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2018

## HR orientations and HR department effectiveness in Vietnam

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10.1108/PR-03-2017-0074

Nguyen, D. T., & Teo, S. T. (2018). HR orientations and HR department effectiveness in Vietnam. *Personnel Review*, 47 (5), p 1043-1061. Available [here](#)

This Journal Article is posted at Research Online.

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## **Perceived Formal Authority and the Effectiveness of the HR Department in Vietnam**

### **Abstract**

**Purpose** – Our main aim is to investigate whether formal authority of the HR department has any impact on line managers' evaluations of HR department effectiveness.

**Design/methodology/approach** - Two studies were conducted in Vietnam. Study 1 comprised a survey of 405 line managers to test the hypothesized model. Study 2 comprised a survey conducted with 155 line managers validated the findings from Study 1. Structural equation modeling and PROCESS macro were used to analyze the data.

**Findings** – Line managers' perceptions of the HR department's formal authority had a positive and indirect impact on HR department effectiveness through the HR department's strategic involvement and influence. Public sector line managers tended to perceive their HR departments as possessing a higher level of formal authority than did their private sector counterparts.

**Originality/value** – This study extends the theory of political influence as it applies to the HR department. Specifically, the study provides empirical evidence of the influences of an organization's political conditions on the perceptions of HR department effectiveness. This study also contributes to the extant literature on HRM in Vietnam by showing how Vietnam's HR departments can utilize power and influence in accordance with specific ownership types.

**Key words:** formal authority, HR department, political influence theory, public sector, private sector, Vietnam

**Article classification:** research paper

**Word count:** 8016 words excluding tables and figures

## Introduction

The impact of human resource management (HRM) practices on individual and organizational performance have been found in the literature. For instance, HR practices have positive relationships with employee motivation, operational and financial outcomes (Jiang *et al.*, 2012) and innovation (Chowhan, 2016). Concurrently, scholars (Bowen and Ostroff, 2004; Ferris *et al.*, 2007; Sheehan *et al.*, 2016; Ulrich and Dulebohn, 2015) have presented arguments for more evidence of HR department's power, influence and effectiveness as this department often lacks the recognition of its effectiveness in triggering the HRM-performance linkage. This developing literature has supported the notion that an examination of HR department effectiveness from a political perspective is of critical importance for our understanding of how the HR department can become a vital part of the organization when organizational politics cannot be overlooked (Ferris *et al.*, 2007; Haggerty and Wright, 2010).

Scholars (e.g., Haggerty and Wright, 2010; Ferris *et al.*, 2007) have encouraged research efforts to examine the HR department's formal authority as it is a crucial and prerequisite ingredient making the HR department important. To understand the process in which the HR department exercises its formal authority, we incorporate the theories of intraorganizational power (Hickson *et al.*, 1971; Pfeffer, 2009) and political influence of the HR department (Ferris and Judge, 1991; Galang and Ferris, 1997) in the current study.

The theory of intraorganizational power (Hickson *et al.*, 1971; Pfeffer, 2009) suggests the ability of a department to demonstrate and attract attention by showing its solely important expertise in helping the organization effectively cope the critical uncertainties and successfully deliver the expected results. The theory of political influence of the HR department (Ferris and Judge, 1991; Galang and Ferris, 1997) draws attention to the idea that symbolic actions taken by the HR department enable this subunit to acquire scarce resources and eventually create a shared perception of its importance. The integration of these two theories helps us explain the

influence of the HR department's formal authority which is a fundamental form of power perceived by line managers on their assessment of HR department effectiveness as a process of first *what* is occurring (intraorganizational power) and second *how* and *why* it is happening (political influence).

The context for our study is Vietnam as an example of an emerging and dynamic economy where the recognition of strategic roles of the HR department is developing (Zhu *et al.*, 2008; Zhu and Verstraeten, 2013). Although previous studies (such as Thang and Quang, 2005b; Vo and Bartram, 2012) provided evidence of HRM-performance linkage, these studies did not consider the HR department effectiveness. Because of the distinctive characteristic of power distribution between private and public sectors (Zhu *et al.*, 2008; Vo and Bartram, 2012), it is important to understand the circumstances in which the HR department can exercise formal authority to affect the perceptions of HR department effectiveness.

The current study is relevant to theory and practice because we develop new theoretical perspectives in understanding the power and influence of the HR department. Our results provide insights that HR practitioners can use in their efforts to maximize the potential power sources and exercise these sources to shape the common acceptance of HR department effectiveness. Specifically, building on research conducted by Sheehan and colleagues, our study contributes to the on-going discussion about the determinants of HR department effectiveness in the context of Vietnamese organizations. We additionally contribute empirical evidence of the differences in the influences of the HR department's formal authority between public and private sectors, which have received little attention in the HRM literature.

### **Theoretical foundation and key concepts**

It is well-documented that organizational politics is a reality showing organizational members' inexorable engagement in an exercise of power, and the ownership of power signifies one of the most inspiring aspects of organizational life (Treadway *et al.*, 2013). The theory of

intraorganizational power (Hickson *et al.*, 1971; Pfeffer, 2009) posits that power relations are shaped in a context of autonomy limitation and the interdependence of tasks and resources among organizational actors. A subunit's power is characterized by its ability to control the strategic contingencies, to be a central and non-substitutable division and to hold a critical and influential role in making decisions and contributing to organizational success (Hickson *et al.*, 1971). This means a subunit is perceived to have power when it (1) has the capacity to fulfil the requirements of the other departments and (2) monopolizes this ability. Therefore, this power is characterized as the aptitude to acquire scarce resources, authority and support, ultimately reflected what it is able to do in the organization (Galang and Ferris, 1997).

