & Butler, 2001a: 32). The RBV is necessarily inconsistent with prescriptive, one size fits all approaches to HRM.

Out of these perspectives several scholars have proposed that two aspects of an enterprise might provide a competitive advantage through HRM: complex capabilities and enterprise culture. If these are sufficiently causally ambiguous and path dependent, they may provide a sustained advantage even though competitors know about them and understand their importance.

### 2.5.3 *Complex capabilities*

‘Complex capabilities’ is a generic term used to denote a family of related concepts described in the literature. Grant (1991: 119) was one of the first scholars to use the term, to mean ‘the capacity for a team of resources to perform some task or activity’. Miller and Whitney (1999) describe ‘configurations’ – combinations of tangible resources like technology and intangible resources like unwritten routines. Liedtka (1999) refers to ‘metacapabilities’, which ‘allow organizations to adapt to change on a continuous basis by contributing the kind of skill and knowledge that underlie the process of capability building itself’ (p 5). Other writers refer to ‘dynamic capabilities’ (Eisenhardt & Martin, 2000; Teece *et al.* 1997). The consistent theme within this literature is that the way in which individual HR policies and procedures are linked can itself become a new resource that is rare, valuable and inimitable (Barney & Wright, 1998: 39-40; Becker & Huselid, 1998: 55; Delery & Shaw, 2001: 170; Lado & Wilson, 1994: 700; Snell *et al.* 1996: 64; Wright *et al.* 711-14). The linkage is inimitable because it cannot be observed, and unobservable resources are more likely than others to provide a sustained competitive advantage (Godfrey and Hill, 1995: 522-23). Youndt and Snell (2004: 339) posit the existence of ‘social capital’ as ‘consisting of knowledge resources embedded within, available through, and derived from networks of relationships’. All these scholarly discussions concern what are broadly identified as unobservable complex capabilities.

The concept of unobservable complex capabilities offers one explanation of how two enterprises that appear to have access to the same technology, raw materials, types of employees and so on can perform at quite different levels. The explanation is consistent with

studies undertaken within the perspective of evolutionary economics: the overall findings of such work show ‘that firms that build their strategies on path dependent, causally ambiguous, socially complex, and intangible assets outperform firms that build their strategies only on tangible assets’ (Barney, 2001a: 647-8). A key observation is that strategies are ‘built on’ resources that already exist, as opposed to the design school assumption that resources are acquired to suit the chosen strategy. If one adopts a dynamic view of an organisation, as one surely must, then it also follows that valuable resources will be constantly changing, even if only subtly and that therefore strategies must also be continually reviewed and adapted. Kristandl and Bontis (2007: 1515, citing Fiol, 2007 and Barney *et al.*, 2001) have argued that firms do not necessarily need ‘sustainable competitive advantages’ but must have ‘a constant path of temporary advantages in a dynamic market’. On one view, the capacity continually to generate these temporary advantages is itself the complex capability that gives one firm a sustained competitive advantage over competitors.

One complex capability is sometimes called ‘tacit knowledge’, or valuable knowledge held within the enterprise as a result of accumulated experience, independent of any individual. Tacit knowledge may constitute a rare and inimitable resource (Becker & Huselid, 1998: 58; Hitt, Bierman, Shimizu & Kochhar, 2001). Tacit knowledge, of course, is path dependent almost by definition and is therefore ‘the least imitable form of knowledge’ (Hitt *et al.* 2001: 15). Lepak and Snell (1999: 35) imply that it is not the knowledge itself that constitutes the unique valuable resource, but the skills with which it equips employees. In this, they echo Grant’s earlier (1991: 119) observation that ‘[w]hile resources are the source of a firm’s capabilities, capabilities are the main source of its competitive advantage’. Before the RBV terminology had become widespread in the literature, Whipp (1992: 52) had identified an organisational ‘learning capacity’ as a potential source of competitive advantage, while noting how difficult such a capacity was to build using a rational management approach. In a later review of the organisational culture literature, Lewis (2002: 282) cited the conclusions of Liedtka (1999) and Szulanski (1996) that being able to apply new learning might be the only source of sustained competitive advantage for an organisation. Other examples of complex capabilities include ‘the ability to manage the HR architecture itself’ (Lepak & Snell, 1999: 45) while Lowendahl and Revang (1998: 757) nominate ‘the ability to build and maintain relationships to the best people’ (both within and outside the enterprise) as a complex capability ‘[a]t the core of strategy’. Lado and Wilson (1994: 703, 706) note that

‘strategic vision’ and ‘entrepreneurial talents’ may also be sources of sustained competitive advantage.

To mark the fact that they do not share the static or linear qualities that may be associated with tacit knowledge, the term ‘dynamic capabilities’ has been coined to describe another class of complex capabilities. Teece *et al.* (1997: 516) define them as ‘the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments’. Eisenhardt and Martin (2000) use the term to describe ‘specific strategic and organizational processes like product development, alliancing, and strategic decision making that create value for firms within dynamic markets by manipulating resources into new value-creating strategies’ (p 1106). It is ‘the resource configurations that they create’ that provide the competitive advantage rather than the capabilities themselves (Eisenhardt & Martin, 2000: 1106). One such resource is a knowledge creation routine (Eisenhardt & Martin, 2000: 1108; Wright *et al.* 2001: 714) or the ability to learn faster than competitors (Snell *et al.* 1996: 68). As with tacit knowledge, there is room for debate about the exact nature of the valuable asset that has been created: is it the routines themselves, or the things that they allow employees to do (Wright *et al.* 2001: 703-4)?

The issue about which agreement exists is that competitive advantage can arise from complex capabilities (and indeed the debates about exactly where the resource’s inimitability lies reflects in part its causal ambiguity). Of more relevance to this study is the extent to which managers have to be aware of and take advantage of complex capabilities. If complex capabilities are path dependent and causally ambiguous, is the competitive advantage that they provide just a matter of happenstance? Or do managers have the capacity by their actions either to take advantage of these capabilities or to negate their impact on organisational competitiveness? Bhattacharya and Wright (2005: 930) observe that the RBV ‘does not address the issue of how managers may develop [resources and capabilities]’ but this does not necessarily mean that the RBV is of no practical value. Citing Weick (1979), Litz (1996: 1356) has suggested that ‘one or more individuals within a firm ... able to perceive and enact the dormant resource potential of the firm’s physical, organizational, and human assets’ may be ‘the most crucial resource of all’ while Saá-Perez and Garcia-Falcón (2002) have argued that while human resources may themselves be unique and inimitable, managers can learn how to use systems which maximise the benefits obtainable from those resources.



Complex capabilities may also depend for their value on organisational culture: their potential to provide a competitive advantage may only be actualised in conjunction with a complementary culture (Nordhaug and Gronhaug, 1994, cited in Wright *et al.* 2001: 712). Grant (1991: 127) asserted an even stronger link in respect of two American firms, claiming that their competitive advantages arose from ‘combinations of complex routines that are based on tacit rather than codified knowledge and are fused into the respective corporate cultures’. Other scholars have gone even further, arguing that complex capabilities may actually ‘reside in organizational culture and values’ (King & Zeithaml, 2001: 77), or be ‘rooted in the essence of an organization (namely, its culture)’ (Mintzberg & Lampel, 1999: 27).

The concept of an organisation’s culture is therefore important in some discussions of complex capabilities. However, culture has often been presented as a resource that in and of itself can provide a sustained competitive advantage. Other scholars have argued that such notions are deeply flawed. As will be seen in chapters 2 and 3, attempts to manage a firm’s culture figured significantly in the firms studied in this project. Therefore it is useful to turn now to some discussion of the whole problematic issue of organisational culture.

#### ***2.5.4 Culture in organisations***

Individual people have subtle, complex relationships with social institutions. Social institutions of many kinds – or rather, those who believe that their actions influence those institutions - have an interest in understanding the nature of these kinds of relationships, so that they can try to shape the relationship to their own advantage. In an organisational context, the intangible factors that collectively constitute the thing that makes employees feel ‘at home’ or alienated has often been referred to as organisational (or ‘corporate’) culture. Many scholars have hypothesised that if corporate culture can be managed by rational means, then it can be used as a tool to influence employee behaviour. Unsurprisingly, practising managers are generally interested in exploring the implications of such a hypothesis. These circumstances have led to extensive research into and debate about the meaning of culture in an organisational setting and the extent, if at all, to which culture can be shaped by rational management action.

According to Meek (1992:199), '[m]anagers of large corporations have come to think that economic success is somehow linked with the type of organizational culture or climate that they create', because '[h]uman relations theorists regard culture as something which an organization has and which can be manipulated to serve the ends of management'. Waterhouse, Brown and Little (2002: 536) note that organisational culture is '[o]ne of the predominant management tools to emerge over the last two decades' and trace this emergence to the 'excellent organisations' work of Peters and Waterman (1982), although as early as 1980, Andrews (1980: 53) proposed that culture was 'inseparable from' corporate strategy. Kaye (1999: 581) asserts that '[a]n organizational culture that gives direction, sense of purpose and involvement will build long-term competitive advantage', although viewed through the lens of the RBV it is difficult to say how; presumably competitors will be quick to develop cultures with similar qualities. Unique cultures, on the other hand, may provide a competitive advantage, but only if they cannot be imitated (Fiol, 1991: 195-96). On this view, of course, culture research becomes something of a dead end in terms of its practical applications: it might explain outcomes, but provides no help to managers who want to emulate successful competitors.

The meaning that should be given to corporate culture has been the subject of considerable discussion in the literature (for example, Harris & Ogbonna, 2002: 32-4), as has the possibility (and indeed the ethicality) of trying to manage culture. As Lundy and Cowling (1996: 166) note, '[t]here exist a large number of definitions of culture', and those who use the term do not always specify the precise definition which they have adopted. Unfortunately, the meaning of the expression is sometimes taken as self-evident (for example, Andrews, 1980: 53; Appleby & Mavin, 2000; Barney & Wright, 1998: 35; Brockbank, 1999: 343; Khatri & Budwhar, 2002; King & Zeithaml, 2001), or the term is given the meaning that suits the argument being made by the writer (as in Ahmed, 1998, Meek, 1992 and Provis, 1996). Harris and Ogbonna (2002:34) distinguish between scholars who treat culture as an organisational variable, subject to direct managerial control, and those who take a more sceptical view, regarding manipulation of culture as problematic at best or at worst, 'impossible to operationalize adequately for the purpose of conscious management intervention'.

Culture as a concept originated in anthropological studies (Waterhouse *et al.* 2002, 538) but it has come to be used in organisation studies both literally, as a variable separate from other



aspects of the organisation, and as a metaphor (Fiol, 1991: 194; Wilson, 2000: 274-5). It has a relationship with 'values' in many scholars' work, but there is no shared understanding of the nature of that relationship. Indeed, it has been argued that the term 'values' is itself a flexible post-modern concept whose meaning is problematic (Bloom, 1987). Fiol (2001: 695) distinguishes between 'a fully elaborated culture', which is a 'system of meaning', and 'a set of core values and desired outcomes'. The semantic imprecision attached to both 'culture' and 'values' is illustrated by Provis (1996: 476), when he observes that managing culture usually includes managing values but that '[t]he idea of culture is a wider idea than the idea of values, and may include other things like patterns of behaviour'.

As with the use of the term 'strategy', 'culture' has been used inconsistently by different scholars (Meek, 1992; Lewis, 1996a: 14). Lundy and Cowling (1996: 166-9) identified in the literature three 'approaches' to culture, which they termed sociological, socio-psychological and managerial. The sociological approach to culture is concerned with norms, values and beliefs in society at large; '[o]rganisations are viewed as microcosms of the societies in which they are located' (Lundy & Cowling, 1996: 167). One relevant example is the extent to which the interests of employees and employers are perceived to be in inevitable conflict, a social issue about which beliefs have been changing recently within the Australian community (Leggett, 1995). The sociological approach is similar to the conception of synthetic national culture in the work of Hofstede (2001).

The second approach adopted by Lundy & Cowling (1996: 168) is the 'socio-psychological' approach which 'places an emphasis on group dynamics', is 'based on sound research' and consequently 'offers a pragmatic way to influence attitudes that appeals to managers'. Finally, the 'managerial' approach 'doesn't accept that considerable amounts of time and energy need to be expended on changing underlying values and feelings', but 'aims ... to change the way things are done by changing job descriptions, rewards, methods of supervision, and the like, arguing that any necessary culture change will follow' (Lundy & Cowling, 1996: 168). Purcell and Ahlstrand (1994: 65-6) appear to adopt this interpretation when they equate 'culture change' with 'management style', which in turn can only exist in a distinctive way in enterprises that have a corporate strategy.

The extent to which organisational culture can be created or changed as a deliberate act is a question that lies at the core of much of the scholarly debate about the concept. Many writers

use the term in ways that suggest that such deliberate manipulation is impracticable or impossible. Lewis (1996a: 12, citing Potter, 1989) cites an early use of the term by Jaques (1951) where culture was defined as the ‘customary and traditional way of thinking and doing things’. Meek (1992:197) referred to the idea ‘that culture is the collective will of the organization’ as ‘a metaphysical explanation of behaviour and events that are impossible to observe’. Oden (1999: 67-8), interpreting enterprise culture simply as an organisation’s ‘core beliefs and their artifacts [sic]’, also referred to the ‘hidden’ nature of ‘values, beliefs and assumptions ... through which behavior [sic] is learned and ... is governed.’ These references to tradition and hidden intangibles suggest that deliberate manipulation of culture would be problematic at best. Fiol (1991: 194-95) has noted the ‘uneasy’ relationship between strategy theorists, who deal in observable variables, and culture theorists, who are concerned with unobservable phenomena. Nevertheless, while values and beliefs may be unobservable, it is argued that an organisation’s culture can be observed in ‘artefacts’ (Schein, 2004) ranging from written policies and procedures through ceremonies such as long-service awards to non-verbalised artefacts like logos and office layouts. As the next section argues, it is an attractive proposition to some managers that if artefacts reflect the deep-seated culture, then changing the artefacts at comparatively minimal cost will alter the culture in ways that can be predicted and managed.

Despite the reservations that are widely held about the feasibility of manipulating culture, numerous scholars have identified it as an element in strategic management (Beer & Eisenstat, 2000: 29; Lundy & Cowling, 1996: 39). Barney and Wright (1998: 35) and Barney (2001b: 49-50) nominate ‘culture’ as a valuable resource that has the potential to provide a competitive advantage within the perspective of the RBV. Waterhouse *et al.* (2002) argue that ‘culture, strategy and organisation are at once interchangeable and inseparable’. This illustrates Mintzberg and Lampel’s (1999:25) identification of a ‘cultural school’ as one of several different streams in the strategic management literature – ‘strategy formation as a social process rooted in culture’.

It is unnecessary for the purposes of this study to analyse and evaluate the large amount of literature that has been published about the effect of culture management on individual behaviour and enterprise performance. The focus of this study is on the extent to which managers have tried to implement SHRM, an important element of which is often argued to be management of corporate culture. Consequently the matters for investigation here are the

meaning or meanings that managers themselves attach to culture, and the extent to which they believe that culture is amenable to manipulation, and act on that belief.

### 2.5.5 Managerial culture

Beaumont (1992: 21) traces the notion of managerial culture back through ‘organisational climate’ to an earlier concern of personnel administrators with job satisfaction and ‘morale’. He summarises the ‘corporate culture notion’ as follows:

... employees’ patterns of behaviour should be guided by and consistent with the values and philosophies of the top executives in the organization, with the latter being heavily shaped by the particular business or competitive strategy adopted ... (1992: 28)

This meaning has little in common with the way in which ‘culture’ is used in its original, anthropological context. References to observed behaviour as opposed to felt beliefs and values reflect the (frequently unacknowledged) distinction in the literature between the concepts of ‘culture as something an organization *is* and culture as something an organization *has*’ (Ogbonna, 1992: 75). Using a single word ‘culture’ to refer to such a diverse array of human characteristics invites imprecision in discussion; moreover, it risks misleading practitioners into believing that culture can be manipulated in all its meanings when in fact it may only be observable behaviour that is easily managed.

The relationship of HRM to culture is not clear-cut. According to Leggett (1995:11), ‘HRM requires at the organisation level an all embracing corporate culture, usually symbolised by mission statements, strategic plans, [and] corporate logos and uniforms’; its purpose is ‘[t]o strengthen the link between employee [*sic*] and business strategy’. Leggett does not imply, however, that providing the required culture is necessarily a specific HRM function. Wright *et al.* (2001: 705) explicitly state that culture is a matter ‘beyond the control of the HR function’ but others take a different view. Jackson and Schuler (1995: 238) ‘treat organizational culture as inextricably bound to HRM and therefore not meaningful if separated from it’; Ogbonna (1992: 74) asserts that ‘[o]ne of the key aspects of Human Resource Management is its association with the creation and maintenance of a “strong” organizational culture’, and Brockbank (1999: 343) maintains that culture management is the highest function to which HRM departments can aspire. Chan, Shaffer and Snape, (2004: 18), on the other hand, explicitly state that HRM and organisational culture are separate resources.

These apparent disagreements may owe their origin, in part at least, to scholars beginning with two different questions: what SHRM is, on the one hand, and what HR managers (should) do, on the other. For the purposes of this study, a broad view of the scope of SHRM will be adopted, and it will be taken as including the responsibility for managing enterprise culture where that is an issue of concern to management, whether or not a dedicated HRM department is involved.

Harris & Ogbanna (2001: 164), in reporting a study of the links between market orientation, SHRM and enterprise performance, found that ‘the development of market orientation is partially dependent on the appropriate strategic management of the human resource facilitating the development of an appropriate organizational culture.’ They go on to suggest that such a culture might constitute a source of competitive advantage under the logic of the RBV. Once again, as with some views of SHRM itself, the theme is one of diversity within best practice: all enterprises need a market-oriented culture to be successful, but one culture may be sufficiently valuable and inimitable to provide a competitive advantage.

By definition, the influence that managers can have on sociological culture in any single enterprise is negligible. However, the extent to which people in an organisation can be deliberately moved to adopt values and beliefs that are inconsistent with the dominant sociological culture remains a matter that is not yet resolved. It appears intuitively difficult or impossible for managers in organisations to create values that would supplant deep-seated national culture. Indeed Hofstede’s (2001) positivist work depended on national cultural characteristics accounting for differences in values and attitudes within a single organisation (IBM) and therefore assumed that sociological culture is not susceptible to manipulation by managerial culture. This does not mean, of course, that managers will necessarily make the same assumptions; they may well believe that they can alter some aspects of the dominant sociological culture within their organisations and attempt to do so.

The extent to which managers can influence the second, socio-psychological level of culture will largely depend on the nature of the enterprise. Meek (1992:192) notes:

the problem with some studies of organizational culture is that they appear to presume that there exists in a real and tangible sense a collective organizational culture that can be created, measured and manipulated in order to enhance organizational effectiveness.

Such a presumption is intuitively unlikely to hold good in organisations with consistently high employee turnover, or which experience frequent change. Even in enterprises where managers can influence behaviour through manipulating group dynamics, it is inherently unlikely that any competitive advantage will result, simply because the techniques of manipulation will soon be imitated by competitors. Indeed, some of the benefits that are asserted to accompany a HPWS arise from the positive effects of the group dynamics of teams and particularly, self-directing work teams. Gill and Whittle (1992: 282), in discussing total quality management (which is often associated with a HPWS), observe that ‘the manipulation of culture will give rise to a “love of the firm” and its goals and so increase productivity’. Of course many scholars have contested the argument that a HPWS will in fact have this effect (see, for example, Harley 1994; Marchington, 2001).

To summarise the argument to this point, then, it is feasible that some managers will believe that they can obtain a competitive advantage by altering the dominant sociological culture within their organisation, even though the weight of scholarly opinion is that they have little chance of doing so successfully. When it comes to the second, socio-psychological level of culture, it is likely that managers will not attempt to manage it as a thing in itself but if they do wish to influence it, they will regard it as a desirable outcome of adopting a HPWS. In that case it becomes part of a best practice approach to SHRM that by definition cannot provide a sustained competitive advantage.

That leaves the third, managerial level and it is here perhaps that managers could be expected to make efforts to establish a unique corporate culture as a means of gaining competitive advantage. Harris and Ogbanna (2001: 157), while noting the definitional problems surrounding the term, assert that SHRM is ‘founded on the management of organizational culture’. Their interpretation of this term is close to Fiol’s (2001: 695) ‘set of core values and outcomes’ or Nordhaug and Gronhaug’s (1994) argument that ‘a shared mindset’ allows a portfolio of many competences to constitute an enterprise’s distinctive competence (cited in Wright *et al.* 2001: 712). It may be that some managers regard culture as a means of retaining some control over employees in new organisation structures that emphasise uncertainty and an absence of hierarchy (Lowendahl & Revang, 1998: 763). Some scholars certainly regard attempts to manage culture as tools designed to control employees (e.g. van den Broek, 1997) while Ogbonna (1992: 76) and Lewis (1996a: 13) have suggested that some ‘culture change’ programs are really organisational development techniques with a new label.

Much of the literature on corporate culture and leadership deals with managerial culture, although once again there is some discrepancy between the interests of practising managers in knowing how to align it with enterprise goals and the concern of scholars to know how to measure and study it (Beaumont, 1992: 28). Lewis (1996b: 9) points out that most academics have a sceptical approach towards cultural change, whereas consultants are inclined to offer packaged solutions. Ogbonna (1992) has suggested that many managers who try to influence organisational culture may not understand what they mean by the expression, and may not even have reflected on the matter before taking some action intended to produce changed behaviour. Sadri and Lees (2001) propose that corporate cultures can themselves be divided amongst typologies, without ever probing the depth and complexity of the concept itself. Woodall and Winstanley (2001) raise ethical issues concerning the whole project of culture management and argue that SHRM practices should be developed to accommodate the existing culture, not to attempt to manipulate it. Nevertheless much of the literature assumes that the issues of interest are practical rather than ethical or ideological ones.

Efforts to develop or change managerial culture may therefore be viewed as attempts to create a resource that will provide a sustained source of competitive advantage. They therefore fit comfortably within the RBV of strategy.

### *2.5.6 Managerial culture and the RBV*

If managers regard managerial culture as a source of potential competitive advantage, will they try to imitate the culture of an enterprise that they believe is a successful one? Applying the logic of the RBV, that would seem unlikely. Even if one cannot coherently articulate the reasoning behind causal ambiguity and path dependence, it is still intuitively likely that a corporate culture cannot be successfully detached from its host enterprise. Consequently, it is likely that managers will try to substitute instead of imitate – in other words, they will try to create their own unique managerial culture to cancel any resource advantage that competitors have, and ideally to place their own enterprise in a position of advantage. According to Grant (1991: 125, citing Barney, 1986), '[o]ne of the most important roles that organizational culture plays in sustaining competitive advantage may be through its maintenance support for capabilities through the socialization of new employees'. It is implicit in this perspective of culture that it must be capable of frequent modification to accommodate changes in strategy, which would be problematic if culture referred to employees' deep-seated values and beliefs

(Ogbonna, 1992: 94). This reinforces the likelihood that managers are likely to understand ‘culture’ as a reference to behaviour rather than deep-seated beliefs and values. Simpson and Cacioppe (2001) adopt this interpretation in a normative article aimed at practitioners, equating culture with ‘unwritten ground rules’ that govern employee behaviour; Lewis (1996b: 9) confirms that in her experience most managers who talk of cultural change are really concerned to change observed behaviour.

### ***2.5.7 Criticisms of the RBV***

The terminology of the RBV has only come into common usage since the early 1990s, although the insights that it offers were articulated earlier than that. As noted in section 2.5, the RBV has arguably dominated developments in the field of management strategy theorising in recent years. Not surprisingly, it has attracted a certain amount of criticism. It has also had layers of complexity and refinement added to its initial simple thesis.

One criticism of the RBV is that it lacks theoretical content and amounts to little more than a tautological assertion that enterprises with resources that improve their performance will perform better than enterprises that do not have such resources (Priem & Butler, 2001a). Barney (2001a: 643) responds that this criticism misconceives the nature of the RBV, which he calls a ‘view’ and not a theory. As such, it may serve not as a theory of itself, but as a descriptive insight that allows a number of new theories to be formulated (Barney, 2001a: 643). One such possibility is that SHRM theory may be reformulated to explain how and why people-based valuable resources can be acquired and made to provide a competitive advantage (Wright *et al.* 2001: 714).

Priem and Butler (2001a: 31) have criticised the RBV for lacking a dynamic dimension, pointing out that changes in the environment over time will inevitably alter a resource’s value. This criticism can be met by acknowledging change in theories developed from the RBV, as noted in earlier discussion. For example, Delery and Shaw (2001: 178) argue that enterprises are likely to possess numerous HR assets of various amounts of value, rarity and so on, and that each manager will probably try to achieve a high performing workforce using practices that are different to competitors’ and also subject to frequent modification. This does not invalidate the proposition that at any given point in time, different resource



configurations will account for any competitive advantages and disadvantages that accrue to those enterprises. The issue becomes one of the sustainability of competitive advantage in a fluid environment. However, it must be noted that the debates are largely *a priori* speculation and there is not enough empirical evidence to sustain any valid observations about what managers in general actually do or how effective it is. This study provides some data relevant to the former issue.

Others have questioned whether the notion of a ‘sustainable’ competitive advantage is empirically valid (Eisenhardt & Martin, 2000: 1117-8; Fiol 2001: 692). They point out that the RBV cannot ignore the market environment, and that many firms operate in such dynamic markets that advantages of any kind, however caused, are likely to be temporary. This is a particularly relevant point for this study, which seeks to use the RBV to illuminate the behaviour of managers. This is so because the extent to which competitors can imitate or substitute for a valuable resource can seldom be known in advance, particularly in the case of intangible resources. Even if managers are prepared to make certain assumptions about these matters, they are in a state of even greater uncertainty insofar as the sustainability of any competitive advantage is concerned. It is therefore inherently more plausible that managers will be more likely to concentrate on gaining competitive advantage as an end in itself, rather than limiting themselves to certain kinds of advantage. The advantage may arise from using a complex capability earlier or better than other firms, rather than in having a capability that is inimitable (Eisenhardt & Martin, 2000: 1117).

It also has to be said that the RBV itself potentially suffers from the same typology problems as other approaches to strategy and SHRM. The characterisation of resources as either imitable or inimitable creates an unsustainable dichotomy, as does the issue of substitutability. In comparatively few situations will it prove literally impossible either to imitate or to find a substitute for another firm’s valuable resource. Surely a more common issue will be the ease and cost with which a resource can be imitated, or a substitute found. A related question will be not simply whether or not the resource is valuable, but the amount of that value (Barney, 2001b: 43). Recognition of these contingencies will make the RBV a less straightforward perspective, but also meet some of the criticisms made by scholars like Priem and Butler (2001a). Despite the criticisms the RBV continues to be adopted as a useful frame for strategy research which ‘appears to be thriving amidst an ocean of paradoxes and tautologies’ (Lado, Boyd, Wright & Kroll, 2006: 121). At this stage of its development,



research can most usefully act ‘in the service of discovery’ with any attempts at falsification being directed to the propositions that support the RBV (Lado *et al.*, 2006: 125).

### *2.5.7 Implications for this study*

The conversation within the academy about the status, scope and coherence of the RBV clearly has a long way to run. For example, Paauwe and Boselie (2003) claimed that the RBV was the dominant theory linking HRM to firm performance but three years later, Khilji and Wang (2006: 1171-2) framed their discussion of SHRM within the context of the contingency/best practice contest with no mention of the RBV. Perhaps the reason is that the notion of best practice as a source of competitive advantage is so self-evidently antithetical to the RBV (Andersén, 2007: 661) that the two strands of scholarship will inevitably develop independently. This study will make a contribution to the conversation by exploring the extent to which the managers of two firms have adopted SHRM practices. The aspect of the study that is especially relevant to the RBV is the extent to which HRM is regarded as a potential source of competitive advantage, and if so, how? As will be seen in chapters 4 and 5, senior managers did try to obtain a competitive advantage through management of their organisation’s culture.

The broader problem driving this study is the tension between management’s need to make decisions about the operations of their organisations and the bewildering array of theory and advice that they face with respect to both strategic management and HRM. As has been outlined in this chapter, the sheer quantity of information and prescription is so great that even the most capable manager could never keep pace with more than a small proportion of the whole. The volume of course would not be a serious problem if the literature consisted of variations on a consistent theme but this is far from the case. The more managers engage with the academy, in other words, the greater the babble of conflicting voices advising them about strategy and HRM. Yet they cannot do nothing and wait for matters to become clearer; they have to make decisions that rightly or wrongly are regarded as strategic by stakeholders in their organisations. The interesting research issue that arises is the nature of the responses that managers have made to this uncertainty and confusion.

This is consistent with Purcell’s (1992:61) observation that all ‘strategic decisions are characterized by the need to cope with uncertainty’, and that models of rational strategic choice are consequently subject to criticism if they assume ‘a carefully planned series of

decisions where human resource management is designed to mesh with organizational structures which in turn derives [*sic*] from first-order strategies'. Lundy and Cowling (1996:42) agree that 'strategic decisions are not only hard to make, they are also very difficult to put into practice'. Noble (1999: 19) agrees that implementation of strategic plans 'is an enigma and a source of frustration in many companies'.

In trying to manipulate culture or create complex capabilities, managers will be grappling with many unknowns, and because of causal ambiguity, the bounds on the scope for rational choice will be extensive (Barney, 2001b: 50). Unintended consequences (both positive and negative) will be almost inevitable (Harris & Ogbanna, 2002). From time to time, there might be complete failure; path dependence might make the desired outcome unachievable in that particular enterprise. Yet doing nothing is rarely an option, so managers must keep trying to find a way through the uncertainty.

Mintzberg and Lampel (1999: 26) present the contemporary situation confronting strategic management scholars in terms that reflect the way in which management studies are often perceived as being part of a 'market':

Strategic management has suffered from the problems that bedeviled [*sic*] the Victorian explorers. We, too, are a community of explorers, competing for discoveries, with backers eager for results and a public that demands answers.

This study, however, explores the situation from the point of view of the practising manager rather than the academic. Linstead *et al.* (2004: 515) have noted the practical limitations that confront managers when strategic management theory might suggest that they should shift their organisation to another industry niche, and 'thus the hunger of practising managers for potential solutions to immediate strategic problems has increased demand for practical prescriptions ...' But are they really 'eager for results' and demanding answers? Have they examined the available 'discoveries' and made intuitive choices about which ones can usefully be applied to their own organisations? Or have they become dupes of the 'fads and fashion' school of management literature? Perhaps many of them have in fact ignored the whole discussion as being too complex to offer any practical assistance to them in carrying out their roles. There is insufficient data available to allow any informed discussion about the extent to which managers have done any of these things, and it is that gap which this study seeks to fill.

One characteristic of the RBV that makes it a useful framework for this study is that it seeks to explain why organisations have a competitive advantage without simultaneously explaining how they came to enjoy it. In other words, it suggests an explanation for how things are without pretending that causality can be established or the future predicted. It may be that practising managers adopt a similarly pragmatic approach to competitive advantage. However the RBV does not suggest, as Linstead *et al.* (2004: 515) imply, that a firm's resources are within the control of managers. On the contrary, in developing the ideas of causal ambiguity and complex capabilities, the RBV emphasises how difficult it often is even to know where competitive advantage comes from, let alone to use rational management practices to marshal the ideal combination of resources.

Nevertheless, reservations have been expressed about the RBV and the apparent simplicity of its principal propositions. One of these reservations arises from the state of market knowledge assumed by the RBV, and the other, by the assumed level of competition.

It is implicit in the RBV that managers will know whether or not other firms have a competitive advantage. If they do not have access to this knowledge, then they will not know that other firms have valuable resources that contribute to a competitive advantage. However, it is not self-evident that managers will have access to this kind of knowledge. To some extent, that will depend on how the managers themselves measure 'competitive advantage'. If they do so using conventional financial yardsticks like return on shareholders' funds or total revenue, then that information might be publicly available. However, managers who are more concerned with market share or long-term growth may measure their own competitive success using approximate measures that leave competitors' performance as a matter for considerable guesswork.

Other difficulties have been implicitly acknowledged by Barney's (2001b: 47-8) discussion of the arena in which the RBV identifies competitive advantage. For three persuasive reasons, Barney declines to make that arena the 'industry': the boundaries of industries are notoriously hard to draw, industries are unstable due to change, and the RBV's logic emanates from the firm as opposed to the industry. Instead, Barney (2001b: 48) prefers to define competitive advantage by reference to other firms with which the enterprise competes. However, this definition also assumes a degree of stability that may not exist. In the Australian construction

industry, for example, managers often have no idea which firms intend to bid for contracts, and the firms with whom they are competing are in a constant state of flux. The cumulative effect of these problems may make it difficult or impossible for many managers to reach a meaningful conclusion about the extent to which their enterprise operates at a competitive advantage or disadvantage against either some notional norm or individual competitors. Barney himself (2001b: 48) has suggested that instead of the term

“competitive advantage”, researchers should explain exactly what it is they are trying to explain: above-industry-average profits (as in Priem & Butler), a firm improving its efficiency and effectiveness in ways that competing firms are not (what might be called “strategic advantage,” as in Barney, 1991), or economic rents (as in Barney, 1986a).

While this may be good advice for researchers, it invites the question of what it is that the RBV is trying to explain as a perspective of general application.

Even if accurate information about competitive advantage is available, realistic scenarios can be imagined where managers would not be particularly concerned to collect and analyse it. One such situation might arise where firms were competing in a quickly growing market. It might be that in such a situation, any enterprise with even moderately competent management might be able to grow while providing a return that the owners regarded as satisfactory. Managers of such enterprises might be content to ‘get on with their knitting’ without concerning themselves about their relative level of performance. Another such situation might exist in markets with very large numbers of competing firms. In such a market, the cost of gathering data about the performance of other firms, even if it was readily discoverable, might dissuade managers from attempting the task as long as they did not feel that their own enterprises were faced with an impending crisis caused by lack of competitiveness.

In other words, it is not difficult to imagine situations where some firms could enjoy rents for an extended period despite the fact that these rents were due to the possession of valuable resources that were imitable or for which substitutes could be found comparatively easily. These situations would arise in circumstances where the existence of the rents themselves was not known to competitors, either because the information was undiscoverable or because competitors regarded the cost of discovery as unjustifiable. Whether such situations actually do arise is, of course, a matter for empirical research, but pending such research, their plausible existence does add a layer of contingency to the RBV.

The RBV also assumes that managers try to match the performance of their competitors. This is, of course, an assumption drawn from neo-classical economic theory: all economic actors are assumed to want to maximise the utility that they achieve from their assets. In the case of competing enterprises, the fact that one firm is obtaining rents in excess of others is assumed to act as an incentive to competitors to match those rents. As they do so, of course, prices will tend to drop, thus eliminating rents altogether and returning all firms to the normal rate of return.

This assumption is subject to the reservation that it lacks empirical validation. So too is the assumption that managers will try to imitate, or find a substitute for, valuable resources that they lack but which competitors have. ‘Inimitability’, and particularly ‘substitutability’, are not objective qualities that can be found to exist in a valuable resource by induction. They can only be found to exist after sufficient attempts have been made to imitate or substitute for that resource. The implications of these reservations are explored in section 2.6.4.

## ***2.6 Themes arising from the literature***

The debate within the academy about the status, scope and coherence of the RBV clearly has a long way to run. It is not, however, the principal purpose of this study to contribute to that debate; any such contribution will be a secondary outcome. The objective of this study is to explore whether managers attempt to implement any version of SHRM, and if so, how. This process of exploration will make a contribution to filling the gaps in existing knowledge summarised in Table 2.1.

***Table 2.1: Gaps in knowledge identified by the literature review***

- |   |
|---|
| <ul style="list-style-type: none"> <li>• Much HRM literature prescribes a strategic approach on the basis that this will lead to superior organisational performance but the extent to which senior managers have accepted and acted upon that prescription is largely unknown.</li> <li>• There is comparatively little empirical data about the extent to which firms have adopted the best practice model of SHRM, and most of the empirical data that does exist has been gathered in quantitative studies.</li> <li>• There is comparatively little empirical data about the extent to which firms have adopted the</li> </ul> |
|---|

contingency model of SHRM.

- The RBV of strategy depends on certain assumptions about the ways in which managers acquire information about their competitors and act upon that information, but these assumptions are contested and have not been verified empirically.
- According to the RBV, the source of competitive advantage is likely to lie in rare and valuable resources such as complex capabilities and organisational culture but the extent to which this helps to explain the behaviour of managers is poorly understood.
- The conception or conceptions of organisational culture held by senior managers are poorly understood, as is the extent to which they attempt to create or change organisational culture in order to obtain competitive advantage.

Source: Developed for this study

The process of exploration in this study will not, however, be entirely open-ended. It will focus particularly on the extent to which managers share the perspective of the RBV and behave accordingly. In other words, do managers believe that competitive advantage accrues to enterprises that acquire valuable resources that are inimitable and for which substitutes are not available? If they do believe this, how important is that belief in the decisions they make about allocating scarce resources within the enterprise, particularly those resources that might influence the enterprise's human assets? Barney (2001b: 49-50) has suggested that the logic of the RBV has 'practical implications' for managers, allowing them to understand better how to realise latent potential for competitive advantage, as well as to appreciate which valuable resources should be nurtured and protected. This study will explore the extent to which those practical implications have been realised.

Much of the RBV would not be a novel concept for practising managers; in particular, many of them would understand the value of possessing valuable resources that are also rare (Priem & Butler, 2001b: 63). The literature concerning SHRM and the RBV discussed earlier in this chapter can therefore be used to formulate some tentative propositions about the kind of managerial behaviour that might be expected in Australian enterprises, at least in those that are exposed to a significant degree of market competition. It would be wrong at this stage to characterise these propositions as elements of a theory of managerial behaviour. Rather, in

accordance with the observations of Barney (2001a: 643), they are propositions that elaborate the insights offered by the RBV. Some potential difficulties that will need to be overcome in the course of developing a theory are noted in the course of developing these propositions.

The propositions that follow are important elements in the study's design. They will guide decisions about what data should be collected and how it should be analysed and evaluated. Proposition-driven research is a necessary attribute of case study research (see section 3.3.2).

### *2.6.1 First proposition*

The first research proposition considered in this study concerns the extent to which managers have attempted to adopt best practice SHRM. Developing a testable proposition is a straightforward matter of summarising the approach recommended in SHRM textbooks and supporting literature. For the reasons summarised in section 2.4.3, the first proposition is:

Proposition 1: Senior managers who adopt a 'best practice' conception of SHRM will try to implement HRM practices based on a universal model derived from external sources.

### *2.6.2 Second proposition*

The contingency model of fit (see section 2.4.1) supports an alternative proposition:

Proposition 2: Senior managers who adopt a 'contingent' conception of SHRM will have a procedure in place whereby HRM practices are intended to be deliberately aligned with a broader organisational strategy.

### *2.6.3 Third proposition in two parts*

The remainder of the propositions have been developed to explore the extent to which the top managers of the case organisations manage employees in accordance with the RBV. The first proposition is:

Proposition 3a: Managers will try to acquire any valuable resources that they perceive are being used by competitors as a source of competitive advantage.



This proposition underpins the RBV. Allocating importance to the inimitability or substitutability of a resource implies that managers do scan their markets with a view to comprehending the nature of any competitive advantage being enjoyed by other enterprises. Certain reservations have already been developed in scholarly literature about the extent to which the proposition is always true of all organisations in all circumstances but as a general explanation of management behaviour it is at the core of the RBV.

This leads to the next proposition guiding the study:

Proposition 3b: If valuable resources that are providing an advantage to competitors cannot be acquired, managers will try to imitate the resource or find a substitute that provides an equivalent advantage.

This proposition is inextricably linked with proposition 3a. The RBV assumes that managers try to match the performance of their competitors. This is, of course, an assumption drawn from neo-classical economic theory: all economic actors are assumed to want to maximise the utility that they achieve from their assets. In the case of competing enterprises, the fact that one firm is obtaining rents in excess of others is assumed to act as an incentive to competitors to match those rents. As they do so, of course, prices will tend to drop, thus eliminating rents altogether and returning all firms to the normal rate of return.

#### *2.6.4 Fourth proposition*

The assumptions embedded in propositions 3a and 3b lack empirical validation. ‘Inimitability’, and particularly ‘substitutability’, are not objective qualities that can be found to exist in a valuable resource by induction. They can only be found to exist after sufficient attempts have been made to imitate or substitute for that resource. If it proves to be the case that, in many instances, managers do not bother to try to imitate or substitute for a valuable resource, then it is impossible to say whether it is imitable or substitutable or not.

It is plausible that in a dynamic market, managers will often not bother to imitate a competitor’s valuable resource or find a substitute for it, unless one gives ‘substitute’ an extremely broad meaning. For example, take two firms producing similar services, one of which has acquired computer software that has reduced its costs by five per cent compared to its competitor. If its prices remain unchanged, then it is obtaining above-normal rents.



According to the RBV, its competitor will try to acquire the same software because it is a valuable resource. However, the competitor may have already committed itself to a major marketing campaign as a means of expanding its market share, and may not be financially capable of investing in new software. If its marketing campaign is successful, it may continue to allocate available investment funds into marketing. Its competitor's software may be an imitable resource or it may comprise just one part of a complex dynamic capability, in which case it will be inimitable. Nobody will ever know, because the attempt to imitate will never have been made.

It would be possible to say that according to the logic of the RBV, the second firm in the example given in the preceding paragraph was 'substituting' marketing activities for information technology investment, and consequently the RBV does explain the behaviour of the firms. However, to adopt this interpretation of the RBV is to give 'substitution' such a broad meaning that the RBV loses any useful explanatory or predictive power. It would state no more than that every enterprise tries to achieve competitive advantage in its own unique fashion, which is probably true but hardly qualifies as an insight. To maintain its value as a perspective on strategy, the RBV's approach to substitution must therefore be interpreted so that it refers to substitution by one enterprise with a valuable resource of a similar kind to a valuable resource that has given an advantage to a competitor. Otherwise, '[a]s a perspective for strategy research ... overly inclusive definitions of resources make it more difficult to establish contextual and prescriptive boundaries' (Priem & Butler, 2001a: 34). Barney (2001b:49) has suggested that the imitation/substitution logic of the RBV 'can be used to provide a theoretical underpinning to the process of benchmarking in which so many firms engage', but does not try to quantify how many are 'so many' or provide any data about how managers actually undertake the benchmarking process.

In summary, as was the case with the third, this proposition relies on assumptions that are not true *a priori*, but need to be tested by empirical investigation. The assumption is that most HRM functions will be regarded as maintenance activities, with management's intention being to comply with the policies and procedures prevailing in the industry. Investing in a new HRM policy, procedure or complex capability will only be regarded as worthwhile if it offers significant first mover advantages. The RBV assumes that innovations that can be copied easily and quickly will not create a competitive advantage and that managers will

therefore prefer to customise internal resources and present competitors with a moving target (Lepak & Snell, 1999: 43).

The extent to which managers try to use HRM systems to obtain a competitive advantage is therefore likely to depend on how individual managers interpret the concept of SHRM, and on the extent of their faith or belief in SHRM as a source of competitive advantage. This leads to the next proposition:

Proposition 4: To the extent that any senior management resources are devoted to HRM, they will focus on valuable resources that competitors will find difficult or impossible to imitate and for which no substitute is easily available.

Two probable resources of this kind are complex capabilities and managerial culture, which give rise to the final research proposition.

#### *2.6.5 Fifth proposition*

Issues associated with complex capabilities have been discussed in section 2.5.3 and the role of culture as a source of competitive advantage in sections 2.5.5. and 2.5.6. Barney (2001b: 50) notes that managers who understand the RBV will be reluctant to do anything that destroys the enterprise's culture, if that culture has been identified as a valuable resource. It follows that if managers do not believe that a valuable culture exists within their enterprise, then (if they consider the point) they will wish to create one in order either to match what they perceive as valuable cultures in competing enterprises, or to gain a competitive advantage. Some empirical findings support this supposition (King & Zeithaml, 2001: 95). Managers will, however, almost certainly focus on the employee behaviours that appear to be associated with their culture creation efforts and not worry about whether they reflect surface change or a deep-seated shift in values (Ogbonna, 1992: 94).

Complex capabilities and organisational cultures are causally ambiguous and path dependent. Managers who attempt to create either are therefore in the position of knowing in general terms the outcomes that they seek without having access to any proven measures to achieve those outcomes. This combination of a known goal and an uncertain process informs the final proposition, namely:

Proposition 5: Management's attempts to create organisational culture or complex capabilities as valuable resources are likely to be tentative and accompanied by unintended consequences.

This is consistent with Purcell's (1992:61) observation that all 'strategic decisions are characterized by the need to cope with uncertainty', and that models of rational strategic choice are consequently subject to criticism if they assume 'a carefully planned series of decisions where human resource management is designed to mesh with organizational structures which in turn derives from first-order strategies'. Lundy and Cowling (1996:42) agree that 'strategic decisions are not only hard to make, they are also very difficult to put into practice'. Noble (1999: 19) agrees that implementation of strategic plans 'is an enigma and a source of frustration in many companies'.

In trying to manipulate culture or create complex capabilities, managers will be grappling with many unknown variables, and because of causal ambiguity, the bounds on the scope for rational choice will be extensive (Barney, 2001b: 50). Unintended consequences (both positive and negative) will be almost inevitable (Harris & Ogbanna, 2002). From time to time, there might be complete failure; path dependence might make the desired outcome unachievable in that particular enterprise.

## ***2.7 Development of a theoretical model***

The relationship between the background to the research problem and the propositions is presented in figure 2.1. Three strands of scholarly theorising, which depend upon assumptions that are mutually incompatible to some degree, have created the area of inconsistency and uncertainty portrayed in this theoretical model – what Fleetwood and Hesketh (2008: 131) have termed a 'theoretical jumble'. The extent to which managers have been influenced by one or another strand can be tested empirically, by developing propositions describing how they could be expected to behave if the theoretical assumptions or prescriptions were sound. These propositions will underpin the research methods described in chapter 3 and provide the framework for analysing the study's findings in chapter 7.

The first and in many ways simplest approach to SHRM is to aim for best practice. Management can do this in a rational, linear process consisting firstly of learning the

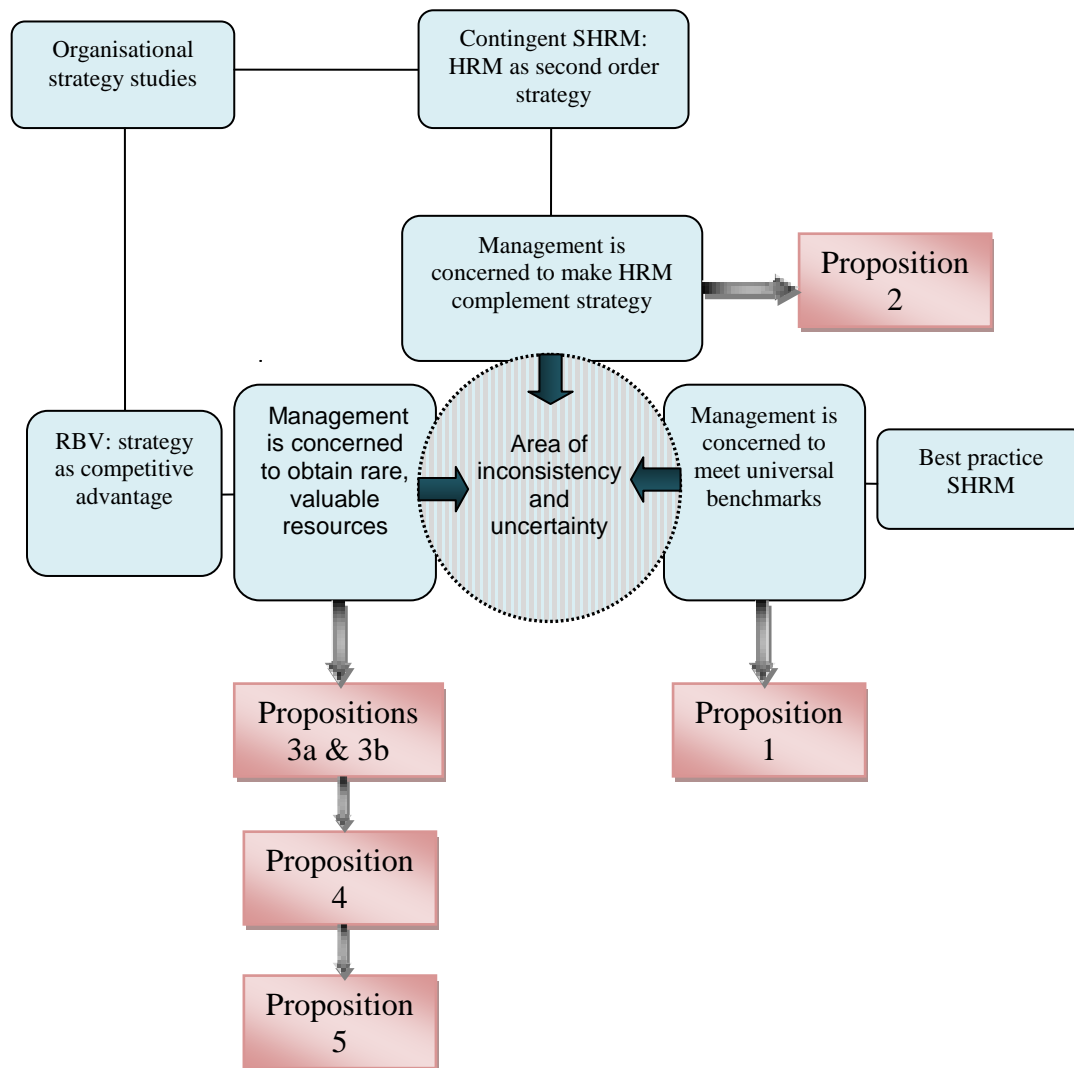
elements of best practice, secondly of developing HRM policies and procedures to introduce best practice into their organisations, and finally of establishing learning loops so that subsequent advances in the knowledge of best practice lead to corresponding modifications to organisational policies and procedures. This is the approach to SHRM that will be explored by testing proposition 1 in this study.

