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Does devolution make HR more strategic?

**The influence of reallocation of HR process to the self-managed work teams
on the strategic value of HR**

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Abstract

Research literature indicates that devolution is a process of reallocation of personnel tasks or activities formerly undertaken by the personnel specialists to line managers. However, in today's knowledge-based world self-managed work teams are changing managers' role forcing them to give up some of their responsibilities and to share them with their teams. Moreover, with an increased devolution the role of HR managers are changing as well influencing their strategic value. Therefore, the aim of this study was to investigate the devolution of HR processes taking place in the knowledge-intensive self-managed work teams, as well as to explore how this process influences strategic positioning of HR managers. A research sample consisted of 32 teams, working at the Philips Electronics Netherlands. Results revealed, that the more self-managed a team in the knowledge-intensive environment is, the more dimensions of HR processes are devolved to it. Moreover, a significant relationship was found between the size of the team and the amount of HR process-dimensions devolved to it. However, analysis of the results did not support the expected positive relationship between the amount of HR process' dimensions devolved to the team and the increased strategic value of the Human Resources function, and showed the opposite result. Despite the fact, this research argues that the amount of tasks devolved to the team is not a proper predictor of the strategic positioning of HR. Some alternative explanations regarding this statement are presented as well as a call for a further research.

Keywords: HR devolution, self-managed work teams, HR strategic value

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1. Introduction

Knowledge-intensive work has become increasingly important over the last decade or so, and in today's knowledge economy, information and knowledge have become tradeable commodities (Stewart, Kinnie and Purcell, 2003). Paauwe (2004) has pointed to the “*knowledge economy*” as one of the factors increasing the importance of HR and supporting the relocation of traditional transactional HR activities, so that HR management will then be free to focus on what has become a new core capability of the company. Indeed Lawler and Mohrman (2000) report that recently the activities of HR specialists are being relocated and redesigned in conjunction with HR's new role as strategic partner. Researchers also indicate that reallocation of HR tasks enhances the strategic position of HR (e.g. Kulik and Perry, 2008).

Although there are many ways to free up HR practitioners from routine HR activities, one of the ways to do this is to relocate them to line managers, a process called devolution. Although the devolution process is extensively researched, there are some issues regarding the concept. First, Casco'n-Pereira, Valverde and Ryan (2005) argue that despite the overall agreement about the definition of devolution, there is no such common understanding with regards to what devolution actually means in organizational practice, and how it materializes. To solve the issue authors introduce four dimensions of devolution (operational, decision-making, financial and expertise) and underline that further theoretical development and testing should be carried out to examine the dimensions in order to advance in the revision of the concept (Casco'n-Pereira, Valverde and Ryan, 2005). Second, the devolution process is widely investigated in the context of relocating tasks to the line management. However, increasing switch of organizations to self-management teams implies that more and more tasks formerly undertaken by management, (including HRM ones), are devolved to teams. Although literature indicates that today, a self-managing work team (SMWT) is typically given wide latitude in decision making (McCreery and Bloom, 2000) (in Chansler et al., 2003), research in this particular area is rather scarce. Last, as Spreitzer et al. (1999) underline that while many books and articles have been written about SMWTs, the evidence overwhelmingly comes from manufacturing settings. Yet, there is no clear idea about the extent to which these prescriptions are generalizable to SMWTs in other contexts (Spreitzer et al., 1999), one of them being knowledge-intensive environment.

Therefore, the aim of this study is: to investigate the devolution of HR processes taking place in the knowledge-intensive self-managed work teams, as well as to explore how the devolution influences strategic positioning of HR managers. This leads to the following research questions: Q1: What kind of HRM devolution takes place in knowledge-intensive self-managing work teams? Q2: Does devolution make the HRM role more strategic?

This research will add value to the gap in the literature as it will contribute to a further clarification of the concept of devolution, as well as shed more light in yet not widely investigated area of devolution in self-managed teams working in knowledge-intensive business environment. It also has a practical relevance. Due to the fact that up till now the HR function has hardly gained high status and credibility among its management peers (Legge, 1995); this

study will provide a better understanding of the process of increasing HR function's strategic contribution as an equal business partner.

In the following paragraphs the attempt will be made to answer the above stated research questions. First of all, the literature study will be presented, and based on it hypotheses established. Next, research methods explained and results introduced. Finally, discussion on the findings will occur with conclusion, practical recommendations and suggestions for further research.

2. Theoretical framework

2.1. Devolution

Fombrun et al. (1984) argued, more than 20 years ago, that:

“Any attempt to redesign the role of the human resource management function requires the line’s participation since most of the activities of selection, appraisal, reward and development are prerogatives of the line organization. And throughout the history of HRM, the involvement of the line has always been a key feature of the concept”.

The process of reallocation of personnel tasks or activities formerly undertaken by the personnel specialists to line managers is called devolution (Hoogendoorn and Brewster, 1992; Brewster and Holt Larsen, 1992; Hall and Torrington, 1998a, etc.) According to Casco’n-Pereira, Valverde and Ryan (2005), few definitions in the HRM literature have reached as much consensus as this term. The involvement of line managers in human resource management (HRM) has always been noted in the literature (Guest, 1987; Legge, 1995; Storey, 1992). In recent years the line have been seen to play a more prominent role in HRM due to more HR work being “devolved” to them (Brewster and Larsen, 2000; Currie and Procter, 2001; Guest and King, 2001; Storey, 2001; Ulrich, 1997, 1998, 2001).

