

Research Paper

The Diffusion of 'Good' HR Practices Across the Supply Chain

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EXECUTIVE SUMMARY

INTRODUCTION

Organisations may try to improve the effectiveness of the supply chain by managing HR across organisational boundaries. This might be a particularly effective strategy if a client organisation focuses on increasing the use of 'good' or high performance working practices in its suppliers, as there is considerable evidence that such practices can contribute directly to organisational success and lead to higher employee well-being. An additional advantage of such a strategy might be to help protect the client organisation's reputation and brand image by insuring that suppliers provide employees with working conditions that customers perceive as decent. Managing HR across organisational boundaries therefore provides a mechanism by which HR practices can be diffused throughout the supply chain.

However, little is known about the issues and problems faced by clients in diffusing good practice. For example, a client's interest in maintaining cost-based competitive tendering might inhibit its attempts to diffuse 'good' HR practice or a supplier might resist the imposition of certain HR practices because they are viewed as too costly or disruptive to internal consistencies (e.g., creating large unfair differences in reward between groups of workers). The main aim of this research is therefore to address the conditions and processes that shape the diffusion of good HR practices in supply chains that contain 'good practice' clients and suppliers.

METHOD

A case study approach was chosen to provide an in-depth exploration of how organisations might influence the diffusion of HR practices across supply chains. Our case studies comprise two distinct networks of clients and suppliers.

- *Client-focused case study.* In this case, the client was a large UK food retailer (Market Grocer) and we focused on its relationship with two meat suppliers. MeatHQ was a large, mainly UK based supplier of red meats. Pmeat was a multi-national supplier of pork-based products. A key element of the contract between Market Grocer and these suppliers was a requirement to meet the labour standards as set out by the Ethical Trading Initiative (see Appendix 1) such as: safe and hygienic working conditions; payment of a living wage; and non-excessive working hours.
- *Supplier-focused case study.* In this case, the supplier was a large multinational that provides services to public and private organisations and we focused on its involvement in two Public Finance Initiative contracts in the NHS, one at 'Northern Hospital' Trust and the other at 'Midland Hospital' Trust.

A key difference between the contracts at Northern and Midland Hospitals is the employment regulation framework within which they were developed. The Northern Hospital contract was developed under Transfer of Undertakings (Protection of Employment) Regulations (TUPE) such that transferred staff retain NHS terms and conditions (e.g., pay, holiday entitlements) and which are

currently set according to the Agenda for Change Agreement. The Midland Hospital contract was developed under 'Retention of Employment' (RoE) regulations. This means that when services are contracted out, non-supervisory ancillary employees (e.g. portering, cleaning) retain their contract with the hospital and are managed by the service provider (i.e., ContractCo) according to hospital policies. An important implication of the RoE model is that the contractor (ContractCo) has to adopt the hospital's HR policies when managing non-supervisory ancillary employees.

Each case study was designed to capture the views of managers and other stakeholders on both sides of the supply chain. To do this we conducted twenty-three semi-structured interviews with those who were most closely involved in the management of the supply chain (e.g., HR managers, senior contracts managers, ethical trade manager), as well as trade union representatives.

KEY FINDINGS

i. Types of HR practice affected by supply chain arrangements

- All types of HR practice were influenced by supply chain arrangements, including pay and reward systems, work organisation, training and development practices, recruitment and selection, grievance and disciplinary practices, employment contracts, working time practices, and employee representation and voice.
- No one HR practice appeared inherently more or less likely to be affected by supply chain arrangements.
- Differences between cases in the type and extent to which HR practices were influenced by the supply chain depended on the nature of the supply chain contract and the role of supply chain actors during 'contract negotiation' and 'contract operation'.

ii. Nature of the Supply Chain Contract

The diffusion of HR practices was strongly influenced by the terms and conditions of the supply chain contract and these effects could be direct or indirect.

Direct effects of HR-related contract clauses

- Contracts with a higher number of HR-related clauses, which set out the practices a supplier had to adopt, had a greater direct impact on the diffusion of HR practices. The difference in the number of HR-related clauses was largely a result of voluntary regulatory frameworks (e.g., Ethical Trade Initiative) and statutory regulatory frameworks (e.g., TUPE, Retention of Employment) incorporated within the supply chain contract.
- The contract developed according to RoE regulations (between ContractCo and Midland Hospital) had the greatest direct effect on a supplier's HR practices as it meant that ContractCo had a contractual obligation to

manage non-supervisory staff according to Agenda for Change terms and conditions and also that it had to manage these staff using Midland Hospital policies in areas such as recruitment, grievance and disciplinary, sickness management, performance management, training, and health and safety.

Indirect effects of HR contract clauses

HR-related contractual clauses had indirect or knock-on effects for suppliers. These effects were:

- *A signalling effect.* The inclusion of HR-related clauses (particularly those relating to regulatory frameworks) signalled to suppliers that certain HR practices were valued by the client and that their use would reduce the client's perception that the supplier posed a risk to their brand image.
- *A leveraging effect.* HR-related clauses increased the leverage that supplier HR managers had within the organisation. HR managers use the requirement to be compliant with HR related clauses as a means of persuading other managers of the need for changes to practices and policies.
- *An internal monitoring effect.* HR-related clauses increased the focus of suppliers on certain HR practices and the effectiveness of these practices was more closely monitored.
- *HR visibility.* The need to be compliant with HR-related clauses was a matter of concern for both operational and HR departments. This increased the level of contact between them and increased the visibility of HR within the organisation.
- *Impact on other HR practices.* Contractual constraints on a supplier's HR-practices stimulated change in other areas of HR practice. However, contractual regulations aimed at protecting working conditions did not necessarily engender a halo effect, i.e., spreading good HR practices in a supplier to areas of HR not covered by contract.

Impact of operational and financial contract clauses

The operational and financial terms of a contract that had a particular effect on a supplier's HR practices, especially at Meat HQ and Pmeat, were:

- *Low product prices.* As a result of low product prices, managers at MeatHQ and Pmeat perceived little option but to pay workers at, or just above, the statutory minimum wage.
- *Demand Variability.* Market Grocer could change the content and volume of daily orders at short notice. To cope with these fluctuations in demand, Pmeat and MeatHQ used agency staff. One likely effect of this was the use of relatively unskilled jobs so that the supply of agency staff was easier and that agency staff can learn the job task quickly.

- *Contract security.* The total length of the contract was not perceived by managers at MeatHQ or Pmeat to be particularly long-term and the contract also allowed Market Grocer to cancel or change the contract significantly (e.g., stop a product line, replace one product with another) with twelve weeks notice. At MeatHQ, one consequence of this was a reluctance to invest in technology that might automate some aspects of the production process, particularly the repetitive aspects of the packing process.

Thus, while Market Grocer's interest in protecting its reputation through the use of ETI base code might help to diffuse some 'good' practices, its interests in maintaining cost-based competitive tendering to keep costs low may inhibit the development of other 'good' HR practices. This dynamic tension was recognised by managers at both MeatHQ and Pmeat.

iii. Shaping the contract during contract negotiation

Given the strong influence of the supply chain contract on the diffusion of HR practices, identifying those factors that influence the terms of the contract is of particular relevance. In the case study networks, the following factors were particularly influential during the period of 'contract negotiation':

- Client's using their dominant role to shape the contract to help them to control quality, delivery and brand image.
- Client's choosing or being required by government policy to incorporate industry level regulations pertaining to work and employment conditions.
- The central role of industry regulations in shaping contracts implies that the organisations involved in creating regulations (e.g., employer bodies, trade unions, government departments) have an important but indirect effect on the diffusion of HR practices throughout the supply chain.

iv. The role of clients, suppliers and trade unions during contract operation.

Clients, suppliers and trade unions influence the diffusion of HR practices during contract operation in the following ways.

Clients

- *Contract non-compliance.* Client influence over a supplier's practices was greatest during contract operation when formal monitoring of the contract indicated non-compliance or that the client was having difficulties in meeting the required standards. In response to non-compliance with HR-related contractual terms, clients were more likely to suggest changes to a supplier's HR practices. In response to non-compliance with operational terms, clients sometimes suggested that the remedy lay in changes to supplier HR practices but clients were often reluctant to make such changes in response to operational non-compliance.

- *Supplier capacity building.* Clients used training or networking events to increase the suppliers' HR capacities and skills, particularly with regard to recent and forthcoming changes in HR-relevant legislation. Capacity building also stressed to suppliers the importance of having 'good' HR practices and their role in reducing the commercial risk posed by a supplier.

Suppliers

- *Operationalisation of HR practices.* Although suppliers were contractually required to adopt certain practices, with the possible exception of tightly codified practices such as pay, they still had discretion over how to operationalise an HR practice. Suppliers therefore also played a key role in the diffusion process.
- *Managing service transition.* The ContractCo cases involved taking over an existing service and workforce. In the transition process, ContractCo managers appeared to prefer to adopt or adapt existing hospital working practices (and thus HR practices such as work organisation, working time, job roles) to ensure a smooth transition of services in the early stages of a contract. The extent of diffusion of HR practices may therefore depend partly on the age of the contract.

Trade Unions

- Trade unions had little direct influence on the relationship between client and suppliers, except at Midland Hospital where there were tripartite consultation meetings. Unions were also consulted at Midland Hospital on the change process, an arrangement that was codified in a hospital policy which the client, ContractCo, had to follow. As a result, trade unions at Midland Hospital had the greatest influence on diffusion of HR practices when compared to unions in other cases in this study.
- The effect of trade unions on HR diffusion was largely indirect through their role in negotiating the statutory and voluntary regulatory frameworks that were incorporated in to the supply chain contracts, e.g., TUPE, RoE and Ethical Trade Initiative.

CONCLUSION

- The nature of the supply chain contract has a strong influence on the diffusion of HR practices through the supply chain.
- Client and supplier motives and industry regulations which shape the supply chain contract during contract negotiation have a significant influence on the diffusion process, as are the actions during contract operation of clients (e.g., managers' boundary-spanning skills, supplier capacity building), suppliers (e.g., aims, existing HR practices, discretion of supplier over HR practices) and trade unions (e.g., resources, nature of involvement).

- No one type of HR practices is more or less likely to be affected by supply chain arrangements than another.
- A dynamic tension can exist between motives of actors to promote the diffusion of 'good' HR practices (e.g., protecting reputation, maintaining workers rights and working conditions, quality-based competitive strategies) and motive to achieve low costs through cost-based competitive tendering that might inhibit the development of 'good' HR practices.

Practice Implications

- Clients and suppliers could promote the diffusion of 'good' HR practice through developing a 'people-orientated partnership contract', i.e., a contract in which explicit attention is paid to the role of human resource practices in the supply chain.
- During 'contract negotiation' a 'people-orientated partnership contract' could be developed by: involving a wide range of supply chain actors (operations managers, HR managers, employee representatives) to agree on the inclusion of recognised, decent and fair working conditions regulations wherever possible; using HR practices to address issues that may be particularly problematic for employees working in supply chain networks, e.g., career progression; recognising the limits of HR diffusion and the potential problems it can have on internal HR consistencies; and by agreeing to have a long term partnership.
- During 'contract operation' clients and suppliers in a 'people-orientated partnership contract' could: engage in capacity building to develop 'good' HR practices that are appropriate for the circumstances; participate in the exchange of ideas on HR practice; involve HR professionals, employee representatives and other third parties in monitoring HR practices across the supply chain; and engage in developing strong trusting relationships between key boundary spanners that could include HR and employee representatives.

1. INTRODUCTION

Supply chain relationships exert significant impact on the way organisations manage people (Marchington et al., 2005). Clients, for example, may seek greater control over a supplier's work processes by trying to influence the supplier's HR practices through formal contractual and informal arrangements (Marchington & Vincent, 2004). Supply chains may therefore play an important role in the diffusion of 'good' HR practices (see Box 1 for a definition) and subcontracting by 'good practice' clients (e.g., award winning, kite-marked) could play a key role in this process because of the value they place on 'good' HR practices. However, little is known about the role of 'good' practice clients and problems faced in diffusing good practice. For example, a client's interest in maintaining cost-based competitive tendering might inhibit its attempts to diffuse 'good' HR practice (Purcell & Purcell 1999). In addition, efforts by clients to shape supplier's practices may be seen by the supplier as too costly or too disruptive to internal consistencies, e.g., creating large unfair differences in reward between groups of workers. But suppliers may have their own independent interests in developing good HR practices, as the status of 'good practice' supplier may be advantageous in attracting clients. Suppliers may therefore seek to work with a client to alter the HR practices used. In addition, third parties such as trade unions may also play a role in shaping the diffusion of HR practices, as a result of their influence within the client and supplier. The main aim of this research is therefore to address the conditions and processes that shape the diffusion of good HR practices in supply chains that contain 'good practice' clients and suppliers.

In this report, we analyze the relationship between clients and suppliers from dual perspectives, employing interviews with both parties involved in the supply chain relationship and with trade unions when present. A key proposition of our paper is that the ability of clients and suppliers to shape HR practices in the supply chain is temporal in nature, wherein windows of opportunity open at certain times that enable each party to persuade the other regarding the benefits of good HR practices. In order to comprehend the extent to which suppliers and clients influence each others' HR practices, our report maintains that the appropriate universe for study should include the life span of the supply chain, direct and indirect influences, as well as influences that are firm-specific (such as variations in industry, size, and trade union presence) and influences that are external to the firm (such as differences in institutional regulatory arrangements).

We detail our approach to supply chains and HR diffusion in the introductory section, and then set out the key findings from two case studies: a client-focused case concentrating on the relationship between a client, a major UK supermarket, and two of its meat suppliers; and a supplier-focused case study examining the relationship between a large service contractor and two of its clients, both hospitals.

Box 1. Definition of Some Key Terms

Supply Chain: 'A network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate customer' (Christopher 1994).

