HR discretion: understanding line managers' role in Human Resource Management

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Introduction

Line managers play a central role in human resource management. In many organisations, they are charged with myriad HR-related tasks, such as filling out performance appraisal forms, interviewing candidates for employment, making salary increase recommendations and breaking employment-related news –good and bad- to employees. This paper investigates how managers carry out their HR activities.

In the literature so far, the prevailing view has been that managers act primarily on behalf of the organisation, applying HR policy in ways by-and-large consistent with organisational procedures. My findings from a number of store visits at a leading UK fashion retailer, give support to a different view: that managers carry out HR activities as organisational actors who pursue a combination of organisational, departmental and individual goals.

Crucial in my discussion is the concept of HR discretion. I define HR discretion as a manager's capacity to influence his (her) team members' HR outcomes, and their perceptions of those HR outcomes. HR discretion must be understood as a subset of overall managerial discretion[1]. Managerial discretion has been an important concept in the economics and management literatures, from very different perspectives. In economics, managerial discretion refers to the freedom managers have to pursue their own objectives (pay, power, status and prestige) rather than shareholder interests: high discretion means managers are able to pursue personal objectives without being caught or punished (Williamson, 1963). In the management literature by contrast managerial discretion refers to the choice of actions available to managers in the pursuit of organisational goals: high discretion means managers have low environmental and organisational constraints on their choice of actions. (Hambrick and Finkelstein, 1987). Shen and Cho (2005) usefully integrated both points of view into a single framework which differentiates two aspects of managerial discretion: latitude of objectives and latitude of actions. Latitude of objectives refers to a manager's freedom to pursue their own objectives rather than those of other stakeholders. Latitude of actions, on the other hand, refers to differing ranges of actions available for managers to pursue organisational objectives. These two aspects are useful in framing my discussion below.

[1] Although virtually all discussion of managerial discretion has been limited to top management –mostly CEO- actions, the concept is clearly applicable to all levels of management in organisations (Scott et al., 2009).

Line managers in the HRM literature

Treatment of line managers in the human resource management literature has been at best patchy. The 'functional' or 'micro' HRM subfield (Wright and Boswell, 2002) has produced knowledge about the role of line managers in the separate HR processes, such as personnel selection and performance appraisals. Most of the work in this subfield however has focused on describing the various ways in which managers can be subject to biases in their decision making. For instance, the personnel selection literature has shown that the behaviour of interviewers influences the performance of applicants (Liden et al., 1993), and that interviewer similarity and affect towards the interviewee is linked to perceived job suitability of the applicant (Howard and Ferris, 1996). Likewise, the performance appraisal literature has devoted much effort to determining the effects of rater affect and rater similarity on performance evaluations (Levy and Williams, 2004)

On the 'macro' or 'strategic' side of the literature (Wright and Boswell, 2002), research has almost universally espoused a research design which has limited attention to line manager actions. Virtually all empirical studies on the relationship between HR and organisational performance have looked at establishment-level data on the use of HR policies (Boselie et al., 2005). This dominant approach assumes uniformity in the use of policy within organisations, and neglects any differences arising from the actions of line managers. A notable exception here is Bartel's (2004) study of a retail bank. Her quantitative analysis measured the impact of differences in employee satisfaction with three areas of HR activity (skills, communication and rewards) on branch performance. Through further qualitative research at a number of the branches, she was then able to attribute these differences in employee satisfaction to differences in policy implementation by branch managers. For instance, she described how a manager enhanced communication within her branch through holding regular staff meetings, a practice that was absent at another branch where communications seemed to be an issue. In her analysis Bartel concluded that "because branch managers had considerable *discretion* in managing their operations and employees, the HR environment could vary greatly across branches and over time" (2004: 181, emphasis added).

Beyond this work, some qualitative research, mostly UK based, has examined the role of managers in HRM. Early contributions were part of the wider critical debates on the applicability of HRM to the British context (Guest, 1987), its differentiation from personnel management (Legge, 1989, Legge, 1995) and its implications for industrial relations and the labour movement (Guest, 1989, Martínez Lucio and Weston, 1992).