Many managers will, however, have been exposed to contingency approaches to SHRM and for the reasons explained earlier (in section 2.4.4 in particular), this is likely to place them in the area of inconsistency and uncertainty depicted in figure 2.1. Developing suitable HRM policies and procedures using a contingency approach is also a linear process but it begins within the organisation, not with an externally-derived body of universal best practice. The contingency model of fit prescribes that developing an organisational strategy should be the first order of business, to be followed by the development of complementary HRM policies and procedures. These policies and procedures should be reviewed and modified whenever the organisational strategy changes.

The final pathway to inconsistency and uncertainty is the RBV model of strategy, which introduces notions of bounded rationality, causal ambiguity and path dependence that are incompatible with the rationalist, linear approaches based on alternative views of fit. Within the RBV model, HRM policies and procedures do not necessarily play a strategic role of any kind. They will only do so if they embody complex capabilities or other valuable resources that competitor firms cannot easily match. Even then, the reasons why the resource has come to exist may be unknowable and management might do more harm than good by taking any initiatives to meddle with it.

The problem that has inspired this study is that little is known about the extent to which Australian managers have been influenced by one or more of these alternative approaches to SHRM. The five propositions used as a frame for the study will guide the collection of information intended to fill this gap in knowledge and answer the research questions about the extent to which one or more of the models of SHRM reflect practitioner behaviour.

***Figure 2.1: Links between research propositions and the research problem***



Source: Developed for this study

## 2.8 Summary

Two prescriptive models of SHRM now exist side by side in the literature. One presents a generic model of HRM policies and practices intended to achieve high levels of firm performance; this is the best practice model. The other is the contingency model which recommends the development of HRM policies and procedures that are purpose-built to help achieve the objectives of each organisation's corporate strategy. While some scholars have tried to reconcile the two models or to argue that there is no necessary inconsistency, their attempts have been unconvincing and the dominant scholarly opinion remains that managers cannot simultaneously apply both models in practice.

The RBV is a different perspective from which to consider SHRM, refraining from attempts to find universally effective approaches to strategy that can be used to ground prescriptive

models in favour of an exploratory approach emphasising the complexities of organisational resources and the nature of competitive advantage. However the RBV also has significant shortcomings in that it lacks predictive usefulness and at least in its current state of development, provides limited guidance to practitioners in the way they make the decisions required to sustain their organisations' viability and competitiveness. Nevertheless the RBV offers a coherent framework for understanding complex organisational capabilities and the concept of organisational culture, which has been given many different meanings in scholarly literature.

The existence of these three approaches to SHRM has created acknowledged theoretical deficiencies in understanding organisational behaviour. Moreover it leaves an area of inconsistency and uncertainty for practising managers who look to the academy for guidance in managing HR. Virtually nothing is known about the extent to which managers in Australian firms have acted (deliberately or otherwise) in accordance with one or another of the three alternative approaches to SHRM.

The chapter closed by developing certain testable propositions describing the behaviour that could be expected from managers if they were acting in accordance with the assumptions or precepts of any of the alternative approaches to SHRM. These propositions will guide both the gathering of data for this study and its subsequent analysis. The research methodology to test the propositions will be described in the next chapter.

## Chapter 3: Methodology

### 3.1 Introduction

The purpose of this study is to examine the extent to which managers are endeavouring to implement some form of SHRM within their organisations. Chapter 1 of the thesis outlined the problem that warrants this issue being the subject of a study. Chapter 2 discussed the ways in which the notions of strategy and SHRM have been developed in management literature, and identified the gaps within the literature that this study can help to fill. The purpose of this chapter is to explain and justify the design of the research study discussed in this thesis.

The research problem can be summarised in this way: Managers are confronted with normative literature about how to implement SHRM that is inconsistent and sometimes contradictory and that contains some concepts which are mutually exclusive. Scholars have limited information about the extent to which managers attempt to implement SHRM in practice and to the extent that managers do practise SHRM, scholars have limited information about the extent to which those practices conform to one or another of the models of SHRM proposed in the literature.

Attempts to add to the literature relevant to this problem have been comparatively few in number and have generally used quantitative methods utilising proxies of complex concepts and self-reporting surveys by managers (Khilji & Wang, 2006: 1172). While these have been useful additions to our understanding of the extent to which managers are aware of the basic SHRM principles and concepts and believe they are implementing them (for example, Andersen *et al.*, 2007; Chan *et al.*, 2004; Huselid, 1995), these large quantitative studies by their nature do not provide rich data about what SHRM means to an organisation in practice. This study is designed to provide such data, consistent with Rouse and Dallenbach's (1999, cited in Gibbert, 2006: 126) observation about strategy research in general that:

... to the extent that strategic management research has shifted from a focus on environmental factors (Porter, 1980) to idiosyncratic resources, the dominant research approach should coincidentally shift from research *on* organizations (using, e.g., large-sample, multi-industry, single-time-period samples) to research in organizations (using, e.g., thick descriptions, direct or participant observation-derived data, and in-depth, longitudinal approaches ...) [italics in original]



The study is therefore an interpretive one: ‘a way of researching a given topic in depth and with sophistication without a statistically secure universalisation of findings’ (Hackley, 2003: 8-9). It is not, however, easily categorised within the normal qualitative/quantitative or scientific/ethnographic dichotomies. It uses both qualitative and quantitative methods to gather data about the extent to which management practices in two organisations conform to one or another of six propositions drawn from the strategy and SHRM literature. It adopts a scientific approach in the sense in which Maylor and Blackman (2005: 143) use the term: use of a literature review to establish a conceptual framework which in turn leads to the identification of the relationships that are expected to be found. It departs from this scientific approach however by positing alternative relationships and taking an ethnographic approach ‘to try to uncover meaning in a specific situation by studying it intensively’ (Moylan & Blackman, 2005: 146).

### *3.1.1 Philosophical context*

The merits of the scientific method have long been the subject of spirited controversy in the social sciences, and specifically in the field of management studies with which this study is concerned. According to Tranfield and Starkey (1998: 353), ‘[m]anagement research has too often been viewed as research in the physical sciences, guided by a belief in the existence of universal laws’. Faith in science is reflected in an apparent belief on the part of some practising managers and scholars that the ‘one best way’ of managing is discoverable; and once discovered, is capable of being applied in real organisations. Van Aken (2004) refers to these as ‘technological rules’ and argues that many purported rules emanate from research findings that were descriptive at best and not suited to ground normative principles. Nevertheless the term ‘best practice’ is in everyday use, and while it sometimes bears the relational meaning that was originally intended for it within the context of a continuous improvement program, it frequently implies that there is a single ‘best practice’ to which all organisations should aspire.

This faith in best practice can be seen in the succession of management fads that have influenced management studies over the last several decades. Indeed the study of management fads has itself grown into something of an academic *genre* (see, for example, Abrahamson, 1991, 1996; Bamber, 1999; Carson, P, Lanier, Carson, K & Birkenmeier, 1999; Clark & Salaman, 1996, 1998; de Burgundy 1996; Donaldson & Hilmer, 1998; Huczynski,

1993a, 1993b; Jackson, 1996; Marchington, 1995; Spell, 1999; Watson, 1994). While some academic writers tend to disparage fads, it is undeniable that many fads have been either started or encouraged by management scholars. In disciplines like medicine and philosophy the difference between serious academic writing and populist fluff is comparatively clear, but the distinction is more difficult to make in management studies. Nor is HRM immune from fads: Wright and McMahan (1992: 314) have observed that '[e]xamination of the faddish nature of many HRM programs provides numerous examples of organizations implementing HRM practices in order to appear modern or professional'.

One of the factors contributing to this state of affairs is the relative paucity of empirical data on which to ground management theory. The methodological deficiencies in works like Peters and Waterman's (1982) *In Search of Excellence* have been well documented (Bamber, 1999), but much other literature is necessarily based on slender evidentiary material. For obvious reasons research has tended to concentrate on large organisations, and for less obvious but understandable reasons, on particular kinds of industries that might be more likely to attract community interest. Thus much management theory has been influenced by studies of very large firms in industries like car manufacturing and telecommunications. While the importance of such organisations is self-evident, the circumstances under which they operate differ significantly from small and medium size businesses, public sector organisations, and firms in industries like mining, tourism and construction. The problem is not so much that published research is unsound, but that some writers succumb to the temptation to build upon it a generalised theory that the data cannot sustain. In writing about 'high performance' work systems, Godard and Delaney (2000: 491) comment that 'research to date does not clearly establish the generalisability or sustainability of innovative practices within the economy as a whole', yet this has not prevented such systems being promoted in much of the semi-populist management literature as universally beneficial reforms.

This lack of data suggests not that the scientific method is unsuited to the study of management, but that the application of the scientific method to the study of managerial behaviour is an enormous project that has barely begun. This helps to explain the multiplicity of theories that have emerged in management studies. It also suggests that when apparently inconsistent theories are encountered in management studies, the appropriate research response may not be to devise a study to test the robustness of one particular theory. A more constructive approach may be to regard all theories as highly contingent, to hypothesise that

they might all add partially to a proper understanding of management, and to devise a research response that seeks to test how well multiple theories can explain a given set of data, either individually or in combination. That, at any rate, is the research philosophy that has informed this study. It is consistent with the view of Hoskisson *et al.* (1999: 439) that ‘because of the practical nature of the field, strategic management [as a field of inquiry] is likely to continue to flourish by using a wide variety of theoretical perspectives and methodologies in order to help explain firm performance’.

### 3.1.2 Paradigmatic context

This study will report on the findings of two case studies but as Hackley (2003: 96) notes, this does not of itself describe the basic assumptions that will underpin the research. The study will draw on the paradigms covering scientific research and adopt a critical realist perspective on management scholarship.

Maylor and Blackman (2005: 140-41) posit a simple dichotomy of approaches to research: scientific and ethnographic. This study will take a scientific approach. It will ‘view the natural world as real and capable of being studied *objectively*’ Maylor and Blackman (2005: 142, emphasis in original). It will not, however, take a purely positivist approach that relies upon hypothesis-testing using quantitative data. It will share what Johnson and Duberley (2000: 152) summarise as a ‘key realist orientation’, namely that ‘things that cannot be measured or observed via our senses may be still real’. In adopting this epistemological position, the study will nevertheless acknowledge that in studying phenomena such as managers’ intentions, ‘this world cannot be known directly but only via the medium of human interpretation’ (Thomas, 2006: 37).

Describing research designs as either qualitative or quantitative is another simple dichotomous approach. This study is primarily qualitative but quantitative data will be used to complement qualitative data and the overall objective will be to analyse the extent to which certain propositions drawn from the literature are accurate descriptions of what occurs in practice. The study’s research design does not therefore fall neatly into a ‘demarcated, distinct and internally homogeneous’ body of thought, to adopt one perception of positivism, constructionism and postmodernism described by Thomas (2006: 18) but accepts that these are better described as ‘loose collections of related ideas and concepts’ (Thomas, 2006: 18).

### **3.2 Basic research design**

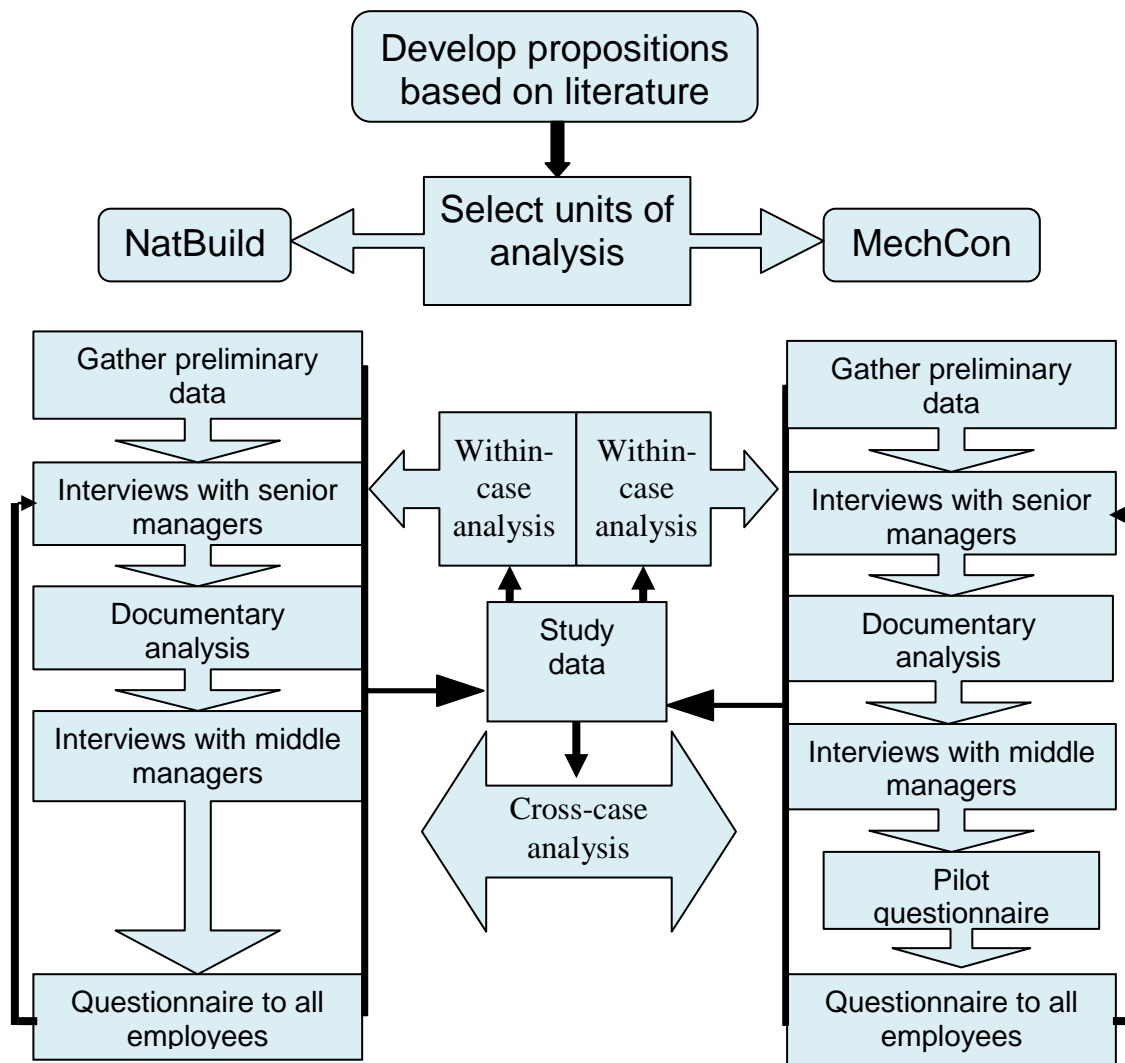
In exploring the extent to which managers attempt to implement one or more of the approaches to strategy and SHRM described in the literature, the study is an attempt to discover *ex post facto* the presence of consistent patterns (after Mintzberg and Waters, 1985) within the behaviour of these managers; patterns which are consistent with one or more of the patterns of behaviour described in the relevant literature. It follows what Neuman (2003: 451) calls the ‘illustrative method’ as a strategy for analysing data, which is organised ‘on the basis of a prior theory’ that provides ‘the *empty boxes* [italics in original]’ into which data may be placed. Once evidence has been gathered, it may confirm or reject the theory, ‘which he or she treats as a useful device for interpreting the social world’.

Evidence for the presence of consistent patterns in behaviour might be found in numerous ways, including the expressed intentions of the managers, their policies and practices as reflected in documents, the perceptions of other people associated with the organisation especially employees, and the lived experience of people associated with the organisation, especially employees. Capturing data from multiple sources – the process known as ‘triangulation’- will improve confidence levels in the study’s findings (Maylor & Blackman, 2005: 258-62; Yin, 2003: 98). The overall mixed method design of the research for this study will capture data from all the listed sources, as demonstrated by figure 3.1.

Each element of this design will be described in more detail in subsequent sections of this chapter. The important strengths of the design are that it allows extensive triangulation of data from two or more sources and that each element helps to inform the design of the other research methods, facilitating positive feedback (see figure 3.1) that improves the reliability and validity of the data.

Triangulation of data will help to overcome the potential weaknesses inherent in collecting data from a single source or using a single method (Yin, 2003: 97). Figure 3.1 illustrates the way in which this study will allow judgements to be made after considering data from multiple sources. It is important to include data about the perceptions of both senior and middle managers because they can ‘vary dramatically’ and the latter ‘play essential and underrecognized strategic roles’ (King & Zeithaml, 2001: 77).

**Figure 3.1:** Design of research project



Source: Developed for this study

The feedback loop built into the research design and illustrated in figure 3.1 will improve the effectiveness of the individual research methods. Initial collection of background data means that the interviews of senior managers will be more likely to include relevant questions; these interviews and the analysis of organisational documents will guide the content of interviews with middle managers; the data collected from all interviews and documents will inform the questions in the employee questionnaire and the questionnaire results may prompt additional questions for senior managers in a second round of interviews. The important strengths of the design are that it allows extensive triangulation of data from two or more sources and that each element helps to inform the design of the other research methods, facilitating positive feedback (see figure 3.1) that improves the reliability and validity of the data.

### ***3.3 Specific research design and procedures***

Following Yin (2003:21), the research project will have regard to five components: the case questions; its propositions; its units of analysis; the logic linking the data to the propositions; and the criteria for interpreting the findings. In this section, each of those five components will be discussed in some detail.

#### ***3.3.1 The case questions***

This study originated with a perceived practical problem, as outlined in chapter 1. The problem is this: senior managers of organisations have been exposed for some years to conflicting advice from management scholars about the meaning of SHRM and how they should go about implementing it. Managers seldom have the option of putting matters on hold while they wait for a consensus to emerge about the principles of ‘good’ management. The practical problem is therefore that managers have to decide what constitutes ‘good’ HRM in the absence of any clear guidelines from the academy.

The fundamental research objective, therefore, is to find out how managers have solved that problem. However, the existing state of knowledge as outlined in chapter 2 means that questions can be expressed more precisely than this. In the first place, HRM scholars have generally agreed that HRM should be consistent with organisational strategy. There is considerable disagreement as to what this means in practice, because of alternative conceptions of both organisational strategy and SHRM, but the notion of ‘fit’ is a constant. Practising managers would therefore seem to have the broad options of saying “A plague on all your houses” and rejecting any overt notion of fit completely, or of adopting and trying to implement one or another of the versions recommended in the literature. Therefore the first question for the research is:

‘To what extent are senior managers adopting and implementing some version of ‘fit’ in implementing SHRM?’

The remaining two questions are related but independent of the first. The second one builds on theories of competitive advantage that feature in so much of the strategy literature. As outlined in sections 2 and 3, the most recent conceptions of organisational strategy virtually equate it with the search for competitive advantage. One school of thought within

the literature also describes SHRM as a ‘second order’ strategy; in other words, one version of ‘fit’ contends that SHRM should follow overall organisational strategy to help achieve a competitive advantage. As discussed in sections 2.4.4 – 2.4.7, this remains chiefly a matter of plausible speculation and prescription rather than an empirically substantiated account of what organisations actually do. Therefore the second question asks:

‘To what extent are senior managers attempting to use SHRM to obtain a competitive advantage?’

Finally, for reasons explained in chapter 2, this study is especially concerned with the RBV of strategy. SHRM as fit can only provide a competitive advantage if the organisation’s strategy is different to that of its competitors. Moreover, the RBV provides a persuasive explanation of the reasons why some strategies provide a competitive advantage and others do not: successful strategies build on internal organisational resources. The potential links with human resources are self-evident, leading Wright *et al.* (2001) to suggest that the RBV provides the arena where strategy and HRM theory converge.

The RBV transcends conventional human capital theory by suggesting that successful strategies utilise resources that are rare, valuable and very difficult either to replicate or to replace with a substitute. The RBV of SHRM is therefore opposed completely to the ‘best practice’ model recommended in much HRM literature. If managers have adopted a RBV of strategy, either deliberately or unconsciously, one would expect to find them placing importance on points of difference in their HRM practices that distinguish them from their competitors’. Accordingly, the final question is:

‘To what extent are the HRM practices implemented by senior managers consistent with the RBV of strategy?’

These three questions provide the initial framework for the study. To find the answers, several propositions have been developed from the literature and these are discussed in the next section.



### 3.3.2 *The propositions*

Yin (2003: 22) emphasises the importance of stating propositions to give direction to case study research. Propositions provide guidance in deciding what data should be gathered so the research questions can be answered efficiently and effectively without gathering irrelevant information. The rationale for the propositions is that if managers are behaving in the manner described or recommended by strategy and SHRM scholars, then one would expect them to be doing certain things. Data collection methods can then be designed to find out if they are behaving in the manner anticipated.

Needless to say, positive findings will not necessarily demonstrate that managers have deliberately followed the advice of one school of thought or another. However a negative finding will demonstrate that they have not. The main value of the propositions is therefore to act as a one way gate for the study. If they are not supported by the findings, all three research questions can be answered ‘not at all’, which itself will be a significant finding against which to evaluate the literature reviewed in chapter 2. If, on the other hand, the findings support the propositions in whole or in part, that will guide further examination of the data to uncover whether the findings are consistent with the literature in other respects or alternatively, are inconsistent with the literature due to factors that have as yet been insufficiently explored in strategy/SHRM studies.

The propositions were developed and justified in section 2.6 and that material will not be repeated here. For ease of reference, the propositions are:

Proposition 1: Senior managers who adopt a ‘best practice’ conception of SHRM will try to implement HRM practices based on a universal model derived from external sources.

Proposition 2: Senior managers who adopt a ‘contingent’ conception of SHRM will have a procedure in place whereby HRM practices are intended to be deliberately aligned with a broader organisational strategy.

Proposition 3a: Managers will try to acquire any valuable resources that they perceive are being used by competitors as a source of competitive advantage.

Proposition 3b: If valuable resources that are providing an advantage to competitors cannot be acquired, managers will try to imitate the resource or find a substitute that provides an equivalent advantage.

Proposition 4: To the extent that any senior management resources are devoted to HRM, they will focus on valuable resources that competitors will find difficult or impossible to imitate and for which no substitute is easily available.

Proposition 5: Management's attempts to create organisational culture or complex capabilities as valuable resources are likely to be tentative and accompanied by unintended consequences.

These five propositions have been used to guide data collection in this study. They also provide a framework for the analysis of the data that can be found in the next chapter.

### *3.3.3 The units of analysis*

Yin (2003: 22) refers to 'the fundamental problem of defining what the "case" is' and emphasises (pp 23-4) the importance of identifying clearly the 'units of analysis' that will constitute the cases in any study. This section explains how NatBuild and MechCon were chosen to be the firms used as the units of analysis in case studies.

The researcher in this study worked for 25 years in administration and HR management in the construction industry, firstly as an executive in individual contracting firms and later as the executive responsible for employment relations policy in an employer organisation representing large Australian construction contractors. The construction industry was chosen as the setting for this research mainly for practical reasons to do with the author's existing industry knowledge and network of contacts. These allowed potential case study firms to be approached more easily than would have been the case in an industry where the author had no prior experience.

The national construction industry in Australia has comparatively few large enterprises; since the early 1990s a series of mergers and acquisitions has significantly reduced what was already a relatively small number of players. There are no significant inter-firm differences

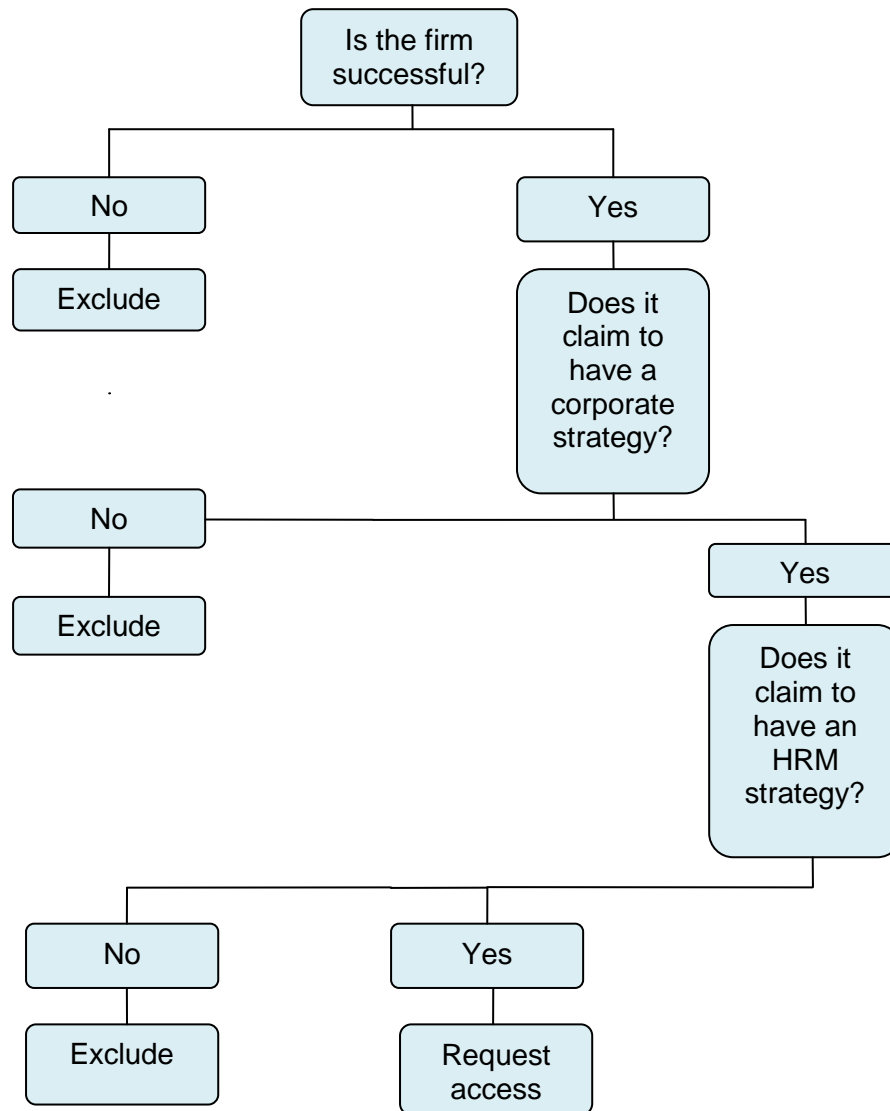
that suggest one would take a different approach to HRM than another. The choice of case study firms was therefore a straightforward matter of securing the co-operation of two companies that have tried to develop a strategic approach to managing people. Despite the fact that thousands of enterprises carry out work in the construction industry, comparatively few offer continuous career employment to more than a handful of people.

Most construction contractors are organised around individual projects, where workers are engaged as self-employed subcontractors or on job-and-finish employment contracts. The circumstances of such projects are very different to the conventional employment patterns that are assumed to exist in most HRM literature, so much so that theory from that literature could not be expected to inform any analysis of the way people are managed on such projects. There are, however, some large firms that employ large numbers of staff on conventional, full-time employment contracts of indefinite duration and they are the ones considered for inclusion in this study.

The author's previous industry experience provided an informed basis upon which to identify potential case organisations. Before approaching any prospective case study candidates the proposed research project was discussed with several people from the industry who had good knowledge of these companies. These people included officials from trade unions and industry associations, as well as two people who had recently retired from a federal government agency closely linked to the industry. Each of these people was asked the same question: out of the industry's large national contractors, which ones were considered to have developed HRM strategies, philosophies or management systems?

The process of considering potential case study firms is represented in figure 3.2. The first benchmark was whether the firm was 'successful'. No precise criteria were developed for this purpose. It was applied only to exclude firms that could conceivably be regarded as atypical due to incompetent or poorly educated managers. All firms considered for the study had been doing work in the industry for at least 20 years, had been profitable taking that period as a whole and had consistently been awarded contracts on very large projects in both the government and private sectors. These were regarded as suitable indicators of 'success' for the purposes of the study.

**Figure 3.2:** Selection of case study firms



Source: Developed for this study

The next consideration was whether a firm had articulated a coherent corporate strategy, or claimed to have one. This was necessary because the study sought to investigate whether managers had adopted the version of SHRM in which HRM is a second-order function that is shaped to ‘fit’ corporate strategy. Obviously this could not be done unless a corporate strategy existed in the first place. However no steps were taken to explore the extent to which the claimed existence of a corporate strategy was consistent with observable behaviour, because this was regarded as the first step in the research proper.

Finally, inquiries were made to find out if potential case study firms purported to have developed any sort of HRM strategy or set of guiding principles. This consideration was not strictly necessary and the initial responses were not taken as evidence that a strategy existed in fact (wisely so, as one of the firms chosen for closer consideration turned out not to have any coherent HRM strategy despite the contrary impressions of some knowledgeable industry people external to the organisation). However, it was taken into account in an attempt to exclude highly decentralised firms that did not attempt to implement consistent policies and procedures. It was also reasonable to assume that if any group of managers was acting consistently with any of the propositions in section 3.3.2, it was most likely to be found in a firm that had a known reputation for practising SHRM.

From the resulting short list, three general contractors were approached, making contact with senior managers personally known to the researcher from previous dealings. The nature of the project was outlined and they were asked to provide access. As part of these discussions the managers' views were also sought about specialist contractors that might be suitable case study subjects. All three general contractors agreed to co-operate with the study. This process was repeated with five specialist contractors, two of whom also agreed to co-operate.

The SHRM literature does not generally suggest that industry sector is a relevant variable in explaining differences in the way firms approach HRM so there did not appear to be any advantage in choosing all case study firms from a single class of contractor. On the other hand, the advantages of having firms whose managements were positively supportive of the study were self-evident. Consequently more extensive discussions were held with various senior managers in the prospective case study firms to explore their commitment to the study in terms of the benefits which they believed might accrue to them from participating in it. As a result of the admittedly subjective impressions obtained in these discussions, NatBuild and MechCon were selected as the most suitable case study enterprises. Letters were exchanged with a senior manager from each firm nominated as the preferred contact person, setting out the nature of the study and the extent of the co-operation to which the firms were committed.

Within the case firms, the unit of analysis will be what might be called 'top management' or 'senior management'. Yin (2003: 24) suggests that it is important to clarify before doing a case study precisely who is 'within' and who is 'outside' the group of interest. That will be impossible to do in this study with absolute precision because the group of interest consists of

those managers who have a significant influence over strategic management in general and SHRM in particular. The composition of this group can be tentatively inferred from organisation charts and position descriptions before data collection begins, but it cannot be confirmed until data has been gathered as part of the case study about the way in which power and authority is exercised in fact. Consequently an early step in the research design will be to collect enough information to identify the managers who substantially direct strategy and SHRM so that subsequent data gathering can focus on their activities.

### *3.3.4 The logic linking the data to the propositions*

Each step in the study is discussed in detail in section 3.4 of this chapter. This section provides a convenient narrative of the overall process.

The overall logic of the research process is to obtain rich data from two ‘layers’ within the case organisations, supplemented by data from the whole organisation. The first layer consists of evidence about the firms’ strategies as understood and articulated by senior management both orally and in organisational records. To provide richer and deeper understanding of this data, evidence will be collected from a selection of middle managers within a single operating division of the firm. Finally, all salaried employees will be surveyed to provide an organisation-wide perspective. This multi-faceted data collection approach is represented in figure 3.1.

Research into organisational strategy involves a mixture of verifiable data such as written records and past behaviour together with intangible data such as individual intentions and reasoning. The latter of course are impossible to observe or verify and must therefore be tentatively induced. The expressed opinions of the individuals concerned are important but may well be tainted by wishful thinking, self-serving bias, *ex post facto* rationalisation or numerous other perceptual errors. Purcell (1987) provides a precedent for the methodology used in this study, in which responses from several ‘slices’ of an organisation’s hierarchy allowed the effectiveness of corporate plans and aspirations to be evaluated in practice – ‘[I]f the focus is on corporations as a whole then there is a need to examine what goes on at lower levels to see how far general style policies rise above the level of rhetoric’ (p 545).

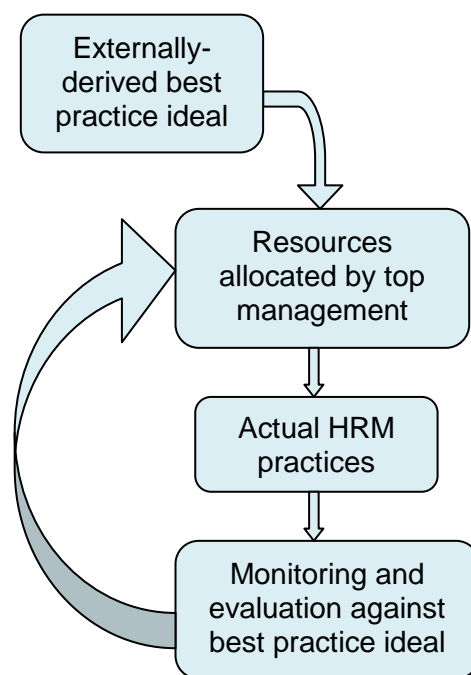
Skinner and Mabey (1997: 469) observed that ‘the literature is largely silent on the perceptions of middle managers and supervisors participating in HR change’. This study will

accommodate those perceptions because they can provide greater insights into the actions of senior management. According to King and Zeithaml (2001: 90), '[e]mpirical strategic research ... continues to marginalize middle managers as valuable strategic decision-makers.' The study's methods are designed to avoid any such deficiency and include data from all relevant perspectives. If middle managers do in fact make a significant contribution to the way strategy is designed or implemented, the triangulated data-collection methods should disclose it.

The nature of the data to be collected was dictated by the literature that described and prescribed SHRM (see section 3.3.2. Yin (2003: 36) recommends three measures to increase construct validity in case study research: multiple sources of evidence, establishment of a chain of evidence and a draft case study report prior to the main project. The last-named method is impracticable in this study but the other two measures will be adopted.

The chain of evidence is established by following the logic embedded in the propositions set out in section 3.3.2. These suggest that the implementation of SHRM will conform to the process shown in figures 3.3, 3.4 and 3.5.

**Figure 3.3:** *The logic of 'best practice' SHRM*

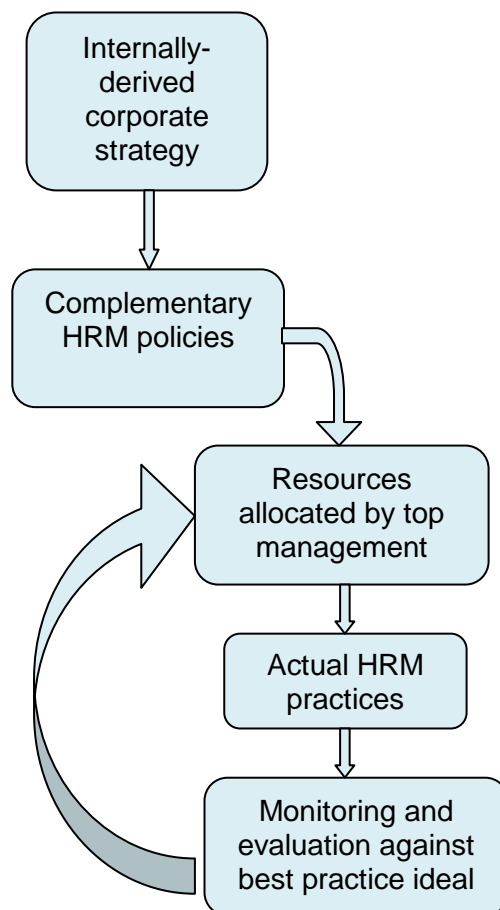


Source: Developed for this study



If the case organisations' managers have adopted the 'best practice' model of SHRM as illustrated in figure 3.3, one would expect to find data consistent with that model, namely that managers devote time and effort to staying abreast of best practice, that they allocate resources accordingly for the implementation of HRM policies and practices, and that actual HRM performance is systematically monitored so that any necessary modifications can be made if they depart from best practice. If on the other hand the managers manage HRM contingently as per the model in figure 3.4, one would expect to find data revealing the existence of an effective process for developing HRM practices as 'second order' strategic measures to complement corporate strategy, together with the same monitoring of actual performance to trigger corrective steps if the practices are not operating as intended.

**Figure 3.4:** The logic of 'external fit' SHRM

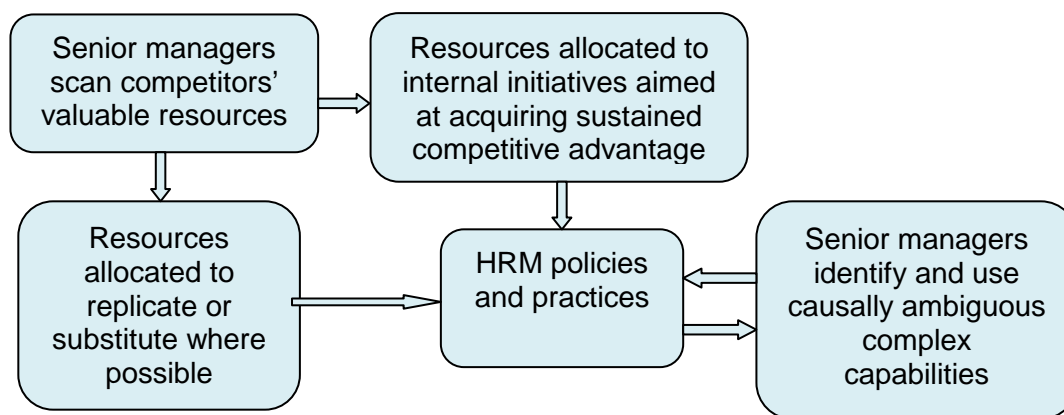


Source: Developed for this study

The logic connecting the data to the propositions based on a RBV of strategy is not quite as linear, as shown in figure 3.5. Firstly, one would expect to find data consistent with senior

managers scanning their competitors' sources of competitive advantage and allocating resources to replicating them or finding a substitute. Secondly, one would also expect to find data suggesting that managers sometimes take internal initiatives to find a source of competitive advantage. Finally, according to the RBV a firm may have valuable resources in the form of complex capabilities, whose origins are incapable of precise discovery but which are nevertheless a source of competitive advantage. If this is the case one would expect to find data confirming that such capabilities exist and influence HRM practices, and that HRM practices in turn take advantage of and nurture those capabilities.

**Figure 3.5:** *The logic of the RBV of HRM*



Source: Developed for this study

In each version of SHRM, senior managers can be expected to behave in certain ways because of the logic underpinning the propositions set out in section 3.3.2. These logics demanded that data be collected about both senior management's expressed wishes and intentions and the behaviour of middle managers and other employees. 'Behaviour' in this context means activities normally regarded as the province of either strategic management or HRM.

For the purposes of data collection, strategic management will be identified as actions by senior management that allocate organisational resources in ways intended to maintain or improve competitiveness for a future period of more than one year. Data about SHRM will relate to the activities described as HRM in mainstream scholarly literature, summarised as job analysis and design, recruitment and selection, training and development and

performance management. The ways in which these functions are performed in the case organisations will constitute the main focus of the data to be collected in the study.

### *3.3.5 Gathering data from senior management*

It was clear from the review of literature discussed in chapter 2 that if deliberate organisational strategy exists in an organisation (as opposed to an emergent strategy), it is directed, or at least expressed in comprehensible terms, by senior management. In this study, organisational records and individual interviews will be used to gather data about senior management's behaviour, firstly to ascertain the extent to which a deliberate strategy exists and secondly, to explore the extent to which measures have been implemented to implement the strategy in practice.

While records may provide a statement of decisions and intentions they seldom include an extensive explanation of the considerations that underpinned them. These are matters that can usually be explored only in conversation with the people involved. For that reason the firms' senior managers will be interviewed as early as possible in the study to provide a context for the remainder of the research. As Gopinath and Hoffman (1995: 578) have observed, 'managers are an obvious source of first-hand perspectives of strategic processes in their firms ... [and] strategy research is ultimately validated in organizations'.

Face-to-face interviews have been chosen as the method to gather data from both senior managers and middle managers despite the cost and time that they will entail. This will allow managers to take the interview conversation into whatever issues they feel are 'relevant and important to talk about', which is an important benefit of interviews in qualitative research (Alvesson & Deetz, 2000: 71). This is even more the case in a study such as this that is primarily concerned with the way managers are interpreting and applying different models of SHRM. Alternative methods of data collection do not offer sufficient opportunities to ask open-ended questions and probe answers to explore matters that the managers regard as relevant.

### *3.3.6 Gathering data from middle managers*

The principal purpose of gathering data from middle managers is to provide a different perspective on the data from senior management. The dominant logic within the strategy literature reviewed in chapter 2 is that strategic intent, no matter how defined, cannot be

effectively implemented by senior management acting in isolation. The same is true of SHRM. Middle managers are therefore well placed both to convey their perceptions of the behaviour of the senior managers to whom they report, and to discuss the role that they play in helping to develop and implement strategy and strategic HR.

It will not be practical to gather detailed data from all middle managers in the case firms; the time and resources available for the study do not allow it. The broad options then are to concentrate on one business unit or to gather data from a random sample. The former option has been chosen because it offers superior opportunities to gather rich data from sources that complement each other, whereas a random sample risks offering a collection of data whose parts fail to add up to a coherent whole.

The middle managers interviewed for the study will therefore all be selected from a single business unit within each case firm. In the case of NatBuild this will be the Queensland/Northern Territory Branch of the Building Division; in MechCon's case, the Queensland Branch of the Construction Division.

It is inherent in this decision that the data might not be generalisable throughout the case firms. Studying the Victorian or Western Australian Branches instead of the Queensland-based ones may well produce a different analysis to the one presented in this study. Nevertheless this is not regarded as a weakness in the study but only as a limitation. For reasons canvassed in section 4.3 of this chapter, case studies stand or fall on their own terms and do not ground theories of general application. This study examines the case firms' senior management's behaviour and its interaction with the behaviour of one business unit's management. The fact that studying another business unit's management might have produced a different narrative does not weaken the value of what was actually done.

The value of concentrating on a single branch of the case firms is that data can be gathered from middle managers who have frequent dealings with each other. This encourages a high degree of confidence in the reliability of the data because of the multiple observations that will be made about matters relevant to the research question. While the data may or may not be representative of the whole firm, it will enable a deep understanding of behaviour in one branch of the firm.

When it came to choosing the branches that would be included in the study, a deliberate decision was made not to gather data from middle managers who are based in the same premises as senior management. Their close proximity might make it difficult to understand the distinct roles played by the respective levels of management. This decision ruled out the Victorian Branch of MechCon's Construction Division and the NSW Branches of NatBuild. Furthermore, MechCon does not have a significant NSW presence and branches in South Australia and Tasmania are comparatively insignificant within the overall operations of either firm.

Both firms have substantial operations in Queensland and it will be logistically convenient to gather data from that state, so in the absence of any negative considerations it has been decided to include branches from that state in the study.

The only complicating consideration is that the General Manager of MechCon's Construction Division, who has been considered a member of senior management in the study, is based not in the Melbourne corporate head office but in Brisbane in the same office as the middle managers who will be asked to provide data. However it is apparent from pre-study conversations that this manager effectively plays the role of manager of the Queensland Branch as well as General Manager of the Division. Consequently it is impossible to make a clear distinction between senior corporate management and branch middle management in MechCon's case.

NatBuild's Building Division was chosen for the pragmatic reason that its manager is the firm's nominated point of contact for gaining access to the firm as a whole and he is strongly supportive of the aims of the study.

The schedules of interviews appear in the respective lists of references. In each case, interviews with the most senior branch manager precede other interviews. In consultation with each of those managers a selection of other managers will be invited to be interviewed. In each case these comprise various site management personnel ranging from project managers to foremen, together with other managers who have an overall branch role such as MechCon's Construction Manager and NatBuild's Business Development Manager. The only significant omission will be NatBuild's Construction Manager, who will be on secondment to

the Victorian Branch of the Building Division throughout the period when data will be collected.

### *3.3.7 Gathering data from all employees*

All employees in both firms will be surveyed with similar questionnaires, as discussed in more detail in the next section. The aims of the questionnaire are firstly to explore the extent of the knowledge that employees of NatBuild and MechCon have of their firm's objectives, policies and procedures as described by their senior and middle managers, and secondly to gather enough basic data to evaluate the extent to which those policies and procedures are being implemented in the ways intended by management.

The questionnaire will be drafted after the interviews have all been completed, to allow inclusion of questions about any matters that emerge as relevant from the interviews. The format and questions will then be discussed with my academic supervisors with a view to improving clarity.

A pilot questionnaire will be tested at the MechCon offices involving eight middle managers. Each will be given a copy of the draft questionnaire together with an explanation of its purpose and the nature of the pilot process. Each participant will complete the questionnaire in silence, following which there will be a line-by-line discussion of the questions and instructions in which group members will be asked to mention any problems they had experienced in either understanding the questions or choosing between the available responses. Following this process, any additional, amendments will be made to the wording of the questionnaire instrument to improve clarity.

Both firms will distribute the questionnaires to employees through the internal mail system. Each one will have a covering note with a brief explanation of the purpose of the questionnaire, together with an assurance that the exercise had the support of the company. It will invite employees to contact their firm's HR Manager if they wish to confirm this. The researcher's details will also be included along with an offer to email the questionnaire to anybody who would prefer to respond online.

A stamped sealable envelope will be included with each questionnaire and employees will be asked to mail it directly to the university supervising the research, in order to preserve confidentiality.

Both case study firms will be provided with cross-tabulated responses to the questionnaire, not only for their own organisation but also for the other. Included with those statistics will be an initial discussion of the data and its consistency or otherwise with the data from interviews.

This section has provided an overview of the research process. In the next section, the individual instruments and procedures will be discussed in greater detail.

### ***3.4 Justification of the research methodology***

Case studies provide data that makes organisational behaviour come alive. They are not concerned so much with measurable outcomes as with process, seeking to gather rich data that allow the researcher to understand how a complex arrangement of factors has been at work in producing those outcomes. Guercini (2004: 466) explains that ‘case studies have often proved to be an important tool to pinpoint aspects concerning the evolution of corporate processes which are otherwise difficult to grasp in their entire complexity’.

Yin (2003: 5) identifies five broad research strategies: experiment, survey, archival analysis, history and case study. It is common ground amongst scholars that the choice of research strategy should be driven by the nature of the research question, the extent to which the researcher can control events and ‘the degree of focus on contemporary as opposed to previous events’ (Yin, 2003: 5).

This is a descriptive study that seeks to answer what Yin (2003) calls a ‘how’ question. Yin (2003: 7) argues that ‘how’ questions are ‘likely to favour the use of case studies, experiments or histories’. The impossibility of controlling variables – or even of operationalising them adequately – ruled experiments out of any strategy. While the study is concerned in part with what has occurred in the past, which meant that there is a historical element, its principal concern is to describe what is occurring at the time the research is conducted, meaning that a purely historical methodology was inappropriate. As Yin (2003: 8) points out, histories and case studies can overlap, which is the case with this project, and that



the case study's unique strength is its ability to deal with a full variety of evidence – documents, artifacts, interviews and observations – beyond what might be available in a conventional historical study.

It could be argued that the research question driving this study is more a 'how much' question than a 'how' question. This would be a reasonable point if well-accepted organisational indicators of different approaches to SHRM had been described by empirical research and they could be observed or otherwise identified for the purposes of data gathering. If that were the situation, a survey might have been the most suitable methodology for the study (as was, indeed, considered in the early stages of the research design). However, it is not the case that such indicators exist. In fact, quantitative researchers using survey strategies have not used consistent proxies for SHRM, nor has their reliance on a single point of data collection within organisations escaped significant criticism (see section 2.4.2). These points are developed in the next part of this section, and explain why a survey was not regarded as a suitable strategy.

It would be a mistake, however, to give the impression that a case study methodology was adopted as a last resort because others had been rejected. The research question required one or more entire organisations to 'be investigated in depth and with meticulous attention to detail', which according to Zikmund (1997) is '[t]he primary advantage of the case study'.

### *3.4.1 Predominance of quantitative studies in SHRM*

Sections 2.4.2 refers to several studies into the incidence of SHRM in organisations. These studies were based on quantitative methodologies; usually a sample of a population of organisations was surveyed using questionnaires. The questionnaires sought to uncover the extent to which the surveyed organisations had adopted one or more particular employment practices that arguably acted as a proxy for the existence of SHRM. The purpose of the research was usually to establish if any association existed between SHRM (as defined in the particular study – as noted in section 3.4, the definitions lack consistency) and some aspect of organisational performance.

The limitations of these studies have been discussed in other literature (for example, Khilji & Wang, 2006: 1173-4). It is not pertinent in this chapter to enter the debate about the extent to which they produced worthwhile findings. Even if one accepts them on their own terms, it is clear that the methodology used was a blunt instrument (Khilji & Wang, 2006: 1174) and the

findings are no more than broad indications of organisational practices. There has been a ‘tendency to use HR managers as single respondents to questions that oversimplify the complexity of both competitive positioning and HR strategy’ (Boxall & Steeneveld, 1999: 447). They do not and cannot provide the detailed information about the behaviour of senior managers which is the focus of this study.

### *3.4.2 Multiple case studies and generalisability*

Case studies are not generalisable in the sense that the case organisations represent a sample of a population, and the findings of the case studies can reasonably be said to apply to that population with a known degree of confidence. Case studies are, however, ‘generalizable to theoretical propositions’ (Yin, 2003: 10). Section 3.3.2 outlined the propositions that have been developed to guide the research in this study. In summary, they proposed that ‘if the theory underpinning one school of thought is sound then one would expect to find ‘x’ occurring in organisations, whereas if the theory underpinning an alternative school of thought is sound (or at least better grounded than the other), one would expect to find ‘y’.

