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STRATEGIC HRM AS A BUDGETARY CONTROL MECHANISM IN THE LARGE CORPORATION: A CASE STUDY FROM ENGINEERING CONTRACTING

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This paper presents case study evidence of a rare attempt to make the corporate human resource function strategic. More significantly, the paper's theoretical approach and the research questions it addresses examine the material beyond the confines of HRM discourse that emphasizes "strategic choice", integration or fit as received management strategies. Alternatively, the empirical, yet theoretically informed research questions suggest that strategic HRM necessarily de-skills the autonomy and discretion of many workers. Further, to be effective HRM must be diluted to reflect what is often (un)spoken budget and financial performance criteria that constitute an internal audit system. The theoretical arguments and empirical material presented in this paper appears relevant to a critically informed accountancy audience for two reasons. First, the case demonstrates how the language of financial management is diffused within other management fields such as HRM. Second, although the centralized system of performance management for project management appeared as a human resource innovation it intensified the significance of financial constraints on human resource staff whose labour process was previously relatively autonomous.

Introduction

This paper examines the limitations of strategic human resource management as a management control strategy in engineering process plant contracting (EPPC). The paper reports on a case study of a leading project management firm in EPPC, an internationalized industry that is largely unresearched by human resource management specialists. The study examines how one such firm "Exbeck"[1] has responded to external competitive pressures through a process of internal re-structuring. Exbeck made its corporate human resource function a "Full Business Partner" in project management a move that aimed to realize the strategic potential of the function. In this capacity the corporate human resource function assumed control

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of management development and more controversially took up a role in monitoring corporate and divisional performance in project pre-planning and operations.

The relocation of the corporate human resource function, ostensibly to extend its power base and surveillance activity, improve corporate monitoring and employee performance appears at first sight to be an “ideal type” application of strategic HRM. However, a process of “reverse delegation” by key employees frustrated this attempt. The paper details the interplay between corporate control strategies and effective resistance by project managers and describes a corporate human resource function in a paradoxical, tension ridden and inconsistent position—with a corporate power base effectively undermined by project management “kingpins”.

The paper divides into four parts. First, an industry informed discussion highlights contemporary competitive conditions, the corporate role of Exbeck’s human resource function in cost control and financial performance—in particular its promotion to full business partner in project management. The purpose in so presenting this material is to provide a contrast with what might be termed an alternative and more radical interpretation of the case material in parts two and three. Second, the paper suggests that strategic HRM in the large corporation necessarily de-skills the autonomy and independence of many workers. Equally, for “bottom line” success strategic HRM is necessarily diluted from the tradition of its human relations origins highlighted in the prescriptive literature (see Beer *et al.*, 1984; Walton & Lawrence, 1985). In contrast to this, budgetary and financial performance measures constitute an internal audit system rather than a concentration on the quality of working life and improved mechanisms for employee involvement. Here the paper follows approaches developed by Hopper *et al.* (1986, 1987) and Hopper and Armstrong (1991). Hopper *et al.* (1986) demonstrates the central role of accounting and financial controls in the creation of surplus value. More significantly than this, their material illustrates the pervasive impact of financial controls in other management functions. As the Exbeck case illustrates the centrality of impersonal and apparently neutral financial logic obscures what is direct discipline in the labour process. The historical significance of accounting and financial controls within the development of the capitalist labour process is further detailed by Hopper *et al.* (1987). By contrast Hopper and Armstrong (1991) build on this by examining the history of labour controls in North American firms. They conclude that the aim of increasingly sophisticated accounting controls was the destruction of craft labour and its control of the labour process at the point of production and its replacement with centralized standard cost driven scientific management. Both aims are evident in this case study. The third part of the paper examines financially inspired HRM within wider debates on the labour process and the success or otherwise of de-skilling strategies. Lastly, the paper concludes by discussing the implications of its arguments and findings.

The paper contributes to practitioner and academic knowledge by addressing two research questions. First, the de-centralisation of HRM to line management. Exbeck’s strategy is particularly interesting because contrary to popular images of HRM it aimed to remove unilateral control from line managers and centralize executive control of human resources. This positioned the corporate function in a “producer” role in project management. Second, de-skilling in management control strategies. The findings from this study suggest that management control strategies such as strategic HRM can improve financial performance without sustainable reform in the labour process of employees. This is the case because functional strategies and the discourse that surround them explain and legitimize the take-up and utility of particular strategies in terms of the problems they solve, but exclude any consideration of the problems they create or fail to address. (see Salaman, 1982; Armstrong, 1987; Hopper & Armstrong, 1991; Legge, 1995 for discussion of this issue.)

Research methods

The fieldwork was conducted over a 5 year period between 1990–1995 with repeat interviews and participation in and observation of emergent organizational responses such as the "Human Resources Agent for Change Programme". All the human resource function's internal documentation was made available, as was a copy of a commissioned consultant's report. Further, the results of an employee attitude survey conducted by the human resource function was made available. The survey aimed to measures employee attitudes towards commitment and loyalty to the company and allowed employees to list reasons why either was impaired. Employees completed a questionnaire and if they wished to do so made themselves available for interview. In the course of this research project some employees were re-interviewed. Financial data was available from published company accounts whereas project logs and tender documents proved to be of greater use. Twenty-five interviews were conducted, the majority in person but some over the phone or video conferences. Formal interviews were held with the corporate head of human resources (five meetings) and the HR policy leaders in each section (one meeting each). On average each meeting was of a 1 hour duration. Clerical and administrative staff were also interviewed. Over the course of the project follow-up meetings were held after significant organizational innovations such as the project task force system (PTF). These became less formal when they were held "on site". All interviews were taped and transcribed. As the fieldwork progressed strategy and focus group meetings were attended each of which was chaired by the "Executive Sponsor" of human resources. Lastly, appraisal and employee ranking meetings for project managers were attended if the subject had no objection.

