Line managers and HRM: a managerial discretion perspective

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ABSTRACT

Line managers play a central role in HRM practices, but research and theory on how their role is enacted remains underdeveloped. This paper presents a case study of a large UK-based fashion retailer, and uses managerial discretion theory to develop a novel understanding of line managers' contribution to the implementation of HRM practices. We describe three distinct ways in which line managers engage with HRM policies and procedures, and propose that line managers make an important contribution to the effective implementation of HRM systems through exerting their cognitive and political abilities to bring about decisions that are well suited to their local situations. Moreover, we find that HR specialists design and manage HRM policies and procedures to afford different levels of managerial discretion in different areas of HRM.

Key words: Line managers, Human Resource Management, managerial discretion.

INTRODUCTION

In most organisations today, line managers play a central role in the implementation of HRM practices. Whether interviewing candidates, conducting and communicating performance appraisals, proposing merit pay increases, or delivering on-the-job training and career advice, line managers are deeply involved in shaping the outcomes of HRM practices for their team members and in delivering those outcomes to them (Wright and Nishii, 2013). Despite such a role being widely acknowledged in the literature, research and theory on how it is articulated remains underdeveloped (Beer et al., 2015). This gap is important because any consideration of the effects of HRM needs to take into account actual practices as enacted by line managers and received by employees (Wright and Nishii, 2013).

This paper takes a new perspective on how line managers engage in HRM practices by applying managerial discretion theory (Hambrick and Finkelstein, 1987) to analyse data from a case study of a large retailer. Managerial discretion scholars have examined how managers use their cognitive and political abilities to interact with contextual constraints and influence organisational outcomes. At the middle manager levels, managerial discretion has been deemed necessary for effective strategy implementation, enabling managers to choose the course of action that is most appropriate to their local situation (Wangrow et al., 2015).

The present research contributes to the HRM literature in two ways. First, it seeks a fuller understanding of line managers' role in the implementation of HRM practices. Researchers have often used expressions such as 'bringing HRM practices to life' to describe the role of line managers, but have provided little detail on what this might entail. Moreover, existing research has described how line managers can *detract* from the effective implementation of HRM practices, due to a lack of diligence or skill, but much less is known about how line managers may *contribute* to effective HR implementation. The present study seeks to address this gap by explicating how line managers contribute to the effective implementation of HRM practices.

Second, this paper aims to provide a richer understanding of HRM decision making. HR devolution research, which has examined the allocation of HRM responsibilities between line managers and HR specialists, has concluded that the most common arrangement in contemporary organisations is for both to share responsibility for HRM decision making. Unfortunately, we know little detail about the arrangements behind such sharing of responsibilities. The present study thus responds to recent calls for case-study research (Brewster et al., 2015) that investigates how line managers and HR specialists share responsibility for HRM decision making.

The paper is organised as follows. First, there is a review of the HR devolution literature, followed by an introduction to managerial discretion theory. The methods used in the study are then described, followed by its main findings. The paper concludes with a discussion section that develops a view of HRM implementation through a managerial discretion lens, and a conclusion where the study's limitations and implications for research and practice are discussed.

LITERATURE REVIEW

In his early assessment of HRM adoption in the UK, Guest (1987) identified the transfer or 'devolution' of people management tasks from personnel specialists to line managers as one of the features that distinguished the emerging HRM approach from traditional personnel management. A sizeable literature on 'HR devolution' has since examined the allocation of HRM tasks and responsibilities between HR specialists and line managers.

A chief contribution to this literature has been provided by Brewster and colleagues' analysis of data from successive waves of the 'Cranet' survey (Brewster and Larsen, 1992, Larsen and Brewster, 2003, Brewster et al., 2015). Their research has examined the extent to which responsibility for areas of HRM policy is assigned to line managers or to HR specialists across firms in several, mainly European, countries. Their main findings are fourfold. First, there are significant differences between countries in the extent to which line managers are involved in HRM: Denmark and Switzerland are the countries where responsibilities are most devolved to line managers, whereas Italy and the UK are the least devolved (Brewster and Larsen, 1992). Secondly, whereas some of the initial thrust for their research was to document a perceived trend for increasing assignment of HRM responsibilities to line managers, over subsequent waves of data, the authors found that the trend is weak, denoting "considerable stability" in line managers' HRM responsibilities over time (Larsen and Brewster, 2003:239). Thirdly, the research found that in most cases responsibility is shared between HR specialists and line managers, rather than the sole responsibility of either of the two (Larsen and Brewster, 2003). However, for some areas of HRM, greater responsibility tends to be assigned to line managers more often than for others. Thus, of five areas of HRM, Brewster et al. (2015) found that, across all countries, more than half the organisations gave line managers primary responsibility for workforce expansion or reduction, and for recruitment and selection, whereas fewer than one third did the same for industrial relations. Fourthly and finally, only a small portion of the variation in organisations' overall HR devolution score (R-squared of about 10%) can be explained by firm characteristics (size, industry, public/private status, union density) or differences in national institutional setting (liberal vs. coordinated market economy), leading the authors to suggest that firms have "substantial freedom" to set up distinct ad-hoc arrangements (Brewster et al., 2015).

Further to these core findings, the literature has explored reasons and barriers for HR devolution. At the heart of most discussions on reasons for HR devolution is the increasing awareness of the importance of employee behaviours and skills for the strategic success of organisations (Barney and Wright, 1998), which has led to two important pressures driving HR devolution. First, organisations have increasingly given line managers responsibility for all aspects of the business unit they lead—including responsibility for HRM—in order to increase their accountability for the results obtained (Brewster and Larsen, 2000). The associated assumption is that line managers who are in daily contact with employees, production processes and customers, are best placed to integrate HRM decisions with other aspects of day-to-day management in a way that maximises business unit performance. Second, HR departments have pursued, or been asked to pursue, a more 'strategic' role, shedding administrative and routine activities in the face of pressures to reduce their size and overheads (Hall and Torrington, 1998).

