THE EFFECTS OF OUTSOURCING AND DEVOLVEMENT ON THE STRATEGIC POSITION OF HR DEPARTMENTS

ASTRID REICHEL AND MILA LAZAROVA

This article critically examines how outsourcing and devolvement of HR activities influence the strategic position of HR departments. Past research has offered conflicting predictions about their impact, ranging from a very positive move of HR departments to powerful strategic positions to a rather negative move toward marginality as their tasks are being taken over by either external providers or line managers. In an effort to resolve existing inconsistencies in the literature, we base our propositions on the strategic contingency theory of subunit power (Hickson, Hinings, Lee, Schneck, & Pennings, 1971). Our results suggest that the strategic position of HR departments is negatively influenced by devolvement to line management and positively influenced by outsourcing of noncore HR tasks. No significant effect of outsourcing core HR activities was found. © 2013 Wiley Periodicals, Inc.

Keywords: strategic position of the HR department, HR outsourcing, HR devolvement

Introduction

This article examines how outsourcing of HR activities and devolving HR responsibilities to line managers impact the strategic position of HR departments. HR outsourcing and devolvement are important trends whose salience is likely to increase, but predictions about how they might impact the strategic position of HR departments vary from very optimistic to rather gloomy. We examine such contradicting propositions using theoretical foundations of strategic contingency theory (SCT; Hickson, Hinings, Lee, Schneck, & Pennings, 1971).

We begin by clarifying what we mean by "strategic position of the HR department" and why it deserves scholarly examination. An HR department in a strategic position (Lawler, 2005) is one that is represented in strategically important groups within the organization and that has the capacity to exert influence on strategic decision making

Astrid Reichel, Department of Management, WU Vienna, Welthandelsplatz 1, 1020 Vienna, Austria, Phone: +43 1 31336 4008, Fax:+43 1 31336 904008, E-mail: astrid.reichel@wu.ac.at.

in the organization. A strategically positioned HR department is endowed with higher status and more power compared to an HR department that holds a purely administrative position. More precisely, the concept of strategic position reflects enacted and potential power (Galang & Ferris, 1997; Provan, 1980). The two key components to capture strategic position are representation on the top management team and involvement in formulating the corporate strategy. The former reflects the capacity to influence other actors (potential power) and the latter demonstrates influence over outcomes (enacted power) (Provan, 1980). While power is a broader concept, strategic position captures core aspects of it (Galang & Ferris, 1997). In light of this definition, theories of subunit power in organizations are relevant to our understanding of the determinants of the strategic position of the HR subunit (Farndale & Hope-Hailey, 2009).

Why is it important to study the strategic position of HR departments? Research on organizational subunit power (Stagner, 1969; Thompson & Tuden, 1959) has suggested that power distributions are important determinants of organizational decisions. Power determines decisions because in real-world organizations computational decision making aimed at optimizing the output of the company as a whole rarely exist, as this requires agreement about goals and about the causal connections between actions and their results. Instead, there are differences and uncertainties about the appropriateness of actions, and judgment and compromise become necessary to reach decisions. In this context of political rather than rational decision making (Pfeffer & Salancik, 1978; P. M. Wright & McMahan, 1999), the opinions, preferences, and needs of those in power are more likely to be heard and satisfied. More powerful subunits have a higher chance to be considered when important

A strategically positioned HR department is endowed with higher status and more power compared to an HR department that holds a purely administrative position. More precisely, the concept of strategic position reflects enacted and potential power.

decisions are being made and to control more of the (critical) resources.

Consequently, it is likely that HR departments in a strategic position are more involved in strategic planning and introduce more proactive and coherent HR policies and practices, with all the benefits that this entails for the employees and the organization as a whole (Galang & Ferris, 1997; Gunnigle, Morley, & Foley, 1995; Lengnick-Hall & Lengnick-Hall, 1988). Indeed, researchers have suggested that there is a positive relationship between the strategic position of the HR department and organizational performance (Galang & Ferris, 1997; Sheehan, Cooper, Holland, & De Cieri, 2007). While research has not yet provided unequivocal support for such a relationship, it is difficult to dispute that being in a strategic position means more opportunities (in the broadest sense) for HR departments, which should translate to increased consideration of HR needs and enhanced and improved HR policies, programs, and practices in the organization. Finally, issues surrounding strategic position are clearly relevant to HR professionals personally, given the turbulent environment where significant changes are continuously transforming their position, roles, and responsibilities (e.g., Hiltrop, Despres, & Sparrow, 1995; Mackay & Torrington, 1986; Sahdev, Vinnicombe, & Tyson, 1999).

Two key trends that have been predicted to exert significant impact on human resource management in organizations in general and the role of HR departments in particular are devolvement of HR responsibilities to line managers and outsourcing of HR activities to external providers (Delmotte & Sels, 2008; Heathfield, 2011; Larsen & Brewster, 2003). Although the occurrence of both trends has been widely discussed in the literature, research on their impact on the organization of work and power issues—including the strategic position of HR departments—is scarce, and its assumptions are contradicting. In an effort to resolve existing inconsistencies in the literature, we use strategic contingency theory to propose hypotheses regarding the impact of outsourcing and devolving HR activities on the strategic position of HR departments.

This theory has already been used in the context of HRM (Farndale & Hope-Hailey, 2009) and it provides a fruitful conceptual base for examining how outsourcing and devolvement affect the strategic position of the HR department.

Past Research and Theoretical Background

Intra-organizational Status of HR Departments

While human resources and the need to manage them effectively have been widely recognized as critically important for the success of every organization, the position and role of specialized HR departments in this process have been continuously debated. The link between HRM practices and organizational performance is arguably the most studied relationship in the HRM field in the last two decades. Although many studies are besieged by methodological problems (e.g., P. M. Wright, Gardner, Moynihan, & Allen, 2005), by and large researchers have provided consistent evidence for the positive effects of HRM on organizational performance and competitive advantage (e.g., Barney & Wright, 1998; Datta, Guthrie, & Wright, 2005; Delaney & Huselid, 1996; Huselid, 1995; P. M. Wright, Dunford, & Snell, 2001; P. M. Wright, McMahan, & McWilliams, 1994).

In most organizations above a certain size, the responsibility of helping the organization nurture its human resources to their full potential falls into the hands of a specialized HR department (Brewster, Wood, Brookes, & Van Ommeren, 2006). While they do not act alone, they are meant (at least in theory) to be the architects of how the organizations procure, allocate, utilize, develop, and retain employees. Given that human resources are seen as a vital asset and an essential source of sustainable competitive advantage (Beer, Spector, Lawrence, Mills, & Walton, 1985; Sisson & Storey, 2000), one can assume that the HR department occupies the position of an important player in the organization as a whole. The reality is more complex, however. The respect and attention allotted to "human resources" (generally speaking) rarely translates into respect for the HR department specifically (e.g., P. M. Wright, McMahan, Snell, & Gerhart, 2001).

Three decades ago, in a *Harvard Business Review* article, Skinner (1981) characterized the plight of HR as the "ultimate irony" (p. 112)—responsible for the most fundamental and central competitive resource with the longest time horizon but only allowed to occupy a reactive role. He described HR departments as low-status, lacking in authority and power, and serving in advisory capacity only, and recommended that concerted efforts be made to elevate the HR department out of obscurity and perceptions of insignificance. Two decades later, however, the generally accepted opinion still appears to be that HR managers are "compliance people" that excel in the art of "administrivia." The proposed solution: doing away with HR departments altogether (Hammonds, 2005; Stewart, 1996b) or, in a less extreme scenario, delegating most HR responsibilities to line managers or outsourcing them to external providers, with only small high-leveraged departments acting as management consultancies (Stewart, 1996a).

Academic research on the status of HR departments remains rather limited (Galang & Ferris, 1997) but appears to echo the same sentiment. Instead of being celebrated, HR departments have been called "poor cousins" (C. Wright, 2008, p. 1067), and HRM has been characterized as a "semi profession" (Hodson & Sullivan, 2002, p. 300). Writers have concluded that an apparent gap exists between the rhetoric about the essential role of HRM for delivering "resourceful" humans and the reality HR departments face (Morris & Burgoyne, 1973). Despite the centrality rhetorically assigned to HRM activities, HR departments often experience marginality in practice (Gowler & Legge,

While human resources and the need to manage them effectively have been widely recognized as critically important for the success of every organization, the position and role of specialized HR departments in this process have been continuously debated.

1986) and have been reported to be among the lowest-status departments holding the least power in organizations (Guest & King, 2004; Kelly & Gennard, 2001).

Before we proceed we need to clarify that the literature on which we draw for our review uses a variety of terms to refer to what we call the *strategic position of the HR department*. As noted earlier, we define being in a strategic position to consist of representation on the most important decision-making body and involvement in strategy formulation on the organizational level. Some scholars have referred to the same construct using different labels (Brandl, Mayrhofer, & Reichel, 2008; Reichel, Brandl, & Mayrhofer, 2009), whereas others consider it a part of a broader construct of HR strategic integration (e.g., Brewster & Larsen, 1992; Budhwar, 2000a). We return to issues of consistency in conceptualization and operationalization in the Discussion section.