One stream within this debate centred on the issue of 'HR devolution' to the line (Brewster and Soderstrom, 1994, McGovern et al., 1997). In a representative study, McGovern and colleagues (1997) analysed interview and survey data from seven UK organisations and found that there was a wide variation within organisations in the consistency of implementation and the quality of HR practices, due to line manager involvement. The prototypical manager was described as low skilled and likely to identify with workers' interests rather than the objectives of top management, thus unwilling and unprepared for their enhanced role in HRM, compared with 'traditional' personnel management. Within the debates of its time, this finding was portrayed as a serious impediment for the success of HRM in the British context.

A second group of contributions aimed to provide support to the critique of human resource management as managerial rhetoric (Legge, 1995). In a case study of the British subsidiary of an American multinational, Truss (2001) found “a strong disconnect between the ‘rhetoric’ of human resource management […], and the ‘reality’ experienced by employees”. Although she mostly attributed the gap to pressure from the external context and the inertia of the informal organisation, she also acknowledged “the role of each individual manager as agent, choosing to focus his or her attention in varying ways.” (Truss, 2001: 1145).

These debates have by now run their course (Legge, 2005: 2-3). Arguably, their biggest legacy in the current literature is the distinction between *intended* and *actual* HR practices, first proposed by Truss and Gratton (1994) as an extension of Mintzberg’s (1978) *intended* and *realised* business strategy. This distinction remains a key element in recent models of the HR-performance causal link (Nishii and Wright, 2008, Purcell and Kinnie, 2007) in which the gap between intended and actual HR practices is mostly attributed to line managers’ actions. Managers are characterised as implementers, enactors or translators of HR policy, but what exactly is meant by that remains unclear. Often authors seem to refer to managers’ inconsistent approach to corporate procedures. For instance, managers at HP were found to pre-write performance appraisals, rather than draft them jointly with the employee over the appraisal interview, as company policy stated (Truss, 2001: 1137). Similarly, managers at Selfridges conducted appraisals with less frequency than required by HR policy (Purcell and Hutchinson, 2007). These are instances of managers following procedures that are different from those set by policy makers, with negative implications for employee satisfaction with HRM. In a recent theoretical work, Nishii and Wright (2008) take a similar view when they note that managers influence employee perceptions of HR practices by adapting policies to the context of their subunit. They also include, however, the possibility that managers influence perceptions of HR through their leadership style, personality and behaviour; and by communicating their own perceptions of HR practices to employees. Overall, however, the implication is a negative connotation of line manager actions in the sense that they distort the uniform application of policy by creating “slippage” (Boxall and Purcell, 2003: 220) or undesired variability (Nishii and Wright, 2008)

Research setting and methods

Setting. The organisation I studied was a large UK-based fashion retailer, with several hundred stores nationwide. The company were leaders in the mass mid-market segment and faced stiff competition from rival retailers. The time of this research (spring of 2010) was dominated by the aftermath of the 2008 financial crisis, and the ensuing recession in the British economy. Although fashion retail as a whole continued to grow through the recession, midmarket players suffered relatively more (Mintel, 2010), limiting sales growth for the focal company. Ahead of the recession, management responded by taking a number of measures to cut cost, including lower inventory levels and lower levels of staffing (company annual reports).

I selected this type of organisation because I expected a retail environment to offer a number of advantages for my research. First, retail networks consist of a number of fairly similar and comparable business units, the stores. The role of store and other managers was standard across all units. Second, the same HR policies were applicable to all the stores. Finally, in retail organisations, Head Office often exerts a tight control on activities in the stores. This is important because many retail networks thrive from multiple replication of a successful template designed at the centre. In this case, the organisation's Head of HR commented: "Our managers do not have any discretion whatsoever; they basically do what we tell them to do". This eventually proved not to be necessarily the case, as shown and discussed below.

