HR Discretion: Understanding Line Managers' Role in Human Resource Management

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ABSTRACT

This paper fills a gap in the strategic human resource management literature by offering new insight into how line managers engage in HR processes. Central to my discussion is the concept of HR discretion, which I define as a manager's capacity to make choices that influence his/her team members' HR outcomes, and their perceptions of those HR outcomes. Following managerial discretion theory (Hambrick & Finkelstein, 1987), HR discretion is both 'handed down' by top management in the design of HR processes, and 'pulled down' by individual managers, who create spaces for discretion within and, sometimes, around HR processes. Drawing on new original data from interviews with managers in stores of a large UK-based fashion retailer, I propose four generic ways in which managers exercise their discretion to achieve their local goals. My analysis further suggests that firms set up their HR processes to afford managers varying levels of discretion, and that they actively manage HR processes to align managerial actions and control their outcomes. These findings imply managers carry out HR activities not merely as agents of the organization, but as actors who pursue a combination of organizational, departmental and individual goals. Because of this, HR decisions can be part in the exchanges between managers and employees, and through those exchanges some of the individual and group effects of HRM are realized, including possibly performance effects. This provides a basis for an extension of the theory linking HRM and firm performance.

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

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INTRODUCTION

In most contemporary organizational settings, line managers are deeply involved in human resource management processes. Although one of the distinctive characteristics of the strategic human resource management (SHRM) literature since its inception has been the recognition – and indeed the prescription – of such high involvement by line managers (e.g. Guest, 1987; Tichy, Fombrun, & Devanna, 1982), research into how their role is articulated remains strikingly scarce (Nishii & Wright, 2008; Purcell & Kinnie, 2007). The research presented here fills this gap by offering new insight into how line managers engage in HRM processes. Furthermore, it provides a basis for an extension of the theory linking HRM and firm performance. Extant theory relies on a bureaucratic view of organizations that focuses on the importance of rules and hierarchy in producing shared interpretations of the behaviors rewarded by the HR system (Bowen & Ostroff, 2004). Important as this mechanism may be, the literature has struggled to integrate findings in the functional HRM literature and elsewhere, which highlight the importance of line manager agency in HR processes. The lack of a clear understanding of line managers' role in HRM is thus a substantial limitation to the advancement of the field.

The findings in this paper provide the basis for a complementary view which fully recognizes the implications of line manager agency. I use managerial discretion theory (Hambrick & Finkelstein, 1987; Shen & Cho, 2005) to analyze data from interviews with managers in stores of a fashion retailer. Managerial discretion theory was formulated by Hambrick and Finkelstein (1987), who defined managerial discretion as latitude of action.

Although their analysis and most subsequent discussions have focused on the actions of top management, the concept of managerial discretion has been deemed applicable to all levels of management in organizations (Scott, Paddock, & Colquitt, 2009). An important insight in managerial discretion theory is the proposition that a manager's discretion is as much determined by context as by the manager him or herself (Hambrick & Finkelstein, 1987). Managers who perceive non-obvious courses of action and then persuade others of their suitability, create discretion for themselves. A manager's capacity to do this depends on attributes such as his/her cognitive ability, tolerance for ambiguity, and political acumen.

Central to my discussion, therefore, is the concept of HR discretion, which I define as a manager's capacity to make choices that influence his/her team members' HR outcomes, and their perceptions of those HR outcomes. HR discretion is both 'handed down' by top management in the design of HR processes, and 'pulled down' by individual managers, who create their spaces for discretion within and, sometimes, around HR processes. In my findings, I propose four generic ways in which managers exercise their discretion within and around company policies to achieve their local goals. Furthermore, my analysis suggests that firms set up their HR processes to afford managers varying levels of discretion, and that they actively manage HR processes to align managerial actions and control their outcomes.

HR discretion implies managers carry out HR activities not merely as agents of the organization, but as actors who pursue a combination of organizational, departmental and individual goals. Because of this, HR decisions can be part in the exchanges between managers and employees, and through those exchanges some of the individual and group effects of HRM are realized, including possibly performance effects.