Systematic analyses of antecedents of the strategic position of the HR department are scarce and suggest that it is related to HR director education, experience, and gender (Reichel et al., 2009); organization size; industry; international market presence; U.S. ownership (Gunnigle & Morley, 1998); and certain aspects of the HR practices in the organization (Budhwar, 2000a, 2000b; Budhwar & Sparrow, 1997). There are also a number of contributions on related topics su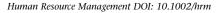ch as HR power, status, reputation, and role that discuss issues such as how the power of the HR department compares to the power of other departments in the organization (Farndale & Hope-Hailey, 2009), HR department involvement in corporate decision making in key areas (Farndale & Hope-Hailey, 2009), the importance of HR reputation for HR power (Ferris et al., 2007), roles of HR managers and how they have changed over the years (Caldwell, 2003; Gowler & Legge, 1986; Guest & King, 2004; Legge, 1978;

Despite the centrality rhetorically assigned to HRM activities, HR departments often experience marginality in practice and have been reported to be among the lowest-status departments holding the least power in organizations.

Ulrich, 1997), and how HR can become a strategic partner, and the various implications of taking on this path (Keegan & Francis, 2010; Pritchard, 2009; Ulrich, 1997).

As evidenced by this body of work, recent years have brought increased attention to the position of HR departments, but we still know relatively little about its determinants. We know even less about the impact of the two aforementioned trends that have been predicted to transform HRM: outsourcing and devolvement to line management. Research on the consequences of these trends is still in its infancy and has not been consistent in its predictions about their impact on HR departments. On the one hand, outsourcing and devolvement could free HR departments from engaging in mundane tasks and can allow them to focus on strategic issues and increase their flexibility (e.g., Beer, 1997). On the other hand, they can diminish their role to a point where HR departments become extinct (e.g., Caldwell, 2003).

Outsourcing HR Activities

It is difficult to estimate correctly the exact extent to which HR outsourcing (HRO) is occurring and at which pace it is spreading (e.g., Brewster et al., 2006; Cooke, Shen, & McBride, 2005); however, very few would disagree that it is an important trend that can transform fundamentally how HR work is organized (Grimshaw, Marchington, Rubery, & Willmott, 2004). Studies focusing on the effects of outsourcing suggest diverse positive and negative consequences for organizations ranging from more flexibility and responsiveness (Shaw & Fairhurst, 1997) and increased innovation through decentralized structures (Adler, 2003) to even doubting cost reduction (Kosnik, Wong-MingJi, & Hoover, 2006) and performance effects (Gilley, Greer, & Rasheed, 2002; Gilley & Rasheed, 2000).

Research particularly targeted at the impact of HRO on HR departments, including how it might influence their position, is largely absent (Cooke et al., 2005), though a number of authors have referred to these issues, coming to conflicting predictions. The biggest (potential) benefit of HRO is that it

provides an opportunity for the HR department to turn into a strategic partner in organizations. Specifically, HRO can reduce the workload of HR managers and liberate them from performing mundane transactional tasks so that they can increase their involvement in strategy formulation (Shen, 2005).

On the other hand, serious doubts have surfaced regarding whether HRO will indeed enable the HR department to take on a more strategic role in organizations (Chartered Institute of Personnel and Development, 2009). HRO may lead to the reduction of HR staff (Smith, Vozikis, & Varaksina, 2006) and may result in limited career opportunities for them (Greer, Youngblood, & Gray, 1999). It can create work intensification problems, increased levels of stress, loss of morale, and turnover among in-house HR staff. Simply "dumping" HR activities through HRO will not automatically lead to a move to a strategic position for the HR department (Cooke et al., 2005). Cooke et al. (2005) sum up that the idea that HRO would enable a more strategic role for in-house HR departments "remains largely aspiration rather than reality" (p. 422).

It should be noted here that both practitioners and researchers have made an important distinction between outsourcing core and noncore/peripheral activities, recommending that only the latter be outsourced and the former be kept in-house (e.g., Belcourt, 2006; Cooke et al., 2005; Greer et al., 1999; Klaas, McClendon, & Gainey, 1999, 2001). Core activities are those that bring competitive advantage or are in some ways unique and valuable to the organization, whereas peripheral activities involve routine administrative tasks and have lower impact on performance. For example, in a classic paper, Lepak and Snell (1999) distinguished between idiosyncratic, peripheral, traditional, and core activities on the basis of two dimensions, value and uniqueness of HR activities, and recommended that core HR activities be handled internally, peripheral and traditional activities be outsourced, and idiosyncratic ones be offered through custom-fitted partnerships. This is a distinction to which we return later in the article.

Devolvement of HR Activities

Devolvement denotes a situation in which the responsibility for various HR areas is passed on from the HR department to (non-HR specialist) line managers. Similar to the case of HRO, there is a lack of definitive data estimating the exact extent to which devolvement is occurring (McGovern, Gratton, Hope-Hailey, & Stiles, 1997; Renwick, 1999), but evidence suggests an upward trend (Hall & Torrington, 1998; Larsen & Brewster, 2003). Research in the area concentrates on the challenges of implementing devolvement and on its impact on line managers and their HR counterparts, with an emphasis on the former (e.g., Cunningham & Hyman, 1999; Renwick, 1999; Whittaker & Marchington, 2003). The overall conclusion appears to be that devolving HR responsibility has not been easy to implement (Larsen & Brewster, 2003; McGovern et al., 1997).

Compared to their discussion of the impact of HRO on HR departments, researchers have been more explicit that devolvement can present either an opportunity or a threat (or both simultaneously) for them (Cunningham & Hyman, 1999; Gennard & Kelly, 1997; Hoogenboorn & Brewster, 1992; Perry & Kulik, 2008; Whittaker & Marchington, 2003). On the opportunity side, much like in the case of HRO, devolvement might allow HR departments to concentrate on what really matters from a strategic standpoint. Some authors have posited that a strategic approach to HR involves both HR departments in strategic positions and devolvement of HR activities (e.g., Guest, 1987; Sheehan, 2005), but a positive relationship between the two is not universally assumed (e.g., Brewster & Larsen, 1992). On the threat side, devolvement might mean taking away from the department's responsibilities, resulting in its ultimate loss of influence (Hiltrop et al., 1995). It has been suggested that devolvement is negatively associated with the relative size

The biggest (potential) benefit of HRO is that it provides an opportunity for the HR department to turn into a strategic partner in organizations.

of HR departments (measured in HR employees per 1,000 organizational employees; Hoogenboorn & Brewster, 1992). Others have commented that devolvement might just reflect cost-cutting and the related tightening of the HR department (Hall & Torrington, 1998). While we were not able to find empirical studies explicitly investigating the link between devolvement and strategic position of the HR departments, researchers have strongly suggested that devolvement has not been met with enthusiasm across the board from all HR managers, precisely because of their concerns that their influence will decrease and they might become redundant as more responsibility is devoted to line managers (Hall & Torrington, 1998; Renwick & MacNeil, 2002).

Interestingly, unlike in research on HRO, there has been no discussion of differences among HR practices (core vs. noncore) with respect to how appropriate it is to devolve responsibilities for them to line managers. Devolvement is considered only in general terms— if an organization devolves HR responsibilities, it does so without discriminating among the various HR activities.

The Strategic Contingency Theory and the Strategic Position of HR Departments

To explain the inconsistencies in past research, we adopt a structural perspective and specifically, we look for guidance in the strategic contingency theory (SCT) developed by Hickson et al. (1971). SCT is a unique model in the power literature in that it focuses precisely on the intra-organizational departmental (subunit) level of power. As such, it addresses a shortcoming of much of the power literature—namely, the lack of focus on the impact of organizational-level systems and structures (Fincham, 1992). SCT defines power as a property of the social relationship, not of any individual actor. The division of labor is seen as the ultimate source of intra-organizational power, and power is

Within an organization, subunits are responsible for "dealing with uncertainty" in a specific area, and it is the ability to cope with this uncertainty that confers power.

explained by variables that are elements of each subunit's task, its functioning, and its links with the activities of other subunits. Thus, the approach veers away from an over-personalization in both conceptualization and operationalization of power and instead stresses structural sources of power (Hickson et al., 1971). Outsourcing and devolvement are such structural conditions (i.e., they are properties of the organization as a social system as opposed to attributes of individual organizational members). In this context we expect using the strategic contingency theory to be fruitful for enhancing our understanding of how outsourcing and devolvement influence the strategic position of HR departments. We also follow the call by Farndale and Hope-Hailey (2009) to rediscover the "embedded, structural sources of power inherent within organizations" (p. 393). Generalizability of the theory across industries and cultures has also been shown (Cohen & Lachman, 1988), which makes it especially useful for the sample we use.

The power structure of an organization is a result of multiple contextual factors in addition to choices being made among available contingencies (Lawrence & Lorsch, 1967). Within these structures, there emerges a functional division of labor, each subunit with its own agenda and hierarchy, with interdependence within and between subunits (Welbourne & Trevor, 2000). Imbalance of this reciprocal interdependence (Thompson, 1967) between subunits gives rise to power relations. We should also note that according to SCT, power distribution is not necessarily rational and efficient, but it is rather a result of a political process (Hinings, Hickson, Pennings, & Schneck, 1974). Hickson et al. (1971) regard organizational systems as interacting with their environments under conditions of uncertainty. Within an organization, subunits are responsible for "dealing with uncertainty" in a specific area, and it is the ability to cope with this uncertainty that confers power.