The rationale of why line involvement in HRM has come to the fore in recent years is seen by Brewster and Larsen (2000) to have five main elements: to reduce costs; to provide a more comprehensive approach to HRM; to place responsibility for HRM with managers most responsible for it; to speed up decision making; and as an alternative to outsourcing the HR function (adapted from Brewster and Larsen, 2000, pp. 196-8). There is now a widespread drive in Europe to give line managers more responsibility for the management of their staff and to reduce the extent to which personnel or HR departments control or restrict line management autonomy in this area (Laarsen and Brewster, 2003). The growing relevance of e-HR has added a further rationale for devolution, as this should “free up line managers, so allowing them to concentrate on other (less mundane) areas such as training and development” (Watkins and Higginbottom, 2002, p. 10). According to Hoogendoorn and Brewster (1992), the Netherlands has been on the forefront of HR devolution since the early days of the trend.

However, despite the all accepted definition of the devolution process and the investigations in this area, little attention is paid to what devolution consists of. Casco’n-Pereira, Valverde and Ryan (2005) underline that there are many questions pending to be answered regarding what exactly is being devolved, whether it is just the implementation of tasks or the actual decision-making power regarding HRM issues, etc. Does the “reallocation of tasks or personnel activities” simply imply adding tasks to the work of middle managers, or does it also involve reallocating the decisions to be made about these tasks? Attention is drawn to this problem by identifying the following dimensions of devolution: tasks/responsibilities; decision-making power; financial power; and expertise power. These authors consider that the higher the number of dimensions devolved, the higher the degree of

devolution that is achieved. The transfer of personnel tasks and responsibilities without decision-making power, without the transfer of expertise through training and without the transfer of financial power through personnel budgets, is considered as the lowest level of devolution (Casco'n-Pereira, Valverde and Ryan, 2005).

2.2. Self-managed work teams (SMWTs)

As it was already indicated, most research about the devolution process is focused on the relocation of HRM tasks and activities to the line management. However, as organizations become more team oriented, they shift to the use of self-managed work teams (Wellins and George, 1991). Banner et al (1992) state that in today's knowledge-based world hierarchical power becomes less and less important compared to the authority that comes from one's knowledge, skill or expertise. Consequently, SMWTs are changing managers' roles in the workplace. They are no longer requiring managers to command and control all the tasks of their employees. The manager is now forced to give up some of his traditional responsibilities and to share them with his teams of employees (Buhler, 1998) (in Maxwell, 2008). Examples of the responsibilities could be: authority for operating decisions such as setting performance goals and quality standards, determining work schedules and procedures, purchasing supplies and materials, dealing with customers, and evaluating team member performance and handling performance problems (Maxwell, 2008). Therefore, inasmuch as HR is part of the overall management function, there are efficiency gains from giving some authority on HR to teams who already perform other management functions (Bolton and Dewatripont, 1994; Cogen et al, 1996) (in Levi, 2010).

According to Elmuti (1997), a concept of self-managed work team can be derived from the participative management. This organizational structure is known for its decentralized decision making power, and therefore effective internal communication (Pigors and Myers, 1969). Wellins et al. (1990) define SMWTs as groups of employees who have the following responsibilities: (1) they manage themselves (e.g., plan, organize, control, staff, and monitor), (2) they assign jobs to members (e.g., decide who works on what, where, and when), (3) they plan and schedule work (e.g., control start-up and ending times, the pace of work, and goal setting), (4) they make production- or service-related decisions (e.g., are responsible for inventory, quality control decisions, and work stoppage), and (5) they take action to remedy problems (e.g., address quality issues, customer service needs, and member discipline and rewards). Pasmore and Mlot (1994) define SMWT as stable, multi-skilled, multifunctional group with responsibility for the completion of a relatively whole piece of work and the control of all input, output, and supporting variables and conditions that influence team performance.

Although the majority of studies undertaken about SMWTs have treated them as either self-managed or not, we agree with Levi (2010) in that there are many levels of self-management. In his book he identifies four different levels of team responsibility and authority that a team could possess. As the team is given more power or responsibility, it takes on more tasks that were formerly handled by managers. When the team reaches the fourth level, it is performing 80% of the tasks formerly performed by the managers. As a result, in this research the leveling

of responsibilities will be used.

Summing up the above mentioned factors, we observe two distinct processes: on one hand, the increasing devolution of HR tasks and activities to the line; and on the other, a growing number of teams performing tasks formerly undertaken by the managers. From here we draw our first hypotheses:

H1: the more self-managing the team is, the more dimensions of HR processes are devolved to it.

In this research, we will limit ourselves to investigating SMWTs working in knowledge-intensive environment where knowledge rather than physical or financial capital is central to performance (Starbuck, 1992) and where the outputs often involve a form of knowledge or expertise (e.g. financial planning, research findings). Thus, the competitive advantage is derived from intellectual capital, which is defined as knowledge, information, experience, and intellectual property secured through a highly-educated and experienced workforce (Alvesson, 2000).

2.3. Increasing strategic value of HRM function

Strategic HRM is defined as the linking of the HR function with strategic goals and objectives of the organization in order to improve business performance and develop organizational cultures that foster innovation and flexibility (Truss and Gratton, 1994; Tyson, 1997). Mayrhofer *et al* (2000) describe how the notion of strategic HRM can contain two core meanings. The first refers to the link between organizational strategies and HRM (*i.e.* the best-fit approach). Here, the focus is on the place the HR function has or does not have in the overall process of strategic decision making in the organization. The second concerns the strategic orientation of the HR function, *i.e.* the functional areas themselves. In this case, the discussion is about the existence of various HR strategies and about the strategic orientation of the diverse core functional areas of HRM, such as recruitment, selection, training and development, appraisal and compensation. This relates more closely to the best-practice approach (in Buyens and de Vos, 2001). In this research, hypothesis two is formulated with the second meaning of strategic HR in mind: the strategic value of HR core functional areas rather than the link between organizational strategies and HRM.

