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HRM in Multinational and Domestic Enterprises:
A Comparative Institutional Analysis in South-East Asia

Executive Summary

This paper looks at the relative impact of context on the role of senior managers. It compares HR Directors of Domestic Enterprises (DEs) against those of multinational enterprises (MNEs), within an emerging market setting, based on a survey of HR Directors in Brunei. We found that that, with the exception of some aspects of selection and recruitment, HR Directors of MNEs accorded a higher priority to strategic tasks, yet were more reluctant to delegate. This study confirms the importance of MNEs in pioneering more modern and integrated approaches to people management, but also limitations to the extent to which they might act as evangelists of new practices that are adopted by their local peers. In contrast, local firms were more likely to concentrate their attention on administrative, rather than strategic, issues. We draw out the implications of our findings for theory and practice.

Keywords: International HRM, HR Directors, institutional theory, emerging markets.

Introduction

Does context – and how deeply a firm is embedded in it – override formal organisational structures and roles to determine the extent to which a firm manages its people strategically? A broad body of literature suggests that MNEs are particularly likely to serve as 'norm entrepreneurs', pioneering and promoting new practices that challenge existing ways of doing things (see Bjorkman and Lervik, 2007; Dore, 2008). This may encompass more strategic and innovative approaches to HRM (Brewster et al., 2008). It has also been argued that the presence of an HR Director is some indication of how seriously firms take HRM, and of the willingness of firms to accord HR professionals a voice in strategic decision-making (Sheehan, 2005). Through their presence at board level, HR Directors have a greater chance of ensuring that people management strategies are better aligned with the other aspects of firm strategy (Ulrich

and Dulebohn, 2017). This is achieved through championing the importance of the HR function, through negotiating with colleagues' adjustments to the strategic direction within other functional areas and through using their insider knowledge of the board, ensure that people management practices adopted are those that best fit the overall strategic direction of the organization (Holden, 2001). A better alignment can ensure the optimal usage of human capital and the development of combined organizational cognitive capabilities (Aoki, 2010). Yet, in some firms, HR Directors have been much more successful in securing such a role than others.

Hence, this paper investigates whether representation of the HR function at Board level generally makes for a more strategic and innovative approach to HR, or whether the latter is more likely to be associated with MNEs. The latter are less closely bound to local rules and conventions and, hence, where there may be more space to innovate, especially in countries of domicile where institutions are evolving (Wood et al. 2014). In seeking to answer this question, we evaluate the relatively strategic role accorded to HR Directors in MNEs versus that of their local counterparts, variations according to firm characteristics, and their willingness to delegate strategic functions, drawing out the implications for theory and practice. This study is based on evidence from Brunei, a micro-state with a strong presence of international firms. In 2013 alone, FDI accounted for some 5.56% of its GDP, a strong performance in global terms, as was the case in the preceding years (Trading Economics, 2015), and, hence, it represents a context where MNE effects on wider practice are likely to be particularly pronounced.

Whilst there is a limited but growing body of literature on the role of HR Directors and the relative extent of real power they may hold (Sparrow and Brewster, 2006), almost all of this has been concentrated on mature markets (e.g., Wright, 2008; Peters and Heusinkveld, 2010; Roche and Teague, 2012). This may, in turn, reflect the fact that, within many emerging markets, the dominant HR paradigm is authoritarian-paternalistic, obviating the need for HR