Alongside these pressures for HR devolution, researchers have identified several barriers that have limited the speed and scope of its adoption. Chief among these is line managers' failure to engage fully in their HRM duties, due to a lack of desire or ability, conflicting priorities, or time pressures (McGovern et al., 1997, Brewster and Larsen, 2000), especially since organisations do not always provide adequate structures to support line managers in their HRM activities, such as formal training or incentives (Teague and Roche, 2012).

Such lack of engagement by line managers can have negative implications for the effects of HRM systems. Sikora et al. (2015) found positive workplace outcomes, such as lower intention to quit, higher job performance, and higher participation in decision making, among employees whose line managers made more frequent use of HRM practices. Moreover, as line managers with varying abilities and goals implement HRM policies, they introduce variation in the actual practices received by employees (Wright and Nishii, 2013). Such variation is problematic because any effects of HRM practices must be brought about by employees' reactions to the actual practices they experience: at the individual level, line managers' HRM actions "form and fulfil" employees' psychological contracts (McDermott et al., 2013), while, at the group and organisational levels, consistency in the implementation of

HRM systems underpins their ‘strength’ in creating organisational climates for performance behaviours (Bowen and Ostroff, 2004).

Overall, the existing literature on HR devolution has provided strong findings on levels of line manager involvement in HRM across large samples of firms. However, its heavy reliance on survey research has meant that it has had little opportunity to go beyond coarse measures of overall responsibility for HRM, to explore the details of how tasks and responsibility are shared between HR and line managers (Brewster et al., 2015). Some recent research has started to address this shortcoming. For instance, Jones and Saundry (2012) examined disciplinary procedures in several UK-based organisations and found that their nature and outcomes were shaped by the interactions between line managers and HR specialists. Likewise, in a study of hospitals in Ireland, the UK and the Netherlands, McDermott et al. (2015) found a tripartite distribution of HRM responsibilities, involving line managers, HR specialists and senior professionals. These studies suggest that arrangements between HR and the line may be more complex than has been shown in the literature. The present study builds on this research by investigating the roles of HR specialists and line managers in HRM decision making at a retailer.

MANAGERIAL DISCRETION

Managerial discretion theory was developed by Hambrick and Finkelstein (1987) as a way to ‘bridge’ the contrasting views of organisational inertia and strategic choice. It remains highly influential in the strategic management literature, particularly in research relating to CEO and top management team behaviour, executive compensation, and firm strategic behaviour (Wangrow et al., 2015). Hambrick and Finkelstein defined managerial discretion as “latitude of managerial action” (1987:371), that is, the choice of actions managers have in pursuing organisational objectives. They suggest that such latitude of actions is not totally determined by constraints present in the context, but also depends on the characteristics of the manager. Contextual constraints are largely dependent on other stakeholders: they are often unstated, a “socio-political phenomenon” related to other stakeholders’ potentially negative response to managerial action. Thus, managerial discretion is not an ‘absolute’ or ‘fixed’ concept, but can be shaped by the actions of the managers themselves. Some managers are better able to “perceive, create and enact discretion” than others, that is, they are able to identify non-obvious courses of action and persuade other stakeholders to support them. In this view therefore, a manager’s discretion results from the interplay between contextual constraints and his or her own cognitive and political abilities.

Shen and Cho (2005) usefully expanded the theory by combining Hambrick and Finkelstein’s (1987) insights with those of the agency theory literature (Eisenhardt, 1989). In Economics, agency theory is used to model situations in which a principal contracts with an agent to perform some work, and explores the implications of differences in goals and attitude to risk between the two (Eisenhardt, 1989). In this framework, managerial discretion describes the ability of managers to pursue goals different from those of shareholders, which can be curbed through the use of adequate monitoring and incentives (Jensen and Meckling, 1976). Shen and Cho (2005) integrate these ideas by proposing that managerial discretion has two components: latitude of objectives and latitude of actions. Whereas latitude of actions refers to the same aspects described by Hambrick and Finkelstein (1987), latitude of objectives refers to managers’ ability to choose what objectives to pursue. Such ability can be limited through what Shen and Cho (2005) termed “performance pressure”, which depends on the vigilance of other stakeholders and the effectiveness of the monitoring and control mechanisms they put in place.

Although most research stemming from managerial discretion theory has examined CEOs and other top executives of the firm, a small number of studies have successfully used the managerial discretion construct in explanations of managerial behaviour at functional and middle levels (Kuratko et al., 2005, Scott et al., 2009, Caza, 2011). Indeed, a recent review of the managerial discretion literature concluded that discretion for middle managers is a requirement for effective implementation of strategy (Wangrow et al., 2015). Our study therefore responds to recent calls for research on managerial discretion below the executive level (Wangrow et al., 2015) by investigating discretion in the implementation of HRM practices by first-line and mid-level managers.

METHODS

This research follows an inductive case study approach, which is appropriate to develop theory about phenomena in the rich context in which they occur (Eisenhardt and Graebner, 2007). The organisation studied is a large UK-based fashion retailer, with several hundred stores nationwide employing an average of close to 50,000 people, equivalent to around 25,000 full-time jobs. A retail organisation was chosen because, as archetypal replicators (Winter and Szulanski, 2001), they combine geographical dispersion with a strong need for central control of store-based activities. We therefore expected that this type of setting would be ideal to observe the dynamics of local adaptation and central control in HRM policy implementation.

The company is a leader in the mass midmarket segment where it faces stiff competition from rival retailers. At the time fieldwork took place (2010-2011), it was under increased competitive pressure due to the difficult situation in the broader economy in the aftermath of the 2008-9 recession, which had led to a sustained decline in like-for-like sales over several years. In response to these challenges, management took several short-term cost-cutting measures, including lower inventory and lower staffing levels across its stores.