The paper is arranged as follows. First, is a review of the treatment of line managers in the HRM literature. Second, I discuss the organizational setting and methods used in my fieldwork along with the limitations of this research. Then, I present a description of the HR system at this company, focusing on two HR activities where line managers played a larger role. After this description, I make a number of propositions around designing, aligning and exercising HR discretion. In the final section of the paper, I discuss the implications of my findings for SHRM theory, and propose a new model for the impact of HRM through its role in exchanges between managers and employees.

LINE MANAGERS IN THE HRM LITERATURE

Treatment of line managers in the human resource management literature has been patchy and contradictory. On the one hand, the 'functional' or 'micro' HRM subfield (Wright & Boswell, 2002) has produced abundant evidence of the determining influence that line managers have in HR outcomes in the different HR processes. Much of this work has focused on identifying the various sources of cognitive bias in manager decision making. For instance, the performance appraisal literature has at least three decades of research on rater antecedents that influence performance appraisal outcomes (Feldman, 1981; Landy & Farr, 1980). Among many different variables that have been put forward as sources of bias, supervisor affect or liking for subordinates has featured highest in the agenda (Lefkowitz, 2000; Levy & Williams, 2004). Likewise, the personnel selection literature has shown that the behavior of interviewers influences the performance of applicants (Liden, Martin, & Parsons, 1993), and that interviewer similarity and affect towards the interviewee is linked to perceived job suitability of the applicant (Howard & Ferris, 1996).

More conducive to an appreciation of line manager agency as an important component of HR systems is the finding in the performance appraisal literature on the "conscious efforts of supervisors to produce ratings that will achieve personal goals" such as maintaining harmony and motivating subordinates to perform (Murphy, Cleveland, Skattebo, & Kinney, 2004; Tziner, Murphy, & Cleveland, 2005). This would imply that a performance appraisal process can support goals different from those expressly intended by top management, but which are also potentially valuable to organizational performance, such as good interpersonal relations and employee motivation. Unfortunately, these same authors dismiss the value of this possibility by concluding that divergence of rater goals from those of the organization "can substantially affect the utility of performance appraisals." (Murphy et al., 2004)

On the 'macro' or 'strategic' side of the literature (Wright & 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 organizational performance have looked at establishment-level data on the existence of HR policies (Boselie, Dietz, & Boon, 2005). This dominant approach assumes uniformity in the use of policy within organizations, 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 differences in the amount of positive feedback and recognition given by managers had an impact in employee attitudes and helping behaviors.

Beyond this work, some qualitative research, mostly UK based, has examined the role of managers in HRM. One stream centered on the issue of 'HR devolution' to the line (Brewster & Soderstrom, 1994; McGovern, Gratton, Hope-Hailey, Stiles, & Truss, 1997). In a representative study, McGovern and colleagues (1997) analyzed interview and survey data from seven UK organizations and found that there was a wide variation within organizations 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 organization, she also acknowledged "the role of each individual manager as agent, choosing to focus his or her attention in varying ways." (Truss, 2001).

These older debates have by now run their course (Legge, 2005). 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 *realized* business strategy. This distinction remains a key element in recent models of the HR-performance causal link (Nishii & Wright, 2008; Purcell & Kinnie, 2007) in which the gap between intended and actual HR practices is mostly attributed to line managers' actions.

Managers are characterized as implementers, enactors or translators of HR policy, but what exactly is meant by that remains unclear. Most accounts of how line managers influence HR processes have emphasized their impact on procedural and interpersonal aspects of policy implementation. For instance, managers in Truss's (2001) study were found to pre-write performance appraisals, rather than draft them jointly with the employee over the appraisal interview, as company policy stated. Similarly, managers conducted appraisals with less frequency than required by HR policy in a more recent study (Purcell & Hutchinson, 2007). In both these instances, managers followed procedures that were different from those set by policy makers, with negative implications for employee perceptions of procedural justice and satisfaction with HR processes. Nishii and Wright (2008) appear to refer to similar issues when they note that managers influence employee perceptions of HR practices by adapting policies to the context of their subunit. Moreover, they also advance the possibility that managers influence perceptions of HR through their leadership style, personality and behavior; and by communicating their own perceptions of HR practices to employees.