As Yin (2003: 32) notes, multiple case studies are akin to multiple experiments. He goes on to argue:

If two or more cases are shown to support the same theory, replication may be claimed. The empirical results may be considered yet more potent if two or more cases support the same theory but do not support an equally plausible, *rival* theory [italics in original].

In short, two case studies are more valuable than one to avoid the risk that findings will reflect some peculiar circumstances unique to one organisation. The two firms for this study have been chosen from different sectors of the construction industry: one a head contractor and the other a specialist contractor. This means that replication of the findings between both cases will improve their generalisability to theory:

If under these varied circumstances you still can arrive at common conclusions from both cases, they will have immeasurably expanded the external generalizability of your findings, again compared to those of a single case alone.

(Yin, 2003: 53)

### 3.4.3 Reliability

Reliability is an important consideration in assessing the value of research (Neuman, 2003: 178). It refers to ‘the degree to which measures are free from error and therefore yield consistent results’ (Zikmund, 1997: 340). Reliability is a comparatively straightforward concept to evaluate in quantitative research studies (see, for example, Davis, 2005: 188-92), but more problematic in qualitative designs. Yin (2003: 37) describes reliability in case study research designs in these terms (*italics in original*):

The objective is to be sure that if a later investigator followed the same procedures as described by an earlier investigator and conducted the same case study all over again, the later investigator should arrive at the same findings and conclusions. (Note that the emphasis is on doing the *same* case over again, not on “replicating” the results of one case by doing another case study). The goal of reliability is to minimize the errors and biases in a study.

Yin’s (2003: 38-9) recommendations for maximising the reliability of case study research have been followed in this study. A detailed case study protocol has been developed for use in each case, as described in this chapter and expressed graphically in figure 3.1. Moreover, each separate step in data collection has been carefully planned and documented prior to the research commencing, as described later in section 3.5. In short, the researcher will adopt Yin’s (2003: 38) maxim ‘to conduct research as if someone were always looking over your shoulder’.

### 3.4.4 Validity

Yin (2003: 33-7) discusses the importance of validity in case study research. He identifies three categories: construct validity, internal validity and external validity.

#### 3.4.4.1 Construct validity

Construct validity refers to the necessity of ensuring that the thing or things being examined in a study are valid proxies for the concepts that are the subject of the research question. In this study, that means that the artefacts identified in the research process are valid proxies of the actions and intentions of senior managers with regard to corporate strategy and its relationship to HRM. Yin (2003: 34) recommends three measures to ensure construct validity: use multiple sources of evidence, establish a chain of evidence, and have key

informants review the case study reports. All three measures will be taken in this study, although the third to only a limited extent.

The things being examined in this study are past behaviours of senior managers; that is the nature of an *ex post facto* study. The chain of evidence comprises the senior managers' own assessment of their behaviour, which can be expected to be reflected in appropriate organisational documents such as written policies and procedures, and also to be apparent in the reported experiences of other employees affected by the behaviour. In each case organisation more than one senior manager will be interviewed and several middle managers and other employees will also provide interview data, thus satisfying the need for multiple sources of evidence. It will not be feasible to have key informants review this thesis before it is completed but key findings will be submitted to the nominated contact manager in each case organisation for comment once the first draft of the thesis has been written.

#### **3.4.4.2 Internal validity**

Reliance on second-hand reports of events that cannot be observed at first hand often requires the researcher to make inferences. For example, a senior manager may assert that he or she has taken a certain decision but other staff may say they have no knowledge of it; alternative explanations may be that the senior manager's recollection is wrong, or that there was a breakdown in communication between the senior manager and the other staff, or that one or more parties involved are lying. The difficulties are compounded when data comes from interviews. Alvesson and Deetz (2000: 71-4) have summarised the problems, including: that statements are related to the interview context and not to any external reality; that interviewees are not mere truth-tellers but may be trying to persuade, request or accuse; and that the interviewer may unconsciously guide the respondent to answer in a particular way.

In this study the data will be drawn not only from multiple sources but from multiple categories of sources, namely interviews of people at various levels in the case organisations, organisational documents and questionnaire responses. This breadth of data can be examined against the propositions which have been formulated from the review of the scholarly literature (see section 2.6) to test for the patterns which one would expect to find if the propositions are well-founded. This pattern-matching will help to strengthen the study's internal validity (Yin, 2003: 116-20).

#### **3.4.4.3 External validity**

Any case study suffers from the potential weakness that the findings may be unique to that case and consequently provide no insights into any other case. In other words, they are not generalisable (Yin 2003, 37). Gibbert (2006: 132) has referred to the impossibility of ‘generalizing about uniqueness’ and the value not of trying to resolve the paradox but of using it constructively. As Yin (2003: 38) argues, one can validly generalise not to other cases but to theory. That will be an especially appropriate procedure in this study, where the purpose is to evaluate data from the case organisations against alternative models of management behaviour. In a sense, the generalisations have already been made by others on the basis of deductive reasoning and limited empirical evidence. This study will analyse empirical data to examine its consistency with any of those existing generalisations.

### **3.5 Research instruments and procedures**

The study follows the precept that ‘research based on the study of cases is not linked to a single method of data gathering ... nor is it linked to a particular type of empirical evidence’ (Guercini, 2004: 468). As outlined in sections 3.2 and 3.4.4.2, the overall design is intended to gather data from multiple sources so that data can be triangulated in the interests of maximising internal validity.

#### **3.5.1 Semi-structured interviews**

All interviews will be semi-structured, or what Davis (2005, 310-12 calls ‘unstructured’); in other words, a list of issues to be covered will be developed with suitable ‘starter’ questions for the guidance of the interviewer and to act as an *aide memoire* during the interview. However no attempt will be made either to pre-determine the exact questions to be asked or to persuade interviewees to respond to questions within some framework established by the interviewer. This format will allow interviewees the greatest opportunity to provide relevant information while still ensuring that everything of interest to the interviewer is discussed. It is a suitable procedure for exploratory research where the interviewer had little idea what data will be forthcoming.

#### **3.5.2 Advantages of semi-structured format**

A semi-structured format allows interviewees to provide whatever data they regard as important in response to broad ‘starter’ questions. For example, middle managers will be asked at an early stage in the interview a question along the lines of “What are the main

objectives that you think senior management wants the company to achieve over the next five or 10 years?” Open-ended questions like this will be used in the first instance because they are likely to obtain spontaneous responses. To the extent that interviewees’ responses are consistent with those of senior managers, there will be more room for confidence that they reflect the managers’ genuine understandings as opposed to responses to leading questions asking if they agreed with a proposition.

A further advantage of the semi-structured format is that it allows areas of apparent inconsistency to be explored thoroughly. If, for example, a middle manager answers the question posed in the previous paragraph in a way that appears to contradict senior management’s stated intentions, the inconsistencies can be discussed in the interview in a way that avoids any sense that the interviewer is defending senior management or has pre-judged the data.

Managers will also feel more in control of the proceedings in semi-structured interviews because they can raise any issues that they consider relevant. In some cases this may mean recording quite a lot of interview material that is not relevant to the study. However, it also means that managers will be confident that their views are being recorded properly with whatever additions or qualifications they regard as necessary.

### *3.5.3 Documentary analysis*

The relevant records will be obtained from corporate intranets, to which unlimited access has been granted while on visits to the firms’ premises. The search for useful data will include any links in the intranets that are concerned with the case firms’ histories, objectives, strategies, market analyses, future plans or HR policies and procedures. Any potentially useful intranet pages will be read on the firms’ premises and any that include relevant data will be either printed on the spot as a permanent record or downloaded to a portable storage device.

Some records in hard copy are also available, including NatBuild’s Queensland/Northern Territory business plan and documents prepared within MechCon for the board of directors proposing future strategic directions for the company. Both case organisations will also provide copies of company newsletters, noticeboard posters and the like that describe their

future plans and highlight key corporate objectives. All these records are listed in sections 8.1.1 and 8.2.1.

### *3.5.4 The questionnaires*

The questionnaires will be developed to gather quantitative data to examine the extent to which employees at all levels report that senior management's stated intentions are being implemented in practice. For example, should both case firms' senior managers state that a high level of OH&S is an important element of their overall HRM strategies, one item in the questionnaire will ask 'Does your supervisor/manager try to get work done on time even if it means working in an unsafe manner?' If management's aims are being achieved, a majority of employees could be expected to respond in the negative. All questions apart from those gathering basic demographic data will be carefully developed to provide information linked to that provided in the interviews.

The questionnaires will consist of a comparatively small number of items with the goal that respondents can answer them in less than 20 minutes. Neuman (2003: 282) notes that there are no established principles covering the length of questionnaires, but the shorter they are, the higher the response rate is likely to be. Most of the questions will be identical for each company but if the interviews disclose an issue that is important to one firm but not the other, questions unique to that firm will be included. The opening items will be straightforward demographic ones to encourage respondents to feel 'comfortable about the questionnaire' (Neuman, 2003: 282).

Items in the questionnaire will ask for responses to be either on a Likert scale or simple 'agree/disagree' choices. This will accommodate the fact that some issues will require a more nuanced range of responses than others, and also partly provide variety so that respondents will be less inclined to slip into providing responses mechanistically without really considering the question. Care will be taken to follow guidelines set out by Neuman (2003: 268-85), Zikmund (1997: 376-405) and Davis (2005: 200-25). Special attention will be paid to avoiding 'threatening questions' (Neuman, 2003: 274-6) to reassure respondents that the questionnaire is not associated with any planned changes to work practices.

The questionnaires will also include an open question that will ask: 'In your experience, what is there about the way [your employer] manages its people that is significantly different to



other firms in the industry?’ The question was phrased in this way to encourage respondents to provide some sort of answer. It will be included to check for the existence of any possible HRM matters that were overlooked in drafting the questionnaire and to allow respondents to clarify any of their responses to the earlier questions. These are important advantages of open-ended questions (Neuman, 2003: 278). If the responses to the open-ended question disclose consistent themes that have not been accommodated satisfactorily within the design of the study, it may be necessary to gather supplementary data.

Questionnaires will be distributed by the case study firms to all employees, under cover of a letter from the researcher giving a concise explanation of the purpose of the study. The letter will provide contact details for the researcher, contact details of a manager within the case study firm who can confirm that the firm supports the research, and an assurance that the completed questionnaires will not be made available to anybody apart from the researcher (see Appendices A and B for the text of the covering letter). Each questionnaire will be accompanied by a stamped envelope addressed to the researcher and respondents will be asked to mail it personally, thus guaranteeing complete anonymity of responses.

### *3.5.5 Analysing the data*

All questionnaire responses will be entered into a database using SPSS software. If the answer to a question was uncertain it was coded as ‘missing’. The findings will then be extracted from SPSS using simple frequency distributions and cross-tabs.

As Yin (2003: 27) notes, there are no accepted conventions for setting criteria to interpret findings. In many cases the data might appear to match a proposition ‘[b]ut how close does a match have to be in order to be considered a match?’ Acknowledging that there are no clear answers to this question, Yin (2003: 110) maintains that ‘... much depends on an investigator’s own style of rigorous thinking, along with sufficient presentation of evidence and careful consideration of alternative interpretations’. In accordance with these precepts, analysis of the data will be rigorous and any evidence that seems either to confirm or rebut the propositions will be carefully evaluated to test the potential validity of other interpretations.

### **3.6 Ethical considerations**

The study will involve the researcher interacting with people working in two organisations and will therefore raise ethical issues. Zikmund (1997: 64-77) has outlined numerous ethical considerations that researchers should consider in designing a research protocol. This study will be conducted according to high standards of ethical conduct. These will be reflected in transparent research methods that preserve the participants' privacy and anonymity and prevent the findings being used to the detriment of either individuals or organisations.

Cooper & Schindler (1998: 119) suggested three guidelines for ethical research:

1. Avoid misrepresenting the research and maintain scientific objectivity
2. Maintain confidentiality of the responses
3. Obtain informed consent of the respondents which should be “voluntary, free from coercion, force, requirements, and so forth”.

The identities of both the case study organisations and the people who contribute data to the study will be disguised in any publications reporting on the study. This will prevent the possibility that the organisations will incur any commercial disadvantage from participating in the study – an important consideration when the study is concerned with the ways in which the senior managers of the organisations either secure a competitive advantage or try to. It will also avoid the possibility that employees will be disadvantaged by providing truthful, comprehensive answers to questions in response to either questionnaires or interview questions.

These protections will be reinforced by the procedures for conducting the interviews, which will take place in private surroundings without the presence of any other parties. Recordings and transcripts will be under the ownership and control of the researcher at all times and will not be disclosed to third parties under any circumstances apart from selected, anonymous extracts in this thesis and other scholarly publications. Interview subjects will be given these assurances at the time interviews are arranged and again at the commencement of the interview. The researcher has given an undertaking not to discuss the content of individual interviews with any other employees of the case organisations and this too will be conveyed to interviewees at the commencement of the interviews.

Questionnaires will be distributed with a covering note from the researcher providing a summary of the purpose of the study and an assurance of confidentiality (see appendices A and B). Each respondent will be instructed to return the completed questionnaire in a reply-paid envelope addressed to the researcher at his university address, which will be distributed with the questionnaire. These envelopes will be delivered unopened to the researcher in the university's internal mail system. The questionnaires will not request the name of the employee or any other personal information apart from their age.

Each case study firm has nominated a senior manager as the point of contact for any matters arising from participation in the study and that manager will be sent a summary of the findings once the first draft of the thesis has been written. The manager will be invited to discuss possible explanations for the findings as a check on construct validity (see section 3.4.4.1) but will not have any ability to influence the way the findings are presented or interpreted.

In short, the study has been designed to prevent any possibility that any human or organisation will be disadvantaged by virtue of their participation.

### **3.7 Limitations**

The possibility remains that a substantial number of employees in the case organisations will provide skewed or misleading data because of collective perceptual errors, perhaps due to their commitment to a strong organisational culture that influences them to describe the firm's activities as conforming to an internalised ideal which differs substantially from the true situation. This potential deficiency would seem to be inevitable in much qualitative research but it does need to be acknowledged and will be discussed in the evaluation of the data.

The strength of a case study methodology to answer this project's research question is that it does direct attention very much to the propositions underpinning SHRM and RBV strategic management theory. At the same time it is important to note Yin's (2003: 10) observation that the findings will not be generalisable 'to populations or universes'. It will be argued in the concluding chapter that there are no grounds to suspect that the two case organisations considered in this study are atypical but that of course does not mean that other firms will necessarily resemble them.

### 3.8 Summary

This chapter has described the basic research design and justified the methodology that will be used in this study. It has also outlined the philosophical and paradigmatic contexts within which the study has been developed and noted the ethical issues that will arise and the limitations that will apply to the findings.

The study will be informed by a critical realist perspective on management scholarship. It will adopt a scientific approach in the sense that it will proceed from the premise that many aspects of organisational behaviour are objectively real and capable of discovery and description. Nevertheless it will also acknowledge that few of the objects of interest in the study of organisations can be investigated except through the medium of fallible human interpretation.

The study has been designed as an *ex post facto* case study involving two cases because of the strengths of mixed methods case studies in enhancing reliability and validity. This means firstly that data obtained using several methods can be examined for patterns of meaning that are consistent with the propositions driving the study. Secondly, gathering data from a number of different sources allows for data triangulation, so that various combinations of method and source can allow conclusions to be made with a much higher degree of confidence than is the case with studies based on a single category of source (for example, HR managers) using one method (for example, questionnaires).

Data will be gathered from each of two case study organisations selected firstly because they are successful and secondly because they self-identify as having a developed corporate strategy. Both firms will be chosen from a single industry to reduce the chances that industry differences might account for any differences in the findings, and the construction industry has been selected because the researcher's extensive prior experience in that industry will facilitate data collection and interpretation.

Once suitable case study organisations have been approached and agree to participate in the study, data will be collected in a cascading sequence that begins with senior management interviews and proceeds via organisational documents and interviews with middle managers

in one business unit to a questionnaire distributed to all employees. This will provide rich data from a number of levels in the organisations.

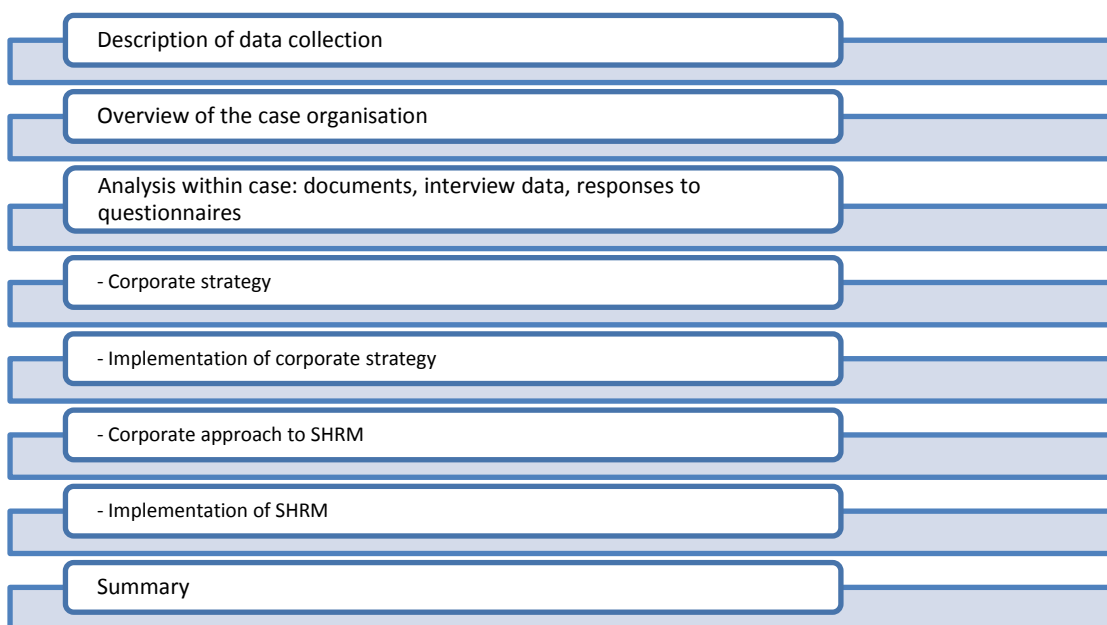
The study has only a limited potential to cause harm to any participant and this will be avoided by guarantees of anonymity to participants backed by procedures for gathering data that ensure anonymity in practice.

## Chapter 4: The NatBuild Case Study

### 4.1 Introduction

Chapters 4 and 5 present the findings from the two case studies. The structure of each chapter broadly follows the logic of the research design: data about the stated intentions of senior management is followed by data about actual behaviour, as revealed by interviews with other staff, examination of documents and the questionnaire responses. This structure is summarised in figure 4.1.

**Figure 4.1:** Structure of chapters 4 and 5



Source: developed for this study

This chapter presents the findings from the NatBuild case study. The investigation obtained data from the corporate head office of the enterprise and from a selected business unit, the Queensland/Northern Territory (NT) Branch of the Building Division. A brief overview of the company's place in the construction industry is followed by a more detailed description of the ownership and governance of the company, together with a description of its activities, an explanation of its corporate structure and a summary of people employed.

The remaining sections deal with strategy and HR management. An account is given of NatBuild's corporate strategy and the business strategy adopted by the selected business unit.

The corporate HR management strategy is discussed and an account is then given of HR management within the Queensland/NT Branch.

## **4.2 Data collection**

### **4.2.1 Interview data**

Interviews were conducted with 13 managers employed by NatBuild including the Managing Director (MD). Details appear in section 8.1.2. Interviews served three broad purposes. Firstly, interview subjects were encouraged to discuss their understanding of broad organisational strategy and of HRM policies and procedures and their purposes. In this way, those being interviewed either confirmed or provided an alternative perspective on the information provided by managers at more senior levels in the case firms and allowed for data triangulation. Secondly, the interviewees described their own behaviour in relevant areas, thereby demonstrating the degree of consistency between actual practices in the organisation and the policies and aspirations espoused by senior management (and perhaps also by middle managers). Finally, the interview data was used to identify issues that might be included in the all-employee survey. The interviews were biased towards one or another of these purposes depending on the level of the employee being interviewed. In other words, while all interviews were used for all three purposes at least to some extent, senior managers were regarded as the most reliable source of data about corporate strategy and policy, senior middle managers about business strategy and the implementation of corporate strategy, and other employees about the way they experienced the policies and procedures described by more senior managers.

The way interviews were conducted was informed by Davis (2005: 274-9) and Zikmund (1997: 494-5). Each interview was arranged by either email or telephone. All except two were conducted face to face. The exceptions were two NatBuild site employees who had arranged to be interviewed on site but had to cancel the arrangements after the interviewer had travelled to the site. They were interviewed subsequently by telephone. Other project-based employees were interviewed on site. Office-based managers were interviewed in either their own offices or a conference room. Every interviewee was interviewed in private without anyone else being able to hear or observe the conversation. With two or three exceptions the interviews were not interrupted and the interruptions that did occur were minor.



Senior managers were asked to make themselves available for at least two hours and did so. Others were told that the interview would take about 45 minutes although in most cases it was somewhat shorter. None of the interviewees terminated an interview because of a shortage of time.

At the beginning of the interview, managers were assured that anything they said would not be passed on to anybody else in their company and that they would not be identified in any publications that resulted from the study. They were asked if they agreed to having the interviews recorded (except for the telephone interviews, where the interviewer took extensive notes during and immediately after the conversations) and all consented. A micro-cassette recorder was used to record the interviews.

The interviews with senior managers and NatBuild's branch manager were transcribed in full. Other employees' interviews were played back carefully to identify pertinent data that was useful for the study and this was transcribed if it was relevant to the research questions.

#### *4.2.2 Questionnaire data*

The questionnaire distributed to employees (see Appendix A) consisted of 35 questions and sub-questions spread over six pages. This allowed all matters of interest to the study to be covered without testing respondents' patience to a degree likely to affect the response rate seriously. A draft questionnaire was sent to the HR Manager for comment before it was finalised for distribution, who objected to questions being phrased in ways that seemed to invite a response that reflected badly on the company. One example was the question that asked respondents to say how much they agreed with the statement that their manager expected them to 'get work done on time even if it means working in an unsafe manner'. Fortunately these problems were eventually overcome when the HR Manager accepted the need to avoid phrasing questions in a way that constantly suggested only positive responses were expected from employees and the questionnaires were sent out in March 2002.

NatBuild employed significant numbers of people outside Australia at that time but they were not subject to the same policies and procedures as Australian staff. The expatriate employees were also engaged in a variety of joint ventures and other projects where third parties had an

influence on HRM practices. Consequently the survey was distributed to Australian employees only, numbering 375 in total<sup>1</sup> of whom 201 or 53.6 per cent responded.

#### **4.2.3 Data from documents**

Numerous documents were mentioned during the various interviews conducted during the study. When it seemed that they might contain pertinent information a copy was requested and none of these requests were refused. Various files were also sent by email, comprising the NatBuild HR manual and associated policies and procedures. Other documents were provided in hard copy including a very large, detailed business plan for the Queensland/NT Branch and a video presenting the entries for the annual innovation award. The documents consulted for the study are listed in section 8.1.1. Needless to say, other documents might exist that contain information relevant to the study but immediate access was given to any documents that were requested in the course of the study.

### **4.3 Overview of NatBuild**

In this section there is a brief overview of NatBuild's history and activities, to provide a context for the more detailed information presented in later sections of the chapter. It gives a short account of NatBuild's transformation from an Australian, family-owned major builder of the first rank to an overseas owned general contractor in the second tier.

NatBuild experienced a change in ownership in 1995. Founded in 1916 as a family building company, NatBuild was the head contractor on many of Australia's largest and most complex building projects from the 1960s to the 1990s (NatBuild 18, 2001: 1). It remained a family-owned enterprise throughout this period, although management was increasingly entrusted to non-family members as the firm expanded and the remaining family members were increasingly disinclined to become involved. By the late 1980s, although still in private ownership, none of the owners held a management position and the company was managed by professional managers.

In the early 1990s, NatBuild found itself in financial difficulties. It had not made a profit on several projects, and on other projects tens of millions of dollars of anticipated income was

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<sup>1</sup> This is less than half the number of employees that NatBuild claimed to employ in 2000 (see Table 4.1). The explanations for the discrepancy are firstly that the construction industry experienced a severe downturn in the early 2000s and most firms had laid off large numbers of staff by 2002, and secondly that the questionnaire was not sent to employees who were absent on leave, workers compensation or similar reasons.

the subject of litigation. Accumulated losses of \$90 million were still being carried in the company's accounts at the end of the 1998/99 financial year (NatBuild 2, 1999). Other factors in the mid-1990s increased pressure on NatBuild to engage in fundamental restructuring. The increasing tendency of clients to impose contractual risk on the head contractor meant that firms could not tender for large projects unless their balance sheet was sufficiently strong to give substance to their commitments (interview NatBuild manager 5, 24/4/01). As a privately owned family firm, it would be increasingly difficult for NatBuild to meet these requirements. The owners were unable or unwilling to provide additional capital. NatBuild's senior management concluded that the company had no future as a family-owned business and could only remain viable as part of a larger, preferably global enterprise (interview NatBuild manager 4, 24/4/01). They judged that no other Australian contractor was a suitable partner so this therefore meant becoming part of an overseas organisation. They advised the owners accordingly and in 1995, NatBuild was sold to a European construction company. In 1999, it adopted the name of its parent company and embarked on a program of restructuring and repositioning in the industry (NatBuild 18, 2001: 3). This was not done lightly, but after taking into account the final severing of the remaining links with the family that had founded the firm (interview NatBuild manager 1, 28/09/01).

Since the early 1990s NatBuild has not been awarded any of the 'landmark' projects with which it was once associated. This has been explained partly by the fact that few such projects have commenced, and partly by the market's reservations about the company's stability and future intentions. Consequently, NatBuild has had to concentrate since the mid 1990s on re-establishing its legitimacy in the market and on consolidating its workload. It has done this by developing its engineering construction capabilities in selected types of work and by trying to exploit a number of specific opportunities in the market, as discussed in later sections of this chapter. According to the MD, the industry is 'tiering' because of an excess of competition, and 'you could say [NatBuild] is a second tier player, you could also argue we're a third tier player, and that's with international parents' (interview NatBuild manager 1, 28/09/01).

According to its annual report (NatBuild 2, 1999), in financial year 1998/99, NatBuild had operating revenue of \$883 million and returned a profit of less than \$1 million. The Australian Building Division contributed \$487 million of the turnover and the Australian Engineering Division, \$303 million.

#### *4.3.1 Ownership and governance*

NatBuild is 98.5 per cent owned by its European parent company, NatBuild Europe (NatBuild 19, 2001: 5). It is NatBuild Europe's largest subsidiary outside its home country. The parent company has itself performed disappointingly in recent years, explained in part by the fact that a large amount of 'soft' government construction work associated with the reunification of Germany has finished. Competition within the European Union is also becoming more intense as the barriers to entry that used to be associated with national borders have largely disappeared. Consequently, NatBuild Europe has set stringent performance targets for its Australian subsidiary and advised the Australian management that if these targets are not met, NatBuild Europe will dispose of the enterprise<sup>2</sup>.

NatBuild Europe appointed a board of directors consisting of two people from the 'old' Australian NatBuild (including the MD), two newly-appointed executive directors and three non-executive directors: two board members from the European company and a non-executive chairman with business links to both Australia and Europe (NatBuild 2, 1999: 52-3). NatBuild's MD has been employed by NatBuild in Australia since 1985 and was appointed to his present position in 1998, when he was also made a director of NatBuild Europe (NatBuild 2, 1999:52).

According to NatBuild's senior corporate managers, their European parent does not try to influence corporate strategy beyond its participation in decisions that require the approval of the board of directors (interviews NatBuild manager 2, 11/12/00; NatBuild manager 5, 24/4/01). It does not intervene in operational decisions, nor has it attempted to influence HR management. The parent company's role emerges mainly in decisions about the allocation of resources within the global enterprise, particularly decisions about spending money on activities that cannot show a tangible return. For example, the European directors had serious reservations about the cost of the 'Mount Eliza program' described in section 4.7.3.

#### *4.3.2 Activities*

Prior to being sold to NatBuild Europe, NatBuild operated as a loose association of state-based enterprises. Separate companies were set up in different states under the ownership of a

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<sup>2</sup> In November, 2002, after the period covered by this study, a very large Australian firm announced that one of its subsidiaries was negotiating to buy NatBuild from NatBuild Europe, and expected to conclude the arrangement by 1 January, 2003.

holding company, with little central direction. The differences between states could be extensive: for example, the Victorian company traded under a completely different name to the NSW firm. The outcome was that NatBuild's position in the construction industry also varied from state to state. In NSW it was one of a group of three or four pre-eminent building contractors in terms of market dominance, whereas in Victoria it was generally regarded as the premier commercial builder or at least as 'first among equals'. In other states it did not have the same dominance, although from time to time it undertook large building projects in all states and territories. At various times NatBuild has been the head contractor for some of Australia's largest high-rise buildings, shopping centres and public works projects such as hospitals. NatBuild had a particularly strong presence in the ACT and was the builder on some of the very large, complex projects that were commissioned by the federal government and its agencies during the 1970s and 1980s. Since the 1980s it has also undertaken work in the Asia/Pacific region, in countries such as Guam, Vietnam and Hong Kong. The future of these offshore operations is uncertain due to NatBuild's new status as a part of a multinational enterprise, and this study is only concerned with the Australian operations.

Since the early 1990s, NatBuild has become more of a niche contractor than a general builder (interview NatBuild manager 1, 28/09/01). The areas in which it has focussed its activities vary from state to state. It has developed its engineering construction capabilities so that engineering activities in Australia accounted for 35 per cent of its turnover in 1998/99 (NatBuild 2, 1999: 7). Much of this work has been done for other major contractors. For example, NatBuild has acquired a large fleet of specialist underground construction equipment and has developed considerable capabilities in this field, so it is well placed to secure tunnelling work. Over the last decade, some very large road projects have been constructed in Sydney with extensive underground components, and NatBuild has done a lot of this work as a subcontractor to a project consortium (interview NatBuild manager 1, 28/09/01). In Victoria, the firm has targeted the construction of water treatment plants as an area of opportunity and has been successful in obtaining several projects (interview NatBuild manager 1, 28/09/01).

In building work, each state branch has also developed its own individual industry profile. The Queensland/NT Branch, for example, has obtained a series of state government contracts to build prisons (interview NatBuild manager 1, 28/09/01). It is, however, some years since the company undertook a truly major building project and even within the company itself, it

is coming to be regarded as a 'second tier' contractor rather than as one of the major national builders (interview NatBuild manager 1, 28/09/01).

The variety of projects and contractual arrangements being undertaken by NatBuild illustrates the changing nature of the construction industry in Australia. Although its underground work on a Sydney freeway was undertaken pursuant to a contract with another construction contractor, NatBuild participated in the bidding for the project more as a member of a consortium than as a traditional subcontractor (interview NatBuild manager 1, 28/09/01). The increasing tendency of clients to make contractors carry most of the risk associated with construction projects has forced a rationalisation of contractor numbers to the extent that now, only two or three consortia might be capable of bidding for large projects and even then, a niche contractor like NatBuild might be the only feasible supplier of a substantial component like the underground works (interview NatBuild manager 1, 28/09/01).

#### **4.3.3 Structure**

NatBuild consists of a corporate head office, two functional divisions and within each division, a number of branches that are responsible for various geographical areas. Several small business units exist to assist two or more branches in one or both divisions. NatBuild's corporate head office is in Sydney, NSW. Operational activities are split into two divisions: building and engineering. Each division has branches in Queensland/NT, NSW/ACT, Victoria and Western Australia. The branch offices are located in the same premises and share facilities and support staff to some extent, but they are separate profit centres and are responsible for their own business plans and budgets. However, some managers work for both divisions at a branch level: for example, a training officer co-ordinates training activities for both divisions in Queensland.

The MD is located in the Sydney corporate head office. Until recently the Building and Engineering Divisions each had a general manager but when the Building Division general manager retired at the end of 2000 he was not replaced. Building Division branch managers now report directly to the MD. The HR Manager is also located in Sydney corporate head office as part of a corporate services group, while a consultant who used to be employed full-time as the IR Manager continues to fill that role on an 'as required' basis. The corporate services group also manages financial and legal affairs and corporate communications (NatBuild 19, 2001: 5). A technical resources group in corporate head office is responsible

for managing safety, quality assurance, engineering design, environmental management and information technology, as well as long term business development planning (NatBuild 19, 2001: 5). However, responsibility for obtaining work and making money from it is placed squarely on the branches.

The processes by which NatBuild enters a contract to perform construction work are diverse. In most instances, NatBuild has to submit a tender in competition with other contractors. Once a contract has been awarded, a project management team is assembled headed by a project manager who reports directly to the appropriate branch staff member. In the Queensland/NT Branch of the Building Division, project managers report to the Branch Construction Manager. Each branch therefore has a structure that changes from time to time in unpredictable ways. For example, in Queensland, building projects can consist of a mixture of public and private sector work spread over more than 1,000 kilometres.

The projects undertaken by NatBuild are so large and diverse that there is no such thing as a 'typical' project structure. However, each building project would usually have a project manager, one or more project engineers and one or more foremen<sup>3</sup>. Administrative staff and specialists such as OH&S officers will also be employed, in numbers that depend on the size and nature of the project. Project managers, as the title suggests, are responsible to the Branch Construction Manager for all aspects of a project. Site engineers work under the direction of the project manager and are responsible for ensuring that work proceeds in accordance with the program's time and financial targets. On a large project, control of day-to-day site activities is in the hands of a site manager who also reports to the project manager. The site manager supervises a number of foremen. On smaller projects, foremen will report directly to the site engineer/s and project manager. In the case of the Queensland/NT Branch of the Building Division, foremen only supervise the work of subcontractors, as NatBuild does not employ any tradespeople or labourers.

On one building project visited in the course of this study, three site engineers reported to the project manager. Each site engineer was responsible for all aspects of construction in one physical area of the project, so that their roles mirrored that of the project manager in

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<sup>3</sup> While 'foreman' is a gender-specific term for which a substitute would normally be used, the construction industry in Australia has yet to devise an alternative. 'Foreman/men' remains in overwhelmingly common usage. Consequently, it will be used throughout this thesis, on the grounds that using an arbitrary substitute would be artificial and misleading.



miniature, as it were. Site engineers conveyed their wishes on programming, procurement of materials, quality standards and so on to the site manager, who in turn instructed the foremen in how to organise day-to-day tasks. Project managers enjoy considerable autonomy in designing the management structures of their projects and NatBuild's philosophy is to delegate as much authority as possible to project staff and then to hold them accountable for results (interview NatBuild manager 1, 28/09/01).

#### 4.3.4 Employment

NatBuild employed 846 people in Australia as at 17 October, 2000 (see Table 4.1). The company's practices in its Building Division conform to the industry model under which head contractors employ few (and increasingly no) site workers apart from supervisory, specialist and administrative personnel. In the Queensland/NT Branch of the Building Division no trades people or labourers are employed at all – even fixed cranes are supplied and operated by subcontractors.

*Table 4.1: Number of NatBuild employees by classification and state, 17 October, 2000*

	NSW	QUEENSLAND	WA	VICTORIA	AUSTRALIAN TOTAL
Professional engineers	65	31	6	17	119
Other technical and professional staff	77	55	4	25	161
Commercial and administrative staff	96	36	10	25	167
Technicians, foremen, tradespeople and labourers	180	146	16	57	399
Total	418	268	36	124	846

Source: NatBuild 5 (2000)

The majority of employees in the Building Division are technical and professional staff, many acting in a supervisory capacity. Table 4.2 sets out the classifications of the workers who responded to the survey undertaken as part of this study. Almost half of all respondents

were employed as line managers on site, in the classifications of project manager, site engineer, site manager (or supervisor, in the case of the Engineering Division) or foreman. Project management is NatBuild's core business, and most young graduate engineers see a career path through site engineer appointments to a project manager's position as more prestigious than a career in estimating or some specialist function in a branch or corporate head office.

*Table 4.2: NatBuild survey respondents, by job classification (per cent)*

<b>Classification of Employee</b>	<b>Proportion of Survey Respondents (n=201)</b>
Tradespeople	1.0%
Foremen and supervisors	10.9
Site engineers/site managers/project managers	36.5
Other managers	18.2
Administrators	18.2
Estimators	6.3
Other	8.9
Total	100.0

Source: original study data

According to the MD, management has reviewed the number of employees rigorously since the change of corporate ownership, saying that it is something the parent company is good at (interview NatBuild manager 1, 28/09/01). Nevertheless, there were few complaints about being understaffed or overworked in the responses to the survey's open-ended question, nor did the issue arise in any of the interviews with site staff. Indeed one interviewee made the unsolicited comment that NatBuild went out of their way to keep staff employed for as long as they performed satisfactorily (interview NatBuild site engineer 2, 9/8/01). Another, a senior manager, volunteered the comment that employee morale had improved since the 'dead wood' had been cleared out (interview NatBuild manager 2, 11/12/00).

#### **4.4 Corporate strategy**

The findings from the study dealing with NatBuild's corporate strategy are presented in this section. First, the section describes the process by which the company revised its corporate vision and objectives following the difficulties that it experienced in the early 1990s. It then

summarises a study that NatBuild commissioned in 1998 to inform its strategic choices and outlines the extent to which senior management has been able to articulate a strategic choice and transform it into a set of coherent objectives.

After NatBuild was sold to NatBuild Europe, a consensus existed within the board that a new corporate direction was required. Directors believed that the company had been driven in the 1980s by a hunger for turnover rather than profit (interview NatBuild manager 2, 12/11/00), with the result that a large amount of unprofitable work had been obtained. In an effort to avoid unsustainable losses, the company had explored every available opportunity to make claims against its clients on the grounds that clients had not performed to the letter of the contract. This had led in turn to an antagonistic relationship between client and contractor on many projects and to NatBuild acquiring a reputation as a ‘claims happy’ contractor.

It was debatable whether such an approach would ever have been sustainable indefinitely, even if the industry had not changed, but in the industry circumstances that developed after the late 1980s, NatBuild’s management concluded that the approach was inappropriate (interview NatBuild manager 1, 28/09/01). Clients had altered their project procurement procedures so that most or all of the risk was imposed on the head contractor. Scope simply no longer existed to rely on a claims strategy to avoid losses. Accordingly, NatBuild’s senior management resolved to develop a new direction that would allow the firm to operate profitably in the new environment (interview NatBuild manager 2, 12/11/00). The question was: what strategy?

Management is still wrestling with that question. Several steps have been taken to begin to build a new identity for the firm. Several new managers were appointed to senior positions (interview NatBuild manager 4, 24/4/01). The company changed its name to that of its new parent company, deciding that little of value remained in the enterprise from the 1980s and before (interview NatBuild manager 1, 28/09/01). Senior managers decided that the nature of the enterprise itself also had to change (interview NatBuild manager 4, 24/4/01), so after extensive internal discussion, a ‘constructive thinkers’ program was launched in 1998 with two purposes (NatBuild 17, 2000: 1). One was to create a new identity in the marketplace to accompany the new name. The other was to articulate to staff the vision and values that management wished them to pursue (interview NatBuild manager 1, 28/09/01). Staff have been told that their performance will be assessed against core competencies in eight areas:

technical competence, business acumen, communication, self, worldliness, cultural alignment, teamwork and leadership (NatBuild 17, 2000: 1). These were significant symbolic measures but of course they did not represent a substantive strategic choice.

#### *4.4.1 Change management program*

The search for a long-term strategic direction began in 1998 when NatBuild commissioned a firm of consultants to undertake a survey of some of the industry's major client organisations. The aim of the survey was to find out what (apart from price) were the elements of contractor performance that were most important to clients, and the extent to which NatBuild and three of its major competitors satisfied those requirements. The consultants submitted their report in 1999 (NatBuild 4, 1999).

On the basis of a survey of five client groups, the consultants identified seven 'attributes' that were most valued by clients. These were: reliability, a good track record, competitive prices, good staff, financial stability, cooperation with clients and creativity (NatBuild 4, 1999: i). Clients rated NatBuild poorly in all these areas. In fact, NatBuild rated worst of all four contractors in terms of its track record, quality of staff, reliability, financial stability and creativity (NatBuild 4, 1999: 9). Similar results were recorded when NatBuild's performance just as a builder was evaluated (p 10). The consultants also analysed the findings from NatBuild's regular clients, and commented that '[i]t need hardly be said that when a company's own regular clients rank it only third [out of four], this indicates serious problems' (NatBuild 4, 1999: 13).

More encouragingly, however, at least to a firm seeking to reposition itself in the market, none of NatBuild's competitors rated particularly highly in all areas. The consultants surveyed clients' expectations of contractors and found that none of the four included in their survey came close to being an 'ideal contractor' (NatBuild 4, 1999). NatBuild's management interpreted these findings as an opportunity to establish the enterprise as the 'contractor of choice' – in other words, as the contractor which performed well in all the areas that clients regarded as being of prime importance. This objective was adopted as the firm's guiding strategic objective in 1999 (interview NatBuild manager 1, 28/09/01).

In adopting this objective, NatBuild has placed its destiny to some extent in the hands of external consultants. Management tacitly acknowledged that it did not know how to

transform the enterprise into the ‘contractor of choice’. Consequently, they invited expressions of interest from a number of organisations to develop a program for that purpose. Mount Eliza College, then attached to Monash University, was selected for the task. What ensued is referred to within NatBuild as ‘the Mount Eliza program’. It was launched in December, 2000 when all senior managers met for four days at the Mount Eliza College in Melbourne, Victoria. Since then, most staff have participated in one or more training and development sessions, each of which runs for two or more days. Staff from the college arrange and supervise the sessions, which have been conducted at various locations around Australia.

The process of organisational change in NatBuild since 1998 has been driven by the MD (interview NatBuild manager 2, 12/11/00). Senior management places great faith in the Mount Eliza program to transform the enterprise. For example, the General Manager of the Building Division claimed that having the right ‘culture in the organisation’ was more important than the right systems. In response to the question ‘how do you try to achieve that?’, he replied (interview NatBuild manager 2, 12/11/00):

Well this whole Mount Eliza thing is aimed at that. I know our reliance on that is very high but it’s a culture of learning, it’s not a culture of stagnation ... it’s the culture of what we call ‘constructive thinking’, it just means always trying to do better.

Another manager also saw the program as ‘a culture change intervention’ (interview NatBuild manager 3, 11/12/00), while a third thought that to transform NatBuild from a ‘turnover-driven organisation’ to ‘an organisation in centre stage with people full of ideas’ would be a ‘huge achievement’ (interview NatBuild manager 4, 24/4/01).

However, the precise outcomes that the program is expected to deliver are ill-defined. One of the program’s champions made various observations about it (interview NatBuild manager 2, 12/11/00), including

We are going to try to embrace this Mount Eliza program to advance us closer to the centre stage than we have been before ... [the program] goes through leading change etcetera etcetera, it’s a very complex program ... [it] is to address the areas strategically that are of importance to our clients, along with a whole lot of management issues like communication and consensus views, leading change sort of management ... not project strategies but issues of this

organisation that it needs to go forward. It's only people and we're going to address it through people issues ... there's enough in [the consultant's report] to have a general view of what our clients want. We can put tags on them like creativity but in fact the most important thing is that the centre stage is vacant and we as an organisation are going to try to embrace this Mount Eliza program to advance us closer to the centre stage than we have been before.

The program appears to be an exercise in altering attitudes in order to change the capabilities of the enterprise. The HR Manager said that the brief to Mount Eliza was to 'operationalise the concept of constructive thinking' (interview NatBuild manager 3, 11/12/00). Another manager described it as a program to give employees 'a kitbag of tools for change' so they could embrace constructive thinking, and thereby 'standardise the culture across the company' (interview NatBuild manager 4, 24/4/01). The MD summarised its purpose (interview NatBuild manager 1, 28/09/01) as being

to try and equip our people with some skills, equip them for change to be focussing on what the expectations were, and to give them some extra tools, some exercise tools and to say that all the intellect doesn't come out of the top ... everything that you do is relevant, and be responsible for it, be accountable for it, make a difference.

However, even the MD could not articulate the program's intended outcomes with any precision. Nor could he point to any way in which the effects of the program were going to be evaluated. The intention was to have the same external consultant, in 2002, replicate the 1998 survey of clients' attitudes, with an apparently unquestioning belief that any (favourable) changes in findings would have been caused by the Mount Eliza program (interview NatBuild manager 1, 28/09/01).

The impression given by all the interviews with corporate managers was that they had entrusted Mount Eliza College with a task that they did not fully comprehend themselves. The College had been 'given the task of converting the vision into practical steps' (interview NatBuild manager 3, 11/12/00). Another senior manager, a great supporter of the changes that he believed were occurring within the enterprise, saw it as an 'organic' process that people would 'take ownership of' because it was not being forced upon them (interview NatBuild manager 4, 24/4/01). The NatBuild Europe members of the board thought that the

program was ‘less than good value’ (interview NatBuild manager 1, 28/09/01); the uncertainty surrounding its purpose and objectives may explain why.

It is NatBuild’s branches that are responsible for developing business opportunities (interview NatBuild manager 2, 11/12/00). This is regarded as a strength and corporate management encourages the branches to regard business development as a core responsibility. In those circumstances, corporate management’s role is to provide a framework in which the branches operate; for example, it has to approve branch business plans and budgets. It can play a negative or restraining role, by preventing a branch from pursuing its preferred strategic direction. It is not clear, however, how it could devise a proactive corporate strategy for obtaining future work without fundamentally altering the enterprise’s present structure and allocation of management responsibilities. While management would like to move progressively from ‘hard money’ to negotiated projects (interview NatBuild manager 2, 12/11/00), all contractors are likely to have a similar hope, and in any event such matters are largely beyond the ability of contractors to control. Nevertheless, the MD has consistently imbued branch managers with the philosophy that it is ‘better to be a small, profitable organisation than a large, unprofitable one’ (interview NatBuild manager 1, 28/09/01).

All three corporate managers interviewed in this study seemed to regard ‘strategy’ and ‘culture’ as two aspects of a single concept to which they did not or could not put a name. According to the HR Manager, ‘the culture of the company over-rides the strategy and for some reason it’s been successful’ (interview NatBuild manager 3, 11/12/00). Perhaps the most telling commentary on the extent to which NatBuild engages in future-oriented strategic planning was contained in the MD’s comment that ‘if I had to put money on it, I would say that we would get bought out in the next five year period’ by an enterprise that lacked NatBuild’s niche capabilities (interview NatBuild manager 1, 28/09/01). If an enterprise’s chief executive believes that the most likely mid-term prospect facing their organisation is that it will change ownership, then there can be little incentive to develop and implement corporate strategy in the sense in which that term is used in this study. Even if only unconsciously, the CEO is likely to devote resources to maximising the organisation’s perceived present-day value without much concern for sustained competitive advantage in the future.



## **4.5 Implementation of strategy**

It is apparent that NatBuild's branches have developed individual market profiles that owe more to external circumstances than to deliberate planning on the company's part. To an extent, this is regarded as something of a problem within the company, in that 'there's a corporate identity and a branch identity and they're different. We've got to try and mould those together' (interview NatBuild manager 1, 28/09/01). Within at least one branch, on the other hand, staff regard the freedom to set their own objectives and even to decide on the most effective organisational structure as a decided advantage (interview NatBuild manager 5, 24/4/01). The manager of the Queensland/NT Branch of the Building Division said that each branch had quite a different understanding of the best way to operate in the market (interview NatBuild manager 4, 24/4/01).

Section 4.3.2 mentioned that different branches had moved to exploit niches in the market: water treatment plants in Victoria, prisons in Queensland, underground work in NSW. In each instance, on the company's own account of things, success emerged over time – it was not anticipated in advance. No doubt management was adept in recognising opportunities that presented themselves, and once the opportunities had been recognised they have been skilfully exploited to maintain a competitive edge, but nobody interviewed in the study claimed that success was due to superior capabilities in forecasting market trends and being able to allocate resources accordingly. Indeed, managers admitted that some attempts to develop niches in the market had failed completely. In this respect NatBuild seems to conform to the received wisdom that major contractors are reactive (or expedient or opportunistic, according to the perspective of the commentator) market actors.

Each branch within NatBuild prepares a five-year business plan. The branch selected for this case study, the Queensland/NT Branch of the Building Division, prepared a business plan for the period 2001-2005 (NatBuild 3, nd). The plan provides an overview of the anticipated market for major construction projects during the period under consideration. In many instances, this data is public knowledge: announcements by developers, plans submitted to local government authorities for approval, forward works programs published by government departments and agencies, and so on. Information about other projects may not be so readily available, particularly those expected to commence towards the end of the five-year planning

period. Even in the case of projects that have been announced, it may be necessary to make a judgement about the likelihood of delays, major changes or even cancellation.

In addition to knowing what work might become available, contractors are interested in the project procurement processes that clients are likely to adopt and the competitive advantages or disadvantages that they face compared with other contractors that might try to obtain the work. The purpose of this market review is to allow NatBuild's branch management to decide the most effective allocation of business development resources. These resources can be tailored to particular projects and clients; for example, on one project NatBuild might utilise its financial resources to develop a proposal in which it will take some equity in a proposed project, as an inducement to the client to award it the construction contract.

#### *4.5.1 The Queensland/NT Branch*

The manager of the Queensland/NT Branch of the Building Division believes that the Branch is more advanced than other branches in pursuing the corporate strategy to become 'contractor of choice' (interview NatBuild manager 4, 24/4/01). This was so, in his view, partly because the Branch's workload had declined so drastically in the mid-1990s that many people had been retrenched, including all the 'dead wood' who would have made it difficult to change strategic direction. At the same time, new Branch management had been appointed, which also facilitated the adoption of a new direction (interview NatBuild manager 4, 24/4/01). The 'philosophy' now was that the Branch comprised 'a multitude of small businesses'; decision-making was very much a collegial process with project managers having considerable authority provided they were working towards the Branch's 'vision' of becoming the 'contractor of choice'. Branch management tried not to be directive; its role was to guide and assist within the parameters of the Branch business plan (interview NatBuild manager 4, 24/4/01). Another manager confirmed that the Branch was extremely non-hierarchical, to the extent that some 'old guard' staff resented the absence of procedures and direction. He himself regarded the management style as being very effective, allowing the large number of young and talented people in the Branch to make the most valuable contribution (interview NatBuild manager 5, 24/4/01).