Data collection

Data was collected through semi-structured interviews with 44 managers in 13 stores, and a further 5 interviews with members of the divisional HR department at head office.

Interviews with line managers were deliberately scheduled first in order to gather their perspective of HRM activities with minimal preconceptions.

Two waves of interviews with line managers were carried out three months apart (n=21 and n=23, respectively). For each of the two waves, an HR officer arranged for the researcher to visit a different set of 6 (wave 1) and 7 (wave 2) stores. Stores were selected on the basis of their size (classed as medium to large) and location (within a 50-mile radius of the researcher's base). Stores visited ranged from around GBP 2.5 million in annual revenues and 45 employees, to around GBP 15 million in annual revenues and more than 150 employees. On arrival at each store, the researcher first interviewed the Store Manager, and then selected up to three additional members of the management team among those that were available on the day of the visit. On three occasions a repeat visit was necessary, as there were insufficient respondents available the first day. Respondents' job titles included Store Manager (12 respondents), Assistant Store Manager (9) and Sales Manager (16)[1]. 35 respondents (80%) were female, and median length of service was 7 years, ranging from less than 1 year to 24.

Line manager interviews lasted for about 40 minutes each on average, for a total of close to 30 hours of recorded material. The semi-structured interviews included questions about areas of HRM where the respondent was involved ("What are the main HR activities you are involved in?"), about recent HRM decision processes ("Can you recall an HR process or decision in which you have recently participated?"), about their perceptions of the usefulness of HR policies ("Do you find company HR policies useful in managing your team?"), and about their interactions with the HR department ("Do you have access to an HR specialist?").

[1] Other job titles were Commercial Manager (1), Operations Manager (1), Sunday Manager (1), Sales Supervisor (1), Office Manager (2), and Stockroom Supervisor (1).

Four months after wave 2 interviews in the stores, the researcher interviewed 5 members of the Retail HR department at head office. The goal was to understand the role of the HR organisation and their interactions with line managers, crosscheck some emergent findings about line managers' HR role, and clarify some areas of policy and practice where data from line manager interviews seemed fragmented or contradictory. Respondents were selected to provide a range of views on HRM processes representative of the division's HR department, and included the Head of Retail HR, two Regional HR Managers, and two HR Officers. These interviews lasted around 1 hour each on average.

In the last stage of data collection, internal documentation was gathered on the relevant HR policies. Seven major policy documents were collected, including the Staff Handbook, Attendance at Work Guide, Disciplinary Guide for Managers, Store Structure and Salary Pack, Long Term Non-Attendance Guide and a specimen of the weekly Vacancy Bulletin, among other minor documents.

Data analysis

All interviews were transcribed verbatim and the transcripts incorporated onto an Nvivo database for inductive data analysis. The researcher's initial interest was in how HRM activities were carried out at the company and how individual HRM decisions—a hire, a promotion, a pay rise or a dismissal—were arrived at, and who made them: store-based line managers or head-office-based HR specialists.

In the first stage of analysis, line-manager interview data was coded by the type of HRM activity, using respondent generated codes. These codes were further refined by grouping activities that were closely related in line managers' accounts. This process led to 6 major areas of HRM activities that affected the stores. Using both generic accounts of activities and participant narratives of specific instances of HRM decision making, the researcher developed detailed descriptions of how decisions were made in each of these areas. These descriptions were subsequently used to structure interviews with HR specialists, seeking to test their veracity, clarify ambiguous aspects, and fill in the parts of decision making processes that were not visible to line managers in the stores. Finally, the content of policy documents was mapped to those HRM activities where it was relevant. The resulting refined descriptions form the basis of the first part of the Findings section.

Attention then turned to describing the roles of line managers and HR specialists in narratives of actual HRM activities. Data was coded to identify where each of them contributed to HRM decision making, and themes were developed for each. For line managers, data was coded according to whether they were following or applying policy, or contravening it. However, it became apparent that a third category was needed for those line manager activities that were simply not described or even foreseen in policy. Moreover, narratives often included important contextual elements which had an impact on HRM decision making, particularly in relation to conflicting requirements or priorities in the running of the stores. Such thematic analysis of narratives of actual HRM episodes led to the three latter subsections in the Findings below: performance pressure, role of HR department, and role of line managers.

FINDINGS

Our data revealed nuanced detail about HRM decision-making processes at the company. This section describes four main findings. First, the designs of HRM decision-making processes varied in terms of their (de-)centralisation. Second, HRM decision-making processes were embedded in the broader set of activities required to run the store, so that performance pressures impacted on how HRM was carried out. Third, the HR department was involved in HRM decision-making processes in diverse ways, and in some more than others. Finally, line managers varied in their involvement and their impact on HRM decisions.

HRM decision-making processes

HRM decision-making processes varied greatly at the company. Some processes were highly centralised, in the sense that decisions were taken at Head Office with little or no involvement by store-based managers, whereas others were decentralised, in the sense that line managers in the stores were deeply involved in them. This was not a binary distinction, but rather there was a range of arrangements. At one end of the range, decisions on store structure were taken centrally at head office with very little input from store managers. At the other end, hiring for entry-level positions was undertaken locally by managers in each of the stores. Other HRM processes combined elements of centralisation and decentralisation, so that decisions involved both head office and store-based managers to varying degrees. In what follows we review the decision-making processes for the six areas of HRM that emerged from our data analysis as most relevant to the stores. Figure 1 provides a summary of the main findings.

