

By Jim Fox and Bruce Lawson, Fox Lawson & Associates, A Division of Gallagher Benefit Services, Inc.

**Question:** What is your perspective on decentralizing HR? We have several district offices throughout the state and each one of the offices has a business manager and a personnel representative. They both report directly to the district manager who is over the entire district. This organizational structure has been challenging to say the least. The central HR function has no authority over the actions taken by district directors. In effect, it is as if we are several different employers. I am fearful of potential liability and all the ramifications of employees being treated differently from district to district. Central human resources has little authority to hold anyone accountable but we end up being the clean up crew when district managers get themselves in trouble. There are many issues to address in this set up, but I would appreciate insight on how we can effectively operate in a decentralized environment like this.

**CompDoctor™:** So you decided to go into HR instead of become a hotel housekeeper? What were you thinking? No doubt you assumed that cleaning up other's messes was a role limited to hotel and hospital housekeepers and that HR would be much more intellectual and professional. Now you know that the two careers have a considerable amount in common.

The situation you have described is fairly typical in large organizations such as state governments and university systems. Large cities and counties have similar issues if they have delegated certain HR responsibilities to operating agencies. Smaller organizations have these kinds of problems when policy makers decide to micromanage or managers who were never trained as managers (such as educators in school districts who become operational managers) decide that they know more than everyone else about managing compensation and other personnel issues.

Over the past several years, we have strongly advocated decentralizing responsibility for managing compensation, along with other elements of the budget. Managers who do not have the authority to make the necessary decisions relative to how their individual function is going to operate are not really managers. Rather, they function as coordinators or administrators. Unfortunately, they still want to be paid as managers! What nerve!

**“The central HR function has no authority over the actions taken by district directors.”**

Without trying to be a broken record, we have also stressed that with decentralization goes responsibility and accountability. Proactively you have to educate the managers of their responsibilities, the laws, guidelines and actions to take. Responsible managers, once they know of the dangers of their actions, will usually ask you for advice or guidance in the future. Irresponsible managers won't get it any way, so you can just write them off. Well, not really but we know that you really would like to just write them off. It's the old horse to water routine. In these cases, all you can really do is keep banging away at them and, just maybe, they will finally pay attention, if for no other reason than to stop having to listen to you nag at them.

On the reactive side, you should be performing “performance audits” of their past actions, and preparing an analysis of what actions they did right (followed policy) and what actions they took which were not right. If you (or the HR function) does not have authority to audit HR actions in operating departments (which would be somewhat unusual), then you

can always work with those who do have that authority. The audit results should be shared with agency management, as well as other stakeholders since these actions do have broader ramifications. For example, actions that could result in legal action have substantial cost implications and your attorney, risk management, and finance folks have a big stake in that. Independent auditors just love situations like this as it makes their jobs more meaningful. In state and federal agencies, there may be an inspector general who can help. Regardless, giving operating managers the authority to make compensation related decisions is appropriate but, like children, they have to be taught how to use that authority and that there are consequences to their actions. Note we said “like children,” not that they are children. If they were, techniques ranging from time-outs to corporal punishment could be used. Alas, that is not to be.

Of course, if you do not have a CEO or a legislative committee that monitors HR activities, you may have a bigger problem to deal with.

---

*The Comp Doctor™ is the team of Jim Fox and Bruce Lawson of Fox Lawson & Associates, a Division of Gallagher Benefit Services, Inc., a compensation, benefits and human resources consulting firm that specializes in assisting governments in fixing their compensation, benefits and classification systems. You may find them on the Web at [www.foxlawson.com](http://www.foxlawson.com). If you have a question, you would like to have them answer, please write to them at [jfox@foxlawson.com](mailto:jfox@foxlawson.com) or [blawson@foxlawson.com](mailto:blawson@foxlawson.com). They will try to include it in the next issue of Comp Doctor™.*

—*N*