

The Devolution of Human Resource Management Responsibilities to Line Managers: A Multi-level Analysis of Contextual Influences

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Abstract

Patterns of devolution of human resource management responsibilities to line managers vary significantly, giving rise to the important question of what accounts for such variability in the assignment of these responsibilities. Building on theoretical insights from both contextual strategic human resource management and structural contingency theory, we conceptualise the combined role of both proximal and distal factors in the form of institutional, competitive, and heritage-based mechanisms in accounting for variations in devolution. Then, employing data from 5918 organisations across 35 countries, we test our ideas using multi-level modelling. We find that competitive and heritage mechanisms, as more proximal influences, offer explanatory power, while the more distal institutional factors included in our analysis do not reach significance. Our work underscores the importance of theorizing the role of multiple, co-occurring proximal and distal multi-level influences when seeking to unearth commonalities and differences in the uptake of devolution in different contexts. This study also complements the predominant managerialist view on the assignment of human resource management responsibilities to line managers commonplace in the literature.

Key Words: devolution, line managers, context, contingency theory

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Introduction

Increasing demands for flexibility in the management of employees, coupled with a trend towards the individualization of the employment relationship, have placed line managers at the centre of HR delivery in the eyes of practitioners (CIPD, 2022) and researchers alike (Kurdi-Nakra et al., 2022). In addition, advances in technology and the automation of jobs, coupled with downsizing initiatives, have led to more flexible organizations, where line managers are more empowered to deliver on their expanded remit (Dixon et al., 2021; Intindola et al., 2017). There is evidence that devolution of HRM responsibilities can have a positive impact at both the collective organizational level (Ryu & Kim, 2013) and at the individual employee level (Kuvaas et al., 2014) on the basis that line managers are better suited to adapt HRM policy in their own units if they are appropriately supported or equipped to embrace HRM roles and responsibilities (Townsend et al., 2022). In terms of the impact on the HR function itself, it has been argued that the very act of devolving certain HR responsibilities to line managers, in particular administrative or low level operational tasks, can make way for the development of a sharper focus on more strategic issues by the specialist department (Brewster et al, 2015; Kehoe & Han, 2020). Nevertheless, evidence suggests that the spread of devolution of HR responsibilities to line managers varies significantly (Kehoe & Han, 2020; Kurdi-Nakra et al., 2022) giving rise to the important question of what accounts for such variability in the architecture of the HR function when it comes to devolving responsibilities to line manager.

In their review of the devolution literature Intindola et al. (2017) advance a number of possible reasons for variations in the uptake of devolution including the existence of misaligned expectations between line managers and HR professionals, a HR knowledge deficit among line managers, the lack of HR training and overall support to the line, along with the existence of different underlying rationales for adopting devolution on the part of organizations. A common denominator emerging from their synthesis is that the reasons for variations in devolution are largely within the purview of “top management’s direct control and can be changed” (Intindola et al., 2017, p. 1805), centring as they do around proximal contextual factors. The literature gives much less coverage to broader distal contextual influences. By distal, we refer to contextual factors that are not at the individual or team level of analysis, but rather to factors in the organizational, sector, and national spheres that characterise the multi-level embedded operating context and which, in combination, may serve as situational determinants of HRM recipes and preferred approaches (Morley et al, 2021).

Including more distal contextual influences is important because devolution is an organizational level phenomenon, which means that rather than confining the analysis to proximal, largely internal influences, any serious consideration of context needs to consider factors related to the institutional environment in which the organization exists, the competitive arena in which it operates, as well as key organizational characteristics. As Farndale & Paauwe (2018, p. 203) put it “firms do not operate in a vacuum”.

In seeking to deepen the conversation on the role of multi-level contextual influences on the devolution of HRM to line managers, and in responding to a growing number of calls to place dimensions of context front and centre (Farndale et al., 2023; Parry et al., 2021a;

Dewettinck and Remue 2011), along with calls for greater theorisation of the role of line managers in HRM (López-Cotarelo, 2018), we make three contributions to the literature as follows.

Firstly, our work underscores and reinforces the value of taking a contextual approach in theorising and testing the determinants of devolution of HRM responsibilities to line managers. We augment the body of scholarship which recognises that context plays a critical role in the nature of HRM. Motivated by an acceptance of the fundamental reality that differences exist in the way HRM is institutionalized, organized and practiced, we seek to give expression to this pluralistic reality, theoretically and empirically. We believe it serves as a better point of departure when seeking to build insights into the preferred HRM recipes and approaches pursued in different settings.

Our second contribution lies in providing an exposition of both proximal and distal factors in modelling the nature and extent of devolution of HRM to line managers. We adopt an integrative perspective to further our understanding of how key macro, meso and micro influences, in combination, shape devolution. Building on previous work which has sought to call attention to the likely shaping influence of different factors on the extent of the use of devolution at multiple levels (Larsen & Brewster, 2003; Brookes and Brewster, 2022; Brewster et al., 2015; Gooderham et al., 2015; Mesner-Andolšek & Štebe, 2005), and taking inspiration from both the Contextual Strategic HRM Framework proposed by Paauwe & Farndale (2017) and from ideas rehearsed in Structural Contingency Theory advanced by Donaldson (2001), we theorise and test the explanatory power of multi-level proximal and distal mechanisms on the extent of devolution. The adoption of the Contextual Strategic HRM Framework allows for a fuller theoretical explication of the

role of institutional, competitive and heritage mechanisms in enabling or constraining the pursuit of HRM choices than offered heretofore in the devolution literature, while the integration of insights from Structural Contingency Theory serves to underscore how organizations perform better when their structures fit specific contingencies that they face.

Our third contribution lies in the empirical coverage that we offer in testing our ideas. Comparative data gathering of this nature is “a challenging undertaking for HRM researchers” (Cooke, Veen & Wood 2017, p. 220). As Parry et al (2021b) highlight, those challenges are especially acute when many countries in different stages of development, with different languages and different scientific traditions are involved. Our sample of 5918 organizations across the 35 countries in which we have gathered organizational level data represents an important step forward in that it can help to deepen our appreciation of embedded HRM practices in more diverse settings, many of which are under-represented in the body of knowledge.

The remainder of our paper is organized as follows: We start by reviewing extant scholarship on devolution, paying particular attention to those studies that have addressed the role of contextual influences on its uptake. Our review, in particular, unveils some of the underlying theoretical gaps in our understanding of devolution implementation from a contextual perspective. In order to address these, we then draw on Paauwe & Farndale's (2017) contextual strategic HRM model, as well as insights from contingency theory (Donaldson, 2001) to formulate our hypotheses. Following this, we set out our methodology and measures, and we describe our sample comprising 5918 organizations

from 35 different countries. We then present our findings and discuss them in the context of the unfolding literature.