INSERT FIGURE 1 ABOUT HERE

Store structure. Centralised definition of store structures was an important element in the way the company pursued net profitability of its stores through cost containment: *"It's about maintaining control of what is potentially an area of the business that could run away and become very, very expensive if not careful."* (HRM5, Head of Retail HR). Head office determined the management structure and staffing level for each store depending on a generic template for in-store processes, and the specific revenue targets and opening hours of the store. The rationale was simple: *"it's based on the turnover of the store, because turnover creates work, and work creates more heads to manage, and fundamentally the more heads you have to manage the more supervision you need"* (HRM5, Head of Retail HR). Thus, the company defined revenue bands for stores and sales floors, and for each band specified the managerial positions to be filled, with their corresponding level, salary grade and contract hours. Allowance was made for store particularities, such as extended trading hours, need for out-of-hours delivery or operation of an off-site warehouse. Exceptions to the standard management structure produced through this template were rare: store managers could argue for small adjustments based on actual observed operational needs in the store, but these were carefully scrutinised by Head Office and only rarely approved.

For non-managerial staff, head office determined the total hours to be contracted for each store and an overall budget of 'man-hours' that the stores could manage based on a 'productivity formula' that linked man-hours, customer footfall and sales revenue. Most non-managerial staff were on part-time contracts for a small number of hours, but would then be offered additional hours as deemed necessary by their store management. In this way, the store was able to adjust its staffing levels according to anticipated peaks and troughs in footfall and revenue as affected by local conditions, such as weather or local events.

Store structures and man-hour budgets were reviewed at least annually to take account of redesigned in-store processes or changes in the store's revenue target. Adjustments to the structure of a store could lead to the upgrade, downgrade or elimination of existing jobs, directly affecting the hours, pay or employment of incumbent employees. Achieving the required adjustments in store structure could involve hiring and promotions, as well as employee consultations. Carrying out these procedures in an effective and timely manner was the responsibility of each store manager.

Salary and bonus. All employees' salaries and bonuses were set centrally according to a set of salary scales that were fully disclosed to line managers at store-manager level and above. The scales were reviewed annually to allow for cost-of-living increases. Non-managerial employees were paid hourly at the legal minimum wage, except a small minority who had been promoted to a slightly higher 'merit rate'. Managers' salaries were determined by their 'grade' and 'step'. Each managerial position defined in the structure of a store was attached to a salary grade and each grade had four steps—*developing*, *competent*, *experienced* and *excellent*. Newly appointed managers would normally be placed in the 'developing' step during a probationary period of 3 to 6 months, and move to 'competent' after an appraisal at the end of that period. Higher steps were attained through merit increases. In a promotion, when starting at the 'developing' step did not imply a suitable increase for the individual, area managers could decide to grant a higher step, as long as the new step was lower than the one the employee had in their previous grade. This meant that, in practice, an informal 'one-grade-up-one-step-back' rule was applied in most promotions.

Merit increases for both managers and non-managers were decided through an annual salary review process. An overall increase was first approved by divisional management as a percentage of total payroll, and communicated to the stores. Area managers then initiated discussions with their store managers to identify high-performing individuals, and put together a proposal for approval by their regional manager and a final sign off by the head of the division. Due to the multiple revisions and budgetary assessments at different levels, the process tended to be quite restrictive, and only a small number of merit increases were approved each year.

Bonuses were paid monthly and seasonally, based on attainment of store revenue goals. Individual pay-outs, which could amount to as much as 15% of base salary for employees and 30% for managers, were calculated at Head Office according to each person's salary grade and hours worked during the period. For store managers, the final amount paid was adjusted according to the attainment of a few additional store goals, which could vary from season to season.

Performance management. Respondents used the term 'performance management' to refer to a range of activities aimed at encouraging some behaviours and discouraging others, including on-the-job supervision and guidance, informal verbal counselling, formal performance reviews, and disciplinary procedures leading to formal sanctions. The most common, day-to-day performance-management activity consisted in direct supervision on the shop floor. Sales managers were required to perform ‘floor walks’ every 30 minutes during their shift, in which they reviewed the standards of the floor and employees’ customer service behaviours. When they spotted something amiss, they were instructed to ‘corrective-coach’ the employee: *“We are told corrective coaching is the best way, so just quickly as soon as you see something, nip it in the bud, go along and say: ‘Try it like this, it may work better’”* (MGR12, Sales Manager).

The next level of performance management was the formal review. The manager called the employee to the office for a ‘counselling session’ and filled in a ‘record card’ describing a specific behaviour that needed to change, along with a set of actions and a time when performance would be reviewed again. After the set time had elapsed, if the behaviour was corrected, the employee ‘came off’ formal review, otherwise a time for a new review was set. After several formal sessions, if the behaviour persisted, the manager could decide to initiate a disciplinary process.

A ‘disciplinary’ typically involved a hearing where the employee was presented with evidence of inappropriate behaviour, was given a chance to argue her case, and a decision was made regarding the imposition of a formal sanction on the employee. Disciplinaries were carried out in the stores, usually chaired by store management, and were subject to formal requirements such as advance notice, presence of witnesses and note taking, as determined by employment law. Possible outcomes of the hearing ranged from ‘no further action’, to inserting a note in the employee’s personnel record, giving a first written warning, a final written warning, and dismissal. Before reaching a decision, the manager was instructed to adjourn the hearing and call HR for advice. From the point of view of the HR department, this arrangement was a way of balancing the need for consistency in decisions with their limited ability to reach the stores:

> *There are thousands of ER events a year in our stores. We cannot be closely involved in every single event, we have to accept the judgement of the person at the end of the telephone and we have to accept they have done a proper investigation.* (HRM5, Head of Retail HR)

The employee behaviours that prompted performance management were varied. However, three types of issues were most frequently mentioned by respondents. First, employees were often performance-managed because of absence and lateness. At the time of our research, the company had just implemented a new clock-in system, by which employees clocked in and out at the till at the start and end of their shift. The system prompted managers to initiate performance management actions when trigger-points for absence or lateness were reached. A second major reason for performance management was misconduct. The Staff Handbook listed dozens of behaviours that could lead to disciplinary measures, and reminded employees of their obligation to "familiarise yourself with these policies and follow them", or risk "disciplinary action up to and including dismissal". Finally, performance management was often used to address undesired customer service behaviours. The company had in place a 'traffic-light system' which involved rating all store employees as being green, amber or red with respect to certain behaviours. Employees classed as amber or red would be put on performance review, and if there was no subsequent improvement, disciplinary action could follow.

