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# Strategy emergence in service delivery networks: Network-oriented human resource management practices at German airports

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## Abstract

Organisational restructuring towards vertical disintegration and the accompanying rise of service delivery network (SDN) calls for closer attention, studying whether and how work and employment are strategically managed across organisational boundaries. In this paper, we adopt a “strategy-as-practice” approach to explain the emergence of an Human Resource Management (HRM) strategy which is geared towards managing work across organisational boundaries. Based on a comparison of two German major hub airports, we find that differences in network-oriented HRM strategising in areas such as recruiting, remuneration and training result from micro-political game playing. In this piecemeal process, management as well as external and internal stakeholders such as workers' representatives, and local and federal politicians participate by using their inter-organisational relationships and institutionalised power resources to shape a network-oriented HRM practice. With these findings, we contribute not only to HRM research from a strategy-as-practice perspective that is sensitive to institutions, but also to research on inter-organisational collaboration that has neglected issues of HRM so far, by and large.

## KEYWORDS

airport, employment relations, inter-organisational network, network-oriented HRM, strategy-as-practice, structuration theory

## 1 | INTRODUCTION

Inter-organisational coordination and collaboration in production and supply networks have become ubiquitous phenomena, as many businesses have restructured value creation and appropriation through subcontracting and outsourcing. At the same time, such inter-organisational networks—also involving all sorts of independent service providers and client firms—require new forms of managing work in order to reintegrate work activities carried out in a process cutting across organisational boundaries. Nevertheless, human resource management (HRM) policies and practices such as recruitment, remuneration and training, are predominantly thought of as being situated in a single organisation rather than within a network of collaborating organisations (for exceptions, see Fisher, Graham, Vachon, & Vereecke, 2010; Grimshaw, Willmott, & Rubery, 2005; Kinnie & Swart, 2020; Marchington, Cooke, & Hebson, 2010; Marchington, Rubery, & Grimshaw, 2011; Swart & Kinnie, 2014). Ignoring the network dimension is a serious conceptual void for HRM strategy research because it means the tensions between potential benefits and obstacles through networks are neglected.

On the one hand, the attractiveness of sticking conceptually to the single-firm view resides in straightforward modelling of the advantages of subcontracting such as risk-shifting and labour costs reduction (e.g., Lepak & Snell, 1999). On the other hand, embracing the network dimension conceptually may allow us to better understand the diffusion of good HRM practices along the value chain (Scarbrough, 2000), opportunities for shared investments in human capital development (Grimshaw et al., 2005, p. 47), or the need to align and integrate HRM consistently across organisations (Marchington et al., 2011). The latter also includes closer control of operations across firms, inasmuch as their frictionless functioning relies significantly on recurrent interactions and stable inter-firm relations. Against this background, we engage with this strategic tension between short-term gains through market-like subcontracting and the opportunity to integrate the advantages of a longer-term, hybrid approach, by asking: *Under what conditions, whether at all, and if so, how do actors bring about a more collaborative approach to HRM across organisations?*

In order to answer this question, we use a strategy-as-practice perspective (cf, Vaara & Whittington, 2012) in order to elaborate theory (Fisher & Aguinis, 2017), since it allows us to examine whether, by whom and how a network-oriented HRM strategy emerges from practices in different HRM areas. According to a practice-based view, actors' beliefs, norms and resource utilisation in action make a difference in strategy emergence. Such a view situates strategy emergence within field-level institutions and their interplay with HRM practices (Björkman, Ehrnrooth, Mäkelä, & A., & Sumelius, J., 2014; Vickers & Fox, 2010). Placing the inter-firm network at the focal level of analysis allows us to understand how strategy formation emerges at this level and in multi-actor constellations in day-to-day practice (e.g., Björkman et al., 2014). This contrasts with most of the current strategic HRM literature's preoccupation with various structural constraints influencing the appropriate strategic mix of HR policies in single firms (e.g., Jackson, Schuler, & Jiang, 2014; Lepak & Snell, 1999; Tyson, 1997).

We draw on an empirical exploration of "Service Delivery Networks (SDN)" (Tax, McCoutcheon, & Wilkinson, 2013) at two large international hub airports in Germany over two decades (1996–2015), focussing on the more recent years. Empirically we find in our most similar research design for these two airports that network-oriented HRM practices result to differing degrees from micro-political game-playing and not from different competitive strategies, leading—if at all—to the rather piecemeal introduction of a network-oriented HRM strategy. In this process, management as well as external and internal stakeholders are involved by using their inter-organisational relationships and institutionalised power resources to shape network-oriented HRM practices in HRM areas such as

recruiting, remuneration and training. Surprisingly, as one of the two cases reveals, stakeholders like worker representatives as well as local and federal state politicians make a difference in pushing management towards the introduction of network-oriented HRM practices. This adds the emergence of a network-oriented HRM strategy as one possible management reaction to the splitting up of formerly integrated value creation processes to earlier findings about the network-specific challenges for social partnership employment relations (Helfen, Sydow, & Wirth, 2020).

## 2 | NETWORK-ORIENTED HRM FROM A STRATEGY-AS-PRACTICE PERSPECTIVE

Comparatively little attention has been paid within the HRM literature to a study of how management practice in the domain of HRM strategy is adapted to inter-organisational networks (e.g., Marchington, Grimshaw, Rubery, & Willmott, 2005; Swart & Kinnie, 2014). Obviously, aspects of network-oriented HRM strategy have been discussed in various contributions, but largely from a perspective that extends the resource-based view into supply chain management across organisational jurisdictions (Fisher et al., 2010; Hohenstein, Feisel, & Hartmann, 2014; Koulikoff-Souvion & Harrison, 2007, 2008; Lengnick-Hall, Lengnick-Hall, & Rigsbee, 2013; Scarbrough, 2000). In particular, the opportunities offered by a network-oriented HRM strategy and the associated challenges of crafting it are not at all clear on the level of whole networks (cf. Provan, Fish, & Sydow, 2007). It is little understood, either, under which institutional conditions such a collaborative strategy is likely to emerge and how stakeholders of HRM, including unions, regulators or workers, may influence such a process.