As used here, HR department power is conceptualized by Galang and Ferris (1997) as the department's tasks, functions and connections with the activities of other departments, underlying the HR department's political relationships with the other units in the strategic decision-making process (Ferris *et al.*, 2007; Reichel and Lazarova, 2013). This concept reminds us of the prominent argument that power initially comes from formal authority assigned to a subunit from an organization's hierarchical structure (Fleming and Spicer, 2014). In this study, we see formal authority as the basic form of power of the HR department because the organizational structure of most workplace settings is apparently in a form of political hierarchy in which information, resources control and decision making among positions are unequally distributed (Fleming and Spicer, 2014; Peiró and Meliá, 2003). Likewise, the acquisition of formal authority enables the HR department to broadly increase its political influence in the process of HRM-performance implementation (Bowen and Ostroff, 2004; Haggerty and Wright, 2010).

Political influence theory introduces the concept of political influence as a product of power that is characterized by the ability of individuals, groups or organizations to shape and manage "a shared meaning" (Ferris and Judge, 1991). Ferris *et al.* (2007) further argued that

the theory of political influence of the HR department explains the process in which the HR department is able to create an understanding of HRM and HR department effectiveness. Specifically, the theory of political influence of the HR department ascertains symbolic actions such as HR roles, implemented HR practices and strategic involvement (Galang and Ferris, 1997). These symbolic actions enables the HR department to implement a wide range of HR activities to achieve its desire of being recognized as effective (Teo and Rodwell, 2007). For instance, it is evident that the active participation in the strategic management process provides HR executives with an opportunity to voice and contribute HRM expertise in strategic planning, to influence the decision making and to make key stakeholders recognize the benefits from HRM in strategic achievements (Galang and Ferris, 1997; Teo and Rodwell, 2007). Accordingly, when the HR department utilizes symbolic actions, the HR department's effectiveness becomes important if it is to retain its value at both operational and strategic levels (Sheehan *et al.*, 2007; Uen *et al.*, 2012). The HR department's effectiveness is defined as (1) the capacity to affect the outcomes of key business decisions (such as new product development), (2) the ability to meet the expectations of organizational constituents within its HRM roles and responsibilities for the development and implementation of HR activities and (3) the ability to enhance employee competencies and retain competent employees (Teo and Rodwell, 2007; Wright *et al.*, 1998). It is advised that the HR department needs to know how to show its perceived effectiveness when performing all operational and strategic responsibilities (Ferris *et al.*, 2007; Sheehan *et al.*, 2014).

### **Literature review and hypothesis development**

Formal authority is seen as one of the most basic forms of power, representing the ability to control the behavior of organizational residents and to change organizational structure and processes (Perió and Meliá, 2003). Formal authority is a product of organizational structure, hierarchy, specific official positions or job titles holding by organizational actors (Fleming and

Spicer, 2014). Although power can be from other sources such as expertise, formal authority is still the dominant attribute of contemporary organizations indicating where the perceived and exercised power of the managers flows in decision-making (Fleming and Spicer, 2014; Perió and Meliá, 2003).

Formal authority is one of the key factors reflecting institutionalized relationships among intra-organizational stakeholders. The absence of formal authority may limit the political influence of a subunit on others because there is no differentiation between departments (Hickson *et al.*, 1971; Pfeffer, 2009). In contrast, having formal authority results in a shared perception of the centrality of a subunit, a status difference based on the organizational hierarchy, greater social distance and independence with other departments (Hickson *et al.*, 1971). In addition, formal authority enables a subunit to play an influencing role in helping the organization handle environmental changes as other departments will rely on its expertise to provide solutions (Hickson *et al.*, 1971; Pfeffer, 2009).

Formal authority is argued to be important to create the HR department's credibility within the organization (Galang *et al.*, 1999; Haggerty and Wright, 2010). The possession of formal authority as a fundamental element of power provides legitimate access to sufficient resources enabling the HR department to perform autonomously and broadly a variety of HRM activities (Ferris *et al.*, 2007; Kelly and Gennard, 1996). Formal authority also communicates the certain message of HR department importance and effectiveness throughout the organization (Haggerty and Wright, 2010). Thus, formal authority indicates the acceptance of the HR department's legitimate position enabling strategic involvement to add value to the organization (Kelly and Gennard, 2007; Sheehan *et al.*, 2007). The possession of formal authority favors HR department influence due to its expert views on HRM and its autonomy in making HR-related decisions (Haggerty and Wright, 2010; Pfeffer, 2009). Moreover, formal authority strengthens the HR department's situation in order to be visible to other

organizational insiders and sends a signal for them to recognize its importance (Bowen and Ostroff, 2004; Haggerty and Wright, 2010). Thus, it is believed that the HR department should have formal authority as a primary condition in order to maintain a strong situation in which the HR department becomes more distinctive and effective (Bowen and Ostroff, 2004; Haggerty and Wright, 2010).

It is evident that a strong situation for an HR department would be where it has strategic involvement and influence in strategic management process (e.g., Teo and Rodwell, 2007; Wright *et al.*, 1998). The HR department's strategic involvement refers to its interaction with other divisions to integrate HRM into business strategy and its influence in making decisions and making stakeholders admit its effectiveness (Sheehan *et al.*, 2007; Wright *et al.*, 1998). Several scholars have argued that the HR department's strategic involvement and influence depend on the institutionalized relationships between the HR department and other stakeholders (Kelly and Gennard, 1996, 2007; Sheehan *et al.*, 2007).