Academics, consultants and practitioners argue that, if HRM wants to create added value for the company, it has to become a full strategic partner with the business in achieving strategic goals (Buyens and de Vos, 2001). There is a number of studies that use the extent of HR representation on the board of directors as a proxy for the status of the personnel function in the organization. Representation on the board of directors is seen as reflecting high status and vice versa (Kelly and Gennard, 1996). However, looking back at the history of HR function, we seldom see it acquiring high status or credibility (Legge, 1995). Moreover, surveys indicate “40% cut the number of non-strategic personnel employees in the last five years” (IRS, 1996), and case study analyses show the same thing (Gennard and Kelly, 1997).

However, Boselie and Paauwe (2004) foresee a development by which the time spent on the traditional transactional HR activities will decrease, while at the same time the HR professional is required to spend more time as a change facilitator. Kulik and Bainbridge (2006) underline that if HR is going to become a strategic partner in today's organizations, many of the day-to-day HR activities will need to be shifted to line managers or outsourced to HR specialist organizations. According to them, strategic activities are time consuming, and reducing the amount of slack resources available to HR managers for handling the operational tasks (e.g., hiring, performance appraisal) that used to be an exclusive domain of the HR department. Furthermore, scholars indicate that the relocation of transactional HR activities to other parties will enhance the strategic position of HR (Harris, Doughty and Kirk 2002); will provide more time to orchestrate large-scale organizational change efforts (Cunningham and Hyman, 1999) and develop overarching employee-focused policies (Lansbury and Baird, 2004); as well as enhance the visibility of HR within the organization as making a clear value-added contribution (Kulik and Bainbridge, 2006).

The impact that devolution has on the changing role of the personnel specialist from doer to adviser or consultant is found in a number of sources (Keenoy, 1990; Kilpatrick *et al* 1992; Towers Perrin, undated). In his research Caldwell (2003) reports that the most common role fulfilled by HR professionals is that of Advisor. According to him, advisors enact their role as internal consultants offering expertise or advice in a persuasive way, but in a non-directive or overly prescriptive manner. This role therefore provides a way of accommodating devolution, while avoiding accusation of interference in line management decision-making. Studies in Sweden (Hedlund et al., 1990; Frank et al., 1992) have also identified a trend away from administrative, system-oriented HRM roles towards more strategy and consultancy work for the HRM professionals as the day-to-day HRM work has become more integrated in line operations. Furthermore, the latest empirical research identified that devolution of HR tasks and activities constitute higher HR's involvement in the organization's strategic planning; as well as more positive construed image for members of the HR unit (Kulik and Perry, 2008).

Therefore, if devolving HR tasks and activities to other parties indicate the increase in HR's involvement in the strategic processes, we raise a hypothesis that:

H2: the more dimensions of HRM processes are devolved to the team, the more strategic the role of the team's HR manager(s) is.

The expectations are as following: the more self-managed the team is the more dimensions of non-core HR processes are devolved to it. As less strategic processes are undertaken by other parties (including teams), HR managers related to that team have more time to spend on the core processes. As a consequence, the strategic value of team's HR managers increases. A graphical representation of the hypothesis is showed in Figure 1. Here the first table represents HR manager(s) working for the least self-managed team and therefore being responsible for the whole package of HR processes (from A1 to A9) including all four dimensions. The second table shows a partial devolution of HR processes and their dimensions to a team with a higher level of self-management. In this

case HR manager(s) is responsible for the most strategic processes (A1-A3), while the team executes less strategic processes (A4-A6) and the most administrative ones (A7-A9) are delegated to other parties.

	HR activities				HR activities		
	HR manager No 1 grade 80	Team	Other		HR manager No 2 grade 80	SMWT	Other
most	A1			A1			
strategic	A2			A2			
	A3			A3			
	A4				A4		
	A5				A5		
	A6				A6		
	A7					A7	
least	A8					A8	
strategic	A9					A9	
	low devolution				high devolution		

Figure 1. Graphical presentation of the H2

3. Method

3.1. Population and sample

This was an empirical research with respondents working for Philips Electronics B.V. in the Netherlands. Philips is a diversified Health and Well-being company, focused on improving people's lives through timely innovations. In the Netherlands, Philips employs approximately 13.000 people.

This particular organization was chosen due to following reasons: (a) affinity to the organization developed while working in one of the business units of Lighting sector in Eindhoven; (b) many units located in the area are involved in the process of knowledge creation and management; and (c) recent engagement of the organization in the projects focusing on enhancement of strategic competences of HR managers and devolution of HR processes to the employees. The study was limited to one company as some variables of the research (e.g. strategic/non strategic HR activities) are highly dependent on strategic goals of the organization, in this case Philips as a whole. To make sure that the sample was as representative as possible, a number of different subdivisions were included (Lighting, Consumer Lifestyle, Research, Design and Healthcare). Despite the fact that Philips consists of multiple sectors and units, main HR processes are considered to have the same strategic value throughout the whole organization world wide.

The subjects of the research were work teams with a varying degree of self-management. Respondents of this research were team leaders / managers. The choice of the respondents was made due to following reasons:

(a) Yusof, Abdullah and Ramayah (2009) report, that to date information on the HRM matters has been obtained primarily from HR managers with little else to confirm or deny its accuracy. Therefore, our goal was to look at the HR processes from the non-HR managers' position.

(b) Guest (1999) argues that the employees' perception of HRM practices is crucial for the impact of HRM. Relying on the subjective data of managers representing the employer's interests might reveal one side of the coin.

Therefore, it is possible that there are systematic errors in the data, for example, caused by a social desirability bias. The latter issue reflects the respondent's tendency to be too positive about the results because of his or her own interests within the organization. However, based on Boselie and Pauwe (2004), this type of error is systematic in a way that all respondents have a tendency to present "excellent" results that are slightly overestimated.