Such focus on procedural and interpersonal aspects of policy implementation is consistent with recent theory in the justice literature that suggests that managers have less discretion over distributive justice rules than procedural and interpersonal justice rules (Scott et al., 2009). Overall, however, the implication of extant views of line managers' role in HRM has negative connotations in the sense that they distort the uniform application of policy by creating "slippage" (Boxall & Purcell, 2008) or undesired variability (Nishii & Wright, 2008).

RESEARCH SETTING, METHODS AND LIMITATIONS

Setting

The organization I studied was a large UK-based fashion retailer, with several hundred stores nationwide. The company was a leader in the mass midmarket 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. In face of a difficult trading situation, management took a number of cost-cutting measures, including lower inventory levels and lower levels of staffing (company annual reports).

I chose to study a retail organization because I expected this type of setting to offer two advantages for my research. First, retail networks consist of a number of fairly similar and comparable business units – the stores – with standard job roles, and the same applicable HR policies. Second, in retail organizations there is a tension between a strong control of branch activities by Head Office[1], and the fact that, because of geographical dispersion, some of these activities can easily escape this control or may in fact be better carried out autonomously.

In the focal organization, all members of the HR department were based at Head Office. A dedicated team of HR advisors was available for consultation by store management, mostly by telephone and email. Senior HR advisors worked closely with regional managers to roll out HR processes in the stores, and frequently travelled to visit stores. The organization's Head of HR commented: "Our managers do not have any discretion whatsoever; they basically do what we

[1] See for instance Storey et al.'s (1997) description of Tesco's operations.

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 the 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

[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.

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 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 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.

In 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 in which managers were most involved, namely progression and performance management.

In a final third stage of my analysis, I sought to identify narratives of actual 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.

Limitations

As in any study, these methods subject my findings to a number of limitations. First, data was collected from a sample of 21 respondents at a single organization, and this might raise the question about how generalizable findings are. However, the goal of this research is to develop theory rather than testing it, so that the validity of my findings does not reside in that data were collected from a large representative sample of organizations, but in the theoretical relevance of the case study selected (Eisenhardt, 1989b; Eisenhardt & Graebner, 2007; Siggelkow, 2007; Yin, 2009). I chose to study a retail organization because I expected this type of setting to would provide an ideal environment to observe the dynamics of policy design and implementation; dictate and control from head office, and local managerial discretion. Nonetheless, the findings presented here are the product of the first stage of an ongoing research project, which includes further case studies, and should therefore be considered preliminary and taken with caution. The additional case studies will provide an opportunity for replication of the findings (Yin, 2009) as well as further specification of the theory (Tsoukas, 2009).

A second limitation refers to the respondent selection process. As part of access arrangements, participating stores were selected by HR officers and the individual respondents within the stores by store managers. This is a potential source of bias because the selection criteria followed by HR officers and store managers may have restricted my respondents to a specific group within the organization. Again, the same argument on the need for a representative sample applies as above: the aim of this research is to describe the phenomena involved, not to investigate their prevalence. Moreover, the concern that access was restricted to significant respondents is mitigated by two observations. First, stores visited included virtually all medium and large stores within a geographical area (small stores were excluded because it would have been difficult to find the target number of respondents in each store). Participant store managers were quite diverse in terms of their background, management styles, and self-reported career prospects. Some stores seemed much better run than others, too. Second, within the stores, store managers often did not have much choice but to give me access to whichever manager was on duty at the time of my visit. In two particular stores, however, I was respectively one and two respondents short of my target, although potential respondents were present in the store, which may suggest a degree of censorship by the store manager.

A third limitation stems from the use of semi-structured interviews as the main method of data collection. Interviews are a useful and efficient method of collecting data in case studies and is commonly the main source of data in this type of research (Eisenhardt & Graebner, 2007; Yin, 2009). The main caveat for the use of interviews, however, is the possibility of bias because of impression management and retrospective sensemaking (Eisenhardt & Graebner, 2007; Yin, 2009). Eisendhardt and Graebner (2007) recommend two strategies to deal with this problem. One is to use a large and varied sample of respondents at different organizational levels and business units. My conclusions are based on the responses of 21 interviewees in differing management levels at 6 different business units. The other strategy suggested by Eisenhardt and Graebner (2007) is to focus attention on current processes, as well as past ones. One of the focuses of my interviews was to specifically ask for instances of recent and on-going HRM processes where the effect of retrospective sensemaking can be expected to be minimized.