'Good' HR practices: Although there is considerable debate with regards to what might constitute 'good' HR practices, there is some agreement that, at their root, 'good' HR practices will serve to improve employee competence, motivation, contribution and well-being (Applebaum et al, 2000; Huselid, 1995; Guest et al, 2003; Boxall and Macky, 2009; Guest and Conway, 2011; Marchington and Wilkinson, 2012):

- Work organisation, e.g., high job discretion, decent and safe working conditions, employee participation;
- Skill and development practices, e.g., training, performance appraisal, career development;
- Pay and reward systems, e.g., incentivized pay;
- Security and flexibility, e.g., permanent contract, flexible working arrangements;
- Well-implemented recruitment and selection practices;
- Dignity and equality practices, e.g., policies on equal opportunities and bullying; and
- Representation and direct employee voice mechanisms, e.g., trade union recognition, collective bargaining agreements, grievance procedures, communication and consultation arrangements.

'Good' practice organisation: An organisation that has a strategic aim to promote good working practices (e.g., to promote ethical trading, to promote employee welfare) or has been recognised as doing so, e.g., through receiving industry awards.

2. SUPPLY CHAINS AND HUMAN RESOURCE MANAGEMENT

The effective management of an organisation's supply chains can help to reduce costs, improve services and products, increase customer satisfaction, and ultimately raise a company's profits and level of competitiveness (Chan and Qi, 2003; Poirier and Quinn, 2004). One potential means of improving the effectiveness of the supply chain is through the use of techniques such as total quality management, just-in-time, logistics management and supply chain partnering. Another potential means of improving the effectiveness of the supply chain is through the use of human resource practices. This might be achieved in three ways. First, HR practices might be used to improve the effectiveness of practices internal to the firm, e.g., using training to improve logistics management (Ernst and Whinney, 1987) or competitive benchmarking techniques (Gowen and Tallon, 2002). Second, HR practices might be used to improve the relationship between organisations in the supply chain through, for example, the design of boundary spanning roles or negotiation training (Bowersox et al., 1989; Ernst & Young, 1992; Novack et al., 1995).

A third way of trying to improve the effectiveness of the supply chain is by managing HR across organisational boundaries, i.e., seeking to influence the HR practices of other organisations in the supply chain. For example, a client might seek to influence a supplier's training and development practices as a way of gaining a degree of control over the costs and quality of the product or service being supplied. (Marchington & Vincent, 2004). Indeed, this might be a particularly effective strategy if the client focuses on increasing the use of 'good' or high performance working practices, as there is considerable evidence that such practices contribute directly to organisational success (Barney and Wright, 1998; Combs et al., 2006; Huselid, 1995; Guest, 1997; Wright et al., 2005). Managing HR across organisational boundaries can also be used to help protect the organisation's reputation and brand image by insuring, for instance, that suppliers provide employees with working conditions that customers perceive as decent or acceptable. Importantly, managing HR across organisational boundaries provides a mechanism by which HR practices can be diffused throughout the supply chain (Marchington et al., 2005; Marchington, Carroll, Grimshaw, Pass & Rubery, 2009).

A number of studies have provided examples of clients trying to influence the HR practices of suppliers (Hunter et al., 1996; Rubery et al., 2004; Roper et al. 1997; Walsh & Deery, 2006). For example, Scarbrough (2000) illustrated this process across three different supply chains. In a specific case, a client had worked with a supplier to introduce a new system of work organization for its products. It insisted upon a no redundancy policy for this particular product line, and thereby created problems and tensions in other parts of the factory, who supplied other clients, where no such guarantee was given. Moreover, this insistence on excluding redundancies was not supported with a guaranteed sales requirement to the client. This example reveals the potential clash between client requirements and a supplier's internal human resource policies.

Studies have also illustrated the formal and informal ways in which clients seek to influence a supplier's HR practices. For example, clients might use formal tactics, such as the inclusion of clauses in commercial agreements stating the standards that must be achieved or that the suppliers' HR practices can be monitored (Beaumont et al., 1996; Boaden et al., 2008). Clients might also use informal tactics such as persuasion and personal appeals (Swart and Kinnie, 2003; Rubery et al., 2004; Swart et al., 2007). But a client's ability to influence a supplier's HR practices is not straightforward or guaranteed and is likely to be affected by firm

and context specific factors. Firm-specific factors might be associated with the client (e.g., bargaining ability, size, reputation), the supplier (e.g., pressure to achieve internal consistencies and fairness) or the nature of the supply chain relationship (e.g., size of contract, quality of relationships, the match of HR practices). Context-specific factors include those that are external to the firm such as the regulatory environment (e.g., national regulations) and the employment relations context, e.g., trade union power (Hunter et al., 1996; Rubery & Earnshaw, 2005).

Given the range of firm and context specific factors that might shape the diffusion of HR practices, it is entirely possible that, in some circumstances, suppliers may have considerable bargaining leverage over the conditions of their contracts with clients. For example, a large supplier may have substantial power in deciding what HR practices to use with a small client, particularly when a client buys a standardized service package from the supplier. In addition, research into outsourcing in the IT industry, for instance, demonstrates that suppliers use their expertise as a means of gaining leverage in the design of a contract, and also as a means of obtaining staff and knowledge transfer from the client to the supplier in order to develop their own organisational capabilities (Grimshaw and Miozzo, 2009; Miozzo and Grimshaw, 2011). It may also be the case that the extent to which clients and suppliers are more or less susceptible to HR practice diffusion is temporal in nature; that is, the leverage held by clients and suppliers varies depending on time-based factors. Indeed, the IT firm EDS makes explicit temporal reference to opportunities for skills and knowledge transfer, identifying 'present modes of operation' (that is, the first six months or so after a contract is signed) and 'future modes of operation' (that is, the period of maturation after the initial phase of the contract) as distinct temporal entities.

Overall, the process by which HR practices diffuse across the supply chain appears to be affected by firm-specific factors, context-specific factors and temporal factors associated with the lifespan of the relationship between client and supplier. In the following section we set out our approach to the diffusion of HR practices within supply chains that expands on these, and other, considerations.

2.1. An approach to understanding the diffusion of HR Practices within Supply Chains

Our approach to understanding the diffusion of HR practices in supply chains emphasizes different stages in the life span of the supply chain. Specifically, we suggest the time span of a single contract can be compartmentalised into three distinct stages. These might be termed a 'pre-contract' stage, a 'contract negotiations' stage, and a 'contract operation' stage. Our approach further emphasizes that a range of firm and context specific factors may influence diffusion at each stage such that the leverage of each party may vary across each stage.

Pre-contract

During the 'pre-contract' stage a client might assess a potential supplier's capabilities such as the extent to which it meets the client's legal requirements or the capacity with which the supplier might be able to adapt or fit within the firm's organisational norms. These norms and requirements might include standardized measures, such as ISO 9000 quality criteria, or more firm-variant measures, such as specific HR standards set by the company. Diffusion effects might occur at this stage when a firm adopts certain practices to become considered as a supplier.

Contract Negotiation

At the 'contract negotiations' stage, the exact nature of the contract is discussed between client and supplier. The final contract is likely to include terms associated with service or product design, quality standards, costs and contract monitoring. The contract may also include terms associated with HR practices. The terms of the contract are likely to be shaped by the motives and goals of the client and supplier and each party may have a range of different motives, such as maintaining cost-based competitive tendering, ensuring quality standards and protecting the reputation of the firm (Purcell, 1999). Where clients and suppliers have multiple interests, good HR practices may be more often diffused in supply chains when the client or supplier values reputational pedigree in addition to cost efficiency. Another important factor that may shape the contract during contract negotiations is the client and supplier's willingness to incorporate national or industry regulations. For example, a client might insist on incorporating a voluntary set of regulations concerning product quality or labour standards. In other situations, each party may have little choice but to include certain regulations into a contract, e.g., Transfer of Undertakings (Protection of Employment) regulations must be incorporated into contracts between public organisations and private partners. But even here, the nature of the contract might be shaped by each side's willingness to incorporate or escape regulation (Marchington et al., 2005).

During contract negotiation, the client is often seen to have the most leverage. But this may only be the case in some circumstances, such as when the client is a dominant player in the market place or when the size of the contract is large (from the supplier's perspective). In other situations, suppliers may have much more leverage, which may derive from their expertise or from their position in the market place. Indeed, in the UK, just as some supply chains are dominated by a few large clients (e.g., retail supermarkets), it can be suggested that other supply chains are becoming increasingly dominated by a small number of large suppliers (e.g., security). Of relevance here is the possibility that suppliers might use their leverage (e.g., by dictating the terms and conditions of staff transfer) to ensure that the supply chain contract does not create problems associated with the internal alignment of HR practices (e.g., an HR practice might not fit with other HR practices currently used), the internal integration of HR practices (e.g., difficulties of having to manage different HR policies and practices) or the internal consistency of HR practices (e.g., ensuring employees perceive practices as being fairly applied across all employees) (Marchington et al., 2011). Thus, our approach emphasises that the relative power of the client and supplier in contract negotiations will depend on contextual factors and that the client may not always have a dominant role in contract negotiations.

Contract Operation

The 'contract operation' period refers to the implementation and operation of the contract. The diffusion of HR practices at this stage is likely to be heavily influenced by the terms and conditions of the contract negotiated during the previous stage, particularly when a contract requires a client to use specific HR practices (Scarborough, 2000). But even non-HR aspects of the contract (e.g., service design, standards and costs) may have an effect on HR diffusion. For example, high quality standards set by the client may require a supplier to increase training. During contract operation the client might also seek to influence the supplier's HR practices directly (e.g., by querying suppliers about the effectiveness of an HR practice) or indirectly e.g., by altering operational demands (Beaumont et al., 1996; Kinnie et al., 1999). A direct influence on one

HR practice might also have a 'knock on' effect on others. For example, Kinnie et al. (1999) describe a case in which an automotive supplier was directly encouraged by a major client to move towards leaner and more team-oriented work. The client also insisted that there should be no redundancies associated with the new approach. In enforcing these direct changes, the supplier altered other HR practices, including the pay and reward system, to better fit with the new approach to work organisation.

Further, regardless of the specifics of their clients' approaches to HR, a supplier may have its own independent interest in developing good practices, as it will be able to market itself as a 'good practice' employer, thus potentially gaining competitive advantage over others. To protect this status, a supplier might in fact seek to shape its clients' HRM practices, thereby diffusing good practices up the supply chain. However, it should be noted that this 'reverse diffusion' is considerably more difficult than the usual client-driven approach, given that suppliers tend to face an environment consisting of multiple and rapidly-changing clients (Rubery et al., 2004).

2.2. Other factors influential in the diffusion of good HR practices

By focusing on the different stages in the life span of a supply chain relationship, we have highlighted a few firm-specific and context-specific factors that may affect HR practice diffusion. One factor shaping the diffusion of HR practices throughout supply chains is the extent to which clients and suppliers involve third parties, such as trade unions. Unions and other third parties tend to have significant effects on HR practices within supply chains. At the macro level, the Labour government, for example, has encouraged unions to actively stimulate demand for employee training (Keep and Rainbird, 2003); at the micro level, for instance, SMEs with recognized trade unions are more likely to have formal inductions, grievance and disciplinary procedures and two-way team-briefings (Bacon & Hoque, 2005). Where unions are present within a supply chain, it is likely that the 'good' HR practices they endorse and support will be more easily diffused across the network. That is, when firms receive 'union buy-in' for good practices, these are easier to implement within the workplace, and therefore may prove more successful than if the union opposes the diffused practice. In this way, unions can have a substantial effect on HR practice diffusion, by acting as either a conduit or impediment to diffusion, depending on the extent to which they find the practice valuable.

Finally, one must not overlook institutional factors. Institutional influences on supply chains may vary considerably, and include, but are not limited to, government legislation, societal expectations, industry trends, professional affiliations or leading organisations, and activist groups (Paauwe & Boselie, 2003; Greenwood & Hinings, 1996). For instance, clients and suppliers may attempt to diffuse what they consider fashionable trends in HRM practices to appear up-to-date and to potentially gain advantage over other organisations (Wright & McMahan, 1992). Professional associations, such as the Chartered Institute of Purchasing and Supply or the Chartered Institute of Management Accountants tend to shape norms and values, and might also limit or encourage the adoption of HR practices. Regulatory and legislative pressures, such as European directives and national or industry-based bargaining arrangements, may also substantially shape the extent to which HR practices can be easily diffused between clients and suppliers.

2.3. Conclusion

In sum, the diffusion of 'good' HR practices throughout any supply chain is contingent on a vast array of influences. The power and leverage necessary for a good practice organisation to diffuse good HR practices throughout the supply chain depends on the period of the contractual cycle during which diffusion is being attempted, on the specific approach taken by the diffusing party, and on environmental circumstances. Our approach also emphasises that this 'good practice' diffusion is not necessarily a one-way street; clients and suppliers may have equal opportunities to shape HR practices, depending on the circumstances of the relationship between the two entities.

3. METHODOLOGY

A case study approach was chosen to provide an in-depth exploration of how organisations might influence the diffusion of HR practices across supply chains. Our case studies comprise two distinct networks of clients and suppliers (see Marchington et al., 2011 for a fuller exposition of this). The first focused on a client organisation and two of its suppliers, whilst the second focused on a supplier and two of its clients. Although the case studies are limited in number and only focus on part of the focal organisation's supply chain network, a key advantage of these case studies is that they report on both supplier and client perspectives in the supply chain relationship, thereby enabling a more triangulated view.

Table 1: Structure of the Case Studies

1. Client-Focused Case Study	
<i>Focal Organisation</i>	<i>Supply Chain Partners</i>
Client	Supplier 1
	Supplier 2
2. Supplier-Focused Case Study	
<i>Focal Organisation</i>	<i>Supply Chain Partners</i>
Supplier	Client 1
	Client 2

Using a purposeful sampling strategy (i.e., sampling to provide maximum insight and understanding), two case study networks were selected on the basis that they could be viewed as including 'good' practice organisations, particularly within their sector and that such organisations may be more inclined to try to influence positively the HR practices of their supply chain partners. Defining a 'good' practice organisation is clearly not without its difficulties. But we sought to select organisations that have a strategic aim to promote good working practices (e.g., to promote ethical trading, to promote employee welfare) and have been recognised as do so, e.g., through receiving industry awards and therefore might be recognised as an example of good practice within their sector. In each case, the initial contact was made with a senior manager of the focal organisation, either by email or phone. This initial contact was followed up with either a meeting or further telephone conversations to explain further the nature of the research and to give assurances about confidentiality and anonymity.