(c) Wright and McMahan (1998) indicate that using managers to evaluate information is beneficial for couple of reasons. First, they are users of the services both as individuals who are subject to them, and as managers who have a vested interest in these services/practices having a maximal positive impact on employees. Second, they have more extensive knowledge of what might be best for the firm, and are in a unique position to evaluate the tradeoffs between services that might be desired by employees but would put the firm at financial disadvantage. Finally, while employees are an important customer group, ultimately, line executives serve as HR's most important customer (Wright and McMahan, 1998).

d) Although in the case of SMWTs, the manager's role is supposed to be limited, Stewart and Manz (1995) (in Levi,

2010) argue that these kind of teams can have two types of leadership: power-building (more involved form of leadership) and empowered (less involved). According to the information gathered during the interviews and own knowledge of the firm's culture, this research claims that within Philips the majority of leadership is based on power-building. In this case, the leader is seen as an active, democratic-oriented person who teaches the group team skills and guides team-building efforts, while at the same time retains control over team behavior and long-term strategic direction. As a consequence, the leader is a person who has the end responsibility regarding the majority of the processes team is dealing with. Thus, it is expected that in this research manager's involvement in the responsibility for HR processes will be high.

The sample of managers was selected based on two criteria: the majority of their team members were working in the Netherlands, and their team members were not managers of other people themselves (no management teams). A purpose of this was to make sure that the majority of the team has the same HR manager(s) (not located in different countries with different local procedures). Moreover, team members having their own subordinates would have different decision making or financial powers than the ones without, which would distort the picture of self-management and responsibility levels.

In total, 32 managers completed the questionnaire. The sample of teams consisted of 50% working within Lighting sector, 25.5% in Research, 12.5% in Design, and 6% both in Consumer Lifestyle and Healthcare each. The average number of employees within a team was 13.7, with a maximum of 27 and minimum of 3 people in a team. Due to the fact that a digital questionnaire was distributed by HR managers themselves, a number of targeted team managers was unknown to the researcher. Thus, a calculation of a response rate was not possible. Moreover, due to the questionnaire design it was not possible to identify how many HR managers this research has targeted, as 32 team managers might have 32 different HR managers, or only half of the amount.

3.3. Procedure

The development of the instruments and the collection of the data were made according to the following steps:

1. Draft versions. Investigated literature does not present one acceptable definition of SMWTs. Furthermore, companies as well have different understanding what features SMWTs should demonstrate, especially the ones embedded in a knowledge-intensive environment. The same counts for strategic HR processes. Therefore, before conducting the research, HR managers were presented with lists of SMWT features and HR processes to choose as best fitting Philips internal understanding of the concepts. In order to evaluate self-management level of teams, three different lists with self-management features of teams were presented: based on Levi (2010), Wellins et al. (1990), and Kirkman and Shapiro (1999). Moreover, in order to evaluate HR devolution and strategic value, three different lists with HR processes based on Jorgensen et al. (2009), Kulik and Bainbridge (2006), and HR processes listed in the Philips HR Process Survey Tool (PST) (2004) were presented.

2. Interviews with senior HR directors. HR managers were contacted per email to gain access to the organization's units/departments working in a knowledge-intensive environment in a team setting. HR executives as well as operational HR managers were selected to get as complete view as possible on the above mentioned matters. As a result, five interviews were held with three HR executives from Lighting, Design and Consumer Lifestyle sectors, as well as two operational HR managers from Research and Lighting sectors. During the interviews HR managers were introduced to a research topic and asked following questions:

- (a) Recent developments in the HR area within Philips (Interview results were presented in the paragraph 3.2. "Study Company").
- (b) Evaluate features of self-managed work teams. HR managers were asked to choose which set of features would define self-management teams within their working area the best.
- (c) Select the most suitable set of HR processes and to assess their strategic value by giving a score of 1 (low strategic value), 2 (medium value) or 3 (high value).

3. Finalize instruments and distribute them to line-managers online. An email, which included an introductory text concerning the research and the questionnaire, as well as an online link to a survey, was sent to HR managers. Consequently, they have forwarded it to team leaders or their HR subordinates that distributed the questionnaire further. The actual digital questionnaire also contained an introductory text and guidelines to complete each of the questionnaire parts (all questionnaire is presented in the Appendix 1).

3.4. Instruments

The questionnaire consisted of three parts:

(a) Evaluation of the self-management level of a team. The majority of interviewed HR managers indicated that the SMWT characteristics as described by Wellins et al. (1990) fit the Philips understanding of these teams the best. Consequently, these characteristics were used to determine the self-managed level of teams. Respondents were asked if their team as a whole (excluding a manager self) has a number of features. They had to answer Yes or No to 5 features of self-management. As a result, the more Yes answers it was given to a team, the higher the self-management level of it (figure 2) was with a minimum of zero and maximum of 6.

1. Does your team as a whole (excluding you) ...

	Yes	No
manage themselves (plan, organize, control, and monitor)?	<input type="checkbox"/>	<input type="checkbox"/>
assign jobs to members (decide who works on what, where, and when)?	<input type="checkbox"/>	<input type="checkbox"/>
plan and schedule work (control start and ending times, the pace of work, and goal setting)?	<input type="checkbox"/>	<input type="checkbox"/>
make work-related decisions (quality control decisions, inventory, work delays)?	<input type="checkbox"/>	<input type="checkbox"/>
take actions to remedy problems (address quality issues, customer service needs, and member discipline)?	<input type="checkbox"/>	<input type="checkbox"/>

Figure 2. Self-management features

(b) Evaluation of the number of HR process-dimensions devolved to a team. Similar as above, interviewed HR managers indicated a preference for ten HR processes as listed in the Philips PST. Each of them were assigned with four dimensions (operational power, decision making power, financial power, expertise power) as indicated in the research of Casco'n-Pereira, Valverde and Ryan (2005) (figure 3). Respondents were asked to indicate who of four actors was mainly responsible for each process-dimension: team members, team manager/leader, team's HR manager(s), and others (including shared services, next level management, etc.). The formulation of the question was slightly adjusted from the research undertaken by Kulik and Bainbridge (2006) and sounded, for example "In your team, who is mainly responsible for the Staffing process".