Hickson et al. (1971) identify three determinants of subunit power: (1) coping with uncertainty (i.e., the extent to which a subunit can cope with uncertainty for the

organization), (2) non-substitutability (i.e., the extent to which a subunit is uniquely positioned to reduce uncertainty in a certain area—as opposed to other subunits being able to take over its responsibilities) and (3) centrality of the subunit in the organization's workflow. Whereas devolvement and outsourcing do not really impact the centrality of HR departments (where HR activities are positioned in the workflow does not change regardless of who conducts these activities—HR managers, line managers, or external service providers), they are related to the first two determinants of power, coping with uncertainty and non-substitutability. Explaining these links is what we turn to next.

Coping With Uncertainty

Organizations have to deal with environmentally derived uncertainties in the sources and composition of inputs, in the processing of throughputs, as well as in the disposal of outputs. To achieve adequate task performance, they must have means to deal with these uncertainties. Those subunits that have the ability to cope effectively with the most uncertainty should have the most power within the organization. This is because by coping, the respective subunit provides pseudo-certainty for the other departments by controlling what are otherwise contingencies for other activities. Through the dependencies created, this coping confers power.

The uncertainty with which HR departments cope stems mainly from labor markets and the essential nature of human resources. When HR departments recruit, hire, and attempt to retain people, they manage a resource that "fluctuates" constantly. Employees are attracted by other organizations or occupations and leave with short notice; their work is dependent on their dispositions and changing attitudes; they fall ill or go on parental leave; unpredictable circumstances such as the health of a family member prevent them from showing up for work; or at any time they might request sabbaticals for other reasons. HR departments can help reduce such uncertainty by introducing programs and initiatives that "[ensure] that a sufficient number of people with the required characteristics and skills are available at all levels in the organizations" (Jackson & Schuler, 1990, p. 228).

While core activities like recruitment, selection, and training and development help the organization cope with great deals of uncertainty, the work of HR departments also includes administrative tasks (e.g., Buyens & De Vos, 1999; Spencer, 1995), which are highly standardized and often subject to a framework of norms in the form of national laws or collective bargaining agreements. Due to existing rules and standards, future events are largely predictable. By performing such administrative (noncore) HR tasks, HR departments only cope with a small amount of uncertainty. Since it is the amount of uncertainty coped with that confers power to subunits, outsourcing core activities that deal with a lot of uncertainty is likely to threaten the department's strategic position. In contrast, outsourcing noncore, administrative work that adds only marginally to the department's coping with uncertainty is not likely to have a significant effect on its strategic position. Based on these arguments, we put forward the following hypothesis:

Hypothesis 1: The degree of outsourcing core HR activities will be negatively related to how strategic the HR department's position in the organization is.

We expect no relationship between the degree of outsourcing noncore HR activities and how strategic the HR department's position is.

Non-substitutability

Substitutability is defined as "the ability of the organization to obtain alternative performance for the activity of a subunit" (Hickson et al., 1971, p. 221). Generally, the substitutability hypothesis states that the lower the substitutability of the activities of a subunit, the greater its power within the organization. Here perceived substitutability already has an effect (i.e., if the coping activities performed by a subunit *seem* easily understandable and

executable by other subunits, power decreases). A number of authors have stated that the perception of substitutability is almost inherent in HRM. Galang and Ferris (1997, p. 1409) note, "The HR function is unique in that it can be performed by other managers and not necessarily by a specialist department. The ensuing results are a lack of direct control by the HR department, and an impression that HRM is not a truly specialist activity requiring unique knowledge and skills, thus reducing the department's nonsubstitutability." Armstrong (1995, p. 158) states that the HR department does not have a "natural monopoly" over people management. If the impression of substitutability already affects subunit power, then—not surprisingly—actual substitution should also impact the strategic position of HR departments negatively. Hickson and colleagues (1971) themselves name devolvement of recruitment to line management as a scenario that reduces power via increased substitutability. In accordance with such arguments, we predict:

Hypothesis 2: The degree of devolvement of HR activities will be negatively related to how strategic the HR department's position in the organization is.

Method

Sample

Data for this study come from Cranet, an international research network dedicated to analyzing HRM developments in public- and private-sector organizations with more than 100 employees within and across national contexts (Brewster, Mayrhofer, & Morley, 2004). Data are collected every three to five years in more than three dozen countries. Countries are represented by national universities, which are responsible for creating a national sample of the respective company population. Surveys are filled out by HRM specialists, most often the top HR person, and ask questions about HR policies and practices implemented across the organization. For the current analysis, data from the 2008/2009 survey round from 17 European countries are used. The sample includes 2,688 companies from Western, Northern, Eastern, and Southern Europe (as defined in the "Composition of Macro Geographical (Continental) Regions," 2011). Table I lists the countries, number of organizations, median number of employees, and percentage of public organizations in each country. The number of organizations included in our analyses ranges from 54 in Cyprus (Greek part only) to 343 in Denmark. Most of the countries contribute between 100 and 200 organizations to the total sample. To account for some very big organizations, the median number of employees is reported for each country. On average, the companies in the Swedish and Swiss sample are biggest, with more than 600 employees. Organizations in Bulgaria, Estonia, the Netherlands, and Iceland on average have between 100 and 200 employees. Percentages of public-sector organizations are high in Nordic countries Finland, Sweden, and Iceland and low, with fewer than 10 percent, in France, Belgium, Greece, and Slovakia.

Measures

Outsourcing HR Activities

To capture the degree of outsourcing, the respondents were asked to mark on a five-point scale to what extent (0 = not outsourced to 4 = completely outsourced) external providers are used in six areas of HR activities: recruitment, selection, training and development, payroll, pensions, and benefits. We ran an exploratory factor analysis to capture patterns in outsourcing activities. In addition to reducing our data to sets of internally consistent practices, a reason behind doing this was to investigate whether a core/peripheral pattern suggested by a number of authors (e.g., Belcourt, 2006; Cooke et al., 2005; Greer et al., 1999; Klaas et al., 1999, 2001) emerged. We conducted principal component analysis with Varimax rotation. Table II displays the factor loadings. Using the eigenvalue criterion yielded two clear-cut factors, which together explain 61 percent of the variance in the data. As can be seen in Table II, factor 1 combines outsourcing of recruitment, selection, and training and development (Cronbach's
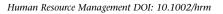
TABLE I	Sample Description		
	Number of Organizations	Median Number of Employees	Percentage of Public Organizations
Austria	175	524	14.9
Belgium	228	554	5.3
Bulgaria	193	108	13.5
Cyprus	54	250	18.5
Denmark	343	350	16.6
Estonia	60	168	13.3
Finland	119	507	54.6
France	127	340	1.0
Greece	177	442	6.4
Iceland	109	195	27.5
Lithuania	94	254	7.5
The Netherlands	73	190	13.7
Slovakia	190	244	6.4
Slovenia	211	210	26.5
Sweden	264	620	33.7
Switzerland	92	635	12.0
United Kingdom	179	341	12.8

TABLE II	Factor Loadings Outsourcing	
	Outsourcing Core HR Activities	Outsourcing Noncore HR Activities
Use of external providers for recruitment	.847	.140
Use of external providers for selection	.823	.165
Use of external providers for training and development	.634	.078
Use of external providers for pensions	.068	.796
Use of external providers for payroll	.102	.776
Use of external providers for benefits	.189	.748

alpha = .649) and factor 2 consists of outsourcing of payroll, pensions, and benefits (Cronbach's alpha = .667). The first factor consolidates areas of HRM that represent core HR activities, as identified in past research, whereas the second factor combines tasks pertaining to noncore areas mainly characterized by their administrative nature. This is consistent with the broadly shared opinion that payroll and many compensation activities can be outsourced as peripheral (e.g., Dickmann & Tyson, 2005). To facilitate readability, Tables III and IV report the sum of the

degrees of outsourcing of each of the three areas in each factor (0 = no task in the three areas is outsourced to 12 = all tasks in all areas are completely outsourced). We used factor values with weighting following a regression procedure for the hierarchical linear model.

Devolvement of HR Activities

The degree of devolvement is captured by a comprehensive measure that asks who bears the primary responsibility for major decisions concerning five areas of HR activities: pay

TABLE III Descriptive Statistics per Country			
	Strategic Position (0–2)	**Devolvement (0–15)**	**Outsourcing Core HR Activities (0–12)**	**Outsourcing Noncore HR Activities (0–12)**
	Mean (SD)	**Mean (SD)**	**Mean (SD)**	**Mean (SD)**
Austria	1.23 (.69)	7.49 (3.26)	2.64 (2.05)	2.35 (2.87)
Belgium	1.64 (.50)	6.43 (2.82)	3.81 (2.51)	5.95 (3.36)
Bulgaria	.87 (.66)	11.93 (3.52)	2.04 (2.09)	.67 (1.55)
Cyprus	1.23 (.63)	7.30 (4.14)	3.65 (2.59)	1.04 (2.27)
Denmark	1.35 (.66)	7.69 (3.42)	1.85 (1.90)	2.92 (2.47)
Estonia	1.29 (.64)	9.25 (3.43)	3.68 (1.97)	.92 (2.24)
Finland	1.64 (.60)	8.43 (3.29)	1.90 (1.79)	2.73 (3.14)
France	1.62 (.48	5.85 (2.80)	3.25 (2.17)	2.10 (2.70)
Greece	1.31 (.68)	6.01 (3.67)	3.30 (2.51)	1.64 (2.85)
Iceland	1.52 (.65)	8.00 (4.17)	2.80 (2.39)	2.06 (3.15)
Lithuania	1.17 (.71)	7.44 (3.35)	3.75 (2.57)	.78 (1.67)
The Netherlands	1.32 (.65)	8.96 (3.29)	3.74 (2.71)	4.22 (3.13)
Slovakia	1.46 (.63)	7.48 (4.28)	2.78 (2.72)	2.38 (3.37)
Slovenia	1.56 (.62)	8.35 (4.08)	2.51 (2.10)	1.37 (2.20)
Sweden	1.77 (.45)	7.86 (3.11)	4.34 (2.02)	2.85 (2.53)
Switzerland	1.36 (.71)	7.56 (2.50)	2.42 (1.78)	2.66 (2.69)
United Kingdom	1.41 (.68)	7.45 (3.91)	2.01 (2.10)	4.25 (3.58)

and benefits, recruitment and selection, training and development, industrial relations, and workforce expansion/reduction. The anchors we used were HR department primarily responsible = 0, HR department responsible in consultation with line management = 1, line management responsible in consultation with HR department = 2, and line management primarily responsible = 3. The answers for the five areas of HR activities are summed, resulting in an index ranging from 0 (no devolvement of any of the areas of HR activities) to 15 (full devolvement to line management of all the areas of HR activities). We explored the variables included in the devolvement index more closely and ran a principal component analysis, but, in contrast to outsourcing, and consistent with past research, no factor structure emerged.