specialists at Board level (c.f. Webster and Wood, 2005; Kuruvilla, 1996), limiting the evidence base. However, larger firms (whether indigenous or foreign) operating in emerging markets have increasingly accorded the HR function greater prominence, at least in nominal terms. There are at least three reasons for this. The first is that renewed growth in many emerging markets, on the back of high minerals prices, has created opportunities for rapid upsizing of firms. The second is regulatory complexities, ranging from uneven enforcement of legislation to pressures to indigenise, necessitating specialists capable of navigating – and, accordingly, setting strategies for navigating – them. The third centres on the problems inherent to the reliance on low-wage production paradigms, which, in turn, range from the relative ease of entry of competitors to poor productivity. The literature that compares HR practices in MNEs versus those in DEs suggests that the former are more likely to promote and disseminate new and more strategic HR systems, incorporating influences from both their countries of origin and emerging global best practice (Gooderham et al., 2008; Brewster et al., 2008). However, the bulk of this literature has focused on specific sets of practices, not issues of HR strategy. As Business Systems Theory alerts us, MNEs span institutional domains, meaning that they are not only subject to a range of competing institutional pressures, but also less rooted or bound by conventions in single settings (Whitley, 1999; 2007). This raises the question as to whether formal organisational structures and the presence of an HR Director have general consequences in promoting strategic HRM, or whether it is largely a product of setting and how deeply a firm may be rooted in it. In focusing on this issue, we seek to advance understanding of home and host country effects; this paper seeks to move beyond simply cataloguing their effects on formal organisational structures and roles to exploring how they may be acted out in a particular context.

Theory and Hypotheses

The MNE and Local Context: Comparative Institutional Analysis

Comparative institutional analysis has become increasingly influential in explaining what firms do according to context. However, much of the literature has focused on the wider political economy, which, it has been argued, imposes common pressures on all firms seeking to operate within a particular context (Hancke et al., 2007; Hall and Soskice, 2001). It has also tended to neglect the case of firms that span national settings, MNEs (see ibid.). However, Dore (2008) argues that MNEs are, by their very nature, less committed to any context, and, in any event, are subject to sometimes contradictory pressures from each of the countries in which they operate. As such, they have more room to deviate from established norms, and, indeed, challenge the way things are done (Dore, 2008). Recent developments and extensions of Business Systems Theory have accorded more attention to the MNE. As MNEs straddle institutional domains, country-of-origin pressures inevitably get diluted (Nguyen, 2014). In entering new markets, MNEs may seek to impose practices developed abroad, but they will also face pressures to fit in (Brewster et al., 2008). Indeed, they may have an interest in doing so, in order to reap the unique competitive advantages flowing from local production regimes (Whitley, 2010; Morgan, 2012; c.f. Whitley, 1999). Central to the literature on comparative capitalism is the concept of *complementarity*, that is a combination of sets of rules and practices that, in working together, yield better outcomes than would otherwise be the case (Hall and Soskice, 2001; Whitley, 2010). In order to access these benefits, players have an incentive in align their practices with the prevailing dominant model, as this will most likely be the one that will be optimal for the context (ibid.). The literature on comparative capitalism initially held that significant complementarities would only be encountered in the most advanced societies, with emerging economies evolving towards one or other mature model (Hall and Soskice, 2001). Later work recognized that the most advanced societies do not have a monopoly on

complementarity, but, by the same measure, that there remains a general consensus that complementarities in other markets are at best partial, incomplete, and work to serve a much smaller grouping of players than would be the case in emerging markets (Lane and Wood, 2014; Cooke, Veen & Wood, 2016). In the latter, institutional arrangements are likely to be fluid evolving, both on account of external pressures from world markets and transnational institutions, and the opportunism of internal actors (ibid.; Wood et al., 2014). Given its robust growth, Brunei might be seen to have highly effective complementarities, but against this should be considered the uneven nature of this growth, the difficulties encountered in developing non resource-based industries, and, in terms of structural challenges in devising effective corporate governance arrangements (Ross, 2015).

However, in fluid and developing institutional settings, local complementarities (that is, sets of rules and practices that, when working together, result in better outcomes than the sum of their parts) are likely to be much less developed (Hall and Soskice, 2001; Darwish et al., 2015). Not only are MNEs less likely to be attracted to such contexts by them – they are likely to be more attracted by access to resources or markets – but they also, in turn, have considerably more room to remould rules and practices (Morgan and Kristensen, 2006; Morgan, 2012). Given that local complementarities are underdeveloped, local players are likely to have a weaker vested interest in the present order, and, hence, may be more willing to defect to an emerging or alternative model (Dore, 2008; Morgan, 2012). However, in contexts of formal regulatory fluidity or weakness, informal conventions are likely to assume greater importance; outsiders are likely to be less attuned to them and, indeed, will accrue fewer benefits from working within them (Whitley, 2007; Morgan, 2012). This may make for persistent divides in practice between MNEs and DEs, even if the latter emulate formal MNE practices (Morgan and Kristensen, 2006; c.f. Nguyen, 2014). The earlier literature on cross-cultural management would suggest that Brunei represents a high-power-distance culture (Hofstede, 2001). However, the