Data gathering. I collected data through semi-structured interviews with 21 respondents in six stores in the Midlands region of England. An HR officer arranged for my visit to each of the stores on separate days. Stores ranged in size from around 70 employees to more than 150. The scale of some of these stores made them quite complex operations. In-store activities were grouped under three main areas: commercial, operational and administrative. Commercial staff focused on providing high quality customer service, maintaining the commerciality[2] of the shop floor, and protecting against theft. On the operational side, stockroom staff handled stock from delivery to shop floor, including major routines around processing of deliveries and replenishment, often constrained by lack of physical space and tight schedules. Finally, the administrative team carried out a wide range of important control activities relating to the management of cash, tracking of stock and prevention of employee fraud, among other responsibilities.

My point of contact at the stores was the store manager. After interviewing him or her, I asked to interview three further members of staff[3]. Respondents were selected by the store manager, depending on their availability. I ensured that each respondent gave consent to participating in the research and explained that responses were confidential. All 21 respondents held managerial positions in the stores. Their job titles included Store Manager (5), Assistant Store Manager (4), Commercial Manager (1), Sales Manager (7), Sales Supervisor (1), Office Manager (2), and Stockroom Supervisor (1). 16 respondents (76%) were female, 5 respondents were male. Median length of service was 6 years, ranging from 1 to 21. 12 respondents (57%) had been hired in their teens or early twenties into part time sales consultant positions; 5 respondents had been recruited externally directly into a managerial position.

My goal in designing the interviews was to inquire about managers' role in HRM: what policies they were involved in, what specific activities they carried out within those policies, and how HR decisions were made. I designed two sets of interview questions; one for store managers and another for the other respondents. Store manager questions were grouped under three headings: 'About your prior experience', 'About your current job' –including questions on store characteristics-, and 'About your role managing employees'. I designed these interviews to last about 45 minutes. Respondents in other

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[2] Dealing with the optimal display of merchandise on the shop floor, in terms of arrangement, presentation and stock levels.

[3] There are only 5 store managers in my sample because at one of the stores the position was vacant, and the assistant store manager was acting as store manager. At one of the stores I could only interview the store manager and her assistant. At another, after a second visit, I could only interview the store manager and two of her sales managers.

jobs received the following three sets of questions: ‘About your job’, ‘About your manager’, and ‘About working for [the company]’. I designed these interviews to last around 20 minutes. Actual interviews lasted between 25 minutes and 1 hour for store managers (median 43 minutes), and between 15 and 45 minutes for other respondents (median 26 minutes). All the respondents gave consent to record the interviews, so I could produce a total of 11 hours of audio material.

Data analysis. All interviews were transcribed verbatim and then coded using a qualitative data-analysis software (NVivo 8). My initial coding strategy focused on tagging material according to the main HR activities identified by respondents, including staffing structure, management of man-hours, salary, bonus, personnel selection, shifts, absence, time keeping, performance appraisal, training, employee consultation, sales competitions and disciplining. It was soon apparent that responses had concentrated on some of these activities more than others.

On a second stage of analysis, I developed my coding in two ways. First, I allowed further detailed coding within each of the initial categories to emerge. For instance, material that I had initially coded under ‘time keeping’, was further refined into ‘evaluation of policy’, ‘implementation issues’, ‘new system’, and ‘old system’. Secondly, I connected activities together and eventually grouped some of them under umbrella HR activities. For example, respondent accounts of ‘Absence’ and ‘Time keeping’ were so closely related to performance management processes that I grouped them as special cases of the latter. Through this process two major HR activities emerged, namely progression and performance management.

In a final third stage of my analysis, I sought to identify narratives of actual past episodes of progression and performance management, as distinct from general accounts and evaluations of policies and practices. This allowed me to better substantiate and illustrate some of my conclusions.

Findings

The company had a set of well developed HR policies, which were widely known, respected and adhered to by respondents. I found a high degree of consistency between different respondents’ accounts of HR policies, procedures and activities. In general, managers viewed the HR department as a value-adding partner to the business. HR was praised for their support to decision making in the store, especially in terms of the relevance and user-friendliness of HR policies, and the accessibility of HR officers. At lower levels of management, some voices were raised against the HR organisation regarding the excessive focus on cost containment and the sometimes callous application of policy, in particular absence policy.