Through the process of strategic participation, senior HR executives are able to demonstrate the value of HRM-strategy integration via the contribution of HRM knowledge to strategic formulation and decision-making (Kelly and Gennard, 2007; Sheehan *et al.*, 2016). Thus, the HR department's strategic involvement signals to other senior managers who are involved in the strategic management (Sheehan *et al.*, 2007) and line managers who are engaged in operational activities (Teo and Rodwell, 2007) to be aware of the HR department's effectiveness. Strategic involvement also enables the HR department to increase its influence in the process of value-formation (Galang and Ferris, 1997; Uen *et al.*, 2012). This notion is consistent with a need to develop an awareness of the HR department's strategic importance in Vietnam, as suggested by Bartram *et al.* (2009) and Nguyen *et al.* (2017). In line with previous findings, we expect that strategic involvement enables the HR department to increase its influence to cultivate an awareness of human capital as one of the most critical ingredients



leading to better organizational performance (Thang and Quang, 2005b; Vo and Bartram, 2012). Strategic involvement and influence of the HR department therefore are the means by which the HR department can show its effectiveness (Teo and Rodwell, 2007).

The effectiveness of the HR department is evaluated based on what and how this department can do to meet the expectations and demands of the organization and other stakeholders (Ulrich and Dulebohn, 2015; Wright *et al.*, 1998). Line managers are a good source of accurate information related to HR department power and effectiveness as they experience HR practices applied to employees and understand employees' perceptions and satisfaction with HRM implementation (Sikora and Ferris, 2014; Kulik and Perry, 2008). Line managers also support the HR department to develop appropriate policies and practices that match organizational strategy and improve employee competencies for the enhancement of organizational performance (Sikora and Ferris, 2014; Teo and Rodwell, 2007). We therefore hypothesized:

*Hypothesis 1: Perceived formal authority is positively associated with strategic involvement of the HR department.*

*Hypothesis 2: Perceived formal authority is positively associated with the influence of the HR department.*

*Hypothesis 3: Perceived formal authority is positively associated with HR department effectiveness.*

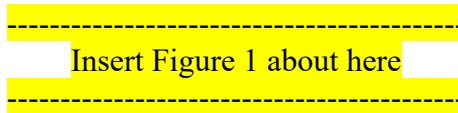
*Hypothesis 4: Strategic involvement of the HR department is positively associated with its influence.*

*Hypothesis 5: Strategic involvement of the HR department is positively associated with HR department effectiveness.*

*Hypothesis 6: Influence of the HR department is positively associated with HR department effectiveness.*

*Hypothesis 7: The relationship between perceived formal authority and HR department effectiveness will be mediated by the strategic involvement and influence of the HR department.*

Hypotheses 1 to 6 are presented in Figure 1.



In Vietnam, there are differences in the adoption of HRM among ownership types (see for example, Quang and Thang, 2004; Thang and Quang, 2005b). Public sector organizations have placed less emphasis on strategic HR practices compared to private sector in emerging economy (Zhu *et al.*, 2008; Zhu and Verstraeten, 2013). Public sector HR departments have been shown to exhibit more features of an administrative HR role whereas the private sector has ability to learn modern HR role model from the West (Nguyen *et al.*, 2013). Studies have found that public sector organizations exhibit higher power distance, a taller hierarchical structure and power centralization that may reflect a stronger emphasis on formal authority for managerial positions in the public sector than in the private sector (Vo and Bartram, 2012). In line with the previous arguments, we hypothesize that:

*Hypothesis 8: The influence of formal authority of the HR department will be different between public and private sector organizations.*

## **Methodology**

### ***Sampling and data collection***

In Study 1, a research advertisement was posted on the noticeboards at two business schools in Ho Chi Minh City, Vietnam. There were 1,500 participants who agreed to take part in the survey. Individuals who were non-managerial employees were excluded from this survey. Altogether 652 completed questionnaires were collected from part-time postgraduate students and alumni from these two business schools. We further excluded those who worked in

organizations that did not have an HR department. The final sample size was 405 usable questionnaires (27% response rate), indicating sufficient power and effect size to yield significantly accuracy and flexibility of predictions with three predictors (Cohen, 1988).

The majority of the respondents had more than three years' experience in their jobs (55%) and in their current organizations (61%). Nearly two-thirds (63%) were working in the service industry and slightly more than one quarter (27%) in the manufacturing industry. Approximately two-thirds (70%) were working in the private sector, with the remainder (30%) working in the public sector. Just over two-fifths (42%) were working in large organizations with more 500 employees, while the rest (58%) were working for medium-sized organizations (50-499 employees).

An additional online survey was sent via emails to the members of two other sources: the Youth Business People Association and the Da Nang Association of Small and Medium Enterprises. This strategy resulted in a separate sample of 155 line managers in Study 2. The majority of the respondents (67%) were from the private sector (55% from service industries such as banking and education and 45% from manufacturing industries). Like Study 1, the majority of the respondents had more than three years' experience in their jobs (86%) and in their current organizations (88%). Nearly one-third (30%) were working in large organizations with more 500 employees, nearly one-half (46%) in medium-sized organizations (50-499 employees) and the rest (25%) were working in small organizations (fewer than 50 employees).

#### ***Face and content validity of questionnaire***

The current study followed Brislin's (1970) approach of back translation with the involvement of two doctorate-qualified academics from Vietnam and two other experienced HRM scholars. Prior to the survey for Study 1 and Study 2, we conducted semi-structured interviews with eight line managers representing a variety of public and private sector industries such as shipping, manufacturing, construction and software development. The participants were asked about how

they experienced the HR department's formal authority in relation to its strategic involvement, influence and effectiveness. Extensive notes were taken and tape recordings were used with the permission of interviewees. The study employed a thematic analysis approach to analyze the interview data (Braun and Clarke, 2006).