A purposeful sampling strategy was also used to select the supply chain partners of the focal organisation. In the client-focused case study, the two partners were suppliers and in the supplier-focused case study the two partners were clients. These partners were chosen in consultation with a manager of the focal organisation and after the initial interview with that manager. The manager was asked to name a number of supply chain partners with whom the focal organisation has a positive relationship, with whom the diffusion of HR practices might have occurred, and where a union is present. The manager was then asked to contact these organisations and to pass on details of the research and the research team. Not all partner organisations consented to participate. After

the agreement of a partner organisation had been gained, members of the research team then organised a site visit and interviews.

Each case study was designed to capture the views of managers and other stakeholders on both sides of the supply chain. To do this we conducted twenty-three semi-structured interviews with those who were most closely involved in the management of the supply chain, e.g., HR manager, senior contracts manager. The list of interviewees in each case study is set out in Tables 2 and 3. At Market Grocer, an HR manager was not interviewed as it was suggested by the Ethical Trade Manager that HR at Market Grocer had little involvement in supply chain issues.

Table 2: Client-Focused Case Study: Interviews

<i>Client</i>	<i>Suppliers</i>
Market Grocer	MeatHQ
Ethical Trade Manager Technical Manager Buyer	Senior HR Manager Site HR Manager Technical Manager
	Pmeat
Ethical Trade Manager Buyer	Divisional HR Manager Group HR Director Commercial Manager

Table 3: Supplier-Focused Case Study: Interviews

<i>Clients</i>	<i>Supplier</i>
Northern Hospital Trust	ContractCo
Senior HR Manager Contracts Manager Trade Union Representative	Division HR Manager Site HR Manager Site Commercial Manager
Midland NHS Trust	
Senior HR Manager Contracts Manager Trade Union Representative	Divisional HR Manager Site HR Manager Commercial Manager

The semi-structured interviews used an interview schedule with questions based on the approach of understanding the diffusion of HR in supply chains presented in the introduction (e.g., contract negotiation, contract operation, nature of relationship) as well as other important issues pertinent to the study such as organisational context. The key issues covered in the interview were:

- Aims of the supply chain relationship
- The nature of the supply chain relationship
- How the contract was set up
- Definitions of good HR practices
- Influence on supplier's/client's HR practices
- Other influences on organisations HR practices

Separate interview schedules were developed for those in either the client or supplier organisation, to ensure that the language was appropriate to the person's position in the supply chain. The different versions of the interview schedules can be seen in Appendix A.

The interviews lasted from one hour to one hour and a half. All but one interview was recorded and all recorded interviews were transcribed. The transcripts of the interviews were analysed using template analysis. The initial template used in the template analysis was based on the key elements of our general theoretical approach. The interview data were supplemented with information gained from company reports where possible.

4. THE CASE STUDIES

Case Study 1: Market Grocer

Market Grocer is one of the largest food retailers in the UK with thousands of suppliers in the UK and abroad. Of the two suppliers examined in this study, one supplied red meat products (MeatHQ) and the other supplied pork products (Pmeat). Market Grocer's relationship with all meat suppliers is governed by legally-binding contracts, key elements of which are clauses setting out product price and quality (e.g., colour, texture, weight, age, shelf-life, packaging), conditions of supply and non-compliance penalties. Compliance is closely monitored by Market Grocer, e.g., the quality standards of each daily product batch from the suppliers is audited daily and on-site technical audits are conducted quarterly. The relationship with each meat supplier is managed primarily by a technical manager (concerned with product specification) and a commercial manager (who focuses on costs).

Contracts between Market Grocer and its suppliers also include a requirement for the supplier to meet the labour standards of the Ethical Trading Initiative (ETI). The ETI is a non-statutory voluntary code of conduct set up by companies, trade unions and voluntary organisations to protect and improve employee working conditions, particularly those of suppliers in the developing world. The ETI base code is largely derived from the International Labour Organisation's Decent Work Standards and has nine key components (see Appendix 1 for more detail):

1. Employment is freely chosen
2. Freedom of association and the right to collective bargaining are respected
3. Working conditions are safe and hygienic
4. Child labour shall not be used
5. Living wages are paid
6. Working hours are not excessive
7. No discrimination is practised
8. Regular employment is provided
9. No harsh or inhumane treatment is allowed

A supplier's compliance with the ETI base code is monitored by an announced ethical trade audit, initiated by Market Grocer or the supplier. The audit is conducted by independent auditors and involves a two to three day site visit, an inspection of company documentation and interviews with employees at all levels in the organisation. In the event of noncompliance, all parties are required to work towards a resolution. An audit is usually financed by the supplier. Both suppliers in this study are audited once a year. Market Grocer has an Ethical Trade team whose aim is to monitor all own brand suppliers' compliance with the ETI base code to ensure that employee working conditions in the supply chain are protected, to evaluate the risk that a supplier might pose to the brand image and

to promote the supplier's ability to be compliant with the ETI base code. This is achieved by a number of methods, including the verification of audit reports and announced and unannounced visits.

Any breach of the supplier's terms and conditions as agreed in the commercial contract, particularly those concerned with product quality and ethical trade standards, is viewed by Market Grocer as having the potential to result in negative customer perceptions, to reduce sales, and, as such, to carry a commercial risk. Evaluating the risk of a supplier to Market Grocer was therefore an important part of the role of all those involved in supply chain relationships at Market Grocer and was central to any consideration of new or continued business with a supplier.

MeatHQ

MeatHQ is one of the largest privately owned meat suppliers in the UK and Ireland, with 10 sites and approximately 3,500 employees. It has an annual turnover of £650 million and is one of the major suppliers of red meat (e.g., beef, lamb) and pork to the retail trade in the UK and to other food service organisations. We focused on one site within MeatHQ, its headquarters, at which the main activities are the processing and packaging of red meat and pork. Fifty per cent of products from this site go to retailers, five of which are large UK supermarkets. Market Grocer accounts for a significant proportion of business at this site and has been trading with MeatHQ continuously for the past 25 years.

The production process at MeatHQ is spread across two parts of the site – primary and retail – which are separated by a short walk. The primary part of the production process is concerned with the slaughter, deboning and cutting of the animal. This process is organised on production line principles, with the animal carcass being passed along the production line on which it is subject to various cutting procedures performed by knife and hand-operated machines. The meat is then taken to the retail part of the site where it is stored. The main production process in retail is organised in three stages: meat processing, e.g., cutting, mincing; packaging; and, palleting for dispatch. Each stage of this process is conducted by separate teams and is organised around machine-paced packing lines. Much of the work on the packing machines involves placing meat into trays and packing the trays on to palettes. This work is conducted at a fast pace.

Operational Demands. Managers stated that a key operational demand was the need to meet very tight order deadlines, particularly in retail. All the large retailers place their orders at various times in the morning and expect the order to be dispatched later that day. To manage this quick turnaround, Meat HQ has to anticipate all orders before they are received and do this using historical order patterns. Anticipating an order before it is received needs to be conducted to ensure efficient use of product (e.g., not killing too few or too many animals) and the efficient use of labour, i.e., ensuring an adequate number of employees are deployed each day. The amount or content of an order can be very different to that expected, as retailers can change an order at short notice in response to better than expected weather or promotions, although this situation does not occur with great regularity. Market Grocer has been working with MeatHQ to make MeatHQ better aware of how campaigns and promotions might affect orders.

A further key demand perceived by managers at MeatHQ was their ability to control rising costs and to pass on these costs to the clients. Managers at MeatHQ perceived little ability to control meat costs or labour costs, the latter because most employees at MeatHQ are paid the statutory minimum wage. The major clients of MeatHQ were reported to be extremely reluctant to bear any increase in costs and to be always looking to achieve the lowest price possible.

Human resource and working practices. With regard to HR practices, a piece rate system was used such that employees were able to achieve an hourly rate of pay that was slightly higher than the then statutory minimum hourly pay rate of £5.93. With regard to working hours and working time, production employees typically worked an eight hour shift, five days a week, Monday to Friday. Employees could work up to a maximum of 60 hours in accordance with ETI regulations and if the employee had signed the opt-out from the EU imposed 48 hour limit. Seventy-seven per cent of employees were full-time and 12 per cent of staff were agency staff. About 80 per cent of production staff were foreign nationals, mainly from Eastern Europe but also from Portugal and Brazil. All foreign nationals were on the same terms and conditions as other employees.

Employee training was given much prominence at MeatHQ, something recognised by managers at Market Grocers. MeatHQ is accredited by Investors in People and all production employees received training on: production techniques and standards; health and safety training; and bullying and harassment. Meat HQ had also set up an on-site butchery Training Academy in conjunction with the Meat Training Council as part of the Modern Apprenticeship programme and this training led to an NVQ Level 2 in Food Manufacture. All managers had recently undergone a year-long management training programme consisting of thirteen modules on various aspects of management, while all supervisors had completed a supervisory training programme run by the Institute of Learning and Management.

The work organisation of employees varied but in the production department, work was organised around production lines, with each job involving a short, repetitive task with little task discretion and little work rotation within a shift. Jobs in primary production were more skilled than those in retail production. With regard to employee relations, Unite is recognised at MeatHQ and there is an employee forum, consisting of managers and employee representatives from each of the key production areas. Managers at HR perceived that they are particularly good at health and safety, training and development, promoting diversity (especially with regard to integrating migrant workers), and that they had effective policies regarding equal opportunities.

Nature of relationship with Market Grocer. The relationship between MeatHQ and Market Grocer was managed primarily by MeatHQ's and Market Grocer's technical and commercial managers, who were in daily contact. Market Grocer managers also visited MeatHQ quarterly. MeatHQ's HR managers were responsible for ensuring ETI compliance and were in monthly contact with Market Grocer's Ethical Trade manager. The MeatHQ HR managers had also attended a number of training and networking events run by the Market Grocer's Ethical Trade manager. All interviewees had positive views of the relationship between the two organisations, that there was a high degree of trust and cooperation and that each had a good understanding of the other's business. In particular, interviewees from Market Grocer reported that managers at Meat HQ fully understood Market Grocer's values and the importance of those values to its brand image. This mutual understanding was seen to contribute to a constructive approach when problems arose and to prevent unreasonable requests by either

side. Interviewees on both sides suggested that the positive relationship between the two organisations was partly a result of core staff on both sides holding the same posts for a long time, e.g., for over five years, partly because there was one main point of contact between the two firms, which reduced the complexity of communication.

Pmeat

Pmeat is part of a large multi-national foreign-owned company producing pork products. In the UK, Pmeat has seventeen manufacturing sites and employs approximately 8000 people. The case study focused on one site that processes and packs meat. The site has approximately 800 employees, of which about 30 per cent are agency staff. Forty per cent of products produced at this site go directly to retailers, which include large UK supermarkets, while the remaining 60 per cent goes to wholesalers and other factories within Pmeat. Market Grocer accounts for a significant proportion of business at this site and is the second largest customer at this site.

The production process at Pmeat is split into primary and retail sections. The primary section is concerned with the deboning and cutting of different parts of the pig but mainly the leg. The primary section is organised as a production line with sequentially ordered processes conducted manually by different operators. The retail section is concerned with the further processing of the meat and meat packing and is organised around production lines that include machines for slicing and packing. Compared to MeatHQ there is a greater use of automated machinery for meat slicing and packing in the retail section, and this may be partly related to the more uniform nature of the pig carcass. But Pmeat has invested £18 million in new technology in the last six years and the divisional HR manager described the plant at Pmeat as a state-of-the-art facility.

Operational Demands. Managers stated that a key operational demand in the production department is the need to meet tight order deadlines, particularly in the retail section, in response to the varying demands of retailers. However, the effects of fluctuations in retailer demand on the production process appear to be somewhat less problematic for Pmeat than MeatHQ. This is because some products produced at Pmeat (e.g., cured meats) have a longer storage-life than those at MeatHQ, so 'quiet periods' can be used to build up stock. Changes in demand are also less problematic at Pmeat compared to MeatHQ because production can be switched to another Pmeat manufacturing site.

Human resource and working practices. With regard to pay and rewards, production line operatives were paid £6.36 per hour basic rate (above the minimum wage of £5.93), except in the butchery wholesale department, where a piece rate system was used. Concerning working time, employees typically worked a 38 hour week but could work up to a maximum of 60 hours in accordance with ETI regulations and if the employee had signed the opt-out from the EU imposed 48 hour limit. There were three basic Shift patterns: a day shift from Monday to Friday; a twilight shift from Tuesday to Saturday; and a twilight shift from Wednesday to Sunday. Historically, 30 per cent of employees have been temporary agency staff, although it was expected that this would be reduced to 10 per cent as a result of the introduction of the agency workers directive. About 25-30 per cent of production staff are foreign nationals.

Work organisation at Pmeat was similar to that at MeatHQ, in that work was organised along production lines and jobs typically involved a repetitive task with little task discretion. However, in comparison to MeatHQ, some task cycle times were longer in retail and some tasks were automated due to the use of technology. Jobs in primary production are seen to be more skilled than those in retail production. With regard to training and development, all shop floor employees receive induction training as well as legally required training in health and safety. Shop floor employees were trained to NVQ Level II in Food Manufacturing or Meat and Poultry Manufacturing, or Quality Control. Supervisors receive training in management skills to NVQ level 3, while managers have received training from NVQ levels 3 to 5 (e.g., the 'Inspiring Leadership' and 'Managing Excellence' courses). All managers have also received training on 'dignity at work', and this training is going to be delivered to all staff next year. A performance management system is being introduced for managers and supervisors, for which they are to receive training. Lastly, trade unions are recognised and the site has an employee forum.