The devolution of HRM to Line Managers

The idea of transferring HRM responsibilities to line managers so that the HR function becomes a shared responsibility, rather than the preserve of the specialist HR function, has its origins in the emergence of strategic HRM in Anglo-Saxon countries (Brewster & Larsen, 1992). Devolution of HR responsibilities to line managers also found favour among European organizations in the early eighties, especially in Nordic countries and later in other parts of Continental Europe (Brewster & Söderström, 1994). This shift towards bringing the management of people closer to the employee continued in the nineties with privatization and downsizing trends (Intindola et al., 2017), and remains a key ongoing development as organizations continue to prioritize people management arrangements that facilitate agility and adaptation. As a result, line managers have become key actors in ensuring intended HRM policies become implemented and realized (Brewster et al., 2013; Kravariti et al., 2022; Salvador-Gómez et al., 2023).

The body of work analysing the phenomenon of HRM devolution to line management is significant, so much so that it has lately been the subject of two major integrative reviews (Intindola et al., 2017; Kurdi-Nakra et al., 2022), the latter focusing attention on how this literature has changed over time. The corpus of scholarship produced has largely been concerned with identifying “organizational contingencies for the successful implementation of HR devolvement” (Intindola et al., 2017, p. 1797). The focus, thus, has been on how devolution can be undertaken successfully. However, the question of what factors account for the actual uptake of devolution has received less attention.

Furthermore, as Kurdi-Nakra et al. (2022) note, although interest in multi-level approaches started in the last decade, most devolution studies have focused on individual and organizational levels of analyses, with very few studies dedicated to exploring the phenomenon at the supra-organizational level. In addition, there has been a tendency to treat devolution as an intra-organizational phenomenon only with the result that there has been much less research examining cross-national differences in devolution, despite the evidence that there are differences across countries and that these tend to persist over time (Larsen & Brewster, 2003, Brewster et al., 2015; Brookes and Brewster, 2022).

We contend that the adoption of a contextual perspective encompassing proximal and distal factors holds the prospect of offering particular explanatory power in accounting for variations in devolution. A contextual view assumes that the extent of devolution is influenced by several situational factors both internal and external to organizations. As a theoretical point of departure, it lends itself to unearthing commonalities and differences in devolution levels across different organizations and countries. On the whole, relatively few studies explicating the role of multi-level contextual factors in accounting for the degree of devolution of HRM responsibilities to line managers have been conducted. Initially, studies tended to focus on determinants of devolution at one particular level, either inside or outside the organization. Thus, for example, Brewster and colleagues (Brewster et al., 1997; Brewster & Larsen, 1992) were among the first to advance a country level comparative analysis. Taking this approach, they observed that Nordic countries had the highest levels of devolution, while France, Spain, the UK, and Ireland sat at the other end. In adopting an organizational level lens, Budhwar (2000), based on a UK-only sample, found that levels of devolution in organizations depended on the type of HR strategy and HRM policies pursued, as well as on the presence of trade unions.

Arising from the increasing sophistication of the statistics used in management studies, Mesner-Andolšek & Štebe (2005) advanced a multi-country study in which they examined several of the antecedents included in previous studies at different levels, along with a number of new ones. They found that organizational size, as well as the presence of formalized HRM policies and HR strategy were associated with devolution. However, country level differences emerged as the more significant predictors, pointing to the importance of the national level context in accounting for variations in patterns of devolution. Of note, given the exploratory nature of these studies, the underlying conceptual rationale for the explanatory power of national or organizational context in accounting for variations in devolution was less developed in favour of a more empirically led approach. Subsequent studies by Brewster et al. (2015) and Gooderham et al. (2015) addressed a number of these shortcomings by paying particular theoretical attention to institutional arguments and to building and testing hypotheses based on the existence and likely influence of particular contextual endowments. For instance, Brewster et al. (2015) draw on theoretical insights from the varieties of capitalism framework to argue that Nordic economies are the most likely to assign responsibility to the line vis-à-vis liberal market economies, which are the least likely to do so. Gooderham et al. (2015) also invoke institutional arguments drawing a distinction between formal (e.g., legislation) and informal (e.g., culture) institutions, and argue that devolution is more likely in countries with more extensive employment legislation and lower power distance. While these more theory-guided contextual studies have mainly focused on institutional arguments, broader conceptual frameworks integrating and testing multi-level factors have featured less commonly.

Building on these contributions and in an effort at capturing and integrating a broader suite of contextual influences, we draw on Paauwe and Farndale's Contextual Strategic HRM Framework (Farndale & Paauwe, 2018; Paauwe & Farndale, 2017). It postulates that the SHRM system adopted by an organization is shaped by three broad contextual factors, namely, competitive, institutional, and heritage-based ones. They argue that there is a balance between the constraints and opportunities imposed by contextual influences at different levels and the inherent strategic agency of the key decision makers in organizations, resulting in different patterns of adoption. In applying the Contextual SHRM Framework to the phenomenon of the devolution of HR to line management, we suggest that decisions in this regard are likely to be concurrently motivated by institutional, competitive, and organization specific heritage-related factors. In addition, to better define what elements may be more relevant in each domain, we also incorporate insights from structural contingency theory (Donaldson, 2001). One of its key tenets is that organizational structures become more organic or mechanistic depending on different levels of environmental uncertainty, understood as "the inability to predict what course of action will lead to the desired results because of unpredictable variation or lack of knowledge" (Donaldson, 2015, p. 609). Burns & Stalker (1961) had earlier argued that "when uncertainty is low, operations become routine and can be captured by rules that are specified from the top-down, while organizational roles are specialized and closely defined", whereas when uncertainty is high "operations need to rely on the initiative of employees who view their role more broadly" (Donaldson, 2015, p. 609). The latter is considered an "organic structure", where lower and middle level employees and managers, who are less specialized, are given more autonomy to exercise decision making and solve problems (Donaldson, 2001, p. 22). According to this logic, contextual factors that increase uncertainty in people management decisions will favour more flexible

structures and hence more devolution, whereas contextual factors that reduce uncertainty will call for more mechanistic structures that keep decision making in the hands of specialized HR departments.

Conceptual foundations and hypothesis development

Combining insights from contingency arguments around uncertainty and structure, coupled with the contextual factors shaping SHRM advanced by Farndale & Paauwe in their framework, we identify and assemble key institutional, competitive and heritage mechanisms that have variously been recognized as determinants of the uptake of devolution in the extant literature, albeit in a less integrated and more fragmented way than we offer in our conceptual framework. These mechanisms operate in turn at different corresponding levels of analysis (namely, national or macro, sector or meso, and organizational or micro), with national level factors representing the most distal context and organizational level ones the more proximal. In what follows, we theoretically explicate those mechanisms that form the building blocks of our argument to advance a series of hypotheses, as reflected in Figure 1.

