# REALLOCATION OF HR FUNCTIONS AND ORGANIZATIONAL EFFECTIVENESS: AN EMPIRICAL STUDY

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#### BACKGROUND

In any start-up venture or an existing organization, entrepreneurial ideas act as one of the key resource to provide opportunities ranging from technological advancement, product development to an entire new launch. Today, organizations are highly supportive towards individuals with new creative ideas and it is often considered that individual, organizational and environmental factors highly influence the core existence of entrepreneurial ideas (Cooper & Dunkelberg, 1986; Schollhammer, 1982; Webster, 1977). For any start up venture, autonomy: self determination to make a business out of an new or a better idea; innovation: the "creative destruction or new combinations" (Schumpeter, 1934, 1942); risk taking: venturing into something new or lending and making massive assurance to pay back the resources; pro-activeness: farsightedness to make an opportunistic expansion (Lumpkin & Dess, 1996; Penrose, 1959); and competitive aggressiveness: intense competition for the survival of the fittest; are considered to be antecedents of entrepreneurial orientation.

A new venture enters the competitive industry where the initial cost of entering, operating cost or making future plans for existence are of utmost priority(Gabe, 2001). In this scenario an individual has to be multitasking in order to reduce costs. In a new venture or in a business expansion of an existing firm earning profits in the initial stage is very difficult but maximum ventures try to attain their breakeven point as early as possible and to attain that, devolution of managerial functions may act as a catalyst to achieve the targeted goal. Devolution of HR functions may serve as one of the key factors for any organization to meet its reduced cost targets. Many authors like Brewster& Lareen, 1992; Schuler, 1992; Storey & Sisson, 1994; Budhwar & Sparrow, 1997 Nehles, 2017; Butkute, 2010; Crawshaw & Game 2015; Hasan et al., 2015; Intindola *et. al.*, 2017 have highlighted some of the major underlying principles of devolving the managerial functions to the line managers. They are (a) line managers can take quicker decisions and this also helps the line managers to become better future managers(Feierabend, &

Sender, 2017; Kuper, 2015) (b) reduce costs (c) some issues are too difficult for the Top management to handle and can be handled by the local managers in the utmost effective way (Nehles, 2017; Butkute, 2010) (d) line managers can easily locate the problems and their conditions as they are more close to the employees (Kuvaas *et. al.*, 2014; Tufail *et. al.*, 2016);(e) line managers can easily motivate the employees and exercise control as they are in constant touch with each other (Crawshaw & Game 2015).

As the organizations have increased reallocation of many HRM functions, line managers' contribution in implementing those activities has also increased and is often considered as critical HR implementations (Sikora and Ferris, 2014). As authors(e.g. Reilly, P., & Williams, T. (2016; Cunningham & Hyman, 1999; Hall & Torrington, 1998; Reilly, Tamkin & Broughton, 2007; Thornhill & Saunders, 1998) have evidenced an increase in reallocation of HR responsibilities and stated that actual implementation of HR functions is carried on by the line managers but opinions differ about the role left with the HR department. Authors have also opined that the HR department has lost its importance because of reallocation to the line managers (Yusliza 2019; Feierabend, & Sender, 2017; Cunningham & Hyman, 1999; Kanter, 2003). Many authors (e.g. Kulik& Perry, 2008) opine that reallocation creates new opportunities for the HR department as valued time can be concentrated on more strategic HR activities (Blayney 2019; Gottardello & Valverde, 2018; Nehles, 2017; Intindola et. al., 2017; Larsen & Brewster, 2003; Ulrich, 1998; Whittaker & Marchington, 2003; Gilbert et al., 2011). Line managers are considered to have significant responsibility in handling HR practices and their behavior is considered to be the key to improve trust, job satisfaction, commitment and effectiveness of employees (Yusliza 2019; Feierabend, & Sender, 2017; Harney & Jordan, 2008; Gilbert et al., 2011).