Public sector interviewees reported that the HR department's formal authority is related to its formalized managerial position, autonomy and independence in making HR-related decisions. The HR department's formal authority is demonstrated by the department's close proximity to top management, which allows the HR department to perform many activities with the agreement of top management and not to have to consult line managers about HRM activities. The interview data also highlighted the relationship between formal authority with strategic involvement and influence of the HR department, especially those in the public sector.

*“In my organization, the formal authority assigned to the HR department is related to the independence level of the HR department. The HR department works very closely with the CEO. The HR department can make decisions without asking for our opinions.” (PL-LM01<sup>1</sup>)*

*“In such organizations, the HR department's power and authority is formalized in the organization's rules and regulations. The HR department is involved in a lot of activities. Yet the strategic involvement of the HR department comes from its regimented managerial position. Thus, we primarily base on its involvement to evaluate how effective it is because it is supposed to contribute ideas and provide consultancy to us through the strategic involvement.” (PL-LM03)*

*“The formal authority allows the HR department to become involved and make decision within its formal authority.” (PL-LM02)*

Private sector interviewees revealed another opinion about the HR department's formal authority in their organizations. They explained that the management structure of private sector organizations is less hierarchical and less bureaucratic and so the private sector HR department tends not to have formalized authority. Instead, the private sector HR department works closely with senior line managers in strategic decision-making. The participants confirmed that the

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<sup>1</sup> Interviewees are coded as Ownership (e.g., PL = public, PV = Private); Job role (e.g., LM= Line manager); and Interviewee number.

strategic involvement of the HR department reflects the collaboration of the HR department with line managers as a means to increasing its influence in private sector organisations.

*“It’s easy to see that organizational structure regularize the way a department interacts with other departments. Some organizations have a culture emphasizing principles, rules and regulations. Thus, the interactions between departments are based on such values.” (PV-LM08)*

*“I am responsible for training and coaching programs consistent with the specific positions and levels of sales supervisors and sales representatives. The HR department works to develop communication with employees about HR policies. I have to collaborate with the HR department to solve some HR problems.” (PV-LM01)*

*“Organizational decisions are made by the CEO, functional decisions are made by the line manager and so on. In terms of a decision, we need to identify initiatives leading to a decision. Initiatives may be related to production, sales, marketing, finance or HR; thus, it’s difficult to identify which one is the most important factor or which department is the most powerful in this organization.” (PV-LM02)*

These interview findings echo Galang *et al.*’s (1999) and Ferris *et al.*’s (2007) arguments that formal authority is an institutionalized element affecting perceptions of HR department status and line managers’ evaluation of HR department effectiveness. The qualitative data collected from the interviews provided valuable information for checking the applicability of the online-survey measures. In line with interviews, the eight line managers were also asked to provide comments on the translated questionnaire. A pilot test of the translated survey was then conducted with 50 non-HR managers from both private and public sectors to ensure the face and content validity of the scales.

### **Measures**

Previous validated scales were adopted in this study. IBM SPSS ver24 was used to produce descriptive statistics and correlations and to run exploratory factor analysis. Study 1 used IBM AMOS ver24 to check the validity of the measurement model of scales and test the developed hypotheses. Due to the small sample size in Study 2, we used Hayes Process macro (Hayes, 2013) in IBM SPSS ver24 to validate the model from Study 1. Table I presents the results of discriminant validity testing of all scales. Table II reports descriptive statistics, average

variance extracted (AVE) and composite reliability (CR) values of all scales together with the correlation coefficients between latent variables in both studies.

*Perceived formal authority.* Power distance in organizations reflects the belief in status and “influences the amount of formal hierarchy, the degree of centralization and the amount of participation in decision-making” (Newman and Nollen, 1996: 756). This means power distance represents the possession of formal authority. Due to the absence of validated scales measuring the actual HR department’s formal authority, we adapted a six-item measure of power distance in workplace settings from Dorfman and Howell (1988). This scale was used to operationalize the extent of the HR department’s formal authority as shown by its independence and influence on making decisions (see Dorfman and Howell, 1988; Farh *et al.*, 2007). These items were consistent with the characteristics of formal authority conceptualized by Hall (1963) and as reported by the eight line managers in the interviews. The items were rated on a five-point Likert scale, ranging from “1” = strongly disagree to “5” = strongly agree ( $\alpha_{\text{sample 1}} = 0.79$ ,  $\alpha_{\text{sample 2}} = 0.88$ ). An example item is: “The HR department should make most HR-related decisions without consulting line managers”.

*Strategic involvement of the HR department.* A seven-item scale from Wright *et al.* (1998) was used to measure the HR department’s strategic involvement in a five-point Likert scale, from “1” = extremely uninvolved to “5” = extremely involved ( $\alpha_{\text{sample 1}} = 0.92$ ,  $\alpha_{\text{sample 2}} = 0.92$ ). An example item is: “The HR department meets with the organization manager to discuss HR issues”.

*Influence of the HR department.* This study used four items from Bowen, Galang and Pillai (2002), adopted by Teo and Rodwell (2007) to measure the HR department’s influence in a five-point Likert scale from “1” = strongly disagree to “5” = strongly agree ( $\alpha_{\text{sample 1}} = 0.87$ ,  $\alpha_{\text{sample 2}} = 0.91$ ). An example item is: “The HR department is viewed as an important department in my organization”.

*Effectiveness of the HR department.* We adopted six items to measure HR department effectiveness from prior studies in this area (e.g., Galang and Ferris, 1997; Teo and Rodwell, 2007; Wright *et al.*, 1998). An example item is: “The HR department meets your expectations in its HRM roles and responsibilities”. The respondents were asked to indicate their evaluation of their HR department’s performance on a five-point Likert scale, from “1” = extremely ineffective to “5” = extremely effective ( $\alpha_{\text{sample 1}} = 0.89$ ,  $\alpha_{\text{sample 2}} = 0.91$ ).