Insert Figure 1 About Here

Institutional mechanisms

The institutional context includes social, political, cultural, and regulatory constraints that shape HRM choices and alter the outcomes of competitive mechanisms. Institutional

explanations complement contingency arguments of design and efficiency by paying attention to organizations' need for external legitimacy (Van de Ven et al., 2013) and for abiding by prevailing values and norms. Gooderham et al. (2015) distinguish between formal and informal institutions. Formal institutions are connected to existing legislation and regulations that exert coercive and normative pressure on organizations, whereas informal institutions relate to more tacit norms (e.g., cultural values) that may also serve to constrain organizational decisions.

According to Gooderham et al. (1999), a key formal institution that may determine the interest in engaging in more or less devolution is employment legislation (EL) whereby, “the existence of strong and elaborate EL restricts the degree of autonomy that organizations have to develop novel HRM practices” (Gooderham et al., 1999, p. 717). It represents a coercive pressure imposed upon organizations to which they need to respond and adapt to in order to maintain legitimacy. In this sense, EL reduces uncertainty by establishing the framework of rules to be followed in workforce management. Following Gooderham et al. (2015), we adopt Botero et al. (2004) in explicating the impact of employment laws, and the extent to which they offer more or less overall protection in the employment relationship. In general, when EL is more extensive and formalized, organizations will have less autonomy in managing the employment relationship on their own and will be more constrained by existing rules and regulations. In line with contingency arguments, given that one of the main purposes of devolution's is to create more agile and flexible workplaces (Hoogendoorn & Brewster, 1992), externally imposed constraints in terms of EL are likely to restrict line managers for two key reasons. First, more extensive EL reduces the choices that line managers have in dealing with the employment relationship such as, for instance, the extent to which they can use overtime

or not, or the extent to which they can expand or reduce headcount in their units. Second, in countries with more extensive EL, line managers' mistakes may be costlier if they do not follow existing legislation. This implies that either line managers need to be monitored more closely or they need to be particularly well versed in the relevant legal frameworks, which in turn increases the costs of devolution. Arising from this, we expect that:

Hypothesis 1. *The devolution of HR responsibilities to line managers will be lower in organizations operating in countries with more extensive employment legislation.*

In addition to formal institutions, informal ones (such as cultural norms) also carry weight in shaping organization's HRM practices. These norms, values, or traditions differ across societies and are quite difficult to change, as they tend to persist in the face of economic, political, or organizational changes (DiMaggio, 1994; Schuman & Scott, 1989). Practices that are at odds with the national culture are likely to generate less commitment, decreasing their adoption (Newman & Nollen, 1996). This is also likely to be true for devolution efforts. For example, Gooderham et al. (2015) found that devolution decreased in countries with higher power distance, where participatory structures were more difficult to accept. While commonly studied cultural dimensions such as power distance may influence devolution decisions, other local social norms more directly related to the management of the employment relationship may also play an important role. We argue that the extent to which labour-employer relations are cooperative or confrontational in a particular business culture can have a major influence on devolution decisions. Transferring HRM decision making power to the line helps to deal with uncertainty, but it also involves a certain risk since line managers may not be sufficiently equipped or motivated to perform the range of tasks that accompany devolution (Woodrow & Guest,

2014), or because of the possibility of increased inequity in the treatment of various employee groups arising from differentiated HRM decisions by each line manager (McGovern et al., 1997). Thus, institutional factors that serve to increase the context of trust within which internal actors operate are also likely to impact devolution decisions. Central to this is the nature of labour-employment relations and the degree of trust characterising the relationship between management and employees.

In countries with more cooperative relations, efforts are made to create joint union-management committees at different levels to build trust and mutual understanding. The underlying idea is to share information, commonly define problems, and look for original approaches and solutions to these problems (Voos, 1989). In cooperative environments, unions can become key allies in the adoption of innovative HRM practices by improving communication with, and trust among, employees and by fostering long term relationships and work stability (Gill, 2009). We argue that organizations operating in higher-trust cooperative contexts will meet with less resistance when devolving HRM responsibilities to the line. Trade unions in such contexts are likely to cooperate so that line managers are well equipped and supported to carry out their HRM duties and acknowledge that good leadership exercised by line managers rather than a single HR department can result in benefits both for the organization and employees. Conversely, when employment relations are governed by a lower-trust more adversarial approach, employe representatives may perceive the possibility of increased inequality accompanying devolution and may view it as development which, in time, could weaken employees overall bargaining power. Therefore, we expect that:

Hypothesis 2. The devolution of HR responsibilities to line managers will be higher in organizations operating in countries with more cooperative labour-employer relations.

Competitive mechanisms

In addition to the need for external legitimacy, organizations also face uncertainties related to the market or technological environments in which they operate, which as has consistently been argued necessarily affect HRM practices and decisions (Beer et al., 1984; Beer et al., 2015). Thus, both the prevailing institutional and task environments in which organizations are embedded account for organizations' policies (Oliver, 1997; Scott, 1998). Competitive mechanisms represent product-market and technological pressures that shape the HRM system. HRM policies and decisions are partly determined by the way an organization "positions itself in the marketplace based on its products or services, competitors in the market, and technology" (Farndale & Paauwe, 2018, p. 204). How the organization competes in the market, as well as the type of sector in which it operates, can have a significant impact on HRM activities and decisions (Apospori et al., 2008; Cunha et al., 2002). To this end, based on contingency ideas advanced by Donaldson (2001), we focus on three such relevant exigencies, namely, the sector of activity (i.e., manufacturing vs. services) in which the organization competes, the level of market growth, and an organization's focus on innovation.

With respect to sectoral influences, whether an organization belongs to a manufacturing or service sector can influence devolution. In manufacturing settings, customers may be physically distant from production activities and companies can more easily buffer their technical core from customer demands (Lengnick-Hall, 1996), which may allow for more centralization of HRM decisions. By contrast, in service industries, line managers may need to make faster and more locally adapted HRM decisions to deal with customer needs.