comparative institutional analysis literature suggests that, irrespective of cultural setting, contexts with less developed institutional arrangements are likely to be characterised by more developed informal networks of support, facilitating informal and open-ended interactions in the absence of formally constituted rules and associated expectations (Wood et al., 2010).

The Role of the HR Director

There is little existing literature on the role of HR Directors; the earliest work on the topic includes the typologies of Tyson (1987) and Carrol (1991). Tyson's typology (1987) offers three individual models, all of which differentiate the roles to be played by an HR Director. This includes the 'clerk of works' model, where the HR Director has no role in the strategic and business side of the organisation, only having administrative duties in the areas of the main HR practices (recruitment and selection, training, performance appraisal, incentives and rewards, retention); the 'contract manager' model, where the HR Director mainly deals with the trade unions, being expert at agreements between the organisation and these entities, doing whatever is required to keep issues to a minimum; and 'the architect' model, where HR Directors maintain a good relationship with top-level management as well as Line Managers so as to have influence on the direction taken by the whole organisation, with such managers deciding on corporate and business strategies. Carrol's (1991) typology builds on the work initiated by Tyson and highlights the shift in the role of the HR Director to a more strategic one: this would suggest that organisations who have an HR Director would take people management more seriously at the highest levels. Carrol's typology adds three additional roles that HR Directors can play in organisations: these include 'delegators', whereby the implementation of policies is carried out by Line Managers; 'technical experts', where the HR Manager focuses on only their area of specialty, such as the HR-specific areas of recruitment and selection, training and development, performance appraisal, and incentives and rewards; and the 'innovator', where the HR Director is able to contribute to decisions made by the

organisations in order to solve major potential problems such as a lack of motivation and productivity. A limitation of such typologies is that they may be seen as epochopal, or ahistoric; whatever their formal job title, HR Directors (or their equivalents) in the past may have played a more strategic or open-ended role than their nomenclature might suggest (see Kaufman, 2007). It has further been argued that the strategic role of HRM is not a recent notion that suddenly burst out in either theory or practice in the last three decades; such ideas can be traced back more than a century, to the writings and contributions of John R. Commons and other labour economists of that period (Kaufman, 2002). In focusing on nomenclature, modern management scholars have neglected differences in real job roles, and variation in them within and between contexts (ibid.). In short, what is important is not simply whether an HR Director is present or not, but what tasks s/he performs.

In common with all senior HR Managers, it is possible that HR Directors may be excluded from strategic decision-making processes; again, there may be a high level of managerial intervention in the HR Director's areas of specialist expertise. This may reflect a primary focus on administrative tasks; again, HR Managers may be cast as go-betweens, serving as a bridge between management and employees, and hence not really belonging to the former camp at all (see Watson, 1977; Legge, 1978; Tyson and Fell, 1986). Truss et al. (2002) argue that *Type A* HR Directors have power within their organisations, and that they see themselves as having much to do with business and strategic decisions, whilst *Type B* HR Directors focus on only their areas of expertise, adopting a more traditional view, meaning that they do not seek, and/or are unable to secure, involvement in general strategic decision-making. Storey (1992) similarly argues that HR Directors can be divided into distinct categories, again ranging from the strategic to the administrative and/or supportive (c.f. Ulrich 1997). Schuler and Jackson (2001) argue that the role of the HR Director is a dynamic and shifting one and is therefore likely to move between these fields.