The divisional HR manager perceived that Pmeat had good HR practices with regard to training and development (although the site is not currently accredited by Investors in People), health and safety (Pmeat has won several Health and Safety Awards) and performance management, and also that the workforce was diverse with a mix of ethnicities and ages. A stated aim of Pmeat is that it wanted to be recognised as one of the top employers in the UK.

Nature of relationship with Market Grocer. Pmeat classifies its contracts with clients into 'partnership' and 'trade' accounts. It was reported that partnership accounts tend to be larger, involve more joint long term planning, have more resources invested in them and that their supply is prioritised. Market Grocer is one of four partnership accounts. The nature of the contact between managers in Pmeat and Market Grocer is very similar to that described in MeatHQ, except that Pmeat's HR managers have far less direct contact with Market Grocer. All interviewees viewed the relationship between Pmeat and Market Grocer in generally positive terms and as having improved over the years. However, Pmeat's HR manager and commercial manager suggested that Pmeat would prefer a longer and more secure contract with Market Grocer (as with another partnership account), as this would enable the company to be more confident when planning investments. Managers at Pmeat also believed that Market Grocer could be more transparent in the exchange of information, and contrasted this with another partnership client perceived to be more open with product and planning information.

Case study 2: ContractCo

ContractCo is a multinational organisation that provides services (e.g., catering, cleaning, estate management) to public and private organisations. In the UK, ContractCo has 43,000 employees across 2,300 locations. Over half of this business is conducted in the public sector. Managers from ContractCo stated that the organisation's expertise lay in service delivery, purchasing and human resource management and that this expertise enabled ContractCo to help clients realise cost savings and deliver service quality.

ContractCo is involved in twenty-five Public Finance Initiative (PFI) contracts, of which eight are in the NHS. This case study focuses on the involvement of ContractCo in two PFI contracts in the NHS, one at 'Northern Hospital' Trust and the other at 'Midland Hospital' Trust. These PFI contracts are similar in that each is between the Hospital Trust and a private sector consortium (i.e., Special

Purpose Vehicle or SPV) of which ContractCo is a part. Consequently, each hospital does not have a direct contractual relationship with ContractCo. This is reflected in the formal communication structure within each contract, such that ContractCo and Hospital managers are meant to communicate via the SPV and at monthly meetings. The lack of a direct contractual relationship with ContractCo was seen by managers on both sides to increase the complexity of the working relationship, although more direct and informal contacts do occur and are viewed as necessary by each party to ensure a productive working relationship.

A key difference between the contracts at Northern and Midland Hospitals is the employment regulation frameworks within which they were developed. The Northern Hospital contract was developed under Transfer of Undertakings (Protection of Employment) Regulations (TUPE) (for more information see Department for Business, Innovation and Skills, 2009). This means that all employees transferred from the NHS to private contractors retain NHS terms and conditions in areas such as pay rates, pay bands, sick pay, supplementary payments (e.g., overtime) and holiday entitlements. ContractCo also signed a joint statement agreeing to abide by the 'two-tier code', which means that new staff who fill 'TUPE' protected positions will also retain these NHS terms and conditions. In 2004, NHS terms and conditions were significantly altered by the implementation of the Agenda for Change Agreement. This agreement, negotiated by the government and trade unions, harmonised terms and conditions for all NHS workers (other than doctors) in areas such as pay, pay supplements, pay bands but was subsequently extended to cover all TUPE covered employees in NHS contractors.

The Midland Hospital contract was developed under 'Retention of Employment' (RoE) regulations, which were introduced in 2001 by the NHS in negotiation with national trade unions (for more information see Davies, 2004 and Unison, 2003). The RoE regulations mean that, when services are contracted out, the majority of non-supervisory ancillary employees (e.g., portering, cleaning, catering and laundry workers) retain their contract with the hospital and are managed by the service provider (i.e., ContractCo) according to hospital policies. Thus an important implication of the RoE model is that the contractor (ContractCo) has to adopt the HR policies of the NHS hospital when managing non-supervisory ancillary employees. All other staff (e.g., hard facilities management employees, supervisors and managers) are transferred under TUPE regulations, so their employment contract is with the contractor and they are managed according to the contractor's policies.

Northern Hospital Trust

Northern Hospital Trust's main site is a large hospital with approximately 1,000 beds and 5,300 employees. The PFI contract at Northern Hospital started in 2001 and has three major parts: building a new hospital; providing 'hard' facilities management services; and providing 'soft' ancillary services. ContractCo is responsible for the provision of 'soft' ancillary services and employs approximately 700 staff, of whom 60 per cent are full-time and 10 per cent are agency staff. The bulk of these employees are front-line ancillary workers employed within one of four departments, namely, catering (70 employees), portering (110 employees), cleaning (360 employees) and laundry (20 employees). The PFI contract is scheduled to run until 2035 (See Appendix C for detailed time line of this contract) and the parliamentary accounts committee

estimated that the total lifetime cost of the contract is £892 million, of which ContractCo will receive £403 million (45 per cent)¹.

Operational Demands. ContractCo managers stated that a key operational demand was to ensure service delivery complied with contractually specified standards - often set out in great detail - whilst achieving a profit. Monitoring service compliance was therefore a significant activity for all managers at ContractCo and a small contract monitoring team was set up to support this. Another important operational demand at ContractCo was the need to reduce the sickness absence rate of 7.5 per cent, which was prioritised by managers from Northern Hospital due its impact on costs. The high sick rate was seen by ContractCo and Hospital managers to result partly from the sick pay rates that ancillary employees received under the Agenda for Change agreement. For hospital managers, a key operational demand was to monitor ContractCo's contract compliance (a small team was employed by hospital to do this) and to protect the public image of the hospital. Hospital managers were also concerned with reducing the sickness rate, as under the terms of the current contract they had to pay for any resulting extra labour costs.

Human resource and working practices. ContractCo's workforce at Northern Hospital comprised two main groups:

- Ancillary and supervisory staff transferred under TUPE regulations whose contractual terms and conditions are set by the Agenda for Change Agreement.
- Supervisory and managerial staff (either existing or newly recruited) whose contractual terms and conditions are set by ContractCo.

We will focus on the HR practices pertaining to the first of these groups, as it was the largest. ContractCo was contractually required to manage TUPE transferred employees using NHS terms and conditions as set out by the Agenda for Change Agreement. The lowest pay band was £13653-£14364 in 2010-11 (£6.98-7.35/hr) and most ancillary employees at Northern Hospital were located within this band. Other terms and conditions included: sickness pay (first year of service is one month full pay and one month half pay, and after five years of service sick pay is six months full pay and six months half pay), maternity pay (52 weeks full pay); a defined standard working week (37.5 hours), annual leave allowances (27 days on appointment, 29 days after five years service), maximum weekly working time (48hrs per week) and rest periods between shifts (11 hrs).

ContractCo was also contractually obliged to manage all TUPE transferred employees using HR policies that were compatible with the hospital's HR policies in areas such as performance management, grievance and disciplinary, training, and equality and diversity. In practice, this meant that ContractCo managers had a level of discretion over the design of the HR policies and how they could be applied. For example, ContractCo used its own biannual performance appraisal system to manage employee performance, and its own equal opportunities and diversity policies, while the grievance and disciplinary system was based on a company model which ContractCo managers perceived to be quicker, simpler and more effective than the NHS system. ContractCo based its sickness management policy on the Agenda for Change draft sickness management policy. However,

¹<http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpublic/writev/1201/m02.htm>

with the agreement of the hospital, ContractCo managers have removed one stage from this policy, so they are now able to proceed from a first warning to a final warning. Training was provided within the context of a branded training programme used across all of ContractCo's health contracts and this included modules on mandatory health and safety training (IOSH, COSH), induction, job tasks (delivered on-the-job), customer service, and equal opportunities (the latter had won several training awards). Some of these modules were adapted from existing NHS training, e.g., fire training, infection control, food safety training. Supervisors had also been put on a twelve-week supervisor training course.

Other facets of HR practice that were not covered directly by the PFI contract included work organisation and employee relations. Within each ancillary area (i.e., cleaning, catering, portering) work was organised into different supervisor-led teams. Each type of ancillary jobs differed with regard to the level of discretion and standardization. For example, cleaning jobs had low job discretion and high standardisation, as evidenced by the requirement to follow a set work schedule indicating where, when and how to clean. In contrast, portering jobs had relatively higher levels of task discretion in terms of the timing and methods used and the job task was not subject to standardized procedures.

With regard to employee relations, the main trade union at the hospital was recognised by both the hospital trust and ContractCo, although ContractCo did not recognise the union at first. Seventy-five per cent of the workforce are union members and union reps are allowed time off for union activities (as set out in the Agenda for Change agreement). There is no formal joint consultation meeting at the hospital. The trade union representative stated that he has to meet managers from the hospital and ContractCo separately and that this protracts negotiations unnecessarily.

Relationships between ContractCo and Northern Hospital. ContractCo's business director (responsible for contract delivery) and the hospital estates manager (responsible for contract compliance by ContractCo) reported having regular contact throughout the week, while the monitoring teams of these managers were in daily contact. The relationship between hospital and ContractCo managers in the first few years of the contract was perceived to have been difficult, partly as a result of ambiguities and errors in the contract causing difficulties in service delivery and contract interpretation, and partly because the development of a good working relationship was hampered by the turnover of managers on both sides. The current relationship was described in generally positive terms by managers from ContractCo and Northern Hospital. ContractCo's business director described the relationship as one of the best ContractCo has amongst its different contracts in the healthcare sector, as well as the willingness of these managers to exchange information, to work with ContractCo to improve service provision, and to take a flexible approach to problems that emerged. The hospital estates manager described the current relationship as constructive, with a level of trust existing between both sides, but that the relationship was "a bit like a roller coaster, in that we get on tremendously well for certain periods on certain issues, yet on other issues we seem to have a bit of a, I use the word 'battle' on some things". The HR managers on each side reported little contact but indicated that they had a good relationship.

The relationship between the union and ContractCo was described by the ContractCo business director as conflictual, while the union representative noted that there are anxieties on both sides and that there have been some sharp exchanges between shop stewards and ContractCo managers. The relationship between the trade union and the hospital HR director is seen by the union as

being more positive. In 2011, ContractCo entered into a national framework agreement with three trade unions that sets guiding principles for managers, union representatives and other employees regarding the expectations they may have of each other, although this appears to have had no effect on practices and relationships at the hospital.

Midland Hospital Trust

At the time of the interviews, Midland Hospital Trust consisted of three acute hospitals employing approximately 6,000 staff. The thirty-six year PFI contract, with an estimated lifetime cost of £361million, started in 2007 and has four major parts: building a new large acute hospital; facilities management services; communications services; and equipment services. ContractCo is responsible for facilities management, including both 'hard' services, e.g., building maintenance, and 'soft' ancillary services, e.g., portering, cleaning and catering. Under the terms of the contract, facilities management staff migrated to the new acute hospital in stages, at which point they became the responsibility of ContractCo. Just over half of all ancillary employees have been migrated including 50 catering, 75 portering and 200 cleaning employees. Sixty per cent of these employees had part-time contracts. About 15 per cent of employees were agency staff, although this varied according to the need to cover sickness absence (currently 7-8 per cent), holidays and evening and weekend work. In addition, approximately 40 hard facilities management and 20 supervisory and managerial staff had been transferred under TUPE regulations to ContractCo. Another 400 staff were due to be transferred to ContractCo by November 2012 as services continue to migrate from the old acute hospitals to the new acute hospital. The change process was managed according to a 'Change Management' policy developed between ContractCo, Midland Hospital and the two main trade unions. This policy meant that ContractCo has to put forward a service plan which is then refined in discussion with the hospital and the trade unions. Once the service plan is agreed, it is then subject to a further 90-day consultation period with employees and unions and any further adjustments are then made.

Operational Demands. As at Northern Hospital, managers at ContractCo stated that a key operational demand was to ensure that service delivery complies with contractually specified service standards. Additional operational demands were to reduce sickness levels and to ensure the smooth transition of services and staff from the old acute hospitals to the new acute hospital. Although many aspects of transition were perceived by managers from both ContractCo and the hospital to have been handled effectively, some aspects of the transition process had experienced difficulties at the point of hand over (e.g., staffing levels) or when a new service system was introduced, e.g., a new catering service. Key operational demands for hospital managers were monitoring ContractCo's contract compliance, protecting the hospital's public image and managing the change process.

Both ContractCo and the hospital use contract compliance teams to monitor and report on whether contractually specified service standards are being achieved by ContractCo, not only in relation to each of the key ancillary areas (e.g., cleaning, catering etc.) but also in relation to HR policies and practices. For example, ContractCo has to ensure that a certain proportion of employees are trained to a pre-specified level. These HR-related standards were included in the contract as the hospital needed a mechanism to ensure that hospital staff would be managed by ContractCo according to hospital policies. ContractCo's HR manager stated that monitoring and reporting compliance with these standards is a significant part of her job.

Human resource and working practices. ContractCo's workforce at Midland Hospital was comprised of three main groups:

- Ancillary staff managed under RoE regulations. This group were employed by the NHS (with Agenda for Change terms and conditions) but managed by ContractCo according to hospital HR policies.
- 'Hard' facilities management employees, supervisory and managerial staff transferred under TUPE regulations. This group were employed by ContractCo, had Agenda for Change terms and conditions but were managed according to ContractCo HR policies.
- Supervisory and managerial staff whose contractual terms and conditions were set by ContractCo and who were managed according to ContractCo HR policies.