A well-placed starting point for understanding a network-oriented HRM strategy can be found in contributions that share the critique that traditional HRM models focus too much on the single firm's strategic advantages and remain silent about managing HR across organisations (e.g., Kinnie, Swart, & Purcell, 2005; Marchington et al., 2005; Swart & Kinnie, 2014). For example, Swart and Kinnie (2014) identify three network-oriented HRM models in knowledge-intensive professional services: (a) buffering outside network effects on the participating firm's internal operations through appropriate HR practices that enhance human capital agility and organisational flexibility, (b) leveraging single complementarities between the HR practices of firms collaborating in inter-organisational projects in order to achieve both firm-level as well as network-level goals, and (c) balancing HR policies and practices across the network's participants in a collaborative and integrative manner in order to reap the full benefits of networked working. While Swart and Kinnie (2014) suggest a movement from model (1) to (3) in order to achieve network-level consistency and integration in HRM practices and leverage the relational capabilities of the participating organisations (see also Marchington et al., 2011), even this research lacks consideration of the emergence of a network-oriented HRM strategy in the first place.

Here, we suggest theorising the emergence of an inter-organisational, that is, a network-oriented HRM strategy, with a focus on the respective practices deployed. For this purpose, we adopt and adapt a "strategy-as-practice" perspective (Whittington, 1996) informed by structuration ideas (Giddens, 1984; Jarzabkowski, 2008; Nicolini, 2012) and enriched by institutional theory (Barley & Tolbert, 1997; Scott, 2014; Smets, Aristidou, & Whittington, 2017; Weber & Glynn, 2006). The advantages of such a perspective are its sensitivity to bottom-up emergence and process, as well as an awareness of multifaceted, cultural, political and economic contexts on several levels of analysis (e.g., organisation, network, field and society).

### 2.1 | Emergence and process

Rather than emphasising its deliberate, top-down nature, a strategy-as-practice perspective highlights the relevance of day-to-day doings and sayings to strategy formation as a complex "structuration process" (Jarzabkowski, 2008). From a structuration perspective, the daily, often routinised activities of more or less reflexive agents situated in

political and economic contexts are analysed as practices, which are introduced, reproduced and eventually transformed. A practice, conceptualised as a set of recurrent activities shared by different actors, enabled and constrained by structures on different levels of analysis, simultaneously contributes to the reproduction or transformation of these structures (Giddens, 1984). Strategy, then, cannot be conceived of as the result of rational calculation and decision-making alone. Rather, it is a “realized strategy” (Mintzberg & Waters, 1985), that is, one that incorporates unplanned and emergent elements resulting from shared beliefs, norms and values, conflict, and the usage of power resources associated therewith.

Applied to a network-oriented HRM strategy, the emergence of such a strategy is better understood as a process, that is, an on-going affair shaped by actors' responses to the day-to-day problems of collaborating and strategising in an inter-firm network (Björkman et al., 2014; Sydow & Windeler, 1998). In this process, actors enact and recombine their inherited organisational repertoire in processes such as bricolage, experimentation, translation, and negotiation in order to develop HRM practices. Thus, the social practice of a network-oriented HRM strategy can be conceived as a bundle of recurrent and regularised activities that are more or less routinised. In other words, bundles of HRM practices directed towards workers in collaborating organisations constitute a network-oriented HRM strategy providing that these are used proactively and permanently as well as being internally consistent.

## 2.2 | Institutions and structuration

Adopting a meso-level praxis perspective (Jarzabkowski & Spee, 2009), we try to avoid the pitfalls of studying only the micro-practices of individuals, and instead aim to capture the recurrent actions of collective actors (such as organisations or even networks of organisations) as being embedded in macro-institutional contexts. Following a tall rather than a flat ontology, this allows us to study the interplay between different levels of analysis (Seidl & Whittington, 2014), in this case the field-level with the whole network level within SDN. Actors draw on field- and even society-wide institutions such as the rules and resources of employment relations systems or the (trans-)national regulations of an industry (Giddens, 1984; Jarzabkowski, Matthiesen, & Van de Ven, 2009; Morris & Lancaster, 2005; Vaara & Whittington, 2012; Zietsma & Lawrence, 2010). Thereby, a strategy-as-practice perspective, in our reading, is also open to insights from research on the political dimension of HRM (e.g., Watson, 2004).

In examining the role of network-external stakeholders, we situate the practices of strategy formation within inter-firm networks embedded in institutional contexts. As a result, we regard practices in general and HRM practices in particular as being the medium and result of the recursive interplay of structure and agency, which, with its focus on rules and resources, includes sensemaking (signification), sanctioning (legitimation), and power and domination (Giddens, 1984). As such, we understand the inter-firm network as a political economy (Benson, 1975), in which practices of network-oriented HRM are introduced to differing degrees because of conflicts (Björkman & Lu, 2001). Hence, network-oriented HRM strategies are not, for example, determined entirely by institutional contexts or economic requirements. Rather, as a strategy-in-practice, they are contingent on and constituted in structuration processes, making different network-oriented HRM strategies more likely despite the same field and network environment.

## 3 | GERMAN AIRPORTS: SETTING AND METHODOLOGY

Based on these considerations, we are able to specify the research question for our empirical context as follows: (a) *Which network-oriented HRM practices, if any, emerge in the structuration of SDN at airports?* (b) *How and by whom are such practices introduced in face of antipodal forces to follow an organisation-centric approach in SDN?* (3) *What institutional conditions foster the emergence of a network-oriented HRM strategy?* To answer research questions in which the “whether” and “how” are important, in-depth comparative case studies are a preferred methodology (Yin,