Statement of Hypotheses

It has been argued that MNEs are more likely to promote practices that are new or innovative in their country of domicile than their local peers; this would reflect their exposure to a wider range of alternative practices, (typically) greater resources, as well as country-of-origin pressures (Brewster et al., 2008). Not only are MNEs likely to be able to bring more resources to bear in developing more sophisticated HR systems, but they are also less likely to be bound by established conventions in their countries of domicile (Morgan, 2012). Moreover, as noted above, given the absence of complementarities, firms in emerging markets are less likely to develop sophisticated HR systems that make optimal use of contextual regulatory features (Hancke et al., 2007); similarly, this and a lesser insider knowledge of what can be achieved through following established local 'recipes' would mean that MNEs would accrue fewer benefits from fitting in with local norms (ibid.). Hence, it could be argued that, given the greater opportunities to innovate, and the lesser pressures to conform to established ways of managing people:

H1: HR Directors of MNEs will play a more strategic role at their subsidiaries than their local counterparts.

MNEs straddle institutional domains, and at best are only partially rooted in a single one (Morgan, 2012). Although this may open more space for innovation, the problem of institutional distance presents itself. The latter may be defined as the relative variations normative, cognitive and regulatory institutions between the two countries at stake; in other words, it encompasses both formal rules and embedded informal ways of doing things (Xu and Shenker 2002; Schwens et al. 2011). Local staff are likely to have the insider knowledge that makes them better equipped to navigate host country institutional complexities, and are likely to be more fully inserted into local networks, that often compensate for institutional shortfalls

in emerging markets (Wood et al. 2014; Chakrabarty 2009). Given that expatriates are likely to be disproportionately represented in senior job bands – on the basis of skills and/or cross-organizational and international experience (Blunt 1988; Singh et al. 2012) this means that there will be stronger pressures to delegate to more junior and line managers, who are more likely to be locals, and hence, with the necessary contacts and experience to manage effectively within the domestic environment.

H2: HR Directors of MNEs will be more likely to delegate day-to-day HR work to Line/Junior Managers than their domestic counterparts.

However, other environmental features may impact on the role of HR Directors. A feature of many contemporary petrostates is large migrant workforces. Brunei is no exception in this regard, with a large number of migrant workers from India, the Philippines and Indonesia (Santoso, 2009; Mani, 2008; Singh et al. 2017). It could be argued that a large number of migrant workers pose a range of challenges for HR; not only may there be considerable churn, but also there may be shortfalls in training and skills, as well as problems in communication (Baxter-Reid, 2016; Rodriguez et al. 2017). However, a feature of the resource curse is that local training and skills development structures in non-resource industries is often neglected; hence, it cannot be assumed that local staff will be any better trained (Badeep et al. 2017; Mellahi and Wood 2002; Mellahi, 2007). Again, as jobs in the oil and gas industry are more lucrative, there may be quite high turnover rates amongst local staff, as employment in other sectors may be viewed as a temporary stop gap (ibid.). In other words, managing local and foreign rank and file workers may both pose specific challenges, but it cannot be assumed that one set of challenges is more daunting than the other. This leads us to Hypothesis 3:

H3: The ratio of local staff to migrants will have no bearing on the strategic role of the HR Director.

It may be the case that the relative extent of strategic HR is largely a function of organisation size, rather than of whether a firm is an MNE or not; indeed, the latter could be, within the Bruneian context, a proxy for the former. Larger firms are likely to have a larger pool of resources enabling the development of specialist capabilities (Brewster et al., 2006). A better resourced HR function with specialist capabilities gives HR the potential to assume a wider cross organizational strategic role (Brewster et al., 2002; Bratton and Gold, 2017). Again, larger firms may benefit from bureaucratic economies of scale (Brewster et al. 2006), allowing for greater standardization routine practices, which would free up HR capacity for more strategic projects. Hence,

H4: The larger the firm, the more likely it is that the HR Director will play a strategic role.