Training and development. The company provided abundant materials—manuals, DVDs and online tutorials—on virtually any task to be performed in the stores. Managers were encouraged to identify employees with potential for progression through the annual performance appraisal, plan developmental activities for them, and certify the acquisition of a skill once it had been demonstrated in practice. Many developmental activities were 'on-the-job', through informal arrangements such as taking advantage of the need to cover a manager's absence to train a more junior employee in that position: *"we don't like to take a lot of time to train, we'd rather put people into positions and get them to do it and learn on the job, and if they make mistakes, that's fine, we then can learn from those mistakes."* (MGR39, Store Manager)

Promotions. Promotions were relevant to only a small portion of the company's workforce, since most employees held entry-level positions such as sales consultant or stockroom assistant, and never changed jobs during their time at the company. For some employees, however, having a career in the company was an important component of their employment: *"you have two lots of people on the shop floor, you have the one person there that this is their career, and then you've got the other side of the team where they're here just to get paid"* (MGR07, Store Manager).

Promotions were competitive. All non-entry level vacancies were advertised in a company-wide weekly vacancy bulletin, and applicants expected to undergo a formal selection process which typically involved an interview with the hiring manager. Responsibility for the selection process rested with the hiring manager. Even within a store, each manager was encouraged to take responsibility for selecting their team: *"I think it is important for [my floor managers] to be able to make their own [staffing] decisions, whether they be right or wrong, live with them and manage them"* (MGR13, Store Manager). The HR department had a general hands-off approach to internal promotion decisions, as this seemed to ensure that new appointments were well-suited to the requirements of the store: *"[managers] know just what the requirements are of their branch, we have to trust them to know that, and therefore we give them the power to make that appointment"* (HRM5, Head of Retail HR). HR did however occasionally intervene to ensure vacancies were published, and that a fair and transparent selection process had been followed.

Hiring. Stores were free to conduct their own entry-level recruitment, as long as they kept contracted hours within the maximum defined in their structure. Although a corporate jobs website was available, most stores preferred to advertise entry-level vacancies in their window, and collect CVs handed to them in-store. The company ran a highly-popular ‘friends and family’ program for covering peak-trade staffing needs and this provided stores with a valuable pool of tried and tested candidates for permanent positions. From the point of view of HR, one of the reasons to let the stores handle their own recruitment was its own inability to carry it out centrally: *“it's a resource issue, because if we were to get involved in all the recruiting, then there would need to be a lot of us [HR specialists], and from a cost point of view I don't think that would ever be possible”* (HRM3, HR Officer).

In summary, HR decision making processes at the company varied widely in their degree of centralisation. Whereas structure and salary decisions were strongly centralised, entry-level hiring was left to the stores to run. In between, performance management, training, and promotions combined deep involvement by line managers with different interventions by the HR department. Respondents put forth several reasons for the different degrees of centralisation, including cost control (store structure and pay), local availability of best information for decision making (hiring and promotions), need to demonstrate consistency in decision making (performance management) and the limited resources of the HR department (hiring and performance management).

Performance pressure

The way HRM activities were conducted in the stores was influenced by the significant pressure for performance exerted on the stores. Seasonal, monthly and weekly commercial targets—total sales, average transaction value and units per transaction—were set for each store, broken down by floor, and monitored in real time through the information provided by the tills. Each day in the stores started with a team meeting where the acting store manager reviewed the previous day's figures against weekly targets. Stores were also subject to between one and three 'mystery shops' every season to evaluate customer service behaviours along strict corporate guidelines. A significant amount of everyone's compensation (15% to 30% of salary) was paid only if store revenue targets were met and mystery-shop results were acceptable. Stores or floors that did not meet their revenue targets could be downgraded and their structure downsized. Poor mystery-shop results could lead to performance management measures, including disciplinary procedures.

This tight monitoring system had a profound effect on the way managers engaged in HRM activities. On the one hand, it limited opportunities to make decisions that could potentially damage store performance. For instance, an assistant store manager discussed why she would not tolerate informal shift arrangements in her store:

> *I have a friend who works in another store, and she'd change hours to suit people, and that doesn't end up helping the store, and she does it because she wants to keep her staff happy. But you know, yes, I want to keep my staff happy, but I'm not going to do that in detriment of the store, because you end up having to change things anyway* (MGR14, Assistant Store Manager)

At the same time, performance pressure encouraged managers to strive for quality in carrying out processes in areas such as performance management, promotions, and training:

> *If I can get my team trained it will make my job easier [because] if I work with my supervisors now, get them trained, they're going to be ready to move into a sales management position when that comes up.* (MGR31, Sales Manager)

On the other hand, performance pressures could limit the amount of time dedicated to some HRM activities or could delay actions because of the need to find a way not to interfere with the running of the store. For instance, a store manager described how it took longer than usual to provide training for an employee because of how difficult it was to arrange time to spend with her:

> *I've had to sit down and think of ways in which we can spend more time with Belinda. We were just able to swap Sarah and her around, so Sarah went downstairs and Belinda came up. That's the quietest floor, so now, without being detrimental to the*

> *store, we can start pulling Belinda off [the shop floor], and she can start training with Julie.* (MGR43, Store Manager)

In all, pressure for the stores to deliver sales performance was significant, and this had positive and negative effects on how HRM activities were performed by line managers.