*Control variables.* We controlled for ownership type, sector and firm size as they have all been previously shown to have an influence on the adoption of HRM in Vietnamese organizations (Nguyen *et al.*, 2013; Zhu *et al.*, 2008).

#### ***Common method variance (CMV)***

Harman’s one-factor test showed four factors with eigenvalues of greater than 1.0 accounted for 71.16% of the variance in the exogenous and endogenous constructs. A “marker variable” approach was utilized to check for common method bias as suggested by Podsakoff *et al.* (2012) and Williams *et al.* (2010). Following Rafferty and Griffin (2004), “Bureaucracy of work” was used as the marker variable. The difference of correlations of all constructs between, before and after including the marker variable was 0.06, indicating that the correlations of exogenous constructs with the endogenous variable could not be accounted for by the marker variable (Lindell and Whitney, 2001). These tests showed that common method bias was not a major issue in this study.

#### ***Model estimation and data analysis***

We followed Anderson and Gerbing’s (1988) approach to check the convergent and discriminant validity of all the scales and to test the hypothesized model. Confirmatory factor analyses (CFAs) were undertaken to establish the measurement properties of the items in Study 1. Analysis of the hypothesized four-factor measurement model provided showed a good fit to the data ( $\chi^2/\text{df} = 1.67$ , RMSEA = 0.04, CFI = 0.98, TLI = 0.98, SRMR = 0.03), as suggested

by the minimum cut-off (Byrne, 2009). Scholars have treated strategic involvement and influence of the HR department as a single construct representing the status of the HR department (Galang and Ferris, 1997; Teo and Rodwell, 2007). We therefore compare the hypothesized four-factor model with the alternate, two-factor model by combining strategic involvement with influence by using a chi-square difference test to ensure all the constructs were distinct. The four-factor model fitted the data much better than the alternative models (see Table I). The square root of AVE for each construct was much larger than its correlation with any other construct, initially indicating the discriminant validity of the four constructs (Venaik *et al.*, 2005) (see Table II). Altogether, discriminant validity of the four factors was established. We then used parameter estimates in measurement to impute composite measures.

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Insert Table I and Table II about here  
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## Results

### Study 1

Firm size was associated with the HR department's influence ( $\beta = 0.12, p < 0.01$ ) while ownership types were related to HR department effectiveness ( $\beta = 0.11, p < 0.01$ ). The fit indices of the final model had a good fit satisfying the guidelines suggested by Byrne (2009) ( $\chi^2/df = 1.62, CFI = 0.98, TLI = 0.97, RMSEA = 0.04, SRMR = 0.04$ ). Table III reports that formal authority was significantly related to strategic involvement ( $\beta = 0.17, p < 0.001$ ) but was not associated with HR department influence and effectiveness. Hypothesis 1 was supported while hypotheses 2 and 3 were not supported. Strategic involvement was found to be related to HR department influence ( $\beta = 0.61, p < 0.001$ ) and HR department effectiveness ( $\beta = 0.34, p < 0.001$ ), supporting hypothesis 4 and hypothesis 5. Finally, HR department influence was found to be associated with HR department effectiveness ( $\beta = 0.48, p < 0.001$ ), supporting hypothesis 6.



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Insert Table III about here  
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Hypothesis 7 was supported as strategic involvement and influence were found to mediate the relationship between formal authority and HR department effectiveness. Specifically, strategic involvement fully mediated the relationship between formal authority and the HR department's influence ( $\beta = 0.11$ , [CI: 0.04, 0.18],  $p < 0.05$ ). Strategic involvement also fully mediated the relationship between formal authority and the HR department's effectiveness ( $\beta = 0.06$ , [CI: 0.04, 0.18],  $p < 0.05$ ). The influence of the HR department partially mediated the association between strategic involvement and HR department effectiveness ( $\beta = 0.29$ , [CI: 0.23, 0.38],  $p < 0.01$ ).

The mean scores of formal authority in Table II indicated that in general the HR department in Vietnam is perceived to have formal authority. Specifically, the mean score of formal authority in the public sector was higher than in the private sector ( $\text{Mean}_{\text{public-study1}} = 2.58$ ,  $\text{Mean}_{\text{private-study1}} = 2.34$ ,  $z = 3.40$ ,  $p < 0.001$ , and  $\text{Mean}_{\text{public-study2}} = 2.97$ ,  $\text{Mean}_{\text{private-study2}} = 2.72$ ,  $z = 2.18$ ,  $p < 0.05$ ). We conducted multiple group analyses in *AMOS ver24* and found significant impact of formal authority on strategic involvement in public sector organizations while this relationship was insignificant in the private sector ( $z = -1.66$ ,  $p < 0.1$ ). Additionally, the relationship between the influence and effectiveness of the HR department in the public sector was lower than in the private sector ( $z = 2.22$ ,  $p < 0.05$ ). The results reported in Table IV supported hypothesis 8.

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Insert Table IV about here  
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### Study 2

As recommended in the literature (see Kline, 2011: 11-12; Wolf *et al.*, 2013: 925-926), the required sample size for SEM analysis is at least 230, for the four-factor CFA with 23 indicators

loading at 0.50. Our sample size in Study 2 (N2=155) does not meet the criterion for SEM analysis, so we used Hayes PROCESS macro in IBM SPSS ver24 to validate the findings in Study 1. Furthermore, Hayes PROCESS macro can be used to test a serial mediation hypothesis (model 6 in Hayes) as we hypothesized two mediators in the model. We controlled for firm size and ownership types as they were found to be associated with the study variables. Table V reports that the model explained 60% of HR department effectiveness. A 95% confidence interval based on 10,000 bootstrap samples did not include zero, showing that the strategic involvement fully mediated the relationships of formal authority with the influence and effectiveness of the HR department. HR department influence partially mediated the relationship between strategic involvement and HR department effectiveness. The results in Study 2 were consistent with those in Study 1.