Service organizations are thus more adapted to a local context, which may affect devolution levels (Fenton-O’Creevy et al., 2008). Hence, we expect that:

Hypothesis 3. *The devolution of HR responsibilities to line managers will be higher in service organizations than in manufacturing ones.*

Organizations facing market growth experience more opportunities for exploiting their current capabilities and increase economies of scale. Conversely, a shrinking market is likely to put more pressure on decision makers, increase competition, and threaten survival. Following contingency arguments, a shrinking market will create higher levels of uncertainty and hence legitimate a more organic and participative organizational structure, where line managers are charged with decision-making to adapt to their immediate situation to maximize agility. This was confirmed by Cunha et al. (2002), who used both market growth and product demand as proxies of industry attractiveness and showed how they were linked to a higher level of formalization of strategy, including HR strategies. We thus expect that market growth, with its uncertainty reducing effects, will call for more formalized structures where the HRM department can afford to develop systems throughout the company, whereas in circumstances where the market is shrinking, there will be increased uncertainty which will favour HRM decision making taking place as close as possible to the employees. Therefore:

Hypothesis 4. *The devolution of HR responsibilities to line managers will be lower in organizations operating in growing markets than in declining ones.*

In addition to sector and market conditions, the organization’s own competitive strategy is also likely to influence devolution decisions. Thus, for example, Budhwar (2000) found a negative association between a cost-oriented strategy and devolution, and in general,

we know from the strategic HRM literature that the alignment of organizational and HR strategy is key for overall performance (Guest, 1997; Schuler & Jackson, 1987). It follows that the way in which the organization competes in the market should have some influence on how HRM activities are organized, including the leeway that middle managers possess to make HRM decisions.

One particular corporate strategy that may require a certain degree of devolution is that of innovation. Organizations adopting an innovation focus -those concentrating on differentiation in products and/or services vis-à-vis competitors- need to design an HRM system that supports greater risk taking, flexible, creative, and long-term oriented employee behaviours (Schuler & Jackson, 1987). Apart from various specific HRM policies such as training and development, which are relevant for promoting innovative work behaviours, a crucial aspect is also the extent to which employees feel supported by their supervisors (for example, through regular feedback and encouragement) and are afforded the necessary autonomy to engage in those behaviours (Bos-Nehles & Veenendaal, 2019). To provide such support, line managers need to be able to make decisions as regards employees' training needs, variable compensation, developmental feedback, and related areas. It follows that providing support for employees' innovative work behaviours will be more difficult when managers are unable to make HRM decisions on their own or are constrained by potentially rigid HRM policies and procedures, which afford little discretion for developing idiosyncratic deals or introducing certain degrees of differentiation. An innovation focus thus requires a more participative structure and higher levels of flexibility. Hence, we expect that:

Hypothesis 5. The devolution of HR responsibilities to line managers will be higher in organizations reporting greater levels of innovation than in those with less.

Heritage mechanisms

While both competitive and institutional pressures relate to environmental fit, heritage pressures relate to organizational fit, and hence they focus on the very characteristics of the organization, that is, on their internal rather than external context, thus constituting the more proximal context of devolution. Heritage mechanisms refer to the organization's inertia, organizational features that act as internal enablers or constraints that result from past decisions made by the organization, which necessarily condition the type of HRM choices that can be made. Here, we can include factors related to corporate culture and structure, the type of workforce (Mesner-Andolšek & Štebe, 2005), the type of HRM policies in place (Budhwar, 2000), as well as key organizational characteristics such as size and ownership (public vs. private).

Organizational size is one of the most relevant factors considered in structural contingency theory, as noted by Donaldson (2001), who argues that “size has turned out to be a major contingency factor that affects many different aspects of structure and many of them quite strongly” (p. 21). Size is likely to affect many different aspects of HRM, including devolution (Brewster et al., 2015). According to Donaldson (2001; 2015), smaller organizations tend to be less bureaucratic, and management directly controls organizational decisions. By contrast, large organizations will develop more specialized roles and have more formalized policies. This is because larger size is associated with more complexity and with the need for more levels of hierarchy. As size increases work needs to be divided between more people, and so role specialization and the need for rules also tend to increase (Donaldson, 2015). Hence, in larger firms HR tasks are more likely to be handled by HR specialists, who need to deal with more complex HRM problems (Brewster et al., 2015). By contrast, in smaller organizations HR tasks will often be

absorbed by the line, who will carry them out in addition to their traditional responsibilities. Therefore, we expect that:

Hypothesis 6. *The devolution of HR responsibilities to line managers will be lower in larger organizations than in smaller ones.*

In addition to size, whether a firm is privately or publicly owned is another key organizational characteristic that may influence the design of the HR function by and large (De Beeck et al., 2021) and the degree and forms of devolution in particular (Knies et al., 2022a). Early empirical evidence suggested that the responsibility for HRM would lean more towards line managers in private organizations and more towards the HRM department in the public sector (Poole and Jenkins, 1997), while more recently Brewster et al. (2015) found no significant difference between the two types of organizations. Harris et al. (2002) outlined several arguments that would prevent public organizations from heavily engaging in devolving HRM to the line, chiefly their tendency to functionalism, uniformity, and centralization, as well as the need to be publicly accountable and demonstrate fairness in HRM in a heavily regulated sector, whereby line managers may not have the specialist knowledge to successfully deal with procedural compliance. In addition, public firms tend to exhibit stronger unionization patterns than private ones, thus creating a higher need for HR specialists to deal with union representatives (Poole and Jenkins, 1997), altogether making devolution more difficult. Hence, we suggest that:

Hypothesis 7. *The devolution of HR responsibilities to line managers will be higher in private sector organizations than in public sector ones.*

The relative power of different internal stakeholders also acts as a key heritage factor. It results from past strategic choices made by the organization, and often yields key uncertainties that different organizational actors have to deal with (Salancik and Pfeffer, 1977; Hickson et al., 1971). Considerations of power are also particularly relevant in unionized contexts where collective bargaining is key, something that occurs in many countries around the world, and thus our final two hypotheses focus on how the position and influence of these two key agents, namely the HR department and trade unions, may affect the extent of devolution.

In relation to the HR function Reichel & Lazarova (2013) argue that devolution is likely to be associated with a decrease in the strategic position of the HR department within the organization. Following Hickson et al.'s (1971) contingency view of intra-organizational power, they argue that organizational units derive their power from contingent dependencies, which are created by their ability to cope with uncertainty, their workforce centrality, and their degree of substitutability. The devolvement of HRM decision making responsibilities to line managers may negatively affect HR departments in terms of both their ability to cope with uncertainty and their non-substitutability. Devolving responsibility to the line implies that decisions on key uncertainties such as workforce expansion or reduction, recruitment and selection, or compensation would not remain the prerogative of the HR department. Similarly, to the extent that HRM decisions are transferred to line managers, there is the risk that the rest of the organization perceives these decisions as less specialized or in need of expert knowledge, and the HR department as more easily replaceable (Reichel & Lazarova, 2013). Hence, in organizations where HR departments hold a more strategic position, it is less likely that they will be in favour of relinquishing their decision-making rights to other non-HR actors, as this could

potentially decrease their internal power vis-à-vis other organizational units or departments. Hence, it follows that:

Hypothesis 8. *The devolution of HR responsibilities to line managers will be lower in organizations where the HR department holds a more strategic role than where it holds a more operational one.*