Role of the HR department

The way the divisional HR department was set up to interact with the stores on a day-to-day basis was important for how HRM activities were performed in the stores. The department consisted of about 20 people, split into five regional teams each serving one of the division's commercial regions. Each regional HR team included an HR manager and two or three HR officers and assistants. Regional HR managers were based in their regions and spent up to 4 days a week travelling to visit stores and regional headquarters, while HR officers and assistants were based at head office where they staffed a call-centre operation supporting the stores via telephone and email. This setup provided HR with the ability to interact with the stores often and to thereby influence and control HRM decision making in the stores in different ways. In some areas of HRM, such as disciplinaries, HR sought a stronger hold on decisions, whereas in others they took more of an advisory approach. For instance, one of the HR officers we interviewed provided the following account of her work over the phone during disciplinaries:

> *The managers will phone: 'I'm in a disciplinary adjournment.' So I ensure that they are following the policy, and by that I mean I'll ask them a number of key questions: 'have you given notice in writing?' I will tick, 'have you used the correct level of witnesses?' I will fill a form in to make sure they've done all of that. Then I'll say 'tell me what the issue is', and we go through the details of the case. My question when we've done all of that is 'what do you want to do?'. If I think they're way off the mark, I will try and pull them towards [my recommended outcome], because I think about consistency as a company, I think about the policies that we have and fairness and other cases that I know have been similar.* (HRM3, HR Officer)

Conversely, an HR manager described a discussion on a salary decision following a promotion in the following terms:

> *This morning I've had an area manager ring me up and say 'we're moving this manager from here to here, how do you feel about this salary?' It would be a two-way discussion, but fundamentally they are making that decision, I'm just saying 'Yeah, that seems fair', or 'No, that doesn't seem fair'.* (HRM1, Regional HR Manager)

These accounts illustrate that, whereas in both cases the HR practitioners saw their role as maintaining fairness and consistency, the level of detail to which they would control line managers' actions and decisions varied widely. In summary, there was continuous interaction between the HR department and the stores on a broad range of ongoing HRM decisions and issues. Through those interactions, HR practitioners controlled and influenced line managers' HRM decision making to varying degrees.

Role of line managers

Line managers' engagement with HRM policies could take three avenues. First, line managers made or proposed decisions within the role formally defined for them in policy. For instance, line managers made promotion and hiring decisions, identified talented individuals and trained them, proposed merit pay rises and chaired disciplinary proceedings.

Second, line managers proactively arranged or negotiated outcomes that were not explicitly defined in formal policy. For instance, in disciplinaries, line managers could argue for a more lenient or more severe sanction than usually attached to a particular behaviour, and were often able to persuade others to accept that outcome. In the following account, the line manager chose to 'fight that corner' to take a more lenient approach to an employee's absence than HR would deem appropriate:

> *I've done a disciplinary for absence where we had a lady who had some difficult personal circumstances and they resulted in her being late and unreliable, and when we delivered her circumstances to the HR officer they didn't have much sympathy, and I had to say 'Look, I know this person'. I felt like it was my obligation to fight that corner. And the HR officer eventually came to an agreement about it and gave this person an opportunity to improve.* (MGR42, Sales Manager)

Finally, line managers sometimes avoided or found ways around policy controls in order to make decisions contrary to policy, behind the backs of the HR department. For instance, one of our interviewees reported that, when HR directed all part time contracts in her store to be reduced in hours, she had her contract changed but received assurance from her store manager that she would continue to do the same weekly hours as before. Respondents from the HR organisation confirmed that such informal arrangements around work times were relatively common, despite their efforts at ensuring compliance with staffing policy. As a regional HR manager remarked, *"there are managers that if they can get away with not doing something they will absolutely try to do that, or if they can find a workaround for doing it then they will"* (HRM1, Regional HR Manager).

In summary, within each area of HRM activity, line managers could decide and propose within the prerogatives designed in formal processes; they could ask and negotiate with other stakeholders beyond the provisions of policy; and they could avoid or circumvent formal policies. Additional examples of each of these are provided in figure 2.

INSERT FIGURE 2 ABOUT HERE

DISCUSSION

The Findings section above has described the various ways in which HRM practices were enacted in the case organisation, as a result of variations in the design of decision processes, existing performance pressures, and the actions of HR practitioners and line managers. This discussion adopts a managerial discretion theory lens to argue that, as is the case for general strategy (Hendry, 2002), line manager discretion is a crucial element in the effective implementation of HRM systems. We develop this insight in three stages. First, we look at how managerial discretion theory helps us to understand line managers' contribution to HR implementation. Second, we argue that HR specialists are sensitive to the importance of such contribution and manage it through the design of formal policies and procedures, and their own involvement in day-to-day decision making. Finally, we discuss the rationales behind the varied arrangements that make HR devolution a complex and multifaceted phenomenon.

Line managers and effective HR implementation

Managerial discretion theory suggests that formal strategies do not wholly determine the actions of their implementers, but leave latitude for them to exercise their cognitive and political abilities as they go about choosing and executing the courses of action that constitute implemented strategy (Hambrick and Finkelstein, 1987, Hendry, 2002). Consistent with this view, the present study found that line managers engage with HRM policies and procedures in three distinct ways: they can decide and propose a decision within the remit of their formal role, they can ask and negotiate an outcome outside of formal policies and procedures, and they can avoid and circumvent policies and procedures. These findings describe a richer and more active role for line managers in HR implementation than previous understandings, which have focused on whether line managers carry out the activities prescribed in policy, and whether, when they do, they "take them seriously" (Guest and Bos-Nehles, 2013:81).