The HR practices used to manage each group differed considerably. With regard to ancillary staff managed under RoE regulations, ContractCo was obliged to manage staff in accordance with the Agenda for Change Agreement and Midland Hospital HR policies. There are approximately 50 hospital HR policies but the hospital HR manager stated that the Hospital, ContractCo and the trade union had concentrated on developing protocols for 10 HR policy areas perceived to be the most critical. These included recruitment, grievance and disciplinary, sickness management, performance management (including annual appraisals), training, capability (i.e., skill and educational levels), health and safety, dignity at work, and the management of organisational change. Many of these HR policy areas were the sole responsibility of ContractCo, e.g., performance management, health and safety, dignity. Other HR practices were operated jointly. For example, ContractCo ran the recruitment process, but as an employee's contract was with the hospital, all appointments had to be confirmed by the Hospital. Similarly, ContractCo operated the grievance and disciplinary process. But if ContractCo wanted to dismiss an employee, a hospital manager had to be involved and only a hospital manager could authorise a dismissal.

Facets of HR not directly covered by the PFI contract or RoE regulations included working time and work organisation. Working time was structured using a shift system and work organisation in each of the ancillary areas (i.e., cleaning, catering, portering) was comparable in many ways to that at Northern Hospital, e.g., employees organised into teams; cleaning jobs with lower levels of task discretion than portering jobs.

Relationship between ContractCo and Midland Hospital. Formal contact between hospital and ContractCo managers occurred regularly at monthly meetings on 'soft' services, 'hard' services and contract performance. The hospital estates manager and HR manager also reported having frequent informal contact with ContractCo managers and other members of staff, and the ContractCo business manager and HR manager reported similar levels of informal contact. The relationship in the first few years of the contract was perceived to have been difficult as a result of operational problems and the turnover of ContractCo managers inhibited relationships developing. However, managers from ContractCo and Midland Hospital stated that they currently had good working and personal relationships with their counterparts and that problems and issues could be discussed in a constructive manner. There is also a joint consultation meeting each month between the union, and ContractCo and hospital HR managers. Both the hospital HR manager and the ContractCo business director described the relationship with the union as positive and constructive. The hospital HR

manager stated that "I think we would have really struggled to do what we've done without it [the joint consultation]" and that ContractCo had worked hard to maintain a good relationship with the union, while the ContractCo business manager stated that the joint consultation meetings are very useful with regard to the transition of services and staff to the new hospital.

5. CASE STUDY FINDINGS

As outlined in the introduction, the approach we took in this research to understand the diffusion of HR practices in supply chains emphasized different stages in the life span of the supply chain (i.e., pre-contract, contract negotiation, contract operation) and the firm and context-specific factors that may influence diffusion at each stage. This general approach was used to integrate the findings of the case studies and our analysis suggests that the following issues (summarised in Table 4) are important:

- During contract negotiation:
 - The role of clients, suppliers and institutional actors in shaping the nature of the supply chain contract.
- During contract operation:
 - The nature of the supply chain contract.
 - The role of clients, suppliers and trade unions.

Of these three issues, the current study found that the nature of the supply chain contract is most central to understanding the diffusion of HR practices. We therefore focus first on how the factors within the 'contract operation' stage shape HR practice diffusion, i.e., the nature of the supply chain contract, the roles of various actors during contract operation. We then focus on the contract negotiation stage and, in particular, on how the supply chain contract is shaped by clients, suppliers and other actors, e.g., unions². Lastly, we provide a summary of which HR practices were influenced by supply chain arrangements and the key factors of influence.

5.1. The nature of the supply chain contract

The main aim of the research was to address the conditions and processes that shape the diffusion of good HR practices in supply chains. Our analysis of the case studies highlighted two properties of a contract that play a key role in shaping the diffusion of HR practices across the supply chain: the number and specificity of HR-related clauses; and the nature of the operational and financial terms of the contract.

² It can also be noted that, although we suggested in the introduction that influences on HR diffusion might occur in the pre-contract stage of the supply chain life span, we could not find any evidence of this occurring.

Table 4: Summary of Factors Shaping Diffusion of HR Practices Across Case Studies

Factor	Supply Chain Stage	
	<i>Contract Negotiation</i>	<i>Contract Operation</i>
<i>1. Contract</i>	--	Contract Specification Contract and Operational Demands Precision of contract terms Coverage of HR practices Contract length
<i>2. Market Context</i>	Regulations, e.g., ETI base code, TUPE, Agenda for Change	Changes in regulations
<i>3. Client</i>	Leverage over contract specification	Seeing HR practices as solutions to contractual problems Leverage to secure change
<i>4. Supplier</i>	Leverage over contract specification	Existing HR practices Willingness of managers to be flexible re: contract Proactivity re: client engagement Transfer of Service & Employees Adoption of existing practices Adaption of existing practices Introduction of new practices
<i>5. Third Parties (Trade Unions)</i>	Participation in decision making within organisation Influence on national and industry regulation	Participation in decision-making within organisation Organisational Resources, e.g., number of officers
<i>6. Relationship</i>		Positive interpersonal relations, e.g., trust Exchange of information Mutual understanding Frequent contact Turnover of boundary spanning staff

HR-related contractual clauses

Each contract contained HR-related clauses concerned with the HR practices that the supplier had to adopt (Beaumont, et al., 1996). Contracts with a higher number of HR-related clauses had a greater direct impact on the diffusion of HR practices; and this difference was largely a result of the regulatory frameworks incorporated within the supply chain contract, e.g., TUPE, RoE, ETI. The contract with the greatest number of HR-related clauses was that between ContractCo and Midland Hospital. It was developed according to RoE regulations such that ContractCo had a contractual obligation to manage non-supervisory staff according to Agenda for Change terms and conditions and also that it had to manage these staff using Midland Hospital policies. In principle, this meant that ContractCo had to adopt approximately 50 of the hospital's HR policies, although in practice only ten HR policy areas perceived to be the most critical were focused on at the start of the contract, i.e., recruitment, grievance and disciplinary, sickness management, performance management, training, capability, health and safety, dignity at work, and the management of organisational change. Significantly, each of these ten HR policies was set out in detailed protocols and compliance with them was monitored against a set of performance standards on a monthly basis. The supply chain contract between ContractCo and Midland Hospital therefore had a wide-ranging and direct influence on the HR practices used by ContractCo.

ContractCo's contract at Northern Hospital was developed solely under TUPE regulations. An implication of this was that ContractCo had a contractual obligation to use Agenda for Change terms and conditions for non-supervisory ancillary staff. However, the TUPE regulatory framework provided no mechanism for ensuring that ContractCo had to adopt the Hospital's HR policies. Rather, the contract stated that ContractCo had to manage staff with HR policies that were *compatible* with those used by Northern Hospital. In practice, this meant that ContractCo was largely free to adopt its own HR practices (except those covered by the Agenda for Change agreement) and that the impact of the contract on the diffusion of HR practices was much more limited than the impact of the contract at Midland Hospital.

Market Grocer's contracts with MeatHQ and Pmeat stated that they had to comply with the ETI base code which covers nine HR-related topics. However, the impact of the ETI base code on MeatHQ and Pmeat was limited by the fact that some aspects of it are simply equivalent to UK law, e.g: no child labour; the payment of a living wage was equated to paying the statutory minimum wage. Managers at both MeatHQ and Pmeat stated that they were already meeting many of the standards of the ETI and thus there was little gap between contractual demands and current practice. This may partly explain why the ETI base code had relatively little impact on HR practices at MeatHQ and Pmeat. Managers at Pmeat could only provide two examples of the ETI standards influencing HR practices, namely, working hours and the training of agency staff (although the employee forum was implemented in response to another client's slightly different ethical trade standards). For example, the divisional HR manager stated that, in response to the ETI, Pmeat provided agency staff with access to similar levels of induction and production training as that given to permanent staff in response to ETI:

"Would I have done it with all agency staff? Possibly not, in honesty. And I think anybody who says that they would I think might not be telling the strict truth. Historically the use of agency staff is they're your [the temporary agency's] responsibility, not our responsibility."

At MeatHQ, when the contractual obligation to comply with the ETI base code was first introduced, MeatHQ was already compliant in most areas, e.g., health and safety, payment of a living wage, equal opportunities policies and practices. However, MeatHQ had to make a number of changes to meet the ETI base code standards - imposing maximum weekly working hours and reinstating an employee forum after it had been withdrawn by management. MeatHQ's contract with Market Grocer also required MeatHQ to ensure that its suppliers were ETI compliant. When MeatHQ tendered for staffing agencies, the tendering process required all staffing agencies to provide evidence that they were compliant with relevant parts of the ETI base code. In one case this involved working with a current supplier to suggest how to meet the required standards; and in response to this, the supplier recruited a new member of staff to ensure that all the contracts of employment offered by the agency were legally compliant. A similar effect was found at Pmeat, where managers had also started to audit their temporary staffing agencies to ensure that each met with the requirements of the Gangmaster Licensing Authority. Hence, these examples provide some evidence of industry regulations being cascaded down the supply chain.

Overall, the results indicate that the direct effect of the supply chain contract on HR practice at Pmeat and MeatHQ was limited, and far more limited than that which occurred at Northern or Midland hospitals.

The indirect effects of HR-related clauses at MeatHQ and Pmeat

HR-related clauses within the supply chain contract also had indirect or knock-on effects within suppliers, although there was a considerable difference in the nature of these indirect effects at MeatHQ and Pmeat in comparison to those at Northern Hospital and Midland Hospital. At MeatHQ and Pmeat, although there was little evidence that the contractual obligation to meet ETI standards caused a change in HR practices, the use of ETI standards signalled to suppliers that certain HR practices were valued by Market Grocer because their use was perceived to reduce the risk of a supplier to Market Grocer's brand image. As noted by the Group HR director at Pmeat:

"You don't want to be the site that's supplying Market Grocer that somebody has some horrendous injury at. So what we have got, at the back of our minds all the time, making sure we protect the retailer that we're working with and their brand. Because their brand's, our brand, almost. So you have that in your mind."

The need for suppliers to manage the client's risk perception might partly explain why Pmeat provided training to managers and staff on harassment, bullying and the fair treatment of migrant workers in response to an Equality Commission's report on the meat industry, even though Pmeat did not believe that it had a particular problem in these areas.

Another indirect effect of the ETI base code at MeatHQ and Pmeat was to increase the leverage of HR managers within the firm. The site HR manager at Meat HQ reported that he used the requirement to be compliant with the ETI base code to persuade production managers of the need for changes to practices and policies in the production department. The site HR manager noted that:

"Whenever you're coming along and saying [to production managers] Market Grocer want us to, they understand..... We don't even talk so much about the ETI based code, they do know about the ETI based

code, but what we will say is Market Grocer's requirement for these [practices]"

A similar comment was made by the group HR director at Pmeat when describing how she tried to persuade the board to invest in HR practices by pointing to the role that HR practices can play in meeting the ETI base code, lowering the perceived risk of doing business with Pmeat, and thus improving the possibility of increased trade with clients:

"So for me it's...I suppose when I'm trying to position things into the Board, it may be actually if we want to do more business with X customer, this is what we need to do."

In this way, regulations such as the ETI may increase the visibility and legitimacy of HR throughout the organisation, and this in turn may make organisations more receptive to implementing 'good' HR practices.

Another reported 'knock on' effect at MeatHQ of the contractual obligation to meet the ETI base code was to increase the attention paid to particular HR practices. As the site HR manager at MeatHQ explained:

"When you look at things like Sedex [the ETI audit process], and areas like that, I think what they do is they almost give you a reminder list of things to do or something maybe that you might overlook..... At least you can be focused on certain things. There are certain things that you now know that the customers are specifically interested in and we want to make sure that we're adhering to those requirements as well as all the normal legal requirements."

The use of the ETI base had the effect of highlighting certain HR practices as important and the need to monitor their effectiveness. Indeed, compliance with the ETI base code was reported as an item on the agenda in HR meetings at MeatHQ and records are maintained to show compliance with ETI criteria.

The inclusion of the ETI base code as part of the contract also affected working relationships within MeatHQ and between MeatHQ and Market Grocer. Managers at MeatHQ reported that use of the ETI base code had led to much closer working relationships between HR managers and production managers. The technical manager at MeatHQ noted:

"To be honest with you, we would have very little reason to have much contact with HR, because they'd be doing their HR functions and all the bits and pieces in the background..... Because Sedex [i.e., auditing for compliance to ETI base code] is involved, between us, we now have a link between us, there's sort of a common link there that we have to almost go through..... You've got your product managers who suddenly realise it's an awful lot more than just meeting the product technical requirements, there's a dimension which is much wider than that, and that's where HR comes in".

Another impact at MeatHQ was to increase the range of functions involved in the supply chain relationship with Market Grocer. Historically, only the technical, production and buying managers were in contact with Market Grocer but human resource managers were now in regular contact with ethical trade managers at Market Grocer.

Indirect effects at Northern Hospital and Midland Hospital

At Northern and Midland Hospital, ContractCo managers had little discretion over a number of key HR practices, particularly pay and reward, as these were specified in the contract. This lack of control in key areas of HR policy meant that one means of increasing profits, reducing labour costs by lowering pay and other benefits, could not be pursued easily by ContractCo managers. In response, the case study data suggests that ContractCo managers pursued a more conventional 'low-road' strategy to increase profits and lower costs by reducing staffing levels, being less flexible on shift patterns and working hours, altering work organisation (e.g., standardizing tasks in catering), introducing new technology (e.g., new bed movers for porters), outsourcing work to suppliers not covered by TUPE regulations (e.g., moving the laundry service to an external provider), increasing the use of agency staff, and increasing productivity targets. It can therefore be suggested that the contractual constraints on ContractCo with regard to certain HR practices stimulated change in other areas of HR practice. This suggests that the diffusion from client to supplier of one set of 'good' HR practices may have had 'knock on' effects for other HR practices in the supplier. Furthermore, the motive underlying these changes appeared to be cost reduction whilst maintaining compliance with contractually specified quality standards. As such, although regulations on working conditions may have prevented suppliers and clients in the NHS from being engaged in a race to the bottom centred on low pay, these regulations do not seem to have engendered, at least in one of our case studies, a 'high road' approach using more 'good' HR practices or quality-based competitive strategies (Finegold & Soskice, 2001).