The Branch management has tried in recent years to develop methods of obtaining work that give better results than traditional hard money tendering. 'Better results' in this context means a situation where NatBuild's risks are clearly identified in advance and it is more

confident of making what management regards as a reasonable profit without having to rely on variations and contractual claims. It would, however, be an overstatement to describe these attempts as a strategy. Project procurement methods are largely in the hands of clients and the public sector is reluctant to depart from hard money tendering. In Queensland/NT, public sector clients are more important providers of major projects than is the case in NSW and Victoria, so NatBuild's Branch management acknowledges that it is unlikely ever to be able to rely solely on negotiated work for its turnover. The difficulties have been illustrated by NatBuild's success in obtaining successive contracts to build prisons in Queensland. When NatBuild was awarded two prison contracts after a selective negotiation process, competitors successfully lobbied the government to award the next prison project in an open tender, hard money process. NatBuild was awarded the project, but admits that it will not be as profitable as the earlier jobs and that the relationship with the client, while still good, has experienced more difficulties because of the nature of the contractual arrangements (interview NatBuild manager 4, 24/4/01).

Nevertheless, wherever it can, Branch management has pursued the objective of obtaining work either through negotiation or design and construct contracts, with up to 80 per cent of its turnover being in these kinds of projects (interview NatBuild manager 5, 24/4/01). As part of its approach, it has encouraged a number of subcontractors to develop an 'alliance' relationship as a way of obtaining a competitive advantage. The rationale for this is that NatBuild's core business is project management and that the key subcontractors are very important contributors to both the tender price and project performance (interview NatBuild manager 5, 24/4/01). In such a relationship, subcontractors are encouraged to identify their interests as being the same as those of the head contractor, so that they readily look for ways to cut costs and improve productivity. The head contractor for its part genuinely tries to ensure that the subcontractors make a reasonable profit, are paid on time and are given first chance at future work that the head contractor might obtain. Naturally, for subcontractors to see merit in an alliance, they have to believe that the head contractor will be competitive enough to win a reasonable amount of work (interview NatBuild manager 5, 24/4/01). MechCon, the subject of the case study in chapter 5, has developed a relationship like this with NatBuild in Queensland. The Branch Manager believed that NatBuild had obtained at least one large contract because subcontractors had provided lower tender prices to it than to its competitors, because of the special relationship that had been built up over previous similar projects (interview NatBuild manager 4, 24/4/01).

In short, the Branch's strategy is to pursue contracts where it assumes a high level of risk but where the risks are largely within its ability to control and it can also expect a reasonably high profit margin. To support this strategy, the Branch has tried to establish alliance arrangements with key subcontractors. The Branch Manager is an enthusiastic advocate of the constructive thinkers' vision and the Mt Eliza program, and believes that the Branch is in the vanguard of the change process required to implement that vision.

#### **4.6 Corporate HR management strategy**

This section will summarise corporate management's approach to managing people as a strategic function. It is apparent that while management claimed to place great importance on employees as being the enterprise's main asset, it had some difficulties in articulating clearly what systems, policies or procedures were in place to take advantage of that asset or to increase its value. The survey findings suggested that the some of the HR outcomes regarded as most desirable by corporate management were not being achieved particularly effectively within the organisation.

NatBuild employs a corporate HR Manager in the Sydney head office. He has functional authority over several staff engaged in training and OH&S functions throughout the company. At state office level these staff provide services to both the Building and Engineering Divisions; OH&S officers are also employed on some of the largest individual projects in both divisions. The corporate Human Resources Management Manual (NatBuild 11, 1999) asserts that its procedures are 'supportive of the company business plan' but this theme is not elaborated within the document. Another document in the Manual states that the

Human Resources Strategy is incorporated in Branch and Corporate Business Plans and sets out the objectives that must be achieved within the life of the Human Resources Plan ... General Managers will be required to incorporate the Human Resources Strategy into their individual business plans. Each plan must show a commitment to achieving the HR mission.

(NatBuild 10, 2000)

However, there is no explanation of what the 'Human Resources Strategy' actually is. Instead, it is made clear that 'Branch and Corporate Business Plans' and 'individual business plans' are all 'a line management responsibility' (NatBuild 10, 2000). The only substantive item in the welter of plans, strategies and missions is the 'corporate human resources mission

statement’ – ‘the right number of people, with the right skills, receiving the right rewards committed to achieving company objectives’ (NatBuild 10, 2000). The document does not explain in any detail how the problematic question of what is ‘right’ is to be determined.

NatBuild’s HR Manager explained that the firm’s HR staff had all been retrenched in the early 1990s when the company was experiencing financial difficulties (interview NatBuild manager 3, 11/12/00). When he was appointed in 1995, his ‘agenda was as much as possible to devolve as much HR as possible to the line and just to provide a consultancy service’ (interview NatBuild manager 3, 11/12/00). He suggested that HR was not ‘utilised enough as a strategic resource’ in NatBuild (interview NatBuild manager 3, 11/12/00).

NatBuild’s MD confirmed that employees were really the enterprise’s only asset (interview NatBuild manager 1, 28/09/01). However, when asked what ‘qualities [do] you look for in the people who work for the company’, his immediate response was to nominate ‘flexibility both in terms of location and mobility’ (i.e., a willingness to relocate to suit the company’s changing workload) (interview NatBuild manager 1, 28/09/01). After additional discussion (interview NatBuild manager 1, 28/09/01), he said the company was

looking for a much more rounded person ... so you're back into loyalty, the understanding about where the company's going, the understanding about what the vision and the values of the company are and how they relate to them.

In common with the General Manager of the Building Division, the MD has placed considerable faith in the Mount Eliza program to provide the kind of HR training and development activities that will complement the firm’s future operations. However, neither manager could explain very clearly exactly what HR outcomes had been specified to the Mount Eliza program coordinators or even what outcomes were regarded as desirable.

#### *4.6.1 Rewards and remuneration*

Corporate management claimed that a culture now existed within NatBuild where mediocrity was not tolerated and excellent performance was recognised. According to the General Manager of the Building Division, many mediocre performers were laid off during the downturn in work that the company experienced in the mid 1990s (interview NatBuild manager 2, 12/11/00). However, no system is in place to recognise good performance by way of rewards management. The remuneration policy claims that a ‘key objective’ is ‘to provide

... effective encouragement and reward for performance, both at individual and collective levels' (NatBuild 8, 2000: 2), but the evidence from this study suggests that most managers do not view the remuneration system in this light. Salaries are adjusted annually throughout the whole enterprise by a uniform amount that reflects price increases (interview NatBuild manager 1, 11/12/00). No consideration has been given to devolving responsibility for overall salaries to the branches because 'it's only ever been a cost of living type of model' (interview NatBuild manager 1, 28/09/01). At least one branch manager believed that the annual adjustment was unsatisfactory; people regarded it as 'just the CPI<sup>4</sup> review'. He had asked several times to have it combined with branch performance reviews, so far without success (interview NatBuild manager 4, 24/4/01). While a range of salaries has been fixed for most job levels 'to allow variations in job performance between individuals in the same job category' (NatBuild 8, 2000:2), few employees understood the basis for any variations that exist in practice. Non-salary rewards such as company-supplied vehicles and access to corporate credit cards are linked directly to an employee's job level, not to performance (NatBuild 8, 2000).

The only part of remuneration related directly to performance is a bonus awarded annually in each branch, calculated by reference to how closely the branch has achieved the year's financial targets (interview NatBuild manager 3, 11/12/00). Seven and a half per cent of each branch's total profit for the year is distributed through a branch bonus pool (NatBuild 13, nd)<sup>5</sup>. Seventy five per cent of this amount is distributed to employees in proportion to their share of the branch's total wage and salary expenditure. In other words, a worker whose salary is one per cent of the branch's total wage and salary expenditure will receive a bonus of one per cent of the total bonus 'pool'. Such a system does not, of course, recognise individual performance, but according to one corporate manager, it has 'made a huge difference to people's ability to strive, they can actually affect their bonus' (interview NatBuild manager 2, 12/11/00). The employees interviewed in this study had a different view: all site employees interviewed in the study were asked if they regarded the branch profit share as a motivating factor in their work and all answered in the negative.

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<sup>4</sup> Consumer Price Index, published quarterly by the Australian Bureau of Statistics

<sup>5</sup> The system encourages accurate budgeting more than straightforward profit making. Thus if profits exceed budget, the proportion of the 'excess' that flows to the bonus pool is smaller than the proportion of the budgeted profit. If a branch makes a loss, it is carried over to future years for the purposes of calculating bonuses.



The remaining 25 per cent of the branch bonus pool is set aside for the branch manager to distribute as bonuses to employees for outstanding performance. This is done purely at the discretion of the branch manager. While these bonuses are intended to recognise individual performance (NatBuild 13, nd), this can only occur after the event and depends on the judgement of the branch manager. Only one person interviewed in the Queensland/NT Branch mentioned his individual bonus when asked about reward for effort; his higher than expected bonus was explained verbally by the Branch Construction Manager as being due to the employee's hard work and effort during the preceding year (interview NatBuild site engineer 2, 9/8/01). Other interviewees, while welcoming the extra income, dismissed suggestions that individual bonuses provided any kind of work incentive. The HR Manager has considered the use of individual performance indicators, but 'in so many ways we think we're progressive, but we're fairly unsophisticated in terms of bonus payments' (interview NatBuild manager 3, 11/12/00).

Individual workers' salaries are not reviewed as a matter of course, beyond the annual adjustment mentioned earlier. It is up to branch managers to recommend a salary increase (or reduction) in instances where they believe circumstances warrant it. Such proposals must be presented to the HR Manager who makes a recommendation to the MD. In practice, the HR Manager almost always endorses the proposed change, as does the MD. These procedures for discretionary bonuses and salary reviews certainly aim at recognising individual performance, but it would be stretching the meaning of language to say that they constitute a system.

#### *4.6.2 Career development*

NatBuild's MD nominated career development as an important aspect of the culture that he believed was important to the enterprise (interview NatBuild manager 1, 11/12/00), as did the General Manager of the Building Division (interview NatBuild manager 2, 12/11/00). The relevant written policy distinguishes between personal development needs and training plans (NatBuild 7, 1999), the latter being 'based on details extracted from appraisals' (p 2). According to this policy, '[t]he direction of human resource development is to emphasise flexible learning, integrating on and off the job training, with ownership of the learning process residing more with the individual' (p 2). The HR Manager claimed that 'we reward individual success, specifically with promotions and so on' and that 'people are generally aware that we support creativity and initiative in our staff, but that is more often than not



promotion rather than monetary reward [*sic*]' (interview NatBuild manager 3, 11/12/00), but the survey responses suggested that if this is the case, the procedures by which the principle is implemented are poorly understood by employees. As will be seen from Table 4.3, only about one third of survey respondents agreed with the statement that 'a system exists within [NatBuild] to help me develop my potential so that I can have a career in the company'. Almost as many respondents disagreed.

**Table 4.3:** Valid responses to survey statement, 'a system exists within [NatBuild] to help me develop my potential so that I can have a career in the company' (per cent), (n=200)

Agree	Disagree	Neither agree nor disagree	Can't say	Total
36.0%	35.5	19.0	9.5	100.0

Source: original study data

According to the HR Manager (interview NatBuild manager 3, 11/12/00), NatBuild does offer a structured job rotation system for new engineering recruits, which is 'nice in theory [but] it's not documented how this is going to work, it's on a case-by-case basis so really based on how much initiative people show and drive as well'. The interviews conducted as part of this study confirmed that in the Queensland/NT Branch, individuals had experienced different levels of systematic career development (see section 4.7.4). The HR Manager explained that the case-by-case approach also applied to employees who asked for practical support from NatBuild to undertake professional development courses (interview NatBuild manager 3, 11/12/00). The survey findings were consistent with this: less than half the respondents agreed that NatBuild would give them time off to attend a course that would help them do their jobs better, and almost 30 per cent couldn't say. The extent of uncertainty was even greater concerning the company's preparedness to pay for some or all of the expenses associated with such courses: over a third of respondents couldn't say whether NatBuild would do so, with 38 per cent agreeing that it would and 20 per cent disagreeing.

The performance review guidelines envisage that individual employee training and development plans should often be an outcome of the appraisal process (NatBuild 14, 2000). However, some employees reported that whatever training they had undertaken had been arranged by the company without consultation (interview NatBuild project manager 1, 23/11/01) and that performance appraisals had not led to any training outcomes (interview NatBuild site engineer 1, 27/11/01). While half of all survey respondents agreed that 'since I

began work with [NatBuild], I have received significant help from the company to develop my work skills for the job that I do now', 29 per cent disagreed and 19 per cent had no opinion either way.

Training and development are branch responsibilities; the corporate HR budget has no resources for these activities (interview NatBuild manager 3, 11/12/00). According to one manager, the HR Manager 'has tried over the years to dovetail the appraisal system and the training system but it's never really coupled up all that well' (interview NatBuild manager 2, 12/11/00). The enterprise has emphasised in recent years the concept of 'core management competencies' for staff (interview NatBuild manager 3, 11/12/00) and this seems to have been well-established, with around 60 per cent of survey respondents agreeing that they knew what the core competencies were for their positions.

#### **4.6.3 Performance management**

The survey findings cast some doubt on the effectiveness of other aspects of performance management. According to one manager, performance management had been reformed in 2000 to incorporate a different and much better appraisal procedure based on the eight core competencies nominated in the constructive thinkers program (interview NatBuild manager 2, 12/11/00). The procedure provides for staff to appraise their own performance against their job description, and then discuss it with their supervisor or manager (NatBuild 16, 2000: 2). However, as can be seen from Table 4.4, only half the survey respondents agreed that 'my supervisor/manager and I participate in a formal performance appraisal at least once a year'. Even less agreed that 'whether or not I get formal performance appraisals, I get regular feedback from my supervisor/manager about ways I can improve my performance at work'. Slightly over half of all respondents stated that they supervised other workers; of this group, 51.8 per cent stated that they appraised the performance of those they supervised at least once a year, but 26.4 per cent stated that they undertook performance appraisals 'seldom/never'. According to the HR Manager, some branches have developed their own appraisal systems in recent years and it was his intention to 'review the whole appraisal process' and 'hopefully [get] back to a single approach' (interview NatBuild manager 3, 11/12/00).

**Table 4.4:** Valid survey responses to statements concerning performance management (per cent)

	Agree	Disagree	Neither agree nor	Can't say	Total
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				<b>disagree</b>			
My supervisor/manager and I participate in a formal performance appraisal at least once a year (n=200)	50.5%	35.0		5.0	9.5	100.0	
Whether or not I get formal performance appraisals, I get regular feedback from my supervisor/manager about ways I can improve my performance at work (n=199)	38.2	46.2		13.1	2.5	100.0	

Source: original study data

#### 4.6.4 OH&S

OH&S is another HR function that corporate management regards as an important one. Performance management tools reflect this priority. For example, the position summary for a site engineer, on which performance appraisals are based, lists ‘safety & environment’ as one of seven ‘key result areas’, giving these performance benchmarks equal prominence with those relating to quality assurance and programming (NatBuild 6, 2000). Efforts to give the issue a high priority seem to have been outstandingly successful. The overwhelming majority of survey respondents for whom safety was a significant issue reported that their managers or supervisors would ‘never’ or ‘hardly ever’ ‘try to get work done on time even if it means working in an unsafe manner’ (see Table 4.5).

**Table 4.5:** Valid survey responses to survey question, ‘does your supervisor/manager try to get work done on time even if it means working in an unsafe manner? (per cent)(n=199)

<b>Never</b>	<b>Hardly ever</b>	<b>Sometimes</b>	<b>Quite often</b>	<b>Most of the time</b>	<b>Can’t say/don’t know</b>	<b>Safety is not a significant issue at my workplace</b>	<b>Total</b>
54.5%	16.5	4.0	1.5	0.0	4.5	19.0	100.0

Source: original study data

Table 4.6 summarises the responses to two other survey questions concerning OH&S. When asked whether their supervisors or managers expected them to ‘get work done on time even if it means working in an unsafe manner’, only two per cent agreed, and the overwhelming majority of those who could express an opinion about the issue agreed that their supervisor or manager expected them to ‘encourage the people I supervise to tell me about any safety problems on the job’.

**Table 4.6:** Valid responses to survey statements about the expectations that managers and supervisors had about OH&S (per cent)

	Agree	Disagree	Neither agree nor disagree	Can't say/not applicable to my job	Total
[My supervisor/manager expects me to] Get work done on time even if it means working in an unsafe manner (n=200)	2.0%	74.5	3.5	20.0	100.0
[My supervisor/manager expects me to] Encourage the people I supervise to tell me about any safety problems on the job (n=199)	60.3	2.0	5.0	32.7	100.0

Source: original study data

#### 4.6.5 Innovation

‘Innovation’ is an important element of the constructive thinkers program and corporate managers nominated it as a quality that they valued (interview NatBuild manager 3, 11/12/00). At some time in the 1990s corporate office instituted a ‘Good Ideas’ program that offered practical incentives such as paid holidays to staff who developed valuable innovations that could be applied to their work. At least one site engineer spoke highly of the program’s effectiveness but other some other staff interviewed in this study had never heard of it, indicating that its promotion throughout the enterprise may have been patchy. It was abandoned in 2000 in favour of the Mount Eliza program.

NatBuild offers annual awards as part of the constructive thinkers program. Project or branch office teams can nominate themselves for an award and support their nomination with documentary evidence and a video. The awards are judged by a ‘jury’ assembled by corporate management. It is clear from a composite video viewed during the study that workers who nominate for an award devote considerable resources to the process, and the MD regarded the awards as an important element in creating the desired corporate culture. This may well be the case, of course, but once again, corporate managers did not explain precisely what outcomes the awards were intended to achieve or how their effectiveness would be evaluated.

Despite these programs, the NatBuild survey's responses did not suggest that staff were particularly attuned to innovation and creativity. As summarised in Table 4.7, slightly less than one third of respondents agreed that their manager or supervisor gave 'lots of encouragement' to them to 'come up with ideas about doing **[their] own work** in new, better ways' (emphasis in original survey).

**Table 4.7:** Valid survey responses to question, 'does your supervisor/manager encourage you to come up with ideas about doing your own work in new, better ways?' (per cent) (n=201)

Gives me lots of encouragement	Gives some encouragement	Neither encourages nor discourages	Gives no encouragement and inclined to ignore my ideas	Actively discourages me from coming up with ideas	Can't say/don't know	Total
31.3%	41.8	25.4	1.5	0.0	0.0	100.0

Source: original study data

Only a quarter of respondents agreed that they received 'lots of encouragement' to 'suggest ways for [NatBuild] to improve **the overall way it organises its activities**' (emphasis in original survey). Staff being interviewed in the course of this study were asked to comment on the importance of innovation in their work. While all agreed that innovation was highly regarded by management, none could nominate any specific programs or techniques that existed in NatBuild to stimulate innovative thinking (as opposed to reward programs like the annual award). Several people gave examples of innovative operational improvements but these had all been developed using reactive, problem-solving methods. None of the techniques commonly associated with continuous improvement programs, such as toolbox meetings or end-of-project post mortems, were in widespread or systematic use in the Queensland/NT Branch. To the extent that creative change occurs, as no doubt it does from time to time, it appears to arise from the spontaneous efforts of individual employees and not from any company-wide system or procedure.

**Table 4.8:** Valid survey responses to question, 'apart from the way you do your own work, does your supervisor/manager encourage you to suggest ways for NatBuild to improve the overall way it organises its activities?' (per cent) (n=200)

Gives me lots of encouragement	Gives some encouragement	Neither encourages nor	Gives no encouragement and	Actively discourages me from	Can't say/don't know	Total
--------------------------------	--------------------------	------------------------	----------------------------	------------------------------	----------------------	-------

ement	ement	discourages	inclined to ignore my ideas	coming up with ideas		
24.5%	43.5	27.5	4.0	0.5	0.0	100.0

Source: original study data

The overall impression is that corporate managers consider HR management from two different perspectives. Firstly, it is a series of discrete functions that vary in importance and serve different purposes. Secondly, it is a substantial contributor to NatBuild's 'culture', which is regarded as one element in gaining competitive advantage that cannot be easily transferred between contractors (interview NatBuild manager 3, 11/12/00). Perhaps the most revealing illustration of the HR role is contained in the following exchange (interview NatBuild manager 3, 11/12/00):

Question: I know it's a difficult question, but how much does the culture depend on the nature of the personalities that are in certain positions as opposed to a systems approach that's embedded in the way the organisation does things?

Response: Probably too much, and one of the things that make it difficult from an HR point of view – this is not making excuses, just an observation – is that we've actually lacked any overall strategy or strategic direction for the company. It's changing now, but in the past, as basically a consultant to the branches, it's been very difficult for me to develop a corporate approach to HR management because individual branch managers, their personalities and approaches are all different. Without any strategic direction guiding them or pulling them together they're all over the shop, so it does come down to a personality-based decision, and variously the branch managers may or may not even involve HR because they don't like me personally or they don't like HR generally and it's really up to them. So yeah, too much depends on the personality.

## **4.7 HRM practices**

There is no dedicated HR specialist in the Queensland/NT Branch office of the Building Division, although there is a training manager. The interview and questionnaire data suggested that there were no substantial differences between the way HR procedures were followed in Queensland/NT compared to other branches.

The Branch Business Plan (NatBuild 3, nd) nominates some HR management targets. It lists (p 7) a number of ‘drivers of change’, including:

- changing staff expectations
- respect and reward is earned by expertise and performance delivery
- employees expect employability for life, (not lifetime company employment)  
i.e. their skills and competencies are maintained and developed ...

The Plan proceeds to set detailed objectives in several areas, one of which is ‘people development’ (NatBuild 3, nd: 11-13). The objectives, separated into short, medium and long term categories, deal mainly with specific training issues.

The remainder of this section examines individual HRM functions for evidence of the extent to which employees’ reported experiences matched either the Branch Business Plan’s objectives or those articulated by senior management.

### **4.7.1 Recruitment and selection**

Five of the site staff interviewed for this study had been recruited by NatBuild less than four years before the time of the interview. There was no pattern in the recruitments. Two site engineers had first worked for the company to satisfy the work experience requirements of the engineering degrees that they were undertaking. They were under the impression that the Branch Construction Manager had been favourably impressed by their performance, but they had not been formally told why they had been selected for permanent appointment. One, while studying engineering at university, had approached several potential employers including NatBuild about possible employment (interview NatBuild site engineer 5, 1/11/01). On the third approach he was appointed, after a single interview, as a probationary graduate engineer in the Queensland Branch of the Engineering Division. He speculated that his persistence in applying may have been the reason he had finally been given an opportunity, coupled perhaps with personal characteristics of enthusiasm and a good work ethic, but had



never been told why he was regarded as a suitable NatBuild employee. He was subsequently offered work in the Building Division because they needed someone and the Engineering Division had run out of work (interview NatBuild site engineer 5, 1/11/01). The second site engineer responded to a NatBuild advertisement on a university noticeboard, inviting students to apply for work experience placements. He was offered a permanent position after three months' work, and could only speculate about the reasons why NatBuild had regarded him as a suitable employee (interview NatBuild site engineer 2, 9/8/01).

The recruitment and selection of other engineers was equally unstructured. One's name and resume were put forward by a friend, who was already employed as a cadet engineer by NatBuild, and he was offered a similar position; he did not know why, and the company was not engaged in a general recruiting drive at the time (interview NatBuild site engineer 1, 27/11/01). Another was directly approached to accept a foreman's position because he was already known to NatBuild and they urgently needed somebody to fill the position (interview NatBuild site foreman, 10/8/01). Another engineer was recruited to the Engineering Division in 1994 by a project manager who had known the engineer when both men had worked for another contractor (interview NatBuild project manager 1, 23/11/01). He had subsequently transferred to the Building Division simply because the changing workload made it convenient for the company.

#### *4.7.2 Performance appraisals*

Most of the site staff interviewed believed that the performance management system was important and a valuable HR function. However, one disagreed and said that appraisals served little purpose. The accounts given by those interviewed of the appraisal process itself did not match that given by the Divisional General Manager, who claimed that after the procedure was reformed in 2000, individual employees took the initiative in seeking to discuss performance with their supervisor or manager after they had 'virtually appraised themselves' (interview NatBuild manager 2, 11/12/00). The written procedure in NSW incorporated this approach (NatBuild 16, 2000), but the corporate HR Management Manual provided that the person who was to conduct the appraisal interview should arrange it and advise the employee being appraised of the arrangements (NatBuild 14, 2000: 5). The Manual also specified that employees should be appraised by their 'immediate supervisor, except that all employees on a project should be appraised by the project manager' (p. 4).

The practice in the Queensland/NT Branch was a little different. According to those interviewed in this study, appraisals were arranged to suit the mutual convenience of appraiser and appraisee, and followed a conventional process of discussing the extent to which the appraisee's performance matched the requirements of the position description (interview NatBuild project manager 1, 23/11/01; interview site engineer 1, 27/11/01). Moreover, appraisals were often undertaken not by the employee's manager or supervisor, nor by the project manager, but by the Branch Construction Manager (interview NatBuild project manager 1, 23/11/01; interview site engineer 1, 27/11/01). This tendency for employees to have their performance appraised by somebody other than their direct supervisor or manager was confirmed by the survey, where 38 per cent of supervisors and managers in the Branch reported that 'another staff member does performance appraisals for the employees I supervise'. The equivalent figure for the company as a whole was 22 per cent. One project manager said that after four years of having the staff who reported to him appraised by the Construction Manager, he intended to 'insist' that he participate in future appraisals (interview NatBuild project manager 1, 23/11/01). Senior Branch staff were ambivalent about the whole appraisal process: the Branch Manager conceded that he was 'very lax' whereas the Construction Manager was a strong supporter (interview NatBuild manager 4, 24/4/01).

The findings of the survey indicated that staff in this Branch were less likely to carry out performance appraisals than was the case in the firm generally. Only 43 per cent of survey respondents from the Branch agreed that they participated in an annual performance appraisal, compared to 51 per cent of all respondents, whereas 46 per cent disagreed (35 per cent). Despite this, Branch staff were more likely to believe that they knew what they had to do to be promoted (44 per cent compared to 39 per cent). One project manager believed that a system was in place to manage individual progression within the Branch, and that his regular salary increases reflected his performance, although he could not say with any confidence how the system worked (interview NatBuild project manager 1, 23/11/01). One site engineer, on the other hand, did not perceive any link between performance and remuneration (interview NatBuild site engineer 1, 27/11/01). The fact that discretionary bonuses could be paid for good performance was not a motivating factor as far as employees interviewed in the study were concerned (interview NatBuild project manager 1, 23/11/01).

Differences in the use of performance appraisals were mirrored (and perhaps partly caused) by differences in the role of written position descriptions in managing staff. One site engineer reported that he and a foreman on the same project had only received written job descriptions after they had been employed for several years, and that they ‘weren’t schooled on it or taken through it’ (interview NatBuild site engineer 5, 1/11/01).

Interviews of staff in this Branch suggested that performance appraisals were not being used to identify training needs of individual employees. Typical comments were that staff were not given any training in NatBuild systems apart from informal on-the-job training, and that some employees actually had to ask more senior management to supply training (interview NatBuild site engineer 5, 1/11/01). One engineer commented that NatBuild’s training efforts seemed more directed at trades employees and subcontractors than at technical and managerial staff, although he expressed confidence that the company would give practical support if he decided to enrol in something like an MBA program to develop his professional skills (interview NatBuild site engineer 2, 9/8/01). This same engineer said he had taken the initiative with two colleagues to investigate the availability of short courses suitable for engineering staff, and intended, once he had enough information, to put a proposal to senior management for a structured training program for staff.

#### *4.7.3 The Mt Eliza program*

Some of the staff interviewed had participated in the Mount Eliza program by attending one of the sessions. Their responses varied. Three were positive, one commenting that since completing the program he had become more ‘assertive’ in promoting the company’s interests (interview NatBuild site engineer 1, 27/11/01), while another said he had learned to be more ‘relaxed’ with client representatives (interview NatBuild project manager 1, 23/11/01). The third reported that the greatest benefits he had obtained were to found a network of NatBuild contacts and to feel that he was participating in discussions about the future of the company. He placed special importance on these outcomes because until then he had only met NatBuild employees who happened to be employed on the same projects as he was (interview NatBuild site engineer 2, 9/8/01).

On the other hand, one site engineer said that while he had come out of the Mount Eliza program session full of enthusiasm, it evaporated quickly upon returning to site and seeing

how high the in-tray had grown during his absence<sup>6</sup>. Another engineer mentioned that he had been due to participate but had been forced to cancel because of the pressure of work on his project (interview NatBuild site engineer 5, 1/11/01). Despite the fact that the Mount Eliza program had been running for over 12 months when questionnaires were distributed for this study, less than one third of respondents agreed that they knew ‘the direction that corporate management is taking the company in’.

#### *4.7.4 Training and development*

Some interviewees had participated in other training and development activities arranged by NatBuild. One-day training programs are frequently held on industry rostered days off<sup>7</sup> (interview NatBuild site engineer 5, 1/11/01).

According to the Branch Manager, graduate engineers are deliberately provided with a variety of work over their first five years with the company. After that, career development activities are matters to be considered for individual employees, usually after they make a request. Staff are encouraged, but not pressured, to engage in formal career development activities (interview NatBuild manager 4, 24/4/01). Three of the site engineers interviewed seemed to feel that they had been marked for advancement within the company. This impression was supported by comments made by other interviewees, particularly with respect to one engineer. However, none of them could point to a system that was in place under which they had been informed of what they had to do to get ahead. One had been ‘led to believe’ that a system was in place, but ‘wasn’t aware of it’ (interview NatBuild site engineer 5, 1/11/01). Their confidence about their own prospects could be attributed to the personal relationships that they had with senior staff in the Branch, particularly their project managers and the Branch Construction Manager (interview NatBuild site engineer 5, 1/11/01). They also believed that the way in which the scope of their responsibilities had already expanded suggested that they would continue to be promoted within the enterprise.

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<sup>6</sup> I invited the MD to comment on this response. He replied that the benefits of the Mount Eliza program were expected to manifest themselves in ‘how [the engineer] went about dealing with the in-tray’. This could of course be an astute deflection of a question about a matter that he was unwilling to discuss with an outsider. It could equally mask some uncertainty about exactly what the Mount Eliza program was intended to achieve.

<sup>7</sup> The industry award prescribes that ordinary hours of work are to be rostered over a 20 day cycle, 19 days each of eight hours and the twentieth day as a paid day off. Salaried staff in NatBuild (and most other firms in the industry) are expected to work on this rostered day off.

The Branch does not have a formal procedure for filling vacancies that arise from time to time. Branch management looks for a suitable appointee first within the Branch, then within other branches and only then externally, unless they want to introduce ‘new blood’. Branch management would decide who to approach – no procedure exists for interested staff to ask to be considered (interview NatBuild manager 4, 24/4/01). The Branch Manager agreed that no formal system for succession planning exists within the Branch, and that although he accepted that there had to be an effective way to do it, he had ‘never seen it work successfully’. He intends to develop a system in the near future after consultation with the people running the Mount Eliza program (interview NatBuild manager 4, 24/4/01).

The Branch Manager laid great emphasis on the way the Branch looked for staff to be ‘business managers, not builders’ (interview NatBuild manager 4, 24/4/01). He explained that he wanted staff who would treat a project as a business and manage it with a view to maximising both profitability and value to the client, whereas a builder would ‘wait to be told what to do’ by the owner or architect. This was partially supported by at least one site engineer, who responded ‘looking after the bottom line’ when asked which aspect of his performance was most important to NatBuild (interview NatBuild site engineer 5, 1/11/01).

In summary, HR matters are managed in the Branch in broad accordance with the procedures laid down by corporate head office. Recruitment and career development appear to be conducted pragmatically with the Branch Construction Manager playing the most important role. To the extent that performance is rewarded, it is done indirectly in the shape of future preferment when questions of promotion or retrenchment or transfer to prestigious projects arise. All Branch staff interviewed were asked to nominate any policies or procedures for managing people that distinguished NatBuild from other contractors. The responses noted matters that could be generically described as management ‘style’ – an ‘open-door policy’ (interview NatBuild site engineer 5, 1/11/01), for example. There was no evidence of SHRM in the sense in which that term has been used in this study.

## **4.8 Summary**

NatBuild is an organisation that has suffered extensive commercial problems in recent years, to the extent that management was convinced fundamental changes had to occur to restore the company’s viability. Senior managers have, however, struggled to articulate with precision either the nature of the changes required or the means by which they will be achieved.

External consultants have been retained to establish a vision of the future in the shape of a market position as ‘contractor of choice’, and other external consultants have been engaged to design and deliver a program of cultural change which is still under-way.

Corporate HRM policies and procedures have been developed with a nominal, but not a substantive, relationship to corporate strategy. In any event the branches have extensive autonomy in operational matters and administer the head office HRM policies and procedures with considerable flexibility. Staff are recruited and selected in an opportunistic fashion and the selection criteria are unknown. Other HRM functions such as performance management and career development are also managed according to the personal preferences of individual middle managers and without any adherence to an organisational system designed to meet strategic objectives.

The next chapter will discuss the findings in respect of the second case study, MechCon.

## **Chapter 5: The MechCon Case Study**

### **5.1 Introduction**

This chapter contains an account of the findings from the MechCon case study. While MechCon has a number of business units, the Construction Division is the largest and is the subject of this study. In particular, the Queensland branch of the Construction Division is the business unit selected for close study. The structure of the chapter is similar to that of chapter 4 (see figure 4.1). A brief overview of the enterprise is provided at the beginning of the chapter, followed by a description of its ownership and governance, its structure, the role that it plays in the industry and the people whom it employs.

Following these sections, the corporate and business strategies that MechCon has adopted during the study period are described. It was notable that the MD and the manager of the Construction Division had substantially different understandings of the extent to which the enterprise actually had a coherent strategy. The MD left MechCon mid-way through the study and was not replaced, and throughout the chapter some of the implications of that event are noted for the issues of concern to this study.

The remainder of the chapter sets out the HR policies and procedures that have been proposed by MechCon's corporate head office to achieve strategic objectives, and gives an account of the way in which they have been received and implemented in the Queensland branch of the Construction Division. Implementation in the branch is piecemeal and reflects an instrumental approach to HR procedures as opposed to a strategic conception.

### **5.2 Data collection**

#### **5.2.1 Interview data**

To obtain data for this chapter, interviews were conducted with these staff at corporate head office: the MD, the General Manager – Strategic Development, the National General Manager of the Construction Division (twice) and the HR Manager. In the selected business unit, the Construction Manager, the Business Support Manager and five site staff were interviewed in person. Details of the interviews appear in section 8.2.2. Interviews followed the same approach as in NatBuild (see section 4.2.1), with data 'cascading' from senior management through middle management to other staff so that the information gathered in



early interviews informed the content of the later interviews and subsequently of the questionnaire.

Interviews were arranged by either email or telephone and conducted face to face. Project-based employees were interviewed either on site or in the branch office conference room. Office-based managers were interviewed in their own offices. All interviews were held in private without anyone else being able to hear or observe the conversation. The interviews were free of interruptions. Interviews with senior managers lasted for between two and three hours. Others with one exception ran for 40 minutes to one hour; the exception lasted for three hours. None of the interviewees terminated an interview because of a shortage of time.

At the beginning of the interviews, employees were assured that anything they said would not be passed on to anybody else in their company and that they would not be identified in any publications that resulted from the study. All agreed in advance to the interviews being recorded and this was done using a micro-cassette recorder. The interviews with senior managers were transcribed in full. Other employees' interviews were played back carefully to identify pertinent data that was useful for the study and this was transcribed if it was relevant to the research questions.

### *5.2.2 Questionnaire data*

The questionnaire (see Appendix B) was distributed in March, 2002 to 347 staff in Queensland, NSW, Victoria and Tasmania. One hundred and sixteen staff returned useable responses, a response rate of 33.4 per cent. The questionnaire had 44 questions and sub-questions spread over six pages. The higher number of questions as compared to the NatBuild survey reflected the inclusion of questions about issues peculiar to MechCon such as client relationship building, which had no counterpart in the other case firm. A draft questionnaire was sent to the General Manager of the Construction Division for comment before it was finalised for distribution, who raised no objections. The questionnaire was then piloted with a focus group of eight employees in December, 2001 and some amendments were made to the wording of several questions to improve their ease of comprehension and remove any possible ambiguity.

### **5.2.3 Data from documents**

MechCon has an internal online facility where policies, procedures and corporate information are stored. Access was given to this database without restriction and the researcher was allowed to download and take away files without restriction. Other documents were provided in hard copy including very large studies of future strategic positioning written by the General Manager - Strategic Development. The documents consulted for the study are listed in section 8.2.1. Needless to say, other documents might exist that contain information relevant to the study but immediate access was given to any documents that were requested in the course of the study.

## **5.3 Overview of MechCon**

MechCon provides mechanical services for large commercial and industrial buildings, and occasionally for high-rise residential projects. The Construction Division almost always acts as a subcontractor to a builder, although in recent years the firm has attempted to grow non-construction divisions that contract directly to building owners. MechCon's current major shareholder has published a brief history of the firm for the information of employees (MechCon 1, nd). It was established in 1898 as a plumbing business. The founder concentrated on domestic plumbing work, connecting homes to the sewerage systems that were beginning to be built in regional Victoria. The firm remained a small operator in the domestic market until the Second World War, when it began to shift from traditional plumbing towards mechanical services. Management and ownership has remained in the hands of the founder's family continuously since 1898. For all but two of those years, a male member of the family has been the chief executive.

MechCon was incorporated in 1949. It grew quickly in the post-war period, being one of the first companies to undertake large-scale air-conditioning contracts for manufacturing industries that were building plants in Victoria. In 1966, the company opened an office in Tasmania, followed by a Brisbane operation in 1980. Various acquisitions and expansions since then have seen the firm establish itself in all the eastern states of Australia and in New Zealand. It now claims to be the leading mechanical services contractor in Australia; while data to confirm or rebut the claim are difficult to uncover, it is certainly one of the largest four or five such firms and the largest one remaining in private ownership.

### 5.3.1 Ownership and governance

As at 5 September, 2000, MechCon was owned as follows:

Entities associated with [the majority shareholder]	51%
Entities associated with [the then MD]	39%
Entities associated with [the executive director]	10%
(MechCon 2, 2000)	

The majority shareholder is the sole surviving male member of the family that founded MechCon, and the only family member actively involved in the business. In September 2000, the MD was the majority shareholder's son-in-law and the executive director (who manages the firm's non-construction activities) was the majority shareholder's stepson. Their respective equities reflected distributions made by the majority shareholder. In 2001, the MD separated from the majority shareholder's daughter and terminated his relationship with MechCon. His equity in the firm is in the process of being transferred back to the chairman (interview MechCon manager 1, 9/11/01).

The company claims that 'although owned by extended family members, [it] is not run as a family business' (MechCon 2, 2000:7). There were five directors in 2000 including the then MD and the majority shareholder. The latter did not play an active part in the day-to-day management of the company, according to the then MD, although he was kept well-informed about operations and discussed them frequently with the MD (interview MechCon manager 2, 4/9/00). Two other directors (one being the chairman) had no equity in the company and played no executive role. The fifth director was the executive director.

Following the departure of the MD in 2001, the majority shareholder assumed a quasi-chief executive role while still allowing the divisional managers considerable autonomy (interview MechCon manager 1, 9/11/01). At least one senior manager now believes that the executive director will eventually become the new MD (telephone conversation, MechCon manager 1).

### 5.3.2 Activities

MechCon grew to its present size largely through its construction activities as a mechanical services contractor. This entails the design (sometimes), manufacture and installation of such building services as air-conditioning, ventilation and refrigeration systems. Since about 1990,

the company has been diversifying its activities to include maintenance and service of such systems, as well as facilities management and the design and installation of computerised building control systems. These latter activities require the firm to act as the agent of a building owner in maintaining such mechanical and electronic services as security, air quality, information technology hardware and so on.

While construction remains the main source of income, MechCon has deliberately focussed on new business ventures since the mid-1990s. Within the service and maintenance activities, the company has established three separate business units – service, technologies and FM services. The first provides mechanical services maintenance contracts, while technologies ‘offers clients an alternative to the major building management control companies such as Honeywell, Johnson’s & Landis & Staefa’ (MechCon 2, 2000:3). FM services is an e-commerce business that is in its very early establishment phase.

In 1999/2000 MechCon had a turnover of over \$120,000,000 (MechCon 2, 2000). Over \$90,000,000 of this arose from construction activity, with most of the rest contributed by service maintenance contracts.

The Construction Division, the Queensland branch of which is the focus of this study, continues to undertake the company’s traditional contracting activities. In most projects, it deals directly with the head contractor. Most mechanical services contracts do not require any skills or experience beyond normal craft skills – they consist of installing machinery and ductwork made by others in a factory. Jobs that are small and straightforward can be done satisfactorily by basic plumbing or sheet metalwork firms that sub-subcontract the manufacture of ductwork. Companies like MechCon carry overheads that smaller firms do not. Consequently, MechCon and its competitors tend not to be price-competitive on any but large or complex commercial and industrial building projects.

It is only on these projects that specialist skills are required to design the ductwork and to manage the installation (which has to be done in conjunction with other subcontractors installing other services such as fire protection, together with the subcontractors finishing the building’s interior with ceilings and walls). MechCon is the preferred mechanical services contractor in Queensland (interview MechCon manager 2, 4/9/00). The value that it adds to a

project, in a way that smaller firms cannot, comes from its design skills and its project management expertise.

### 5.3.3 Structure

MechCon's corporate office is in Melbourne, Victoria, the state where the firm was founded. The company describes itself as having five divisions 'which operate both independently and interdependently' (MechCon 5, nd). Corporate head office is nominated as one division; the others are construction, technologies, service and FM services. The managers of the last three divisions report to the executive director, whereas the National General Manager of the Construction Division reports directly to the MD. The company's organisation chart as at September 2000 appears as Figure 5.1. Since then, the MD has left and has not been replaced; the National General Manager of the Construction Division is not certain now whether he reports to anybody, but has more contact with the majority shareholder than used to be the case (interview MechCon manager 1, 6/12/00). Other corporate managers report to the executive director. According to a senior manager (interview MechCon manager 1, 6/12/00), the arrangement is not sustainable and is recognised as such by the majority shareholder (who is in his late 60s and does not wish to resume a role in the day-to-day running of the company), but it is not yet known what alternative structure will replace it.

The National General Manager of the Construction Division is based in Brisbane. This separation from the corporate office seems to have come about more by accident than design, and reflects the fact that Queensland has been MechCon's 'success story' for decades, consistently contributing more to construction turnover than any other state. While the company obtains a reasonable share of work in Victoria and Tasmania, it has never become a major mechanical services contractor in New South Wales, although it continues to maintain a small office there.

The Construction Division obtains contracts to manufacture and install mechanical services, usually air-conditioning systems. Usually it is also required to design some or all of the system. Most of its work is won by tender, with varying degrees of competition, in accordance with common industry practice. It tries to 'differentiate [itself] from the competition ... through our engineering capability', but 'at the end of the day though, in 90 per cent of the times, if you don't have your price right then "sorry buddy"'. There are only a

very few times where you'll get a job from second place' (interview MechCon manager 2, 4/9/00).

**Figure 5.1:** *MechCon organisation chart as at September, 2000*

Figure removed due to copyright restrictions

Source: MechCon 29 (nd)

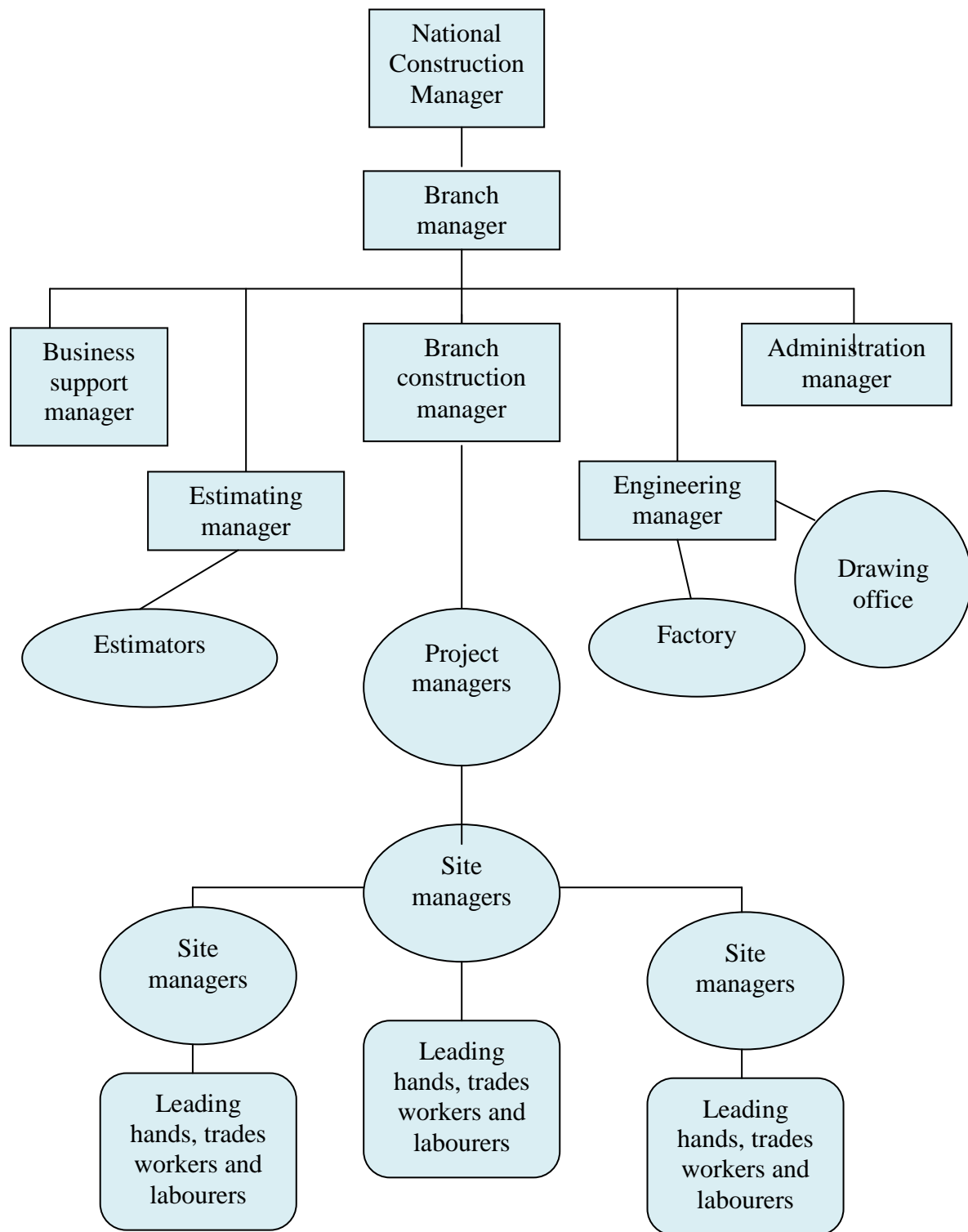
A division of labour exists between the estimators who submit a bid for a job, the construction team that carries out the work if MechCon is the successful tenderer, and the manufacturing facility that makes the ductwork<sup>8</sup>. MechCon employs its own drafting staff to

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<sup>8</sup> In Victoria the factory is owned and operated by a joint venture firm in which MechCon is a partner. Ductwork for contracts managed by the Townsville office is supplied from Mackay.

provide the factory with drawings of the required work. A simplified organisation chart for the South East Queensland office of the Construction Division appears in Figure 5.2.

**Figure 5.2:** Simplified organisation chart for MechCon's south-east Queensland branch, Construction Division



Source: original study data



The company adheres to a hierarchical structure. Site workers are supervised by leading hands (who continue to work ‘on the tools’ while performing their supervisory tasks), who are directed in their turn by a site manager (who does not). In other companies, the site manager could well be called a foreman (interview MechCon manager 4, 6/12/00). Usually each job will have its own site manager, but sometimes a site manager may be responsible for two or more small projects. Site managers report to a project manager, who usually supervises several contracts. While the site manager’s primary responsibility is to distribute job tasks amongst workers on a daily basis, the project manager takes a longer-term view and maintains a program for completing the whole job on time and within budget. Project managers also order materials for their jobs (which usually involves liaison with the MechCon factory) and arrange any subcontracts that may be necessary. In Queensland there are three branches, so project managers report to the appropriate branch manager, who in turn reports to the state construction manager. This means that decisions taken by a regional manager may be overturned by the Queensland construction manager if he believes that it is in the interests of the state as a whole to do so – for example, staff may be transferred from Mackay to Townsville (interview MechCon manager 4, 6/12/00).

#### **5.3.4 Employment**

MechCon undertakes most of its construction activities using directly employed labour. The number and distribution of employees as at the end of July, 2000 are shown in Table 5.1. Some 713 people were employed in the whole enterprise, including 26 in New Zealand. In the Construction Division, 446 employees were located mainly in Queensland, Victoria and Tasmania. More than half of these workers (59.8 per cent) were employed on site, although this includes site managers who spend significant periods in their branch offices.