Dependent Variable

As noted earlier, *strategic position of the HR department* includes representation of the HR director in the top management team (1 = yes, 0 = no) and involvement in business strategy formulation (3 = from outset, 2 = through consultation, 1 = on implementation, 0 = not consulted). A composite measure with both items equally weighted ranges from 0 to 2. These two items are widely used in measures of HR department status, HR strategic involvement, and HR strategic integration (e.g., Brandl et al., 2008; Brewster & Larsen, 1992; Budhwar, 2000a, 2000b; Reichel et al., 2009) and are also consistent with Provan's (1980) conceptualization of potential and enacted power. Similar items were also used in research on subunit power in universities and showed high correlations with questions directly measuring subunit power and resource allocation (Pfeffer & Salancik, 1974).

Control Variables

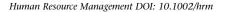In order to control for possible influences on the strategic position of the HR department, we

TABLE IV Descriptive Statistics and Correlations												
Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. Strategic position	1.42	.659										
2. Devolvement	7.73	3.90	−.17***									
3. Outsourcing core HR activities[a]	2.94	2.34	.06**	−.06**								
4. Outsourcing noncore HR activities[b]	2.63	2.70	.11***	−.09***	.23**							
5. Org. size	1,867	13,506	.03+	−.05**	.02	.02						
6. Industry[c]	.562	.496	.05*	−.02	−.10***	.01	−.01					
7. Public sector[d]	.178	.383	.02	.05*	−.06**	−.06**	.00	.30***				
8. Nonprofit organization[e]	.040	.197	.02	.02	−.05*	.01	−.01	.14***	−.10***			
9. Sex of most senior HR manager[f]	.575	.494	−.08***	−.02	−.04*	−.09***	−.01	−.00	−.06**	−.02		
10. Experience of most senior HR manager	12.75	9.20	.04+	.07**	−.01	−.02	.04*	.00	.12***	.03	−.22***	
11. Education of most senior HR manager[g]	.857	.527	−.01	−.01	.02	−.05*	−.01	.05*	−.04*	.02	−.01	−.08***

+$p < .10$, *$p < .05$, **$p < .01$, ***$p < .001$.
[a]Core HR activities are recruitment, selection, and training and development.
[b]Noncore HR activities are payroll, pensions, and benefits.
[c]Industry: 0 = manufacturing, 1 = service.
[d]Sector: 0 = private, 1 = public.
[e]Organization status: 0 = for-profit, 1 = nonprofit.
[f]Sex of most senior HR manager: 0 = male, 1 = female.
[g]Education of most senior HR manager: 0 = no university degree, 1 = university degree.

include both *organizational* and individual *HR director characteristics* as control variables. The log of the number of employees is used to measure organizational size. In order to control for industry, organizations that manufacture goods and products are coded as 0, and organizations from the service industry are coded as 1. We also create dummy variables to control for the organizations' sector and profit orientation. We distinguish between public–private and nonprofit–for-profit organizations with private, for-profit organizations serving as the reference. Researchers taking on a structural perspective and examining power on the departmental level acknowledge the relevance of individual-level factors (Farndale & Hope-Hailey, 2009; Hickson et al., 1971). Reichel et al. (2009) have shown that characteristics of the most senior HR manager exert a relevant influence on the strategic position of the HR department. We control for the most senior HR person's sex (0 = male, 1 = female), the HR director's experience in the field of HRM (years of experience), and his/her education (0 = no university degree, 1 = university degree).

Outsourcing both core and noncore administrative activities has significantly positive relationships with the strategic position of the HR department.

Results

Descriptive Analyses

Table III shows the descriptive results per country for the dependent and independent variables. The first column shows the per-country average values regarding how strategic the position of HR departments is. Values vary considerably between countries and range from 1.77 in Sweden to below 1 in Bulgaria. The degree of devolvement is displayed in the second column. The highest value by far is found in Bulgaria. The lowest mean degrees of devolvement are recorded in France and Greece, with 5.85 and 6.01, respectively. Swedish organizations use external providers for core HR tasks most—followed by Belgium, Lithuania, and the Netherlands. In Denmark and Finland, outsourcing recruitment, selection, and training and development

activities is least common. Using external providers for administrative tasks (column 4) is most widespread in Belgian organizations, followed by the United Kingdom and the Netherlands. It is least common in Bulgaria and Lithuania.

Table IV provides the correlation matrix for the sample as a whole, including all variables. The first two columns provide overall means and standard deviations. As can be seen in the third column, our dependent variable shows a highly significant negative correlation with devolvement. The more responsibility is devolved to line management, the less strategic the position of HR departments is. In contrast, outsourcing suggests a different picture. Outsourcing both core and noncore administrative activities has significantly positive relationships with the strategic position of the HR department. So, higher degrees of outsourcing are associated with a more strategic position of the HR department. Larger organizations and service-sector companies tend to have HR departments in more strategic positions. From the individual-level factors, both having a male HR director and having a more experienced most senior HR person have a positive association with the strategic position of the HR department. Devolvement (column 4) is negatively related to outsourcing of core as well as noncore tasks. In organizations where many of the traditional HR tasks are devolved to the line management, outsourcing in general is less common. Devolvement is less likely in bigger companies. Public-sector companies and organizations with more experienced HR directors tend to have higher levels of devolvement. The next column shows that outsourcing of core HR activities is less likely in service than in manufacturing and in nonprofit than in for-profit organizations. Both outsourcing factors (core and noncore tasks) are found less in public than in private organizations and in organizations with a female HR director. Higher education is negatively associated with the degree of outsourcing noncore HR activities.

Hypothesis Testing

In our sample, the companies are nested within countries. Thus, observations within

each country are not independent. To account for this hierarchical data structure, we use multilevel modeling. Hierarchical or multilevel linear modeling is a theoretical and statistical approach of combining different levels of analysis into a single framework. As such, it is an appropriate technique to analyze our multilevel data. In particular, hierarchical linear modeling takes into account nested sources of variability and the following dependency of the data (Luke, 2004). Given this form of complex variability between companies as well as countries, wrong conclusions are likely to be drawn if these different sources of variability are not adequately considered (e.g., in an ordinary-least-squares regression this cannot be taken into account; Sjöberg, 2004).

Multilevel modeling is usually carried out in multiple steps (e.g., Luke, 2004; Sjöberg, 2004; Snijders & Bosker, 1999). The null model is needed to check if multilevel modeling is appropriate. The intercorrelation coefficient (ICC) reflects the amount of variance found on each level. Only if there is significant variance on both levels of analysis is a multilevel model needed. Deviance and Akaike information criterion (AIC) are used as goodness-of-fit measures in models 1–4. Both measure unexplained variance. They should therefore decrease with the addition of relevant variables in every step. The difference between deviance (–2 log likelihood) of two models is distributed as a chi-square statistic, with degrees of freedom equal to the difference in the number of parameters estimated in the two respective models allowing the calculation of the level of significance. The AIC directly shows if the model fit has been increased by the addition of variables to the model because unlike deviance it is corrected for the number of variables and hence does not necessarily decrease with the addition of further predictors (Luke, 2004).

Table V displays the results of all four models. The null model (model 1) reveals that there is significant unexplained variance on the company level (var = .385, Wald $z = 36.55$, $p < .001$) as well as country level (var = .046, Wald $z = 2.69$, $p < .01$). The ICC is .107, showing that country accounts for

10.7 percent of the variability in the data. A multilevel model is thus appropriate for our data.

The addition of organizational control variables in model 2 leads to a highly significant decrease in deviance compared to the null model. Thus, the amount of explained variance rises with the inclusion of control variables concerning the organization. In the next step, characteristics of the HR director are entered as control variables. Again, deviance significantly decreases. There is also a significant relationship between the strategic position of the HR department and sex of the HR director. Female HR directors are associated with HR departments in significantly less strategic positions than their male counterparts. Both experience and education have a positive influence on strategic position; however, these relationships are not significant.