Finally, trade unions represent a key stakeholder group of particular relevance to the devolution decision. Brewster et al. (2015) argue that the traditional quest among trade unions for standardization, due process, and consistency across HRM decisions can sit uncomfortably with increased levels of devolution. From a trade union perspective, increasing levels of devolution may be associated with more individualized HRM relationships, which means that negotiation over important working conditions may be carried out without the involvement of trade union representatives. While some (e.g., Gill, 2009) have pointed out that trade unions can indeed be valuable partners in the introduction of innovative HRM systems, we argue that trade unions may nonetheless perceive the increasing distribution of HRM decisions across different line managers as a diminution of their arbitration role within the organization. Devolution may also serve to reduce the certainty that comes with having to deal solely with the HR Department as a centralized single clearly defined interlocutor. Following the same non-substitutability arguments offered earlier, increasing levels of devolution may increase employees' perceptions of trade unions as adding little value, since their needs are being addressed more directly through conversations with their own line managers. Thus, our final hypothesis is that:

Hypothesis 9. *The devolution of HR responsibilities to line managers will be lower in organizations where trade unions hold more influence than in those where they hold less.*

Methods

Data and Sample

Data for this study were collected through the Cranet project, an international scholar network dedicated to the analysis of HRM developments in medium and large private and public organizations across countries (Parry et al., 2011). Through long-term collaboration between research partners in participating countries engaging in data collection, and through the subsequent curating of the research insights generated, the Network facilitates an exposition of systems, content and national patterns of HRM (Morley & Heraty, 2019). Parry et al. (2011) argue that a particular strength of the Network has been in advancing research in a host of different contexts, many of which are historically underrepresented in the scholarly literature, and building a collaborative platform through which they offer data on legitimate practice in their respective countries. All Cranet members collected data through the same survey, translated and back-translated to and from local languages, and completed by the most senior HR specialists within the respondent organization (Lazarova et al., 2008). For the present analysis, data were used from the 2014/2015 questionnaire, covering 5918 organizations with more than 100 employees in 35 countries around the world. To avoid the risk of common method variance (CMV) bias, survey questions largely focus on factual issues rather than attitudes or personal interpretations (Reichel & Lazarova, 2013). In addition, country level variables in our study were derived from external sources, other than the questionnaire.

Measures

All measures are taken from the Cranet survey unless noted otherwise:

Dependent variable

Following Gooderham et al. (2015) and Reichel & Lazarova (2013), *devolution* was measured asking who bears the primary responsibility for major decisions spanning five HRM areas: pay and benefits, recruitment and selection, training and development, industrial relations and workforce expansion or reduction. For each of the areas, the response was coded as 1 for only the HR department (least devolution), 2 for HR department in consultation with line management, 3 for line management in consultation with HR department and 4 for only the line management (most devolution). The answers for the five areas of HR activities were summed, to create an overall index ranging in value from 5 to 20, with larger numbers indicating a higher degree of devolution (i.e. more participation of line managers in HR responsibilities) in a higher number of areas. An examination of the table of frequencies for this variable shows that devolution levels vary widely across organizations, with approximately one third of organizations concentrating decisions in the HR department (with or without consultation with line managers) and about 15% doing the opposite (concentrating decisions in the line with or without occasional HR consultation).

Independent variables

Extent of employment legislation was obtained from the index developed by Botero et al. (2004, pp. 1348-9). This index is based on country level differences related to a compilation of characteristics of individual labour contract and working conditions. The values for this index are calculated through four sub-indices: (1) alternative employment contracts; (2) cost of increasing hours worked; (3) cost of firing workers; and (4) dismissal

procedures. The indicator ranges from 0 to 1, with values close to 1 reflecting stricter laws. This same index was also previously used by Gooderham et al. (2015).

Cooperative labour-employer relations was taken from the World Economic Forum Executive Survey, which is reported in the Global Competitiveness Report (Schwab, 2015). Respondents are asked to rate how they characterize labour-employer relations in their country, with ranges from 1 (very confrontational) to 7 (generally cooperative). We used the index reported in 2015 to match the temporal situation of our Cranet survey data. *Sector* was operationalized through compiling all services sectors together (1) and all manufacturing activities (0).

Market growth was captured via a on a five-point scale measuring the prevailing situation in the market they currently serve, from 1 (declining to a great extent) to 5 (growing to a great extent).

Innovation focus was assessed through the development of a dichotomous variable using Cranet survey data on performance outcomes. The survey includes various performance outcome variables, such as level of service quality, environmental performance, or rate of innovation, with values ranging from 1 to 5, where the reported value reflects whether the organization does better or worse than other organizations in the same industry for those outcomes. Our dichotomous variable for innovation was operationalized as 1 when rate of innovation took a greater value than any of the other performance outcome variables reported in the survey, and 0 when any of the other performance outcomes had a higher value than innovation. This is to ensure that organizations coded as 1 truly base their competitive advantage on innovation.

Size was measured as the number of employees working in the organization. To achieve a normal distribution, this variable was transformed using the natural logarithm.

Ownership was determined by whether the organization was part of the private sector (1) on one hand, and public and not-for-profit sector categories together (0) on the other. For the sake of clarity, we excluded mixed organizations from our sample.

Strategic HR department was a combined measure of two items, namely, the extent to which the HR department was involved in business strategy formulation (3= from the outset, 2= through consultation, 1= on implementation, 0= not consulted) and whether the person responsible for HRM had a place on the board or equivalent top executive team (1= yes, 0= no). Involvement in strategy was recoded to take a value of 1 when HR is involved from the outset, and 0 in the rest of cases. We then combined both items to calculate HR power. The combined variable could take a value from 0 to 2. This procedure was devised following Gooderham et al. (2015) and Reichel & Lazarova (2013).

Finally, the extent of *Trade union influence* was measured using a five-point Likert scale ranging from 0 (not at all) to 4 (to a very great extent).

Results

Table 1 presents the mean, standard deviation (SD) and the correlation matrix for all the variables included in the model.

Insert Table 1 About Here

Given that our data has a nested structure and that there is variability both between organizations, but also between countries, we use hierarchical linear modelling (HLM) for testing our hypotheses (Shen, 2016). Unlike ordinary least squares regression, HLM assumes that organizations within the same country may be more similar to each other than organizations in other countries. Table 2 presents the results.

Insert Table 2 About Here

We start by estimating the null model (model 0) with only the intercepts and no explanatory variables. As there are no predictors, the factor variance (σ^2) = 2.45 indicates how much *devolution* varies between countries and the residual variance σ_ϵ^2 = 10.66 shows how much this dependent variable varies within each country (Peterson et al., 2012). The intraclass correlation coefficient (ICC) is .187, indicating that 18.7% of variance in devolution resides at the higher level of analysis (i.e., countries). Both results justify multilevel analysis (Aitkin & Longford, 1986).