### LITERATURE REVIEW

**Reallocation of HR Functions:** Budhwar & Sparrow (1997) highlighted that huge debates have been carried in the past about the changing and the ever challenging role of HRM & Personnel management. HR has evolved various roles in the past and one of the major roles of HRM is considered to be its integration with corporate strategy and devolving the responsibility of HRM to the line managers instead of personnel specialists (Blayney 2019; Gottardello & Valverde, 2018; Nehles, 2017; Intindola *et. al.*, 2017; Brewster & Rausen, 1992; Schuler, 1992, Schuler *et al.*, 1993; Storey, 1992; Hall & Hall, 1988).

The aforesaid change in the role of HRM or the integration of HRM with line managers has enabled the HR specialists to focus on more important factors like: a) their valuable say in the board; b) their presence in writing personnel strategy; c) consultation of HRM

in developing the Corporate goals, mission and formulating their strategies; d) translating these formulated goals missions into simpler workable plans; preparing the material and the methods so as to train the requisite team members (Kuvaas *et. al.*, 2014; Tufail *et. al.*, 2016; Budhwar & Sparrow, 1997; Sparrow et al., 1994). The involvement of line managers in performing HR functions is a way to strengthen the relation between HR and line managers as the role of HR professionals has changed (Blayney 2019; Gottardello & Valverde, 2018; Nehles, 2017).

Reallocation of HR Functions and Organizational Effectiveness: Organizational effectiveness is considered to be the core of any organization's sustainability (Young & Tilley, 2006). An activity is said to be effective if it is able to achieve the desired goal in the stipulated time period (Barnard, 1938). In the current situation it is the duty of the line manager to perform the HRD activities which form an integral part of organizational effectiveness. Line managers perform various HRD activities on day to day basis. Their activities include briefing the targets to their employee, discussing the HRD policies, discussing the issues faced and evaluation of targets apart from the other HR functions. It has been reported that line managers are directly involved in performing maximum HRD activity and evaluating and discussing the targets tops the list (Watson and Maxwell, 2007). It has further been quoted that line managers involvement is day to day HRD activity has been perceived to be of increased importance in order to achieve organizational effectiveness. The positive attitude, perception and active participation of the line managers in performing HRD activities helps in achieving higher organizational effectiveness. However if the line managers face issues like lack of aspiration, excessive workload, unsupportive working environment or some other factors which are beyond the control of line managers it tends to negatively affect the effectiveness of the organization (Mansoor et al., 2011). It has also been highlighted that sometimes there is difference of perception between the opinion of line and HR managers or many a times the two are not able to view things with similar perspectives. This is possible because both the line and HR managers are from different professional backgrounds. The extent of positive relation between line and HR managers helps in achieving higher organizational effectiveness (Papalexandris and Panayotopoulou, 2005). Therefore this study is an attempt to understand the impact of reallocation of HR functions on organizational effectiveness in Indian banking sector.

#### **METHODOLOGY**

In this phase of the study a model was developed to understand the impact of Reallocation of HR functions and organizational effectiveness. To understand the relation between Reallocation of HR functions and organizational effectiveness the following hypothesis were formulated.

H1: Reallocation of HR functions to only line managers has a significant and a positive impact on organizational effectiveness.

H2:Reallocation of HR functions to only HR managers has a significant and a positive impact on organizational effectiveness.

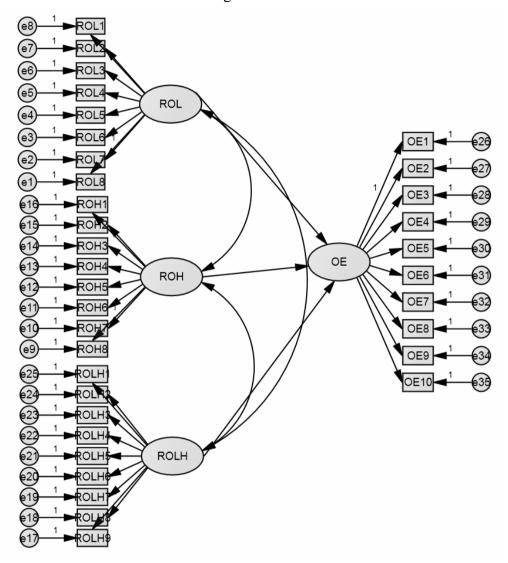
H3:Reallocation of HR functions to both line and HR managers has a significant and a positive impact on organizational effectiveness.