Centralised HR. Some components of the HR system were highly centralised, in the sense that decisions were taken at Head Office and fed down to individual stores, often without prior consultation. For instance, Head Office determined the staff structure for each store depending on a generic template for in-store processes, and the specific revenue targets and opening hours of the store. This structure specified each position to be filled in every department in every store, with their corresponding level, salary grade, shift and contract hours. Target structures were adjusted frequently because of redesign of standard store processes, or changes in target revenue for the store. Adjustments in the target structure of a store often triggered other HR processes such as new job openings, job ‘red-ringing’ (elimination), job downgrades and upgrades.

Another important HR component that was determined centrally was the staffing level of the stores. Full time employees worked a standard number of hours every week, no extra time was allowed for them. However, for part time employees, contract hours tended to be less than the time they would actually be needed for. The additional hours were budgeted by Head Office according to revenue targets; store managers would then distribute them among part timers. For this purpose, most stores used a corporate software application called “Staff Planner”, which worked out the precise individual shifts needed, based on historical data. Usually, only last minute adjustments due to unforeseen absence needed to be worked out by managers.

Finally, salaries and bonus payments were also determined centrally. Each position defined in the target structure of a store was attached to a salary grade. Salary grades had only three salary levels: *entry* –for new entrants-, *competent* –automatically attained on completing a three-to-six month probation period to the satisfaction of the manager-, and *above* –only exceptionally awarded to high contributing members of staff, following their manager’s proposal. Exceptions to these set salary levels were very rare. Bonuses were paid monthly and seasonally, based on attainment of store level goals. Individual payouts were calculated by Head Office according to each person’s salary grade and hours worked during the period.

Decentralised HR. Some elements of the company’s HR system were decentralised, in the sense that decisions were made by line managers, within more or less defined corporate policy, and with more or less consultation with Head Office. My investigation showed that there were two major HR areas where decisions were largely made by line managers: *progression* –practices and procedures aimed at moving employees from one position to another within the company-, and *performance management* –practices and procedures aimed at correcting undesired employee behaviour.

Progression

Throughout my interviews in the stores, respondents spoke profusely about progression. Often this referred to the upward moves (i.e. moves to higher-grade positions) that many of them had experienced through their time of employment at the company. I found, however, that upward moves operated in a similar fashion to other kinds of voluntary move. In my description here and later discussion, therefore, I am expanding the definition of progression to include the practices and procedures that enabled all employee voluntary moves whether to a higher-grade position or otherwise.

I found evidence for employees seeking progression on three different dimensions. First, many employees sought progression in terms of pay. For part-timers, this meant seeking more hours and eventually becoming full-time employees; whereas for full-timers it meant moving to successively higher grade positions. Second, some employees sought progression in terms of life balance, including working closer to home, working weekdays only and reducing total hours worked. Finally, some employees sought progression in terms of job-content preferences, such as managerial versus nonmanagerial roles, commercial versus non-commercial roles, or store versus Head-Office roles.

It is important to remind the reader here that, as discussed earlier, management at the store level had virtually no influence on the number and nature of positions in their store, or on the salary and bonus paid to incumbents. This meant that, first, the single best way –often the only possible way[4]- for an employee to progress on pay, life balance or job content was by moving to a different position within the structure; and second, that availability of progression opportunities depended on vacancies coming up, either because a new position had been created due to a review of the store's structure or –more often- because an existing incumbent had moved to another job or quit the company.

Progression was competitive. Applicants expected to undergo a formal selection process in which their suitability for the position was assessed against fellow applicants. Managers generally sought to maximise the number of quality applications by publishing the vacancy internally and by encouraging anyone they considered a good candidate to apply. Indeed, most vacancies[5] were published in a weekly companywide vacancy bulletin, which featured prominently on staff-room notice boards. Advertisements included detailed standard information on title, department, grade, shift and hours. All current full- or part-time employees interested in a position were entitled to apply. Although there was a formal requirement for prospective applicants to speak to their current managers before applying, these conversations were described by respondents as "developmental", focusing on advice on whether the prospective applicant was "ready" to take up the position. Ultimately, no formal permission from the current manager was required[6].