As shown in Table 2, in order to test our hypotheses, the independent variables are included in the subsequent models 1 and 2. Model 1 incorporates the variables related to the competitive and heritage mechanisms with data obtained at organizational level. In turn, model 2 adds the variables embedded at the country level related to institutional factors. Starting with the most proximal group of predictors of devolution, the heritage factors at organizational level, the results show that larger organizations will have less tendency to devolve HRM responsibilities to line managers than smaller ones ($\beta = -.378$, $p < .01$) confirming our hypothesis (H6) that the devolution of HR responsibilities to line managers will be lower in larger organizations than in smaller ones. Surprisingly, our hypothesis that devolution will be greater in private sector organizations than in public sector ones (H7) is significant but negative with public sector organizations having more of a tendency to devolve than their private sector counterparts ($\beta = -.837$, $p < .01$). In relation to Hypothesis 8 which predicted that devolution of HR responsibilities to line managers would be lower in organizations where the HR department held a more strategic role and Hypothesis 9 that devolution would be lower in organizations where trade unions held more influence, both show a negative and significant effect. Thus, organizations with

a more strategic HR department ($\beta = -.636$, $p < .01$) and with stronger trade union influence ($\beta = -.103$, $p < .05$) will see a more limited deployment of devolution.

Turning to the meso level, we hypothesised the likely influence of the sector of activity in which the organization competes, the level of market growth, and the organization's focus on innovation on devolution of HRM responsibilities to line managers. Our analysis revealed no significant differences in the degree of devolution between services and manufacturing sectors (H3), while market growth ($\beta = -.170$, $p < .01$) was negatively associated with devolution (H4), and more innovative organizations ($\beta = .267$, $p < .05$) did show a higher tendency to devolve HRM to their line managers (H5).

Finally, in terms of institutional factors at the macro level, the results of model 2 show that while the level 1 predictors remain significant when incorporating variables at level 2 in the model, both extensive employment legislation (H1) and cooperative labour-employer relations (H2) did not reach significance in our estimations, hence neither of our predictions at the country level were supported. Figure 2 summarizes the results of the empirical study of predictors of devolution.

Insert Figure 2 About Here

Discussion, Limitations and Implications

Our analysis of a sample of 5918 organizations with more than 100 employees in 35 different countries shows that devolution does indeed depend on a range of contextual factors at different levels of analysis. In particular, we find that competitive (market

growth and innovation focus) and heritage (size, ownership, strategic role of the HR department and trade union influence) mechanisms shape the adoption of devolution in the large sample of companies analysed. However, contrary to our theorizing, institutional mechanisms at the country level in the form of employment legislation and cooperative labour-employer relationships did not emerge as significant when taking all the factors together. In this section, we discuss the results obtained in light of the extant literature, with special emphasis on those that differed from the hypotheses posed. We later deal with the limitations of the study and its corresponding opportunities for further research, and we conclude with the implications and contributions of the study.

In the context of the broader extant literature, we provide empirical evidence on the determinants of devolution for some of the variables that had been previously considered with a newer and wider dataset (35 countries): As with Gooderham et al. (2015), who included 18 countries, and Brewster et al. (2015), drawing on a sample of 11 selected countries, we established that when the HR department holds a more strategic role in the organization, it is less likely that HRM responsibilities are transferred to line managers. Also, similar to Brewster et al. (2015), who noted that higher union density was negatively associated with devolution, we found that trade union influence served to constrain the devolution of HRM decisions to line managers. Our work is also consistent with these two previous studies regarding the negative association of devolution with organizational size, and the observation that the sector to which the organization belongs does not play a significant role in determining levels of devolution.

Our findings regarding ownership and the role of institutional determinants merit additional consideration. With respect to the influence of ownership, we predicted that

the devolution of HR responsibilities to line managers would be greater in private sector organizations than in public sector ones. While previous results in the extant literature have been mixed on this front, in building our theoretical argument we, in particular, highlighted the historical proclivity towards centralization in the public sector, coupled with the widespread requirement for compliance, something which we suggested that the core HR function may be better placed to deliver on. Our analysis points in a different direction, with public sector organizations showing more devolution than their private sector counterparts. One possible explanation may lie in the by now commonplace, albeit often fractious debate, on public sector reform and the drive to achieve it. Writing from a HRM perspective, Brewster et al. (2015), in particular, have pointed to the rise of so the called ‘new public management’ paradigm and its role in promoting reform as an agenda setting development driving change in how HRM is organized and delivered. The reform agenda, and accompanying discourse, often revolves around the necessity for public organizations to embrace private sector recipes and approaches, including the decentralization of activities (Ferlie et al, 1996). A variety of reasons have been offered as to the rationale for the emergence and growth of the paradigm including, for example anticipated cost saving advantages that may accrue, its capacity to act as a countermeasure to a perceived decreasing legitimacy attaching to the public sector, and what some label as a drive to reduce the “opacity of the bureaucracy” (Schedler & Proeller, 2002, p. 163). The embracing of devolution may represent one plank of this drive. Two additional caveats are in order. First, the distinction between public and private organizations is becoming increasingly blurry and varies across countries, with various degrees of publicness depending on different criteria such as ownership, funding, and authority (Knies et al., 2022b; Rainey, 2009). In addition, there is evidence that differences in HRM practices being adopted by private and public organizations are decreasing over time

(Knies et al., 2022b), which may partly explain why practices like devolution, whose origin lies in the private sector, are now commonly found in public organizations. A second caveat has to do with the need for further investigation both in terms of the extent of devolution, as well as on the domain areas of activity that are being delegated. We asked respondents where responsibility for policy decisions lay between the HR function and line managers regarding several domain activity areas, but as Cascón-Pereira & Valverde, (2014) have highlighted, while we often consider devolution through an operational lens involving the transferring of tasks for execution by line managers and thereby relieving the HR function of that responsibility, line management involvement may take a range of different forms ranging from task execution through to policy formulation. The further landscaping of this trend, both in terms of its extent and the range of HR responsibilities and activities included requires a more fine-grained approach than what is possible with a large-scale comparative survey of the kind that we draw upon here.