1. In your team, who is mainly responsible for HR strategy process?

	Team members	Team leader/manager	Your HR manager (s)	Other (shared services, next level management, etc)
Operational power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decision-making power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expertise power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Figure 3. Evaluation of the process "HR strategy"

(c) Team size as a control variable. Literature states that the size of the SMWT affects team's performance through its effects on the various dimensions of the SMWT (Yeats and Hyten, 1998, p. 256). Hare (1981) (in Kirkman and Shapiro, 1997) concludes that as a group grows in size, there is less interaction between members, as well as a lower quality of interaction. McCune (1990) (in Kirkman and Shapiro, 1997) has shown that smaller teams also are more likely to be cohesive than larger ones. Further, Markham, Dansereau, and Alutto (1982) (in Kirkman and Shapiro, 1997) found that as group size increases, the rate of absenteeism of the group's members increases as well. The more absenteeism, the less chance there is for total group interaction leading to cohesion and solid norm

development. Research results of Badner, Mark and Hertel (2009) showed that members of smaller teams participated more actively on their team, were more committed to their team, more aware of the goals of the team, better acquainted with other team members' personalities, work roles and communication styles, and reported higher levels of rapport. All in all, these findings demonstrate that as team size increases, individual member influence on both other team members' behavior and the overall effectiveness of the team decreases. Therefore, to control this variable, information about the number of team members was gathered.

5. Results

5.1. Study Company

Interviewees indicated that Philips was and is still engaged in two all company involving projects to standardize HR function and processes. First project called “Harmonize” run for last couple of years and was focused on the standardization of the HR function. As a result, shared services were created to be responsible for Learning and Recruitment. Furthermore, HR function was split into two areas in order to achieve the same set of job titles and descriptions through the whole Philips: HR business partners with a focus on the strategic HR issues, and employee champions focused on the transactional HR topics.

Second project “HR Simplified” started in 2009 and is expected to be finished in 2011. It aims at establishing simpler, more user-friendly HR service delivery for managers and employees. Main benefits of the project for managers and employees will be that they will find it easier to do HR tasks, access HR information, and get answers to their questions, through a new, improved e-HR Portal and Contact Center. In addition, managers will benefit from improved HR data reporting, enabling them to make well-informed business decisions based on accurate, readily available HR information. For managers who have international teams, HR Simplified will make it easier for them to manage their teams in a consistent way across countries. As a result it is expected that HR Business partners will be able to spend less time and effort on administrative HR tasks, which will allow them to focus more of their time on solving strategic business issues with the leaders and managers support.

When asked about a current devolution of HR activities to the teams, HR managers indicated that this is not often the case within Philips. So far the majority of tasks are devolved to the leader of the team. According to the interviewed HR executive, due to legal requirements (Sarbanes-Oxley Compliance and Philips Collective labour agreement), there always has to be somebody who bears a final responsibility and officially approves important decisions. As expected, the majority of the time this is done by a manager.

When asked about the consequences of the devolution on HR, interviewed operational HR manager indicated that devolution of the tasks will not make HR business partners more strategic as they already are so. The only question here is what will happen to operational HR managers. It might be the case that due to the devolution and current changes there will be less need of them and some might be asked to leave.

5.1. Analysis

In order to estimate research variables the calculations were performed to determine the self-management level of a team, a number of HR processes’ dimensions devolved to a team, and a strategic value of each HR manager.

Furthermore, descriptive statistics, correlations and regression analyses were undertaken to evaluate stated hypotheses.

First, in order to estimate the self-management level of a team, each team was assigned to a level of self-management based on the results of the evaluation scale. Every “Yes” answer was recoded into 1 and gave 1 point to the team. “No” answers were recoded into 0. After summing up the points, self-management of the team was estimated. Second, in order to estimate a number of HR process-dimensions devolved to a team, dimensions of HR processes performed by teams were summed up. For each performed dimension a team got 1 point. For example, a team which was responsible for the Operational dimension of HR strategy process (1 point), Financial dimension (1 point) and Decision making dimension (1 point) of Performance management process, have received 3 points in total. Third, in order to estimate the HR strategic value the following procedure was followed:

(1) The average strategic value of each HR process was calculated based on the responses of four HR executives. For example, HR strategy process has a highest strategic value as all the respondents assigned a value of 3 to it. Reward and recognition process has a value of $(2+2+1+1)/4=1.5$. Each dimension of the same HR process was assigned to the same calculated strategic value. Calculated results are presented in a table 1 below.

(2) The number of HR process-dimensions each HR manager was responsible for was added up (same procedure as for a team) and multiplied by the strategic value of that process. For example: HR manager is responsible for the operational power of the HR strategy process, Financial and Expertise dimensions of the Reward and Recognition process. In this case, calculation would look as follows: $1 \times 3 + (1+1) \times 1.5 = 6$.

(3) Furthermore, the calculated number was divided by the total number of the dimensions of all the HR process-dimensions. Continuing our previous example, $6 / 3 = 2$, meaning that a strategic power of this HR manager equals 2. As a result, each HR manager was assigned to their strategic value and positioned on a continuous scale.

Table 1. Evaluated strategic value of HR processes

	HR processes	Strategic value
1	HR strategy process	3
2	Staffing	2,25
3	Employee development	2,25
4	Performance management	1,75
5	Reward and recognition	1,5
6	Talent management	2
7	Health and safety	2
8	Organizational capability development	2
9	Internal & external relations	2,25
10	Data management & HR systems	1

5.2. Descriptive statistics

The descriptive analysis showed that almost half (43.8%) of the managers consider their own team to have the

highest level of self-management (see table 2).