1. The Case Study

The competitive framework in engineering process plant contracting

The Exbeck board recognized that although the firm was able to consistently win project tenders it was experiencing growing operational difficulties in completing projects to or near to budget. The importance of this problem was compounded by sector specific developments (for further details see Clark, 1998) that have significantly reduced project mark-ups for contractors. In combination these developments had the effect of reducing Exbeck's profitability and cash flow.

An internal business review concluded that a significant factor in diagnosing Exbeck's erosion of profitability and cost overruns on projects was the under utilization of the firm's human resource function in project pre-planning, project tendering and project management. It was on this basis that the human resource function was promoted to a full business partner at corporate level.

The EPPC industry is a collection of about 100 firms worldwide whose primary business function is to design, construct, procure and test investment projects for process producers. Process producers operate in a variety of sectors; oil and gas (oil and gas refineries), chemical production, for example, eythelene or plastics, steel production (steel works), and the construction of gas, oil or coal powered electricity-generating stations. In addition contractors work on unique engineering projects, for example, bridge construction, the Channel tunnel or extensions to underground railway systems. Lastly, some EPPC firms work on nuclear power stations.

Project managers design projects, select project constructors, procure the necessary technologies and arrange and manage project finance. Project managers sell their technical expertise and person hours to the client; they oversee construction and process testing and manage, monitor and oversee the entire project. In 1992 Exbeck employed 21 000 administrative, clerical and technical staff and 10 000 craft workers including engineers, project managers, specialist process engineers, chemists and physicists. The value of work performed in 1991 was $7.5 billion[2].

The majority of the firms in the industry are multinationals and work on projects is undertaken worldwide. Capital projects, oil refineries or chemical plants, are initiated by producer firms through a process of project tenders. Process producers prefer to offer tenders for "lump sum turnkey" contracts. These are where the price is specified for hardware, process technology and labour. The price may be "fixed" or alternatively it may be subject to variation by an agreed formula for changes in the rate for materials or labour. Many projects are of such size that project management firms organize consortia bids or initiate particular joint ventures (see Clark & Ball, 1991).

The average cost of an Exbeck project is $85 million; however, some super projects can reach the order of $300 million. In capacity terms steam generators for nuclear power stations can weigh up to 460 tons whereas aluminium smelters can have a compression capacity of 200 000 tons per year. Equally, technological complexity leaves no room for error; for example, flow or process technologies such as oil refineries will only work if the combinations of chemicals and raw materials flow in the specified mixes.

Contemporary market conditions have tightened in the industry for three reasons. First, the market price of oil has fallen considerably[†]. In consequence there is less oil refinery business and in addition on current projects the mark-up for project managers' profits has been severely tightened. In the early 1980s the mark-up was in the region of 20% whereas in 1995 it stood at around 10% . Second, industrial recession in Western Europe has reduced new orders for chemicals and steel plants. Recession led to the reduction of existing capacity and similar reductions

[†]Whilst the price of oil remains volatile its price in late 2000 is much higher than when the original work was undertaken.

in mark-up capacities for project managers. Third, environmental disasters such as those at Harrisburg, Chernobyl and Bophal and the Challenger disaster have each sharpened contractor awareness of potential legal liability and public concern in general. Contractual liability and public concern over previous experiences have a significant effect on future business; hence contractors must remain vigilant over health and safety because one serious environmental or safety failure can be terminal. For example, two project managers told me that the firm which manufactured the rubber seals on the Challenger shuttle and one of the main contractors who employed them were both effectively “out of business” as a result. It appears that as the market tightens in cost and contractual terms contractors bear more costs as projects are now routinely tested and inspected beyond statutory requirements in order to ensure that “we are clean” on particular projects[3].

Prior to 1992 Exbeck’s business strategy revolved around an internal power balance that saw engineers and project management “kingpins” as the central actors. As Exbeck approached the contemporary period the central role of kingpins became problematic. Project managers operated as “Lone Rangers” in a management by objective structure for independent project management. In 1991 the executive board decided that the situation was not sustainable. In order to secure improved corporate control over project management kingpins the structure of independent management by objectives was jettisoned in order to de-personalize and routinize the status and operational structures that surrounded project managers[4].

Competitive strategy, the corporate human resource function, cost control and financial performance

As a response to the crisis of profitability an internal business review reported during a two-day review conference at Exbeck’s US corporate headquarters. The report established that the decline in project management work and project management mark-ups were not temporary crises as in the 1972–1974 and 1979–1981 recessions. Secondly, greater strategic control over tender bidding was necessary because whilst projects were becoming fewer they were getting much larger. In this context “Lone Ranger” approaches to project management were unsustainable, they indulged the idiosyncrasies of “kingpin” project managers but gave the corporate centre little direct operational control over major projects.

Thirdly, the labour intensive nature of EPPC rendered downsizing the engineering and project management headcount in an effort to reduce labour costs impractical other than on the margin. Senior managers were unable to cheapen labour by directly confronting the labour costs of project management staff. As an alternative they charged the human resource function with developing and introducing a series of initiatives with the explicit aim “of whittling away individual and localized methods of project management associated with particular project specialists”[5]. The PTF system and “full business partnership” for the corporate human resource function aimed not to fragment the work of project managers but intensify their role by introducing a centrally regulated specification to which project management specialists would have to adhere.