Another indirect effect was with regard to the internal and external alignment of HR practices, particularly for ContractCo at Midland Hospital, where the supply chain contract has led to significant variation in the HR practices applied to different groups of employees. For example, the performance management and grievance and disciplinary practices for ancillary employees are different to those for managers. There are also differences within supervisory and manager levels, with some managers being on Agenda for Change terms and conditions and others being on ContractCo terms and conditions (e.g., pensions, pay, benefits) which may lead to inconsistencies in HR practice and problems with perceptions of fairness. Although, a 'two-tier' workforce was not seen by managers to be a significant problem at Midland Hospital, it did add complexity when managing across ContractCo.

Operational and financial terms of the supply chain contract

Central aspects of the supply chain contract in each case study concerned operational and financial terms relating to, for instance, costs, service and product specifications, quality standards, order variability and delivery times. These aspects of the contract constrained the ability to diffuse "good" HR practices across the HR chain. The impact of these operational and financial terms on a supplier's HR practices was most evident at Meat HQ and Pmeat where Market Grocer's contract specified low product prices. As a result, managers at MeatHQ and Pmeat perceived little option but to pay workers a low wage, which at MeatHQ was the statutory minimum wage, and at Pmeat just above the statutory minimum. The contract also allowed Market Grocer to change the content and volume of daily orders at short notice. To cope with these fluctuations in demand, Pmeat and MeatHQ used agency staff, which in turn encouraged a production process based on low skill levels (because high skill jobs may be more difficult to fill and because agency staff can learn simple tasks

quickly)³. The total length of the contract was not perceived by managers at MeatHQ or Pmeat to be particularly long-term and the contract also allowed Market Grocer to cancel or change the contract significantly (e.g., stop a product line, replace one product with another) with twelve weeks notice. At MeatHQ, one consequence of this was a reluctance to invest in technology that might automate some aspects of the production process, particularly the repetitive aspects of the packing process. Other research in the meat industry has also found such contractual arrangements to be common and that they typically lead to low pay, low skill jobs and the high use of agency workers (EHRC, 2010; James & Lloyd, 2008).

Thus, while Market Grocer's interest in protecting its reputation through the use of the ETI base code may help in diffusing some 'good' practices, its interests in maintaining cost-based competitive tendering to ensure low costs may inhibit the development of other 'good' HR practices in its suppliers. This dynamic tension in supply chain relationships appears to be a common feature of customer-facing industries such as food, clothing and supermarket retail (Purcell & Purcell 1999; Wright, 2011) and was recognised by managers at both MeatHQ and Pmeat. The Site HR Manager at MeatHQ commented on this in the following manner:

"So yeah, there's big HR implications because you suddenly are trying to run an unstable platform of orders. So I've even said to Market Grocer and I've said to [another retailer] you guys are driving these problems into our business. You want to criticise [us] for how we manage it or in fact you don't like our practices but the practices are driven by the demands of your business, so if you can get your act together and give us a stable order base we wouldn't have any agency workers at all, we'll employ them all. But they can't give us that."

And the group HR director at Pmeat also suggested that the ability to adopt better HR practices was, to some extent, dependent upon the nature of the contract with suppliers.

"If you're going to get a partnership approach with your people practices then you've got to have a partnership approach with the commercial."

In contrast, there was little evidence that the operational and financial terms of the contract affected HR practices at Northern and Midland Hospital. This may be because key operational demands in the hospital were more predictable, e.g., cleaning schedules, meals to be cooked. It may also be because those HR issues that might be indirectly affected by the financial terms of the contract, e.g., pay and benefits, were set nationally as a result of collective bargaining with trade unions.

³ Pmeat did, however, seem better able to cope with demand variability than MeatHQ, as a result of its products having a longer shelf-life and because of its ability to shift production to other sites.

5.2. The role of clients, suppliers and trade unions in contract operation

Further influences on the diffusion of HR practices during contract operation were clients, suppliers and trade unions. The evidence suggests that these actors were not only able to influence those HR practices specified in the supply chain contract but also those not covered by the supply chain contract.

Clients. During contract operation, a client's influence over a supplier's practices was greatest when formal monitoring of the contract indicated non-compliance or that the supplier was having difficulties in meeting the required standards. In such instances, client and supplier typically discussed how a supplier's working practices could be improved to remedy this situation. As might be expected, non-compliance with HR-related contractual terms was likely to result in a client suggesting changes to a supplier's HR practices. For example, ContractCo's HR manager at Midland Hospital described how the monitoring of the contract identified that employee appraisals were below standard and that, following the recommendation of Midland Hospital, ContractCo delivered appraisal training to all of its managers.

Similarly, in response to non-compliance with operational contractual terms, clients sometimes suggested that a remedy lay in changes to a supplier's HR practices. For example, ContractCo's operational difficulties were perceived by Northern Hospital managers to be caused partly by a lack of supervisory skills, and suggested that training might remedy this. After much discussion between Northern Hospital and ContractCo managers, a twelve-week training course for supervisors was implemented. However, client-requested changes to HR practice in response to operational non-compliance were often outside the remit of the supply chain contract, had cost implications or required a change to contractual terms. As such, suppliers appeared far more reluctant to make HR changes in response to operational non-compliance. This may partly explain why, for example, Northern Hospital managers did not perceive that all of their concerns were responded to by ContractCo. The hospital estates manager expressed the view that ContractCo had not addressed his belief that the high use of agency staff was leading to performance problems, particularly in relation to hospital cleaning, as they were less well trained. The estates manager at Northern Hospital also suggested that ContractCo had done little to change porter productivity and general levels of employee training, despite these being raised as issues.

Direct discussion with suppliers over non-compliance was one way that a client could influence a supplier's HR practices. Another more indirect means was through supplier capacity building, i.e., using training or networking events to increase supplier skills, developing documentation on ethical trade that suppliers can give to managers and employees. Such an approach was an explicit strategy of Market Grocer and involved running training and communication events for its suppliers on topics such as work force cohesion, workplace diversity, migrant-labour workforce forums, the agency workers directive, the use and auditing of the ETI base code and future changes in legislation. Capacity building events by Market Grocers also stressed to suppliers that having 'good' HR practices reduced the commercial risk posed by a supplier. This message was used in turn by HR managers in supplier organisations when arguing for change and investment in HR practices.

In contrast, supplier capacity building was not an explicit aim of managers at Midland or Northern Hospitals. The only evidence of such activity was the HR team at Midland Hospital providing informal training on the hospital's HR policies to ContractCo HR managers. Indeed, at Northern Hospital the relationship between the two HR departments appeared to inhibit any chance of capacity building or the exchange of ideas on best practice, as there was very little direct contact between the two HR departments. This was a source of frustration for ContractCo's HR manager at Northern Hospital who stated that:

"I think I'd prefer more contact, if I'm honest, I think I would prefer to be more involved because we could probably use some of their practices and bring them over into ContractCo and vice versa but I don't really get that opportunity to do that. I'd like to see how they manage their recruitment process.... So I'd like to maybe take a fresh look at that and maybe use some of their best practice within that particular procedure."

The more explicit approach to capacity building approach at Market Grocer may have been because the supply chain contract did not provide Market Grocer with a great deal of direct leverage over a supplier's HR practices and thus it had to adopt other means of trying to influence the HR practices of suppliers.

Supplier Influence. In each case study, the supply chain contract required the supplier to adopt particular HR practices. But contracts varied in the extent to which they gave a supplier discretion over the design and operation of these HR practices. For example, ContractCo managers had very little discretion over the design or operation of pay and reward systems for ancillary employees, as these practices were set out in great detail in the Agenda for Change agreement. In other instances, suppliers had discretion over the operation but not design of a contractually required HR practice. At Midland Hospital, ContractCo had to manage ancillary employees according to the hospital's HR policies, each of which were detailed in a series of long policy documents. Consequently, ContractCo's managers at Midland's hospital had little discretion over the design of these HR practices but they did have discretion over their operation. This was illustrated by ContractCo's business director at Midland Hospital who reported that ContractCo was far less likely to comply with requests for flexible working than the NHS:

"The NHS are awash with flexible working requests...which can cause issues for a PFI contract because obviously we have quite tight performance regimes.... It's something that the NHS are really, really keen on. I don't think ContractCo look to drive it, but we definitely do consider it."

When contracts did not specify the nature of the HR practice to be adopted, managers had far greater levels of discretion over its design and operation. For instance, at Northern Hospital, the contract stated that ContractCo's HR policies had to be compatible with NHS policies in areas such as training, performance management and grievance and disciplinary procedures. In response, ContractCo adopted its own internal HR practices.

One feature of the ContractCo case study was that it involved ContractCo taking over the operation of existing services. In those areas of practice over which ContractCo had discretion, managers were confronted with decisions on whether to adopt or adapt existing practices (e.g., use the same form of work organisation) or to introduce new practices designed and developed internally by

ContractCo. In many areas, ContractCo managers appeared to prefer adopting or adapting existing hospital practice. For example, at Northern Hospital, ContractCo managers decided to adopt certain hospital practices (e.g., work organisation of porters, shift patterns), to adapt some practices to make them more relevant to ancillary employees (e.g., fire training) and to amalgamate NHS and ContractCo practices, e.g., sickness management policy. Adopting and adapting existing working practices may be advantageous at the beginning of a contract, as it may help to ensure a smooth transition from one service provider to another by reducing the complexity of the change process. Such an approach appeared to be an accepted way of managing at ContractCo. As noted by ContractCo's business manager:

"We have own policies and procedures and our own processes that are quite stringent but they can be made client specific. So if a particular client has a particular issue, or a concern, or a method of doing things in a better way that's more productive for that particular site, then we can nurture those policies and procedures."

But this type of approach may go against a client's expectation that a supplier should be proactive in developing and introducing new practices. Indeed, one hospital manager made the following comment in response to an interviewer's question about whether ContractCo had approached the manager with new ideas and initiatives on service provision and HR practices:

"No, is the short answer, and that is something that is a constant bugbear that we've constantly raised. I have personally said on a number of occasions to both the SPV and [ContractCo], "Why isn't somebody banging on my door with proactive suggestions about how we may deliver services differently?" Not necessarily to save money, but just differently to improve performance, et cetera. And we don't get that unfortunately, which is disappointing, because ContractCo are one of the market leaders in the provision of facility services, so you'd expect them to bring with them a wealth of knowledge to help influence how we operate as an organisation."

The quality of the relationship between supplier and client also appeared to be important. A high quality relationship was perceived by interviewees to be characterised by frequent contact and a degree of trust. Such relationships enabled boundary spanning managers to have a better appreciation of the other side's business, to be less likely to make unreasonable demands on changing HR practices, and to be more flexible and likely to make changes to HR practice in response to such demands. Indeed, the frequent turnover of boundary spanning individuals was cited as one of the main reasons for difficulties in maintaining high quality relationships. These results are in keeping with other work on the quality of relationships in supply chains, which shows that the ability of a manager to achieve change across organisational boundaries appears to depend on their boundary spanning skills (e.g., building sustainable relationships, negotiating with others, understanding the supplier's business, Williams, 2002).

One suggestion at the start of this study was that a supplier might influence the client's HR and working practices. However, interviewees offered very little evidence of this, albeit ContractCo's business manager cited two examples of where ContractCo had initiated changes to working practices, one of which involved the reorganisation of nurses' work tasks whilst food was being distributed on ward.

Trade unions. Trade union representatives were only involved in the decision-making process between client and supplier at Midland hospital. At Midland Hospital, regular formal tripartite meetings occurred and ContractCo was contractually obliged to follow a change management policy which included trade union and hospital involvement. Specifically, this meant that trade unions at Midland Hospital were consulted on the impact of ContractCo's proposed changes to working practices in areas such as shift patterns and staffing levels. In some cases, this had led to significant amendments being made and it is notable that trade union relationships were viewed positively by ContractCo and hospital managers. In contrast, there were no tripartite meetings at Northern Hospital and the relationship between ContractCo and trade unions appeared to be more difficult. The trade union representatives were able to influence some working practices, e.g., shift patterns, but they had less influence than those at Midland Hospital. Trade union officials also suggested that any proactive influence during contract operation was limited by a lack of resources (especially a lack of officials) meaning that the trade union was mainly restricted to reacting to the demands of its members and to changes introduced by ContractCo.

At MeatHQ and Pmeat, although trade unions were involved in negotiations over pay and other issues, they were not in contact with the supplier. Trade unions could not be said to have had any direct influence on the diffusion of HR practices at a local level at Pmeat or MeatHQ. But there had been trade union activity at another MeatHQ site, which had focused on the potential effects of a change in MeatHQ's working time practices to the brand image of Market Grocer. However, the effects of this trade union action on HR practice at the MeatHQ site examined in this study could not be discerned; though it did have the effect of making managers at MeatHQ sensitive to issues of working time. These findings are in keeping with those of Wright (2011), whose case study research found that trade unions might be able to increase their leverage in the supply chain by organising within and across organisations and by focusing on firm's reputation and brand image.

Overall, the evidence from the case studies indicates that, during contract operation, trade unions are able to influence the shape of HR practices within a particular site when they are closely involved in the decision-making process at that establishment (see also Hunter, et al., 1996) and that they may be able to increase their influence within a supplier by focusing on issues that may affect the supplier's reputation with a client.

5.3. The role of clients, suppliers, and trade unions in contract negotiation

During contract negotiation, clients used their dominant role to shape the contract in a way that would help them to control service quality (for both Hospitals) or product quality, product delivery and brand image (for Market Grocer) (Marchington et al., 2005). Market Grocer also used its dominance to try and gain control over the risk to its public reputation as an ethical trader by insisting on the inclusion of the ETI base code into contracts. Both meat suppliers were in a weak position to resist this demand from Market Grocer, not only because refusal may have resulted in the loss of a large contract but also because the same demands came from other major clients. In this way, voluntary regulations within the meat industry played a significant role in shaping the development of the contract during the negotiation period. Legally-enforceable statutory regulations played an important part in shaping the contracts in the

ContractCo case study, e.g., TUPE regulations, RoE regulations. Due to government policy, Hospitals had no choice but to include these regulations in the contract. As such, it cannot be said that local hospital managers included these regulations in the contract to protect the reputation of the hospital (although they might have had this effect) or to gain more control over the work processes. Nonetheless, it was interesting to note that, as a result of these regulations, local hospital managers were able to gain some leverage over the supplier's HR practices during contract operation, and did use this leverage to assert greater control over service quality. Thus, significant attributes of the industrial context of each case study were voluntary and statutory regulations and the extent to which clients and suppliers could control the inclusion of these regulations (Rubery & Earnshaw, 2005). The central role of voluntary and statutory regulations and standards in shaping contracts implies that the organisations involved in creating such standards (e.g., employer bodies, trade unions, government departments) have an important but indirect effect on the diffusion of HR practices throughout the supply chain (Wright, 2011).