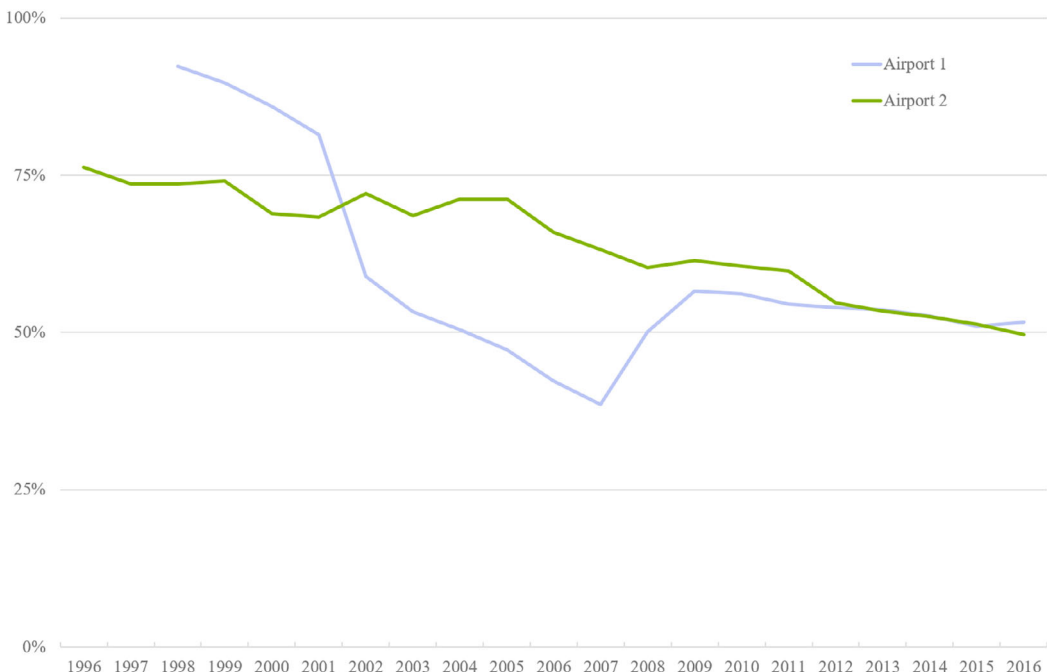
2018). Hence, we compare how the practices of inter-organisational HRM at two large international hub airports in Germany took shape in a relatively stable set of relationships between 1996 and 2015 (Ring & Van de Ven, 1994, 2019). To do so, we concentrate on ground-handling operations, since these are particularly important for illuminating the labour-related tensions between coordinating and collaborating across organisational boundaries on the one hand, and profiting from risk shifting and cost differentials from outsourcing on the other.

Later than in liberal market economies like the United States (Casey, Fiedler, & Erakovic, 2011; Hall & Soskice, 2001), market-like competition was introduced into German ground-handling by granting external providers access to airport facilities based on EU regulation (European Union, 1996). As a disruptive event for the industry's development, the new regulation was a trigger for German airports to turn into SDN that include labour-intensive providers of catering, cleaning, maintenance and security as well as ground-handling. Typically, these providers are located either in or near an airport's facilities and offer jobs to several thousands of employees.

In light of this development, it comes as no surprise that the workforces at both international airports under study with large catchment areas are fragmented. At Airport 1, about 400 firms employ a workforce of approximately 80,000 persons (2016); the airport authority's administrative staff accounts for roughly one quarter of this workforce, the rest is employed by various suppliers and service providers in and around the airport's activities. In ground-handling, with approximately 9,500 workers, the workforce at Airport 1 is distributed across an internal unit of the airport itself, its own subsidiaries, as well as independent providers and temporary work. Airport 2, where more than 500 firms employ about 32,000 persons in total (2016), has set up its own subsidiaries for ground-handling and, like Airport 1, uses agency work. Here, the various workforces total 1,960 workers in ground-handling.

One way to capture the fragmentation is to look at the development of the core workforce at airports. Figure 1 reveals a relative decline in core workforces at the airport managing bodies, despite an absolute increase in employment at Airports 1 and 2 in the same time period.

This trend pinpoints the horizontal and vertical disintegration (Doellgast & Greer, 2007; Hertwig, Kirsch, & Wirth, 2019) of formerly integrated airport managing bodies into an inter-firm network. As a result of this



**FIGURE 1** Employment share of airport management body at Airports 1 and 2, 1996–2016

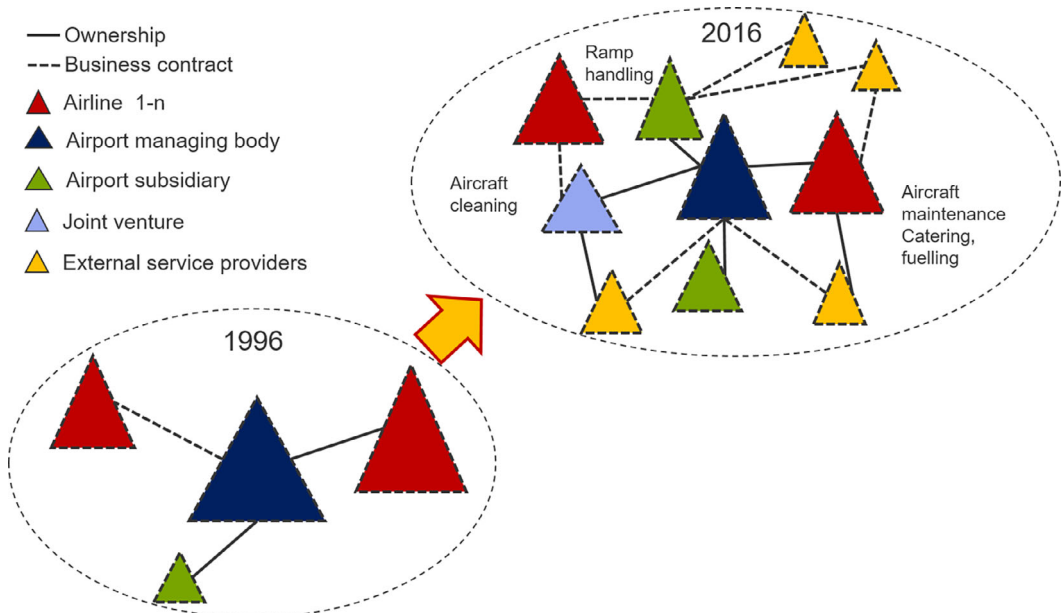
disintegration, in Germany airports are now organised like almost everywhere around the world (for the United Kingdom see Rubery, Cooke, Earnshaw, & Marchington, 2003), as relatively complex SDN, in which market-like and collaborative coordination dominate while hierarchical coordination in corporate groups continues to have some relevance (see right upper ellipse in Figure 2).

In the area of HRM, however, fragmentation implies substantive consequences for ground-handling workers, as the example of collective agreements reveals: At both airports, employees with longer tenure, that is, entering employment before 2001, are still paid according to the collective agreement for public services; those entering later are usually subject to lowered wage schemes or the agency work collective agreement. Similarly, for other service providers like freight handlers, the respective industry-wide or firm-specific collective agreements apply, but only if a collective agreement exists in the respective service segments.

### 3.1 | Data collection

To understand the emergence of network-oriented HRM practices, we “zoom-in” (Nicolini, 2009) on ground-handling services as an exemplary segment within the broader setting of airports' SDN. Like Kinnie et al. (2005), we use a two-case comparison based on qualitative interview data, as well as document analysis and official statistics, in order to better understand the dynamics within as well as between firms in the SDN and the field, and over time. Above all, this form of exploration affords longitudinal data collection that accounts for these different levels of analysis. To achieve this, we build on multiple data sources to study the formation of HRM as a network-oriented practice (see Table 1).