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 advisors. At lower levels of management, some voices were raised against the HR organization regarding the excessive focus on cost containment and the sometimes callous application of policy, in particular absence policy.

Centralized HR

Some components of the HR system were highly centralized, 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.

Decentralized HR

Some elements of the company's HR system were decentralized, 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 behavior.

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 horizontal or downshifting voluntary moves. In my description here and later discussion, therefore, I am expanding the definition of progression to include the practices and procedures that enabled all voluntary employee 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 non-managerial 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 maximize 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].

[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.

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:

> *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 recognized 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

[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.

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

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.

[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).

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 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 behavior. This included a continuum of activities ranging from on-the-job supervision and guidance, to informal verbal counseling, 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 organizational 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 behavior 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 behavior that needed to change, along with a set of actions and a time when performance would be reviewed again. In a ‘counseling session’, this document was discussed with the employee. After the time had elapsed, if the behavior 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 behavior persisted, the manager could decide to take disciplinary action. 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 counseling 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. This structure is common in the UK, and is underpinned by labor law on unfair dismissal (Edwards, 2005). 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 behavior, 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 may warrant a disciplinary procedure directly, without any of the other actions.

The types of behaviors 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 or she 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

[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.

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 behaviors. 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-coaching and informal counseling activities were geared towards correcting customer service behaviors. 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. Employees who were classed as amber would be put on performance review. If they was classed as red, they would be subject to disciplinary action.

DISCUSSION

In this section, I discuss my findings through the concept of HR discretion. As introduced above, managerial discretion is a useful concept to frame line manager agency in HR processes. I use the framework advanced by Shen and Cho (2005), who proposed that managerial discretion is made up of two components, namely latitude of objectives and latitude of actions. Latitude of objectives refers to managers' ability to choose what objectives to pursue. It is most closely related to the view of managerial discretion prevalent in economics, and to the problems addressed by agency theory (Eisenhardt, 1989a). For Shen and Cho (2005), managers' latitude of objectives is constrained by the performance pressure they face, in terms of investors' vigilance and the effectiveness of control and monitoring mechanisms. In this sense, performance pressure is analogous to enforcement of an outcome-oriented contract in agency theory (Eisenhardt, 1989a).

Latitude of actions, on the other hand, is more closely related to the view of managerial discretion prevalent in the management literature. It refers to the choice of actions managers have in pursuing organizational objectives (Hambrick & Finkelstein, 1987). An important insight introduced by Hambrick and Finkelstein (1987) is that latitude of actions is defined by constraints present in the context, as much as by the characteristics of the manager him or herself. Contextual constraints are largely dependent on other stakeholders: they are often unstated, a "socio-political phenomenon" related to other stakeholders' potential negative response to managerial action. Managerial discretion is defined as the result of the interplay between these constraints and a manager's cognitive and political abilities, that is, his or her capacity for identifying alternative courses of action and for persuading other stakeholders to support them.

In the rest of this section, I describe how companies design HR policies to enable varying levels of discretion and propose a three variable model to explain these decisions. Then, I explore two ways in which companies keep their managers' HR decisions aligned with organizational 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 had low-discretion decision processes 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 systematize. For instance, performance management for quality of customer service relies on rich observations by managers, which might be too difficult or costly to build into a centralized 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 centralize 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 action 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 centralize information on days not worked. It is however much more difficult to centralize 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 in order to fulfill their own objectives, to the detriment of the organization, a concern which is at the heart of the economics conception of managerial discretion. Organizations manage this risk in a number ways.