On the macro level institutional determinants, building on prominent lines of comparative HRM research advancing the likely shaping influence of institutional provisions on HR practices (Brewster et al., 2015; Brookes and Brewster, 2022; Gooderham et al., 2015) we theorised that the devolution of HR responsibilities to line managers would be lower in organizations operating in countries with more extensive employment legislation and higher in organizations operating in countries with more cooperative labour-employer relations. In relation to the former, our argument was vested in the externally composed constraints that accompany a more extensive legislative framework whereby line managers must become quasi-legal experts, while in the case of the latter, we were theoretically guided by the likelihood of a more partnership approach with unions in more

high trust co-operative labour relations environments. Neither proved significant in our estimations. A number of additional post-hoc tests in which we employed alternative, and more commonly invoked macro institutional measures in the HRM literature, namely Hofstede's Uncertainty Avoidance and Power Distance dimensions, as substitutes for, or in conjunction with our two institutional measures, did not alter the results. Importantly, our findings should not, however, be read as ruling out institutional explanations, but rather the importance of looking at proximal and distal factors in consort. In other words, institutional / country level contextual determinants lost weight in the face of more proximal competitive and heritage ones when accounting for devolution. This underscores the importance of theorizing the role of multiple, co-occurring proximal and distal contextual influences and engaging in multi-level analysis when seeking to empirically unearth commonalities and differences in the uptake of devolution in different contexts. Taking this approach sees proximal and distal factors less as absolute alternatives and more as complementary explanations when modelled together (Morley et al., 2021).

Limitations and Implications

A number of limitations need to be acknowledged as regards the present study. First, the core idea of structural contingency theory is that "to produce high performance, organizational structure has to fit situational factors" (Qiu et al., 2012, p. 95). Following this logic, in this study we made the assumption that devolution decisions would be aligned with different levels of environmental uncertainty because of the performance benefits that would result from it, but we did not measure performance as such. Thus, our findings provide only indirect evidence of structural contingency theory. Having said that, Donaldson (2001, p. 8) acknowledges that one of the ways in which contingency theory

is often used in organizational research is precisely by showing bivariate associations between contingency and structure, as done in this study.

As any study carried out with data from the Cranet survey, evidence is provided by senior HRM specialists of each responding organization. While they are the most knowledgeable informants on HR topics and the questions are fact-based, this also means that the opinions of other stakeholders, and especially, line managers, are not included in this research. Brewster et al. (2015) argue that the fact that responses of HR managers show similar variations over different rounds of this survey, as well as the fact that they are not at all unanimous seem to indicate that there are less biases than one could infer.

An additional limitation has to do with the range of variables that were chosen. There are of course additional institutional, competitive, and heritage mechanisms that could be considered, but the suite of nine indicators of these three mechanisms of influence has been carefully composed by following a theoretically grounded guiding thread supported by structural contingency theory (Donaldson, 2001) as well as by previous devolution research, paying attention to how organizations will respond to existing uncertainty in contextual factors by devolving HRM decisions to line managers. Notwithstanding, future studies could look at other predictors in combination with the ones we introduced.

Finally, we tested our hypotheses in a sample that was as large and diverse (in terms of countries, ownership, and industries) as possible, but this also has some implications in terms of the interpretation of our findings that need to be acknowledged. For example, a variable like market growth may be less applicable to public organizations (especially governmental ones) than to private ones. Indeed, the percentage of organizations that

reported that their market did not change was larger in the case of public organizations. In addition, we also found significantly more missing data (an indicator for non-response) for this variable among public organizations than among private ones. Secondly, as mentioned earlier, we included in our analyses all those countries for which we had available data. In comparison, some multi-country studies using Cranet data (Brewster et al., 2015; Stavrou et al., 2023) have included a smaller number of countries that clustered very distinctively, for example by separating liberal from coordinated market economy countries and Nordic countries. This may be one of the possible explanations for the lack of significant results for country-level predictors in our sample. Another potential explanation may lie in the number of countries (35) included in the analysis, given that level 2 samples of more than 50 are recommended to obtain unbiased estimates of second-level standard errors in multilevel analysis (Hox, 1998; Maas & Hox, 2005).

In terms of future research, in addition to theorizing and testing a wider range of contextual factors to help identify in which situations devolution will more likely occur, a complementary and necessary line of research could usefully examine the *why* of the decision to devolve HRM responsibilities to line managers. In terms of the contextual strategic HRM model (Farndale & Paauwe, 2018; Paauwe & Farndale, 2017), we thus recommend giving attention to the decision-making process or “leeway” whereby the organization’s key decision makers will make a strategic choice as to whether and to what extent to devolve HRM. This line of enquiry should be carried out through qualitative methods at least initially, and ought to include the perceptions of different stakeholders about why the specific distribution of HRM responsibilities between HR specialists and line managers in their organization takes the form that it does. The relative weight of contextual mechanisms *vis à vis* their own choice influencing the decision and whether

the existing extent of devolution is simply one additional heritage factor (how things have traditionally been done in the company) or it is indeed a conscious ongoing strategic choice could usefully be unearthed. With the attendant findings of such lines of research, we could build a more comprehensive account of HRM devolution as a dependent variable and further engage in richer, more nuanced studies about the outcomes of devolution to deepen our understanding of when and how it ultimately pays off for organizations.

Despite the limitations attaching to this study, a number of practice observations merit consideration. Our work, in particular, raises the issue of the agency of the professional in context. When choosing whether, what and how much HRM to devolve to line managers, from a professional perspective there is a need to strike a balance between making decisions in a void, on one hand, and feeling captive to institutional determinism on the other. Thus, HR decision-makers may exercise some agency and think beyond mere isomorphism and the emulation of similar organizations without question. Such agency is best characterised as “context sensitivity, which is an important competence for (future) HR and line managers” (Paauwe & Farndale, 2017, p. 107) as it is, in effect, recognising and embracing the leeway for making informed choices about the structural and functional HRM arrangements that are likely to serve their organizations best against the backdrop of the embedded context in which they operate.

Data availability statement

Most of the data used for this paper belongs to the Cranet network. The authors agree to provide a dataset that includes only the variables and cases used in the analysis in the manuscript for the purpose of reanalysis by scholars who can document there is a case for reanalysis.

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Figure 1. Contextual Determinants of Devolution: Conceptual Model