As our primary data source for the two airports, we use 36 semi-structured interviews conducted in 2015 and 2016 with 22 managers and 14 labour representatives in various functions within the SDN of the two airports, that is, airport managing bodies, airlines, ground-handling subsidiaries of the airports, external ground-handling service providers, and security and facility services providers (see Appendix for a listing of respondents' organisational



**FIGURE 2** Stylised transition of the airports' service delivery networks, 1996 and 2016

**TABLE 1** Data sources, 1996 and 2016

Methods	Criteria	Time period	Source
Qualitative interviews: Primary material	Network strategy and structure, benefits and barriers, inter-organisational HRM practices, units and institutions	2015/2016	Thirty-six interviews with management and labour representatives of airports, airlines, service subsidiaries and external service providers
Qualitative interviews: Contextual mapping	Development over time	1995/1996	Twenty interviews with managers, trade unions, employer associations at Airport 1, questions with regard to the development over time at Airport 2
	Field context	2015/2016	Sixty-seven similar interviews at five German and four European airports (incl. associations and unions)
Document analysis	Business context	1996-2016	Secondary sources: Annual reports, industry studies and statistics, press articles, regulatory documents

affiliation and responsibilities). We regard the management interviews as our primary source for our research questions. Given the social partnership arrangements in German airports, we also included worker representatives (works councillors, supervisory board representatives) in the primary data collection.

Furthermore, we can situate the two cases reported here within a larger series of interviews with actors from five other German airports and four European airports (67 interviews), as well as the documentary analysis of supplementary materials such as federal statistics, annual reports, industry reports and press releases. In addition, we used data from 20 interviews with managers, members of the works council, and with the public sector trade union together with document analyses carried out in 1995 and 1996 at Airport 1. At Airport 2 we asked primary respondents more intensively about the development of the SDN and the changes in HRM practices over time.

### 3.2 | Data analysis

To analyse the data, we coded the transcripts of the primary interviews thematically (Flick, 2006). We distinguished between statements about the overall shape of the airports' SDN (in particular in terms of network structures) and the emergence of a network-oriented HRM strategy. In these statements, we searched for words addressing rules of signification and legitimation as well as resources of domination, and indicating by whom and how these structures were enacted, reproduced and eventually transformed in structuration processes, in order to understand the (non-) emergence of a network-oriented HRM strategy. In particular, we searched for indications of practice formation in three core HRM areas (staffing and recruiting, remuneration and rewards, training and development) indicating a network-oriented HRM strategy, and noted whether or not and, if so, how mutual collaboration across organisations was described. In addition, we examined statements referring to the institutional settings that foster (or hinder) the development of such practices, and indicate which actors are involved in referring to these institutions for shaping network-oriented HRM strategy.



## 4 | FINDINGS: TRACES OF NETWORK-ORIENTED HRM PRACTICES

Despite obvious similarities, the two airports differ significantly with regard to the degree to which they have developed network-oriented HRM practices in their SDN. Both airports are obviously aware of the necessity for network-wide coordination and collaboration for economic and safety reasons, and have developed a respective practice of organising ground-handling work. Independent ground-handling firms are integrated into operations at both airports, supported by airlines who standardise ground-handling operations network-wide, even in face of competitive tensions:

But it is so important for us that we do not operate against the managing body of this airport. Sure, we are competitors of their ground-handling unit, but we are, at the same time, a part of the airport's service operations (AP1 external ground handler2, 2016).

Operational coordination of the work organisation is ensured through the ramp agent dispatching the flight. Ramp agents, either from airlines, the airport or a special provider, are authorised to direct the employees of all service providers required for an aircraft's turn-around. Work and operations are indeed targets of continuous network-oriented improvement activities, "that are carried out jointly, because it would be pointless to do them in isolation" (AP1 HRM2, 2015). For example, frictions in operations due to strikes are avoided collectively, since firms

helped them out to keep the consequences of the strike within certain limits for the whole of the airport operations (AP1 HRM1, 2016).

In all other HRM areas, we see little if any coordination and collaboration. Nevertheless, at one of the two airports, Airport 2, we identified traces of network-oriented activities in classically deployed HRM areas as well (see two left columns of Table 2). The respective HRM practices can be distinguished and scored with regard to the number of workers and their presence. A negative sign indicates a lower number affected and a lower presence, while a positive sign indicates a higher number of workers affected and a higher presence, respectively.

### 4.1 | HRM practices at Airport 1—Lower network orientation

#### 4.1.1 | Staffing and recruiting

In a tight labour market, Airport 1 experiences recruiting problems. However, managers think of this fact as being a barrier towards cooperation and, as a result, joint initiatives in the labour market are as rare as wage coordination. Only a job fair could be named as a measure of network-oriented collaboration in that area. But once they are employed by a firm at the airport, firms do not poach workers from competitors, since they are interested in the overall safe and secure operation of the airport; non-competition after recruitment implies a weak network orientation at least.

Nevertheless, Airport 1 uses "labour market intermediaries" (Bonet, Cappelli, & Hamori, 2013) extensively as a tool for its actual recruitment process, since all new entrants are employed by an agency work subsidiary, which itself cooperates with other agencies. Retention has become an important issue at Airport 1, as employee turnover rates in ground-handling and similar low-skill services have increased up to 10% since the EU intervention in 1996. Airport 1 has reacted by forming its own personnel service provider to staff ground-handling operations and benefit from a lower wage level. At the same time, however, it has kept the agency workers within the range of the airport's group. Airport 1 also started to recruit abroad, since it could not staff its operations with local workers during the holiday season.