Table 2. Distribution of teams regarding their self-management

self-management level	% of teams
1	9,4
2	3,1
3	0
4	15,6
5	28,1
6	43,8

Moreover, a graphical representation of the results regarding the devolution of HR processes (see Appendix 2) shows that team managers are responsible for the majority of HR processes. Exceptions being three processes: Health and Safety, Internal and External Relations, and HR systems and data management. What concerns HR process dimensions we see that team managers have the majority of decision making (56%), operational (43%), and financial powers (46%). The exception is expertise power, which HR staff is mainly responsible for (47%).

Table 3 presents descriptive statistics and correlation matrix of control and study variables. Results showed that opposite to expectations variables do not show significant correlations. This counts for the correlations between the self-management level of the team and a number of HR process-dimensions devolved to it, as well as the HR process-dimensions devolved to the team and HR strategic value. However, only the team size positively correlates with the self-management level of the team ($r=.499, p<.01$).

Table 3. Descriptive statistics and correlation analysis

		Mean	SD	Team size	HR process-dimensions devolved to a team	HR strategic value	Self-management level of a team
Team size	Pearson Correlation Number = 32	13.75	6.68	1	-.185	-.063	.499**
HR process-dimensions devolved to a team	Pearson Correlation Number = 32	32.2	361.66		1	-.302	.174
HR strategic value	Pearson Correlation Number = 32	17.48	0.27			1	.096
Self-management level of a team	Pearson Correlation Number = 32	4.81	1.55				1

**Correlation is significant at the 0.01 level (2-tailed)

5.3. Regression analyses

Regression analysis was used to test stated hypotheses. Results revealed that both of them are supported at a significance level of $\alpha = .10$. Despite the fact that this significance level is not commonly used in the social sciences, Pett (1997) underlines that if the study is exploratory and the sample size is small, we might want to identify differences that, though not significant at $\alpha = .05$, are of interest. In such circumstances, we set a more liberal alpha, for example, $\alpha = .10$.

A regression analysis supported the first hypothesis revealing that the more self-managed the team is the higher the number of HR process-dimensions are devolved to it ($\beta .825, p < .10$) (see table 4). However, the analysis also showed that the amount of employees within a team is negatively related to the total number of process-dimensions performed by them ($\beta -.196, p < .10$). This suggests that the more employees are within a team, the less HR process-dimensions the team performs.

Table 4: The influence of a self-management level on a number of HR processes devolved to it

Dependent variable – A number of HR process-dimensions devolved to a team

	β	SE	R2	R2 change
Model 1: Control variable				
Team size	-.100	.097	.034	.034
Model 2: Independent variable				
Team size	-.196†	.108		
Self-management level of the team	.825†	.466	.128	.094

N= 32 † $p < .10$

Regression analysis of the second hypothesis revealed a significant relationship between a number of HR processes' dimensions performed by a team and HR strategic value (see table 5). However, it is opposite to what was expected: the lower the number of processes performed by a team, the more strategic HR role is ($\beta -.024, p < .10$).

Table 5: The influence of a number of HR processes devolved to a team on the strategic value of HR

Dependent variable – Strategic value of HR

	β	SE	R2	R2 change
Model 1: Control variable				
Team size	-.003	.007	.004	.004
Model 2: Independent variable				
Team size	-.005	.007	.106	.102
Number of HR process-dimensions devolved to a team	-.024†	.013		

N= 32 † $p < .10$

6. Conclusion and discussion

This research concerned the reallocation of HR tasks and processes formerly undertaken by the HR staff in the knowledge intensive work environment. The aim of this research was to get more insights into the HR devolution process in self-managed work teams as well as on how this process influences strategic value of the HR function. The following research questions were stated: What kind of HRM devolution takes place in knowledge-intensive self-managed work teams? Does the devolution make HRM role more strategic? Theory was utilized to outline features of devolution process. Furthermore, a quantitative study was undertaken within 32 teams working at Philips Electronics Netherlands to illustrate differences in self-managed teams and strategic value of HR staff. Results revealed that as expected, self-management level of a team positively influences the amount of HR processes devolved to it, meaning that the higher the self-management level, the more HR process-dimensions are devolved to the team. Furthermore, expected positive relationship between a number of dimensions devolved to a team and team's HR manager's strategic value was not supported by the statistical analysis. Let us now explain our findings through available theories, first outlining the findings regarding the first, and later the second hypothesis.

A logical sequence we will try to disclose discussing the first hypothesis is presented in the figure 4. As it was already mentioned in the previous sections, the relation between devolution and self management level can be explained by increased communication process effectiveness within SMWTs. Pigors and Myers (1969) present techniques to control and improve the communication process. One of them is a so-called participative management. According to these scholars, participative management frees up the flows of communication by introducing decentralized decision making. Due to the fact that participative management can be seen as a predecessor of self-managed teams (Elmuti, 1997), by introducing SMWTs in the organization and devolving tasks to them, organization minimizes communication errors around these processes and therefore reduces costs. The effect intensifies with a decreasing number of team members, as it is showed that communication process between less employees is more effective (e.g. Badner, Mark and Hertel, 2009). Generally speaking, according to Cogen et al (1996) (in Levi, 2010), the more decision making power about the execution of task is given to the SMWTs (especially having limited amount of team members), the greater impact they have on adding value to the success of their organizations. Similarly, Bolton and Dewatripont (1994) say that an increase in communication efficiency leads to a flatter and smaller organization, and therefore allows agents (in our case teams) to take on more workload. Since self-managed teams can increase their workload, fewer members are required to process a given number of items.