The selection process typically involved an interview with the hiring manager. This could consist of a standard set of questions recommended by HR, or the manager could design their own set of questions or even activities for the candidates to perform (e.g. plan a change of season). Responsibility for the selection process rested with the hiring manager. Others –the manager's own manager and peers, HR- were sometimes involved in support roles (e.g. note taking, second opinion) at the request of the hiring manager. There was full agreement across all respondents that hiring decisions were the hiring manager's[7]. Within a store, each manager took responsibility for selecting their team. As one store manager put it:

[4] Occasionally, positions were upgraded (or downgraded) as a result of reviews to a store's structure, and this meant the incumbent's employment terms were adjusted accordingly. However, this happened rarely, and the timing and direction of the move was out of the control of anyone within the store.

[5] Occasionally, direct appointments were made which did not involve publication, but these tended to be restricted to lower level positions and to cases in which the appointment provided a solution to an existing placement problem (e.g. placement of an employee whose position had been 'red-ringed').

[6] There was evidence of at least one respondent who successfully applied for a position against the advice of his then manager.

[7] There was evidence of hiring decisions against the opinion of HR and of the recruiting manager's manager. Only in the case of some showcase stores, would the Area Manager supersede the store manager.

> *I think it is important for [my managers] to be able to make their own [hiring] decisions, whether they be right or wrong; live with them and manage them.*

There was no suggestion by any of the respondents that such freedom for the hiring manager resulted in unfair selection processes or unequal opportunities for progression. On the contrary, a manager's right to choose their team members was recognised as legitimate by all my interviewees[8]. Respondents attributed success in selection processes to an applicant's "ability to do the job", but also to their "fit" with the current team. In practice, a candidate's chances improved significantly through demonstration of prior experience in the role and through enhanced visibility outside their own store. In particular, there were three ways in which employees could acquire experience and visibility.

First, they could cover for absences in roles larger than their own and in stores different than their own. Covering involved temporarily performing someone else's job. Usually, it implied leaving one's job[9] –which may in turn also need to be covered. A cover could last anything from a few hours to several months; sometimes its duration was determined in advance and sometimes it was open-ended. Some covers were routine, planned events (e.g. vacation). When a planned absence was long (e.g. maternity leaves), covers could involve a competitive selection process similar to a full appointment, including publication in the vacancy bulletin and an interview. Often, however, covers were unexpected, most notably in the case of illness. In such cases, the absentee's manager would network with other managers in nearby stores, who would selectively offer the opportunity to their staff.

Second, employees could acquire experience by taking delegated functions from their managers. This job enrichment or enlargement was seen as a way to develop employees as well as to try them for higher roles. Arrangements were made at the discretion of each manager, and had no implications for employee rewards. There were numerous references to this practice at all levels. For instance, an experienced store manager took up responsibilities from her area manager, carrying out store visits for her and leading fellow store managers in specific activities. Likewise, a sales supervisor whose manager had given notice of leaving in a few month's time was effectively acting as manager, even as a selection process was underway in which she was competing against other applicants for the position.

Finally, employees could improve their visibility by participating in area- or corporate-level project work, such as new store openings or the development of next season's collections. Appointments for these projects were made informally through the recommendation of managers.

All three activities above were widespread, with employees on progression track participating in one, two or all three. None of the activities earned higher rewards or

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[8] The fact that all employees had access to information on vacancies, were entitled to apply, and usually got the chance to defend their application at an interview seemed to infuse a measure of fairness to the system.

[9] Sometimes covering someone meant doing two jobs at the same time, especially when the two jobs involved similar functions in the same organisational unit (as when covering for one's manager).

formal recognition; the only advantage for participants was precisely their increased chances of progression.

Performance management

Respondents used the expression “performance management” to refer to a set of practices and procedures aimed at correcting undesired employee behaviour. This included a continuum of activities ranging from on-the-job supervision and guidance, to informal verbal counselling, formal performance reviews, and disciplinary procedures leading to formal sanctions. Performance appraisals were not considered part of performance management because they were used as a form of praise and as a guide for employee development, rather than for discipline.