In their subsequent announcement of (what was) a centralized cost containment strategy for project management—the PTF system—was presented as an integrative commitment maximizing system[6]. More significantly senior executives at Exbeck were of the view that resistance would subside, as the control strategy reduced the problem (wayward project management and cost overruns) it was designed to solve. A functional and rational belief in centralized strategic choice as a management control strategy for key employees. At no time during the formulation of this strategy did any executive consider the possibility of sustained employee resistance or frustration.

There are three levels of strategic decision making in large firms. First order control strategies centre on the long-term direction of the firm and the scope of its activities. In Exbeck's case the long-term direction of the firm centred on sustaining its position in the market as a preferred management contractor. This necessitated the formulation of a standardized system for project management that could operate unimpeded by "independent" and "unilateral" styles of project management over which the corporate centre felt it had insufficient control[7]. Second order decisions and control strategies centre on internal operating procedures and the relationship between different parts of the firm. Prior to the business review engineer kingpins managed internal operating procedures within Exbeck with the human resource function operating behind line management in a service only capacity—"the back room office"[8]. The promotion of the corporate human resource function to the status of full business partnership was conceived as a mechanism to improve internal operating procedures. Third order priorities involve the level of strategic choice in functional areas of management such as human resources where initiatives may be centralized or de-centralized to line management. In general, in large firms, functional areas operate "downstream" from the first and second order levels of decision-making, both of which have an upward influence on control strategies. Hence, the human resource function tends to respond to higher levels of strategy in terms of managing policy outcomes that result from decisions on the long-term direction of the firm and its internal operating procedures (see, Purcell & Alhstrand, 1994:44 for a full discussion of these issues). At Exbeck the peripheral role of HR was manifest in its "go for"[9] relationship to the unilateral demands of project managers and its mundane personnel and employee relations systems for administrative and clerical staff in the corporate HQ and divisional offices.

In positioning the corporate human resource function as a second order priority corporate management sought to improve their control of internal operating procedures and routinize managerial and operational relations between project management and functional management. As a response to external competitive pressures this development had significant resource and financial implications for Exbeck's system of project management.

At corporate level the human resources function was excluded from project management and pre-project forecasting alternatively, it was charged with providing the resources and presenting a bill to project managers for any essential training or specific recruitment. In essence, Exbeck wanted to harness its corporate human resource function more effectively in order to increase corporate control over more

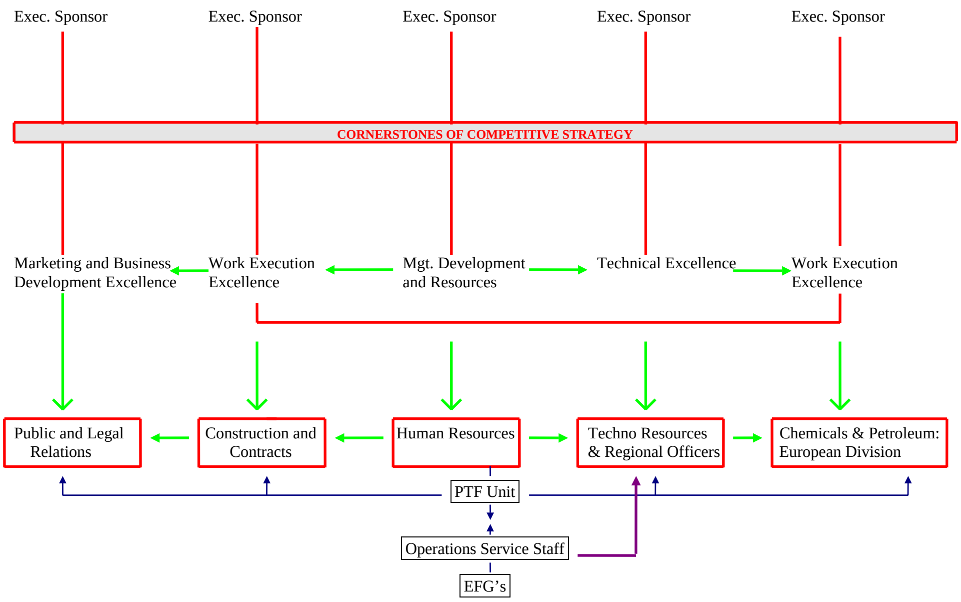

Figure 1. Exbeck-structure and competitive strategy executive board.

routinized project management to maintain its competitive profile within a tighter competitive environment. The specific details of the business and human resource strategies are now outlined.

Internal restructuring: the emergence of executive sponsors and "Project Task Force" groups

To address tighter competitive and market conditions Exbeck introduced two innovations at corporate level. First, four cornerstones to competitive strategy were identified; secondly, Exbeck streamlined its divisional control structure into five coherent divisions. An "Executive Sponsor", who is a member of the Exbeck executive board now controls each division. See Figure 1.

In order for corporate management, in particular the human resource function, to increase control over internal operating procedures in project management a system of "Project Task Forces" (PTF) was designed. A project task force brings a senior member of each division into the strategic planning stage of any particular tender. Under the PTF system the construction and contracts project manager prepares a briefing document on the technical and process requirement of a project and provides a forecasting plan for human resource needs over the length of the project. PTF members from the other four divisions then formulate their own costed plans for contracts, human resources, process licenses etc. These are then fed back to the project manager in order for the bid to be accurately costed. If the tender is subsequently won the PTF becomes "live", with each division organizing the secondment of the necessary staff. The human resource function identifies staff training and development needs and works with the project manager to