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Insert Table V about here  
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As public sector line managers reported the prevalence of formal authority, we tested the mediation effects of strategic involvement in the public sector sample of Study 2 by using PROCESS macro (Hayes, 2013, model 6). Table VI reports that a 95% confidence interval based on 10,000 bootstrap samples did not include zero, indicating the indirect effect of formal authority on the HR department's influence and effectiveness in the public sector.

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Insert Table VI about here  
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### **Discussion and implications**

The present study examined the effect of formal authority on HR department effectiveness in two separate samples by integrating the theory of intraorganizational power and political influence of the HR department. Overall, the findings showed that line managers reported the relationship between formal authority and strategic involvement of the HR department. We

found that strategic involvement plays a mediating role, indicating an important condition for line managers to recognize HR department effectiveness. Public sector line managers rated their HR departments as having greater formal authority than those in the private sector.

The power and influence of the HR department has previously been examined through the lens of informal power sources (e.g., Sheehan *et al.*, 2014; Sheehan *et al.*, 2016). We provided a holistic understanding of a political mechanism at the subunit level in that the HR department can utilize formalized sources of power stemming from authority distribution or hierarchical structure of the organization to develop a shared understanding of its effectiveness. In particular, we contributed to the view (see Haggerty and Wright, 2010; Kelly and Gennard, 1996) that formal authority is an important ingredient creating a strong situation in which the HR department is able to generate the social distance, independence with other departments, be involved in strategic management process to influence decision-making. Line managers' perceptions of the HR department's formal authority also provide support for the legitimate status of the HR department, which has been under-addressed in the literature. We argue that the hierarchical management structure, the rules and regulations in organizations are important sources for the HR department to acquire legitimized authority and scarce resources in strategically and broadly conducting HRM activities.

The second contribution in our study is the extension of the literature by comparing different ownership types in the Vietnamese context, which is one of the most dynamic developing countries in Southeast Asia. We have witnessed the rapid development of the Vietnamese economy in the last 30 years, providing the HR departments with an opportunity to be more strategic-focused (Nguyen *et al.*, 2017). However, the foundation of the centrally-planned management system in Vietnam shows a highly hierarchical and top-down structure, power distance and power centralization (Quang and Thang, 2004; Zhu *et al.*, 2008) continues to be evident in public sector organizations. These features have not only inhibited the adoption

of new and modern HRM philosophies from the West (Vo and Bartram, 2012; Zhu *et al.*, 2008) but also led to relatively high recognition of the HR department's formal authority, legitimate strategic involvement and influence in strategic decision-making. Therefore, formal authority predominantly provides opportunities for the public sector HR department to exercise its power and influence, leading to acceptance of its effectiveness. These findings support the established arguments by Galang and Ferris (1997), Haggerty and Wright (2010) and Sheehan *et al.* (2007).

On the other hand, private sector organizations in Vietnam tend to be more flexible and able to acquire features of modern HRM systems from foreign organizations in Vietnam (Quang and Thang, 2004; Thang and Quang, 2005b). These characteristics enable the adoption of modern HR practices and an increasing awareness of the HR department's strategic role (Nguyen *et al.*, 2013; Zhu *et al.*, 2008; Zhu and Verstraeten, 2013). The informal management systems and flatter hierarchical levels of private sector organizations encourage the HR department to collaborate and share power equally in decision-making with line managers (Quang and Thang, 2004; Zhu *et al.*, 2008). Through partnerships with line managers, private sector HR managers are able to influence line managers' acceptance of the HR department's effectiveness. This finding corroborates the study of Perry and Kulik (2008).

### ***Managerial implications***

Public sector HR managers could establish their formal authority as a way to enhance the recognition of HR department effectiveness. This can be done by relying on the presence of the traditional bureaucratic characteristics of the public sector, which confer the HR department with formal authority. As suggested by scholars such as Ferris *et al.* (2007) and Sheehan *et al.* (2007), public sector HR managers must use political and influencing skills to get the support of multiple managers. Some examples of these skills include sharing HR-related information with line managers, working with line managers to solve interpersonal problems and discussing the goals of the organization with line managers together with what the HR department can do

to assist the implementation of business strategy (Sheehan *et al.*, 2016). With these influencing skills, public sector HR managers can play an active role in developing strategies and establishing good relationships with other senior managers, which is vital for HR managers (Sheehan *et al.*, 2007; Sheehan *et al.*, 2016). In addition, prior studies have argued that the public sector has to make more improvements in HRM to be more competitive (Hays and Kearney, 2001; Teo *et al.*, 2003). Vietnam's public sector organizations should follow this trend (Vo and Bartram, 2012; Zhu *et al.*, 2008). The HR department in the public sector should improve strategic management skills in order to integrate HRM activities with business decision-making processes. This suggestion is similar to that made by Teo and Rodwell (2007) in their study of Australia's public sector organizations.

Formal authority was found to be less important in the private sector. Hence, private sector HR managers have to consider the activities that will bring credibility and legitimacy to their department; for example, by forming a partnership with line managers (Perry and Kulik, 2008). HRM activities could also be devolved to line managers in order to allow HR managers to focus on more strategic activities (Perry and Kulik, 2008). Furthermore, HR managers could become "boundary spanners" who possess, control and manage relevant information that helps their organizations to deal with environmental contingencies (Sheehan *et al.*, 2007).