On the most common, routine, day-to-day end of the performance-management spectrum, managers engaged in supervision on the shop floor. One of the main functions of all layers of management was to regularly review the work done by lower organisational levels. This was seen as crucial for ensuring conformity with company standards. For instance, store managers regularly started their work day with a morning floor walk in which feedback was given on all aspects of commerciality. Likewise, sales managers and supervisors spent time on the sales floor expressly watching their team work and “corrective-coaching” them:

> *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 ‘Oh, try it like this, it may work better’.*

Whenever a supervisor felt that an issue with an employee’s behaviour on the job was not likely to be resolved through corrective coaching on the shop floor, he or she could decide to ask the employee to have an informal private conversation. Sometimes this also happened on the initiative of an employee who might feel the need to address an outstanding issue.

The next level of performance management was the formal review. Typically, employees were put on review when informal performance management had not been effective. For the formal review, the manager produced a document describing the specific behaviour that needed to change, along with a set of actions and a time when performance would be reviewed again. In a ‘counselling session’, this document was discussed with the employee. After the time had elapsed, if the behaviour was corrected, the employee came off formal review; otherwise a time for a new review was set. After a number of formal sessions, if the behaviour persisted, the manager could decide to proceed to disciplinary. The following excerpt offers a good description of how formal reviews operated:

> *I spoke to him verbally about things to start with, and then I didn't think he'd improved so then we go to a formal counselling session, we get those documented, so I had three of those documented on certain issues that I wasn't happy with, personally written down on a duplicate format so he would sign it, I would sign it, we would agree some action points, go back in a week, see if those action points were being improved on, if they weren't, then we went to a disciplinary.*

Disciplinary was the final stage in performance management. It included a first written warning, a final written warning, and the imposition of formal sanctions on the employee. Sanctions ranged from inserting a note in the employee's personnel record to dismissal. However, dismissal was only used in grave cases of employee misconduct, such as theft or fraud. The worst sanction imposed in most other situations was a forced change of jobs, maybe to a lower grade position.

Faced with unwanted behaviour, managers chose an approach to each situation based on corporate policy, their prior experience as managers and the advice of HR officers. Sometimes a single issue would go through the whole spectrum of performance-management actions, from corrective-coaching to formal sanctions. Often however, less important issues did not make it past a certain action, even if they were not corrected. Likewise, grave offences were taken directly to disciplinary, without any of the other actions.

The types of behaviours that needed to be corrected were varied. In practice, three types of issues were most frequently mentioned by respondents. First, employees were often performance-managed because of repeated lateness. At the time of this research, the company was in the process of implementing a new clock-in system. In the past, managers had to manually fill in a time sheet with the times worked by each employee. Often, late arrivals went unaccounted for. With the new system, employees themselves clocked in and out at the till at the start and end of their shift. The clock-in system was directly linked to payroll, so that a delay of more than 5 minutes meant 15 minutes were taken off that day's pay. Conversely, if an employee clocked out late, he was only paid until the end of his shift[10]. Because the new system removed confusion about acceptable lateness and had direct pay implications, it was expected to help reduce overall tardiness. In terms of performance management, the new system was also expected to help managers detect and manage lateness issues at an earlier stage.

A second major reason for performance management was absence. The company operated a system of trigger points, by which if an employee was absent a certain amount of days in any 12-month period, he or she would automatically be given first written warning, followed by final warning and dismissal if further trigger points were reached. This policy had been strictly enforced by HR over the past few years and was generally perceived as harsh. More experienced respondents recalled a time when managers judged whether an employee's absence was justified or not before taking performance management actions. Employee attitudes towards the current policy ranged from accepting it as a sign of 'professionalism' to openly resenting it, perhaps depending on how vulnerable the employee felt. Some of the resentment was expressed by means of 'horror stories' about employees who, in the most strenuous circumstances, had been given warning.