These conclusions are in line with the findings of this research, which showed that the amount of undertaken process-dimensions by a team increases with a decreasing amount of members in the team. Increased communication of small teams is also influenced by higher cohesiveness and therefore more sticking to the team norms (McCune, 1990) (in Kirkman and Shapiro, 1997), higher commitment to the team, higher awareness of the common goals and higher level of rapport (Badner, Mark and Hertel, 2009). Therefore, the smaller the teams in the knowledge-intensive work environment, the better the communication between members, the higher the

productivity, and therefore the more HR tasks and processes can be devolved to them.

Here a conclusion can be drawn that by devolving HR processes to a SMWT, organization enhances their decision making power related to the execution of these processes. Consequently, this improves communication process related to these processes and reduces costs of the organization. As a result, we can predict that due to increased gains, organizations and their HR functions will be more inclined to enhance the decision making power of the teams by devolving even more HR processes or tasks to them.

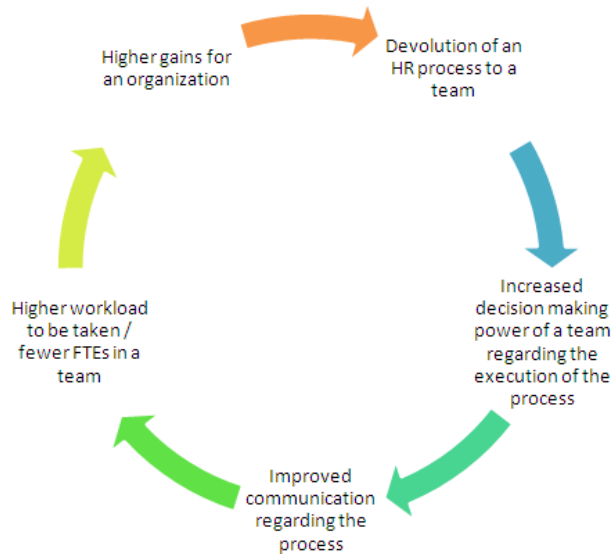


Figure 4. Logical sequence explaining hypothesis 1

As stated above, due to the increased devolution of HR tasks to the SMWTs and therefore increased decision making power, we can expect that their strategic value will also increase. Consequently, increased strategic value of the teams logically would reduce the strategic value of the HR function (as the regression analysis of the second hypothesis indicates). However, this outcome does not seem to match with reasoning in the literature and the interview results. Below we present two possible explanations, which contradict the findings and therefore need to be evaluated in a further research.

First, we reason that the amount of HR process-dimensions devolved to a team does not directly influence HR strategic value. This is due to the fact that the strategic power to distribute HR processes (and their dimensions) and therefore to devolve them to other agents is not in the hands of the teams. As experience within Philips shows, power to make such decisions is a responsibility of HR manager or Chief executive officer (who is ultimately influenced by the HR manager). This authority to make decisions on who will do what, or influence the decision makers while enacting their role as internal consultants offering expertise or advice in a persuasive way (Caldwell, 2003), makes the function strategic. Similarly, in the literature Bolton and Dewatripont (1994) refers to the issue that the more specialized agents (teams specializing in a certain HR process) require larger and more complex

communication network to coordinate their activities. This is due to an increased complexity to track progress and verify if everything is going in a correct direction (Lee, undated). Similar, Pickard (2000) states, that when HR processes are performed by other parties, it creates a need for HR to monitor and evaluate performance. This as a result enhances the reality of HR as a true business partner (Pickard, 2000) and increases its strategic value.

Another explanation derives from the information collected during the interviews. Last few years Philips went through a change process. HR function was split between HR business partners mainly focused on the strategic issues, and HR managers focused on the transactional HR processes. Moreover, some transactional processes were centralized and removed from the responsibility scope of the HR manager's function. As a result, strategic value of some managers increased and of some decreased. Thus, it can be argued that the results of our hypothesis disclose only one part of the above mentioned process, the diminished value of the operational HR managers, and do not reflect the value of the HR business partners. This can be illustrated with words of an interviewed HR manager who stated that further devolution of HR activities will not influence the strategic value of HR business partners as they are already strategic. What it will do, it will affect the status of the transactional HR managers, which according to him will not anymore be essential for the organization as their tasks will be performed by other agents, most likely employees themselves.

7. Limitations and recommendations for future research

As the number of respondents in this research was limited the results should be interpreted with caution. Cychota and Harrison (2002) empirically demonstrated that many survey design "good practices" are less effective with samples of highly placed organizational decision makers, and response rates are declining in management research (Cychota and Harrison, 2006). Line managers, in particular, may be becoming an over-surveyed population as within Philips they usually are asked to complete many questionnaires, first of all for the internal usage. Therefore, this study should be seen as exploratory and it does not propose that the findings are generalizable. More research is needed to examine devolution process in a different and larger sample, and not be limited to one sector or even one national context.

Moreover, there are some issues that need to be considered regarding the research design. First of all, as it was not known how many HR managers were working with how many SMWTs (nested data), the assumption of independence of observations could have been violated, and this could have lead to inaccurate statistical analyses. In order to prevent this happening in the future research, the question of linking team managers with their HR managers should be asked. Subsequently, teams belonging to one HR manager could be organized into groups, and the Intraclass Correlation could be used to explore the relationship between variables. Second, variables of this research were tested using scales that were not scientifically proven. The selection of the features describing self-management relied on the answers of the HR managers within Philips. The same counts for the selection of the HR processes. As a result, a very high regression coefficient between self-management level of the team and a number

of HR process dimensions devolved to a team might reveal an overlap between these concepts. Therefore, future research is needed to further investigate what features self-managed teams in a knowledge-environment have and if they are applicable to different organizations. Last, due to the fact that the devolution process was investigated with a use of four dimensions, other levels of analysis would also be of interest in the research. More research is needed to further develop the construct of devolution and study its impact on different types of organizations.