**TABLE 2** Network-oriented human resources management (HRM) practices

Network-oriented HRM practices in the area of	Degree of practice (*) at		Network context of		Organisational context of		Field-level institutions	
	Airport 1	Airport 2	Airport 1	Airport 2	Airport 1	Airport 2	Airport 1	Airport 2
Staffing and recruitment	-	±	Network awareness, but little active management of the network	Network awareness high	Focus on property and concession management of the group	Focus on 5* service delivery of the SDN	Limited engagement with network stakeholders such as state regulators and trade unions	Pronounced engagement with network stakeholders such as state regulators and trade unions
Remuneration and rewards	-	+	Price and wage competition considered as an obstacle to network-wide collaboration	Negative effects of price and wage competition considered as a reason for network-wide collaboration	Focus on decentralisation within the group	Focus on labour shortage in the local labour market	Fragmented collective agreements	Joint projects, and weakly coordinated collective agreements
Training and development	+/-	+		Joint ventures for experimenting			No regulation of compulsory competitive tendering	Standard-setting for compulsory competitive tendering

A certain awareness of the need for network-oriented HRM in the area of worker retention can be identified in the fact that ground-handling operating licenses are issued for 7 years. After that, a new tender process starts, in which other providers could win the bidding. As ground-handling workforces are usually locally bound, it is important to keep at least some of the former provider's workforce, either by offering these workers new contracts or by subcontracting to the former provider.

#### 4.1.2 | Remuneration and Rewards

Given the cost-cutting motives of much subcontracting in the first place, most of the time, especially in ground-handling operations, the competitive context of the overall SDN spills over into squeezing wages, as the major area in which competition unfolds in ground-handling services. Hence, it comes as no surprise that we cannot identify any direct collaboration regarding raising pay standards across the subcontractors at the two airports. On the contrary, the large divergence in pay levels between clients, that is, the employees of airport managing bodies, their ground-handling units, and external providers, seems to matter most:

Why should we cooperate in the field of pay and remuneration? The external ground handler has its own collective agreement. (...) For us there is nothing to be gained by collaborating with them. I have only one interest: The union should negotiate a wage increase for them, because we are competitors and then their price will go up. It's a competitive situation, there is no cooperation (AP1 ground-handling unit1, 2015).

Hence, we also encountered only very few considerations about ensuring a certain congruence in pay systems across the network—except for indirect comparisons with subcontractors' wage structures to further reduce pay levels for internal units.

At best, the fragmentation and divergence of pay is addressed from outside the firms' managements and—even beyond the SDN—most notably through the trade union. Latterly, the services union (ver.di) pressurised a newly founded employer association for ground-handling to negotiate a nation-wide collective agreement. By the end of 2019, however, no such collective agreement had been signed by the employer associations and the union.

#### 4.1.3 | Training and development

In the area of training and development, more initiatives of network-oriented collaboration could be identified at Airport 1. First, the managing body of the airport draws upon training standards that were developed in the past, in cooperation with the local chambers of commerce. Second, training is offered at Airport 1 by specialised service providers, as well as in training programs run by the local employment agency, also involving workers from ground-handling competitors. When independent ground-handling was first introduced, the workers of subcontractors were initially trained by the airport authority at the airport authority's expense. These initiatives, however, have not turned into an on-going effort. Third, there are basic training courses in joint programs for service quality, in which external service providers are integrated. However, there are also limits to the integration of external service providers and knowledge sharing, even if this would bring about a network-oriented improvement in service quality:

On the other hand, there is competitive pressure. Nobody here would give me money to train the external ground-handling firm on the ramp for free. That would be crazy (AP1 HRM2, 2015).

## 4.2 | HRM practices at Airport 2—Higher network orientation

### 4.2.1 | Staffing and recruitment

In nearly all HRM fields, Airport 2 displays a higher network orientation; this is also true for staffing and recruitment. The major way into a job in ground-handling at Airport 2 is to start at a temp agency, since

in principle, our whole recruiting is via temp agencies (AP2 ground-handling management1, 2016).

But the HR department had to change its practices due to the intervention of the union and the works council. This council fought against agency work as permanent employment by filing about 500 court suits, and by setting a limit (max. 5% of the airport authorities' workforce) in a company agreement and by naming and shaming Airport 2 as being a "slave driver". This contradicts its public image as a good employer, as well as its employer branding activities, which reflect a (new) communication strategy entitled "One place of work" in order to communicate job advertisements to the public in the respective metropolitan region, for example. More importantly, however, Airport 2's rationale is concerned with employee retention, because this allows the amortisation of training investments. As a consequence, Airport 2 tries to ensure that workers (at least) stay within the airport's SDN:

Our philosophy is that people should somehow be kept within the airport managing body's range. If someone quits from a small unit, it is better he only changes the division (...) instead of leaving the airport altogether (AP2 ground-handling unit1, 2016).

Additionally, the turnover is decreased by the coordination of remunerations and rewards, which makes the airport more competitive in the local labour market.

### 4.2.2 | Remuneration and rewards

At Airport 2 we found the coordination of remuneration and rewards envisioned by the management of Airport 1. Union representatives drew on the Decent Work concept developed by the German Trade Union Federation (DGB), which is translated into a demand to make the existence of a collective agreement compulsory for every firm engaged on the airport's premises. It could be accomplished through the airport user order and supported by individual representative bodies, that is, works councils and the local union, to force subcontractors' management to sign an agreement. Preceded by the election of a works council in one major subcontractor, such a new collective agreement could be agreed on, reducing pay differentials between the subcontractor's workers and airport's internal ground-handling unit significantly. We interpret this event as indicating how network-oriented coordination of pay policy may emerge, even against management's intentions.

### 4.2.3 | Training and development

At Airport 2 there is also a need for standardising basic skills, which induces training offers paid for by SDN firms. This need is also supported by the compulsory tendering procedure for the ground-handling concession, which, due to pressures from the works council, the local trade union and the union members in the supervisory board, demands a minimum level of qualification from firms applying:

We draw upon the Safety at Work Act, which makes collaboration in health and safety issues compulsory. We also draw upon the ground-handling directive, which, for example, stipulates that in competitive tendering the external ground handler has to ensure the qualification level that the airport managing body requires (AP2 HRM1, 2015).

As such, Airport 2 reduces risks in operations and increases the personnel costs of its competitors. This substantiates the observation that network-oriented HRM has a political dimension—turning the SDN into a political economy, where the interests of different stakeholders influence strategy formation. Additionally, the joint venture with the main customer serves as a unit in which workers are trained for airport-related tasks in apprenticeships. Since workers often move from firm to firm around Airport 2, this joint venture contributes to a skilled workforce at Airport 2.