The proposed model was tested on a sample of 110 employees collected from different branches of a Bank in Haryana and Punjab Region. The selected bank was one of the thirteen banks that have been licensed recently. The new banks' are incorporating structural changes and was considered as an appropriate sample frame. In the first phase of the study Reallocation of HR Functions (operational aspect of HR functions) was studied in three aspects (a) Reallocation of HR functions to only line managers (ROL); (b) reallocation of HR functions to only HR managers (ROH); (c) Reallocation of HR functions to both HR and line managers (ROHL). The model linked ROL, ROH & ROHL and its impact on Organizational effectiveness was analyzed. The model was tested administrating a reliable and valid instrument (Sujan et.al., 2017) and organizational effectiveness was measured using scale developed by Taylor & Bowers, (1972). The questionnaire was distributed among 200 employees, of which 110 valid responses were collected constituting a response rate of 55 percent. The proposed conceptual model was tested using SEM (AMOS 18.) Structural equation modeling is considered to be an ideal method to analyze and understand conceptual models (Garver and Mentzer, 1999; Medsker et al., 1994).

## **FINDINGS**

Line manager's major task is to recruit, select, train, motivate and manage their staffs' performance in order to bring out the best of quality service from the employees. The manager's face huge issues of retaining the existing workforce and in addition to this their major issue is of seasonality. The initial findings also reveal that the line managers encourage and create a high service quality environment in order to deliver the quality promised to its customers. This reallocation of HR functions has paved way for HR Managers to play a more important role in the boardroom (Nehles, 2017; Butkute, 2010; Crawshaw & Game 2015; Hasan et al., 2015; Intindola *et.al.*,2017). The findings of the study also provide valuable knowledge on various factors and its role in implementing successful reallocation of HR Functions. The values of CFI= 0.917; NFI= 0.770; GFI=

0.785; CMIN/DF= 1.419; RMSEA =0.062 PCLOSE= .060 which indicates a good model fit. The above results are shown in the figure below:



# Key:

CFI= 0.917; GFI= 0.785; NFI=0.770; CMIN/DF 1.419; RMSEA= 0.062 PCLOSE=0.60 ROL→OE= .116; ROH→OE= -0.42; ROHL→OE= 0.33

The study indicates a positive impact of Reallocation of HR (ROL $\rightarrow$ OE= 0.116 & ROHL $\rightarrow$ OE=0.33) functions on organizational effectiveness but when the HR functions are performed only by HR managers (ROH $\rightarrow$ OE=-0.42) it creates a negative impact on

OE. The reason has been discussed in various researches (a) the individuals are in constant touch with their line managers which makes them available at the time of issues (b) the line managers can easily asses their performance being in constant touch with the employees (c) line managers can make quick decisions as they are often considered as local managers (d) can motivate employees, excise control as they can assess the root cause for any issue (Brewster Lareen, 1992; Brewster & Soder storm, 1994; Schuler, 1992; Storey & Sisson, 1994; Budhwar & Sparrow, 1997).

#### FUTURE IMPLICATIONS OF THE STUDY

The line managers make quicker decisions and many studies have been conducted on the ability of line managers to implement their HR functions effectively but how does it effects the overall effectiveness of the organization should also be mapped (Nehles *et al.*, 2013; Lawler, 2005; Nehles, 2010). Due to time constraint the study was conducted on cross-sectional basis rather and longitudinal basis which could also form basis of an interesting research.

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