8. Practical recommendations

First of all, it should be of interest to the organizations to save costs with an introduction of small self-managed teams. Especially to the organizations that are interested in devolving certain HR processes to employees. As the results of this research indicated, the smaller the teams in the knowledge-intensive work environment, the more self-managed they are, and therefore organization would increase its gains by devolving HR tasks to them. However, according to Hoegl (2004), despite clear evidence that small teams are more efficient, teams in business organizations today are often too large. Project leaders and department managers usually aim for securing a maximally large headcount. The majority of teams that participated in this research were also quite large (average 13.7). Although the absolute optimal size of teams is not possible to provide as it depends on the task complexity and uncertainty, Hoegl (2004) recommends to the organizations to keep teams as small as possible to reach the best results. Some ways to do that could be: (1) create a multi-team project; (2) create a core team and an extended team; (3) outsource tasks and define team-external contributions; and (4) keep members on the team only for specific project phases.

Furthermore, with increased tendencies of devolving tasks and responsibilities to the employees within Philips, questions arise regarding a strategic value of operational HR managers as opposed to business partners. From the one side, they are still main contact for their management teams and employees regarding HR issues, but from the other side, due to their decreasing strategic importance the added value of them in the future within the firm is questionable. First signs are already there: centralization of certain functions previously undertaken by the HR (e.g. recruitment and learning), introduction of e-HR tools accessible to all employees, and outsourcing as a possible next step. Similarly, Cunningham and Hyman (1999) claim, that at an operational level HR staff has been identified with responsibility areas which all are open to potential competition. Therefore, it is obvious that in the future HR executives will still be valued within the company and influence management decisions to coordinate the decisions affecting the HR issues that concern the organization. However, a question is: if operational HR managers will not be required in the organization and their tasks will be performed by HR staff responsible only for certain processes or employees themselves, how the organization will be able to effectively manage a pipeline of HR staff to grow into the roles of strategic business partners. Certainly, the option of external hiring will always be a solution at a hand. Yet a more advisable solution would be to pay an explicit attention to the development of the internal HR talent track.

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Appendix 1

Questionnaire

Introduction

Dear manager/team leader,

Thank you for your willingness to participate in the research.

A questionnaire you are going to complete consists of three parts:

- evaluation of your team's self-management level
- evaluation of the responsibility distribution regarding 10 HR processes
- 3 questions to get some additional data about your team.

Please complete the questionnaire within two coming weeks.

Kind regards,
Lina Butkute

Next

Questionnaire

Team rating

Please think about your team/department (direct reports in the Netherlands only) as a whole, and answer Yes or No to each of the below given statements.

1. Does your team as a whole (excluding you) ...

	Yes	No
manage themselves (plan, organize, control, and monitor)?	<input type="checkbox"/>	<input type="checkbox"/>
assign jobs to members (decide who works on what, where, and when)?	<input type="checkbox"/>	<input type="checkbox"/>
plan and schedule work (control start and ending times, the pace of work, and goal setting)?	<input type="checkbox"/>	<input type="checkbox"/>
make work-related decisions (quality control decisions, inventory, work delays)?	<input type="checkbox"/>	<input type="checkbox"/>
take actions to remedy problems (address quality issues, customer service needs, and member discipline)?	<input type="checkbox"/>	<input type="checkbox"/>

Prev

Next

Questionnaire

HR processes

Please evaluate 10 HR processes.

In this questionnaire, each process is splitted into 4 dimensions:

- operational power (operational tasks, activities)
- decision-making power
- financial power (money spent and budgeted)
- expertise power (area knowledge)

In the organizations, team members (your direct reports), a team leader/department manager (you), your HR manager(s), or others (shared services, next level management, etc) are responsible for a final judgment regarding each of these dimensions.

Please evaluate who mainly bears responsibility for each HR process dimension. Please chose one option per dimension.

1. In your team, who is mainly responsible for HR strategy process?

	Team members	Team leader/manager	Your HR manager(s)	Other (shared services, next level management, etc)
Operational power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decision-making power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expertise power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Staffing process?

	Team members	Team leader/manager	Your HR manager(s)	Other (shared services, next level management, etc)
Operational power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decision-making power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expertise power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Employee development process?

	Team members	Team leader/manager	Your HR manager(s)	Other (shared services, next level management, etc)
Operational power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decision-making power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expertise power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Performance management process?

	Team members	Team leader/manager	Your HR manager(s)	Other (shared services, next level management, etc)
Operational power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decision-making power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expertise power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. Reward and recognition process?

	Team members	Team leader/manager	Your HR manager(s)	Other (shared services, next level management, etc)
Operational power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decision-making power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expertise power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. Talent management process?

	Team members	Team leader/manager	Your HR manager(s)	Other (shared services, next level management, etc)
Operational power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decision-making power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expertise power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. Organizational capability development?

	Team members	Team leader/manager	Your HR manager(s)	Other (shared services, next level management, etc)
Operational power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decision-making power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expertise power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. Health and safety process?

	Team members	Team leader/manager	Your HR manager(s)	Other (shared services, next level management, etc)
Operational power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decision-making power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expertise power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9. Internal and external relations (e.g. labor union, works council)?

	Team members	Team leader/manager	Your HR manager(s)	Other (shared services, next level management, etc)
Operational power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decision-making power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expertise power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10. HR systems and HR data management process?

	Team members	Team leader/manager	Your HR manager(s)	Other (shared services, next level management, etc)
Operational power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decision-making power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expertise power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Questionnaire

Team data

1. How many people belong to your team (direct reports in the Netherlands)?

3. Which part of Philips your team belongs to (e.g. Lighting, CL, Design, Research, etc.)?

4. In case you have any further comments regarding the survey or a research topic, please write it here

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Done

Appendix 2

Distribution of responsibilities