The company’s workforce fluctuates substantially according to the number and nature of contracts won from time to time. Trade workers in Queensland are usually engaged on the basis that their employment will only be for the duration of one job; if another opening exists when that job comes to an end then the worker may be offered a transfer (provided he or she has performed satisfactorily) but otherwise workers are simply retrenched. This is not the situation in Victoria, where it is virtually impossible to retrench plumbers and sheet metalworkers employed in large-scale mechanical services contracting. According to MechCon’s National General Manager of construction, if no work can be found for a worker

in Victoria then s/he has to be ‘lent’ to another contractor (interview MechCon manager 1, 6/12/00).

***Table 5.1: Numbers of MechCon employees by geographic region and division, 31 July, 2000***

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Figure received due to copyright restrictions

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Source: MechCon 3 (2000)

In Queensland, the system of engagement by the job does not extend to staff at site manager level and above. These employees enjoy permanent employment even if that means that they are sometimes not particularly busy (interview MechCon manager 4, 6/12/00). Leading hands are treated more opportunistically: in periods of peak activity they may act as site managers but when work is scarce they may revert to trades work with no supervisory functions at all (interview MechCon site manager 2, 19/7/01).

#### **5.4 Corporate strategy**

Since 1997, MechCon has adopted and promoted a corporate objective of being ‘the leading provider of building services solutions [in Australia]’. It elaborates on this objective by asserting that ‘because we have the best people, we deliver the best solutions. As a result,

clients demand us and therefore competitors fear us' (MechCon 7, 2000:1). The MechCon mission is 'to deliver building services solutions that add to our clients [sic] businesses through an understanding of their strategic and operational requirements' (MechCon 5, nd).

As will become apparent, insofar as the company's future direction is concerned, the interviews with MechCon staff in 2000 revealed a serious gap in understanding and expectations between the MD and other senior managers. The MD articulated clear (albeit broad) corporate objectives and a reasonably coherent strategy to achieve them. This was reflected in the literature emanating from corporate head office. Senior managers, on the other hand, either did not understand the implications of these objectives for their own areas of accountability, or regarded the supporting strategy as being in a much less-advanced state of effectiveness than was apparently believed by the MD. The outcome was that the MD operated under perceptions of reality that differed substantially from those of the senior management team.

The MD did not regard himself as an authoritarian manager but referred to his predecessor as an 'autocratic entrepreneur' (interview MechCon manager 2, 4/9/00). The National General Manager of the Construction Division agreed, but observed that because the management style under the previous CEO<sup>9</sup> had been very authoritarian,

'everyone in the organisation is looking to [the MD] to make the decisions, he's saying no it ain't me, I want the decisions made out in the field, further down the organisation, but hasn't set up the culture or the mechanisms for that to happen. [The MD] has his own agenda as to what he wants to see within the organisation, so whilst he may say he's not directive, he is.

(interview MechCon manager 1, 6/12/00)

According to the MD, MechCon lacked a strategy of any kind when he joined the firm in 1994 – 'we didn't have a strategic plan, just a budget' (interview MechCon manager 2, 4/9/00). Since 1997, MechCon's main strategic objective has been to diversify so that its income stream is less subject to the peaks and troughs that have always been part of the construction industry. MechCon expressed its objective as follows:

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<sup>9</sup> The previous CEO was the present majority shareholder.

In recognition of the highly cyclical and therefore potentially volatile nature of the construction industry, the Company has been targeting strategic acquisitions to strengthen its own base in the more stable service section.

(MechCon 2, 2000:3)

This objective was to be achieved by concentrating on growing the services side of the business, by which the MD meant the non-construction divisions<sup>10</sup>. He referred to ‘two core strategies in the business. One is to grow those businesses that ... can create recurring revenue streams ... our second strategy is around our people and our systems, probably’ (interview MechCon manager 2, 4/9/00).

The elements of the strategy that depended on people will be discussed in more detail in section 5.5. To summarise, he strongly favoured HR programs that encouraged learning and development within the company, so that MechCon’s staff would have the capabilities required by the market in future. He also placed considerable importance on what he called a ‘code of conduct’ – ‘basically a contract between the employer and the employee in terms of what their responsibilities as an employee within [MechCon] are, and I’m talking about moral responsibilities, ethical, those sort of things’ (interview MechCon manager 2, 4/9/00).

#### ***5.4.1 Strategic change initiatives***

MechCon employ a General Manager – Strategic Development. His role in the company is unclear to at least one of his senior colleagues (‘I’ve got no idea what he’s doing’ - interview MechCon manager 1, 6/12/00). His position description states that he ‘is responsible for taking a leadership role in the identification, analysis and recommendations [*sic*] of business growth and improvement opportunities, threats, and emerging markets for the organisation, in line with the Company Objective and Mission’ (MechCon 25, 2000: 1). In his own words, he was appointed in 1998 (from another management position in MechCon) to ‘develop a strategic business plan’ because while the enterprise ‘had some financial objectives which weren’t clearly enunciated ... there was certainly no strategy’ (interview MechCon manager 6, 4/9/00). This executive has produced a detailed model on which to base a new MechCon, one that is a substantially different kind of organisation from that which exists now. In this

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<sup>10</sup> The ambiguous terminology is unavoidable. Within the construction industry as a whole, firms that undertake work like air-conditioning, lifts and plumbing are known as ‘services contractors’. Within MechCon, however, ‘services’ is a term used to distinguish the non-construction activities like period maintenance contracts from its construction activities.

model (MechCon 10, 2000), the value in the organisation would primarily lodge in the corporate centre, where MechCon's key asset of knowledge would reside. This knowledge asset would be utilised to provide service solutions to building owners, which MechCon would then be able to satisfy by contracting one of its 'hands-on' divisions to do the work. In the model, however, having an internal capability to do the actual work of construction or maintenance or information technology is not essential. Certainly it is not what would give MechCon a competitive advantage. That advantage would come from the unique and inimitable bank of knowledge in the corporate centre<sup>11</sup> (interview MechCon manager 6, 4/9/00).

The General Manager – Strategic Development has thoroughly documented this alternative model after extensive research and discussion with research institutions both in Australia and overseas (MechCon 10, 2000; MechCon 27, nd). However, its status within the company remains uncertain. Its author says that after being sidetracked for some time, 'it's now sort of resurrected' (interview MechCon manager 6, 4/9/00). It does seem clear that even if the model has some tacit support from the board or corporate management, no concrete steps have been taken to transform MechCon into the new organisation described in the plan. On the contrary, since the departure of the MD some managers have openly disassociated themselves from his corporate objective, reaffirming the wisdom of 'sticking to the knitting' – in other words, concentrating on the construction activities that have always been the major part of the business (interview MechCon manager 1, 6/12/00). This is consistent with the view of the General Manager – Strategic Development that the divisional managers either misunderstand or oppose his vision for MechCon – 'because these guys are so operationally focussed and rewarded for immediate or 12 month results, there's nothing in this for them. Why would they want to be involved in this when they may actually have to spend money, allocate resources, that affect their bottom line now?' (interview MechCon manager 6, 4/9/00).

The fact that the MD's vision for MechCon's future has proved so ephemeral may well reflect the nature of the relationship between him and his senior managers, referred to earlier

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<sup>11</sup> The National General Manager of the Construction Division took issue with the basic premises of this proposed model. He argued that knowledge was spread across the whole company and could not be conveniently gathered into one smaller receptacle. In answer to a different question, he also stated that the division did not generally like subcontracting or outsourcing its activities because it would 'lose knowledge ... the ability to see an issue and come up with a solution' (interview MechCon manager 1, 6/12/00).

in this section. Indeed the General Manager – Strategic Development observed that development of his restructuring proposals ‘wouldn’t have got this far unless [the MD] was supporting it but from a company point of view it’s almost in isolation from whatever else is going on’ (interview MechCon manager 6, 4/9/00). When asked to describe the precise process by which corporate objectives had been identified, the MD described a series of meetings of the ‘executive team’ which systematically reviewed options and reached a consensus. He maintained that his strategy had been embraced by his management team, that he had ‘clearly communicated that to all the general managers or the senior management staff’ (interview MechCon manager 2, 4/9/00). At least one general manager disagreed; the General Manager of the Construction Division said ‘[d]ecisions are not made by the executive team. I can’t really think of one decision we’ve made. It’s just a monthly sharing of information’ (interview MechCon manager 1, 6/12/00).

Whether a strategy exists or not, it is not documented except in the most general terms. The MD observed that ‘it’s basically just documented on an agenda perspective ... because of the nature of our company, being a privately-based organisation, we don’t have to be as rigid as that’ (interview MechCon manager 2, 4/9/00). This of itself may explain some of the different perceptions that senior managers have of corporate strategy and the processes by which it was developed. The HR manager commented that the executive team was not functioning effectively and that ‘it’s just factions, everyone’s in their own bunker at the moment’ (interview MechCon manager 3, 5/9/00).

In interview, the MD placed considerable importance on a ‘Five Foundations for Success’ program that was intended to create a corporate culture supportive of his strategic plans. These foundations were ‘integrity, innovation, performance, teamwork and communication’ (interview MechCon manager 2, 4/9/00). Yet a senior manager stated that the program had never been ‘rolled out’ (interview MechCon manager 1, 6/12/00) and most site staff asked about the program responded that they had never heard of it. One project manager, on the other hand, reported that the program had been ‘formally’ rolled out but its impact depended on how much each individual employee ‘worked by those values’, although he volunteered that most of the employees in his branch would probably have forgotten the program by the time of the interview (interview MechCon project manager 2, 29/8/01).

With the departure of the MD, it is unclear what decisions will be made about any change to its current structure or strategic direction. However, the National General Manager of the

Construction Division was more confident in late 2001 than he had been 12 months earlier that construction would remain a principal activity (interview MechCon manager 1, 6/12/00). In 2000, the long-serving National Construction Manager was transferred from a 'hands-on' role in Brisbane to an advisory role in the Melbourne head office. The transfer was reversed some months later. In welcoming this manager's return to the Brisbane office, a site manager said he thought that MechCon had 'gone a bit corporate' for a little while but that this undesirable trend seemed to have been reversed (interview MechCon site manager 3, 19/7/01).

### ***5.5 Implementation of strategy***

How have corporate office's future-oriented objectives and processes been received and applied within the Queensland Branch of the Construction Division? Some managers appeared to have understood and accepted the broad change in strategic direction proposed by the MD. For example, the Branch Construction Manager's perception was that 'the company is becoming multi-skilled in the service and construction industry to take the cyclic flows out of the cash' (interview MechCon manager 4, 6/12/00). One of the site managers interviewed for the study also pointed to MechCon's diversification, so that as well as construction it now offered facilities and building services management to clients (interview MechCon site manager 1, 19/7/01).

At the most senior level in the division, however, these broad statements of intent were not seen as meaningful. The divisional general manager had 'no idea' what the MD saw as the future of the company; he suspected that the vision was for 'some high-tech type of business' because contracting wasn't 'an attractive business to be in' (interview MechCon manager 1, 6/12/00). 'If I was paranoid', he continued, 'I'd say there will be no Construction Division in the future.' He agreed that it was an unattractive industry but felt that 'that's probably not a bad industry to be in because in the future I don't see many people wanting to get into it.'

The managers of the Construction Division have consciously devoted more resources to thinking and planning since the appointment of the division's National General Manager in 1997 (interview MechCon manager 1, 6/12/00). However, they have not developed a strategy for change, in the sense of trying to make the division something different to what it is now. Their concern has been to improve the way in which MechCon undertakes its traditional construction activities. That emphasis has been reflected within the Queensland Branch.



The Branch prepares a conventional business plan that sets targets for the next two years based on market intelligence. These targets include matters such as turnover and profitability. The plans provide rolling task summaries to guide branch managers in their activities (MechCon 8, 2000). Apart from this type of planning, which is not the concern of this study, branch senior management has engaged in a certain amount of strategic planning. This has incorporated three main elements, one adopted from the corporate level and two developed within the division. The corporate level element has been the emphasis on developing and implementing a HR program that recognises and encourages improved skill and performance. This initiative is described in detail in section 5.6 of this chapter.

### *5.5.1 Improving client relationships*

The other two forward-looking steps have been a new focus on managing client relationships, and an attempt to identify organisational performance indicators that are drawn from more than just financial results. The concern with client relationships arises from a belief within MechCon that on identical projects, it might make a margin of five per cent or 15 per cent depending on the performance of the builder. The company has decided that it will refuse to tender for work to some of the major contractors in Queensland, because of the experiences that it has had working for them in the past. The construction manager nominated

doing what he says he's going to do, the way that he wants to work in with us, the relationship that he forms with our people, and our ability to form relationships with his people also ... payment methods, whether he wants to take a swipe at us at the end<sup>12</sup>; what assistance he gives us at the beginning; those are the issues that we take into account.

(interview MechCon manager 4, 6/12/00)

The division's managers have deliberately tried to strengthen links between the company and a small number of major contractors with whom they have established a productive relationship – 'we're trying to establish ourselves as more of a partner than a subcontractor'

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<sup>12</sup> This is a reference to a practice frequently alleged against builders, whereby they withhold a subcontractor's final progress payment or part thereof, justifying this by arguing (spuriously, as far as the subcontractor is concerned) that the subcontractor has committed numerous breaches of contract. Construction contracts usually nominate liquidated damages for delays, for example, and the builder may argue that an action of the subcontractor caused a delay for which the builder is entitled to withhold damages. The subcontractor is then faced with the alternatives of taking legal action against the builder, or negotiating a settlement that will inevitably reduce the profitability of the subcontract.

(interview MechCon manager 1, 6/12/00). For example, on one project, MechCon developed an alternative method of installing services in the roof that saved it and the builder tens of thousands of dollars each (interview MechCon manager 1, 6/12/00). The MD described this as a process of working with a builder to make sure that MechCon could achieve the lowest price, because price would still determine which firm was awarded the contract – ‘you’ve got to have the bottom price but it’s how you get there, in my opinion, that’s how you differentiate’ (interview MechCon manager 2, 4/9/00).

As a positive step to improve its performance, the senior divisional management claims to have encouraged all management staff and particularly its project and site managers to build constructive relationships with clients. For example, intensive two-day communication and relationship courses were conducted for management staff during 2000 ‘to demonstrate the importance of relationships to winning jobs’ (MechCon 7, 2000: 3). Nevertheless, the heightened importance of this function has not been reflected in the pertinent position descriptions or written performance appraisal procedures. None of the client-related key task areas in position descriptions goes beyond the normal dealings of subcontract work, such as ‘identify potential future projects’ in the case of project managers (MechCon 13, 2000) and ‘developing and maintaining an effective working relationship with the client’s site representative’ as one out of 29 site management tasks for a site manager (MechCon 26, 2000). The ‘employee review and development tool’ for project managers (MechCon 18, nd) contains 52 separate pieces of ‘evidence of effectiveness’ but none relates to client relationships. Most are concerned with meeting time and budget targets.

Managers and supervisors in MechCon do seem to place considerable importance on client relationships. In response to the survey question, ‘does your supervisor/manager actively try to build good relationships with A E Smith’s clients?’ over half the survey respondents (57.8 per cent) replied that their managers/supervisors spent ‘a lot of time and effort building relationships’, while none responded that their manager or supervisor didn’t ‘seem to make any particular effort’. Nearly half the respondents (44.8 per cent) were ‘positively encouraged to talk to representatives of clients about anything that’s not commercially confidential to [MechCon]’, with only 10.4 per cent responding that they had to refer client representatives to their supervisor/manager or had clear restrictions on the issues about which they could talk to clients. On the other hand, only 14.8 per cent of respondents agreed with the proposition that their managers/supervisors expected them to ‘take every opportunity to build good

relationships with MechCon's clients' and 46.6 per cent disagreed. This suggests that many employees make a distinction between merely communicating with client representatives (presumably about matters related to a project), which is one of the tasks that they have to do, and building a positive relationship, which is the responsibility of managers and supervisors. One project manager expressed some cynicism about the emphasis placed on client relationships, expressing the view that ultimately tender prices were still the only important factors in winning work (interview MechCon project manager 1, 29/8/01). One of his colleagues, however, volunteered that MechCon did try to treat its clients as partners and allies, not as adversaries, but as a 13 year MechCon veteran, he did not regard this as anything new; it had always marked the firm's operations as far as he was concerned (interview MechCon project manager 2, 29/8/01).

Although none of the managers interviewed for the study mentioned any programs that were specifically intended to encourage the personal integrity or ethics to which the MD attached importance (see section 5.4), employees generally have a high opinion of the company's ethical behaviour. Almost two thirds (63.8 per cent) of the survey respondents rated MechCon's ethical standards as 'high' and none considered them 'low'. One interviewee with 14 years' service confirmed the priority thought that was placed on ethics by management, 'even to the company's detriment' from time to time (interview MechCon project manager 1, 29/8/01). Another project manager, when asked what values existed in MechCon apart from a concern to meet budgets and programs, nominated 'high business ethics' before any other values (interview MechCon project manager 2, 29/8/01).

### *5.5.2 Performance management*

The development of organisational performance indicators that go beyond financial outcomes is in an early stage. In 1998, the Construction Division made a new appointment to the Queensland branch in a position known as Business Support Manager. This was something of a break with tradition as the appointee had not worked his way up through the company but first worked with MechCon as a consultant (interview MechCon Manager 5, 6/12/00). This executive has been developing a database of performance indicators (MechCon 8, nd) in such areas as estimating (for example, success rate), drafting and engineering (for example, ratio of budgeted hours to actual), commissioning (for example, the number of call-backs), manufacturing (for example, the number of remakes) and customer service (for example, repeat business and the number of customer complaints). His intention is to use these

indicators as a business tool to identify areas where systems or resources need attention. However, the program is still in the developmental stage and has yet to play a significant role in the management of the division (interview MechCon Manager 5, 6/12/00). .

One strategic initiative open to the Construction Division is to attempt to become a major player in the largest state construction market in Australia, namely New South Wales. The possibility is kept under frequent review (interview MechCon manager 1, 6/12/00), but would require a major injection of resources. In December, 2000, the division's General Manager was quite positive that a planned move into the Sydney market would occur as soon as the right people could be found to staff the branch (interview MechCon manager 1, 6/12/00). However, in November, 2001, no further action had been taken (interview MechCon manager 1, 9/11/01). The Division General Manager is reluctant to invest money in employing staff unless that money can be recovered within an annual operating budget. MechCon's other problem in entering New South Wales is perceived to be that the market is qualitatively different (interview MechCon manager 1, 9/11/01). To an outsider this appears intrinsically improbable, but whether it is or not, it is presently acting as a powerful constraint on MechCon.

In short, the Construction Division has been something of a 'poor cousin' within the company insofar as thinking and planning are concerned (interview MechCon manager 1, 6/12/00). Corporate strategy – such as it has been - has mainly concentrated on remedying the perceived defects of an over-reliance on construction with its associated income peaks and troughs. Left with some uncertainty about its own future, the division has focussed on a policy of incremental improvement in its traditional area of operations.

## ***5.6 Corporate HR management strategy***

Towards the end of 2000, the MD of MechCon said that 'we're totally reinventing the HR function in this organisation ... this is our first year of having those strategies ...' (interview MechCon manager 2, 4/9/00), and answered 'yes' when asked 'it seems that you have consciously tried to get your HR policies and practices to fit your overall corporate strategy, is that right?'. The MD described these HR policies as the second of the two central thrusts of corporate strategy, particularly the emphasis on learning and development. According to him, the five 'foundations for success' were to provide the basis of the core competencies that

were planned for inclusion in position descriptions as the next phase of the HR program (interview MechCon manager 2, 4/9/00). He envisaged an orderly process,

so there's a clear linkage between "this is the strategy, these are the objectives, this is our objective, the strategy fits in here, this is our mission statement, our foundations for success are required to deliver that and the way we actually go about doing that is each role ... these are the key competencies that you might have ... [they] have got to fit within one of those five foundations.

(interview MechCon manager 2, 4/9/00)

MechCon's HR Manager has one other HR professional to assist him. According to the formal organisation chart, he reports to the MD, but as noted earlier, that position has been vacant since some time in 2001. Pending resolution of the uncertainty surrounding the CEO position, the HR Manager has reported to the executive director. However, the role is essentially an advisory or consulting one and the HR Manager has continued to work in direct consultation with the National General Manager of the Construction Division to develop and implement HR policies and procedures that the latter manager regards as worthwhile.

The HR Manager has no previous construction industry experience and is consequently another of the 'outsiders' brought into MechCon in recent years as a departure from the previous custom of promoting from within. He joined the company in 1997, having previously worked as a HR manager in retailing, food processing and business equipment manufacturing (interview MechCon manager 3, 5/9/00). His initial brief was 'looking basically at the needs of the workforce, how we were going to move the workforce on to the future, it was a bit nebulous' (interview MechCon manager 3, 5/9/00). He is the first person to hold such a position in MechCon and the precise nature of his responsibilities and the outcomes that he is supposed to achieve are not completely clear.

Interestingly, the HR manager's position description is the shortest and least precise of any of those looked at in this study. Its key task areas can be reproduced in full:

1. Develop a strategic plan in alliance with the vision of the organisation.
2. Monitor and control the approved budget.
3. Plan and implement procedures, structures and systems that improve the organisation's opportunities for success.

4. Provide leadership in the workplace.
5. Provide a critical link between people, ideas and information.
6. Monitor development and career advancement of department staff.
7. Personal development.

(MechCon 24, nd: 2)

When asked, ‘do corporate strategy and HRM practices exist without any attempt to link them?’, one senior manager replied ‘[a]bsolutely ... [the HR Manager] goes off and does things for the [MechCon] world and I just get concerned ... we need to bring them up to perform and that’s fine but that’s not the skills they’re going to need in future ... they’re just not going to be able to cope in five years’ time’ (interview MechCon manager 6, 4/9/00). The HR Manager himself does not believe that the company has a properly-articulated strategy or direction. He observed that ‘everyone’s very task-focussed, everyone’s concentrated on the job in hand, so anything that comes up a little out of the ordinary, they put it to one side’ and ‘I don’t know that [the MD]’s got the business focus together, I don’t know that we’re all focussed on the same thing ... I think there’s some inherent leadership difficulties going forward’ (interview MechCon manager 3, 5/9/00/).

The HR Manager’s involvement in HR administration differs from one activity to another. He has written a policy manual that can be accessed on the company’s intranet by virtually any employee with access to an internally-networked computer, which includes those located in MechCon’s offices but excludes employees on site. His summary of the HR function states that ‘HR capability’ will be delivered through five ‘key streams’: ‘reward and recognition’, ‘learning and development’, ‘policy and process’, ‘HR information systems’ and ‘organisational development’ (MechCon 4, nd). However, many of the procedures needed to give substance to these streams have yet to be developed, and since his appointment, the HR manager has been mainly engaged in the routine tasks of recruitment and selection and reward management, together with what he regards as the strategic tasks of developing a performance management system (interview MechCon manager 3, 5/9/00). He is unsure himself how many of the company’s employees will be affected by the HR policies and procedures: he hopes to ‘push that [the performance management procedure] through the business right down to site manager level ... [but] I’m not sure how far we’ll go down with [site employees]’ (interview MechCon manager 3, 5/9/00).

When management staff are recruited and selected, the HR Manager plays mainly an advisory role. Managers seeking to recruit staff must have the approval of the HR Manager and he has written a policy and procedure document that appears on the MechCon intranet (MechCon 14, nd). He advises line managers about the most suitable methods of recruitment and selection but does not participate actively in those processes.

### *5.6.1 Rewards and remuneration*

The HR Manager prepares a recommendation to the MD each year for an across-the-board salary adjustment throughout the firm, but line managers determine the way in which this is applied to individual employees (MechCon 15, nd). Merit increases in salary for individual staff also have to be discussed with him, but if he disagrees with a divisional manager's proposal the issue is referred to the MD for decision. According to the policy manual, 'reward strategies will reward employees in an equitable, justifiable and market competitive manner for their level of competence and contribution in the work they perform' (MechCon 15, nd).

### *5.6.2 Career development*

The current HR Manager, in consultation with and with the evident support of the MD, applied himself to trying to develop performance management and training and development programs within the enterprise as the first task in developing the HRM function<sup>13</sup>. His position's objective is 'to provide optimum HR solutions to support the business in achieving its objective by attracting, developing and retaining the best people' (interview MechCon manager 3, 5/9/00). The first step in doing this was to research and write position descriptions for all positions in MechCon, from MD to site workers. This task was completed in early 2000. The next phase of activity is planned to be the implementation of a performance management system that uses the position descriptions as its foundation. For this reason the position descriptions have been written to a standard format that sets out a series of key task areas, together with the 'evidence of effectiveness' that would be used in performance appraisals. In 2001, key competencies are to be incorporated in position descriptions, to provide the foundation for the proposed training and development program. As of August,

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<sup>13</sup> According to the General Manager of the Construction Division, soon after he joined MechCon he approached the HR Manager and asked him to develop a performance review system (interview MechCon manager 1, 6/12/00). Of course, the HR Manager may already have decided this independently, in which case the request from the Construction Division would have been a welcome indication that the initiative met a perceived operational need.



2001, project managers interviewed for the study were not aware of these key competencies (interview MechCon project manager 1, 29/8/01). All these stages in developing a comprehensive HR function are based on the ‘five foundations for success’ nominated by the MD:

The foundations for success will start to define for us what the best people are, because we’re talking about people who have good innovation, communication, integrity – there’s [sic] two others that I can’t remember, but they will help to define what best people are.

(interview MechCon manager 3, 5/9/00)

For the performance management system to operate as intended, it is planned to implement a training and development program that will be integrated with annual performance appraisals (interview MechCon manager 3, 5/9/00). Each employee<sup>14</sup> is to negotiate an annual training and development ‘contract’, under which they will propose an initiative that will benefit both themselves and MechCon. The HR manager compiled an inventory of approved training courses, but these are not exclusive. The idea is that each employee, in conjunction with their supervisor, will come up with a proposal that suits their own unique circumstances. The policy is intended both to embed regular skill development in the relationship between MechCon and its staff, and to do so in a way that maximised employees’ commitment to skill development by allowing them to propose the form that it should take.

### 5.6.3 Performance management

The HR policy manual specifies that ‘performance feedback, where the manager and employee set aside time for a performance discussion, should occur at six monthly intervals as a minimum’ (MechCon 11, nd, emphasis in original). These sessions are to be based upon the employee review and development tool that has been written for each position. These documents (for example, MechCon 18, nd) contain detailed task areas drawn from the relevant position description, together with ‘evidence of effectiveness’ for each task area. They provide for employees and their supervisors to nominate ‘personal development goals’ for the future, as well as an ‘individual learning plan’ for the next 12 months. It might be noted, however, that only two and a half pages of the 25 pages in the performance

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<sup>14</sup> The applicability of the performance management and training and development procedures to unionised site workers is unclear. While internal documentation makes no distinctions between groups of employees, it was evident from some interviews that in the Construction Division the new procedures are only being implemented in respect of site managers and higher-level staff. See section 5.7.2.

management policy (MechCon 11) deal with performance feedback; the remainder are concerned with procedures for disciplining and dismissing employees whose performance is unsatisfactory.

The ‘learning and development’ policy written for the MechCon intranet (MechCon 22, nd) draws on the policies concerning performance management and position descriptions to present a corporate view that ‘our ability to continue learning is critical to our success in achieving our Objective [*sic*] and supporting our Foundations for Success [*sic*]’. It states that ‘[l]earning and development opportunities are provided to ensure that all staff have the skills required to do their job and also to grow and develop’. The policy states that MechCon will reimburse all course fees to staff upon successful completion of approved learning activities and will pay for all textbooks required. It also provides that while ‘courses of study should normally be taken outside of normal working hours’ ... ‘where the course does not offer this option then time off work will be granted’, although employees will be expected to make up any time lost in this way (MechCon 22, nd).

According to the MD, this focus on skills enhancement will be one of the keys to MechCon’s future competitive advantage (interview MechCon manager 2, 4/9/00). The General Manager – Strategic Development was not so positive, claiming that construction management staff had a long way to go before they could even meet the demands already being placed upon them (interview MechCon manager 6, 4/9/00). As far as the HR manager was concerned, the program was the centrepiece of his contribution to corporate management of the enterprise, even though he was uncertain about future corporate objectives and directions. Nevertheless, it was common ground in the corporate head office that the performance management and training and development programs are important elements in preparing MechCon for the future. Nevertheless, the process by which the programs are to be implemented was unclear. The HR manager commented that corporate management was ‘directive to a point but if the business doesn’t take ownership of it then it falls over’ (interview MechCon manager 3, 5/9/00).

## **5.7 HRM practices**

Most managers in the Construction Division are aware and supportive of the program to introduce position descriptions, and to use them as the basis of a performance management program. However, few staff seemed to place much importance on training and development

activities, or to understand that they were just as important to the HR function as performance appraisals. The chief perceived benefit of the position descriptions appeared to be their ability to allocate task responsibility and accountability, and thereby to make management systems easier to describe and comprehend. One project manager said that they prevented things ‘falling down the cracks’ between site and project managers (interview MechCon project manager 1, 29/8/01).

Most staff interviewed said that MechCon evaluated their performance, although there was no consensus about the aspects of their performance that the company considered most important. For example, two of the three site managers interviewed said the only things that were important to MechCon were site hours worked and keeping them within the program (interviews Site Managers 2 & 3, 19/7/01). The third site manager, however, nominated relationship management, achieving budget, safety, and ‘avoiding problems’ with either workers or clients as the elements of his job that were regarded as important by his superiors (interview MechCon site manager 1, 19/7/01).

### *5.7.1 Training and development*

The training and development program, however, has made little impact. Some explained this on the grounds that the program was in its early stages, one manager commenting that ‘we’ve really been waiting for the performance review system to come out’ which ‘leads into the individual training plan’ (interview MechCon manager 1, 6/12/00), but little appeared to have changed by the time questionnaires were distributed in March, 2002. Only 41.7 per cent of respondents agreed with the statement that ‘a system exists within [MechCon] to help me develop my potential so that I can have a career in the company’; 27.8 per cent disagreed and the remainder (30.5 per cent) neither agreed nor disagreed or could not say. Even fewer respondents – 37.9 per cent – agreed that they knew ‘what I have to do to be promoted within [MechCon]’ and 28.4 per cent disagreed, while 31.9 per cent neither agreed nor disagreed or could not respond. This finding is consistent with MechCon’s own internal attitude survey, in which respondents nominated the statement that ‘I wish to develop new skills and responsibilities within the next 12 months’ as one of the five most important (MechCon 7, 2000: 6).

Respondents were asked whether they agreed with the statement that ‘if I wanted to do a course at TAFE or University that would help me do my job better, [MechCon] would expect

me to do it in my own time'. Nearly half the respondents agreed (46.6 per cent) while 14.7 per cent disagreed, but almost 40 per cent either could not say, or neither agreed nor disagreed. The written policy is that workers should either do such courses in their own time or make up the time if they have to be absent during work hours (see section 5.6.2). Another question asked whether respondents agreed with the statement that 'if I wanted to do some study that would improve my work performance, like a TAFE course, [MechCon] would pay for some or all of the expenses'. A high 55.2 per cent agreed with the statement but again, over a quarter of respondents (27.6 per cent) replied that they neither agreed nor disagreed, or that they were unable to respond. The remaining respondents (17.2 per cent) disagreed with the statement. The written policy is that MechCon will meet all costs as long as employees pass their courses (see section 5.6.2). The diversity of responses to these two questions suggests that employees are not particularly knowledgeable about the policies regarding career development, even though corporate managers regard them as central to corporate strategy. One project manager, for example, believed that MechCon would support him financially if he wanted to do a course of study but the basis of his belief was that he knew the firm was doing it for some other employees. He did not refer to any policy or procedure that existed (interview MechCon project manager 2, 29/8/01).

None of the senior managers interviewed could point to any allocation of resources, either of money or management time, that might invigorate the training and development program. It was not clear why management expected employees to participate in training and development activities. One manager thought that 'the satisfaction will come from their satisfaction at work and in their home life' (interview MechCon manager 1, 6/12/00), but this of course can only occur after the event, and would presumably not act as an incentive to undertake additional training in the first place.

One site manager was actually doing a management course on his own initiative but had not bothered to approach MechCon for assistance (interview MechCon site manager 2, 19/7/01). A project manager commented that MechCon 'threw people in the deep end and if you swim they might put you on to something better' (interview MechCon project manager 1, 29/8/01). The training that MechCon organises tends to take the form of short courses that focus on a narrow task-related skill. The incidence of these types of courses has increased in recent years, but at least one interviewee thought that this might simply reflect a greater availability of industry training and not any particular efforts by MechCon (interview MechCon project

manager 1, 29/8/01). An attempt to arrange regular meetings of site and project managers for the purposes of communication and quality improvement seems to have been poorly planned and failed to get off the ground (interview MechCon site manager 3, 19/7/01). Project managers do, however, meet regularly to discuss matters that more senior management wants communicated to site employees (interview MechCon project manager 1, 29/8/01). One site manager took a cynical view about training, observing that the company went through cycles of enthusiasm and inactivity (interview MechCon site manager 3, 19/7/01).

The HR manager's efforts to found his HR programs on the existence of accurate position descriptions appears to have been more successful than the training and development program. More than half the survey respondents agreed that they knew where to find their position description (60 per cent) and that it was accurate (55.8 per cent). Moreover, the task of identifying core competencies for jobs seems to have progressed in line with the HR manager's expectations, with 57.4 per cent of respondents agreeing that they knew 'what the core competencies are that [MechCon] has identified for my present job'. However, only 17.4 per cent of respondents agreed that their position description was reviewed at least annually and half (49.6 per cent) disagreed. None of the three site managers interviewed was familiar with their position description; one knew of it but observed that it was not 'something in the diary that you refer to every day' (interview MechCon site manager 1, 19/7/01), while another recalled participating in a group session that contributed to the content of the position description for site managers when it was being compiled, but did not regard it as something that affected his role in the company (interview MechCon site manager 2, 19/7/01). The third site manager claimed not to know that position descriptions even existed (interview MechCon site manager 3, 19/7/01). This suggests that awareness of position descriptions might be higher amongst management staff than on site and the survey confirmed this: only 30 per cent of tradespeople and assistants knew where to find their position description, compared to 62.5 per cent of site managers and over 90 per cent of project and other managers.

### ***5.7.2 Performance appraisals***

Experience with the introduction of formal performance appraisals has followed a similar pattern. While a minority of survey respondents (41.4 per cent) agreed that they and their supervisor/manager 'participate[d] in a formal performance appraisal at least once a year' and 44 per cent disagreed, there were sharp variations between occupational groups. The trades respondents' agreement rate was only 17.1 per cent, the figure rose to 37.5 per cent for site

managers, and was over 70 per cent for project and other managers. The survey does, however, indicate that the appraisal process has not been uniformly successful, with only 33.3 per cent of administrative employees agreeing that they had annual appraisals and 20 per cent of managers other than site and project managers disagreeing with the statement.

None of the three site managers interviewed had participated in a formal performance appraisal. Two claimed never to have had a discussion of any kind with more senior staff about their aspirations and possible career development within the company. The third had had such a discussion with the National Construction Manager, in which the latter told him of ways in which he could improve his performance and skills if he was to move into project management (interview MechCon site manager 1, 19/7/01). It was apparent to me from informal, unrecorded conversations with more senior managers in the Branch that this site manager had been identified as somebody who had the potential to advance to project management.

One project manager had undergone formal appraisals at three-monthly intervals when he was first appointed to the position, but this no longer occurred and he did not know whether this meant that the system had lapsed or that he was now deemed so competent that he no longer needed them (interview MechCon project manager 1, 29/8/01). Another was very conversant with the performance appraisal procedure, but was unable to explain what tangible outcomes should follow each appraisal beyond sending a completed form to corporate HR who would review it for future training needs. The outcomes of his own performance reviews had been expressed as work-related tasks that he needed to do better rather than as personal development goals (interview MechCon project manager 1, 29/8/01).

Some responses to other survey questions suggest that many employees have not experienced a satisfactory outcome from their formal performance appraisals and that they remain uncertain about the extent to which their performance was meeting their manager's or supervisor's expectations. When asked whether they agreed with the proposition that 'I don't know whether my supervisor/manager thinks I'm doing my work well or badly', 23.3 per cent agreed and 53.4 per cent disagreed, leaving 23.3 per cent who neither agreed nor disagreed or could not say. Agreement rates were comparatively high amongst trades workers (36.6 per cent) and project managers (45.5 per cent).



Survey respondents were also asked whether they agreed that ‘whether or not I get formal performance appraisals, I get regular feedback from my supervisor/manager about ways I can improve my performance at work’. Only half the respondents (49.1 per cent) agreed that this happened and a third (34.2 per cent) disagreed with the proposition, leaving only 16.6 per cent who neither agreed nor disagreed or were unable to respond. Again, response patterns varied across occupational groups, with only 37.5 per cent of trades workers agreeing compared to over 60 per cent of site and project managers and 80 per cent of other managers. Many administrative employees experienced an absence of feedback about their performance – only 35.7 per cent agreed that they received it regularly.

Management acknowledges that these HR programs have limited application to unionised site workers. One manager commented that tradespeople were just supposed to know their job (interview MechCon manager 4, 6/12/00). The HR Manager was so distant from the management of site workers that when asked if the learning and development program extended to the unionised workforce, he replied ‘no, not at this point, it may but I’m not totally sure at this stage’ (interview MechCon manager 3, 5/9/00).

Within the Construction Division, most of the tasks associated with traditional HR are carried out by line managers without guidance from any HR policies that are intended to link people management with enterprise performance. The Branch procedures that do exist are intended to ensure either that labour costs fall within budgets or that MechCon complies with its legal obligations.

### *5.7.3 Recruitment and selection*

As noted earlier, the site workforce fluctuates markedly in accordance with workload. MechCon keeps an informal record system of the performance of site workers and when it needs to increase its workforce, it offers work to those whom it regards as best suited to the new contract. No systematic procedure exists either for recruiting workers who have the potential to advance to management roles, or for identifying existing workers who have such potential. The expectation is that ambitious workers will ‘put their hands up’ (interview MechCon manager 4, 6/12/00) and indeed one such worker was interviewed during the study – a site manager who had been engaged as a trades worker and who had actively sought additional responsibilities. This site manager was more aware than the other two site managers interviewed of MechCon policies and procedures, and expressed greater confidence



in the firm's future and the competence of senior management (interview MechCon site manager 1, 19/7/01). A project manager also nominated this person as an exception to the general tendency which the project manager had observed for people not to want to progress beyond site manager positions – 'there's not too many of the younger guys out there who've shown they want to, you know, step up' (interview MechCon project manager 1, 29/8/01). While this interviewee believed that all his fellow project managers would be 'on the look out' for other employees who could take on additional responsibilities, he could not describe any system or procedure that existed for this purpose. Another project manager referred to the process by which people were marked for future advancement as '99 per cent informal' and thought that only two or three out of 50 trades workers had an interest in or aptitude for promotion (interview MechCon project manager 2, 29/8/01).

One manager expressed disappointment that some site and project managers behaved as if they had 'arrived' when they received their appointments, and appeared to have no further ambitions within the company (interview MechCon manager 4, 6/12/00). Another was

stunned at the number of people in the organisation who at quite a young age believe that they have reached the ultimate, whether they be project manager or chief estimator or leading site manager or leading commissioning engineer, they have made it, don't want to progress any further.

(interview MechCon manager 1, 6/12/00)

Even if they did have such ambitions, however, it is not clear how they would satisfy them, because the management workforce seems remarkably stable. Interview questions to managers about recruitment and selection policies and procedures were met with vague answers, but not because of any reluctance to provide information. It was simply the case that appointments from outside and internal promotions are rare events because staff turnover is very low<sup>15</sup>. One project manager acknowledged that he could not see any opportunities for advancement in the foreseeable future, simply because the only promotion that he could realistically be considered for was that of Branch Construction Manager and he did not anticipate that the incumbent had any intention of leaving (interview MechCon project manager 2, 29/8/01).

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<sup>15</sup> Like most of the construction industry in Australia, MechCon experienced extremely high workload in the mid-to-late-1990s, and at the time of this study was in a comparative downturn. No doubt this partly explains the low staff turnover rate, and also suggests that when some staff did leave, they would not be replaced.

Career progression within MechCon is something of a pragmatic affair. As noted earlier, it seemed that some site and project managers had been identified by their seniors as good prospects for future advancement, and equally that some site and project managers were much more confident of getting future advancement than others. It is impossible to say how much this reflected any sort of informal mentoring program. Certainly there were no management systems in place to provide a structure for career development, and none of the senior managers interviewed in the study claimed that there was, although a project manager reported that he had been greatly assisted by a mentor when he had first been appointed to the position (interview MechCon project manager 1, 29/8/01). One of his colleagues, on the other hand, observed that MechCon ‘made opportunities available and it was up to people to take advantage’ of them (interview MechCon project manager 2, 29/8/01). The Branch Construction Manager believed that it was MechCon’s project management skills that accounted for its dominance of the major project market, and gave credit for this to the company’s procedures, expressing doubt that it reflected any deliberate development of people. ‘We’ve just recognised that some people have a natural ability to want to lead and put them in that position’ (interview MechCon manager 4, 6/12/00). His Divisional General Manager thought

the lack of a desire for career enhancement is that their drive is coming up with technical solutions rather than managing the people. Managing the people is a real issue within the organisation because they’re all ‘techies’, and they have a lot of trouble dealing with the emotional side of it.

(interview MechCon manager 1, 6/12/00)

#### ***5.7.4 Rewards and remuneration***

Reward management was not a high priority within the Division. Each year a corporate decision based on ‘industry feedback’ is made fixing the overall increase in non-award salaries. Divisional managers then allocate that increase across their staff and vary the amount to recognise performance – if the overall increase is four per cent ‘he might give an outstanding performer six per cent and a poor performer two per cent’ (interview MechCon manager 1, 6/12/00). The National General Manager observed that ‘from the research [the HR manager] had done and my own experience in this industry, remuneration doesn’t really drive the people here ... money is a hygiene issue, not a motivation issue’ (interview MechCon manager 1, 6/12/00). The Queensland Construction Manager argued that staff were

not motivated by money, although the same manager has introduced a cash incentive to try to reduce sick leave in the Brisbane factory (interview MechCon manager 4, 6/12/00).

No bonus or incentive schemes exist, nor is there any coherent system for staff to go from a lower to a higher salary even for those classifications where more than one step has been established. There are three salary levels for site managers, for example, but none of the site managers interviewed understood how they could progress from one to the next. One site manager, in fact, was still being paid as a leading hand (interview MechCon site manager 2, 19/7/01). Project managers' salaries are reviewed annually and are all slightly different, but while the project managers believe that the outcomes are linked to their own individual performance, they do not receive any definite information about the process (interviews MechCon project managers 1 and 2, 29/8/01). The professed belief on the part of senior management in the division that rewards management is not a significant issue for employees sits oddly with the outcomes of MechCon's own internal attitude survey that it conducted in 2000, where 'an incentive scheme to reward all employees for achievement' was one of the five most important statements nominated by respondents (MechCon 7, 2000: 6).

### *5.7.5 Innovation*

Corporate management's desire to promote innovation within MechCon appears to have met with mixed success. While 'innovation' was one of the MD's 'five foundations for success', no programs existed to give substance to the concept. The HR Manager had organised a '101 great ideas' promotion before the period covered by this study but this had not been replaced by anything else. He commented that he 'could have spent the rest of my life doing 101 great ideas but what I did was I fed all the information back to individuals who should have been responsible for items ... but no-one took ownership and followed it through' (interview MechCon manager 3, 5/9/00). In answer to questions about the extent to which their supervisors or managers encouraged them to be innovative, only about a third of respondents to the survey replied that they received 'lots of encouragement' in respect of their own work, and less than a quarter that they received 'lots of encouragement' in respect of the company's systems and procedures. The detailed responses to these two questions appear in Table 5.2.

**Table 5.2:** Responses to whether MechCon managers and supervisors encourage employees to be innovative (per cent) (n=116)

<b>Proportion of responses to the question: ‘Does your supervisor/manager encourage you to come up with ideas about doing your own work in new, better ways?’ (per cent)</b>					
Gives lots of encouragement	Gives some encouragement	Neither encourages nor discourages	Gives encouragement and ignores my ideas	no	Actively discourages me from coming up with ideas
32.8%	34.5	27.6	4.3		0.9
<b>Proportion of responses to the question: ‘Apart from the way you do your own work, does your supervisor/manager encourage you to suggest ways for MechCon to improve the overall way it organises its activities?’ (per cent)</b>					
22.4	40.5	32.8	4.3		0

Source: original study data

In summary, the senior management of the Construction Division accepted that people were managed in an *ad hoc* fashion, but most did not see this as a matter for concern. If anything, some tended to support the proposition that ‘talent will out’, or in other words, that forcing people to take their own initiatives to demonstrate that they could perform at a higher level was actually the best way to identify workers with the potential for advancement. The National General Manager of the division and one or two others did not share this view, but were more concerned to improve performance through the new corporate performance management program than to devote resources to long-term skills development.

## 5.8 Summary

There is a marked disconnect in MechCon between the notions of strategy developed in the corporate head office and those in the main operating division. This disjuncture has been made worse by the recent departure of the MD and uncertainty about his replacement.

Corporate strategy has been devised within head office without reference to other staff. The outcome has been an undeveloped program of cultural change which is poorly understood even by other corporate managers. No resources have been allocated to implement the program, which seems effectively to have been still-born.

Senior managers in the Construction Division have developed their own strategic objectives, centred on improving the professional skills of staff, creating a culture that privileges excellent customer relationships and continuous learning. However these objectives have largely not been translated into suitable HRM policies and procedures. A model for annual

learning contracts has not been adopted and no system has been put in place to facilitate it. Many fewer staff participate in regular performance appraisals than the formal policy requires and those who do participate are unaware of any links between the appraisals and either remuneration or career development.

The next chapter compares the two case study findings briefly to examine any significant differences between the two firms and their implications (if they exist) for the propositions in the study.

## Chapter 6: NatBuild and MechCon compared

### 6.1 Introduction

This study is concerned to examine the behaviour of managers in two firms to explore the extent to which that behaviour is consistent with any of the propositions developed in section 2.6. Chapter 4 summarised and discussed relevant data from NatBuild and chapter 5 did the same with regard to MechCon. This chapter compares the findings from the two firms with the objective of uncovering any notable<sup>16</sup> differences. If any such differences are found, they might indicate that relevant characteristics have been overlooked in the study's research design, or alternatively, suggest additional gaps in the existing state of knowledge about SHRM implementation by Australian managers.

It might be noted that the propositions developed in section 2.6 do not necessarily suggest that differences ought to exist between the two firms, but that they might. If managers in both organisations have adopted the best practice model of SHRM, proposition 1 suggests that the only differences one would expect to find would be due to varying degrees of commitment between the firms' managers to the best practice model. If on the other hand both firms' managers have adopted a contingency model consistent with proposition 2, differences in SHRM can be expected to reflect the extent, if any, to which the managers are pursuing different organisational strategies.

The remaining propositions arise from the RBV. In combination, they suggest that differences may be found between the two firms that reflect each one's possession of rare, valuable resources that provide a competitive advantage. It is likely that these differences will be associated with complex capabilities or organisational culture, although the RBV does not provide any means to predict what those differences, if any are found, might be. It will therefore be desirable to examine and compare the data without any preconceptions and to use the theoretical material reviewed in chapter 2 to analyse any notable differences that emerge.

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<sup>16</sup> The descriptor 'notable' has been chosen deliberately instead of 'significant', to make it clear that no test of statistical significance will be applied to any differences that emerge. The process of deciding whether any variations are notable will depend on a subjective opinion that they are not trivial or insubstantial.

The chapter mirrors selected sections of chapters 4 and 5; overall corporate strategies are compared first, followed by a comparison of corporate HRM strategies and HRM practices.

## **6.2 Comparison of corporate strategy processes**

Senior management at both MechCon and NatBuild share similar aspirations for their enterprises: to find ways to make their workloads less dependent upon the cyclical fluctuations in workload that typify the construction industry and to reduce the amount of work obtained as the low bidder in competitive tendering in favour of contracts negotiated with regular clients on the basis of superior customer service instead of price alone.

The problem with these broad aspirations is that neither firm's managers know how to transform them into any kind of strategic action, no matter which interpretation of 'strategy' is adopted for analytical purposes. NatBuild's MD conceded that in his view success always got down to price in the end and the GM of the MechCon Construction Division held much the same belief. Both have taken some steps to encourage staff to build better client relationships: NatBuild with the Mount Eliza project and MechCon with internal training courses. However, neither group of senior managers could explain how these initiatives would alter the behaviour of clients or why they should be expected to. The measures they have taken are more in the nature of speculative investments, made in the hope that they might allow the firms to exploit future opportunities if clients modify their behaviour, than rational plans of action designed to achieve defined objectives by the systematic allocation of organisational resources.

One point of sharp difference between the two firms is the extent of the senior management attention devoted to strategic development and the ways in which those resources are allocated. While both organisations pursued a top-down approach, MechCon has been far less consultative than NatBuild. MechCon's General Manager – Strategic Development is employed within the corporate head office and clearly has limited interaction with other staff beyond his head office colleagues. Moreover, strategic change initiatives emanated from the MD after negligible consultation or communication with employees in the operating divisions. The MD acted on the basis of his own self-assessed knowledge and expertise after considering the opinions of his General Manager- Strategic Development. In NatBuild, on the other hand, senior management was more open to inquiry and receptive to advice. Decisions



were made after external consultants carried out research and employees were encouraged to provide input.

Are these different approaches associated with different outcomes in terms of the way corporate strategy is perceived throughout the respective organisations? Table 6.1 suggests that the effect of NatBuild's comparatively greater investment in developing strategy with a consultative approach has been limited. While almost one third of survey respondents agreed that they knew 'the direction that corporate management is taking the company in', compared to only 22.6 per cent of MechCon respondents, 43 per cent of NatBuild respondents disagreed with the same statement compared to 37.4 per cent in MechCon. The relative proportions of respondents who either could not say or neither agreed nor disagreed was sharply different: 24.5 per cent (NatBuild) as against 39.5 per cent (NatBuild). These findings suggest that the extensive efforts to consult and communicate within NatBuild had increased awareness of the issue of strategic direction within the firm but may have had the effect of confusing as many employees as they enlightened.