To test our hypotheses, the independent variables are included next. Entering devolvement and outsourcing (model 4) leads to an improvement in the model. Compared to model 3, deviance decreases significantly. Two of the three independent variables show a significant influence on strategic position. As predicted in Hypothesis 2, devolvement has a highly significant effect on the strategic position of the HR department. For outsourcing we suggested a negative effect for core tasks (Hypothesis 1) and no effect for noncore tasks. Neither our hypothesis about the negative impact of outsourcing core tasks nor our assumption about the lack of a relationship between outsourcing noncore tasks and the strategic position of the HR department is borne out by the data: outsourcing of core HR tasks is not related to the strategic position of the HR department, whereas outsourcing of noncore HR tasks has a significantly positive relationship with the strategic position of the HR department.

Neither our hypothesis about the negative impact of outsourcing core tasks nor our assumption about the lack of a relationship between outsourcing noncore tasks and the strategic position of the HR department is borne out by the data.
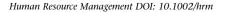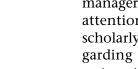
TABLE V	Hierarchical Linear Modeling Results			
	Model 1	**Model 2**	**Model 3**	**Model 4**
Intercept	1.399 (.053)***	1.335 (.082)***	1.291 (.101)***	1.539 (.113)***
Control organization				
Size (log)		.014 (.023)	.029 (.027)	.018 (.029)
Service		.038 (.029)	.066 (.034)*	.066 (.035)+
Manufacturing—reference				
Public sector		−.040 (.038)	−.063 (.044)	−.059 (.045)
Private sector—reference				
Nonprofit		.101 (.073)	.040 (.085)	.075 (.088)
For-profit—reference				
Control HR director				
Female HR director			−.101 (.033)**	−.110 (.035)**
Male HR director—reference				
Years of experience			.001 (.002)	.001 (.002)
University degree			.031 (.041)	.029 (.042)
No university degree—reference				
Independent variables				
Devolvement				−.028 (.005)***
Outsourcing noncore				.033 (.015)*
Outsourcing core				−.007 (.017)
Deviance	5,115.44	4,178.75	3,005.66	2,778.43
AIC	5,119.44	4,182.75	3,009.66	2,782.43
Difference in deviance		936.69*** (df = 4)	1,173.09*** (df = 3)	227.23*** (df = 3)
ICC	.107			
Variability between companies	.385 (.011)			
Variability between countries	.046 (.017)			

$+p < .10$, $*p < .05$, $**p < .01$, $***p < .001$.

Discussion and Implications

The trends toward shifting HR responsibilities to outside providers (outsourcing) and line managers (devolvement) have received much attention in both the practitioner and the scholarly literature. However, propositions regarding their effects are quite diverse, and systematic analyses of their impact on the HR department are scarce. In this article we investigate the effects of outsourcing and devolvement on the position of HR departments in organizations.

Due to its focus on structural sources of subunit power, we identified the strategic contingencies theory (Hickson et al., 1971) as an appropriate theoretical lens to inform the relationships between devolvement and outsourcing, as structural conditions, and the strategic position of HR departments in organizations. The extent to which a subunit deals with uncertainty for other subunits was employed to form our propositions about the impact of outsourcing core and non-core HR tasks: For core tasks we expected a

negative effect and we did not propose a significant impact of outsourcing noncore HR tasks. Based on the substitutability argument, we hypothesized a negative effect of devolvement on the strategic position of HR departments.

Outsourcing and Strategic Position of HR Departments

Hypothesis 1 about outsourcing core HR tasks and our expectation about outsourcing non-core administrative tasks is not supported. Outsourcing core HR tasks is not related to the strategic position of the HR department. Outsourcing noncore activities, in contrast, shows a significantly positive effect.

Although at first sight our findings are contradictory to the strategic contingency theory's predictions, upon closer examination the theory offers a possible explanation. Our hypothesis was based on the argument that the HR department's position will be threatened when it is no longer they but outside vendors who help the organizations deal with uncertainty. The strategic contingency theory contrasts uncertainty with *routinization*, a prior prescription of recurrent task activities. In other words, uncertainty and routinization represent two ends of a continuum. Routinization of certain activities (e.g., managing payroll) allows organizational units to cope with uncertainty. But the more activities of a subunit are routinized, the better they are understandable by people outside of the department, and thus it becomes easier for others to take over their execution. In other words, these specific activities (sticking to our example, managing payroll) can become substitutable and are no longer a source of power for the department (in our example, the HR department) (Hickson et al., 1971). If routinized, substitutable activities (like managing payroll) are outsourced, the freed resources can be used for nonroutinized, more strategic tasks, which are not so easily substitutable. Thus, outsourcing routinized activities can lead to a more strategic position of the HR department. In simpler words, outsourcing of something that is not likely to confer power (and, in this sense, make the position

of the HR department a more strategic one) in the first place can open resources for the HR department to engage in activities that are not substitutable, and as such may improve the HR department's position.

Such reasoning is consistent with some of the more optimistic predictions about the impact of outsourcing made in the HR literature (Adler, 2003; Belcourt, 2006; Cooke et al., 2005; Greer et al., 1999; Shen, 2005), according to which one of the biggest potential advantages from outsourcing is that shifting routine, administrative, noncore activities away from the department frees resources for more strategic HR tasks. It should be pointed out here that scholars have noted that getting rid of administrative issues alone does not *necessarily* result in a more strategic position of the HR department. However, freed resources may allow HR departments the opportunity to proactively shape their position by concentrating on strategic HR tasks (Hiltrop et al., 1995).

Devolvement and Strategic Position of HR Departments

The results provide support for Hypothesis 2: the more HR tasks are devolved to line management, the less strategic the position of the HR department is. According to SCT, a subunit that performs tasks that can be done by others is endowed with less power than a department whose activities cannot be easily substituted. This finding is thus in line with the predictions of SCT.

This finding is important in light of the considerable divergence of propositions about the relationship between the strategic position of the HR department and devolvement to the line. Devolvement has been seen as either a "threat" or an "opportunity" for the strategic standing of HR departments (Larsen & Brewster, 2003). More commonly, authors

Outsourcing of something that is not likely to confer power (and, in this sense, make the position of the HR department a more strategic one) in the first place can open resources for the HR department to engage in activities that are not substitutable, and as such may improve the HR department's position.

have suggested that both the strategic position of the HR department and devolvement are parts of HR strategic integration, a much broader construct that describes the integration of the HR function as a whole into the organization's business and corporate strategy (Budhwar & Sparrow, 1997). This literature suggests that both *high* strategic position of HR departments and *high* devolvement to line management are signs of such strategic HR integration (e.g., Delmotte & Sels, 2008; Sheehan, 2005). Others see strategic position and devolvement as two separate variables and argue that HR work can be organized in many ways, involving different levels of devolvement and high or low strategic position within the organization, thereby suggesting that the two constructs are not related (Brandl, Ehnert, & Nehles, 2012; Brewster & Larsen, 1992).

We view strategic position and devolvement as two separate constructs and do not rule out the possibility that in some organizations a high degree of devolvement coexists with an HR department in a strategic position. Our results, however, show that this is the exception rather than the rule. From a power perspective, if "everyone in the organization" (Sheehan, 2005, p. 193) takes responsibility for HRM, the strategic influence of the HR department (i.e., their strategic position) is likely to decrease. Our findings are in line with research that suggests that there is a certain amount of fear among HR managers that their level of influence may decrease as more responsibility is devolved to the line (e.g., Hoogenboorn & Brewster, 1992; Renwick & MacNeil, 2002).

Our findings are in line with research that suggests that there is a certain amount of fear among HR managers that their level of influence may decrease as more responsibility is devolved to the line.

Definitional Issues: The Meaning of "Strategic Position of the HR Department"

The different predictions as described earlier may partly be due to the different meanings assigned to very similar terms by different scholars (Dany, Guedri, & Hatt, 2008). For example, when authors discuss the *strategic position of HR*, they sometimes refer to the HR department (e.g., Brandl et al., 2008; Reichel et al., 2009) and sometimes refer to the HR function independent from where it is performed (e.g., Sheehan, 2005). Further, what we refer to here as the strategic position of the HR department has been referred to by others as *strategic involvement of HRM* (Delmotte & Sels, 2008) or *strategic integration of HR directors* (Brandl et al., 2008). *HRM integration in strategy formulation* (Dany et al., 2008) and *HR strategic integration* (Brewster & Larsen, 1992; Budhwar, 2000a) are similar constructs advanced by the literature. They are, however, broader in scope and include other characteristics, such as written personnel strategy translated into work programs and systematic evaluation of the HR department. Still other scholars conceptualize *strategic HR(M) integration* as the combination of the high strategic position of the HR department and high levels of devolvement (Guest, 1987; Sheehan, 2005), as described previously. We recommend that scholars use caution when reviewing work in the area of "*HR strategic integration*" and use more specific terms in future work, as we do in this article.

Another relevant issue here is that strategic position and role often are not differentiated. Position is a "category of organizational membership" (Levinson, 1959, p. 172). Role is defined as structurally given demands and, as such, it confronts the occupant of a position with a set of pressures on how to act in the position. Every position is associated with a role, and position holders normally act according to the role. Because of various mechanisms of sanctioning and positive reinforcement in organizations, a high degree of congruency between roles associated with the positions and actual role performance is expected, but there is still room for deviant behavior. Accordingly, an HR department in a strategic position is very likely to act strategically. However, it is possible for the HR department to be in a strategic position but not act according to the strategic role demands (Levinson, 1959).