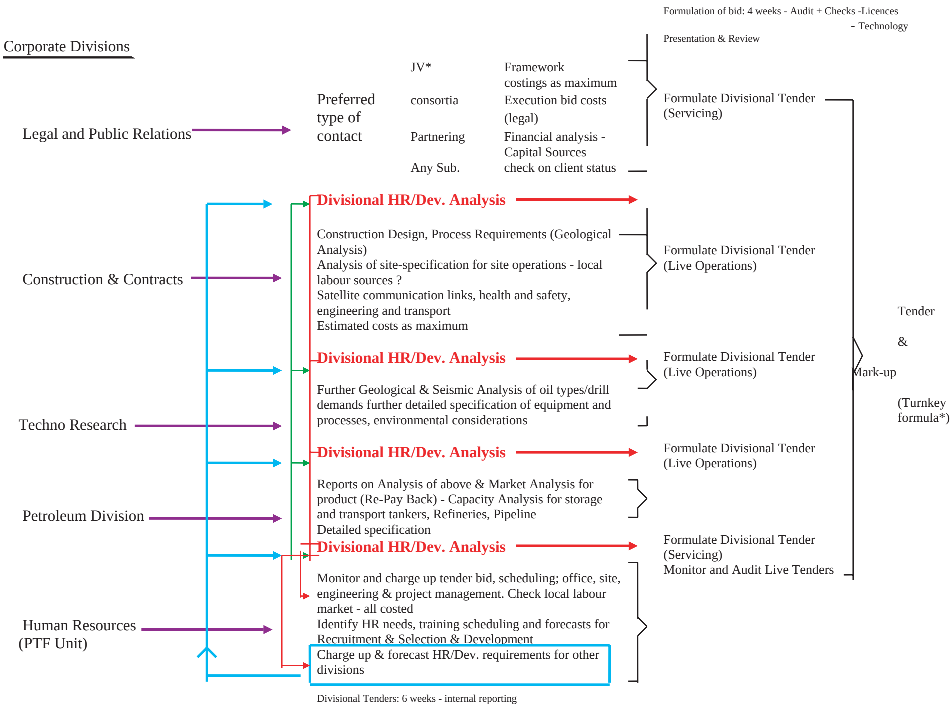

Figure 2. Project task force profile: oil refinery bid "Iceland".

ensure accurate human resource scheduling to preclude cost overruns. The internal operation of PTFs is clearly designed to routinize the labour process of project management. More significantly, the PTF system challenged the internal hierarchy of staff at Exbeck, in particular the autonomy of project management staff many of whom had developed their own methods of control and decision making over project operations either at the planning and tender stage or on site. These methods are captured by the terms "kingpins" who operate as "Lone Rangers", most of whom had particularized views on managing their workload, the pace at which projects should move, human resourcing and equity in pay levels and terms and conditions of secondment to projects. Executive sponsors who control divisional operations sought to pacify these concerns by stressing that the new system gave the firm more accurate costings for labour requirements at the pre-project stage, this was presented as a major benefit in that inaccurate internal costings and subsequent cost overruns could easily be identified[10]. Figure 2 illustrates how a PTF operates.

Exbeck's internal business review identified a key problem in the crisis of profitability and cash flow—a lack of corporate control over the project management labour process, in particular the manner in which project management staff requested and deployed human resources. Executive sponsors sought to arrest the problems of poor corporate control and budget overrun by presenting a solution based in strategic HRM. As a control strategy this was designed to reverse the peripheral role currently occupied by human resources. The corporate function designed and implemented the system of project task force groups for project management over which they have executive control, for example, labour requests from line managers in respect of labour scheduling, training and development, recruitment authorization and budgetary authority for line labour costs. However, the authorization process reflected internal audit standards formulated by the accounts function[11]. The position of the corporate human resource function as a PTF "producer" was strategized as a functional response to de-personalize particularized autonomies held by some project managers. However, in the main project managers understood the PTF system as a centralizing control device that aimed to routinize project management at design and tendering stages[12]. The PTF strategy had the aim (over time) of eradicating the operational deployment of idiosyncratic approaches to "craft" work ~ project management. Hence new initiatives for increased corporate control over project management (PTFs, Full Business Partnership for Corporate HR's) represent mechanisms that aim to intensify the labour process of project management staff not necessarily through task fragmentation but through a tighter specification for labour in the process of project management. A reliance on "dummy project" simulations convinced corporate strategists that PTFs would solve the problem was such that inadequate consideration was given to the possibility of resistance by project management staff. It appeared that during dummy tender training sessions project managers went along with the idea whilst having no confidence in it and considerable hostility to its effects on their self defined "kingpin" status[13]. As the following section illustrates when the new system for project management became operational there was considerable resistance from engineering and process technology staff who, whilst accepting the inclusion of human resources did not consider them "up to the job" of live operations[14].

Human resource strategy—the human resource function in full business partnership as corporate monitor

The corporate human resource function assumed control of the management development programme and monitoring corporate and divisional level financial performance in the PTF framework for management practice. The executive sponsor of human resources presented the quality assurance aspects of the restructuring programme as a four-part exercise that empowered and promoted neglected employees in a "key" neglected function[15]. First, positioning human resource staff and services as central actors and mechanisms within PTFs in order to identify and cost the human resource needs of a project at an early pre-planning stage. That is, installing and supervising a control system that routinizes the work of autonomous but professional colleagues (see Armstrong, 1987:32). Secondly, demonstrating the benefits of the human resource "audit" strategy to line managers in PTFs. The corporate human resource function and its PTF unit presented (what was) the delegation of routine human resource service requests to line managers as a politically neutral device designed to reduce uncertainty over the cost and scheduling of labour. Both problems were presented as the result of what they termed "informal" or "collegiate" project management. The choice of words was carefully strategized by senior executives in the HR function with “autonomous”, “independent” and “personalized” avoided in an attempt to pre-empt hostility and resistance to the centralization of diversified styles in project management[16]. The third aspect involved demonstrating to corporate human resource staff that their presence within PTFs was valued and taken seriously. Here the control mechanism (PTFs) was designed to reduce operational uncertainty and gain centralized financial control over productive capacity. It was presented as their empowerment, an innovation that would be welcomed by project managers. The final aspect involved clerical and administration support staff throughout the organization. The aim was to incorporate these staff into the centralized and routinized system of project management to demonstrate that non-engineering staff were valued in the same way as technical and engineering staff. In interviews the head of human resources, its executive sponsor and the company president, argued that Exbeck could not confine its development programme to corporate level management and needed to involve administrative and clerical staff in the PTF system.