**Table 6.1:** *Proportion of respondents in each case organisation that 'know the direction that corporate management is taking the company in' (per cent)*

	<b>Agree</b>	<b>Disagree</b>	<b>Neither agree nor disagree</b>	<b>Can't say</b>
NatBuild (n=200)	32.5%	43.0	11.0	13.5
MechCon (n=116)	22.6	37.4	16.5	23.5

Source: Original survey data

The senior management of both firms share certain strategic objectives. One is to encourage a culture of innovation. NatBuild management, however, has devoted considerably more time and resources to measures intended to encourage innovation than is the case at MechCon. NatBuild has implemented the '101 Great Ideas' program and adopted 'constructive thinking' as a metaphor for strategic development. This is accompanied by concrete measures such as the annual contest to find the team that has developed the most worthwhile innovation. In contrast, at MechCon innovation appears to be little more than a germ of an idea in the CEO's aspirations for cultural change, with no dedicated initiatives in place to encourage it at the time of the study.

Table 6.2 shows that despite these apparent differences in the observable effort devoted to encouraging innovation, the survey responses were very similar. About two thirds of employees in both organisations feel either some or a lot of encouragement to come up with ideas to improve not only their own work but their employer's operational practices.

**Table 6.2:** *Proportion of respondents in each case organisation that were encouraged to be innovative (per cent)*

	<b>Gives lots of encouragement</b>	<b>Gives some encouragement</b>	<b>Neither encourages nor discourages</b>	<b>Gives no encouragement and ignores my ideas</b>	<b>Actively discourages me from coming up with ideas</b>	<b>Can't say/don't know</b>
Responses to the question 'Does your supervisor/manager encourage you to come up with ideas about doing your own work in new, better ways?'						
NatBuild (n=201)	31.3%	41.8	25.4	1.5	0.0	0.0
MechCon (n=116)	32.8	34.5	27.6	4.3	0.9	0.0
Responses to the question 'Apart from the way you do your own work, does your supervisor/manager encourage you to suggest ways for [your firm] to improve the overall way it organises its activities?'						
NatBuild (n=200)	24.5	43.5	27.5	4.0	0.5	0.0
MechCon (n=116)	22.4	40.5	32.8	4.3	0.0	0.0

Source: Original survey data. Figures may not total 100 due to rounding.

Another question related to innovation asked if employees felt they would be supported by their supervisor or manager if they made a mistake while trying to find a better way of doing something. Comparative responses are in table 6.3. Around half of the respondents in each firm believed they would be supported if they made such a mistake while only 19.1 per cent (MechCon) or 14 per cent (NatBuild) anticipated no support.

**Table 6.3:** *Proportion of responses in each case study firm to the statement 'If I made a mistake that cost the company money when I was trying to find a better way of doing something, my supervisor/manager would not support me' (per cent)*

	<b>Agree</b>	<b>Disagree</b>	<b>Neither agree nor disagree</b>	<b>Can't say</b>
NatBuild (n=201)	13.9	54.7	11.4	19.9
MechCon (n=116)	19.1	48.7	13.9	18.3

Source: Original survey data

The cumulative implications of the data in tables 6.1, 6.2 and 6.3 are that employees in both case study firms feel encouraged to engage in innovative behaviour confident in the belief that if they make a mistake, they will receive support from their managers. The study did not gather data that would allow a judgement to be made about whether this apparent climate of innovation exists as a result of deliberate measures taken by management, or whether it has developed spontaneously. The findings do however beg the question of why senior management in both organisations believes that innovation was a quality that needed to be stimulated by conscious management intervention in the future. Needless to say, the data in this study do not permit any evaluation of how much innovation actually occurs in the case organisations, nor is it easy to conceive how that could be measured. There nevertheless appears to be some inconsistency between the cultural changes that senior management believes are necessary and the way employees experience their work in practice.

In both firms, senior management believes that organisational culture needs to change and that this is an important strategic objective. There are, however, marked differences in the processes which the respective managers have adopted to achieve the desired cultural change.

MechCon's MD regards the corporate head office as the engine room of change. While he did not claim any charismatic leadership qualities, he clearly believes it is his role to develop an agenda for strategic change in consultation with a handful of other head office managers. He and the General Manager – Strategic Development, with some limited participation by the HR manager, consider strategy development to be a specialised management function distinct from the responsibilities of the senior operational managers heading up the divisions. Development of strategy is firstly an intellectual exercise to be based on a review of selected theory interpreted by research and evaluation conducted by the General Manager – Strategic Development. Only once this process had been completed was a finished product to be launched within the company; the use of the 'product launch' metaphor is deliberate.

The senior managers of NatBuild, on the other hand, have adopted a much more collaborative approach. Perhaps the reasons can be found in the circumstances surrounding the development of strategic initiatives in both firms. NatBuild had experienced severe commercial problems in the 1990s that may well have had the effect of predisposing employees to accept the need for and participate constructively in a review of corporate strategy. The commercial shocks may have reduced what Lewin (cited in Graetz, Rimmer,

Lawrence & Smith 2006, 114-6) calls the force fields that prevent change occurring. Within MechCon there have been no such traumatising events and therefore strategic considerations continue to be regarded as largely the province of top management. This interpretation is supported by the apparent disinterest in MechCon's direction evidenced by the fact that 40 per cent of respondents to the survey either could not say or did not know the direction that management intended for the company (see table 6.1).

NatBuild's senior managers treat strategy as a very important task to be undertaken in a rational, linear fashion. First, consultants were engaged to gather data about the way in which NatBuild was regarded by its clients. This data was used to identify both organisational weaknesses and presumed market opportunities. The next step was to describe in broad terms the kind of organisational image and reputation that senior management wanted NatBuild to have, and to invest in a program of managed change that would bring about the required transformation. The weakness of course in this planning process was that the means by which the transformation would occur were never identified by NatBuild's senior managers; they recognised that they lacked the necessary internal capabilities and entrusted it to external consultants who did not disclose a detailed plan of action. This meant that nobody in a position of responsibility in the change process has been able to stipulate with any precision how people will behave differently at the end. All they can describe is how the new organisation will be perceived in the marketplace.

In summary, both case organisations' senior managers aspire to change their firms' sources of income so they are less reliant on the construction cycle and open competitive tendering, but neither has anything like a developed plan of action to achieve their goals. Both also want to use organisational culture as a tool to make their staff more innovative and customer-oriented. Each company's managers have adopted a rational, deliberate approach to developing a program of cultural change, but there were substantial differences in the extent to which they consulted staff and based their plans on data gathered for the purpose. In neither instance, however, do senior managers have a thoroughly developed model of the change management process to guide their behaviour.

The next section considers the extent to which HRM practices were consistent with strategic intentions.

### **6.3 Comparison of SHRM**

The two case organisations are more notable for the similarities in their approaches to SHRM than their differences. Senior managers in both firms take a pragmatic approach to HRM; they use specific HRM functions to help achieve strategic objectives where they believe there is some practical utility in doing so but in neither case do senior managers consider HRM to be anything but a collection of disparate functions. In neither organisation are managers inclined to take either a best practice or a contingent approach to HRM as a whole. The respective HR managers play an insignificant role in developing corporate strategy and have been largely bypassed in implementing the cultural change programs that senior management regards as the most important elements of HR strategy.

Both firms have developed detailed position descriptions for staff. However there is little attempt to use these as tools to achieve broader strategic goals. Within NatBuild, position descriptions provide a framework for performance appraisals and 75 per cent of questionnaire respondents know where to find a copy. However, only 48 per cent agree that their position description is accurate and only 22 per cent say it is reviewed annually to maintain accuracy. Position descriptions have only recently been written for MechCon staff at the time of the study which might explain why only 60 per cent of respondents know where to find a copy, but 54.8 per cent agree that theirs is accurate.

Position descriptions are not used to provide a methodical structure for recruitment and selection in either of the business units studied. There are no methodical procedures at all. In NatBuild the Queensland Construction Manager is the key decision-maker in selecting new staff and promoting existing employees. In MechCon, initial recruitment decisions for trades staff are made by project managers in consultation with the branch office. The main considerations are satisfactory trade knowledge and absence of any industry reputation as an undesirable employee. Thereafter, people are invited to progress to salaried positions if middle managers in the branch reach a consensus about their suitability.

Performance appraisals in both organisations are notionally based on position descriptions, in that the appraisals are supposed to consist of an evaluation of an employee's performance in each of the duties listed in the position description. The origin of the position descriptions in NatBuild is unclear while those in MechCon were written within two years of the study data

being gathered. In neither firm have position descriptions been written to incorporate any elements related to corporate strategic objectives. NatBuild's HR Manager stated that 'from an HR point of view ... there was no strategic direction for the company that was shared and enabled us to focus or channel our activities' (interview NatBuild manager 3, 11/12/00) while MechCon's HR manager wrote position descriptions after extensive job analysis throughout the organisation; that is, to reflect existing jobs with no inclusion of new elements that might be required to achieve the cultural changes that senior managers had identified as key strategic objectives.

Only 50 per cent of respondents to the questionnaires at NatBuild reported that performance appraisals are conducted at least once a year; even less at MechCon. The responses were reversed concerning regular feedback about performance outside the formal appraisal process, with almost half agreeing they receive it at MechCon and only 38 per cent at NatBuild. However in both organisations, a majority of employees believe they know 'what the core competencies are that [my employer] has identified for my present job' (59 per cent at NatBuild, 57 per cent at MechCon).

Remuneration at both case organisations reflects a perception that wages and salaries are a cost that needs to be controlled centrally by head office. In each firm, head office decides the overall annual quantum of adjustment to salaries and issues instructions accordingly to operating divisions. There is some slight scope for individual variations in the amount of the increase to be made at branch management level but neither managers nor the employees interviewed for the study regard it as a significant factor in the employment relationship. NatBuild's bonus scheme is not an incentive scheme in anything but the most imprecise sense; it distributes branch profits amongst branch staff in proportion to their base salary and makes no attempt to identify the contribution that individuals have made to the organisation's results.

Both organisations' managers emphasised that training and personal development are important to the future success of their firms but once again there are no systematic linkages between strategic aims or aspirations and HRM practices. MechCon's HR Manager has developed a procedure by which all employees will negotiate a personal development agreement as part of their annual performance appraisal but at the time data was gathered for the study, this had not been implemented to a significant extent. In NatBuild, training and

career development are handled in an ad hoc manner with senior managers expressing strong support for the principles without being able to point to any specific management systems that gave concrete expression to them. Table 6.4 demonstrates that respondents to the questionnaires in both organisations had limited knowledge of their employer's policies regarding training and career development.

**Table 6.4:** *Proportion of responses in each case study firm that agreed with various statements about training and career development (per cent)*

Proportion of responses agreeing with the statement	NatBuild	MechCon
Since I began work with [this organisation], I have received significant help from the company to develop my work skills for the job that I do now	50.2%	60.3
A system exists within [this organisation] to help me develop my potential so that I can have a career in the company	36.0	41.7
If I wanted to do a course at TAFE or University that would help me do my job better, [my employer] would expect me to do it in my own time	42.8	46.6
If I wanted to do some study that would improve my work performance, like a TAFE course, [my employer] would pay for some or all of the expenses	37.7	55.2
I know what I have to do to be promoted within [this organisation]	38.9	38.3

Source: Original survey data

The data in table 6.4 suggest that employees in both organisations have limited understanding of the systems that exist within their firms regarding training and career development. They also either misconceive the attitudes of senior management towards giving support to employees undertaking career development activities, or alternatively the senior managers' attitudes have not been reflected in their behaviour as perceived by many employees. The correct explanation is unimportant. While a majority of respondents in both organisations agreed that they had received significant help from their employers to do the jobs they held now, less than 40 per cent understood what they had to do to be promoted. Similar minorities (36 per cent NatBuild, 42 per cent MechCon) agreed that a system existed to help them develop their potential. Even in the case of MechCon where a clear policy has recently been developed concerning assistance with external study, a bare majority understand it.

In summary, the differences in data that can be identified when comparing the two cases are not extensive. The differences that do exist can most plausibly be explained by the attention that managers in the respective organisations have given recently to various aspects of HRM



and the consequent differential levels of awareness within the workforce. There are no consistent patterns of difference that would invite a deeper examination to explore any implications for the propositions in this study.

## **6.4 Summary**

There are more similarities than differences between the two case organisations' approaches to strategy and to HRM. One strategic objective of senior managers – or perhaps 'wish' would be more accurate – is to find ways to circumvent the cyclical nature of activity in the construction industry and thereby provide a more stable cash flow and allow more certainty in forward planning. However, managers in both organisations are still at the exploratory stage of achieving this objective. Another strategic objective is to re-position their firms within the marketplace so they obtain more work by direct negotiation with clients instead of having to win contracts through the competitive tender system. Both groups of senior managers have identified changes in organisational culture as a key requirement in meeting that strategic objective – in the case of NatBuild, it is arguably the only requirement and certainly the most important one.

Despite cultural change having been identified as an important strategic element, neither group of senior managers has used HRM in a consistent, systematic fashion to modify the respective organisations' culture. Some individual HRM practices have been designed to promote employee training and development, especially in MechCon, although the implementation is patchy and many employees remain unaffected by them. Overall, however, there is little use of HRM initiatives to create the new shared values or meanings that are central to organisational culture (Schein 2004).

The similarities between the two organisations are of course consistent with the possibility that both have adopted a best practice approach to SHRM. Best practice assumes a convergence around a single model of SHRM and one would expect similarities if firms were aspiring to achieve best practice. However, there is little evidence that NatBuild or MechCon management has embraced best practice in SHRM as an ideal or is actively seeking to implement it. On the contrary, the study findings suggest that HRM practices have evolved in a pragmatic manner, with some individual aspects of HRM being used selectively on occasions to complement broader goals while the majority continue to be conducted in a

decentralised fashion under the control and at the discretion of individual line managers. This last observation is especially true of the way employees are recruited and selected.

There is therefore no substantial evidence in a cross-comparison of the two case organisations to suggest they are following either a best practice or a contingent approach to SHRM. The implications of the comparison for the RBV of strategy are not so easy to uncover and these will be discussed in the next chapter.

## Chapter 7: Conclusions and implications

### 7.1 Introduction

After introducing the study and its purpose in chapter 1, this thesis described certain gaps and uncertainties in scholarly literature about SHRM in detail in chapter 2 and developed a number of research questions and propositions to guide the study. Chapter 3 discussed the research methodology while chapters 4, 5 and 6 summarised the data obtained in the case studies. This chapter will describe the extent to which the study has increased scholarly understanding of organisational strategy and SHRM by adding to what was already known on the one hand, while on the other, creating knowledge previously not published.

Knowledge of the former kind will be termed ‘advances to existing knowledge’. This describes knowledge obtained in the studies that illuminates work published by other scholars, perhaps by adding richness to general observations made elsewhere, by adding nuance or minor qualifications to the conclusions of others, or by providing empirical data where none (or not enough) had been published. Previously unpublished knowledge will be described as ‘new contributions’, meaning findings or conclusions that do not appear to have appeared in scholarly literature prior to this thesis being written. While the distinction between advances to existing knowledge and new contributions is an arbitrary one that might present interpretational problems on occasions, it is a useful means to evaluate the worth of the study (Perry 2002, 37-8).

Table 7.1 summarises the content of the chapter. Six gaps in the literature were identified in chapter 2 and the study has provided useful data about all of them. In the area of what might be called conventional SHRM scholarship, the study’s value has been to provide empirical context for the continuing discussion about what SHRM is or should be and the extent to which a model of SHRM has been adopted by organisations in practice. New knowledge has been generated in respect of the RBV of strategy and the extent to which it is based on accurate assumptions about managerial behaviour. The study has also provided valuable knowledge about the way in which managers try to operationalise the concept of organisational culture.

**Table 7.1:** *Advances to existing knowledge and new contributions to knowledge made by the study*

Identified gap in literature	Advances to existing knowledge made by this study	New contributions made by this study
<p><b>Much HRM literature prescribes a strategic approach on the basis that this will lead to superior organisational performance but the extent to which senior managers have accepted and acted upon that prescription is largely unknown.</b></p> <p><b>There is comparatively little empirical data about the extent to which firms have adopted the best practice model of SHRM, and most of the empirical data that does exist has been gathered in quantitative studies.</b></p>	<p>Increased understanding of the extent to which senior managers are aware of and respond to the proposition that HRM contributes to organisational performance.</p> <p>Rich qualitative data demonstrating that two firms have not adopted the best practice model of SHRM.</p>	
<p><b>There is comparatively little empirical data about the extent to which firms have adopted the contingency model of SHRM.</b></p>	<p>Rich qualitative data demonstrating that two firms have not adopted a contingency model of SHRM.</p>	
<p><b>The RBV of strategy depends on certain assumptions about the ways in which managers acquire information about their competitors and act upon that information, but these assumptions are contested and have not been verified empirically.</b></p>		<p>Demonstrates that in two firms, senior managers do not act in accordance with these assumptions and that therefore the RBV needs modification.</p>
<p><b>According to the RBV, the source of competitive advantage is likely to lie in rare and valuable resources such as complex capabilities and organisational culture but the extent to which this helps to explain the behaviour of managers is poorly understood.</b></p>	<p>Demonstrates how causally ambiguous complex capabilities are regarded as a source of competitive advantage in two firms.</p>	<p>Suggests that senior managers simultaneously take opportunistic advantage of existing complex capabilities while trying to manufacture a corporate culture as an additional valuable resource.</p>
<p><b>The conception or conceptions of organisational culture held by senior managers are poorly understood, as is the extent to which they attempt to create or change organisational culture in order to obtain competitive advantage.</b></p>	<p>Illustrates the atheoretical, instrumental conception of organisational culture held by managers.</p>	<p>Suggests that senior managers do not regard management of organisational culture as an HRM function. In an organisational context, culture management may best be understood as part of the leadership role played by top managers.</p>

Source: developed for this study

The points in table 7.1 are developed in section 7.2. The chapter goes on to present overall conclusions about the research problem that inspired the study, while subsequent sections discuss the implications for theory, practice and further research while acknowledging the

study's limitations. The chapter concludes with a summary of the study as a whole and a general conclusion.

## 7.2 Conclusions about research propositions

This study examined a series of propositions which were drawn from a review of the strategy and SHRM literature. These propositions (see section 3.3.2) established a framework for the study and guided the collection of data and its analysis. Following Yin (2003: 111-2), they provided the analytical framework for analysing the case study data, helping to 'focus attention on certain data and to ignore other data'. Table 7.2 summarises those propositions, the findings of the study and their implications. These matters are discussed after the table and in later sections.

**Table 7.2: Summary of findings about research propositions**

Research proposition	Findings	Implications
<b>1: Senior managers who adopt a 'best practice' conception of SHRM will try to implement HRM practices based on a universal model derived from external sources.</b>	Neither firm referred to a coherent model of HRM as a basis for policies and procedures. Some individual practices were consistent with best practice, others were not.	Contrary to the prescriptions of much HRM literature, the conception of SHRM as a body of professional practice that should apply to organisations generally has not been accepted by senior management in these firms.
<b>2: Senior managers who adopt a 'contingent' conception of SHRM will have a procedure in place whereby HRM practices are intended to be deliberately aligned with a broader organisational strategy.</b>	Neither firm adopted a contingent approach to HRM. There was little attempt to align HRM practices with broad organisational strategy.	Contrary to the prescriptions of much HRM literature, the conception of SHRM as an important second order strategy that can complement overall corporate strategy has not been accepted by senior management in these firms.
<b>3a: Managers will try to acquire any valuable resources that they perceive are being used by competitors as a source of competitive advantage.</b>	Senior managers displayed little interest in competitors' sources of advantage.	The assumption inherent in the RBV of strategy, that firms are aware of and try to acquire competitors' valuable resources, does not appear to be true of this industry sector.
<b>3b: If valuable resources that are providing an advantage to competitors cannot be acquired, managers will try to imitate the resource or find a substitute that provides an equivalent advantage.</b>	As noted, senior managers disclosed limited awareness of or interest in competitors' valuable resources.	The assumption inherent in the RV of strategy, that firms are aware of and try to compensate for competitors' valuable resources which they cannot acquire, does not appear to be true of this industry sector.
<b>4: To the extent that any senior management resources are devoted to HRM, they will focus on valuable resources that competitors will find</b>	To a limited extent, both firms' senior management demonstrated an awareness of their complex capabilities as a source of competitive advantage. Both firms'	Senior management in these firms implicitly recognise and act upon the view that competitive advantage can be obtained from rare, valuable, inimitable resources such as

<b>difficult or impossible to imitate and for which no substitute is easily available.</b>	senior management had taken concrete initiatives to develop a unique organisational culture as a source of competitive advantage.	organisational culture and complex capabilities.
<b>5: Management's attempts to create organisational culture or complex capabilities as valuable resources are likely to be tentative and accompanied by unintended consequences.</b>	Senior management recognised that their firms' complex capabilities had developed spontaneously. Both firms' senior managers were confident that they could create a unique organisational culture in accordance with predetermined values and implemented programs to achieve that objective.	Culture is a term used by these managers without a clear understanding of its meaning. While they believe it has the potential to deliver a competitive advantage, they have little idea of how to describe the outcomes they wish to achieve or of the processes required to achieve them.

Source: original study data

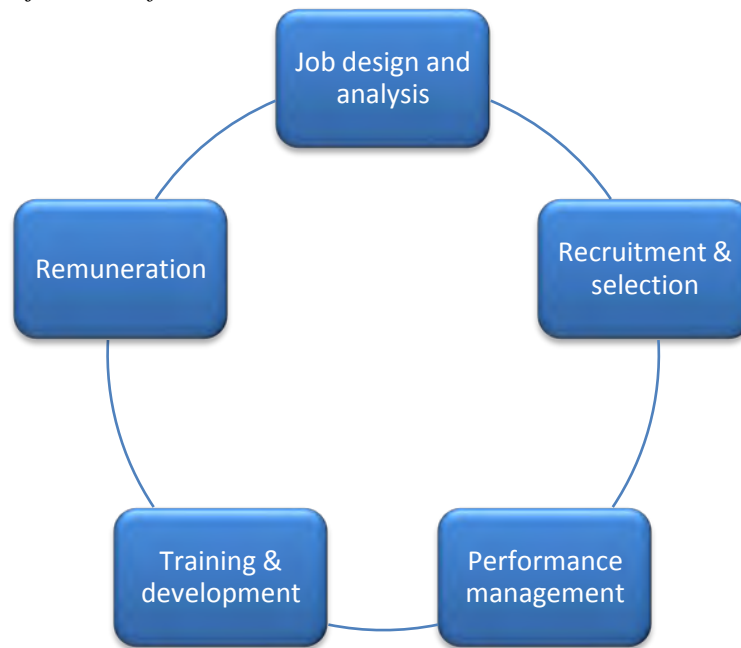
The remainder of this chapter will present these findings in more detail.

### *7.2.1 Best practice SHRM*

The data from the study demonstrated that senior managers in both case study firms did not display any commitment to the idea that a body of professional HRM practices existed which should be adopted by well-managed organisations. HRM practices tended to be regarded as discrete functions which were administered in a pragmatic way as determined by line managers at various levels. Some functions were co-ordinated to a limited extent but this occurred for specific purposes and did not reflect any intention by management to develop a single coherent HRM strategy as recommended by the literature discussed in sections 2.3.2 and 2.3.3.

In order to develop a systematic examination of the case organisations' approach to HRM, it will be necessary to consider HRM as a number of component parts. This is not only because textbooks and HRM courses usually subdivide HRM in this way but also because this is how senior managers in the case organisations regarded HRM. As will emerge from the discussion that follows, HRM had no cohesive overall identity or purpose within these organisations. To the extent that it meant anything at all it referred to the functions for which the HR manager was primarily responsible but the managers were more inclined to talk about the separate functions as discrete activities than to acknowledge the meaningful existence of an overarching discipline or strategic function. These various separate components are shown in figure 7.1.

**Figure 7.1:** Major HRM functions



Source: adapted from Stone (2005)

#### **7.2.1.1 Job design and analysis**

Job descriptions were regarded as important documents in both case study firms. In MechCon, the HR Manager's first main task following his appointment was to write job descriptions for all salaried positions. NatBuild's job descriptions had become an accepted part of the HR administration by the time of the study.

The MechCon HR Manager developed the job descriptions using job analysis techniques. In both case study firms, job descriptions were supposed to be reviewed as part of the annual performance appraisal. Data obtained from the study suggested that this did occur in NatBuild but that the MechCon job descriptions had not been in existence long enough for any significant amendments to occur as a result of performance appraisals. In best practice SHRM, accurate job descriptions are often regarded as essential tools upon which other HRM functions can be based, and the importance is also emphasised of keeping job descriptions up to date so that they reflect changes to work organisation and practices. Both case study firms had adopted these elements of best practice SHRM.



### **7.2.1.2 Recruitment and selection**

In neither NatBuild nor MechCon was there anything approaching a ‘strategic’ approach to recruitment and selection, in the sense that the term is used in HRM literature. Recruitment and selection largely reflected the personal preferences of managers at branch level, often the construction manager but sometimes other managers were responsible.

In NatBuild, the interviewees described quite a random process. Interviewees reported variously that they had been offered positions after completing internships required as part of their university studies, or on the recommendation of a friend, or after persistent direct applications. None had ever been given an explanation of why they were regarded as suitable appointees.

MechCon’s recruitment and selection was thoughtfully managed insofar as wages employees were concerned, with care being given to avoid workers who were known not to perform according to MechCon’s requirements. This pool of trades employees then became the source of recruits to the lowest levels of management. Workers appointed to leading hand or site manager positions tended to move between those frontline management jobs and normal trade jobs in response to fluctuations in workload. Over time, more senior managers reached a consensus in an unstructured fashion about the employees who showed potential for promotion to project manager level, if and when a vacancy arose. There was in other words very little recruitment activity in the sense of MechCon trying to attract applicants to a vacancy. The overwhelming majority of workers moved up (and sometimes down) within the internal labour market in accordance with subjective opinions held by senior branch managers about their abilities.

In neither firm was there any system for filling vacancies based on an objective evaluation of the extent to which potential appointees met comprehensive selection criteria. Internal promotions were usually based on the perceived potential of the employee concerned. In NatBuild, external appointments in the Queensland/NT Branch of the Building Division largely reflected the idiosyncratic opinions of the Construction Manager. MechCon’s external appointments were overwhelmingly at the trade level, where the key selection criteria were freedom from any suspicion of being a trade union troublemaker and competence in trade skills; neither, of course, is directly relevant to a worker’s suitability for promotion to management roles.

As far as recruitment and selection are concerned, therefore, neither firm adopted the elements of best practice SHRM as they have been described in the relevant literature (see thesis sections 2.4.2 – 2.4.6 inclusive).

### **7.2.1.3 Performance management**

As is the case with other HRM functions, there is no precise description within the literature about the way in which performance should be managed under best practice SHRM. However, it is common ground that ‘performance’ should be evaluated on more than narrow technical competencies. Performance management should be based on comprehensive criteria that both management and the worker concerned have accepted, and it should include measures that are initiated in response to deviations from accepted performance standards, whether these deviations arise from performance that is good or bad (see for example Stone 2005, chapter 8).

Neither NatBuild nor MechCon had such a performance management system, although employees in both firms participated in performance appraisals from time to time and these appeared to be more than an administrative formality. Nevertheless only 44 per cent of MechCon employees who responded to the study questionnaire agreed that they knew what they had to do to be promoted in their organisations, with the corresponding figure in NatBuild being 39 percent. These responses suggest the majority of staff perceived no direct, transparent relationship between performance and the prospects of promotion. Similarly, substantial minorities of employees in both organisations did not know if their immediate supervisor or manager thought they were doing a good job (27 per cent in MechCon, 26 per cent in NatBuild).

In NatBuild, promotion in the Queensland/NT Branch depended mainly on the opinion of the Construction Manager. Employees were not advised in a formal systematic manner of the criteria that would be used to determine their suitability for promotion. While some interviewees reported positive attitudes towards performance appraisal, these depended upon the participation of the Branch Construction Manager. In his absence – as at the time of the study, when he had been temporarily transferred to another state – the appraisals were simply suspended. Routine performance management was in the hands of individual managers and

supervisors who carried out the task as they saw fit with minimal guidance or evaluation from senior management.

As far as senior management was concerned, the biggest performance challenge was to have staff adopt a different approach to the construction market and NatBuild's role in it vis-a-vis its clients. Under a best practice SHRM model, one would have expected performance criteria to be developed that reflected the changed behaviour wanted by management. However, this was not regarded as a performance issue by senior management but as a matter of corporate culture and the solution was to engage in the culture change process described in section 4.7.3.

In MechCon the situation was not dissimilar. Management had nominated certain key behavioural changes that they wished to occur but again, these did not find their way into explicit performance criteria or any other systematic means of evaluating staff performance. For example, the senior management of the Construction Division wanted project and site managers to develop better relationships with customers (i.e. builders). This was described as an important element of performance yet it was not reflected in written performance criteria. Similar observations apply to the stated wish to encourage innovation.

OH&S provides an excellent example of the extent to which performance management failed to meet best practice in both firms. Senior management in both organisations placed high importance on maintaining a good OH&S record and this was well understood by staff, as demonstrated by responses to the questionnaires. Nevertheless, OH&S had not been integrated into a systematic approach to performance management; it was treated as an issue *sui generis* and managed independently of other HRM functions. This of course is antithetical to the whole concept of best practice SHRM, which recommends that all aspects of HRM should be considered to be parts of a whole and managed as an indivisible package.

Performance management in both firms was linked directly to job descriptions, which were strongly task-based and largely overlooked the behavioural considerations which senior management regarded as so important. This also has implications for the contingent approach to SHRM of course, and the issue will be revisited later in section 7.2.2.

In short, both firms had performance management practices in place to which they paid far more than lip service. Nevertheless, the practices fell short of constituting a comprehensive performance management system as envisaged under best practice models of SHRM (see Wood, 1999b for a review of the various permutations). They were more consistent with a pragmatic management style under which particular practices were adopted in response to the perceived needs of the business.

#### **7.2.1.4 Training and development**

Training and development is closely linked to performance management and the study's findings about this activity are similar to those reported in the preceding section. Neither case study firm had explicit policies for assisting staff who wished to acquire additional capabilities, nor did management implement consistent transparent practices such as systematic job enrichment, enlargement or rotation. Individual employees were dealt with pragmatically as the relevant manager saw fit.

A large number of NatBuild employees believed the firm would not support them in undertaking additional studies (43 per cent thought they would have to do it in their own time and only 38 percent believed NatBuild would contribute to the cost: see table 6.4). Some interviewees who believed it would do so were expressing their best judgement and not relying on any express formal practice or policy. There was supposed to be a system in place under which entry level engineers underwent orientation training over the first year or two of their employment but this had not been implemented for one of the interviewees.

A broadly similar situation existed at MechCon (see table 6.4). Slightly more employees in that firm were aware of the firm's policy with regard to assisting workers who wanted to acquire additional capabilities. Perhaps this reflected the fact that managers had effectively conveyed their plans for a more systematic linkage of performance to development; certainly managers in interviews were enthusiastic about the proposed arrangements under which all employees would have to reach a personal development agreement as part of the annual performance appraisal. At the time of the study, however, this innovation was in its infancy.

Senior management in both firms expressed commitment in principle to the value of personal development and a willingness to provide assistance in instances deemed appropriate.

However it was clearly a matter of each case being treated on its own merits without any overarching policy or attempt to tie these activities to other, broader management objectives.

#### **7.2.1.5 Remuneration**

Somewhat remarkably, given that labour costs are such a large proportion of total costs in the construction industry, neither MechCon nor NatBuild had anything that could be called a strategic approach to remuneration. The most likely explanation is that frontline managers in both firms worked closely with unionised workers on enterprise agreements that prescribed wages and other benefits in detail. In MechCon's case, most frontline managers were promoted directly from the ranks of unionised workers and not infrequently reverted to trades status when there was no work for them as site managers.

In these circumstances, where leading hand trades workers already command comparatively high wages and other benefits under an enterprise agreement, it would be understandable if remuneration levels for salaried staff tended to be based on those of unionised workers; or to put it another way, the unavoidable increases in trade workers' remuneration could understandably be regarded as both the minimum that could realistically be passed on to other staff, and also the maximum that could be absorbed by the firms if they were to remain profitable.

Senior managers in both organisations were unable to explain the underlying philosophy or intent of remuneration practices. NatBuild's bonus scheme distributes a pool to all employees in a branch according to the extent to which the branch has contributed to company profits. The effect of the bonus is to increase salary levels for one year only in proportion to the branch profits (if any). While NatBuild managers spoke of this as a worthwhile scheme, it was apparent that they neither expected nor intended it to achieve any particular outcomes.

Both firms allow discretionary bonuses to be paid to individual staff members to reward exceptional performance but this occurs almost at random, when a manager wishes to do it and makes a recommendation accordingly.

Apart from bonuses, remuneration was mainly fixed by the corporate office with particular attention paid to movements in the cost of living. The general attitude expressed by both employees and senior managers seemed to be that remuneration was not an issue of great

concern. Certainly there was no attempt at all to use remuneration in the way recommended by best practice SHRM, to reward staff for meeting performance criteria in an objective and transparent manner (Wood, 1999b).

#### **7.2.1.6 Summary of best practice SHRM**

The inescapable conclusion about the way HRM is managed in both case study firms is that it is regarded as a collection of separate activities and not as a single function with an identifiable, externally-derived set of best professional practices. In Senge's (1990) terms, there was an absence of systems thinking, so that individual HRM activities were designed to respond to perceived business problems. When no problems were perceived to exist – as was the case with remuneration, for example – little thought had been given to the design or implementation of the activity concerned. This is the opposite of the 'bundling' approach of complementary practices that is a hallmark of best practice SHRM (see the discussion in sections 2.4.2 – 2.4.6 inclusive of this thesis)

#### **7.2.1.7 Advances on existing knowledge**

Many practitioners would probably be unsurprised by these findings. Nevertheless the findings provide revelatory insights that help interpret the findings of quantitative studies into the extent to which firms have adopted one or another version of SHRM.

There is a tendency perhaps, when reading for example that x per cent of firms have adopted at least four out of six SHRM indicators, to assume that this means those firms have adopted two thirds of the model, and might even intend to implement the whole thing in due course. This study demonstrates how misleading such assumptions might be. Both NatBuild and MechCon display some characteristics of best practice SHRM but this is so simply because certain activities have been implemented as a pragmatic response to a perceived need. It is not an instance of the sum of the parts adding up to a proportion of the whole. Both firms' senior managers regard various HRM practices as tools that should be used or discarded to meet short-term needs. Performance appraisals were therefore treated as worthwhile practices in both firms whereas neither had given any serious consideration to introducing self-directing teams, to cite another practice that is usually held to be central to best practice SHRM.

In other words, the usefulness or otherwise of HRM practices was assessed according to internal criteria. Senior managers did not accept that a coherent body of HRM practices existed that should be adopted by all firms if they were to maximise their effectiveness or efficiency. On the contrary, individual HRM practices were evaluated using ‘common sense’ criteria to judge the extent to which they could help meet operational business needs. Senior managers did not do this reluctantly, or with any sense of aspiration to be able to adopt practices used in more advanced enterprises. In fact there was no evidence that managers compared the standard of their HRM to competitor companies or that they bothered to evaluate the effectiveness of their own practices using any kind of objective metrics. These findings have implications for the applicability of the RBV to these firms and will be referred to again later in this chapter.

If HRM professionals and business schools over the last decade or two have been trying to persuade senior managers that HRM is a profession with its own set of practices that should be adopted by all organisations in their own interests, they have clearly failed in respect of these two firms. Moreover, they have equally failed to make a case for a contingent model of SHRM, to which the chapter now turns.

### ***7.2.2 Contingent SHRM***

The best practice and contingency models of SHRM have in common the notion that HRM should be a single management function in which all elements should be managed in a co-ordinated fashion to ensure that the whole project achieves its purpose. It is antithetical to either formulation of SHRM to treat various HRM activities separately and manage them without regard for their place in the broader strategy. Since it has already been established in the preceding sections that both MechCon and NatBuild do precisely that – manage HRM functions as if they are separate and largely disconnected from each other – it is already clear that neither firm acts in accordance with the contingent model of SHRM. In this section, these findings will be discussed further without repeating material in section 7.2.1.

#### ***7.2.2.1 Corporate strategies***

Both NatBuild and MechCon had corporate strategies that would have fitted a contingent model of SHRM; in other words, the contingency model of SHRM suggests that HRM should have been a second order strategy that would have helped achieve overall corporate strategic objectives. Yet their senior managements only acted in accordance with the model to a



limited extent and in MechCon's case, with considerable disagreement and lack of co-ordination.

NatBuild had the most clearly enunciated corporate strategy. Senior management resolved that a change in attitudes towards clients was essential for the long-term success of the company. Or to be more accurate, management believed that a change in attitudes was necessary because it would flow through into changed behaviour, given the label 'constructive thinking'. The desired outcome was that NatBuild would come to be regarded by potential clients as the 'contractor of choice', given that the company's commissioned research had indicated that none of its competitors satisfied the majority of clients' expectations.

Ulrich and Brockbank (2005) have suggested that change management is a core HRM function. Certainly the contingency SHRM model suggests that HRM would have a crucial role to play in delivering the changes desired by NatBuild management. However, neither senior management nor the consultants engaged to facilitate the change program thought to incorporate HRM functions. While an application of the contingency model might have seen job descriptions amended to give proper importance to the desired new behaviours, and these same behaviours encouraged by suitable performance criteria, training and development activities and rewards, nothing of the kind was done or even considered. The task was perceived to be one of cultural change, which had to be managed quite separately from routine HRM activities.

In some conceptions of HRM, of course, culture management constitutes an important element, but this was not the case at NatBuild. The transformation of the organisational culture was championed by the MD and approved at board level. Thereafter it was pursued by senior management and when the General Manager of the Building Division stepped down, it was to a position specially created to oversee what became known as 'The Mt Eliza Program'. Management never articulated the outcomes that were the objectives of this program, nor the means by which they were to be achieved. They were matters within the province of the consultants. The company's HRM activities continued alongside this special program, with no perceived inconsistency but equally, no attempt to align them with the program.

The only aspect of the constructive thinking program which reflected the contingent SHRM model was the use of rewards to encourage innovation and organisational learning. The interview evidence suggested that the annual Constructive Thinkers Award caused considerable interest within the firm and that staff were generally highly motivated to be part of a group that nominated for the award, whether or not they won. The rewards therefore appeared to be intrinsic, consisting of recognition for being innovative performers, rather than genuine expectation of enjoying the paid resort holiday that went to the winners. This incorporation of corporate strategic objectives into an HRM function was, however, an isolated occurrence. Even though employees were advised in general terms that their performance would be assessed against 'constructive thinking' criteria, in fact this was never translated into changes to job descriptions or performance appraisal procedures.

If NatBuild's use of a contingency model of SHRM was limited, it was even more so at MechCon. This occurred despite two of the most senior managers and the HR Manager expressing at least some commitment to such a model. The failure arose because of an inability on the part of these managers to translate a vision for the future into a meaningful strategy, coupled with an absence of supporting HRM activities except, to a very limited extent, in the area of training and development.

The corporate strategy articulated by the MD had two elements: one was to change the firm's order book so that it became less reliant on construction with its inevitable fluctuations in work volume, and the other was to encourage learning within the organisation so that staff were better placed to deal with the challenges of the changing business. The latter component of the strategy lends itself very well to the contingent model of SHRM and indeed the MD looked to the HR Manager to help implement the strategy. Despite this, HRM functions were only used to a limited extent as a second order strategy.

The first factor that explains this outcome is that the HR Manager never understood what constituted the corporate strategy, as opposed to the MD's vision. This lack of understanding is consistent with the comments of other managers to the effect that they either did not understand or they did not accept the MD's corporate strategy. It was a vague statement of intentions without any meaningful description of what it meant in terms of nominated people taking concrete actions. Moreover, this was not simply a failure of communication. It was clear that managers in the Construction Division rejected the main thrust of the strategy

insofar as it called for the company to transfer resources from construction to other activities. In the absence of any definite strategic agenda, these managers virtually ignored the MD's statements of strategy.

In this situation, the HR Manager appears to have fallen back on a best practice approach and in consultation with the MD, devoted much of his time over his first 12 months in the job to job analysis and writing job descriptions. This approach, based on an analysis of existing jobs and tasks, is of course inconsistent with a contingent SHRM model, under which strategic considerations would have driven the content of job descriptions and existing jobs would have been modified to meet the desired strategic direction. As it was, the new job descriptions tended to formalise existing work organisation. They were then used as the basis of performance appraisals, thereby reinforcing existing job design. The consequence was that instead of facilitating change to a new strategic direction, HRM activities would actually have made that change more difficult to accomplish because they were institutionalising the well-established work arrangements.

An example of this can be seen in the way job descriptions, and therefore performance appraisals, largely failed to include responsibilities that the MD had nominated as being central to his new corporate strategy. The only significant innovation that was introduced to facilitate the strategy was the idea of a personal development contract to be negotiated as part of each employee's annual performance appraisal. Both the HR Manager and one of the Queensland Construction Division managers were very enthusiastic about this initiative but at the time of the study, it had not been implemented in practice.

Apart from that proposal, HRM activities were not geared to deliver corporate strategic goals. As described in section 7.2.1, employees were recruited and selected with regard to trade skills and reliability. Their suitability for subsequent promotion was very much a matter of chance. Apart from the planned personal development contracts, training activities focused very much on specific operational matters. As with NatBuild, remuneration was essentially an administrative task with very limited use of discretionary bonuses to reward excellent performance.

#### **7.2.2.2 Summary of contingent SHRM**

Senior managers in NatBuild had an approach to the role of HRM in their enterprise that was different to that of the top management in MechCon, but in neither case had a SHRM model been adopted. In NatBuild, none of the senior managers tried to achieve strategic purposes using HRM activities. In MechCon the MD did intend to use training and development to facilitate his strategic objectives but as a discrete activity and not as part of a coherent overall SHRM program. A complicating factor at MechCon was that the MD's vision for the future of the company was poorly translated into measures that were capable of implementation, and as a result the ostensible corporate strategy tended to be no more than a statement of intent which did not influence the way in which other managers went about their work.

Senior managers in both case study firms did adopt a contingent approach to corporate culture management; in other words, both groups of managers accepted that they should change the organisational culture to facilitate strategic objectives. The particularly noteworthy finding for the purposes of this study is that in neither organisation was culture management regarded as a subset of HRM. On the contrary, it was perceived as something quite separate from HRM, requiring its own dedicated resources and falling within the direct responsibility of either the MD or a very senior line manager.

#### **7.2.2.3 Advances on existing knowledge**

The study has provided a richer understanding of the way some managers interpret and apply the contingent model of SHRM in practice. Two main themes can be identified from the findings. Firstly, the managers in the study did not view HRM as a single function, but rather as a collection of activities. Secondly, they did not consider organisational culture management as a HRM activity at all.

Even when managers in these firms were inclined to use one or more HRM activities as tools to help achieve strategic objectives, they did not acknowledge any need to modify all other HRM activities on the grounds that HRM is an indivisible strategic function. For example, the MechCon MD's vision of the future of the company required core staff to increase their skills and capabilities so he encouraged the development of training and development programs linked to performance appraisals that would help achieve his goals. However, he failed to change remuneration practices to reward professional development activities, with the result that in the Construction Division the skills development program was generally

regarded as a ‘good thing’ in an abstract sense but not as something that needed to be introduced with any urgency or that was going to make any significant changes to the way the company operated. In other words, the MD neglected to make comprehensive changes to HRM practices that were within his control and that would have conveyed his intentions to staff much more directly than happened in practice.

Perhaps the most consistent gap in both case study firms between professed strategic intent and practice existed in the area of recruitment and selection. Employees were appointed in both firms without any over-riding system and with little regard for their future suitability for the kinds of enterprises that were envisaged by the senior managers’ corporate strategies. There were simply no effective systems or procedures in place to transfer broad corporate objectives to the mundane operational task of filling staff vacancies.

When it came to managing organisational culture, neither firm’s senior managers envisaged a role for HRM at all. Culture management was perceived as *sui generis* and the responsibility of top management (with extensive assistance from external consultants in NatBuild’s case). This is inconsistent with the view that managing culture is, or should be, one of the principal concerns of an enterprise’s HRM. The findings suggest that practising managers have not yet come to think of HRM as a second order strategic function that can and should complement overall corporate objectives. The implications of this finding will be discussed in later sections of this chapter.

### *7.2.3 Matching competitors’ valuable resources*

The RBV depends on a set of assumptions about the behaviour of managers which are intuitively reasonable but have been criticised on several grounds, one of which is that they lack empirical validation. One of the aims of this study was to explore the extent to which managers in the case study firms behave in accordance with the assumptions embedded in the RBV.

The relevant assumptions are that managers take an informed interest in sources of competitive advantage in their industry, and more particularly, that they try to understand the resources that are providing competitive advantage to other firms in the industry. Once they have obtained this understanding, or believe they have, it is assumed that they will move to acquire similar resources. If similar resources are not available, managers will look to acquire

a substitute that can compensate for their absence. The RBV thus purports to explain certain management behaviour. This study suggests, however, that not all managers behave in the way predicted by the RBV and it may therefore need to be modified to accommodate a more diverse range of management behaviours if it is to be a comprehensive template within which organisational strategy can be analysed and interpreted.

#### **7.2.3.1 Summary of attempts to match competitors**

Neither NatBuild nor MechCon displayed much curiosity about their competitors. On the contrary, senior managers in both firms displayed such confidence that they understood the competitive dynamics of their markets that it bordered on complacency. This confidence generally reflected a deep-seated conviction that there were no secrets in the construction industry and that competitive success depended on the ability to estimate and manage costs in order to win contracts by offering the lowest price while still being able to make a profit.

In some instances, managers accepted that competitors had a competitive advantage as a matter of common industry knowledge, because they had access to resources that competitors did not. For example, NatBuild's managers noted the advantages that accrued to a competitor like Bovis Lend Lease because it was not solely a contractor but also part of an organisation that undertook major development work. Bovis Lend Lease therefore had a 'captive client' arrangement that guaranteed a certain amount of profitable turnover, which allowed its management to plan more confidently and to be more selective about the other work for which it tendered. However, NatBuild's managers simply accepted this as a fact of life. In much the same way, they accepted that being part of a substantial multinational organisation gave NatBuild advantages that were not available to local Australian competitors whose balance sheets did not let them offer the same level of financial guarantees as NatBuild.

MechCon's managers generally held the attitude that they were the best in the business at the kind of work in which they specialised. Like their counterparts in NatBuild, they believed that price was overwhelmingly the deciding factor in obtaining work in the industry. They accepted that they could not compete on price in many types of air-conditioning work. For example, one manager advised that large shopping centre projects only required air-conditioning systems that "dumped lots of cold air into a huge area" and could thus be built by any number of firms that would put together a temporary collection of trades workers at short notice. MechCon rarely tendered for this kind of work; its preferred market niche was

construction where a certain amount of design expertise was required of the air-conditioning contractor. This could only be supplied by firms that employed professional and technical staff and MechCon's senior managers believed that their capabilities in this area were superior to any competitor's.

Somewhat paradoxically, however, MechCon's management also commented somewhat ruefully on their failure to 'crack' the NSW market, despite attempts to obtain work there. This suggested that in that state, some competitors had managed to acquire a competitive edge and that MechCon was unaware of the nature of it but the MechCon managers interviewed in the study did not have this perception. They were more inclined to the view that success would come once they made a concerted effort and especially, once they found 'the right man' to manage the operation. It was acknowledged that this 'right man' would be recruited from outside the organisation and to that extent, it could be said that management was acting in accordance with the RBV by seeking to acquire (albeit at an unspecified future date) a valuable resource that it believed its competitors already possessed. However, MechCon's managers had no real idea of the nature of the resource that they lacked, beyond the description of a person who could operate confidently in the NSW market; nor had they attempted to analyse what attributes this person should have with any precision.

In other words, MechCon's managers were unconsciously acknowledging their need to acquire a complex capability, in the form of expertise in the NSW market, by means of employing a person with that capability. Obviously there is no way of knowing whether they would be successful in acquiring such a resource if they decided to make the attempt in future. Nevertheless it does support the RBV to the extent that it suggests these managers understand the realities of causal ambiguity and path dependence sufficiently to reject the option of trying to build a capability missing from their organisation, in favour of trying to acquire that capability even if they are unable to describe exactly what it is or how they will recognise it when they encounter it.

#### **7.2.3.2 Advance on existing knowledge**

The RBV is based on the premise that managers monitor the performance of their own firm compared to that of competitor firms and endeavour to acquire or otherwise compensate for the lack of any valuable resources that are available to competitors. One criticism of this



aspect of the RBV has been that it assumes firms operate in neatly definable industries, but this assumption is not supported empirically.

This study tends to bear out that criticism. Neither of the case study firms operates in a market with ascertainable boundaries, let alone in 'an industry'. Each firm has a small, known number of firms with whom they know they are in regular competition. In NatBuild's case these firms are only six or eight in number; MechCon encounters even fewer. However, they are not the same competitors on all types of job, and on some jobs on which they tender, other competitors can enter the market about whom they know little or nothing. Moreover, being national contractors, they also face competition that varies from one locality to another as state-based firms bid against them.

Thus it is extremely difficult, as a matter of sheer practicality, for either firm's managers to try to understand the reasons for a competitor's performance in any systematic manner. NatBuild, for example, may at any one time be facing competitive bids on one very large building project from another two national builders; on a medium-sized building project from another national builder and three regional builders; and on a major infrastructure project, from two overseas contractors and a consortium of Australian firms. The market therefore consists of a small core of what might be called consistent competitors, together with a much larger number of other firms that enter and leave opportunistically.