### ***Limitations and future research implications***

We acknowledge some limitations of this study. First, the cross-sectional nature of the sample could potentially limit the study's findings. Second, line managers in the present study were working in modern cities in Vietnam. These participants may have been exposed to Western literature on HRM. Therefore, future studies could replicate the findings within a particular industrial sector in other regions or developing economies with similar characteristics in order to validate and determine the generalizability of the theoretical model. Third, while this study attempted to limit the issue of a single source of respondents for common method variance,

future studies could utilize multiple sources of respondents in order to capture a broader view of the HR department's power and influence. The last limitation of the study is around the issue of the operationalization of formal authority. Future research could develop a scale to measure the indicators reflecting the HR department's formal authority in developing economies.

### **Conclusion**

Our study contributes an understanding of the determinants of HR department effectiveness in the context of Vietnam. Research findings show that in the public sector, the HR department's level of formal authority is positively linked to their strategic involvement, from the perspective of line managers. The more formal the authority, the more the public sector HR department is perceived to be involved in the strategic management process. Thus, formal authority is a prerequisite that public sector HR departments need in order to signal their importance among line managers. To have a long-term influencing role in the organization, political and influencing skills are vital competencies for the HR department in the public sector to build. In contrast to this, a strategic partnership with line managers is important for the private sector HR department to effectively exercise its influence in decision-making.

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**Table I.** Comparison of fit indices between hypothesized and alternative models in Study 1

	<b>CFA Models</b>	$\chi^2$	df	$\chi^2/df$	CFI	TLI	RMSEA	SRMR	<b>Chi-square difference test</b>
Model 1	Four-factor model (hypothesized model)	204.09	122	1.67	0.98	0.98	0.04	0.03	
Model 2	Three-factor model	505.50	125	4.04	0.91	0.89	0.09	0.07	$\Delta \chi^2(3) = 301.41$ ***
Model 3	Single-factor model	1306.22	128	10.21	0.73	0.68	0.15	0.12	$\Delta \chi^2(6) = 1102.13$ ***

**Note:**

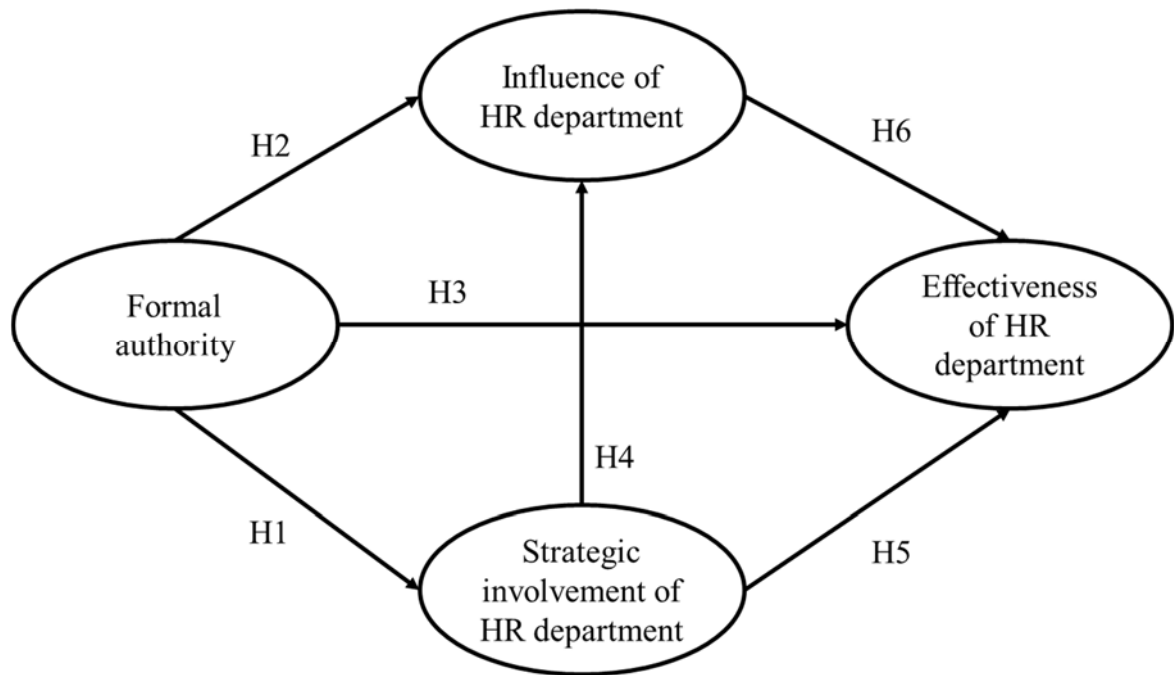
\*\*\*  $p < 0.001$

Model 1 consists of formal authority, strategic involvement, influence and HR department effectiveness

Model 2 consists of formal authority, HR department status (strategic involvement and influence), HR department effectiveness

Model 3 is a single factor model in which all items were loaded onto one factor

**Figure 1. Proposed model**



**Table II.** Descriptive statistics and correlations between latent variables in both studies

	Mean	SD	AVE	CR	1	2	3	4
1. Formal authority	2.42 (3.08)	0.86 (1.02)	0.61 (0.61)	0.79 (0.88)	<b><i>0.78</i></b> <b><i>(0.78)</i></b>	0.20*	0.20*	0.35***
2. Strategic involvement	3.36 (3.98)	0.89 (0.73)	0.73 (0.66)	0.92 (0.92)	0.15**	<b><i>0.85</i></b> <b><i>(0.81)</i></b>	0.73***	0.70***
3. HR department Influence	3.50 (3.96)	0.92 (0.83)	0.80 (0.72)	0.87 (0.91)	0.06	0.55***	<b><i>0.89</i></b> <b><i>(0.85)</i></b>	0.68***
4. HR department effectiveness	3.00 (3.85)	0.84 (0.84)	0.70 (0.68)	0.89 (0.91)	0.12*	0.57***	0.60***	<b><i>0.84</i></b> <b><i>(0.82)</i></b>

Note:

N1 = 405; N2 = 155; SD = Standard Deviation; \* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$ .