The monitoring devices were established to “persuade” engineers and project leaders to take the human resource function seriously. However, it was made clear to the head of human resources that their job was not to exercise “fanciful” control. Rather, human resources at corporate level were briefed to use their position to improve information and communication flows between themselves and project groups in order that the PTF system could operate effectively and to budget. To substantiate the control profile of human resources as a full business partner the executive sponsor and the head of human resources fleshed out the human resources agent for change programme, which is summarized in Figure 3.

The training and development programme is central to the control and routinization strategy and is targeted on two levels. First, line managers in PTFs, including the human resources PTF unit represented the primary targets. The thrust of PTF training and development relates to Figure 2 where the PTF system is sketched out. After attending 4 day schools beyond their specialist area PTF members were asked to work on a dummy bid, “Iceland Refinery”. The second target group for the training and development programme is administrative and clerical staff. In an effort to head off the possibility of effective resistance by these staff Exbeck initiated the system of employee focus groups. The system was presented as demonstrative of Exbeck’s desire to empower administrative and clerical staff in PTFs[17].

Focus groups operate across divisions with the result that administrative and clerical staffs working on a particular PTF have an opportunity to liaise with staff in other divisions. Equally, focus groups meet periodically to discuss project progress and share problems they experience with PTF staff. Because PTF groups have a defined roll of members, focus group staffs are able to identify particular staff they need to speak with. After each focus group meeting a report is produced and picked up by the relevant task force with any defective or incomplete requisitions sent back to the originator in the PTF. Equally, employee focus groups report to corporate human resources on matters such as the manner in which a PTF conducts internal business, for example how its paperwork facilitates accurate financial data.

Support staff are now encouraged to act independently in sourcing service requests. For example, if a requisition is marked urgent but not correctly specified,

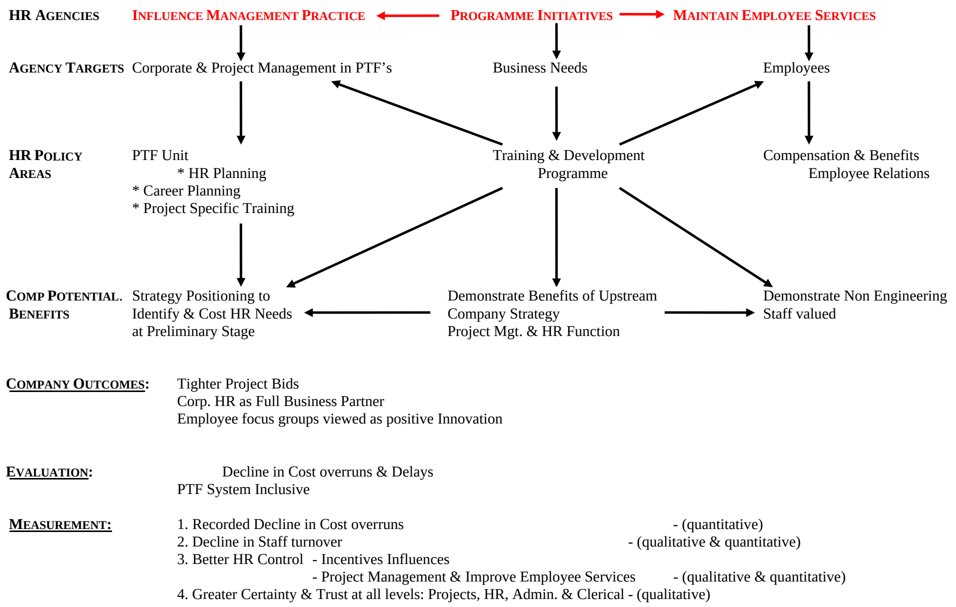

Figure 3. HR's agent for internal change.

costed or clearly signed off support staff are encouraged to use their experience and discretion. If such action is deemed incorrect by the PTF, but undertaken in the absence of essential information, the PTF has the cost of worked support time added to their budget and bid costs.

What was a direct Tayloristic attack on the professional autonomy of project managers by Executive Sponsors was modelled in the discourse of strategic human resource management in a highly instrumental manner, apparently in the belief that a sophisticated use of language would deflect, deter and neutralize any resistance. The "deployment of strategic choice", at executive level, ignored deeply embedded patterns of independent and particularized project management. Further, as Smith (1991) demonstrates, the particular circumstances of an industrial sector pre-condition the perspective of engineers to job design and its reform. In EPPC the comparatively sheltered competitive conditions that operated prior to the late 1980s legitimized independence and promoted the "kingpins" and their "Lone Ranger" approaches to project management.

The emergence of resistance by project managers

Project management staff appeared to accept the presence and profile of human resource staff in PTFs and further accepted their monitoring and audit roles. However, gradually project management staff began to fall back on their customary and individually regulated codes of behaviour in an effort to retain exclusive control over project management.