Incongruence between position and role can typically occur in the process of transformation.
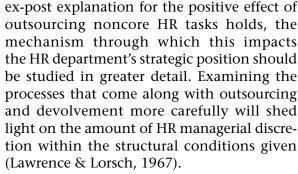
Different professional outlooks, skills, and identities are needed for fulfilling the HR department role associated with an administrative position compared to those needed for acting according to the demands of a strategic position (Beer, 1997). Thus, in organizations where a strategic position has just been created, the current position holders might not be ready to perform the strategic role and may not act strategically. Employing comprehensive measures that systematically capture both the position and the actual strategic role performance (e.g., behavior in top management meetings) would be the most fruitful way forward.

Lastly, while often used as a proxy of power (Farndale & Hope-Hailey, 2009), strategic position captures power only partially. Research that explicitly deals with the power of the HRM department is scarce, not least of all due to an ongoing debate over the adequate measurement of subunit power (Welbourne & Trevor, 2000). Provan (1980) pointed out that power is the capacity to exert influence, and it does not have to be enacted to exist. But in addition to capturing formal authority and membership in groups having control over key decisions, a complete measure of power would involve assessing the "demonstrated ability to affect organizational outcomes, particularly regarding resource acquisition" (p. 554). While asking respondents about their involvement in strategy formulation reflects the latter construct, it does not capture it fully. All of these issues suggest that construct definition and measurement precision with regard to the strategic position of HR departments should be a priority in future scholarly work.

Limitations

A key limitation of our study is its cross-sectional character. A longitudinal design is necessary to be able to identify the extent to which devolvement and outsourcing actually influence the strategic position of the HR department. Longitudinal samples that include firms in which major changes in devolvement and outsourcing have taken place would allow studying effects of such transformations. In order to find out whether our ex-post explanation for the positive effect of outsourcing noncore HR tasks holds, the mechanism through which this impacts the HR department's strategic position should be studied in greater detail. Examining the processes that come along with outsourcing and devolvement more carefully will shed light on the amount of HR managerial discretion within the structural conditions given (Lawrence & Lorsch, 1967).

Related to this, given its cross-sectional nature, our study does not examine the developmental path involved in an HR department moving from an administrative to a strategic position. As noted earlier, such a transformation is no simple matter. While some position holders are able to change their behavior accordingly, others might lack analytic and interpersonal skills necessary to fulfill the strategic role (Beer, 1997). The move to a strategic position may thus be associated with disenfranchising or removing current employees.[1] Research has suggested that in the shift to adopting a more strategic role, HR executives "either change their perspectives or are themselves changed" (Beer, 1997, p. 52; see also Francis & Keegan, 2006). Future studies should attempt to shed light on this transformational process.

A second limitation stems from the fact that the sample we use includes organizations from various countries. The study is thus subject to problems typically associated with cross-cultural research, specifically the potentially culturally different meaning and interpretation of concepts used in the survey. However, the questions used ask for factual information rather than opinions or attitudes, which makes this problem less severe. A related issue is that in some countries employment law may regulate the access to becoming part of the top management group (Wächter & Müller-Camen, 2002). While multilevel modeling takes into account the nested structure of the data and the following dependency of the data within

In organizations where a strategic position has just been created, the current position holders might not be ready to perform the strategic role and may not act strategically.

a country, we do not explicitly test for influencing factors on the country level. Future studies should address the possible impact of institutional and cultural determinants on the strategic position of HR departments across countries.

Our study only includes large organizations with separate HR departments. In addition our research—and our theoretical foundation, the strategic contingency theory—implicitly assume hierarchical organizations with functional division of labor within set organizational boundaries. In the contexts of smaller, project-based or network organizations with blurred boundaries, proposed relationships and concepts used could be less useful. Up to a certain size, many organizations do not have separate HR departments, line managers' responsibility for HR tasks is the norm, and outsourcing of specialized HR tasks like payroll and benefits may be necessary due to lack of internal HR expertise. If small organizations have just one HR specialist, individual sources of power are likely to be more relevant for his/her strategic position than structural power sources. In project-based organizations, structures are highly complex and fluid because of time-limited projects. Line managers also act as project managers and the functional division may largely be replaced by projects. Employees working in projects are often highly independent knowledge workers who take on their own career planning and training and development measures to increase their future employability. In this context, an HR department might not need to engage in "traditional" HR activities. Rather, it will be better able to help the organization cope with uncertainty and create a higher degree of non-substitutability by shifting its attention to activities such as coordination of change and coaching of competencies (Bredin & Söderlund, 2007).
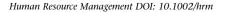
Boundaryless organizations not only differentiate tasks within the organization but extend beyond their boundaries to establish collaborative structures allowing them to access external knowledge through partnering with other organizations (Kabst & Strohmeier, 2006). The way HR work is organized is likely to change if an organization is located within a network of complex inter-organizational relationships. Organizations can become dependent on each other, and this may transfer to HR work. The concept of "intra-organizational" status and measures of top management representation and participation in business strategy formulation in a single organization may not be particularly useful. Power questions will evolve around the position in a network rather than in one organization (Grimshaw et al., 2004).

We acknowledge that our findings are limited to organizations of a certain type but claim that our results will still be of interest to a fairly large number of organizations. While research has suggested a shift in dominant organizational forms is under way, hierarchical organizations differentiating internally along functions are unlikely to disappear any time soon. Indeed, there have been critical voices arguing that the contemporary transformation of organizational forms is overstated and that hierarchy is still an important feature, even in network organizations (Barley & Kunda, 2001). Nevertheless, future work should address the relationship we study across different organizational forms.

Research Implications and Extensions

In this study we systematize the conflicting research propositions regarding the impact of outsourcing and devolvement on the strategic position of HR departments. We draw on the power literature and highlight the strategic contingency theory as a framework that provides relevant insight into the nature of these relationships. We also provide empirical evidence for two important relationships that are often discussed but rarely tested.

Among the key implications of our work is the applicability of the strategic contingency theory (Hickson et al., 1971) to the study of the standing of HR departments and the organization of HR work. SCT also provides

Future studies should address the possible impact of institutional and cultural determinants on the strategic position of HR departments across countries.

a good framework for guiding future research on power effects of outsourcing and devolvement. The model by Hickson et al. (1971) puts forward a relationship between coping with uncertainty, non-substitutability, centrality, and power. Future research should investigate the specific mechanisms of coping with uncertainty and non-substitutability, their effects on the control of strategic resources, and, ultimately, on subunit power. To that end, one could investigate how outsourcing and devolvement are introduced. Effects could be different depending on whether they are introduced as cost-cutting measures on behalf of top management or are strategically planned with active involvement of the HR department (Cooke et al., 2005). A situation in which HR provides a solid framework of policies and practices and day-to-day support, but line managers are given flexibility to make HR-related decisions, may bring about a strategic partnership between HR specialists and line managers. This partnership may, in turn, have a positive impact on the strategic position of the HR department. Similarly, it may be that outsourcing decisions that include input from the HR department and are based on considering all strategic contingencies might be instrumental in allowing the HR department to focus on strategic work and influence organizational decisions on a strategic level.

Though the strategic contingency theory stresses structural over individual sources of power, a number of authors have suggested that both perspectives be combined. Brass (1984) writes, "[T]he work that organizations divide among subunits is further divided among individuals" (p. 519). An organization consists of interrelated structural positions, which are occupied by individual actors. Thus, it is likely that structural and individual characteristics may constrain or reinforce one another (Brass, 1984). Accordingly, testing for possible moderating effects of gender, experience, and education of the HR director (see Reichel et al., 2009) on the relationships we investigated is likely to be a path worth pursuing.

Of central interest for the field of HRM (for both academics and practitioners) is the linkage between providing HR departments with strategic positions and organizational performance. Evidence of significant positive performance effects would feed back into the relationships suggested by SCT increasing centrality, decreasing perceived substitutability, and thus further raising the strategic position of HR departments in organizations.

Our article assumes such a positive relationship between the strategic position of HR departments and organizational performance. Being in a strategic position is instrumental in the ability of HR departments to design and implement high-quality HR practices that are internally consistent and fit with the overall strategy of the organization, and this should contribute to organizational performance. This has been previously proposed (Galang & Ferris, 1997), but we were able to uncover only a few studies aiming to provide empirical evidence for the relationship. The results were not straightforward. Sheehan and colleagues (2007) looked at how the various ways in which HR departments could exert political influence related to perceived organizational performance. HR presence on the board and involvement in strategy formulation were conceptualized as two of the avenues for political influence. While the latter variable showed a significant bivariate correlation with perceived organizational performance, neither one had a statistically significant impact in the overall regression predicting perceived organizational performance.

These results suggest that the relationship between the strategic position of the HR department and organizational performance is more complex. A strategic position of the HR department seems to be a necessary but insufficient condition for improved organizational performance. Dany et al. (2008) found that the relationship between strategic position of the HR department and performance was only significant under certain optimal levels of devolvement, with the

Future research should investigate the specific mechanisms of coping with uncertainty and non-substitutability, their effects on the control of strategic resources, and, ultimately, on subunit power.

highest relationship reported when HR decisions were taken by HR specialists in consultation with line managers (that is, at relatively lower devolvement levels). The study did not report the relationship between HR department strategic position and devolvement. In this context, future work should provide a detailed investigation of the relationship between the strategic position of HR departments and organizational performance. The idea that there may be an optimal balance between HR strategic position and shifting certain activities to line managers and external providers should also be explored further.