Although clients had a dominant role in contract negotiation, their influence was tempered by the extent to which a supplier's expertise was drawn on to develop service and product standards during contract negotiations. For example, ContractCo's knowledge of service design was drawn on to develop contractual specifications on service design and performance standards in both hospitals, often in conjunction with the experience and expertise of the hospital managers. This finding resembles that of studies in IT supply chains, which has shown that the IT supplier has a high level of leverage over the design of the service contract as a result of their relatively higher level of expertise in comparison to the client (Grimshaw & Hebson, 2005; Marcello & Grimshaw, 2011).

5.4. Impact on human resource practices

The evidence from the case studies suggests that supply chains can influence a wide range of human resource practices. In Table 5 we set out the HR practices influenced by the supply chain in the case studies.

Wage levels. Wage levels in all the suppliers appeared to be strongly influenced by client-driven contractual clauses. Market Grocer was able to specify low product prices in the contract and this resulted in managers at MeatHQ and Pmeat perceiving that they had little option but to pay low wages. In contrast, Northern and Midland hospitals were required to incorporate TUPE regulations into contracts such that ContractCo managers had to set wage levels in accordance with the Agenda for Change agreement. One outcome of this was to maintain and protect the wage levels of ancillary staff at ContractCo.

Employment Security. Client-driven contractual clauses played a similar role in shaping the employment security of employees. Market Grocer's contracts with MeatHQ and Pmeat allowed it to modify demand at short notice and one way that managers sought to cope with this demand was to use agency staff on temporary contracts. In contrast, the incorporation of TUPE regulations into contracts at Northern and Midland hospitals meant that transferred employees kept the same employment contract and hence had a similar level of employment security. Furthermore, managers from Northern and Midland hospitals exerted pressure on ContractCo to reduce the use of temporary employees. At Northern Hospital this pressure was in response to concerns that the use of temporary employees affected ContractCo's ability to meet performance targets.

Working Time. There was little evidence that the supply chain had a marked effect on employee working time at MeatHQ and Pmeat. The incorporation of the ETI base code put an upper limit on working hours but this only affected a few employees. At Northern and Midland Hospital, the incorporation of TUPE regulations into contracts meant that ContractCo had to follow the working time arrangements of the Agenda for Change agreement. As a result, there were no changes with regard to working time practices such as holidays, maternity leave, or the definition of standard working week. However, ContractCo did instigate changes to shift patterns although these were often minor amendments rather than radical changes. Thus, overall, there was little evidence in the cases studied that supply chains had a strong effect on employee working time.

Disciplinary and grievance and sickness management practices were not affected by the supply chain arrangement at MeatHQ or Pmeat, as these practices were largely viewed to be outside the remit of supply chain arrangements. These practices were also relatively unaffected at Midland Hospital. This was not because they were seen to be outside of contractual arrangements but rather because ContractCo had a contractual obligation to adopt the hospital's policies. These practices were, however, operationalised differently by ContractCo, for example, by escalating disciplinary procedures more quickly than was the case at Midland Hospital. In contrast, at Northern Hospital, the disciplinary and grievance policies used to manage ancillary staff were greatly changed as a result of the supply chain relationship, as ContractCo introduced its own company specific policies. However, the sickness management procedures used by ContractCo at Northern Hospital were adapted from those set out in the Agenda for Change agreement, thereby indicating that the supply chain relationship had a strong effect on sickness management procedures in this case.

Work Organisation The strongest evidence of work organisation being affected by the supply chain occurred at MeatHQ and Pmeat. As detailed earlier, the operational and financial terms of the supply chain contract concerning low product prices and order variability led to the use of relatively low skilled jobs with little variety and discretion. At Northern and Midland Hospital, the supply chain had little effect on work organisation of employees beyond changes to roles brought about by the introduction of new technologies (e.g., in the portering role which enhanced role breadth) or new services such as the cook and chill service (which led to lower skill utilization). Part of the reason for this was that ContractCo did not appear to radically alter existing services when taking them over, particularly at the start of a contract, and this therefore led to little change in work organisation.

Training and Development. The supply chain had little overall effect on training and development practices at MeatHQ or Pmeat. However, the need to manage the client's perception of risk appears to have been one possible reason why training in bullying and harassment training was instigated, and managers at MeatHQ did participate in Market Grocer's capacity building events. Training and development practices for ContractCo ancillary employees at Northern and Midland hospitals remained largely unchanged by supply chain relationship. This may be partly due to ContractCo's contractual requirement at Northern Hospital to adopt compatible training practices and the requirement at Midland Hospital to manage ancillary employees using Midland Hospital policies. However, training of ContractCo's supervisors was strongly affected at Northern Hospital, where client pressure had led to a twelve week training programme in an attempt to boost their skills and performance; while at Midland Hospital, managers received appraisal training in response to the client identifying that performance appraisals had not been conducted to the standards required by the contract.

Employee voice. The supply chains studied appeared to have had some influence over employee representation and voice. For example, at MeatHQ, an employee forum had been reinstalled in response to the need to comply with the ETI base code. At the beginning of the Northern Hospital contract, trade unions were not recognised by ContractCo but the trade union had regained recognition after taking action. In contrast, the requirement for ContractCo to adopt hospital HR policies at Midland Hospital meant that from the start of the contract trade unions were involved in grievance and disciplinary procedures and were consulted about the change process.

From this overview, it can be suggested that no one HR practice appeared to be inherently more or less likely to be affected by supply chain arrangements. However, it is noticeable that most of the effects on work organisation were indirect and this maybe because managers may find it difficult to codify work organisation practices to the same extent as other HR practices such as pay, working time, employment security, training, or grievance and disciplinary procedures. Or it could have been the case that managers in these cases overlooked work organisation as an important factor to include in a supply chain contract.

Table 5: Influence of Supply Chain on Human Resource Practices

	<i>Market Grocer</i>	<i>Market Grocer</i>		<i>Northern Hospital</i>	<i>Midland Hospital</i>	
	<i>MeatHQ</i>	<i>Pmeat</i>		<i>ContractCo</i>	<i>ContractCo</i>	
HR Practice	Effects on Supplier		Cause	Effects on Supplier		Cause
Pay & Benefits	Lower pay	Lower pay	Financial Contract Clauses	Maintaining Pay and Benefits	Maintaining Pay and Benefits	HR-related contract clauses/TUPE regulations
Employment Security	Increased use of agency staff	Increased use of agency staff	Operational Contract Clauses	Maintaining Contract Status Reduce agency staff	Maintaining Contract Status	HR-related contract clauses /TUPE regulations Client pressure
Working Time	Limit on working hours	Limit on working hours	HR-related contract clauses/Ethical Trade Initiative Regulations	Specification holidays, maternity leave. Defined working week Changes to shift times	Specification holidays, maternity leave. Defined working week Changes to shift times	HR-related contract clauses /TUPE regulations Supplier's Operational Decisions
Management Control				Compatible sickness management practices		HR-related contract clauses Supplier response to HR- Contract Clauses/RoE regulation
Work Organisation	Job simplification	Job simplification	Operational Contract Clauses	Reducing and enhancing job roles	Reducing and enhancing job roles Adoption of Hospital's Health & Safety Policy	Supplier's Operational Decisions HR-related contract clauses /RoE regulations

Table 5 continued: Influence of Supply Chain on Human Resource Practices

	<i>Market Grocer</i>	<i>Market Grocer</i>		<i>Northern Hospital</i>	<i>Midland Hospital</i>
	<i>MeatHQ</i>	<i>Pmeat</i>		<i>ContractCo</i>	<i>ContractCo</i>
HR Practice	Effects on Supplier		Cause	Effects on Supplier	
					Cause
Training & Development	Bullying Training	Bullying Training	Managing supplier's risk perception	Adoption of some of Hospital's training modules	HR-related contract clauses
		Equivalent training for agency staff	HR-related contract clauses/Ethical Trade Initiative Regulations	Supervisor Training	Client pressure
					Adoption of Hospital's Training Policy
				Adoption of Hospital's Performance Management Policy Appraisal Training	HR-related contract clauses /RoE regulations Client pressure in response to breach of HR-related contract clauses
Representation & Voice	Reinstalling employee forum		HR-related contract clauses/Ethical Trade Initiative Regulations	Trade union recognition	Union Pressure
				Trade Union involvement in change management	HR-related contract clauses /RoE regulations
Recruitment & Selection				Adoption of Hospital's Recruitment Policy	HR-related contract clauses /RoE regulations

6. CONCLUSION

The aim of our research was to address the conditions and processes that influence the diffusion of 'good' HR practices in supply chains that contain 'good practice' clients and suppliers. Our approach focused on the firm and context-specific factors that might shape the diffusion process at stages in the life span of the supply chain. Our results indicated that the nature of the supply chain contract has the capacity to have a strong influence on the diffusion of HR practices through the supply chain. This means that the client and supplier motives and industry regulations which shape the supply chain contract during the contract negotiation stage are a significant influence on the diffusion process, as are the actions during contract operation of clients (e.g., managers' boundary-spanning skills, supplier capacity building), suppliers (e.g., aims, existing HR practices, discretion of supplier over HR practices) and trade unions (e.g., resources, nature of involvement). The results also indicated that there was a dynamic tension in both case studies between the aims and motives of actors that promoted the diffusion of 'good' HR practices (e.g., protecting reputation, maintaining workers rights and working conditions, quality-based competitive strategies) and those aims and motives that inhibited the development of 'good' HR practices, (e.g., low-cost HR strategies, cost-based competitive tendering). These tensions were present not only within an organisation, but also between clients and suppliers and between trade unions, clients and suppliers.

In sum, the case studies examined in this research indicate that the ability of 'good' practice clients and suppliers to diffuse HR practices throughout the supply chain will be shaped by a dynamic interplay between firm, context and institutional factors. One way that 'good' practice clients and suppliers may be able to promote the diffusion of 'good' HR practices (i.e., those that help to improve employee competence, motivation, contribution and well-being) is through the development of what we have called a 'people-orientated partnership contract', i.e., a contract in which explicit attention is paid to the role of human resource practices in the supply chain.

Lessons from the research for development of a people orientated partnership contract

During the **pre-contract stage** of the life cycle, clients and suppliers need to ensure that the other organisation is likely to fit with their expectations, both in business terms and in relation to the HR practices that are used. This is the stage at which the philosophy behind the installation of a 'people-orientated partnership contract' is tested and the client/supplier ensures that the other party is likely to make a suitable partner. However, as well as checking out the other party, each organisation needs to ensure that it is also consistent in its approach to HRM, and that the views of HR practitioners are shared by all members of the senior management team.

During **contract negotiation** a 'people-orientated partnership contract' could be developed by:

- The client and supplier being jointly motivated to introduce 'good' HR practices because these are seen to make business sense.
- Clearly specifying the HR practices and protocols that will be used for employees affected by the outsourcing arrangement and specifying clear HR-related criteria against which to monitor contract compliance of the supplier.

- Using HR practices to address issues that may be particularly problematic for employees working in supply chain networks, e.g., career progression, training and development, communication structures.
- Agreeing on including recognised, decent and fair working conditions regulations in the contract wherever possible.
- Recognising the limits of HR diffusion. Because close integration across all aspects of HR between a client and a supplier may have knock-on effects in other areas of either the client's or the supplier's business, it is hard to implement these without creating internal inconsistencies. As it is highly unlikely that each client has only one supplier in a particular area of its business or that each supplier serves just one client, integration of HR practices across all partners is very hard to achieve.
- Involving human resource professionals, employee representatives (e.g., Trade Unions) and other third parties, e.g., ethical trade managers, in contract negotiation. The involvement of these actors would assist the design of HR-related aspects of the contract and also help consider whether other aspects of the contract (e.g., service design, just-in-time delivery) might have a detrimental 'knock on' effect for HR practices and employees.
- Agreeing on a long-term supply chain relationship, at least in principle albeit with opportunities for these to be concluded if either party fails to comply or there is a dramatic shift in external conditions (e.g., collapse of the product market) which neither partner could have envisaged at the outset.

During **contract operation**, 'good' practice clients and suppliers in a 'people-orientated partnership contract' would:

- Engage in capacity building in client /supplier to develop 'good' HR practices that are appropriate for the circumstances, for example in terms of pay and working time, training and development of staff, employee involvement and job design.
- Participate in the exchange of ideas on HR practice across the supply chain in a way that shows a willingness to trust the other party in order to achieve more effective and productive working arrangements.
- Involve HR professionals, employee representatives and other third parties in monitoring HR practices across the supply chain
- Develop strong positive relationships with clients/supplier, for example by helping to develop teams of boundary spanning managers that are knowledgeable and trusting of their colleagues working for the supplier/client, and have the relevant skills to make partnerships work effectively. Maintaining consistency in relations between boundary spanning managers is important for the contract.
- Involve HR and employee representatives as boundary spanning agents.