After a successful pilot the PTF became a standard operating procedure and appeared to result in sustained improvement in financial performance—an average of 2% on the tender bid (see Clark, 1999). However, a closer inspection of projects over the longer period revealed that engineering staff began to indulge human resource staff by appealing to their “superior functionalism” in costing, forecasting, scheduling and managing human resources in PTFs. Instead of doing much of the work themselves, as directed by the PTF system for project management, project staff began to demonstrate their willingness to accept the monitoring role of human resource staff by reversing the process of delegation back to them. This phenomenon was observed in at least six projects[18].

Whilst human resource practitioners are able to assert and to some degree demonstrate that they possess the prescriptive skills to inspire such integration they are far less clear minded on how the possession of skills leads to actual control of embedded processes such as, in this case, project management. The difficulty appears to centre around a critical difference between designing a process of integration and integrating a concern for employee resourcing and development into the role of professionals who do not want these matters de-centralized to line managers. That is, the theme of much in the HR literature—that professes to assert that line managers want more executive control of human resource issues—appears open to question. Equally, this is something different from asserting that strategic HRM can improve the bottom line because the bottom line is concerned with financial performance and productivity not necessarily the development of human resources as individuals.

Project managers appeared capable of cajoling members of the corporate human resource function to service and cost their own monitoring audits on the strength of the fact that they were now “part of the (project task) force”. It became apparent during the fieldwork that human resource staff appeared unable to grasp this point when it was put to them during interviews. The following was typical of the response to this point.

> Look they are in broad terms doing what we want them to do—the fact they we are helping them shows they value our role[19].

Individually project management staff began to effectively resist the routinization of their labour process by side stepping the discipline of human resource auditing and scheduling. This involved getting human resource staff to do the work because “they were the experts”.

The “neutral” control strategy which centralized HRM failed to anticipate the possibility that project management staff might exhibit resistance informed by a perception that corporate executives were encroaching on accepted, if disparate norms in a particularized labour process. Project management staff were primarily interested in retaining their autonomy in acquired and respected “Lone Ranger” skills, which they argued they used creatively not recklessly. Project managers defended this position by recognizing the importance of accurate requisitions for labour costs by passing the relevant information to human resource staff (to enable them to do the job) much earlier than they did before the introduction of the PTF system.

2. The Financial Basis of Strategic Action in HRM

The influence of the accounts function and management accounting in particular is pivotal in American and British firms. The extent of this influence is so great that the mechanics of accountancy especially the audit mechanism has the potential to displace any independent contribution made by human resource specialists (see Armstrong, 1989, 1995; Purcell & Alhstrand, 1994).

In this case financial criteria appear to predominate over more developmental, apparently ephemeral innovations designed to add value through training and development. The bottom line financial criteria of the balance sheet are incompatible with the needs of individual employees. At Exbeck the plurality of methods in project management generated the lone ranger project manager—the standardization of PTFs and the emergence of the corporate human resource function as an audit mechanism exposed this diversity of management styles.

This is not to deny that aspects of Exbeck's human resource strategy were not developmental yet it appears that individual innovations were instrumentally structured by financial criteria that formed the *modus operandi* of the corporate function. The latter became less peripheralized by assuming a role which has been described as a conformist innovator, (see Legge, 1978), providing "Hard Data" for executive sponsors to evaluate the operational performance of PTFs against project pre-planning and tender formulation.

A project task force works to a pre-determined audited budget that has the effect of turning project management specialists into line management budget holders. The experience of the corporate human resource function at Exbeck is illustrative of an emergent phenomena where discrete initiatives are bundled together as a high performance system and presented as an instrument through which financial performance targets are secured.

High performance human resource systems or bundles exhibit careful recruitment and selection strategies, substantial communication mechanisms (such as employee focus groups) and flexible team working in customized groups (PTFs). Equally, a bundle or system may contain a significant emphasis on training and development, empowerment and performance appraisal linked to pay. Recent contributions to the literature suggest a positive association between financial performance—the bottom line—and business strategies which emphasizes such systems. Arthur (1994) demonstrates that turnover and productivity are positively affected by cost reduction strategies—what he terms control strategies or those based on improving employee commitment, what he terms commitment systems.

Arthur suggests that a firm can have a competitive strategy based in cost reduction or quality and that in terms of financial outcomes a parallel (strategic choice) of human resource strategy will yield positive results. Huselid (1995) found that high performance work practices, those that include human resource strategies that are internally integrated but also integrated with business strategy, have a significant impact on a firm's financial performance. Osterman (1995, 1999) concluding on a large survey of manufacturing establishments suggests that if a firm operates within an internationalised high technology market which requires high skill levels (as Exbeck does) it is not possible for them to buck market conditions. Hence, industry profile and competitive structure are influential factors that pre-figure the deployment of high performance or innovative work practices. This bundling effect is also reported by Dyer and Reeves (1995) who suggest that bundles or configurations of human resource strategies are more likely to have a cumulative impact on financial performance than individual measures which may be effective if ephemeral. That is measures which appear to have a qualitative impact on the work environment that cannot be captured quantitatively, for example a “good work atmosphere”, it is clear when it is present and is often taken for granted. However, its disappearance may have relatively immediate effects both qualitatively and quantitatively.

The survey material cited whilst informative shares a common concern with a narrow range of financial outcomes. These are measured through reduced absenteeism and turnover resulting in improved productivity, the latter often expressed as tighter adherence to budgets, return on investment or secured mark-up. Moreover, survey material may lack discussion of the wider job regulation effects of human resource strategies that impact on the discretion and autonomy of employees or detail the origins of high performance bundles.