Practical Implications

Our findings have important implications for HR departments. In terms of outsourcing of HR activities, it is important to differentiate between core and noncore activities, as shifting away the "right" tasks can contribute to increasing the strategic position of the HR department. To that end, HR departments should take a proactive role in decisions to outsource HR activities, with a focus on what is outsourced and under what conditions. We also find that devolvement is negatively related to the strategic position of the HR department. From that standpoint, it is in the HR department's best interest that they hinder the devolvement process. Though Hickson and his colleagues (1971) come from a scientific tradition that stresses the importance of context, they also acknowledge managerial discretion. Thus, HR managers have room to influence the extent to which HR tasks are devolved. For example, they can engage in (political) initiatives that monopolize the HR department's ability to cope with uncertainty or in symbolic action that creates the perception that HR work cannot be transferred to "amateurs" (Galang & Ferris, 1997). From a realistic standpoint, however, devolvement cannot be impeded. HR managers should strive to become flexible, draft a new role for themselves, and influence how and what part of tasks are devolved. They can try to increase their strategic influence using other venues, such as providing integral contributions to the solution of business problems and becoming indispensable partners to line managers so that line managers rely on them in performing HR responsibilities (Gennard & Kelly, 1997; Whittaker & Marchington, 2003). Such partnerships will likely also benefit their organizations.

Note

1. We thank Reviewer 3 for the suggestion to discuss this issue.

ASTRID REICHEL works as an assistant professor in the Department of Management at WU Vienna (the Vienna University of Economics and Business). She received her doctor's and master's degrees in social sciences, economics, and business from the University of Vienna. Her research interests include the status, power, and organization of human resource management, international comparative HRM, and careers.

MILA LAZAROVA is an associate professor of international management in the Beedie School of Business at Simon Fraser University (Canada). She received her PhD in human resources and industrial relations from Rutgers, the State University of New Jersey. She also holds an MS in HR/IR from Rutgers and an MBA in international business from the University of National and World Economy in Sofia, Bulgaria. She is also the director of the Centre for Global Workforce Strategy at the Beedie School. Her research interests include expatriate management, comparative HRM, careers and career management, and the changing role of the HR department in organizations.

References

Adler, P. S. (2003). Making the HR outsourcing decision. Sloan Management Review, 45(1). 53–60.

Armstrong, P. (1995). Accountancy and HRM. In J. Storey (Ed.), HRM: A critical text (pp. 142–163). London, UK, and New York, NY: Routledge.

Barley, S. R., & Kunda, G. (2001). Bringing work back in. Organization Science, 12, 76–95.

Barney, J. B., & Wright, P. M. (1998). On becoming a strategic partner: The role of human resources in gaining competitive advantage. Human Resource Management, 37, 31–46.

Beer, M. (1997). The transformation of the human resource function: Resolving the tension between a traditional administrative and a new strategic role. Human Resource Management, 36, 49–56.

Beer, M., Spector, B., Lawrence, P. R., Mills, D. Q., & Walton, R. E. (1985). Human resource management: A general manager's perspective. New York, NY, and London, UK: Free Press.

Belcourt, M. (2006). Outsourcing—The benefits and the risks. Human Resource Management Review, 16, 269–279.

Brandl, J., Ehnert, I., & Nehles, A. (2012). Organising HRM: The HRM department and line management roles in a comparative perspective. In C. Brewster & W. Mayrhofer (Eds.), Handbook of research in comparative human resource management (pp. 239–268). Cheltenham, UK: Edward Elgar.

Brandl, J., Mayrhofer, W., & Reichel, A. (2008). The influence of social policy practices and gender egalitarianism on strategic integration of female HR directors. International Journal of Human Resource Management, 19, 2113–2131.

Brass, D. (1984). Being in the right place: A structural analysis of individual influence in an organization. Administrative Science Quarterly, 29, 518–539.

Bredin, K., & Söderlund, J. (2007). Reconceptualising line management in project-based organisations— The case of competence coaches at Tetra Pak. Personnel Review, 36, 815–833.

Brewster, C., & Larsen, H. H. (1992). Human resource management in Europe: Evidence from ten countries. International Journal of Human Resource Management, 3, 409–434.

Brewster, C., Mayrhofer, W., & Morley, M. (Eds.). (2004). Human resource management in Europe: Evidence of convergence? Oxford, UK: Elsevier/Butterworth-Heinemann.

Brewster, C., Wood, G., Brookes, M., & Van Ommeren, J. (2006). What determines the size of the HR function? A cross national analysis. Human Resource Management, 45, 3–21.

Budhwar, P. S. (2000a). Evaluating levels of strategic integration and devolvement of human resource management in the UK. Personnel Review, 29, 141–157.

Budhwar, P. S. (2000b). Strategic integration and devolvement of human resource management in the UK manufacturing sector. British Journal of Management, 11, 285–303.

Budhwar, P. S., & Sparrow, P. R. (1997). Evaluating levels of strategic integration and devolvement of human resource management in India. International Journal of Human Resource Management, 8, 476–494.

Buyens, D., & De Vos, A. (1999). The added-value of the HR department. In C. Brewster & H. Harris (Eds.), International HRM: Contemporary issues in Europe (pp. 32–48). New York, NY: Routledge.

Caldwell, R. (2003). The changing roles of personnel managers: Old ambiguities, new uncertainties. Journal of Management Studies, 40, 983–1004.

Chartered Institute of Personnel and Development (CIPD). (2009). HR outsourcing: Threat or opportunity. London, UK: Author.

Cohen, I., & Lachman, R. (1988). The generality of the strategic contingencies approach to sub-unit power. Organization Studies, 9, 371–391.

Composition of macro geographical (continental) regions, geographical sub-regions, and selected economic and other groupings. (2011). Retrieved from http://unstats.un.org/unsd/methods/m49/m49regin.htm

Cooke, F. L., Shen, J., & McBride, A. (2005). Outsourcing HR as a competitive strategy? A literature review and an assessment of implications. Human Resources Management, 44, 413–432.

Cunningham, I., & Hyman, J. (1999). Devolving human resource responsibilities to the line: Beginning of the end or a new beginning for personnel? Personnel Review, 28, 9–27.

Dany, F., Guedri, Z., & Hatt, F. (2008). New insights into the link between HRM integration and organizational performance: The moderating role of influence distribution between HRM specialists and line managers. International Journal of Human Resource Management, 19, 2095–2112.

Datta, D. K., Guthrie, J. P., & Wright, P. M. (2005). Human resource management and labor productivity: Does industry matter? Academy of Management Journal, 48, 135–145.

Delaney, J. T., & Huselid, M. A. (1996). The impact of human resource management practices on perceptions of organizational performance. Academy of Management Journal, 39, 949–969.

Delmotte, J., & Sels, L. (2008). HR outsourcing: Threat or opportunity? Personnel Review, 37, 543–563.

Dickmann, M., & Tyson, S. (2005). Outsourcing payroll: Beyond transaction cost economics. Personnel Review, 34, 451–467.

Farndale, E., & Hope-Hailey, V. (2009). Personnel departmental power: Realities from the UK higher education sector. Management Revue, 20, 392–412.

Ferris, G. R., Perrewe, P. L., Ranft, A. L., Zinko, R., Stoner, J. S., Brouer, R. L., & Laird, M. D. (2007). Human resources reputation and effectiveness. Human Resource Management Review, 17, 117–130.

Fincham, R. (1992). Perspectives on power: Processual, institutional and 'internal' forms of organizational power. Journal of Management Studies, 29, 741–759.

Francis, H., & Keegan, A. (2006). The changing face of HRM: In search of balance. Human Resource Management Journal, 16, 231–249.

Galang, M. C., & Ferris, G. R. (1997). Human resource department power and influence through symbolic action. Human Relations, 50, 1403–1426.

Gennard, J., & Kelly, J. (1997). The unimportance of labels: The diffusion of the personnel/HRM function. Industrial Relations Journal, 28, 27–42.

Gilley, K. M., Greer, C. R., & Rasheed, A. A. (2002). Human resource outsourcing and organizational performance in manufacturing firms. Journal of Business Research, 57, 232–240.

Gilley, K. M., & Rasheed, A. A. (2000). Making more by doing less: An analysis of outsourcing and its effects on firm performance. Journal of Management & Organization, 26, 763–790.

Gowler, D., & Legge, K. (1986). Personnel and paradigms: Four perspectives on the future. Industrial Relations Journal, 17, 225–235.

Greer, C. R., Youngblood, S. A., & Gray, D. A. (1999). Human resource management outsourcing: The make or buy decision. Academy of Management Executive, 13(3), 85–96.

Grimshaw, D., Marchington, M., Rubery, J., & Willmott, H. (2004). Introduction: Fragmenting work across organizational boundaries. In D. Grimshaw, M. Marchington, J. Rubery, & H. Willmott (Eds.), Fragmenting work, blurring organizational boundaries and disordering hierarchies (pp. 1–38). New York, NY: Oxford University Press.

Guest, D. E. (1987). Human resource management and industrial relations. Journal of Management Studies, 24, 503–521.

Guest, D. E., & King, Z. (2004). Power, innovation and problem-solving: The personnel managers' three steps to heaven? Journal of Management Studies, 41, 401–423.

Gunnigle, P., & Morley, M. (1998). Strategic integration and industrial relations in greenfield sites. In C. Maybey, D. Skinner, & T. Clark (Eds.), Experiencing human resource management (pp. 151–168). London, UK: Sage.

Gunnigle, P., Morley, M., & Foley, K. (1995). Ireland. In I. Brunstein (Ed.), Human resource management in Western Europe (pp. 135–156). Berlin, Germany: de Gruyter.