It is therefore very difficult for the managers of these firms to monitor their competitiveness in any systematic manner even with regard to tender prices. The problems involved in analysing competitiveness are compounded by the practical difficulties of understanding whether other firms have made a profit, and if so how great, on projects which they are awarded in preference to NatBuild or MechCon. For example, NatBuild might not be awarded a contract because another national builder's tender price is five per cent lower. Does this make NatBuild uncompetitive? The answer depends on whether the successful firm makes the same profit margin that NatBuild included in its tender price. If NatBuild had included a margin of eight percent and the successful firm one of three percent, then there is no competitive difference between the two firms at all in terms of operational efficiency. One is simply prepared to work with greater risk of loss than the other, and NatBuild could restore its notional competitive advantage simply by being prepared to accept work with a profit margin of two per cent.

In fact, of course, the profit margins actually achieved may or may not bear any resemblance to those in the tender prices. It is common for contractors who have missed out on a contract to observe some time later (and with some satisfaction) that the successful tenderer appears to be performing badly and ‘must be losing money’ but of course such judgements are often tinged with sour grapes and are not reliable. The industry is usually rife with rumours about the extent to which contractors are meeting their own project performance benchmarks but in reality, information about project costs and profits is tightly managed and very difficult for others to obtain<sup>17</sup>.

The extent to which firms can be said to operate in an identifiable industry with known competitors is important to the usefulness of the RBV in explaining strategic behaviour. In this study, the conception of ‘industry’ adopted by the firms’ managers is a fuzzy one and it would be misleading to talk of their competitors as if these were a known group of organisations seeking the same kind of work from the same collection of customers. It is clear that at least for these firms, the market in which they compete is ill-defined and cannot be usefully characterised as ‘an industry’. It is also clear that there are few, or no, firms that NatBuild and MechCon can reasonably regard as being sufficiently close competitors that they would justify systematic observation and analysis for the purpose of understanding the nature of those firms’ valuable resources. The implications of these findings will be explored in section 7.4.

### **7.2.3.3 New contributions to knowledge**

Section 7.2.3.2 discussed an issue that has been the subject of considerable attention in the RBV literature, namely the extent to which it is meaningful to say that firms operate in a delimited industry with predictable competitors. In addition to that issue, this study is also relevant to another aspect of the RBV that has received comparatively little attention in the literature: the extent to which managers attempt to acquire or otherwise compensate for valuable resources which are known to be available to competing firms. The findings of this study suggest that managers do not always do so, but may prefer to bypass the competitor’s advantage by creating a valuable resource of a different kind.

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<sup>17</sup> In some instances, financial performance on a project may not be known for some time after its completion. At the time of this study, NatBuild was engaged in litigation about a project which had been completed several years earlier. The sums involved were substantial and the outcome of the case could have an effect ranging from NatBuild making a modest profit on the project to a very significant loss.

The assumptions inherent in the RBV are that managers will follow a linear procedure in analysing competitiveness. In other words, they will first be conscious that a competitor has an advantage, then try to identify the source of that advantage, and once it is identified they will try to acquire a similar resource. If that proves impossible, they will look for an alternative valuable resource that can substitute for the one they cannot acquire. The intuitive logic of this process is attractive but there has been little empirical investigation to see if managers behave this way in practice.

The managers in this study did not adopt a systematic approach to analysing competitiveness. They tended to focus very much on their own position in the market and the relationship they had with clients as the factors that were important in winning future work. They made few attempts to explore the existence of resources that might be giving competitors an advantage. The prevailing attitude was largely to avoid competition with firms that were perceived to have an advantage wherever possible, and rather to look for opportunities where their firms would be likely to succeed. Managers made these assessments based more on experience and trial and error than on a rational analysis of the reasons explaining why they or their competitors were more or less successful in winning certain kinds of work.

MechCon's attitude to the NSW market, for example, was consistent with the RBV in that management recognised that competitors in NSW possessed complex capabilities that were not easily available to MechCon. However, MechCon's senior managers had not tried to find out the nature of this complex capability, or to investigate what alternative resources might be available to provide a substitute. They expressed the intention to acquire people with the requisite capabilities in the labour market at some future date but it is impossible to know whether this was a genuine statement of considered intent or merely a reflection of their reluctance to concede that the NSW market was effectively closed to them.

MechCon's management also acknowledged that competitors possessed competitive advantages in many kinds of work because of their lower overheads. This was simply accepted as a fact of life about which nothing could be done. The reasoning was that if it tried to match competitors' costs in work like shopping mall air-conditioning, MechCon would lose the resources that gave it an advantage in work requiring a significant technical and design component. In other words, MechCon's senior managers accepted that the market was

segmented and consciously elected not to try to compete in segments where other firms were perceived to have an advantage. This runs counter to the RBV, which implicitly assumes that firms will constantly try to reconfigure their resources to match the source of other firms' competitive advantage.

In other areas of their operations, MechCon was mainly concerned to improve its relationships with clients and its own internal performance. These were regarded as the keys to increased competitiveness. Apart from the failure to penetrate the NSW market mentioned in the previous paragraph, MechCon's managers did not appear to believe that other firms in the industry possessed any resources that provided a competitive advantage. This did not appear to be complacency, but rather a belief that in those parts of the industry in which it had chosen to seek the bulk of its work, MechCon suffered no significant competitive disadvantages. Given the extensive mobility of labour in the industry, the ease with which operations can be observed by others, and the extent to which important design decisions are made by the client and not the contractor, this belief is likely have some substance.

NatBuild's managers had a similar mentality. They were more concerned to acquire valuable resources of their own, as discussed in the next section, than to investigate the possible possession of such resources by competitors. Of course, it can be said that most major Australian contractors had taken certain parallel steps over recent years to maintain competitiveness, most obviously in areas like upgrading plant and equipment, building networks of potential partner organisations that would allow them to be part of consortia tendering for complex infrastructure projects, and above all, in becoming part of a larger transnational organisation as opposed to a purely local Australian firm. In a very broad sense, it could be said that this behaviour is consistent with the RBV assumption that firms will constantly look to match competitors' valuable resources. However, these kinds of changes have not been peculiar to Australia; on the contrary, they have marked the construction industry in many developed countries. They could be described as indications of the processes of incremental change that tend to occur in most industries globally over any period of time. The RBV will have limited explanatory and predictive utility if all it does is forecast that firms will try to follow perceived industry trends.

In fact, of course, the RBV focuses on the behaviour of the individual firm and purports to explain and predict that behaviour by assuming that managers are concerned with other,

known competitors and not simply with an amorphous global industry. Managers in these two cases, however, do not generally behave in accordance with this aspect of the RBV. In fact, they are remarkably incurious about their competitors. One reason might be the fact already mentioned, namely that managers believe they already know anything important that there is to know about competitor firms and prefer to work around the perceived areas of competitive disadvantage in preference to trying to find a comparable resource. Another possible reason is that the case study firms have been able to win work consistently over a long period of time, and management can therefore conclude with justification that competitor firms do not possess any resources that provide a sustained competitive edge.

It is possible, or indeed likely, that if a competitor emerged to either NatBuild or MechCon and that competitor consistently won work at prices that these firms could not match – and demonstrably made acceptable profits on the work – then the respective managements would try to understand the reason for their competitive disadvantage and take steps to remove it, by acquiring similar resources to the competitor or a substitute therefore. In the absence of such a situation, however, it is clear that the managers of the case study firms do not routinely investigate the possession or otherwise of valuable resources by their competitor. It is therefore quite likely that many contractors possess rare and valuable resources which help them compete for work, without other firms trying to match those resources. On the evidence of this study, managers are not as relentlessly concerned to monitor competitors' resources as the RBV suggests.

While managers in this study might not be routinely concerned with competitors' resources, they are certainly attracted to the idea of obtaining valuable resources for their own firms that will provide a competitive advantage. The evidence for this is summarised and the implications discussed in the next section.

#### *7.2.4 Developing valuable resources*

There are two important strands within the RBV that attempt to explain and predict the behaviour of managers. The first is that managers will try to match the valuable resources that are providing a competitive advantage to other firms in the industry. This was discussed in section 7.2.3. The other strand is that some firms will enjoy a sustained competitive advantage because they possess valuable resources that competitors cannot acquire and for which no satisfactory substitute is available. This second strand remains an undeveloped

aspect of the RBV; it has been criticised on the grounds that at its most simplistic level it says little more than that one firm will be more competitive than another because it performs better, for reasons that nobody can quite explain.

In developing the RBV as an explanatory and predictive theory, much research will be required into exploring the nature of valuable resources, the extent to which they have evolved free of deliberate management planning, and the extent to which managers are conscious of and take advantage of them. The managers in these two case study firms, however, behaved in accordance with the assumptions underpinning this aspect of the RBV. That is to say that they recognised the importance of possessing rare, valuable resources and were very conscious of their value in providing competitive advantage. Furthermore, they acknowledged that some resources had evolved without conscious effort by management (or anybody), with the result that they now possessed a resource that would be difficult for a competitor to match. At the same time, however, they set out to create new resources for their organisations. In other words, they did not appear to recognise the distinction between path dependence and causal ambiguity on the one hand, and deliberate creation of a resource using conventional management behaviour on the other.

The implications of this are that managers may be failing to make the most worthwhile use of the limited resources available to them, by partially overlooking the potential of the rare, valuable resources they already possess in favour of trying to create new resources using conventional management tools. According to the logic of the RBV, the latter behaviour is likely to be self-defeating because a resource acquired using conventional management tools will not result in a sustained competitive advantage; once competitors become aware of it, they will use the same tools to acquire the same resource or one that is equivalent. These issues will be examined further in sections 7.4 and 7.5.

#### **7.2.4.1 Recognition of existing valuable resources**

NatBuild's senior management believed that they had competitive advantage in at least two areas which had evolved more or less spontaneously, without any deliberate or systematic action by management. One such area was in tunnelling, where a succession of successful contract bids had resulted in NatBuild owning a fleet of equipment that meant it could tender for future tunnelling work with a distinct advantage over other contractors who would have to buy or hire equivalent equipment. The other area was the construction of water treatment

plants, where management believed they had developed a network of relationships with other firms, and a store of knowledge, that gave them an edge on competing firms.

In both cases, NatBuild's valuable resources grew over time as the fortuitous result of them winning various contracts. The accumulation of plant on the one hand, and of expertise on the other, created a 'virtuous circle' in which the possession of these resources made it easier for the company to succeed in winning more work of the same kind, which in turn added to the value of the resource. NatBuild's senior management had an ambivalent attitude to these resources; while they acknowledged their value, they showed little inclination to build on them to take the company in a new direction. Perhaps because the worth of the resources was so context-specific, they were regarded as a welcome side-benefit from previous operations but not as things that would seriously affect strategic planning.

MechCon's corporate management, in contrast, seemed comparatively uninterested in any resources they might possess that gave the firm a competitive advantage. In fact, they seemed more concerned with finding ways to compensate for the perceived weaknesses of the existing operations than with exploiting whatever resources they possessed that had allowed the company to be so successful for such an extended period of time. This attitude can be explained by the corporate managers' belief that the industry was changing so rapidly that past success was a poor preparation for the future. Whether or not this was an accurate assessment of the industry is beside the point; the purpose of this study is to examine the extent to which managers' behaviour can be understood by reference to any of the theories of SHRM. MechCon's corporate managers had a dynamic view of competitive advantage in which they were not concerned with existing resources but more with preparing for an uncertain future.

The management of MechCon's Construction Division, on the other hand, were very conscious of the history of their industry and the reasons why they enjoyed a competitive advantage. The General Manager placed considerable importance on the company's technical and professional expertise which meant that the organisation could provide services to clients that few competitors could match. The Queensland Branch Construction Manager believed that the main reason for MechCon's competitive success was its systems. Divisional management overall were relatively satisfied with its performance and prospects. In contrast to corporate management, which wished to change the organisation's mix of work to make it



less dependent on the cyclical construction industry, the senior managers of the Construction Division saw no problems with the company continuing more or less unchanged, subject only to incremental changes like increased training and development that would improve its effectiveness in its existing work. They were comfortable with their level of competitiveness and tacitly acknowledged that they possessed rare and valuable resources that their competitors were unlikely to match, thereby obtaining a sustained competitive advantage. These managers' beliefs about the sources of their competitive advantage were consistent with those found by a quantitative study of project managers in North America (Mathur, Jugdev & Fung, 2007: 466), namely complex matters such as maturity in project management capabilities and effectiveness in sharing tacit knowledge. Pathirage, Amaratunga and Haigh (2007) have made a consonant argument about the value of tacit knowledge as a resource in the UK construction industry.

Knowledge of the ways in which MechCon and NatBuild managers recognise and respond to the possession of rare and valuable resources illustrates the complexity that must accompany any explication of the RBV. For example, it is clear that the expression 'competitive advantage' is deceptively simple. In fact, even within the same organisation, different managers may have differing and even incompatible understandings of competitive success. The implications of this for theory and practice will be discussed in sections 7.4 and 7.5. Before turning to those issues, this section discusses how managers in the case study firms set about deliberately creating rare and valuable resources that would provide a competitive advantage.

#### **7.2.4.2 Complex capabilities**

The senior corporate managers of both case study firms attempted to create complex capabilities that would enhance their organisations' competitiveness. The difference in methods of planning and execution was marked, but arguably neither firm's management succeeded in its objectives. The significance for the purposes of this study is firstly that the managers' behaviour was explicable by reference to the RBV, and secondly that the study provides rich data about the way in which these practising managers interpreted and tried to apply a complex capability as a source of competitive advantage.

NatBuild commissioned a report from consultants to explore its standing *vis a vis* some of its main competitors but the purpose was more to explore opportunities than to assess the performance of other contractors. In other words, NatBuild's senior management was

concerned to follow the kind of strategic model recommended by Michael Porter and find opportunities in the market that other firms had neglected to seize. The purpose of the NatBuild consultant's study was not to understand the reasons for other companies' success in order to emulate them but to find a place in the market where NatBuild could exploit the failures or deficiencies of fellow contractors. It can be noted in passing that the reasoning underpinning this strategic initiative is difficult to reconcile with the belief professed by NatBuild's CEO that price is overwhelmingly the determinant of success in the construction industry, but the objective of this study is to understand the behaviour of managers and not to analyse it critically for logical flaws.

NatBuild did, however, conform to the RBV by proposing to develop internal resources that would give it a competitive advantage. By trying to understand the unmet needs of clients, and then commissioning the Mt Eliza program, senior NatBuild managers were effectively setting out to create a complex capability. The amount of time and resources invested in this task meant that it would be very difficult for a competitor either to acquire a similar capability or to develop a satisfactory substitute. It can therefore be said in NatBuild's case that management accepted the logic of the RBV but did not devote time or effort to trying to understand the valuable resources possessed by competitors, in order to acquire similar resources or substitutes. Instead, NatBuild's management went straight to the second phase as it were, and set out to create a unique valuable resource that would give the firm a competitive advantage.

While NatBuild's senior managers could describe in broad terms the effects that they believed this new resource would have on the firm's performance, they struggled to explain the resource itself with any precision. They knew what kind of organisation they wanted to create but they were unable to specify the tangible changes that would occur for NatBuild to become this organisation. They labelled the resource they wanted a 'new culture' and sought the help of external consultants to create it. It is hard to see, however, how the external consultants could have developed a program to build the desired culture in the absence of clear guidelines from NatBuild management. This was apparent in the interview data, which suggested that while managers at all levels believed (or had been persuaded) that a new culture was desirable, none could articulate with any real coherence what would change in a practical sense once the desired changes had occurred. NatBuild's managers were convinced that a new complex capability was required in the organisation and they invested

considerable resources in creating it, but their inability to specify a practical plan of action to accomplish their broad objectives was an implicit acknowledgement of the path dependence and causal ambiguity that are associated with complex capabilities. They earnestly endeavoured to foster the capability they wanted, but there was no evidence at the time of the study that they were likely to succeed.

MechCon's corporate managers were equally enthusiastic about developing a new set of complex capabilities, which the CEO also characterised as a new culture. It shared some features with the desired NatBuild culture, especially an emphasis on innovation and on building new partner relationships with clients. However in MechCon's case, corporate managers failed to allocate the same time, commitment and resources as their counterparts at NatBuild. The result was that managers in the Construction Division were either unaware of the culture-building initiative, or if they were aware, they regarded it as unimportant. The difference in attitude between the CEO and the General Manager of the Construction Division was marked: the former was proud of what he regarded as an important initiative whereas the latter had to be prompted in an interview to understand the subject of questions, and then dismissed the initiative as something that "hadn't been rolled out".

At the level of the Construction Division management, much more importance was placed on developing skills in customer relationship-building. However, this objective had developed independently and was not part of the new culture initiative that was still-born in the Melbourne head office. It is true that the new capabilities were not fostered very effectively, as discussed in section 7.2.2. Nevertheless, the recognition by management that such a capability could provide a competitive advantage was consistent with the RBV. Moreover, the patient way in which Divisional managers went about developing the capability may have reflected their tacit belief that it was causally ambiguous and path dependent. In other words, a process in which frontline managers with the desired skills and attitudes were encouraged and promoted while others were overlooked, without much in the way of training and development programs or formal performance appraisal measures, might have reflected a belief by more senior managers that reasons for the growth of the desired capabilities was poorly understood and was better encouraged by loose, opportunistic measures than by methodical policies and procedures.

In summary, the senior managers of both firms were attracted to the idea that they might be able to create new complex capabilities that would provide a competitive advantage. This is consistent with what might be expected in organisations where dynamic capabilities are more valuable for competitive advantage than static resources (Levitas & Ndofo, 2006: 141). However, their perception of the ease with which this could be done, and the processes that would be effective in doing it, varied substantially. On the one hand the MechCon CEO appeared to believe that new capabilities could be created by means of an attitude change process driven by corporate management with minimal participation by other staff. On the other hand, NatBuild's top managers admitted not only that the process would require extensive consultation and resources but also that they did not know how to manage it and needed the assistance of external consultants. The managers of MechCon's Construction Division provided a third approach, eschewing any elaborate measures in favour of an incremental process that built on resources that the firm already possessed.

The findings outlined in this and the previous section have added depth and richness to the model of management behaviour that underpins the RBV. They demonstrate how difficult it is for any theory of organisational strategy, or SHRM, to provide a comprehensive explanation or prediction of management behaviour. The next two sections elaborate on the implications of these findings.

#### **7.2.4.3 Advance on existing knowledge**

This study has added to understanding of several aspects of the RBV, which can be summarised as follows: it is potentially misleading for any theory of management behaviour to assume that all organisations and all managers are motivated by similar concerns and have similar objectives. In fact, as this study demonstrates, managers even within a single organisation can have conflicting interpretations of a fundamental concept like competitiveness. This suggests in turn that theories of management strategy need to be complex, flexible and capable of accommodating numerous configurations of management objectives and behaviour if they purport to offer a comprehensive set of explanations and predictions.

The first finding of note in this study is that managers are conscious of, and accept as valid, the RBV's assumption that firms obtain competitive advantage, or might do so, owing to their possession of rare and valuable resources. Moreover, there is evidence that managers

distinguish between resources that provide a temporary advantage and those that provide a sustained advantage. This was apparent in the attitudes of the NatBuild managers who were comparatively dismissive of the significance of their advantage in tunnelling and water treatment plants while making a substantial investment in the creation of new complex capabilities which they believed would give the firm a sustained edge over all competitors. This suggests that the role the RBV allocates to rare, inimitable resources in its model of management strategy is consistent with the beliefs and behaviour of practising managers, at least in these two organisations.

Another useful finding concerns the nature of competitiveness and the way in which different managers interpret this expression. The RBV tends to adopt a neo-classical economist's assumptions about the nature of inter-firm competition by concentrating on profitability. The underlying proposition is that in a free market, firms will enjoy a 'normal' rate of return on invested capital and that this rate can be improved if the firm obtains 'rents'; one means of obtaining rent, according to the RBV, is the possession of rare, inimitable resources. This will allow the firm either to reduce prices and thereby increase sales at the expense of competitor firms, or to set prices at the same levels as competitors and enjoy higher rates of profit. However, these were not the considerations that influenced the managers in this study.

The project-based nature of these contractors' businesses meant that questions of price and profitability were determined *de novo* for each job on which the company tendered. Competitiveness was considered mainly in terms of the company's ability to win contracts and then to complete the work it won on time and within budget. There was no attempt to measure the firm's overall profitability against some industry benchmark or against competitors. This might have occurred at board level occasionally but if it did, there was no evidence in the study that it influenced managers' behaviour.

MechCon's CEO was mainly concerned to change the nature of the organisation, not to improve profitability or competitiveness directly but to reduce risk and make cash flow more predictable. Managers in the Construction Division, on the other hand, were concerned to change the business incrementally to keep pace with what they perceived as the evolving needs of clients. Their interpretation of competitiveness was based on turnover and market position, not rate of return on capital.

NatBuild's managers were also more concerned with winning work than with the rate of return. One factor contributing to this situation is undoubtedly the unpredictable nature of construction work, so that the rate of return actually achieved often varies substantially from that projected in the original tender price. Competitiveness therefore becomes focused on performance at the level of the project as opposed to the firm. Both NatBuild and MechCon are decentralised organisations and there is little sense in either place that performance can be evaluated at the level of the firm, except in a broad accounting sense.

In summary, the behaviour of the managers in these businesses demonstrates the care that must be taken when using the concept of competitiveness in an RBV approach to strategy analysis. These firms are not selling a product in competition with each other; they are contracting to provide goods and services specified by others in a series of independent projects. Competitiveness is not evaluated in terms of return on capital as much as on the proportion of jobs won and the achievement of targets set project-by-project without regard for overall firm performance.

#### **7.2.4.4 New contributions to knowledge**

The study has revealed considerable information about the attitudes that managers take towards valuable resources like complex capabilities and organisational culture. This new knowledge is valuable because it increases awareness of the complexity associated with the model of management behaviour embedded in the RBV. It is also important because it provides insights into the challenges facing business schools in operationalising the RBV as a useful component of strategic management courses, and similarly, the challenges facing practising managers in trying to use the RBV to improve organisational performance.

The issue of organisational culture requires extensive discussion and will be dealt with in the next section. The remainder of this section concentrates on complex capabilities, although there is some overlap with the issue of culture because neither scholars nor the managers in the study have made a clear distinction between the two.

The attitude of NatBuild and MechCon managers towards complex capabilities was paradoxical and verged on being contradictory: they implicitly accepted the propositions in the literature that such capabilities are causally ambiguous and path dependent, yet at the same time they were prepared to devote significant resources to developing such capabilities

using conventional plan-lead-organise-control management tools. However, they either chose tools that proved unsuited to the task, as was the case at MechCon, or they acknowledged that they did not know what tools would be effective and retained external consultants. As discussed in section 7.2.2, none of the senior line managers in either firm tried to use the tools proposed by contingent SHRM scholars to build the desired capabilities. The result was that the firms were in a kind of no-man's-land where senior managers acknowledged that they were committed to developing capabilities that were imperfectly understood but failed to devise a practical means of achieving their objectives.

The managers of MechCon's Construction Division were convinced of the value of fostering a capability amongst project management staff that might be labelled 'customer relations awareness'. They implicitly recognised that this was a fuzzy concept by failing to develop any clear guidelines about what it was or how they would recognise it; in other words, their behaviour suggested that they intuitively grasped the nature of a complex capability and the difficulties inherent in defining it. Nevertheless, the concept was more than a wistful item on a wish list. They wanted staff to develop this capability and from time to time they took steps to achieve that objective.

NatBuild's senior managers were similarly convinced that innovative thinking was a highly desirable complex capability that employees should develop. They implemented the '101 Great Ideas' promotion to encourage innovation, and later applied the 'constructive thinking' label to a collection of ideas that would, it was hoped, foster innovative capabilities. Yet at the same time, these managers were unable to specify with any precision exactly what they meant by innovation, in that they could not describe in meaningful terms what would change in NatBuild if staff acquired an innovation capability. Like customer relations awareness at MechCon, innovation was a capability that was regarded as intuitively desirable and valuable but its characteristics were elusive. It was almost a matter of "We know it when we see it and we want to have more of it" and in the meantime, various measures were adopted in the hope that they would provide a fertile climate for the capability to develop.

This mindset is a powerful illustration of the way the RBV illuminates the behaviour of managers. In MechCon and especially in NatBuild, senior managers were convinced that the possession of complex capabilities would improve the performance of their firms (although they did not express this sentiment in terms of becoming 'more competitive'). However, they



were not disposed to accept that such capabilities evolved in a way that was impossible to understand or replicate. While tacitly accepting that these capabilities could not be described with exactness, the managers nevertheless believed that it was within their capacity, and that it was their responsibility, to foster the development of complex capabilities that they believed would improve their organisation's performance.

The implications of these findings for theory and practice will be discussed in sections 7.4 and 7.5 but first, it will be useful to examine the way in which these managers interpreted the concept of organisational culture as a valuable resource.

### *7.2.5 Creating a unique culture*

Section 7.2.4 discussed ways in which managers sought to develop complex capabilities in their organisations. In other words, they wished to build upon capabilities that already existed so that they would become important contributors to organisational performance. This section turns to the attempts in both case study firms to create a unique culture: attempts not to develop capabilities that already existed in embryonic form, but to manufacture an entirely new resource.

#### **7.2.5.1 Understanding culture**

Senior managers in both firms applied the term 'culture' to their organisations frequently, without being prompted by interview questions. Nevertheless it was apparent that few of them subscribed to a clearly articulated theory of organisational culture, or even a well-defined model that described what it was. They tended to use the expression as if its meaning was axiomatic.

The CEO of MechCon designed a culture change program based around integrity, innovation, performance, teamwork and communication, which were labelled the 'five foundations for success'. Putting to one side until the next section the extent to which this program was ever implemented, the program itself assumed that these five abstract nouns collectively constituted the potential foundation of an organisational culture. NatBuild's managers were even less precise in describing what they meant by culture (see section 4.3). They had identified the outcome that they wanted and concluded that it was only achievable by means of a new culture; moreover they had christened that culture one of 'constructive thinking'. However, they struggled to explain what this would mean in practice. They trusted that their

external consultants would have the expertise to identify what was required and devise a program to create it.

It is difficult to reconcile the MechCon managers' use of the term culture with the sense in which that concept is used in the academic literature. One could categorise 'integrity' as a matter of core values, while 'innovation, teamwork and communication' are arguably learned behavioural characteristics. 'Performance' is so imprecise without a contextual setting that it is virtually meaningless as a 'foundation for success'. It is true that there is no consensus within the literature about the meaning of organisational culture but most scholars adopt a conception based on values, beliefs and attitudes. While something like teamwork might be the outcome of certain attitudes and values, teamwork is not itself a value or belief or attitude. The same observations apply to innovation and communication and even more to performance. Of MechCon's five foundations, therefore, only one – integrity – could be regarded as a component of organisational culture.

NatBuild's managers' approach to culture was more consistent with the concepts found in academic literature. They identified attitudes towards clients as a major target of change. At the same time, however, they included other notions under the constructive thinking program that did not necessarily reflect values, beliefs or attitudes. Like MechCon they emphasised the value of innovation but innovation is not in itself a value or an attitude: it is a behavioural characteristic. Like the MechCon CEO, the NatBuild managers tended to use the same 'organisational culture' label to describe a conceptually confused mixture of attitudes, values and behaviour, with the emphasis on behavioural characteristics.

Indeed it is apparent that none of the managers were really concerned with altering attitudes or values; they wanted to change employee behaviour. Their interpretation of culture was consistent with what some scholars have labelled 'managerial culture' (see section 2.4.5) in which the main concern is that employees should behave in accordance with the 'values and philosophies of the top executives' (Beaumont, 1992: 21). Provided staff learnt to behave in this way, management at the two case study firms did not care about their deep-seated values and beliefs. The culture change programs were intended to socialise employees into behaving in the desired manner but the behaviour change was the object of the exercise, not a change in underlying attitudes or values.

The managers in other words had applied the abstract concept of culture to more conventional notions of behavioural change usually associated with staff development and training. The difficulties that this caused will be discussed in the next section.

#### **7.2.5.2 Operationalising the concept**

The conceptual and definitional uncertainty surrounding their wish to use culture as a tool of organisational change meant that senior managers in the case study firms failed to develop a workable plan to achieve their objectives, or even to specify with any precision what those objectives were. In MechCon's case, the CEO approached it as a marketing exercise and commissioned the production of internal materials promoting the characteristics that he had decided would be desirable in the organisation. NatBuild's senior managers perceived the task as being more complex than that but this did not mean they had a more extensive set of tools to achieve their aims. In fact their acknowledgement of the complexity associated with changing culture was reflected in the extent of the resources they were prepared to commit to the task by way of engaging external consultants who they hoped would have insights and expertise not available internally.

In short, the managers concerned believed that organisational culture was a meaningful concept but they were unable to operationalise it, in the sense of identifying its characteristics in ways that allowed them to be measured or evaluated using suitable criteria. The result was that in trying to create the culture that they wanted they did not know how to begin or what kind of program would be required.

#### **7.2.5.3 Advance on existing knowledge**

Considerable discussion has taken place within scholarly literature about the difficulties inherent in defining and operationalising the concept of organisational culture. Opinions continue to vary about the extent to which it can be described, measured or managed. However, little research appears to have been conducted into the way in which practising managers have interpreted and applied the concept.

This study demonstrates that in these two firms, senior managers were familiar with and accepted the proposition that organisational culture was both 'real' and deserving of their attention. They used the word frequently to refer to something they believed affected the performance of the firm and which they desired to influence.

It was, nevertheless, impossible to understand with any precision exactly what they meant when they used the expression ‘culture’. None of the managers interviewed attempted to draw any distinctions between different sources of their employees’ values and attitudes, or to acknowledge that their origins might be found in national or industry or professional cultures which might prove more enduring than the culture within a particular enterprise. The managers’ interpretation of culture was largely consistent with the ideas of Peters and Waterman (1982), and incorporates Schein’s (2004) notion of ‘surface’ culture; that is, one assessed by reference to observed artefacts and behaviour without concern for whether or not these reflect genuinely held values and beliefs.

This in turn suggests that in this respect at least, these managers illustrated the influence of management fads and fashion . They had faith in the existence of organisational culture and believed in its power to improve organisational performance even though they had not established any measurable benchmarks for evaluating their firms’ cultures nor had they identified the tools that could be used to manage these perceived cultures in the directions that they thought desirable. The implications of this finding will be discussed in sections 7.4 and 7.5.

#### **7.2.5.4 New contributions to knowledge**

Perhaps the most significant contribution to knowledge to emerge from this aspect of the study is the rich data about the extent to which managers are prepared to allocate organisational resources on the basis of little more than faith or conviction. The second important contribution is the way in which organisational culture management was not regarded as a function related to HRM.

In MechCon’s case, these resources were comparatively minor, consisting of little more than the time and attention of a small group of corporate executives. Even so, given the opportunity cost involved, it was a significant commitment and suggested that the managers concerned and especially the CEO were convinced of the merits of their proposed culture management initiative. However, the faith-based nature of the initiative was evident in its failure to be implemented. While it had a champion in the CEO, its purpose was too vague and its benefits too nebulous for it to be adopted within the Construction Division. The CEO never developed a convincing narrative in which organisational culture change became an essential component in the continuing story of MechCon, so in the absence of any metrics-based case for the initiative, it simply lapsed. The case demonstrates how powerless senior

management can be even to commence a process of organisational change if the internal environment is unfavourable.

NatBuild's commitment was of a very different magnitude, largely because senior management devoted considerable resources to creating an environment in which staff would accept the need for change. In one respect this was achieved simply by virtue of the financial outcomes which NatBuild had achieved in the late 1990s, which by themselves signalled that problems existed which needed to be addressed. However, management did not rely simply on employee apprehension about the financial future to create a climate conducive to accepting change. Consultants were engaged to prepare a report on the way NatBuild was perceived by clients, and this painted a picture of both problems that had to be overcome and opportunities that could be exploited. Moreover, the CEO performed the important leadership function of developing a coherent narrative which made sense of the world (Kelly 2000) so that employees welcomed the constructive thinking program as a sensible and positive initiative – even if, as noted in the previous section, nobody could articulate precisely what it was intended to achieve.

It would be misleading to describe NatBuild's culture change program as the result of a rational decision taken in the face of bounded rationality about the costs and benefits of alternative courses of action. In a literal sense it was the outcome of an irrational decision, in the sense that little attempt was made to gather data about the likely benefits and consequences. It is notable that even the parent company's representatives were unconvinced of the merits of the program and eventually agreed to support it financially because of faith in the MD's judgement and not on the basis of any documented cost/benefit analysis. Although not explored in this study, this may have reflected an absence of faith in culture management as a worthwhile activity amongst European managers as compared to their Australian counterparts.

The case studies therefore provide valuable new knowledge of the ways in which managers sometimes make decisions. The cases are a useful corrective to models of firm behaviour that assume managers are rational actors making decisions after gathering pertinent data and carefully evaluating alternatives.

The other significant contribution to knowledge arises from the fact that despite their firm commitment to the cause of organisational culture management, none of the managers in the case organisations showed any inclination even to involve HRM staff in its implementation to any great extent, let alone to see it as being at the heart of SHRM. This did not reflect an absence of confidence in the capabilities of the staff concerned so much as a complete bypassing of the potential of HRM functions to be used to drive a culture change program. As described earlier, MechCon's initiative foundered because the CEO did not develop an implementation program at all, but even his embryonic ideas overlooked totally the possibility that it could be delivered using conventional HRM functions. NatBuild's senior managers acted on the belief that the required expertise was not available with the enterprise and engaged external consultants, who also showed no inclination to integrate conventional HRM functions into their program.

It is clear that in both case organisations, culture management was not regarded as an HRM function. Furthermore, because senior managers believed that culture management was an important strategic objective, it follows that HRM was excluded from the conceptions of strategic management adopted at a senior level in the organisations. This finding when considered in conjunction with the findings discussed in earlier sections of this chapter allows a reasonably confident response to be given to the study's overall research problem, as discussed in the next section.

### ***7.3 Conclusions about the research questions***

Three questions were posed at the beginning of the study, concerning the extent to which senior managers had adopted either the best practice or contingency model of SHRM or acted in accordance with the RBV. The findings suggest managers have not adopted either the contingent or the best practice versions of SHRM. Moreover, while their behaviour is consistent in some respects with the RBV, there are significant discrepancies which suggest the RBV needs to be substantially developed and refined before it can serve as a general framework within which to analyse strategic managerial behaviour.

#### ***7.3.1 The first question***

The first research question asked 'To what extent are managers adopting and implementing some version of 'fit' in implementing SHRM? The findings suggest quite conclusively that managers in these organisations did not accept the existence of a known set of best practices

associated with superior organisational performance. Indeed they exhibited few inclinations to regard HRM as a single, coherent aspect of the organisation's management that could play a strategic role (however they defined this). The dominant paradigm largely treated individual HRM functions as discrete management tasks which were considered on their own merits without any significant concern for the effect on other HRM functions. Apart from the tasks of performance appraisal and training and development mentioned in the next paragraph, there were no attempts to use HRM to gain a competitive advantage nor was there any significant feeling that the firms were suffering a likely competitive disadvantage through their failure to adopt best practice HRM. To the extent that managers were aware of the tenets of best practice SHRM, they acknowledged that their firms had not adopted it but did not regard this as a matter of practical concern.

It is true that in both NatBuild and MechCon, some attempts had been made to establish links between performance appraisals and training and development. These links were underpinned by the use of written job descriptions. However, there were many departures from the model of best practice SHRM proposed in the literature. The concrete outcomes of performance appraisals were not specified in a methodical way, so that any training and development that might follow an appraisal depended more on the individual actions of the personnel concerned than on any universal management system. In the Queensland/NT Branch of NatBuild, most appraisals were conducted by a single senior manager without the involvement of the employee's immediate manager or supervisor. Appraisals at MechCon were carried out by an employee's immediate superior and the planned links to training and development opportunities were much clearer than was the case at NatBuild, but the system was very new at the time of the study and it was too early to evaluate how it would operate in practice.

Aside from these limited links between performance appraisal and training and development, neither firm had adopted any significant elements of best practice SHRM. Remuneration was fixed by corporate head office with no scope for divisional or branch managers to introduce systems linking rewards to future performance. Very limited scope existed to reward past performance but this was only done on a large scale at NatBuild and in that firm most of the rewards were distributed according to a formula determined by corporate head office.



Recruitment and selection of staff was left to the discretion of individual managers in both firms, with no real attempt to adopt practices that were even consistent throughout the organisation, let alone ones that complied with best practice. Use of selection criteria was limited and selection decisions depended on the judgement of an individual or at most a small group of managers. Both firms practised internal recruitment and selection for most positions but there were no formal career paths and no systematic plans to identify and accommodate future skill needs.

In short, managers in both organisations adopted a reactive, problem-solving approach to HRM. They did not denigrate HRM as a profession but nor did they accept that a body of best practice existed which firms ignored at their peril. They looked upon the various HRM tasks as being primarily administrative, with the potential to offer more than that on occasions to help solve particular operational problems.

### *7.3.2 The second question*

The second question asked ‘To what extent are senior managers attempting to use SHRM to obtain a competitive advantage?’ Much of the discussion in section 7.3.1 is also directly relevant to this question. Clearly the managers in the study did not try to use HRM gain a competitive advantage. The very absence of a comprehensive, co-ordinated approach to HRM meant that HRM could not be integrated into any purposive management strategy.

Moreover, the findings of this study are that the managers took a very limited contingent approach even to individual HRM tasks. Recruitment, selection and remuneration for example were all viewed as mainly administrative tasks. Senior management did not try to develop selection criteria linked to the firms’ strategic objectives or to issues of ‘cultural fit’. Recruitment was very decentralised and carried out according to the preferences of middle managers. Remuneration was not based on individual employee performance; some employees were given bonuses or pay increases above the norm for perceived excellent performance but there were no formal guidelines linking these rewards to strategic objectives.

Even when the firms had explicit strategic objectives that lent themselves to a contingent approach, management did not act as purposefully as the relevant literature recommends. Both firms wanted to encourage better customer relationship building capabilities amongst staff; both wanted to foster innovative thinking; yet there was little attempt to build these

capabilities into routine HRM functions like job descriptions and performance appraisals, nor was any consideration given to changing remuneration practices to reward employees who demonstrated these capabilities except in the form of NatBuild's '101 great ideas' scheme, which was allowed to lapse and was not replaced.

As was noted in the preceding section, senior managers in both firms adopted a primarily reactive, problem-solving approach to HRM functions even though they had strategic initiatives to implement that could have fitted well into a contingency model of SHRM.

### ***7.3.3 The third question***

The third research question asked 'To what extent are the HRM practices implemented by senior managers consistent with the RBV? To phrase it another way, it asked about the extent to which the RBV explains and predicts their behaviour. The findings of this study suggest that the RBV provides a partial explanation of strategic management behaviour but some of its assumptions fail to take account of the complex nature of many organisations and the markets in which they operate.

The RBV assumes that managers pay considerable attention to their competitiveness and to any advantage enjoyed by their competitors. As discussed in section 7.2.3, the managers in these case study firms did not behave in this manner. Certainly they were concerned with the resources that their organisations had access to but the value of those resources was not assessed within a cross-comparative context involving competitors. As discussed in section 7.2.3.1, they had no developed framework of industry competitors that they could use for such an analysis. Their attitude to existing resource advantages or disadvantages tended to be that they were transient and that the important management task was to shape the organisation to meet the demands of the future. Rather than trying to evaluate resources against a static contemporary reality, they were more inclined to evaluate them against an imagined future.

## ***7.4 Implications for theory***

The purpose of this study was to explore the extent to which senior managers in these firms were behaving in accordance with one or more of the models of behaviour embodied in either the best practice or contingent models of SHRM, or the RBV. The findings, as summarised in the preceding section, are that their behaviour did not conform to any of those models. It is

therefore useful to consider the implications that these findings have for existing theory in the fields of management strategy and HRM. They pose significant issues for scholars studying the former, and a substantial challenge to much of the existing HRM literature.

#### *7.4.1 Competitiveness and the RBV*

Newbert (2007: 122) has noted the possibility that ‘the RBV’s fundamental hypotheses are incomplete and/or require further theoretical development’. The findings of this study transform that possibility into a high probability.

The findings suggest that senior managers are not exclusively concerned with competitiveness and may not even be concerned with it at all. They may be concerned to improve the performance of their organisations as an end in itself, without being able to identify a meaningful industry context or a known group of competitors. One reason is that they understand very well the transient nature of competitive advantage, which in turn suggests that the RBV needs to be modified to accommodate a more dynamic model of competitive advantage and management behaviour.

The senior managers of NatBuild and MechCon had strategic objectives for their organisations, in the sense in which that term is often used in management literature. However, these objectives were not expressed in terms of competitive success or competitive advantage. Firm performance, to the extent that it was evaluated against objective measurements at all, was evaluated against internal targets or expectations. MechCon’s CEO had an over-riding strategic objective to improve the predictability and stability of the company’s income. NatBuild’s senior managers’ principal aim was to make it the contractor of choice amongst its most important clients. In neither case did this objective have a competitive element: in other words, the purpose was not defined by reference to the performance of competitors. It was generated to suit the internal circumstances of the organisation.

It could be argued of course that NatBuild’s broad strategic aim – to become the contractor of choice – only made sense by reference to other competitor contractors and in a very general sense this is true. Nevertheless, the objective was an absolute and not a comparative one. NatBuild’s managers wanted to achieve something that none of their competitors had done or were trying to do. If they were successful, they did not believe that it would provide increased competitiveness across the board. They expected that it would allow them to carry out work

for a select group of clients on terms that reduced NatBuild's exposure to risk and increased its ability to predict workload. This would improve NatBuild's security and stability but not necessarily its profitability. Indeed the CEO was frank in predicting that the company may well be taken over within a few years, meaning that issues of risk and stability were more important considerations to him than were matters of market share and competitiveness.

MechCon's senior managers took its competitive position as a given. The firm was dominant in some states and had a negligible presence in NSW. The attitude amongst managers was that the company's fortunes would rise and fall with those of the construction industry generally; they were reconciled to the fact that they could not compete against other contractors for certain classes of work and they had no wish to try. While they expressed a wish to enter the NSW market at some time in the future this was clearly not something that occupied much of their time or resources.

MechCon's senior managers had different and somewhat conflicting opinions about strategy. The CEO was not concerned about competitiveness at all; he favoured a move into other kinds of work that was less subject to cyclical market movements than construction. His principal concern therefore was to reduce risk. The General Manager – Strategic Development agreed with this but also advocated reform of the Construction Division so that it became a knowledge-based organisation that did less on-site construction. The General Manager of the Construction Division, on the other hand, wished to build on the company's existing strengths: to continue to exploit the company's success in dominating sectors of the market and which now few other organisations seemed inclined to enter.

Both NatBuild and MechCon were concerned with a strategic agenda that paid little regard to competitiveness. To the extent that their planning and reflection tried to predict the future behaviour of anybody, their concern was with clients, not other contractors. MechCon's General Manager – Strategic Development, for example, believed that builders would increasingly abandon traditional subcontracting procedures and that MechCon should anticipate them. The proposition that strategy consists mainly of actions taken by senior managers to improve competitiveness is not supported by the findings of this study.

One reason explaining this lack of concern with competitors is the difficulty these managers had in knowing either the industry in which they operated or the identity of their competitors.

Certainly they operated in ‘the construction industry’, which can be described with reasonable exactitude, but they did not operate in every part of that industry or anything like it. It was, however, difficult to delimit the parts of the industry in which they did operate. Nor were there other contractors who operated in the same parts of the industry that they did; they faced a much messier situation in which the scope of many other firms’ work overlapped to some extent with theirs. The nature of this overlap was constantly changing, with other firms frequently changing the kind of work they tendered for and new firms entering the market. Consequently the concept of ‘competitors’ had to be assessed for each new potential contract. Competitiveness was therefore only an important consideration at tender time, and each tender had to be considered in the light of a group of competitors that was specific to that project. Attempting to develop an organisational strategy that enhanced competitiveness across the whole of a firm’s operations would have been an impossible enterprise.

These circumstances help to explain why NatBuild and MechCon did not conceive of strategy in terms of competitors and competitiveness. Their senior managers did not therefore behave in accordance with any models of strategy that rest on the assumption that firms operate in an identifiable industry with known competitors. One could argue of course that they were therefore not managing ‘strategically’ at all but it would be perverse to adopt such an arbitrarily limited conception of strategy. They were making plans and allocating resources with a view to their firm’s survival and organisational wellbeing in the long term, and this is consistent with the sense in which many scholars use the expression. It is also the meaning which these managers themselves gave to strategy.

These findings mean that the RBV needs to be developed so that it accommodates the different strategic objectives that managers have from time to time, not all of which involve either competitiveness, competitors or an industry context. The study suggests strongly that the case study organisations owe their success to valuable, rare resources but ‘success’ in this sense does not mean sustained competitive advantage that allows the firm to enjoy economic rents. It would be impossibly difficult, for any practical purpose, to identify a ‘normal’ rate of return against which potential rents could be measured, because of the problems involved in delimiting the boundaries of the industry that these firms operated in or identifying their competitors.

It follows that managers may not adopt the rational processes assumed by the RBV. They may not investigate the source of competitors' performance simply because they do not have a workable group of competitors to use for the purpose. Even when they do have a known group of competitors they may not bother to consider issues of competitive advantage because their frame for considering such issues is the individual project and not an industry. It follows that the RBV is an inadequate model to explain and predict the behaviour of managers in at least some organisations. However, this does not mean that the RBV cannot potentially be developed to become such a model.

The RBV asserts that managers will want to acquire valuable resources to match the performance of a competitor. In this study, however, managers were motivated to acquire rare and valuable resources as an end in itself. Even though they could not identify a known group of competitors, they assumed that a competitive environment existed and that rare, valuable resources for which it would be hard to find a substitute were desirable things to have, even though they could not point directly to competitors and explain how these resources would give them a competitive advantage. In other words the RBV, in positing a scenario where managers make rational choices to acquire resources within a known context of competitors and competitiveness, adopts a model which does not reflect the behaviour of these managers; but neither is that necessarily a deficiency in the RBV. These managers acted out of a shared understanding of the nature of their industry; they may not have known who their competitors were but they knew they had them, and they wanted to find ways to overcome any advantage that these generic competitors might conceivably have in tendering for work. The comparative lack of knowledge about competitors and their resources simply meant that these managers tended to be inward-looking, with the result that they tried to acquire rare, valuable, inimitable resources using their understanding of what was occurring in the entire industry and in the business world generally.

This means that the RBV's perspective on the role of rare, valuable, inimitable resources as the source of competitive advantage may benefit from being placed within a broader context than a specific industry and a known group of competitor organisations. It might benefit from recognising that the concept of rent, while useful for economic analysis and to explain *ex post facto* outcomes in particular situations, has limited application to the study of management behaviour in general. In some firms, where profitability is merely the sum of many separate profits and losses on individual projects, the possession of rare, valuable, inimitable resources

may be the reason for long-term viability. Managers may therefore value such resources and try to acquire them as pre-requisites for continued operational effectiveness. For managers in some organisations, strategy may include attempts to obtain or sustain such resources as an end in itself without impetus from events in an industry or amongst competitors.

It is therefore suggested that if the RBV is to be a worthwhile model within which theories of management strategy can develop, it should evolve to include organisations like those in the case study, where issues of industry and competitiveness are obscure. RBV scholars should also recognise the dynamic nature of resources to a greater extent than they have to date, a matter discussed in the next section.

#### *7.4.2 The dynamic nature of resources*

Another aspect of the RBV for which this study has implications is the comparatively static nature of the model of behaviour that underpins much literature explaining the RBV. Such literature tends to assume that competition is a reasonably orderly process in which the value of resources will be more or less constant over time, allowing managers to make informed judgements about the extent to which they are contributing to the performance of competitors and therefore the need to acquire or imitate those resources. This study suggests that in the circumstances facing these firms, such a model of competition is unrealistic. Instead, the senior managers of NatBuild and MechCon perceived their competitive environment to be extremely unpredictable. This prevented any systematic consideration of the value of competitor firms' resources and motivated managers to concentrate on building valuable resources internally that would provide a generic competitive advantage in all market situations.

MechCon's senior managers wanted to develop new complex capabilities but the motivation for this was not a perception that other competitor firms already had similar capabilities and that therefore MechCon was at a competitive disadvantage. In fact the disagreement within the senior management ranks about the kind of complex capabilities and/or culture changes that were desirable reflected the intuitive nature of the decision-making process. The perceived behaviour or resources of competitors were not factors in the decision-making processes. The driving force for change was the managers' imagined future market but the important characteristics of the market were perceived to be determined by MechCon's clients, not its competitors.



NatBuild's senior managers recognised that they enjoyed resource advantages in the shape of a tangible resource – the fleet of specialised tunnelling machines – and complex capabilities – expertise in tunnelling and the management of water treatment plant projects. However, they tended to be dismissive of these assets in any consideration of overall organisational strategy. The attitude was that these resources might constitute an advantage in some future market opportunities but the extent of those opportunities was unknowable and consequently could not be the foundation for strategic thinking. Like their counterparts at MechCon, these managers were concerned to understand the best strategic positioning for their firm by reference to the preferences and intentions of their clients. They went about discovering this information in a more systematic way than the CEO of MechCon and they devoted considerably more resources to the task but the underlying process was the same, and it did not take much account of the resources of competitors.