First, consistent with Shen and Cho's (2005) suggestion, organizations limit managers' latitude of objectives through performance pressure. 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 in real time 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. Additionally, stores were subject to between one and three 'mystery shops' every season to evaluate quality of service along corporate guidelines. Poor ratings by mystery shops often triggered rounds of performance management actions. This tight monitoring system 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 actions of the HR function. In our case study, the HR department was deeply involved in individual HR decision processes. Respondents often emphasized the fact that HR was always "only a phone call away" to help in solving problems as they unfolded. They described HR officers as highly approachable, friendly and helpful. HR would very seldom, if ever, impose a course of action; they were repeatedly quoted to say all decisions were ultimately the managers'. This created an environment where there was very frequent interaction between HR and the stores, allowing for a higher degree of influence by the HR department on on-going day-to-day HR decision making. Moreover, close cooperation between HR and the line helped create a climate of trust in the HR system which prevented some undesirable managerial behavior. For instance, store managers could have the incentive to 'poach' employees from other stores, while holding on to their own. This was however limited through the efficacy of HR to provide candidates for a replacement via the vacancy bulletin and the external jobs website.

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 or 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 & Finkelstein, 1987). From my field work, I was able to identify four different arrangements under which managers exercise HR discretion. First, managers can take action within areas which policy or practice establish as manager prerogative. For instance, at our focal organization, respondents clearly agreed that line managers made hiring decisions. 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, a manager's influence on some HR outcomes may be a consequence of influence on a related HR outcome. For example, store managers at the focal 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 are sometimes able to influence HR outcomes by engaging in negotiations with Head Office. In our specific case, 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, managers are 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 his store manager gave him 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 organizations 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, Kinnie, Swart, Rayton, & Hutchinson, 2009). 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.

These findings show that even in tightly controlled organizations such as our case, managers have a range of options to create HR discretion for themselves. Moreover, managers differed in the extent to which they used each of these arrangements. For instance, some managers exploited the connection between absence covering and progression more than others by carefully planning opportunities given to their individual employees. Likewise, some managers often pursued disciplinary decisions that differed from the standard, while others saw it as their duty to follow corporate rules to the letter. Managerial discretion theory proposes that individual sources of managerial discretion include broad vision – a product of experience and insight – and political acumen (Hambrick & Finkelstein, 1987). My observations in this case study, though insufficient to support a formal proposition, would suggest that managers' use of HR discretion arrangements may be linked to their seniority, length of tenure, and career background (internal career vs. hired into a managerial position), all of which might be expected to shape individual managers' capacity to envision alternative courses of action and to see them through the corporate political decision-making process.

IMPLICATIONS FOR SHRM THEORY

The findings presented here on how line managers take part in HR processes invite reflection on the way the SHRM literature has modeled the link between HR and firm performance. HR practices are predominantly seen as representing an organization's offering to its employees, who then reciprocate with attitudes and behaviors that drive organizational performance (Hannah & Iverson, 2004; Wayne, Shore, & Liden, 1997; Whitener, 2001). In this way, HR practices shape the exchange relationship between an organization and each of its individual employees, the so-called employee-organization relationship (EOR; Shore & Coyle-Shapiro, 2003; Shore, Porter, & Zahra, 2004), through mechanisms including those described in the psychological contract and perceived organizational support literatures (Aselage & Eisenberger, 2003; Coyle-Shapiro, Shore, Taylor, & Tetrick, 2004; Eisenberger, Huntington, Hutchison, & Sowa, 1986; Rousseau, 1989).

This dominant model, however, is deeply rooted in a bureaucratic view of organizations: it relies on the personification of the organization as a unitary actor in exchanges with employees, and focuses on the importance of rules and hierarchy in producing shared interpretations of the behaviors rewarded by the HR system. For instance, in an influential theoretical paper, Bowen and Ostroff (2004) proposed that the impact of an HR system on the attitudes and behaviors of employees rested on its ‘strength’. A strong HR system is one “high in distinctiveness, consistency and consensus”, which succeeds in sending “unambiguous messages […] to employees about what is appropriate behavior” (2004). Thus, HR systems are seen exclusively as top-management driven systems of rules, whose success depends on the ability of top management to persuade – or coerce – other actors in HR decision processes to “align” their decisions and actions with policy.