Finally, performance management actions were often used to correct poor customer service behaviours. One of the main duties of any manager in the company was to ensure compliance with its high standards for customer service. Many of the corrective-

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[10] If a manager wanted an employee to stay longer on a particular day, she could manually alter the shift information so that the extra time was paid.

coaching and informal counselling activities were geared towards correcting customer service behaviours. Additionally, the company had in place a ‘traffic-light system’ to help manage more serious issues. The system involved rating all employees as being green, amber or red in terms of quality of their customer service. If an employee was classed as amber, he would be put on performance review. If he was classed as red, he would be taken to disciplinary. Implementation of this system seemed patchy, however. Some managers seemed more inclined to use it, even though they may have mixed feelings about the efficacy of the ensuing performance management actions. Other managers did not pay much attention to the traffic-light system, basically rating every member of their staff green.

Discussion

In this section, I discuss my findings through the concept of HR discretion. First, I describe how companies design HR policies to enable varying levels of discretion and propose a three variable model to explain these decisions. Second, I explore two ways in which companies keep their managers’ HR decisions aligned with organisational objectives. Finally, I discuss different arrangements under which managers may exercise HR discretion.

Designing HR discretion

HR discretion is partially determined by the design of HR activities. Companies design their HR policies with varied levels of manager discretion. Within any single HR system, some activities may enable a high level of HR discretion, while others may not. In the case under study, the company made centralised decisions for activities such as staff structure, staffing levels, pay, absence and lateness. Conversely, decisions on progression and most areas of performance management were left to the managers on the field.

Three variables can be used to explain why companies may choose to restrict manager discretion on some HR activities and not others. First, companies will tend to restrict discretion for HR decisions with a direct impact on cost. In our case study this would be the case for staff structure, staffing levels and pay. Second, companies will tend to give managers discretion on HR activities that depend on information that is distributed and difficult to systematise. For instance, performance management for quality of customer service relies on rich observations by managers, which might be too costly to build into a centralised system. Finally, companies will tend to give managers discretion for HR activities that enable productive exchanges between managers and employees, and restrict it for those that do not. For instance, the decision to centralise the management of lateness was expected to reduce ambiguity around the control of time worked, which was a source of friction between manager and employee.

Further insight can be gained by looking at the changes in the management of absence. In the past, decisions to performance-manage employees because of repeated absence were made by managers who took into account a number of context variables, such as the apparent causes of the absence, the history of the employee, and his or her personal circumstances. A few years back, HR started applying a strict standard policy of disciplinary after a certain level of absence was reached, irrespective of any of the above circumstances. This policy was cited by many of my respondents as one of the most controversial in the management of HR at the company, both from the point of view of employees who felt vulnerable, and from the point of view of managers who thought this caused more problems than it solved at the store level. This on-going resistance to the policy may be explained through the three variable model proposed above. First, the company sought to restrict managerial discretion on absence because of the important cost effects of paying absentee salaries and covering their position in the store. In terms of information, it is easy to control and centralise information on days not worked. It is however much more difficult to centralise information which is also relevant to the decision to apply discipline, such as apparent causes, employee history and personal circumstances. Finally, absence management may be a source of productive exchanges between managers and employees. Several of the respondents interviewed recalled instances earlier in their career when they had a period of increased absence. The way in which their managers treated their case was recalled as a source of gratitude which was reciprocated with enhanced commitment to both the company and the manager concerned. They subsequently had long and productive careers in the company. With the new system, not only were these exchanges thwarted, but there was a strong sense of unfairness around the policy, manifested in ‘horror stories’ about employees being disciplined in very difficult personal circumstances.

Aligning HR discretion

By designing HR activities to afford discretion to line managers, companies run the risk that managers make HR decisions to the detriment of the organisation. This concern is at the heart of the economics conception of managerial discretion. Companies manage this risk in a number ways. First, companies limit managers’ latitude of objectives through performance pressure (Shen and Cho, 2005). In our case study, performance pressure at the store level was considerable. The basic measures of commercial activity were total sales, average transaction value and units per transaction. Seasonal, monthly and weekly targets were set by Head Office for each store, broken down by department. Measures were produced instantly through the information provided by the tills. Every day started with a review of the previous day’s figures and their evaluation against weekly targets. A significant amount of everyone’s compensation was paid monthly and seasonally only if targets were met. Stores or departments that did not meet their targets could be downgraded and their structure downsized, which meant reductions in contract hours, losses in salary grades and red-ringing of positions. All of this limited the incentives for managers to make HR decisions that damaged the store’s performance. One respondent explained:

> *I have a friend who works in another store, and people will go to that manager and in some ways she'd change maybe hours to suit people, and in the end that doesn't end up helping in 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 it only ends up… you end up having to change things anyway.*

Another way in which companies limited the risk that managers would make ‘bad’ HR decisions is through the support of the HR function. In our case study, for instance, store managers could have the incentive to ‘poach’ employees from other stores, while holding on to their own. This is however limited through the efficacy of HR to provide candidates for a replacement via the vacancy bulletin and the external jobs website. Likewise, HR plays an important role advising managers in performance management processes and maintaining an appeals process.

Exercising HR discretion

An important insight in the management literature is that a manager’s discretion is defined by the context as much as by his/her own actions: managers can create discretion by seeing possibilities that others had not seen, or by persuading others of a course of action previously ruled out (Hambrick and Finkelstein, 1987). From my field work, I was able to identify four different arrangements under which managers exercise HR discretion. First, policy or practice may dictate specific areas of manager prerogative. For instance, respondents clearly agreed that line managers made hiring decisions at our focal organisation. Head Office did not intervene; their role in selection was merely to give administrative support for publishing the vacancy and processing applications. Even within a store, each manager was largely free to choose who to bring in as their direct reports.

Second, influence on some HR outcomes may be a consequence of influence on a related HR outcome. For example, managers at the company were able to influence an employee’s progression outcomes through their ability to decide whether they would cover absences outside their store. Such links between different HR activities may be established by policy design, as the common case in which a performance appraisal outcome is used for merit salary increases. Often, however, the links may be unintended and undetected by policy makers.

Thirdly, managers were sometimes able to influence HR outcomes by engaging in negotiations with Head Office. This is illustrated by an episode where a store manager challenged HR on the automatic application of a standard level of discipline following a serious breach of security procedures. In this particular instance, a junior manager had lost her store keys, which was considered a serious offense that carried a final written warning. The store manager was able to argue with HR, and effectively persuade them, that the circumstances surrounding the incident justified a much lesser sanction. Two things are important about this case. First, the store manager made a decision to pursue a different kind of action to policy; and second, his success in pushing his decision depended on his ability to influence his HR counterpart.

Finally, some managers were able to influence HR outcomes by dodging policy controls. In one instance, Head Office directed all part time contracts to be reduced in hours. In one of the stores, one particular employee had his contract hours reduced, but was given assurance that he would continue to do the same weekly hours as before through extra time. This finding echoes some previously reported in the literature. For instance, Purcell and his colleagues reported that, in organisations where managers seemed to have little discretion over formal rewards, there were “‘unofficial’ practices creeping in as a means of motivating people such as allowing time off, access to training, and providing more challenging work."(Purcell et al., 2009: 63). Similarly, Nadisic (2008a, 2008b) proposed that managers allocate benefits for "uses other than those for which they were formally intended", particularly to compensate for unfairness in HR policy areas outside their influence.

Conclusion

In this paper I have given an account of how managers carry out their HR activities. I have shown that companies design HR systems to enable varying levels of discretion, and that they take steps towards aligning line manager HR decisions with organisational aims. I have also shown how line managers can exercise HR discretion under a number of different arrangements. The resulting picture involves the recognition that managers can have a determining influence on the outcomes of many HR processes. To a great extent, HR decisions are locally configured by line managers who exert influence in the political processes leading up to specific decisions about the employment terms of their employees, often in ways not contemplated in policy and unexpected by top management. Thus, managers do not only act as agents of the organisation, but can exercise discretion in several different ways, as they pursue their own objectives as managers of a business unit. How they exercise this discretion is an important component of an HR system and will have implications on such outcomes as employee behaviours and attitudes, and organisational performance. Further research on the role of line managers and the HR discretion construct may therefore prove fruitful in our understanding of the performance effects of human resource management.

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