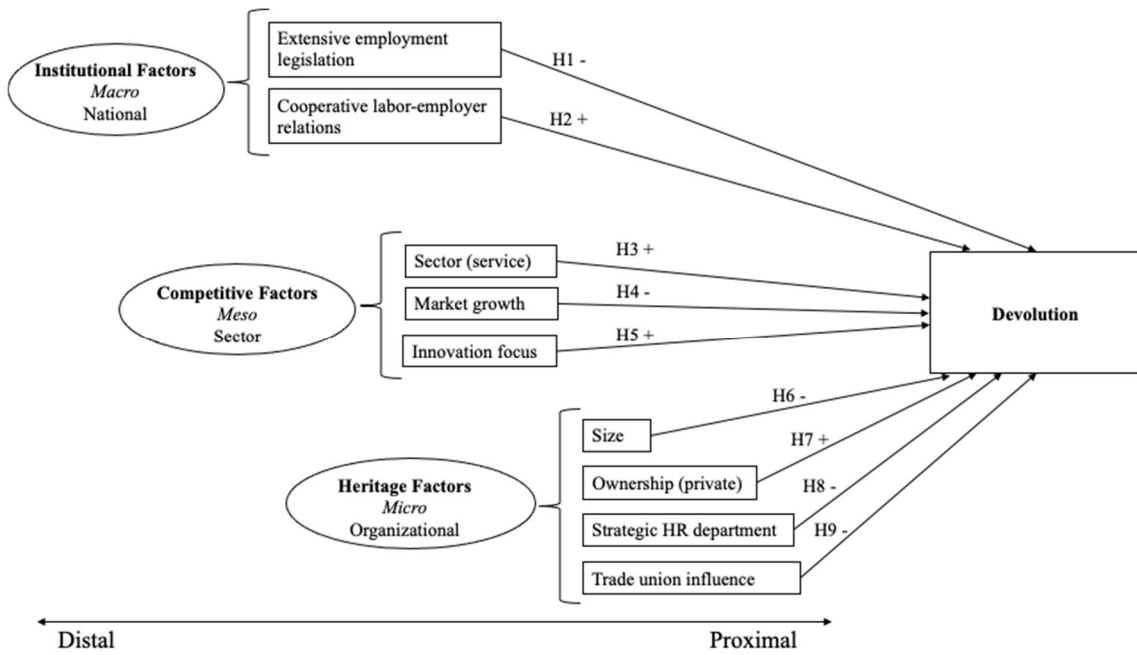


Figure 2. Contextual Determinants of Devolution: Summary of Results

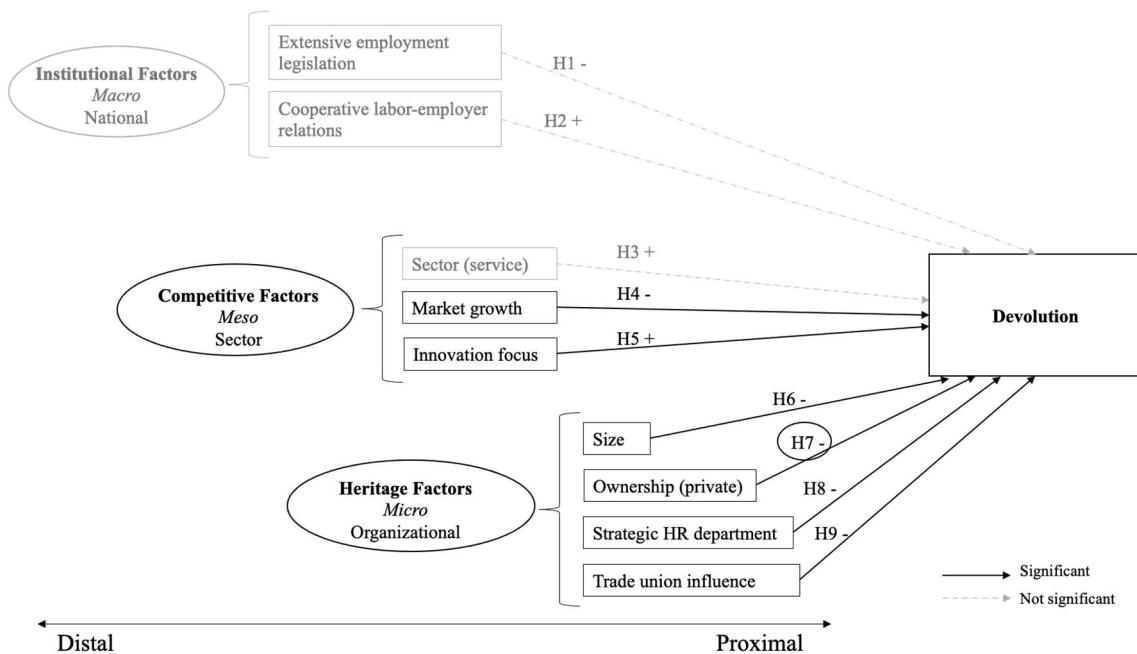


TABLE 1

Mean, standard deviation, and correlations

	Mean (SD)	1	2	3	4	5	6	7	8	9	10
1. Devolution	12.03 (3.61)	1									
2. Ext. Employment Legislation	.53 (.17)	.084**	1								
3. Coop. Labor-Employer Relations	4.61 (.83)	.066**	.144**	1							
4. Sector ^a	.72 (.45)	.025	-.031*	.076**	1						
5. Market Growth	3.29 (1.09)	-.077*	-.142*	-.019	.079*	1					
6. Innovation Focus	.47 (.50)	.005	-.022	.045*	.012	.090**	1				
7. Size	3011 (18247)	-.202**	-.088*	-.014	.013	.052**	.023	1			
8. Ownership ^b	.24 (.42)	.123**	-.060*	-.005	.260**	.040*	.001	.063**	1		
9. Strategic HR Department	1.18 (.78)	-.191**	.046*	.081**	.027	.022	-.005	.147**	-.036*	1	
10. Trade Union Influence	1.55 (1.36)	-.057**	.110**	-.039*	-.027	-.004	.008	.179**	.241**	-.092*	1

* $p < .05$; ** $p < .01$. (Two-tailed)

^aSector: 1=services, 0=manufacturing

^bOwnership: 1=private, 0=public and not-for-profit

TABLE 2

HLM Model of Determinants of Devolution

	Model 0	Model 1	Model 2
<u>Fixed effects</u>	Est (SE)	Est (SE)	Est (SE)
Intercept	12.09 (.27)**	14.28 (.40)**	11.60 (1.58)**
<u>Level 1 predictors</u>			
Sector (service)		.008 (.11)	.003 (.13)
Market Growth		-.174 (.05)**	-.170 (.05)**
Innovation Focus		.247 (.10)*	.267 (.11)*
Size		-.431 (.09)**	-.378 (.10)**
Ownership (private)		-.854 (.14)**	-.837 (.15)**
Strategic HR Department		-.642 (.07)**	-.636 (.07)**
Trade Union Influence		-.090 (.04)*	-.103 (.04)*
<u>Level 2 predictors</u>			
Ext. Employment Legislation			.661 (1.53)
Coop. Labor Employer Relations			.461 (.30)
<u>Random effects</u>			
ICC	.187	.164	.160
(σ^2_ϵ) (Between-firms)	10.66 (.20)**	9.45 (.22)**	9.31 (.23)**
(σ^2) (Between countries)	2.45 (.62)**	1.86 (.49)**	1.78 (.52)**
BIC	29124.39	19170.61	17494.94
AIC	29111.15	19158.61	17482.68
-2LL	29107.15	19154.16	17478.67

* $p < .05$; ** $p < .01$.

BIC: Bayesian information criterion; AIC: Akaike information criterion.