This somewhat idealized view is at odds with findings in organizational sociology research that have shown that line managers, far from being “passive dupes” (Storey et al., 1997), actively reinterpret and adapt organizational goals and directives in pursuit of their own set of interests. This doesn’t just mean that line managers have the ability to boycott top management intentions; sometimes line managers’ interests may be in conflict with the explicit instrumentalities of the HR system, but actually be beneficial to the primary goals of organizational performance and survival. In a notable study, Smith (1990) showed how bank branch managers “muted or reinterpreted” coercive corporate policies in order to maintain employee consent; which not only was in the managers’ own interest, but also helped attain the long-term corporate productivity goals in a way not foreseen by top management. These findings highlight the need for an explanation of the effects of HRM that balances the importance of structure and agency.

My argument here follows on the footsteps of voices within the SHRM literature which have indeed recently stressed the view that the effects of an HR system on employee attitudes and behaviors must be mediated by employees’ perceptions of practices as actually implemented by line managers (Nishii & Wright, 2008; Purcell & Kinnie, 2007). Unfortunately, these authors have retained the basic assumptions of the bureaucratic model: line manager actions are considered a source of variation (Nishii & Wright, 2008) or slippage (Boxall & Purcell, 2008) in the implementation of HR policy, rather than an integral component of HR systems and part of the explanation of their effects.

In contrast, my findings reinforce the view that line managers can have defining influence on the outcomes of many HR processes. To some extent, many 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. Even in contexts where HR discretion is tightly constrained and controlled, managers' choices can make an important difference, and have an important impact on employee attitudes and behaviors. In carrying out their HR activities, line managers do not only act as agents of the organization, but can exercise discretion in several ways, as organizational actors who pursue their own combination of organizational, departmental and individual goals.

The assumption of the bureaucratic view has been that employees attribute their HR outcomes completely to 'the organization', that is, that employees consider decisions about their individual terms of employment to be a consequence of organizational rules and procedures, and that their line manager's discretionary actions have a negligible effect on these terms. By contrast, my findings suggest that employee attributions of HR outcomes combine a company rule effect and a line manager effect. HR decisions not only shape the exchanges between the organization and each of its employees, they are also part of exchanges between line managers and those whose employment terms they are able to influence.

Manager-employee exchanges have long been a focus of the leadership literature, where the substantial body of research on the Vertical Dyadic Linkage/Leader-Member Exchange (VDL-LMX) (Dansereau Jr, Graen, & Haga, 1975; Liden & Graen, 1980) has highlighted their crucial role in structuring tasks and eliciting collaboration. Quality of leader-member exchanges (LMX) has been linked to a wide range of positive outcomes including job satisfaction, organizational commitment, organizational citizenship behaviors (OCBs) and individual performance (for a review, see Henderson, Liden, Glibkowski, & Chaudhry, 2009). Moreover, some empirical research has shown LMX having larger effects on performance than EOR constructs such as POS (Wayne et al., 1997), leading the authors to suggest that "perhaps members primarily view job performance as an obligation to their leaders as opposed to their organizations.

However, the role of HRM in LMX research has been limited. The main measures of the construct have been confined to so-called positional resources: information, influence, tasks, latitude, support and attention (Graen & Scandura, 1987). Formal rewards are expressly excluded because they are deemed "not within a manager's personal discretion to immediately give or withhold" (Graen & Scandura, 1987). This is consistent with the tendency of much of the leadership literature to deemphasize leaders' use of formal rewards. For instance, Yukl (2010; 2002) gives preference to praise and symbolic awards, rather than tangible rewards, because they are "easier to provide, […] more personal, and […] relatively independent of the formal reward system of the organization" (2002). Likewise, transformational leadership theory (Bass, 1985; Burns, 1978) has considered the use of formal rewards as typical of 'transactional' leadership, a maligned version of leadership associated with the carrot and the stick. This may in fact reflect a lack of understanding of the interplay between agency and structure in HR processes that my research attempts to address. Indeed, my research provides support for a view in which it is through the central role formal rewards have in managers' social exchanges with employees, that some effects of HR are realized.

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 organizational 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 organization, 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 behaviors and attitudes, and organizational 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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