The wider literature on the most recent manifestation of strategic HRM—“integrated bundles” sometimes termed high performance work systems demonstrates the prominence of audit and budgetary interests in financial control mechanisms that link HRM to business strategy. Huselid (1995:667) and Dyer and Reeves (1995:668) concede these points and suggest that although linkage is more than plausible some of the effects are indeterminate. That is, links between strategic HRM and financial performance may not derive from the cumulative effect of individual human resource strategies which improve financial performance but the audit and budgetary discipline which underpins each and runs through them all. The PTF system at Exbeck appears to demonstrate this, particularly its audit tracing mechanism. Audit tracing involves checking original tender bids against work off costs and project profits and apportioning responsibility for incurring extra costs. This aim of this component in the strategy was to place project managers in a reporting relationship to the corporate human resource and accounts function.

3. Financially Inspired HRM and Labour Process De-Skilling

Braverman’s (1974) book Labour and Monopoly Capital stirred interest in the capitalist labour process. Essentially, Braverman’s thesis suggests that all management action aim to de-skill the production process at the point of production in order for management to better control authority relations therein. De-skilling has the effect of either removing or lowering the skill level required from those performing the job, in some cases this will also reduce the price of labour. However, for corporate managers at Exbeck this was not a priority whereas improved corporate control over lone ranger styles of management via a standardized PTF was a significant priority. Braverman’s notion of de-skilling appears primarily concerned with the simplification of craft work through greater management control and planning of the labour process with the aim of reducing labour costs. However, the thesis can be applied to managerial professionals in the form of deprofessionalization or depowerment—in contrast to the empowerment of the HR function in this case. Hence, in the case of project managers it was the reporting systems and loss of autonomy that appeared to de-skill their job. Thus, project managers may not have been de-skilled in the traditional sense but the effects of perceived and to some degree operational de-professionalization had much the same effects if only in a procedural rather than a substantive sense[20].

Debates in the labour process literature focus on the centrality of control strategies to management action and the frustration of such strategies by employees. The debate positions two camps, one which in general terms can be described as unreconstructed exhibiting a general acceptance of the Braverman de-skilling thesis whilst offering empirically observable theoretical developments. Advocates of this approach include Friedman (1977), Burawoy (1979), Edwards (1979), Armstrong (1988, 1989) and Thompson (1989). Other extreme critics consider Braverman's approach over rational and conceptually and empirically flawed (Knights & Wilmott, 1986, 1990). In contrast, other critics emphasize the poorly regulated and slow take-up of scientific management (Littler, 1982), whereas others highlight the failure of Braverman to consider the likelihood of effective resistance by employees (Wood, 1982). For the purpose of this paper it is possible to distill this debate into a distinct criticism of the de-skilling thesis that addresses the theoretically informed research questions raised by this case study.

The de-skilling thesis is catch all and reductionist emphasizing successful management rationality

At Exbeck the corporate human resource function appears integrated within corporate strategy—human resource specialists together with accountants devised the PTF system which in its prescription aimed to erode the autonomy of project managers by introducing centralized performance measures. Standardized PTFs dissociate aspects of the project management labour process with the effect of reducing lone ranger autonomy and discretion. Further, PTFs give executive sponsors and the human resource function financial control of projects, breaking the kingpin status of project managers who now report to them.

However, operationally executive sponsors and the corporate human resource function tolerate deviation from the book standard of PTF procedures precisely because of the bottom line contribution they provide. Sponsors and senior human resource managers were not particularly bothered about how the audit aspects of a PTF improved the bottom line. They explicitly stated this when the point was put to them in interviews.

> It doesn't really matter how it gets done as long as it delivers—that's the point.
>
> That may be the case now but over time I believe it will work to book procedures[21].

More significantly than this acceptance of deviation from book procedures, the financially inspired deployment of strategic HRM disturbed an embedded pattern of traditional HRM that is highly characteristic of non-union firms such as Exbeck. Traditional HRM defines employees as the basis of a firms competitive advantage—its most valued assets with non-union employers characterized as sophisticated paternalists where the aim of HRM is to position employer commitment to employees as a substitution strategy for union membership thereby marginalising any propensity to unionize. The human relations origins of this approach highlight meeting employee needs through group work supported by managerial attention and praise. Equally, under traditional HRM the human resource function exhibits significant strategic integration between human resource policies, for example appraisal and employee ranking reviews linked to merit and performance related pay, single status employment and a strong developmental approach to employee recruitment and retention. (For summary reviews of traditional HRM see Foulkes, 1980; Keenoy, 1990 and Applebaum & Batt, 1994.) In contrast to the aims of strategic HRM the components of traditional HRM tend to be isolated from business strategy. At Exbeck one result of this isolation was the emergence of Lone Ranger styles of project management and a form of craft respect for the kingpin status of project managers which strategic HRM, at least in design, would de-skill and undermine.

However, although tangential to the theoretical questions addressed in this paper the responsible autonomy thesis as detailed by Friedman (1977) does not necessarily advocate the acceptance of diverse idiosyncratic versions of craft—project management—control described in the term Lone Rangers. Rather, Lone Ranger systems appear to represent embedded systems of project management that frustrate direct control mechanisms which management periodically attempt to develop by the introduction of technical and bureaucratic methods (see Edwards, 1979)[22].

The evidence in Section 1 demonstrates that executive sponsors and senior human resource managers clung to the rationality of PTFs whilst consciously ignoring the resistance and reverse delegation pursued by project managers. To retain a veneer of management capability and rationality both actions were tolerated because over the cycle of PTF projects financial performance did improve. Hence the key issue for senior human resource managers and executive sponsors was generating consent to the innovation which, even though it was perfunctory and devious rather than consummate, limited the direct control of de-skilling that a move to strategic HRM would suggest.