## 5 | EXPLAINING THE SIMILARITIES AND DIFFERENCES

Summarising the findings so far, similarities as well as significant differences between the two airports can be identified. The major similarities are the heterogeneous, fragmented working conditions within the SDN, the use of agency work as a recruitment tool, and the identification of collective training needs on the job as well as respective offers for short formal training schemes, and some attempts to avoid poaching between SDN members because of the joint turnover challenge. However, Airport 1 shows a lower network-orientation and mostly firm-centred HRM practices that concentrate on gaining wage concessions through subcontracting at the expense of risking higher turnover and training costs, while Airport 2 shows a higher level of network-oriented HRM strategising. For example, at this airport conditions for agency work are negotiated with the union and works councils in the network, or there are network-wide training as well as health and safety obligations service providers must fulfil when applying in the compulsory competitive tendering process. Explaining these differences from a practice-based perspective, however, calls for a sensitivity to individual and collective strategising efforts as well as institutionalised rules and resources, that is, structures, on different levels of analysis. In what follows we focus on the structures of the inter-firm network as well as on the institutional conditions in the field and how they are enacted and mobilised by network-internal and -external stakeholders.

### 5.1 | Network context for HRM strategy emergence

The SDN at both airports are led strategically by the airport authority in close collaboration with their main customer. However, the two airport authorities differ in their inter-organisational structure, here approximated by the restructuring of the lead firms and the forms of customer integration, and their network awareness, which is discussed from the airport authority's perspective.

#### 5.1.1 | Inter-organisational structure

At Airport 1, internal decentralisation in four separate business units took place first; one of them for ground-handling activities. Later, even a subsidiary for agency work was found and located at the airport to circumvent the public services agreement. Airport 2, however, chose a different path: the lead organisation at this airport set up subsidiaries in which ground-handling and the freight business were externalised. However, this airport authority's subsidiaries sourced the respective workforces from independent work agencies.

The major customer, one airline and its global alliance network creating the bulk of revenues in ground-handling in both airports, is integrated in a very different way at each of the two airports. At Airport 1, negotiations between allied subcontractors' clients, that is, the major airline, aggravate the pressure on the airport's management to achieve short-term cost cutting. As a consequence, Airport 1 has turned towards mere property management and concessions as key value-drivers:

We earn our money through property management, renting sales space and concessions for the terminals. There, we create a market space for other companies to operate their business (...). And everything else around that, paradoxically, is in the red (AP1 HRM1, 2012).

At Airport 2, this pressure on costs is mitigated by much improved collaboration through a joint venture with the major airline and its alliance partners, which ensures that efficiency gains are shared. At the same time, this airport sets up subsidiaries to generate profits from passenger-related services such as retailing and restaurants.

## 5.2 | Network awareness

Network participants at both airports also differ in their awareness of being part of an inter-firm network, which has, as rules of signification and legitimation (Giddens, 1984), potentially important implications for the allocation and coordination of resources, including HR. At Airport 1 the awareness of the need for network-oriented HRM is seen more as a challenge and is even met with general scepticism within the airport managing body's own subsidiaries and joint ventures:

That's something not done in practice and I do not see any easy way of doing so. (...) All these services are organized separately for a reason, (...) and I believe most managers are not sure about whether there is a clear advantage involved in collaborating inter-organizationally, and how exactly to lever such a measure (AP1 service joint venture1, 2015).

The firm and its subsidiaries share an understanding, and norms and values across the corporate group, but not in the inter-firm network:

But we do not have a common identity or culture with the other service firms operating at the airport; within the group, yes, but not with the airlines, other ground-handling firms, freight-handling or others (AP1 ground-handling unit1, 2015).

At Airport 1, exceptions to this view emerge in crisis situations such as strikes or unexpected events:

This is known to everybody who works at the airport. When these situations arise, we sit together in a large room and try to manage the crisis together. Everybody—from the Federal Police to customs, and all service providers as well—contributes ideas (AP1 HRM1, 2015).

This behaviour serves as an actualization of the general orientation towards the safe and secure operation of the airport, which brings together personnel from different firms.

At Airport 2, by contrast, we encounter relatively strong network awareness even at the top of the airport authority, here the HR department:

We have more than 500 companies located here, but we are one airport. Whatever happens, it is always [assigned to] the airport (AP2 HRM1, 2015).

Shared rules of signification and legitimation such as the aim to be a high-quality airport with expertise in all operations of the value chain or an awareness of serving the general public, contribute to understanding the airport as a unified place of work: "It is always [assigned to] the airport" (AP2 HRM1, 2015). Network awareness is also prevalent up to the point of actively strategising the network idea in relation to ground-handling for the purpose of expanding the business internationally, that is, by practicing a "network entry" (Sydow, Windeler, Wirth, & Staber, 2010) in other countries thinking—as in HR—in networks:

At the upcoming fair, we will present ourselves as one airport. This results from our strategy to act as a network that includes partner firms with their local expertise (AP2 ground-handling unit1, 2016).

However, competition and the subsequent behaviour of organisational actors at Airport 1 are important cognitive and normative barriers to collaborative efforts towards a network-oriented HRM. But the respective HRM practices are also an expression of the politically motivated interest of management in the current business model of Airport 1. The lower wages of the independent ground-handling firm are assumed to contribute to this model, thus augmenting resources of the airport management body that, if enacted in line with the prevailing rules of signification and legitimation, can effectively be used to orchestrate the SDN in the preferred strategic direction.

In contrast to Airport 1, the Department of the Interior of the respective federal state is highly involved in HRM strategising at Airport 2, introducing "a different kind of thinking" (AP2 HRM 1, 2015) around compulsory competitive tendering and beyond, because the Department, like the regulators, prioritises traffic safety over economic considerations. Strategising from this perspective, however, calls for an agent able to play the micro-political game within the network. As we will see shortly, the (local) union takes on this role, thus creating a notable difference between Airport 1 and Airport 2.

### 5.3 | Institutional context of HRM strategy emergence

Various stakeholders also intervene in the SDN's activities through political processes internally or from the outside. In some sense, these stakeholders represent a beneficial constraint for a network-oriented HRM. This becomes obvious if the various stakeholders are considered: business partners in joint ventures and labour market intermediaries, but also state agencies and trade unions.

Joint initiatives are available when they are imposed on the network participants by other actors, for example, regulating bodies:

There are exceptions (...) imposed by regulation, where we have joint ventures for single services (AP1 ground-handling unit1, 2015).

At Airport 1, the transport of handicapped persons in wheelchairs, or the cleaning of aircrafts is handled by joint ventures between airlines, airport managing bodies and—occasionally—by external service providers since the EU

made it a mandatory requirement for the airport managing body, and then we decided to set up a joint venture (AP1 ground-handling unit 1, 2015).

Network members, like customers, interfere in the organisation of these HRM practices due to coordination cost considerations because,

airlines do not want to negotiate for everything they need with a different service provider (AP1 ground-handling unit1, 2015).