Hall, L., & Torrington, D. (1998). Letting go or holding on—The devolution of operational personnel activities. Human Resource Management Journal, 8(1), 41–55.

Hammonds, K. H. (2005, August). Why we hate HR. Fast Company, pp. 40–47.

Heathfield, S. M. (2011). Outsourcing: A strategic solution: Outsourcing: Why and what. Retrieved from http://humanresources.about.com/cs/strategichr/a/outsourcing.htm

Hickson, D. J., Hinings, C. R., Lee, C. A., Schneck, R. E., & Pennings, J. M. (1971). A strategic contingencies' theory of intraorganizational power. Administrative Science Quarterly, 16, 216–229.

Hiltrop, J.-M., Despres, C., & Sparrow, P. R. (1995). The changing role of HR managers in Europe. European Management Journal, 13, 91–98.

Hinings, C. R., Hickson, D. J., Pennings, J. M., & Schneck, R. E. (1974). Structural conditions of intraorganizational power. Administrative Science Quarterly, 19, 22–44.

Hodson, R., & Sullivan, T. A. (2002). The social organization of work. Belmont, CA: Wadsworth/Thomson.

Hoogenboorn, J., & Brewster, C. (1992). Human resource aspects: Decentralisation and devolution. Personnel Review, 21, 4–11.

Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance. Academy of Management Journal, 38, 635–672.

Jackson, S. E., & Schuler, R. S. (1990). Human resource planning: Challenges for industrial/organizational psychologists. American Psychologist, 45, 223–239.

Kabst, R., & Strohmeier, S. (2006). Virtualization of HRM: Human resources in network and loosely structured organizations. In H. H. Larsen & W.

Mayrhofer (Eds.), European human resource management (pp. 235–258). Abingdon, UK, and New York, NY: Routledge.

Keegan, A., & Francis, H. (2010). Practitioner talk: The changing textscape of HRM and emergence of HR business partnership. International Journal of Human Resource Management, 21, 873–898.

Kelly, J., & Gennard, J. (2001). Power and influence in the boardroom: The role of the personnel/HR director. New York, NY: Routledge.

Klaas, B. S., McClendon, J. A., & Gainey, T. W. (1999). HR outsourcing and its impact: The role of transaction costs. Personnel Psychology, 52, 113–136.

Klaas, B. S., McClendon, J. A., & Gainey, T. W. (2001). Outsourcing HR: The impact of organizational characteristics. Human Resource Management, 40, 125–138.

Kosnik, T., Wong-MingJi, D. J., & Hoover, K. (2006). Outsourcing vs. insourcing the human resource supply chain: A comparison of five generic models. Personnel Review, 35, 671–683.

Larsen, H. H., & Brewster, C. (2003). Line management responsibility for HRM: What is happening in Europe? Employee Relations, 25, 228–242.

Lawler, E. E., III. (2005). From human resource management to organizational effectiveness. Human Resource Management, 44, 165–169.

Lawrence, P. R., & Lorsch, J. W. (1967). Differentiation and integration in complex organizations. Administrative Science Quarterly, 12, 1–30.

Legge, K. (Ed.). (1978). Power, innovation and problem-solving in personnel management. London, UK: McGraw-Hill.

Lengnick-Hall, C. A., & Lengnick-Hall, L. M. (1988). Strategic human resource management: A review of literature and a proposed typology. Academy of Management Journal, 13, 454–470.

Lepak, D., & Snell, S. (1999). The human resource architecture: Toward a theory of human capital allocation and development. Academy of Management Review, 24, 31–48.

Levinson, D. J. (1959). Role, personality, and social structure in the organizational setting. Journal of Abnormal and Social Psychology, 58, 170–180.

Luke, D. A. (2004). Multilevel modeling: Quantitative applications in the social sciences. Thousand Oaks, CA: Sage.

Mackay, L., & Torrington, D. (1986). The changing nature of personnel management. London, UK: IPM.

McGovern, P., Gratton, L., Hope-Hailey, V., & Stiles, P. (1997). Human resource management on the line?

Human Resource Management Journal, 7(4), 12–29.

Morris, J., & Burgoyne, J. G. (1973). Developing resourceful managers. London, UK: Institute of Personnel Management.

Perry, E. L., & Kulik, C. T. (2008). The devolution of HR to the line: Implications for perceptions of people management effectiveness. International Journal of Human Resource Management, 19, 262–273.

Pfeffer, J., & Salancik, G. (1974). The bases and use of power in organizational decision making: The case of a university. Administrative Science Quarterly, 19, 453–473.

Pfeffer, J., & Salancik, G. (1978). The external control of organizations: A resource dependence perspective. New York, NY: Harper and Row.

Pritchard, K. (2009). Becoming an HR strategic partner: Tales of transition. Human Resource Management Journal, 20, 175–188.

Provan, K. G. (1980). Recognizing, measuring, and interpreting potential/enacted power distinction in organizational research. Academy of Management Review, 5, 549–559.

Reichel, A., Brandl, J., & Mayrhofer, W. (2009). Departmental status in light of a growing proportion of female staff: The case of human resource management. European Journal of International Management, 3, 457–477.

Renwick, D. (1999). HR-line work relations: A review, pilot case and research agenda. Employee Relations, 22, 179–205.

Renwick, D., & MacNeil, C. M. (2002). Line manager involvement in careers. Career Development International, 7, 407–414.

Sahdev, K., Vinnicombe, S., & Tyson, S. (1999). Downsizing and the changing role of HR. International Journal of Human Resource Management, 10, 906–923.

Shaw, S., & Fairhurst, D. (1997). Outsourcing the HR function—Personal threat or valuable opportunity? Strategic Change, 6, 459–468.

Sheehan, C. (2005). A model for HRM strategic integration. Personnel Review, 34, 192–209.

Sheehan, C., Cooper, B., Holland, P., & De Cieri, H. (2007). The relationship between HRM avenues of political influence and perceived organizational performance. Human Resource Management, 46, 611–629.

Shen, J. (2005). Human resource outsourcing: 1990–2004. Journal of Organisational Transformation and Social Change, 2, 275–296.

Sisson, K., & Storey, J. (2000). The realities of human resource management: Managing the employment relationship. Buckingham, UK: Open University Press.

Sjöberg, O. (2004). The role of family policy institutions in explaining gender-role attitudes: A comparative multilevel analysis of thirteen industrialized countries. Journal of European Social Policy, 14, 107–123.

Skinner, W. (1981, September–October). Big hat, no cattle: Managing human resources. Harvard Business Review, pp. 106–114.

Smith, P. C., Vozikis, G. S., & Varaksina, L. (2006). Outsourcing human resource management: A comparison of Russian and U.S. practices. Journal of Labor Research, 27, 305–321.

Snijders, T., & Bosker, R. (1999). Multilevel analysis: An introduction to basic and advanced multilevel modelling. London, UK: Sage.

Spencer, L. M. J. (1995). Reengineering human resources: Achieving radical increases in service quality—with 50% to 90% cost and head count reductions. New York, NY: Wiley.

Stagner, R. (1969). Corporate decision making: An empirical study. Journal of Applied Psychology, 53, 1–13.

Stewart, T. (1996a, May 13). Human resources bites back. Fortune, 133, 175–176.

Stewart, T. (1996b, January 15). Taking on the last bureaucracy. Fortune, 133, 105–107.

Thompson, J. D. (1967). Organizations in action. New York, NY: McGraw-Hill.

Thompson, J. D., & Tuden, A. (1959). Strategies, structures, and processes of organizational decisions. In J. D. Thompson, P. Hammond, R. Hawkes, B. Junker, & A. Tuden (Eds.), Comparative studies in administration (pp. 195–217). Pittsburgh, PA: University of Pittsburgh Press.

Ulrich, D. (1997). Human resource champions: The next agenda for adding value and delivering results. Boston, MA: Harvard Business School Press.

Wächter, H., & Müller-Camen, M. (2002). Co-determination and strategic integration in German firms. Human Resource Management Journal, 12(3), 76–87.

Welbourne, T. M., & Trevor, C. O. (2000). The roles of departmental and position power in job evaluation. Academy of Management Journal, 43, 761–771.

Whittaker, S., & Marchington, M. (2003). Devolving HR responsibility to the line: Threat, opportunity or partnership? Employee Relations, 25, 245–261.

Wright, C. (2008). Reinventing human resource management: Business partners, internal consultants and the limits to professionalization. Human Relations, 61, 1063–1086.

Wright, P. M., Dunford, B., & Snell, S. (2001). Human resources and the resource based view of the firm. Journal of Management, 27, 701–721.

Wright, P. M., Gardner, T. M., Moynihan, L. M., & Allen, M. R. (2005). The relationship between HR practices and firm performance: Examining causal order. Personnel Psychology, 58, 409–446.

Wright, P. M., & McMahan, G. C. (1999). Theoretical perspectives for strategic human resource management. In R. S. Schuler & S. E. Jackson (Eds.), Strategic human resource management (pp. 49–72). Malden, MA: Blackwell.

Wright, P. M., McMahan, G., Snell, S., & Gerhart, B. (2001). Comparing line and HR executives' perceptions of HR effectiveness: Services, roles and contributions. Human Resource Management, 40, 111–123.

Wright, P. M., McMahan, G., & McWilliams, A. (1994). Human resources and sustained competitive advantage: A resource-based perspective. International Journal of Human Resource Management, 5, 301–326.