Moreover, by differentiating the two components of managerial discretion—latitude of actions and latitude of objectives (Shen and Cho, 2005)—the theory helps identify where line managers are likely to contribute to effective HR implementation. We propose a correspondence between the three ways of engagement with policy and the two components of managerial discretion. In the context of HRM implementation, latitude of objectives—the ability of agents to pursue goals that are different from their principals' (Shen and Cho, 2005)—would imply line managers making HRM decisions in pursuit of their personal goals rather than the organisation's. Similar to other researchers before us (e.g. Nadisic, 2008, Purcell and Hutchinson, 2007), we found in our study that line managers may avoid prescribed HRM action or circumvent policy controls, in order to further goals that contradict the aim of policy makers. For example, we found instances where line managers kept informal shift agreements as a way of fostering good personal relationships with employees, to the potential detriment of their store's staffing levels. Such 'avoiding and circumventing' activities therefore can be understood as attempts by line managers to carve out spaces for latitude of objectives in their enactment of HRM practices.

On the other hand, latitude of actions—managers' ability to choose which actions to undertake in pursuit of organisational objectives (Shen and Cho, 2005)—would describe a line manager who uses HRM procedures along with her problem solving and political abilities to make or influence HRM decisions in ways that further the goals of the organisation, even if the particular course of action is not part of explicit formal policy. In our research, latitude of actions describes the many instances where managers used their best effort and judgement in making decisions within the normal course of HRM processes—'deciding and proposing'—, as well as those where they devised non-standard solutions and persuaded others to adopt them—'asking and negotiating'.

Thus, whereas previous views emphasised how line managers may detract from the effectiveness of HRM systems by ignoring policy or complying with it half-heartedly (Guest and Bos-Nehles, 2013)—similar to 'avoid and circumvent'—our findings bring to the fore the importance of 'deciding and proposing' and 'asking and negotiating' as ways in which line managers actively contribute to the effective implementation of HRM systems.

HR specialists and effective HR implementation

The present study also sheds light on HR specialists' role in shaping managerial discretion in HRM processes. According to managerial discretion theory, latitude of actions emerges from the interplay between contextual constraints and the cognitive and political abilities of managers (Hambrick and Finkelstein, 1987). Latitude of objectives, on the other hand, is limited by monitoring and control, and the vigilance of significant stakeholders (Shen and Cho, 2005). We therefore argue that line manager discretion in HRM is not a feature HR specialists can simply design in policy and procedure, but emerges from the interplay between formal processes, performance pressures, and the ongoing actions of HR specialists and line managers themselves. More specifically, latitude of action in HRM is dependent on the cognitive and political abilities of managers, but also on the design of open procedures and the day-to-day engagement of HR specialists to guide, educate and facilitate the contribution of line managers. Latitude of objectives in HRM, on the other hand, can be curbed through performance pressures, procedural controls, and active monitoring by HR specialists. Thus, besides designing policies and procedures with the intention of affording discretion to line managers in particular areas, HR practitioners may also seek to involve themselves in day-to-day decision processes and, through a combination of advice and political pressure, have an influence on line managers' decisions.

Our study therefore suggests that HR specialists are sensitive and indeed pay keen attention to enacted managerial discretion in HRM systems, and that they design and manage HRM policies and procedures in ways that afford more or less discretion to line managers in different areas, often aiming to curb their latitude of objectives, while facilitating spaces for latitude of action.

Managerial discretion and HR devolution

The result of HR specialists' design and management of HRM systems is quite a varied set of arrangements for HRM decision-making in terms of the amount of involvement of line managers and HR specialists. At one end of the spectrum, there may be areas of HRM activity where HR specialists barely intervene, while at the other there may be areas where HR spends considerable amounts of time and effort restricting and shaping line managers' discretion.

From the point of view of HR specialists, such varied approaches may respond to several rationales. First, HRM practices have important implications for the cost base of organisations through their impact on labour costs, and therefore cost-effectiveness is a key goal of all HRM systems (Boxall and Purcell, 2016). Decisions that have a direct bearing on labour costs, such as staff numbers and salary levels, are likely to be more centralised, especially in those industries and segments where cost containment is an important component of a firm's strategy, as was the case for the retailer we studied.

Second, decision processes are likely to be more centralised when it is important to be able to demonstrate consistency in decision making. Whereas HRM is contrasted to traditional personnel management as favouring flexibility over procedure (Storey, 1992), there remain areas of HRM where a strong emphasis on procedural consistency persists because of legal and other institutional constraints (Paauwe and Boselie, 2007). In our case study, for instance, aspects of disciplinary action were centralised with the explicit goal of ensuring procedural consistency as protection against claims of unfair treatment.

Third, decision making is likely to be more decentralised in processes for which local dispersed information is valuable for decision making. Brewster and Larsen (2000) noted that one of the reasons for HR devolution was a trend towards integrating HRM decisions with other aspects of day-to-day business unit management. In our case study, local information about candidate abilities and specific job requirements was deemed important for effective hiring and promotion decisions, so wide discretion was afforded to the line manager in these areas.

Finally, limitations in the resources and size of the HR department mean that some resource-intensive activities may be decentralised as a way to limit the overheads of the department. It is often harder for cost-centre functions such as HR to justify large cost budgets, than it is for profit-making departments, which means the former may be limited in their resources and forced to transfer activities to the latter (Hall and Torrington, 1998). In our case study, the HR department did not have the capacity to intervene in entry-level hiring across the store network, so this activity was left to line managers.

Whereas these rationales have been identified in previous literature as reasons for, or barriers against HR devolution (Brewster and Larsen, 2000, Hall and Torrington, 1998), our analysis advances this knowledge by showing that multiple centralising and decentralising rationales can impinge on different aspects of a single HRM system at the same time, thus providing a view of HR devolution as a complex and multifaceted phenomenon.