These joint ventures are important for network-oriented practice formation, as they provide for a strategically defined space for experimenting with new routines (Bucher & Langley, 2016). This is also revealed by a joint venture between Airport 2's managing body and an airline, in which, since they established a joint managerial structure, the partners have been aiming to collect rents collaboratively by optimising operations, customer integration and—above all—HR allocation.

Without doubt, *labour market intermediaries* are the winners with regard to the redistribution of responsibilities in HRM in general and in SDN at airports in particular, where they strengthen the need for as well as the opportunities offered by network-oriented HRM practices. Certain functions, especially recruiting and—to a lesser extent—training, are quasi-externalised to this group of organisations. Since they recruit workers in airport managing bodies and their subsidiaries, as well as in independent service providers, they benefit from establishing collaborative relationships. Airport 1 has set up its own agency work subsidiary, which cooperates with other temporary employment agencies as well as with the public employment agency, whereas Airport 2 draws on external intermediaries. At Airport 2, the intermediaries are confined to the role of a recruitment tool to account for the growth of business and to deal with the high employee turnover in ground-handling.

The establishment of network-oriented HRM practices at Airport 2 is also a result of political activities among the actors within the airport's management body, who have instrumentalised their connections to *state regulators*. The regulation has moved from the Ministry of Economic Affairs to the Ministry of the Interior of the respective federal state. In association with this, the prevailing rules of signification and legitimisation have changed as well:

And we realized that the Ministry of the Interior has a completely different outlook on the topic of safety and security to the Ministry of Economic Affairs. And the Ministry of the Interior delegated this topic to the national aviation authority. This authority is responsible for safety in air traffic, in which real tests and checks are normal. And they know things this way and they say: "Yes, if you purport to implement standards, then you have to check them and in that case you have to sanction them" (AP2 HRM1, 2015).

At Airport 2, for example, minimum labour standards with regard to health and safety as well as training were introduced via compulsory competitive tendering for the ground-handling license. In this process, worker representatives used their good relations with the local media, politicians and NGOs and, assisted by a lawyer, drew on the regulations in the ground-handling directive, which made it possible to regulate certain minimum standards network-wide.

Both airports differ with respect to network-oriented HRM strategy because of the distinct influence of their labour representatives. At Airport 1 we find a constellation in which the dominant group within the works council focuses its activities on the core employees of the airport authority. The works council is "supported" by a highly divided local union, which is in conflict with the superordinate union. At Airport 2, by contrast, the union and the works council form a coalition: "This is a joint effort" (AP2 verdi1, 2016). This coalition draws on organising activities ("We have some divisions in the union which really push the organising of members and we exert a lot of pressure" AP2 verdi1, 2016) and combines these activities reflexively—not uncommon in the German institutional setting—with workers' representation in the supervisory board. For example, in reaction to the influence of labour representatives, the managing body of Airport 2 "limits agency work to 5% of the workforce in ground-handling" (AP2 HRM1, 2015). Additionally, defeats in works council elections are monitored reflexively at Airport 2 and hence provide a basis for learning, since a major deterioration of working conditions in the SDN was re-interpreted by worker representatives and created the SDN as an additional point of reference for them. Unlike the actors in and around Airport 1, who draw on neo-liberal beliefs as rules of signification and legitimisation, the most relevant actors in the case of Airport 2 draw on the principles of the Christian Social Doctrine, which stipulate a certain balancing of interests



between labour and capital without ignoring economic requirements. This provides a basis on which worker representatives can act and strategise with regard to SDN.

## 6 | DISCUSSION AND CONCLUSION: TOWARDS NETWORK-ORIENTED HRM?

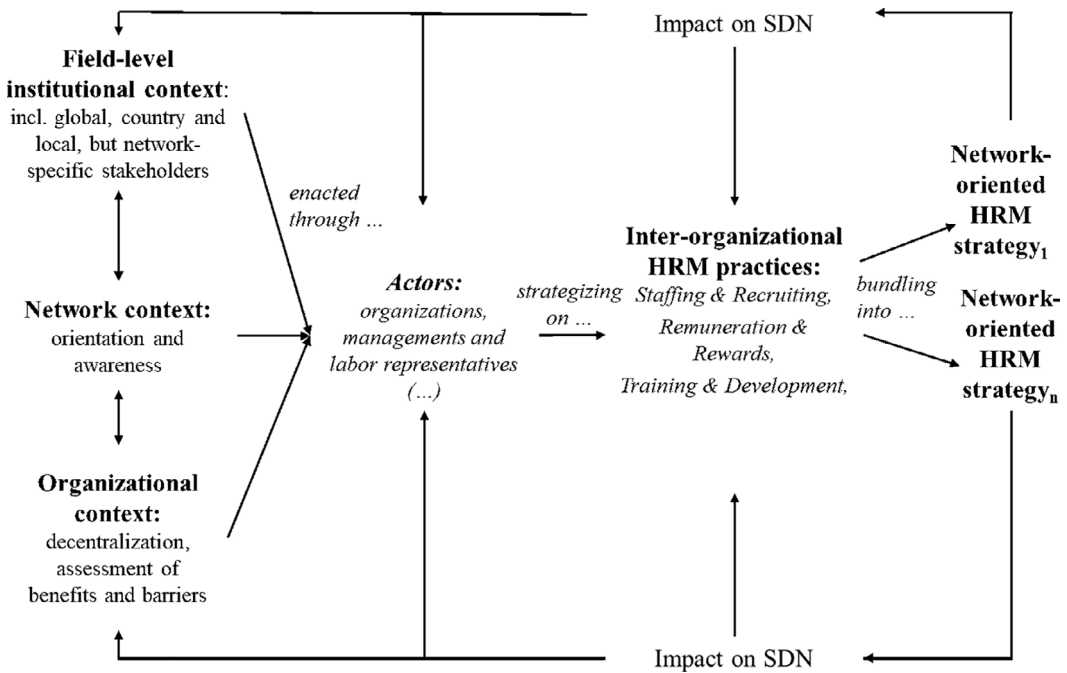
In our study of the two international airports in Germany we set out to inquire whether network-oriented HRM practices have emerged in SDN, how and by whom they were eventually introduced in face of antipodal forces to follow an organisation-centric approach, and also what institutional conditions fostered the emergence of strategic HRM practices. Thereby, we contribute to HRM research from a practice-based perspective (e.g., Björkman et al., 2014; Vickers & Fox, 2010) as well as to research on inter-organisational networks, which has, with only few exceptions, by and large neglected HRM issues (cf. Lumineau & Oliveira, 2018; Majchrzak, Jarvenpaa, & Bagherzadeh, 2015; Provan et al., 2007). In summarising and discussing our *empirical* findings, it is fair to say that network-oriented HRM as a practiced strategy is still at the experimental stage in German airports. Within complex inter-organisational arrangements, various rationales call for and yet tend to contradict a network-oriented HRM strategy. The formation of a network-oriented HRM strategy is blocked to a great extent by the market environment and internal haggling within the network. Even Airport 2, which shows at least traces of such a strategy, is still struggling to develop an internally consistent and longer-term approach that deserves to be called a fully developed network-oriented HRM strategy.