AVE = average variance extracted, CR: composite reliability

Bold and italic values are the square root of AVEs.

Numbers in brackets are calculated in Study 2.

Correlation coefficients between latent variables in Study 1 are reported on the lower left diagonal.

Correlation coefficients between latent variables in Study 2 are reported on the upper right diagonal

**Table III.** Direct path analysis results in Study 1

	<b>Coefficients</b>	<b>S.E.</b>	<b><i>p</i></b>
H1: Formal authority → Strategic involvement	0.17	0.06	***
H2: Formal authority → Influence	n.s.		
H3: Formal authority → Effectiveness of HR department	n.s.		
H4: Strategic involvement → Influence	0.61	0.07	***
H5: Strategic involvement → Effectiveness of HR department	0.34	0.06	***
H6: Influence → Effectiveness of HR department	0.48	0.06	***

Note:

*N*1=405; \*\**p* < 0.01, \*\*\**p* < 0.001

Control variables were included in testing hypotheses



**Table IV.** Multi-group analysis in Study 1

	<b>Public</b>	<b>Private</b>	
	Estimate	Estimate	z-score
Formal authority → Strategic involvement	0.30***	0.09	-1.66*
Strategic involvement → Influence	0.68***	0.68***	-0.03
Influence → Effectiveness of HR department	0.28**	0.53***	2.22**
Strategic involvement → Effectiveness of HR department	0.50***	0.27***	-1.61

Note:

$N = 405$ ; For z-score: \* $p < 0.1$ , \*\* $p < 0.05$

**Table V.** Results of multiple linear regression analysis and analyses of mediating effects in Study 2

	<b>Strategic involvement</b>	<b>HR department influence</b>	<b>HR department effectiveness</b>	
Independent variables	$\beta$ (SE)	$\beta$ (SE)	$\beta$ (SE)	
<i>Controls</i>				
Ownership type	0.17 (0.12)	0.08 (0.09)	0.17 (0.09)	
Firm size	-0.01 (0.05)	0.11 (0.04)**	-0.06 (0.04)	
<i>Direct effects</i>				
Formal authority	0.14 (0.06)*	0.04 (0.04)	0.17 (0.04)***	
Strategic involvement	-	0.82 (0.06)***	0.47 (0.09)***	
Influence	-		0.33 (0.08)***	
Overall $R^2$	0.05	0.57	0.60	
$\Delta R^2$	-	0.52	0.03	
$df$	3, 15	4, 15	5, 15	
Overall $F$	2.79*	49.29***	44.90***	
<b><i>Bootstrap indirect effect on HR department effectiveness</i></b>				
		<i>Effect (Boot SE)</i>	<i>BootLL 95% CI</i>	<i>BootUL 95 %CI</i>
Formal authority $\rightarrow$ Strategic involvement $\rightarrow$ HR department effectiveness		0.07 (0.04)	0.01	0.16
Formal authority $\rightarrow$ Strategic involvement $\rightarrow$ Influence $\rightarrow$ HR department effectiveness		0.04 (0.02)	0.01	0.10

Note:

$N2 = 155$

LL = lower limit; CI = confidence interval; UL = upper limit; Unstandardized regression coefficients are reported; Standard errors in parentheses.

Bootstrap sample size = 10,000

\* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < 0.001$

**Table VI.** Results of mediation effects of strategic involvement in public sector organizations

Variables	Consequent								
	Strategic involvement			HR department Influence			HR department effectiveness		
	<i>Coefficient</i>	<i>SE</i>	<i>95% CI</i>	<i>Coefficient</i>	<i>SE</i>	<i>95% CI</i>	<i>Coefficient</i>	<i>SE</i>	<i>95% CI</i>
Formal authority	0.29***	0.08	0.12, 0.45	0.06	0.08	-0.10, 0.22	0.01	0.07	-0.13, 0.15
Strategic involvement	-	-	-	0.52***	0.08	0.35, 0.68	0.43***	0.08	0.26, 0.59
HR department Influence	-	-	-	-	-	-	0.27***	0.08	0.12, 0.43
Constant	2.61***	0.23	2.15, 3.06	1.65***	0.30	1.05, 2.24	0.44	0.29	-0.14, 1.02
	$R^2 = 0.09$			$R^2 = 0.28$			$R^2 = 0.41$		
	$F_{(1, 122)} = 12.01***$			$F_{(2, 121)} = 23.30***$			$F_{(3, 120)} = 27.51***$		
<b><i>Bootstrap indirect effect on HR department effectiveness</i></b>									
						<i>Effect (Boot SE)</i>	<i>BootLL 95% CI</i>		<i>BootUL 95% CI</i>
Formal authority → Strategic involvement → HR department Influence						0.15 (0.06)	0.05		0.29
Formal authority → Strategic involvement → HR department effectiveness						0.12 (0.05)	0.05		0.24
Formal authority → Strategic involvement → Influence → HR department effectiveness						0.04 (0.02)	0.01		0.10

Note:

The tests were conducted with the sample of public sector.

SE: standard error; LL = lower limit; CI = confidence interval; UL = upper limit; Unstandardized regression coefficients are reported; Bootstrap standard errors in parentheses.

Bootstrap sample size = 10,000.

\*\*\* $p < 0.001$