LIMITATIONS AND IMPLICATIONS

The present study has limitations and therefore its findings should be taken with caution. First, the main data source is interview data, which has been found to be susceptible to bias induced by retrospective sensemaking (Eisenhardt and Graebner, 2007). We believe, however, that this problem is at least partially mitigated in the present study by our focus on eliciting detailed participant narratives of recent and on-going episodes of HRM activities (Eisenhardt and Graebner, 2007). Second, whereas a single case study approach facilitated a rich investigation of HRM activities in one organisational context, the theory we have derived from this investigation may be limited in its generality (Langley, 1999). Specifically, the question arises about the extent to which the findings may be idiosyncratic of the organisation studied, its industry or its national setting. Further case studies of other organisations, in different industries and countries are needed, which may amend or extend the theory proposed here.

Implications for HRM theory and research

Notwithstanding its limitations, the present study makes several contributions to HRM scholarship. Foremost, it provides a more fine-grained understanding of HRM decision making processes and of the roles of line managers and HR practitioners in them. Most previous research on HR devolution has examined the allocation of HRM tasks and responsibilities between HR practitioners and line managers (e.g. Brewster et al., 2015, Reichel and Lazarova, 2013). Our study, however, joins Jones and Saundry (2012), and McDermott et al. (2015) in highlighting the limitations of binary conceptualisations of HR devolution as an allocation of responsibilities to either the line or HR. As our detailed description of HRM processes at the case organisation shows, there are multiple, sometimes subtle and surprising, ways in which *both* line managers and HR practitioners can involve themselves in HRM decision making, so that most areas of HRM seem to combine and juxtapose devolved and non-devolved elements. Moreover, the influence that HR or the line have on the outcomes of HRM decisions depends not only on the design of formal processes, but also on the ongoing interactions among the different actors, which may limit or expand managerial discretion in different ways over time. Our findings thus illustrate the complexity and fluidity of actual HRM decision making processes, which render binary distinctions based on the design of formal processes problematic.

Secondly, where the literature has often emphasised line managers' negative impact on HRM practices through the introduction of distortion and variability (Wright and Nishii, 2013), our results suggest that the effective implementation of HRM systems may depend on the extent to which managers' cognitive and political abilities are mobilised to bring about decisions that are well suited to the local situations that line managers know best. For instance, the success of a new performance appraisal system may depend on managers' abilities being engaged to distinguish desired from undesired behaviours, and to persuade others of the validity of such assessments. Thus, we draw attention to the positive contribution to effective HR implementation by line managers who deploy their cognitive and political abilities to help make HRM systems work in practice.

Implications for HRM practice

Two recommendations to HR practitioners follow from the above. First, HRM processes should be designed to allow for areas where line managers are encouraged and supported to exercise their cognitive and political abilities and maximise their contribution to local problem solving. Whereas under current thinking, HR practitioners are advised to be vigilant of the ways in which managers might shirk and deviate from prescribed practice, our perspective suggests they should also be sensitive to how line managers can contribute to the success of HRM systems, and aim to optimise such contributions.

Second, our research suggests that designing HRM processes may not be sufficient, and points to the value of HR practitioners' engagement in day-to-day HRM decision making as a way to shape managers' discretion. Past advice to practitioners has encouraged a hands-off, arms-length approach where HR practitioners would mostly concern themselves with policy design and some overall quality assurance (Guest and Bos-Nehles, 2013) but would eschew involvement in day-to-day tasks regarded as 'non-strategic' or 'administrative' (Boudreau and Lawler, 2012). Our research however goes contrary to blanket calls for practitioners to abandon such activities, and suggests that their involvement in day-to-day HRM can be critical to effective HR implementation through fostering, shaping and controlling the discretion of line managers.

Our suggestion therefore is that intense day-to-day interaction with line managers, along with well-defined spaces for managerial discretion in HRM processes, may be key to ensuring the effective implementation of HRM systems.

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Figure 1: Design of HRM decision-making processes

Centralised

Area of HRM	Decision making process
Store structure	All positions, hours and shifts set centrally, but store managers need to achieve it locally: consultations, hiring, contracts, hours, etc. Man-hours adjusted locally according to productivity formula.
Salary and bonus	All salary bands set centrally by job grade. Annual cost-of-living increases. Manager can propose for additional merit increase, although highly restrictive. On promotion, unwritten rule to move salary 'one grade up, one step back'. Monthly and seasonal bonus calculated centrally according to store revenue goal attainment and individual's hours worked.
Performance management	Absence and lateness trigger points, and seasonal customer service appraisals prompt performance management action. Pre-disciplinary: guidelines for corrective coaching and formal counselling. Application is local, subject to audits. Disciplinary: strict formal requirements, decision is manager's in consultation with HR.
Training and development	Abundant printed and on-line materials for self study; individual development goals and actions planned and executed locally through absence covers and delegation.
Promotions	Decision is hiring manager's, who manages internal selection process. All vacancies published in bulletin, model interview questions.
Hiring	Stores do their own hiring for entry-level positions within their store structure budget: set contract hours, advertise in shop window, collect CVs, interviews, etc.

Decentralised

Figure 2: Role of line managers in HRM decision-making processes

	Decide and propose	Ask and negotiate	Avoid and circumvent
Store structure	None	Negotiate changes to standard structure	Informal shift arrangements
Salary and bonus	Propose for merit increase	Negotiate higher salary on promotion	None
Performance management	Carry out investigation and disciplinary hearing. Make decision 'together' with HR	Negotiate lesser sanction Ask for changes to absence trigger points	Failure to act on misconduct
Training and development	Plan training activities Program absence covers	Arrange developmental job assignments in other stores or head office	Failure to develop employees
Promotions	Decision to appoint	Negotiate direct appointment (without publication in bulletin) Inquire about potential candidates	Failure to provide feedback to candidates
Hiring	Decision to hire	None	None