The most profound obstacle to such a strategy is a view held among HR managers (in particular at Airport 1), according to which fierce low-wage competition reduces the feasibility of any network-oriented HRM strategy, however useful it may be. This low-wage competition is taken for granted by the managers as being enshrined in regulatory interventions and main customers' demands. In light of such tensions and contradictions, HR managers involved in the airports' SDN cannot initiate a network-oriented HRM strategy, even if they are aware of the various benefits management is forgoing.

However, a closer look at our case comparison reveals a more differentiated picture. Although there is no universal network-oriented HRM strategy, in the HRM areas investigated we can identify at least traces of network-oriented practices. Slowly moving towards a network-oriented HR practice in a conflictual process, various actors—internal as well as external to the SDN—enact field-level institutions and inter-organisational resources to initiate first practices of a network-oriented HRM.

In particular, external actors like regulatory bodies and trade unions act as standard-setting agencies which set beneficial constraints in favour of network-oriented HRM practices. For example, we find that the political influence of municipal and state-level authorities on airport managing bodies makes a difference by pushing management in the direction of a network-oriented HRM strategy. We conclude from this observation that local dynamics, initiated by (external) network stakeholders, may play a crucial role in the formation of network-oriented HRM strategy. This formation, then, can perhaps be described best as a conflictual “muddling through”-strategising, which includes deliberate and unintended elements. Figure 3 builds on these results and provides a practice-based view on network-oriented HRM strategy emergence.

With regard to *theory development*, our findings pinpoint the relevance of a more political approach, acknowledging the importance of employment relations and a meso-level strategy-as-practice perspective in HRM (Giddens, 1984). Such a perspective avoids studying the micro-practices of individuals at the expense of macro-influences (Jarzabkowski & Spee, 2009). In effect, we contend that the formation of a network-oriented HRM strategy is adequately conceived as a multi-dimensional structuration process (with regard to cognition, norms, and—above all—power) encompassing multiple levels (e.g., firm, inter-firm network, field, and society). Furthermore, we think it has proved useful to link the strategy-as-practice view with an institutional perspective as outlined in Vaara and Whittington's (2012) excellent review. This holds true especially for seeing the structuration of a single SDN as being



**FIGURE 3** A practice-based model of human resource management strategy emergence in service delivery networks

embedded in a more encompassing “organizational field” (DiMaggio & Powell, 1983). Situating strategising in such a way assists our understanding of how external pressures—not least towards the internal and external legitimacy of networks as a form and practice (Human & Provan, 2000)—provide experimental spaces for developing, changing and adopting practices within the operational constraints. Thereby, firms and networks are influenced by field-wide rules and resources but can still effectuate institutional change (Barley & Tolbert, 1997; Smets et al., 2017).

For example, a field-wide understanding of “good ground-handling” could be institutionalised in mimetic and coercive processes around standard operating procedures, despite organisational actors’ enactment of those very structures that block network-oriented HRM by reproducing rules and resources of the hierarchical organisation, also within SDN. Likewise, dissatisfaction with the current state of affairs in employment relations and the resulting industrial disputes, not least among HR managers, might trigger a change in management attitudes towards supporting network-oriented collaboration. In this process, trade unions and works councils, in alliance with certain state representatives and regulatory bodies, could mobilise for network-oriented labour standards, thereby forcing management to react to this pressure (Helfen, Sydow, & Wirth, 2020). However, institutional pressures of this kind are not well conceptualised in the “managerialist” accounts of HRM strategy, which are occupied with a unitarist view on firm performance (for a similar critique, see Delbridge & Keenoy, 2010).

Notwithstanding the limitations of our comparative study of only two SDN in one national (German) and two local institutional environments, our study reveals further challenges and open questions about the formation of HRM practices in complex network-oriented change processes. The relationship between different levels of engagement to promote practice formation seems to be the most relevant of these. This allows attention to be paid to the fact that there is no isolated network practice formation. In our cases, levels include the SDN at two locations in two regions, which situates the development of these networks differently. In addition, the connections *between* similar networks at different locations may also be relevant, allowing for the exchange of practices across network boundaries. Supporting an HRM strategy directed towards the level of the whole network (cf. Provan et al., 2007) also raises the issue of whether a network’s participating firms need to form new organisational units and interfaces to

establish network-specific HRM responsibilities and competences (e.g., Kinnie et al., 2005; Marchington et al., 2005). One may conceive of concentrating HRM functions in the hands of dedicated staff or even specialised organisations (e.g., online auction platforms) or organisational units (e.g., shared service centres). Last but not least, the extent to which, and how a networked context is integrated into the daily practices of line management is still not understood adequately.

We therefore conclude that further studies of HRM strategy formation in inter-organisational networks in general and SDN in particular could benefit from engaging with a strategy-as-practice perspective that takes the institutional environment seriously. At least, our exploratory findings give some support to theoretical ideas calling for an integration of both views, such as emerging practice-driven institutionalism (Smets et al., 2017) or the earlier suggestions of Barley and Tolbert (1997) about institutionalised scripts. One aspect that seems to be important for developing such an integrated view further is an examination of the history of the organisations involved, not exclusively for HRM practices, thereby providing a longitudinal study of how management is affected by organisational path dependencies (Schreyögg & Sydow, 2011). With regard to research, further studies should use a higher number of cases for the elaboration of our model, which might also potentially provide quantitative scores of the prevalence of network-oriented HRM strategies. This research could also be complemented by studies from other industries that are organised in similar or contrasting ways.

## CONFLICT OF INTEREST

The authors have declared that there is no conflict of interest.

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## SUPPORTING INFORMATION

Additional supporting information may be found online in the Supporting Information section at the end of this article.

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