Conclusions

Senior members of the corporate human resource function and task force executive sponsors presented PTFs as a high performance—high commitment bundle of human resource initiatives designed to sustain Exbeck's competitive position by transmitting an integrative approach to project management culminating in full business partnership for the corporate function. Further, this was presented as a sector specific example that bucks the well-established trend to a peripheralized human resource function. However, the empirically informed theoretical argument that the research questions of this study address lead to several alternative conclusions. First, the narrowly conceived audit and budgetary basis of the PTF system actually reinforced the peripheral role of the human resource function whilst simultaneously challenging the scope of any independent action exercised under the label of traditional HRM. This became evident both formally and informally—formally through the intervention of the accounts function—informally through resistance strategies successfully deployed by project managers. PTFs, whatever the human resource rhetoric are cost centres which report to the business units—Exbeck's five operating divisions—creating a further dissemination and integration of financial issues into business objectives not an integration of traditional or even normatively defined strategic HRM into business objectives. The latter merely transmitted the financial imperative to further gentrify and legitimize the financial control and co-ordination measures inherent to the accountancy function as human resource goals, performance standards and strategies. Equally, the movement to strategic HRM and the performance of the corporate human resource function became self defining in the presence of hard data with the normative goals of cost reduction and associated policies defined beyond the human resource profession.

Second, and related although it is vogue to present measures of "fit" in strategic HRM in terms of contribution to the bottom line "fit" defines strategic HRM and is not defined by a theory of strategic HRM. At Exbeck a particularized cost reduction strategy was conceived by the accounts function and developed on its behalf by the corporate human resource function. The latter gentrified internal audit mechanisms and a more rigid adherence to pre-set budgets as strategic HRM, a financially inspired alternative to more legitimate direct control methods that generate a more open and contested frontier of control.

Lastly, the dominance of financial control in American and British firms is the wider operational and strategic context of human resource management. The rhetoric and prescription of HRM appear unable to recognize the importance of a specific financial link between practice and performance. The grounding of Exbeck's approach to HRM in traditional methods rather than strategic methods make it more genuine than most, yet the pressures culminating in the movement to the latter were competitive and financial not developmental. However, the empirical weakness of traditional HRM, often referred to in the UK as soft HRM, has not led to its prescriptive downfall. The ephemeral nature of initiatives that periodically come to constitute the latest manifestation of strategic HRM such as high performance bundles or work systems questions the causal relationship between human resource initiatives that pass in and out of vogue and financial performance in host firms. As HRM becomes more strategic it increasingly sheds developmental aspects and gentrifies financial aspects—the bottom-line which necessarily de-skill human resource professionals more effectively than the workgroups subject to the strategy. As HRM develops initiatives come and go whereas the centrality of financial mechanisms increase and become more sophisticated.

Notes

1. EPPC is a highly competitive industry. The bidding process is particularly sensitive, as a result it has not been possible to use the real name of the firm. The contacts for this study were established as a result of work on the ESRC programme "The Competitiveness of British Industry" (contract number WF20250031), subsequent work and the costs of overseas travel were funded by a grant from Leicester Business School Research Committee.

2. Because all projects are dollar priced by Exbeck dollar values have been used here. Moreover, most process commodities e.g. oil are internationally priced and traded in dollars.
3. Interview transcription notes with project manager on site.
4. Interview transcription notes with executive sponsor and head of human resources—this was explicitly stated.
5. Interview transcription notes—reaction to findings from internal business review.
6. Interview transcription notes of the view of the Executive Sponsor of HR and the Corporate head of HR's.
7. Interview transcription notes—as above it was their view. In the body of the paper "lone ranger" summarizes these approaches.
8. Interview transcription notes with project managers—this view was elaborated on several occasions.
9. Interview transcription notes with Head of HR. Pronounced "go 4"—go for this go for that!
10. Interview transcription notes with Executive Sponsor of Hr's and the collective view of Executive Sponsor's at the internal business review. At no time during the processes that led to the creation of the PTF system was there any consideration of what was being attempted beyond the management rhetoric of HRM i.e. the system was instrumental in improving economic performance nothing else.
11. Exbeck "Human Resources for Change Agent Program" manual.
12. Interview transcription notes with project managers in the office and on site. Responses to employee attitude survey.
13. This conclusion was formulated after listening to the responses of several project managers:-

    "Its typical he's (points to photo of company founding father and son) interested in this so we are doing it. I doubt that it will make much difference once we get into tender operations on site".

    "They used to organize fire drills and provide us with visa's now they think they can tell us what to do, their job is to sort out compensation and benefits my job it to make things work—I'm no good with paperwork and they're no good with a board diagram—but we can pretend".
14. Interview Transcription notes with project managers on site.
15. Interview Transcription notes with Executive Sponsor of human resources—this was his view.
16. Executive Sponsor strategy meeting on naming what became the PTF system.
17. Exbeck Human Resource Change Agent Program—manual.
18. Whilst shadowing several project managers it became clear to me that what I have described as the process of reverse delegation went unchallenged and even unnoticed by human resource staff attached to particular projects. On questioning them about this I was left with the impression that this is how the system is supposed to work and although HR staff were doing much of the work they wanted project managers to do their presence sustained the importance of accurate employee resourcing and development schedules. That is, they were able to monitor projects and keep project management staff in line! Interview notes with HR PTF staff.
19. Interview transcription notes with HR staff in PTF's.
20. I am grateful to a referee for pointing out this subtle if significant difference.
21. Interview notes with Corporate staff in Human resources.
22. Again I am indebted to the referee for their encouraging comments that enabled me distinguish these often conflated tendencies.

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