

'Decentralization' is the allocation of decisions and tasks formally handled by upper level management to line managers. When applied to the field of human resources this is known as 'devolution'. The aim is to formalize initiatives to overcome the shortcomings of centralized policies. This broadening of decision-making competencies leads to a more efficient use of information. Power is placed in the hands of those with more direct knowledge of the issues associated with the problem. Other important reasons for decentralization are increased motivation, higher commitment and greater identification with the local work unit. Decentralization's benefits are well established, and thus the usefulness of devolution seems to be clear enough. Nevertheless, when restructuring the decision-making process by delegating power, companies often do not take into account all of the consequences. Firms may not fully recognize the cumbersome obstacles to devolution in total. Both human resource practitioners and researchers point to a lack of information and communication when line managers are engaged in opportunistic behavior. Inconsistency in human resource practices and policies may occur if newly empowered managers are arbitrarily exercise their new-found power. Thus, organizations have to reflect on how to coordinate and control the empowerment, and moreover, how to prevent the loss of consistency across the company.

This doctoral thesis addresses to the problem mentioned above and develops efficient human resource mechanisms of coordination and motivation for the control of decisions and activities of line managers according to agency theory. First, an exact definition of the term 'decentralization', containing a clear structure and differentiation of the decision-making system is given. Next, an applicable framework of a human resource management decision-making system is developed. This framework serves as a basis for the discussion of control mechanisms based on agency theory, where the dispersal of power is analyzed in terms of hidden information and hidden action. This theory based analysis brings up a host of control mechanisms, whose practicability is proved by agency cost and extent of devolution. The evaluation leads to a human resource management design of coordination and motivation for decentralized working human resource line managers. This design of control and motivation mechanisms is a powerful approach for the transformation of theoretical based procedures into pragmatic solutions for the problem of devolution.

This thesis shows clearly, that firms should answer the delineated risks of devolution by implementing a human resource management design of coordination and motivation which meshes with the structure of decentralized decision-making. Moreover it is critically important to coordinate the mechanisms of motivation and control in content with the preferred concept of devolution. Only if this is done, are firms able to control decentralized working human resource managers and their decisions.