Our findings suggest that the inclusion of voluntary and statutory regulations on working standards into a 'people-orientated partnership contract' is a particularly powerful way of diffusing good HR practices, as they provide clients with the

means to insist on their use in suppliers and provide suppliers with a means of protecting their HR practices against unreasonable client demands. However, such an approach may not be without its difficulties. For example, to promote the diffusion of good HR practices, our findings suggest that voluntary and statutory regulations need to reflect good practice and be precisely formed. Indeed, one possible reason why the ETI standards had little effect on HR diffusion is that many of its standards are matched or exceeded by UK law. But even precisely defined regulations may not achieve their aim if employers seek to escape these regulatory constraints by pursuing low-cost HR strategies in other areas (Haipeter & Pernod-Lamattre, 2005). As evidenced at Midland Hospital, the diffusion from client to supplier of one set of 'good' HR practices led to the supplier's adoption of other less favourable HR practices in response to wider organisational cost-cutting strategies. Marchington et al., (2009) also note that regulations such as TUPE and RoE can lead to problems in suppliers with regard to internal inconsistencies in HR practices, leading to feelings of unfairness amongst employees, while RoE-type regulations in which employees are managed by one organisation and employed by another may cause difficulties with organisational identification and commitment, as well as blocked career paths (Rubery et al, 2009). Clearly it is important for clients and suppliers to be aware of the potential difficulties caused by the inclusion of voluntary and statutory regulations in supply chain contracts.

A clear limitation of this study is that its conclusions are based on two separate cases across a limited number of sectors. We were also not able to study more than two supply chain networks and these did not represent the full range of supply chain arrangements. The conclusions must therefore be treated with caution, particularly when seeking to apply the results more widely. It must also be noted that identifying the distinctive influence of Market Grocer on MeatHQ and Pmeat was difficult, particularly as their contracts with Market Grocer are relatively similar to those it has with other major clients in terms of product price, delivery times and adherence to ethical trade standards, and also that other clients also include adherence to ETI base code (or similar arrangements). However, given that Market Grocer placed much more importance on complying with the ETI base code and sought to increase the supplier's HR capabilities, it can be suggested that its influence on HR practices was relatively greater than the other major clients of MeatHQ and Pmeat. We were also not able to obtain the views of front-line employees, whose experiences of working in the supply chain and of particular HR practices might have been different from those expressed by the interviewees. However, a particular strength of the study was that we were able to obtain perspectives from clients, suppliers and trade union representatives, and this increases confidence in the dependability and credibility of our interpretation of the cases.

To conclude, this report focused on the diffusion of 'good' HR practice by 'good' clients and suppliers. By using two case studies we have been able to illuminate how the diffusion of good HR practice is shaped by the motives, actions and decisions of various actors in the supply chain, as well by the context in which these actors are working. Furthermore, we found that it is important to consider the effects of these factors at different points in the life span of a supply chain, and thus the need to take a temporal perspective when trying to understand the diffusion of HR practices across supply chains. We also found that it is important not to treat client-supplier relations in a single way (i.e., that clients are all powerful), that the diffusion of 'good' HR practices is not a universal panacea as it can have problematic 'knock on' effects, and that it is important to appreciate the wider regulatory and institutional context in which supply chain relationships are embedded.

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APPENDIX A1: INTERVIEW SCHEDULES FOR CLIENT INTERVIEWEES

Aims and description of the supply chain relationship

- Can you describe the general business strategy behind your supply chain contracts?
- How many tiers are there typically in a supply chain?

Setting up the contract

- On what criteria do you choose suppliers?
- Do you tend to have repeat tenders from established suppliers?
- Are the HR practices of the supplier used as criteria when choosing a supplier?
- Before contracts are agreed, are you aware of suppliers changing HR practices to comply with your HR practices?
- How is the tendering process managed?
- Do you tend to have repeat tenders from established suppliers?
- Currently, what are the main challenges when setting up a supply chain relationship?
- What role does your organisation and the supplier play in specifying the contract?
- To what extent are the contracts shaped by regulatory frameworks and social norms?

The nature of the relationship

- Which managerial functions are responsible for managing the supply chain?
- From these different functions can you please comment on the level and frequency of contact?
- The management of the supply chain may involve decisions to do with the HR practices of the supplier, who tends to be involved in dealings with such matters?
- How do you monitor compliance of the supply chain contract?

- When changes/alterations to the supply chain agreement occur, how would you describe the balance of influence between your organisation and suppliers?
- Can you describe the main qualities of a positive supply chain relationship?
- How valuable are these suppliers to your business?

'Good' HR practices

- Which of your HR practices would you define as good practices?
- Do you have an interest in any of the following HR practices of your suppliers? (Card A)
- Are there HR practices that you consider essential that your suppliers undertake?
- Are there any HR practices you would like your suppliers to be doing?

Client influence on supplier's HR practices

- Thinking about the supply chain history of the examples given above, has your organisation ever sought to influence one or more of the following HR practices of the supplier? (Card A)
 - What motivated the organisation to influence these HR practices?
 - What were the short and long-term consequences?
 - Did it cause problems for the supplier, e.g., internal integration?
- In seeking to comply with the terms of your contract have your suppliers made changes to their HR practices?
 - What were the short and long-term consequences?
 - Did it cause problems for the supplier, e.g., internal integration?
- Has your organisation sought to align the technological systems of the supplier with your organisations'?
- Does your organisation influence HR practices across your supplier organisations as a whole, or only the supplier departments directly involved with the partnership?
- Has a supplier ever approached the organisation to discuss or initiate a change in its own HR practices?

- Has a supplier ever approached your organisation to discuss or initiate a change in the HR practices of your organisation?
- Have you ever adopted an HR practice of a supplier?

Other influences on supplier's HR practices

- To what extent do you think the suppliers HR practices are influenced by the following (use Card B)?
- Do the pressures on the supplier's HR practices from these bodies conflict with the types of HR practice you would perceive to be most beneficial?

Card A: HR Practices

Staffing (*e.g. composition: young/old; migrant/non-migrant*)

Terms and conditions of the employment contract (*e.g. working time; pensions; temporary/fixed term contracts*)

Training and development (*e.g. review training needs; employee development programmes; accredited training courses*)

Performance management (*e.g. defined performance goals and measurable outcomes; defined performance standards; feedback on performance*)

Career development and promotion systems (*e.g. cross posting/inter-firm mobility; cross-recruiting*)

Pay systems (*e.g. salaries/wages; bonus; other benefits; benefits in kind*)

Policies on work-life balance (*e.g. flexible working arrangements; length and flexibility of working hours*)

Communication, information and employee involvement policies (*e.g. team meetings; intranet; consultative groups; problem solving groups*)

Grievance and disciplinary procedures (*e.g. written grievance and disciplinary procedures*)

Equality and workforce diversity (*e.g. equal opportunities policy; monitoring diversity*)

Employee representation and collective bargaining (*e.g. implementing employee forums; trade union recognition*)

Health and Safety (*e.g. promoting workforce health*)

Work organisation (*e.g. autonomy; skill levels; range of tasks; working time; shift arrangements*)

Card B

Trade unions (*e.g. Usdaw*)

Employer associations (*e.g. Confederation of British Industry (CBI); Food and Drink Federation*)

Legal, regulatory or voluntary codes of practice (*e.g. Supermarket Codes of Practice; Ethical Trading Initiative*)

Customer pressure groups (*e.g. Royal Society for Prevention of Cruelty to Animals*)

Trade associations (*e.g. Trading Standards*)

Professional bodies (*e.g. Chartered Institute of Personnel Development; Chartered Institute of Purchasing and Supply; Royal Pharmaceutical Society; Institute of Managers*)

APPENDIX A2: INTERVIEW SCHEDULES FOR SUPPLIER INTERVIEWEES

Aims of the supply chain relationship

- In particular, can you describe the general business strategy behind your supply chain partnerships?
- How many tiers are there in this supply chain?

Choice of clients/Setting up the contract

- On what criteria do you choose to partner with clients?
- Do you make repeat tenders to the same clients?
- Are the HR practices of the client used as criteria?
- How is the tendering process managed?
- Currently what are the main challenges when setting up a relationship with a client?
- What role does your organisation and the client play in specifying the contract?
- To what extent are the contracts shaped by regulatory frameworks and social norms?

The nature of supply chain relationships

- Firstly, which managerial functions are responsible for the supply chain?
- From these different functions can you please comment on the level and frequency of contact?
- How do you ensure that you comply with the supply chain contact?
- Typically the client and supplier are independent organisations. How common are other arrangements, such as the client's employees working in your organisation and vice versa?
- When changes/alterations to the supply chain agreement occur, how would you describe the balance of influence between your organisation and clients?
- Can you describe the main qualities of a positive supply chain relationship with a client?
- To what extent is a positive working relationship with clients important to your organization's success?

Supplier HR practices

- We are particularly interested in the HR practices of this organisation that you would define as good practices (Use card A); Prompt: what aspects of your HR are you particularly proud of?

Client's influence on your HR practices

- Thinking about the examples given above, has a client ever sought to influence your HR practices?
 - What motivated the organisation to influence these HR practices?
 - What were the short and long-term consequences?
 - Did it cause problems for the supplier, e.g., internal integration?
- In seeking to comply with the terms of your contract have you ever had to make changes to your HR practices?
- Has a client ever tried to align your technological systems with theirs?
- Does a client influence HR practices across the whole organisation, or only in a specific part of your organisation?
- To what extent has your organisation ever approached a client to discuss or initiate a change to your own HR practices?
- Are there any HR practices you would like your clients to be doing?
- To what extent has your organisation ever tried to initiate a change in the HR practices of a client?

Other influences on your HR practices

- To what extent do you think your HR practices are influenced by the following (use Card B)?
- To what extent do the pressures on your HR practices from these bodies conflict with the types of HR practice might be expected by your clients?

APPENDIX A3: INTERVIEW SCHEDULES FOR TRADE UNION REPRESENTATIVES

Setting up the contract

- Is the Trade Union involved in the setting up of supply chain relationships?
- On what criteria are suppliers chosen?
- Are the HR practices of the supplier taken into consideration when setting up the contracts?
- What role does this organisation and the suppliers played in specifying the contract?
- To what extent are the contracts shaped by regulatory frameworks and social norms?
- Are these practices typical of all this organisation's supply chain relationships?

The nature of the relationship

- What is the Trade Union's usual involvement in overseeing supply chain partnerships?
- What level of Trade Union representation has contact with this or the other side and how frequently?
- The management of the supply chains may involve decisions to do with the HR practices of this supplier, who tends to be involved in dealings with such matters?
- How does the Trade Union monitor the supply chain contract?
- When changes/alterations to the supply chain agreement occur, how would you describe the balance of influence between this organisation and the suppliers?
- Can you describe the qualities of this supply chain relationship?
- Prompts: long-term stable, high-trust, cost-based, quality-based; innovative
- In what way does the Trade Union shape the relationship with the suppliers?
- Are these practices typical of other supply chain relationships?

'Good' HR practices

- Which of your HR practices would you define as good practice (show card A)? Which are good in your organisation?

Client influence on supplier's HR practices

- Does the Trade Union have an interest in any of the following HR practices of your suppliers? (Card A)
- Has the Trade Union ever sought to influence one or more of the following HR practices of the suppliers?
 - What motivated the Trade Union to influence these HR practices?
 - Was it to align supplier HR practices with the organisation?
 - Was it to align supplier HR practices with other suppliers?
 - Was it in response to competitive demands, e.g., cost, quality, customer pressure?
 - Was it in response to changes in regulation, e.g., employment law, trade law, consumer law, industry regulations?
 - What were the short and long-term consequences?
 - Did it cause problems for the supplier, e.g., internal integration?
 - Was it direct or indirectly through your own or other Trade Unions?
- In seeking to comply with the terms of your contract have your suppliers made changes to their HR practices?
- Are there any HR practices you would like to see the suppliers doing?
- Do you have any links with Trade Union representatives in the suppliers?
 - Prompts: influence over the conditions of the relationship; HR practices

Other influences on supplier's HR practices

- To what extent do you think these supplier's HR practices are influenced by the following (use Card B)?

APPENDIX B: THE ETHICAL TRADE INITIATIVE LABOUR STANDARDS

1. Employment is freely chosen

1.1 There is no forced, bonded or involuntary prison labour.

1.2 Workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice.

2. Freedom of association and the right to collective bargaining are respected

2.1 Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.

2.2 The employer adopts an open attitude towards the activities of trade unions and their organisational activities.

2.3 Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace.

2.4 Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

3. Working conditions are safe and hygienic

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

3.2 Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers.

3.3 Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.

3.4 Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers.

3.5 The company observing the code shall assign responsibility for health and safety to a senior management representative.

4. Child labour shall not be used

4.1 There shall be no new recruitment of child labour.

4.2 Companies shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child; "child" and "child labour" being defined in the appendices.

4.3 Children and young persons under 18 shall not be employed at night or in hazardous conditions.

4.4 These policies and procedures shall conform to the provisions of the relevant ILO standards.

5. Living wages are paid

5.1 Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.

5.2 All workers shall be provided with written and understandable. Information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.

5.3 Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.

6. Working hours are not excessive

6.1 Working hours comply with national laws and benchmark industry standards, whichever affords greater protection.

6.2 In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7 day period on average. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.

7. No discrimination is practised

7.1 There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

8. Regular employment is provided

8.1 To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.

8.2 Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, subcontracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills

or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

9. No harsh or inhumane treatment is allowed

9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

APPENDIX C: TIMELINE OF PFI CONTRACT AT NORTHERN HOSPITAL

1999. Contract negotiation starts

Contract negotiation starts with contractor Z, who pulls out of negotiations before contract completion. Contractor X takes over in negotiations.

2001. PFI Contract between Northern Hospital and Contractor X starts.

Front line employees are transferred to employment of Contractor X according to the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). NHS employees therefore became ContractCo employees but retain NHS terms and conditions.

2002. ContractCo takeover Contractor X

ContractCo take over Contract X and become responsible for the PFI contract at Northern Hospital.

2006. Agenda for Change Agreement is implemented with contract.

Contract terms and conditions changed to reflect Agenda for Change Agreement.

2010. Contract re-negotiations.

The PFI contract has a provision that the terms of the contract can be changed every ten years. Current negotiations involve benchmarking standards and costs with other hospitals and introducing major modification to the contract.