The RBV therefore needs to be developed to take a more nuanced view of resources. Firstly, the tendency to categorise resources as rare, valuable and inimitable and therefore capable of generating a sustained competitive advantage on the one hand, or not possessing these qualities and consequently incapable of generating such an advantage, is a false dichotomy. Resources have these qualities to varying degrees. Moreover, the extent to which these qualities adhere to an organisation's resources will vary markedly over time and according to different types of operational context, so it becomes very difficult to predict the length of time over which they will provide an advantage in the market. The notion of 'sustained' competitive advantage therefore becomes problematic unless one introduces the concept of dynamic capabilities (Chan *et al.*, 2004: 19). Consequently elements of the RBV that rely on a distinction between sustained and non-sustained competitive advantage are one-dimensional and fail to capture the complexity of the market environment in which many firms operate.

The RBV currently places too much emphasis on questions of whether a resource can be imitated or substituted, whereas this study has demonstrated that these considerations do not influence the behaviour of managers in at least some firms. If the RBV is to evolve into a comprehensive theory of strategic management behaviour, it needs to recognise that many managers believe rare, valuable resources will provide a sustained competitive advantage if they meet customers' wants to a higher standard than is available elsewhere in the

marketplace, regardless of the fact that competitors might have rare and valuable resources of their own. Managers may make strategic decisions based on the belief that their organisation's resources will more than make up for any resources enjoyed by competitors even though the resources are heterogeneous (or in the words of Newbert, 2007: 139, 'an alternative resource ... can be used to attain the same ends'). This practice is, of course, consistent with the bounded rationality model of decision-making which suggests that managers frequently act on the basis of intuition without trying to gather all potentially relevant data.

In summary, the RBV as explicated in much of the pertinent literature assumes that managers apply rational decision-making to the acquisition of resources having considered the resources that are available to competitors and the options that are available by way of replicating them or finding substitutes. This study suggests that at best, this is only a partial explanation of management behaviour and that in at least some firms, managers do not concern themselves to any significant extent with their competitors' resources.

Nevertheless, managers remain concerned to acquire or develop rare, valuable resources in the belief that they will provide a competitive advantage in the unknowable circumstances of the organisation's future marketplace. They act on this belief by trying to predict their customers' future wants or expectations. Their intention is to steal a march on whoever emerges as their future competitors. The fundamental framework of the RBV remains sound but it needs to expand to acknowledge that in some firms, managers are not concerned with real, known competitors but with an abstract, generic competitor of the future.

#### *7.4.3 The problematic nature of SHRM*

The challenges presented by the study to SHRM theory are different in nature to those discussed in the preceding sections concerning the RBV. The findings in these cases add useful empirical support to the numerous criticisms made of HRM and SHRM scholarship over many years, to the effect that much HRM literature is based on models of organisational behaviour that lack theoretical legitimacy. The most common claim is that much of the HRM literature is prescriptive and depends upon (often unstated) theoretical premises that have never been subjected to sufficient empirical examination. Other scholars have argued that the very conception of HRM is poorly specified, consisting of a mixture of 'map, model and theory' (Noon 1992). Tom Keenoy (1999) has suggested that HRM is a hologram, that is, an

infinitely malleable conception that fills a multitude of purposes without having any objective boundaries or definition.

It is consequently difficult to articulate a theory of SHRM and therefore one cannot, strictly speaking, discuss the implications of this study for such theory. However, it is useful to point out that the findings do reinforce many of the observations that have been made about HRM in general and SHRM in particular since HRM first became a field of scholarly inquiry in the last quarter of the twentieth century. The tenor of these observations is that HRM is more concerned with practice than with theory and that the status of HRM as a field of academic study remains uncertain.

In recent years there have been concerted efforts by many business scholars to paint HRM as a strategic function. Textbooks and courses in business schools frequently have ‘strategic’ included in their title or description. However, as this study illustrates, these efforts have not resulted in the development of a coherent theory of SHRM that can be subjected to empirical verification. In the absence of such a theory, both senior managers and HR managers in the case study firms adopted a pragmatic attitude towards individual HRM functions. By and large they were treated as administrative functions with only a limited role to play in achieving what managers regarded as concrete strategic objectives.

Not only did senior managers largely discount a strategic role for what might be called the ‘traditional’ HRM functions – job design, recruitment, training and so on – but they tended not to regard some functions as HRM activities even though HRM literature claims them, as it were, for the field. For example, remuneration decisions in both MechCon and NatBuild were the province of senior line managers. Little or no attempt was made to link remuneration practices to any kind of performance management system. The matter of organisational culture was even more clear-cut, with both companies’ senior managers treating culture management as a strategic matter that they would deal with themselves, leaving only a peripheral role for specialist HRM staff.

In other words, the study provides rich empirical evidence of the extent to which HRM scholars continue to struggle to establish either a clear image of the nature of SHRM or a coherent theory of the role of SHRM in organisational behaviour. The problem driving this research study was the paucity of information about the extent to which senior managers have

adopted any of the versions of SHRM advocated in the HRM literature. The answer is clear-cut: they have not adopted SHRM at all. Moreover, they have not made a deliberate decision not to do so after considering various alternative courses of action; rather they have never given serious consideration to adopting SHRM at all.

HRM and SHRM continue to suffer from the absence of an over-arching theoretical framework that is generally endorsed within the academy. Until this deficiency has been rectified, uncertainty and argument will continue about what HRM 'is' as well as what its purpose should be. A problem with most existing articulations of these matters is that they rely, implicitly or explicitly, on a model of organisational strategy that is increasingly regarded as inapplicable to many organisations. The contingent model of SHRM makes no sense unless an organisation has a 'first order' strategy which HRM practices can be designed to complement. In the absence of such a first order strategy, contingent SHRM becomes literally impossible to implement. It is becoming increasingly well-accepted that the alternative – best practice SHRM – is an unrealistic model and that HRM practices need to be managed within some overall sense of organisational purpose and not in pursuit of an absolute ideal that overlooks issues associated with scarce resources and the need to establish priorities.

Conceptions of SHRM therefore need to be reformulated so they accommodate the complex alternative views of organisational strategy that continue to evolve within the strategy literature. A theory of contingent SHRM needs to be developed which acknowledges that both vertical and horizontal fit models will complement organisational strategy in some situations, but which also envisages other roles for SHRM (or importantly, no role at all) in some organisations.

The RBV of strategy offers a way forward from the current theoretical impasse. The behaviour of the senior managers in this study was consistent in some respects with the RBV of strategy, as discussed in section 7.3.3. HRM would have a clearer role to play in organisational behaviour if a theoretical framework was developed that explained how managers in organisations could first identify, then take advantage of, and finally foster the development of, rare valuable human capabilities that assisted the organisation to meet customer needs and wants more effectively or efficiently than other firms seeking to do business with the same customers. Barney (2001b: 49-50) has suggested that the logic of the

RBV has ‘practical implications’ for managers, allowing them to understand better how to realise latent potential for competitive advantage, as well as to appreciate which valuable resources should be nurtured and protected. In some situations this would be facilitated by implementing a horizontal fit model, while in others the emphasis might be on using one or more HRM ‘second order’ functions to complement overall firm strategy. In some firms there might be no strategic role at all for most conventional HRM functions, which can therefore be treated as administrative matters, while HRM at the strategic level concentrates only on those functions – and perhaps only those employees – who provide the organisation’s rare, valuable resources.

Such a development of HRM theory would serve several worthwhile purposes. Firstly, it would align HRM more closely with the RBV of strategy and encourage HRM research and theory-building to be integrated within general strategy scholarship instead of being regarded as something separate and distinct, as tends to be the case now. Secondly, it would provide a coherent yet flexible model of SHRM that distinguished it from personnel administration: SHRM would become a rational process directly linked to firm performance regardless of surrounding circumstances. The scope and nature of SHRM would continue to be contingent upon the resources and market environment of the organisation but there would no longer be any uncertainty about the purpose of SHRM or the activities associated with it.

The final potential benefit that would flow from the development of a resource-based theory of SHRM is that it would acknowledge the infinite variety of organisations around the globe and the environments in which they operate. It would be clear what SHRM ‘is’: it would be the search for rare, valuable resources which help the firm satisfy customer wants together with measures to gain maximum advantage from those resources and to enhance their value. Such a reformulation of SHRM would avoid the need for pointless discussions about what should be ‘in’ or ‘out’ of a model of SHRM; the specific management functions that should be ‘in’ would vary according to the circumstances of each organisation. SHRM theory would then become a specialised aspect of strategy theory in general and move away from the somewhat inward-looking or even territorial mentality that has characterised much SHRM scholarship in the past.

A resource-based theory of SHRM would also allow separate HRM functions to be considered on their own individual merits without having to be forced as a matter of

academic necessity into a strategic framework. For example, in some organisations it may well be the case that remuneration had an important role to play in exploiting and encouraging the development of rare, valuable human resources. In other organisations, however, remuneration might have no such role to play and consequently be primarily an administrative function to be designed not for any strategic purpose but to cost the organisation as little as possible. A resource-based theory of SHRM would accommodate differences like this and over time, begin to explain and predict the relationships in different organisational circumstances between various HRM functions and alternative resource configurations.

This study has therefore suggested implications for theory in both the RBV and SHRM fields. Other implications arise for practitioners working in organisations, which are the subject of the next section.

### ***7.5 Implications for practice***

More than one scholar has urged closer links between the academy and the practitioner (Bamber, 1999). Nevertheless such links are fraught with peril, as summarised pungently by Lado *et al.* (2006:123) while discussing the paradoxes within the RBV:

As organization scholars who live in two worlds – one that “demands and rewards adherence to rigorous standards of scholarship” and another that “demands and rewards speculations about how to improve [firm] performance” (March & Sutton, 1997: 698) – RBV researchers must maintain a precarious balance between conflicting and even contradictory demands of the research community and of the community of practice, respectively.

This research has been driven by the concept recommended by Lado *et al.* (2006:13) of management research as a dialogue between researcher and practitioner, not as a legislation of ‘rules for riches’ by the researcher.

The purpose of this study was to explore the extent to which strategy theory in general and the SHRM literature in particular were providing useful guidance to managers working in contemporary organisations. The findings in response to that research issue have been discussed in earlier sections of this chapter. One question that remains to be considered is the usefulness of the study for practising managers. It will be argued in this section that the study demonstrates to senior managers the problems that can arise when they defy the logic of

causal ambiguity and path dependence and try to manufacture complex capabilities. It also illustrates the problematic nature of attempts to manage organisational culture. Finally, it provides two case studies of the way in which HR managers have remained in a specialist staff role in their organisations without being partners in strategic decision-making, and offers a potential avenue for HR professionals to redefine their role and become genuine members of the senior management team in organisations where that has not yet occurred.

### *7.5.1 Understanding complex capabilities*

Senior managers at both NatBuild and MechCon had comparatively clear ideas about new capabilities that they wished their staff to possess: innovation, new felicity in customer relations, awareness of OH&S and so on. These were complex capabilities that could not be described adequately using only the conventional parameters of skill and knowledge. Employee attitudes and priorities were also essential elements. In other words, these were complex capabilities in the sense in which that expression is used in much of the RBV literature.

The findings of the study demonstrate that when managers want to develop complex capabilities such as these, they need to gain a deep understanding of their nature and of the difficulties inherent in understanding their origins. The managers in this study tended to overlook these matters; they tended to describe the outcomes that they were seeking without being able to (or seeing the need to) describe the changes that would be required to achieve these outcomes. Moreover, they were often unaware that there was a difference, so that the behavioural outcome and the complex capability became synonymous.

It is apparent from the study that if senior managers wish to achieve behavioural change they must not only identify the nature of that changed behaviour but also analyse and operationalise the measures that will be required to bring about that changed behaviour. It is not sufficient, for example, to allocate time and resources to promoting the merits of innovation. Even if staff are persuaded, this will not necessarily help them to become more innovative. It will still be necessary to identify the concrete changes in behaviour that each employee will need to learn (which may indeed be quite unique to each individual staff member) and then provide assistance and motivation for the learning process to occur. It is, in other words, a training and development project and would benefit from being managed as



such, even if the complex capabilities that are sought to be encouraged do not meet conventional notions of training outcomes.

At the same time, managers should understand how hard or perhaps impossible it is to design a training and development program that will create complex capabilities when those capabilities are causally ambiguous and path dependent. It is easy to comprehend how attractive such capabilities must appear to managers in an industry where there is little scope to compete on product differentiation: they offer scope for substantial improvement in organisational performance for a comparatively low investment of resources. Nevertheless the logic of causal ambiguity means that attempts to create such capabilities using conventional plan-lead-organise-control techniques will be unlikely to succeed. Moreover, the high probability of unanticipated consequences arising means that such attempts have significant risks.

Managers would be well-advised to refrain from attempts to create complex capabilities in their workforce unless they have a thorough grasp of the behavioural outcomes that they wish to bring about and a training and development program that can demonstrably succeed in achieving those capabilities. In other words it is a mainstream HRM task and it is unclear why senior managers might be reluctant to delegate it to a firm's HR manager. The implications of this reluctance for the HRM profession are discussed in section 7.5.3.

### *7.5.2 Managing culture*

The findings of this study demonstrate the extremely problematic nature of culture management as a purposive management function. The word 'culture' was used frequently by managers in this study but it was never clear exactly what was meant to be comprehended by the term. As noted in section 4.4.1, MechCon's MD used the expression to denote attitudes, values, behavioural outcomes and conventional behavioural skills. NatBuild's CEO was equally imprecise in his use of the word, implying that it encompassed both attitudes and their behavioural consequences without being able to explain with any precision what those attitudes were or how they would be recognised. The result in both firms was that significant resources were allocated to culture management programs that had poorly-articulated goals and thus lacked any objective measures of success. In the case of MechCon this meant that the program was still-born, never progressing beyond the corporate head office. NatBuild's senior managers prepared employees for the program much more effectively and generated

considerable enthusiasm for it but staff remained uncertain about the ultimate purpose of the program and even if it were eventually to be given credit for any changes that were both real and beneficial, these would be due much more to luck than to any conscious strategic management.

It is tempting to note that these are essentially negative implications and that surely some positive lessons must be capable of being drawn from the study. Unfortunately that is not the case. Managers who attempt to manage culture as a characteristic of their organisations need to acquire a deeper understanding of the concept than was the case in either of these organisations. They should analyse carefully what they wish to achieve within their organisations and determine whether they are seeking to alter capabilities, or behaviour, or attitudes and beliefs.

Changes in capabilities are not associated with an organisation's culture. Subject to the reservations outlined in the previous section, they should be dealt with as training and development issues. It may of course be the case that the training and development needs in question are very difficult to identify and therefore managers are tempted to describe them as something else but that is simply trying to avoid a problem by placing it in an incorrect category.

If managers wish to change behaviour they must first know the new behavioural patterns that are the desired outcome and the causal factors that have to be modified to bring about the changes required. These may well involve complex issues of motivation, rewards management and the external environment in which the organisation operates. Trying to analyse the relevant factors and design an effective change management program will often be an expensive, time-consuming task; it might even prove beyond the resources of the organisation concerned. That is no justification, however, for wrongly characterising the task as 'changing the culture' and trying to avoid an onerous program of change management by means of cheaper, quicker cultural artefacts in the hope that they will somehow lead to the desired changes in behaviour. Managing organisational culture is not a quick fix that allows managers to disregard matters of motivation and rewards that are important components of HRM.

In circumstances where they are satisfied that an organisation's performance would improve with a different culture, managers need to consider carefully whether such a change is feasible. For example, senior managers in both case study organisations identified attitudes towards the firm's clients as a problematic issue. It is likely, however, that the existing attitudes were not peculiar to those firms but reflected the nature of the industry in which they operated. By trying to change attitudes without changing the industry, these managers may well have been attempting a task which was either not achievable or was beyond the resources available to them. Even some temporary success could have been slowly lost over time due to the continuing prevalence of the circumstances which had given rise to the attitudes in the first place. The managers' broader objective, of course, was to alter their commercial relationships with their clients and their strategy was to use new staff attitudes as a tool that would help achieve those new relationships. However it is hard to imagine that attitudes could have been altered with any permanence in advance of the new commercial relationships becoming a reality.

Managers should resist the temptation to look upon organisational culture as a shortcut to achieving change. NatBuild's senior managers' reasoning can be distilled thus: "If our employees behave towards clients as if those clients were regular customers, then our clients may indeed consider becoming regular customers instead of putting new work out to competitive tender as a matter of policy." Even if that belief was well-founded, it was a tenuous proposition. Behaviour may be partially determined by attitudes but those attitudes reflect a range of factors, some of which are usually beyond the ability of managers to control. Trying to change behaviour by changing attitudes is therefore fraught with unpredictable problems. The more effective course of action in many situations would be to concentrate on changing behaviour without worrying about underlying attitudes and this is a task for which HRM offers many tools. The obvious question that arises is why senior managers overlook or dismiss these tools, a matter that is discussed in the next section.

### *7.5.3 The limited role of HR professionals*

The findings of this study will concern specialist HR managers who wish to have their work recognised as a profession that deserves a place at the boardroom table, or even in the top corporate management team. It will equally concern those who believe HRM offers a potential means for firms to obtain a competitive advantage. It is not the purpose here to consider what role specialist HRM executives can or should play in the management of an

organisation; the uncertainty and disagreement surrounding these questions was discussed in chapter 2. In terms of practical implications it is clear that senior managers in these case firms did not regard HR staff as 'strategic partners' no matter how that that expression is interpreted. One can therefore conclude that despite many years' advocacy of the value of SHRM, both in business schools and by professional bodies such as the Australian Human Resources Institute, some senior managers remain unconvinced.

There is little point speculating about why this is the case. There was no evidence in the case studies to suggest that senior managers had seriously considered adopting SHRM and only rejected the idea after careful analysis. On the contrary, it was apparent that they had simply never given the matter much thought. SHRM in any of the senses in which that term is used was not part of their conception of strategy.

Considerable scope exists therefore for individual HR professionals to engage more closely with general strategic management concepts and ideas in order to develop a unique formulation of SHRM for the organisation in which they are working. It was apparent that in these two case studies, the HR managers had consciously or unconsciously adopted the 'second order' model of HRM and passively waited to be told what their strategic functions were to be. In the absence of such guidance they tried to implement as many features of the best practice model of SHRM as they could but these efforts were severely limited by a lack of resources and sometimes because line managers declined to co-operate. Effectively they were proactive internal consultants to middle management, whose broad program was approved by senior managers but who lacked sufficient power to implement it without securing the co-operation of departmental and even project managers. They were only involved in initiatives which senior managers regarded as strategic in nature to a minor extent and certainly did not design them nor were they regarded as their champions within the organisation.

Professional HR managers will wait a long time for top management to invite them unprompted to the top table. If they wish this to happen they will have to accomplish it at the level of the individual organisation. One means by which they can do this is to become more knowledgeable about complex capabilities and the concept of an organisational culture, so that they can critically evaluate the way in which other managers use these terms or try to base strategy on them. The responsibility of a professional staff manager is not simply to

follow decisions of top management but also to rein in the enthusiasm of the amateur for courses of action that are unsound.

HR professionals will improve the value that they provide to their organisations if they develop a better appreciation of the contribution that rare, valuable resources make to the organisation's performance (Saá-Perez and Garcia-Falcón, 2002). Functions such as training needs analyses and performance appraisals need to place less weight on general job descriptions and more on the work characteristics that contribute to the identified rare, valuable resources. In a sense this is no more than a refinement of the contingent model of SHRM, but under a RBV model the emphasis will be on using HRM functions to tend previously-identified rare, valuable resources and help them grow as opposed to complementing perceived strategic objectives which may bear little resemblance to the direction that the organisation is taking in practice.

To some degree, HRM professional bodies (and some scholars) have been trying to forge an identity for their organisational role in a top-down fashion by advocating a role for HR managers as part of the top management team charged with executing strategy. For example, the Australian Human Resources Institute makes 'Dave Ulrich Awards' ('AHRI National Awards, 2009') for which one criterion is 'Strategic architect: the applicant demonstrates an understanding of strategy and how HR will deliver strategy. Many textbooks in common use prescribe best practice or contingency models of HRM as 'strategic' (for example Stone, 2005; Nankervis, Compton & Baird, 2002). To some extent it has been an exercise in marketing, the success of which remains uncertain. Watson (2004: 448) has criticised business schools for teaching HRM in ways that lack critical rigour and are 'out of step' with some organisational behaviour scholarship. It is apparent from this case study that some senior managers have yet to be persuaded that SHRM should be a core concern of the senior management group. In fact it is doubtful that they are even aware of the arguments in favour of it. If the profession wants to establish a clear identity it is more likely to occur as the aggregate impact of many individual relationships within organisations than through attempts to persuade line managers *en masse* of the virtues of making HRM a strategic partner.

## **7.6 Limitations**

Like all case studies, this research cannot be used to justify propositions that can be applied beyond the unique circumstances of the two firms in the study. It is possible that the

organisations chosen for the study are completely unlike any other construction contractors in Australia, although there are no intuitive reasons to think that this is the case. However, the differences revealed by cross-case comparisons within the study suggest it is probable that no other firm will be exactly like either of those discussed in this thesis. That is a feature of case study research and indeed is one of the reasons case studies are useful, because they provide a rich, detailed context in which theory can be empirically evaluated.

Other obvious limitations are of time and space. The study was an *ex post facto* one which used data about past events to describe the organisation at one particular point in time. For example, it was too early to evaluate the effects, if any, of the Mount Eliza program at NatBuild, while the resignation of the CEO after most of the data had been collected from MechCon would have had significant consequences for the matters covered by this study. If the study had been conducted a few years earlier, or later, it is highly likely that the study would have focused on different issues and led to modified conclusions. Restricting the detailed data collection to two branches of the organisations also means that it may not be truly representative of the whole firms. It is also possible that the external Queensland environment in which both branches operated had some impact on the data which would not have been a factor elsewhere.

The final significant limitation arises from the fact that both firms operated in a single industry. The researcher explored the management literature for published studies suggesting the construction industry should be treated as atypical of industries generally. None were found, although many scholars have published work investigating characteristics of the industry that are unusual or unique. No doubt the same could be said of many industries. Nonetheless it is probable that the approach to HRM taken by both NatBuild and MechCon partially reflects the circumstances of the construction industry and in fact in various places throughout the thesis, these circumstances were noted as explanatory factors in the findings. It is possible therefore that the findings of the study are peculiar to this one industry, or at least much more pertinent to it than to industry in general.

## **7.7 Implications for further research**

The case has already been well made by many scholars (reviewed in Wood 1999b) that SHRM lacks a sufficient evidentiary base. This study supports that argument. The quantitative studies that have been published, to the extent that they purport to demonstrate

the benefits of either version of SHRM, raise many issues that can only be resolved by additional research. If SHRM confers performance benefits on organisations that adopt it, why were the managers in this study either not aware or not persuaded of it? Do some firms in the Australian construction industry practise SHRM and if so, has it given them a competitive advantage? If that was the case one would expect other firms to be aware of it and to have at least contemplated the possibility of doing something similar but no evidence of that was uncovered in the study. Firms were chosen for this study on the basis of informed comment about the likelihood that they had adopted some kind of HRM strategy (see section 3.3.3). Despite this bias in case selection towards finding organisations that practised SHRM, neither case organisation did.

In short, if one accepts the benefits of SHRM as they are espoused in an abundance of literature, managers in this industry are not behaving rationally; or alternatively, they are behaving rationally but their behaviour cannot be explained because of an insufficiency of data. Whichever the explanations, it is important that they be identified to allow informed development of SHRM theory and the associated prescriptive literature. The potential problems inherent in a situation where business schools persist in teaching versions of SHRM which many successful organisations do not in fact adopt are self-evident. At the very least, the credibility of the teaching and its practical value tend to be questioned by both practitioners and students.

SHRM scholars therefore need to advance beyond large-scale questionnaire-based research that seeks to reduce SHRM to a series of measurable indicators. These kinds of data need to be supplemented by qualitative studies that examine the reasons why SHRM is adopted in some organisations and not in others, and explore the different circumstances in which it offers varying performance outcomes. More recognition needs to be given of the limited time and resources available to managers, with the result that they sometimes have to choose between allocating scarce resources to HRM and other functions that might be competing for them. The managers in this study, for example, considered that some individual HRM functions were more important to organisational performance than others. Presumably those judgements might alter over time, as would decisions about whether building a new organisational culture was more or less important than (for instance) introducing a new knowledge management system. In short, research needs to recognise that managers have to



establish internal priorities and are more concerned with finding satisficing courses of action than optimal ones.

These implications for SHRM research echo and reinforce similar observations by other scholars. The study also, however, reveals many areas where further research could extend the usefulness of the RBV and improve the extent to which its assumptions reflect organisational practice.

The first clear research need is to gather better data about the way in which senior managers interpret and apply strategy as one of their organisational responsibilities and perhaps the most important one. It may be that in situations where two or more firms are selling a similar product to the same group of customers, strategy is concerned with competitive advantage in the sense of obtaining better return on investment than competitor firms. This study demonstrates that some firms are not in a situation remotely resembling that. The firms in this study delivered a diverse range of products that were largely designed by others; they delivered them to institutional customers who had little in common with each other; and the identities of other firms seeking to offer the same product varied from one project to another and were sometimes not even discoverable.

These firms were very concerned to be competitive but they did not have a known, stable group of competitor contractors with whom they could compare themselves in order to evaluate their competitiveness. Competitiveness therefore became a quality which they evaluated against their own internally-derived objectives. These objectives were established by reference to the managers' assessment of an acceptable return given the perceived present and forecast future conditions in their industry (which in turn was fuzzily delineated and subject to frequent review). The objective of these managers was not to achieve a sustained rate of profitability that was greater than a notional industry norm; their goal was much looser and more difficult to express with any exactness. Amongst other things, they were concerned to position the firm to meet expected future changes in customer demands, to obtain a rate of return that would satisfy the owners and to obtain sufficient work to remain viable.

In short, these managers continually re-envisaged a model of the way they would like their organisation to be in several years' time after reviewing a range of considerations. To them, strategic behaviour consisted of deliberate activity intended to move the organisation towards

that preferred model. This of course is strategy-as-leadership but that begs the question of how managers decide what their preferred future organisation should look like and how they prioritise alternative courses of action in allocating scarce resources.

As long as the RBV of strategy retains a narrow conception of strategy as the search for competitive advantage in the form of economic rents within a static industry context, it will be an unsatisfactory foundation for generaliseable theory-building. It needs to be able to incorporate a fluid, situational conception of strategic behaviour if it is to evolve into a comprehensive framework within which future strategy theory can be developed.

Another question which can usefully be the subject of more research is this: to what extent are complex capabilities able to be sufficiently understood within a unique organisational context to allow them to be preserved and enhanced through deliberate management behaviour? The causally ambiguous and path dependent nature of complex capabilities has been acknowledged in much of the RBV literature but little is known of the extent to which, once they exist, they can be encouraged to grow. Does causal ambiguity mean that any attempts to hurry things along are doomed to incur unanticipated consequences and perhaps to be counter-productive? Or can conventional HRM systems, policies and practices ensure that an organisation's complex capabilities are not only recognised but enhanced so they grow and make even greater contributions to the organisation's performance? It was suggested in section 7.5.3 that HR professionals should try to do the latter – indeed it is highly likely that many managers already do so, wittingly or not – and data about their experiences will be valuable in developing the practical application of the RBV.

The final research question which still calls for sustained research is the extent, if at all, to which a unique culture can be created within an organisation which is capable of influencing the behaviour of employees in ways desired by management. It was apparent from the interviews undertaken in this study that many managers believe in the reality of organisational culture without being able to explain exactly what it is, what created it or what effects it has on behaviour. Culture is, in other words, part of perceived contemporary fashion in the art of management but there is little empirical data demonstrating that culture can be deliberately created and manipulated. Concerted efforts to build a scholarly consensus about the issue based on qualitative research will help managers understand whether or not culturism is indeed an important tool that should be used to influence behaviour.

## **7.8 Summary and conclusion**

The study set out to explore three related questions:

1. To what extent are managers adopting and implementing some version of ‘fit’ in implementing SHRM?
2. To what extent are senior managers attempting to use SHRM to obtain a competitive advantage?
3. To what extent are the HRM practices implemented by senior managers consistent with the resource-based view of strategy (RBV)?

A case study methodology was adopted to gather relevant data from two large Australian construction companies. It was found that senior managers had not tried to adopt either internal or external SHRM in any of the different versions expounded in scholarly literature. Some individual HRM functions, for example performance appraisals, were used selectively as tools to help achieve particular management objectives but HRM was not regarded as an indivisible set of related functions, nor was it accepted as a necessary component of strategic management activity regardless of how strategy was interpreted by the managers themselves. To the extent HRM had any meaning for these managers as a single cohesive profession, it referred to activities that were principally administrative.

Exploring the issue of competitive advantage disclosed shortcomings in the assumptions that underpin much management writing. Competition was a slippery concept for the managers in this study. The notion that they were operating in an industry with reasonably clear parameters and in which a known number of firms was present selling similar services was simply not applicable to their circumstances. They sought work from all kinds of clients and the identity of the firms who might be competing with them varied from one potential contract to another. Consequently an important strategic objective was to take themselves out of competition altogether by establishing partnership or preferred contractor arrangements with clients; an ambition that had so far been nurtured more by hope than experience. Nevertheless their efforts to improve performance were not guided by an analysis of the strengths and weaknesses of their competitors. They were intended to position the firm to be the kind of organisation that could be successful in an imagined future. Instead of the RBV’s concentration on rare and valuable resources as a source of current competitive behaviour,

these managers accepted the contemporary distribution of valuable resources as a transitory and comparatively unimportant fact of life and looked instead to whether their organisations would be able to meet the client expectations in the future. The dynamic nature of their commercial environment has not yet been adequately acknowledged by the RBV and therefore as yet it is not a sufficiently comprehensive theoretical framework for strategy studies.

The findings of the study have somewhat grim implications for HRM scholars and professional practitioners. They suggest that senior managers in an important industry remain unconvinced that HRM deserves a seat at the table when core issues affecting the future direction of the organisation are being considered. HRM was not even regarded as a second order strategy in these firms; it was nothing more than a collection of routine functions of which one or two might sometimes be used to help achieve a particular strategic objective. It is clear that HRM scholars and practitioners have a lot of work still to do if they are to persuade senior managers that either the best practice or the contingency model of SHRM is an important element of competitive success.

Another finding will concern HRM scholars and managers. Even when senior managers believed that organisational strategy required management of organisational culture, an issue that is regularly promoted as integral to HRM, the managers did not turn to specialised HRM staff to take the lead. It was not clear whether they regarded the issue as too important to entrust to HR managers or simply beyond their professional competence but in one organisation the CEO himself chose to develop a culture change management project and in the other, both development and implementation were handled by the CEO and another senior line manager in co-operation with external consultants.

Nevertheless there is some positive food for thought in the findings for HRM scholars and practitioners. The relationships between valuable resources such as complex capabilities and organisation culture on the one hand, and organisational performance on the other, are poorly understood. While the findings of the study cannot be generalised to all organisations, it appears that there is great scope for HRM to build theory explaining how these valuable resources evolve and can be identified. If the theory leads to the development of methods that can be used in organisations to optimise the practical application of such valuable resources

and nurture them to provide even greater competitive advantage, HRM might finally find the route to the top management table that it has been seeking for so long.

## 8: References

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## **8.1: NatBuild references**

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## 8.1.2 Interviews

In-text Reference	NatBuild Title	Date/s Interviewed	Location of Interview
Manager 1	Managing Director	28/9/01	Sydney
Manager 2	General Manager – Building Division	11/12/00	Sydney
Manager 3	Manager- Human Resources	11/12/00	Sydney
Manager 4	Manager – Queensland/NT Branch of the Building Division	24/4/01	Queensland/NT Branch office, Brisbane
Manager 5	Business Development Manager – Queensland/NT Branch of the Building Division	24/4/01	Queensland/NT Branch office, Brisbane
Project manager	Project manager, Queensland/NT Branch	23/11/01	By telephone
Site engineer 1	Site engineer, Queensland/NT Branch	27/11/01	By telephone
Site engineer 2	Site engineer, Queensland/NT Branch	9/8/01	On site, Maryborough
Site engineer 3	Site engineer, Queensland/NT Branch	9/8/01	On site, Maryborough
Site engineer 4	Site engineer, Queensland/NT Branch	10/8/01	On site, Maryborough
Site engineer 5	Site engineer, Queensland/NT Branch	1/11/01	On site, Brisbane
Foreman	Site foreman, Queensland/NT Branch	10/8/01	On site, Maryborough
Site manager	Site manager, Queensland/NT Branch	9/8/01	On site, Maryborough

## 8.3 MechCon references

### 8.2.1 Source documents

MechCon 1 (nd), *The History of [MechCon]*, page from MechCon intranet, accessed 27/2/01

MechCon 2 (nd), *[MechCon]*, brochure describing MechCon's activities and structure

MechCon 3 (2000), *Current employees as at 31<sup>st</sup> July, 2000*, internal document

MechCon 4 (2000), *[MechCon] – Human Resource Function*, internal MechCon HR document

MechCon 5 (nd), untitled pocket-size brochure with key facts about MechCon

MechCon 6 (nd), *[MechCon] – Providing solutions for buildings and facilities*, brochure summarising MechCon's activities

- MechCon 7 (2000), *[MechCon] News*, in-house journal, issue 5
- MechCon 8 (2000), 'Task Usage as of Wed 06/12/00', *Business Plan 2000/2001*, internal report on MechCon intranet, accessed 27/2/01
- MechCon 9 (nd), *Key Performance Indicators – KPI's*, internal proposal by Business Support Manager, Queensland branch, construction division
- MechCon 10 (2000), *Become*, internal strategy proposal to MechCon board of directors by General Manager – Strategic Development
- MechCon 11 (nd), *Performance Management*, extract from HR policy manual on MechCon intranet, accessed 27/2/01
- MechCon 12 (nd), *Position Descriptions*, extract from HR policy manual on MechCon intranet, accessed 27/2/01
- MechCon 13 (2000), *Project Manager*, internal position description on MechCon intranet, accessed 27/2/01
- MechCon 14 (nd), *Recruitment*, extract from HR policy manual on MechCon intranet, accessed 27/2/01
- MechCon 15 (nd), *Reward and Recognition*, extract from HR policy manual on MechCon intranet, accessed 27/2/01
- MechCon 16 (2000), *Sheetmetal Worker – Site*, internal position description on MechCon intranet, accessed 27/2/01
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- MechCon 18 (2001), *Employee Review and Development Tool: Review of Project Manager*, internal MechCon HR form to be used in conjunction with performance appraisal
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- MechCon 20 (2000), *National General Manager – Construction*, internal position description on MechCon intranet, accessed 27/2/01
- MechCon 21 (nd), *Managing Director*, internal position description on MechCon intranet, accessed 27/2/01
- MechCon 22 (nd), *Learning and Development Policy*, extract from HR policy manual on MechCon intranet, accessed 27/2/01
- MechCon 23 (nd), internal MechCon table listing employee payroll classifications
- MechCon 24 (nd), *Human Resource Manager*, internal position description on MechCon intranet, accessed 27/2/01
- MechCon 25 (2000), *General Manager – Strategic Development*, internal position description on MechCon intranet, accessed 27/2/01
- MechCon 26 (2000), *Site Manager*, internal position description on MechCon intranet, accessed 27/2/01
- MechCon 27 (nd), *Macroenvironment*, internal report by MechCon General Manager – Strategic Development to accompany MechCon 10
- MechCon 28 (nd), untitled flow chart of a typical MechCon construction project, page on MechCon intranet accessed 27/2/01

MechCon 29 (nd), MechCon organisation chart on MechCon intranet, accessed 27/2/01

### 8.2.2 Interviews

In-text Reference	MechCon Title	Date/s Interviewed	Place/s Interviewed
Manager 1	National General Manager – Construction Division	6/12/00 and 9/11/01	Queensland branch office, Brisbane
Manager 2	Managing Director	4/9/00	Corporate head office, Melbourne
Manager 3	HR Manager	5/9/00	Corporate head office, Melbourne
Manager 4	Queensland Construction Manager	6/12/00	Queensland branch office, Brisbane
Manager 5	Queensland Business Support Manager	6/12/00 and 19/7/01	Queensland branch office, Brisbane and during site visits, Brisbane
Manager 6	General Manager – Strategic Development	4/9/00	Corporate head office, Melbourne
Site manager 1	Site manager, Queensland branch	19/7/01	On site
Site manager 2	Site manager, Queensland branch	19/7/01	On site
Site manager 3	Site manager, Queensland branch	19/7/01	On site
Project manager 1	Project manager, Queensland branch	29/8/01	Queensland branch office, Brisbane
Project manager 2	Project manager, Queensland branch	29/8/01	Queensland branch office, Brisbane

## Appendix A: NatBuild questionnaire

# NATBUILD CONSTRUCTION GROUP LIMITED STAFF SURVEY

THIS SURVEY IS ENTIRELY CONFIDENTIAL. Completed questionnaires will be seen only by the person at Griffith University doing the survey, and will be destroyed once the data have been transferred to a database. Please complete the attached questionnaire and return it in the enclosed reply paid envelope. There is no need to include your name.

If you would prefer to respond by email, please send an email to [kenlovell@ozemail.com.au](mailto:kenlovell@ozemail.com.au) with 'send NatBuild survey' in the title or body of the message, and a copy of the survey will be sent to you in Word format.

Please feel free to contact the author of the survey if you have any questions or concerns:

Ken Lovell  
Graduate School of Management  
Griffith University  
NATHAN QUEENSLAND 4111  
Telephone 02 6676 3375

Email [kenlovell@ozemail.com.au](mailto:kenlovell@ozemail.com.au)

NatBuild Construction Group supports the survey – you can confirm this by contacting [the HR Manager] at Sydney Head Office on [02 9391 0000](tel:0293910000).

Your participation in the survey will help improve our understanding of the way businesses operate in the Australian building and construction industry.

Depending on the form of the question, please either write in the answer or tick the box that has the answer that you think is most accurate.

1. What is the title of your job (for example, site engineer, foreman, estimator)?

\_\_\_\_\_

2. Which division are you attached to?

a) Building ☐

b) Engineering ☐

c) Corporate head office ☐

d) Other (please specify) \_\_\_\_\_

3. Please tick a box to indicate when you began working for NatBuild Construction Group (if you have had more than one period of service, state when your **current** period of service began).

2001/02	2000	1998-1999	1995-1998	Before 1995
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Tick the box to indicate which state you work in at the moment.

Queensland/NT	NSW/ACT	Victoria	Tasmania	SA	WA
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. Tick the box with your current age.

Under 20	20-29	30-39	40-49	50 or over
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. Please answer the following questions by ticking the box that best describes the way that the person you report to – your supervisor/manager - carries out their work. Please answer after thinking about your supervisor/manager's normal, day-to-day behaviour.

a) Does your supervisor/manager try to get work done on time even if it means working in an unsafe manner?

Never	Hardly ever	Sometimes	Quite often	Most of the time	Can't say/don't know	Safety is not a significant issue at my workplace

The next two questions ask about the extent to which you are encouraged to suggest ways NatBuild can do things better. Each question asks about a different aspect of your role in NatBuild Constructions.

b) Does your supervisor/manager encourage you to come up with ideas about doing **your own work** in new, better ways?

Gives lots of encouragement	Gives some encouragement	Neither encourages nor discourages	Gives no encouragement and ignores my ideas	Actively discourages me from coming up with ideas	Can't say/don't know

c) Apart from the way you do your own work, does your supervisor/manager encourage you to suggest ways for NatBuild to improve **the overall way it organises its activities**?

Gives me lots of encouragement	Gives some encouragement	Neither encourages nor discourages	Gives no encouragement and inclined to ignore my ideas	Actively discourages me from coming up with ideas	Can't say/don't know

d) Does your supervisor/manager try to cut corners in quality if the job is behind schedule?

This happens all the time	It happens frequently, depending how late the job is running	It's happened occasionally but it's unusual	It never happens	Can't say/don't know



e) Does your supervisor/manager try to meet specified quality standards even if the job is over budget?

Yes – meeting specified quality standards is an absolute priority	Usually, although occasionally some shortcuts will be made	It varies, but quite often some quality compromises will be made to cut costs	Specified quality standards are usually ignored if a job's going over budget	Can't say/don't know

f) From your observations of the way the company does business, how would you rate NatBuild's ethical standards in its dealings with its clients?

Low	Neither high nor low	Variable, depending on the issue	High	Can't say/don't know

7. Please tick the appropriate box to indicate whether you agree or disagree with the following statements:

	Agree	Disagree	Neither agree nor disagree	Can't say
a) Since I began work with NatBuild, I have received significant help from the company to develop my work skills for the job that I do now				
b) I don't know whether my supervisor/manager thinks I'm doing my work well or badly				
c) A system exists within NatBuild to help me develop my potential so that I can have a career in the company				
d) If I wanted to do a course at TAFE or University that would help me do my job better, NatBuild would expect me to do it in my own time				
e) If I made a mistake that cost the company money when I was trying to find a better way of doing something, my supervisor/manager would not support me				
f) I know the direction that corporate management is taking the company in				
g) I know what I have to do to be promoted within NatBuild Construction Group				
h) My supervisor/manager and I participate in a formal performance appraisal at least once a year				
i) Whether or not I get formal performance appraisals, I get regular feedback from my supervisor/manager about ways I can improve my performance at work				

	Agree	Disagree	Neither agree nor disagree	Can't say
j) I know where to find my written position description				
k) If I wanted to do some study that would improve my work performance, like a TAFE course, NatBuild would pay for some or all of the expenses				
l) My position description is accurate				
m) My position description is reviewed at least once a year to keep it up to date				
n) I know what the core competencies are that NatBuild has identified for my present job				

8. Question 5 asked you about the way your supervisor/manager did **their** work. Please tick the appropriate box to indicate whether you agree or disagree with these statements about the way your supervisor/manager expects **you** to do **your** work.

	Agree - my manager expects me to do this	Disagree – my manager does not expect me to do this	Neither agree nor disagree	Can't say/not applicable to my job
a) Get work done on time even if it means working in an unsafe manner				
b) Encourage the people I supervise to find new, better ways of doing their work				
c) Cut corners in quality if the job is behind				
d) Encourage the people I supervise to tell me about any safety problems on the job				
e) Encourage the people I supervise to make suggestions about improving the way the job is done				
f) Meet the specified quality standards even if costs are over budget				

9. Please tick a box to indicate whether you have supervised other employees for at least the last two years.

- a. Yes ☐ - please go to question 10
- b. No ☐ - please go straight to question 11

10. Please tick the box that best indicates how often you carry out a formal performance appraisal of the majority of the employees that report directly to you.

- a) Seldom/never ☐
- b) About once a year ☐
- c) More often than once a year ☐
- d) Another staff member does performance appraisals for the employees I supervise ☐

11. Please tick the box to indicate whether you have worked for any other firms in the building and construction industry?

- a) Yes ☐ - please go to question 12
- b) No ☐ - there are no more questions

12. In your experience, what is there about the way NatBuild manages its people that is significantly different to other firms in the industry?

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**THANK YOU FOR YOUR PARTICIPATION!**

## **Appendix B: MechCon questionnaire**

GRIFFITH UNIVERSITY GRADUATE SCHOOL OF MANAGEMENT

## MECHCON EMPLOYEE SURVEY

THIS SURVEY IS ENTIRELY CONFIDENTIAL. Completed questionnaires will be seen only by the person at Griffith University doing the survey, and will be destroyed once the data have been transferred to a database. Please complete the attached questionnaire and return it in the enclosed reply paid envelope. There is no need to include your name.

If you would prefer to respond by email, please send an email to [kenlovell@ozemail.com.au](mailto:kenlovell@ozemail.com.au) with 'send MechCon survey' in the title or body of the message, and a copy of the survey will be sent to you in Word format.

Please feel free to contact the author of the survey if you have any questions or concerns:

Ken Lovell  
Graduate School of Management  
Griffith University  
NATHAN QUEENSLAND 4111  
Telephone 02 6676 3375

Email [kenlovell@ozemail.com.au](mailto:kenlovell@ozemail.com.au)

MechCon supports the survey – you can confirm this by contacting [the HR Manager] at Melbourne Head Office.

Your participation in the survey will help improve our understanding of the way businesses operate in the Australian building and construction industry.

Depending on the form of the question, please either write in the answer or tick the box that has the answer that you think is most accurate.

1. What is the title of your job (for example, site manager, apprentice sheetmetal worker, estimator)?

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2. Please tick a box to indicate when you began working for MechCon (if you have had more than one period of service, state when your **current** period of service began).

2001	2000	1998-1999	1995-1998	Before 1995

3. Tick the box to indicate which state you work in at the moment.

Queensland/NT	NSW/ACT	Victoria	Tasmania	SA	WA

4. Tick the box with your current age.

Under 20	20-29	30-39	40-49	50 or over

5. Please answer the following questions by ticking the box that best describes the way that the person you report to – your supervisor/manager - carries out their work. Please answer after thinking about your supervisor/manager's normal, day-to-day behaviour.

- a) Does your supervisor/manager try to get work done on time even if it means working in an unsafe manner?

Never	Hardly ever	Sometimes	Quite often	Most of the time	Can't say/don't know	Safety is not a significant issue at my workplace

The next two questions ask about the extent to which you are encouraged to suggest ways MechCon can do things better. Each question asks about a different aspect of your role in MechCon.

- b) Does your supervisor/manager encourage you to come up with ideas about doing **your own work** in new, better ways?

Gives lots of encouragement	Gives some encouragement	Neither encourages nor discourages	Gives no encouragement and ignores my ideas	Actively discourages me from coming up with ideas	Can't say/don't know

- c) Apart from the way you do your own work, does your supervisor/manager encourage you to suggest ways for MechCon to improve **the overall way it organises its activities**?

Gives me lots of encouragement	Gives some encouragement	Neither encourages nor discourages	Gives no encouragement and inclined to ignore my ideas	Actively discourages me from coming up with ideas	Can't say/don't know

- d) Does your supervisor/manager actively try to build good relationships with MechCon's clients?

Spends a lot of time and effort building relationships	Spends some time and effort, but it doesn't seem to be a high priority	Doesn't seem to make any particular effort	Can't say/don't know	Not applicable to my supervisor/manager's job

- e) Does your supervisor/manager try to cut corners in quality if the job is behind schedule?

This happens all the time	It happens frequently, depending how late the job is running	It's happened occasionally but it's unusual	It never happens	Can't say/don't know



f) How does your supervisor/manager feel about you communicating with representatives of the client?

I am expected to refer any client representative straight to my supervisor/manager	
I can talk to client representatives but only about certain issues that are clearly set out by my supervisor/manager	
I am allowed to talk freely with client representatives about any aspect of the job (apart from things that are commercially confidential) but not specifically encouraged to do so	
I am positively encouraged to talk to representatives of clients about anything that's not commercially confidential to MechCon	
In my job I don't come into contact with client representatives	
Can't say/don't know	

g) Does your supervisor/manager try to meet specified quality standards even if the job is over budget?

Yes – meeting specified quality standards is an absolute priority	Usually, although occasionally some shortcuts will be made	It varies, but quite often some quality compromises will be made to cut costs	Specified quality standards are usually ignored if a job's going over budget	Can't say/don't know

h) From your observations of the way the company does business, how would you rate MechCon's ethical standards in its dealings with its clients?

Low	Neither high nor low	Variable, depending on the issue	High	Can't say/don't know



6. Please tick the appropriate box to indicate whether you agree or disagree with the following statements:

	Agree	Disagree	Neither agree nor disagree	Can't say
a) Since I began work with MechCon, I have received significant help from the company to develop my work skills for the job that I do now				
b) I don't know whether my supervisor/manager thinks I'm doing my work well or badly				
c) A system exists within MechCon to help me develop my potential so that I can have a career in the company				
d) If I wanted to do a course at TAFE or University that would help me do my job better, MechCon would expect me to do it in my own time				
e) If I made a mistake that cost the company money when I was trying to find a better way of doing something, my supervisor/manager would not support me				
f) I know the direction that corporate management is taking the company in				
g) I know what I have to do to be promoted within MechCon				
h) My supervisor/manager and I participate in a formal performance appraisal at least once a year				
i) Whether or not I get formal performance appraisals, I get regular feedback from my supervisor/manager about ways I can improve my performance at work				
j) I know where to find my written position description				
k) If I wanted to do some study that would improve my work performance, like a TAFE course, MechCon would pay for some or all of the expenses				
l) My position description is accurate				
m) My position description is reviewed at least once a year to keep it up to date				
n) I know what the core competencies are that MechCon has identified for my present job				

7. Question 5 asked you about the way your supervisor/manager did **their** work. Please tick the appropriate box to indicate whether you agree or disagree with these statements about the way your supervisor/manager expects **you** to do **your** work.

	Agree - my manager expects me to do this	Disagree – my manager does not expect me to do this	Neither agree nor disagree	Can't say/not applicable to my job
g) Get work done on time even if it means working in an unsafe manner				
h) Encourage the people I supervise to find new, better ways of doing their work				
i) Take every opportunity to build good relationships with MechCon's clients				
j) Cut corners in quality if the job is behind				
k) Encourage the people I supervise to tell me about any safety problems on the job				
l) Encourage the people I supervise to make suggestions about improving the way the job is done				
m) Instruct people I supervise to avoid contact with MechCon's clients and refer client representatives to me or my manager				
n) Meet the specified quality standards even if costs are over budget				

8. Please tick a box to indicate whether you have supervised other employees for at least the last two years.

- a. Yes ☐ - please go to question 9
- b. No ☐ - please go straight to question 10

9. Please tick the box that best indicates how often you carry out a formal performance appraisal of the majority of the employees that report directly to you.

- a) Seldom/never ☐
- b) About once a year ☐
- c) More often than once a year ☐
- d) Another staff member does performance appraisals for the employees I supervise ☐

10. Please tick the box to indicate whether you have worked for any other firms in the building and construction industry?

- a) Yes ☐ - please go to question 11
- b) No ☐ - there are no more questions

11. In your experience, what is there about the way MechCon manages its people that is significantly different to other firms in the industry?

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**THANK YOU FOR YOUR PARTICIPATION!**