Industry, Company Structure, Objectives and Strategies Pursued by the Firm

There is little research on whether the role of HR Directors could also be influenced in any way by the industry in which the firm is operating, the structure of the firm (e.g., functional areas, product groups or geographical areas), the objectives the firm is pursuing (e.g., sales and market share, profitability or even maintaining reputation) and strategies pursued by the firm (such as new and improved products, maintaining a hold on traditional products, advertising or even competitive pricing); however, these could be essential features of the firm that could have an impact on the role the HR Director assumes within the firm. Kuruvilla (1996) has argued that features such as the industrialisation strategies of nations can create distinct patterns of HR practice; however, business strategies and sector-specific dynamics, such as dominant technologies, cause variations in HR patterns. Although not *a priori* hypothesised, we decided to test the influence of these variables in our statistical analysis and during the process came up with some interesting findings (see the Results section). Existing research evidence also indicates that older employees are likely to have accumulated a deeper body of industry and

firm-specific (as older workers are more likely to be longer-serving) knowledge, understanding and wisdom, and more developed organisation-specific human capital (Birdi et al., 2008). To this, we can also add that the gender of the HR Director would not have an influence on the role HR Directors play. Finally, it is also likely that longer-serving CEOs are more likely to accurately cost the worth of an organisation's cognitive capabilities and thus make more effective use of knowledge and understanding across the firm, and of the potential value of its people (Aoki, 2010).

Methods

Context, Data and Measurement

This study was conducted in Brunei Darussalam, a Southeast Asian country bordering the South China Sea and Malaysia. Oil and gas production accounts for the majority of the national income of the country and has dominated the economy since the initial breakthrough in 1963 (Mohamed et al. 2013; Darwish et al. 2017). However, economic diversification is one of the principal objectives of Brunei, in acknowledgment of the fact that oil and gas are both finite resources and to overcome any negative effects of a possible 'resource curse' (Auty, 1993). Recent work on comparing Asian capitalisms has identified key defining features of Asian economies, and hence, provides ways of identifying how Brunei corresponds with, and departs from, other Asian business systems (Witt and Redding 2013; 2014; Fainschmidt et al. 2018). Education and skill levels are high, as is the overall size of the economy. However, the country remains much more dependent on oil and gas than many comparable petrostates, and, its next most competitive area of activity – paperboard – is, in international terms, uncompetitive. Again, although the country has a good basic infrastructure, it lacks the high-level infrastructure: top class health care, a regional leading university, and a better transport network. The country is also a very unequal one, ranked 94th in the world; such inequality

would suggest that many have only had limited benefit from the oil and gas boom (Michael, 2018). Again, mapped against Witt and Redding's (2013; 2014) taxonomy of key institutional features that differentiate the different Asian economies, from ownership and governance, to the financial system to employment relations, would suggest that it has significantly more in common with the less developed Asian economies than the mature ones (Michael, 2018; Singh et al. 2017; c.f. Fainschmidt et al. 2018).

Data for this study comes from a primary survey of the HR Directors of Domestic and Multinational Enterprises operating in Brunei. A count revealed a total of 465 relevant domestic and foreign enterprises operating in the country, and a random sample size of 214 was selected.[1] Of these, 151 replies – 88 from DEs (60%) and 63 from MNEs (40%) – were received (a response rate of 70%).

The questionnaire, addressed to HR Directors, had eight sections that inquired into the following aspects of the business: the role of the HR Director; recruitment, training and retention; appraisals, incentives and rewards; corporate culture; information on DEs' workforce; and company performance. This paper is based on the information on the role of the HR Director and selected variables from additional sections. The section on the role of the HR Director is centred on exploring the activities of the HR Director within organisations, based on existing literature (e.g. Hiltrop et al., 1995; Budhwar and Sparrow, 1997; Ulrich, 1997; Budhwar, 2000; Schuler and Jackson, 2001; Truss et al., 2002; Chang and Huang, 2005; Sparrow and Brewster, 2006; Andersen et al., 2007; Singh et al., 2012). The first question read: 'What activities of the HR Director are of greatest strategic importance to the organisation?', with respondents asked to indicate on a 5-point Likert scale – from 1, 'not significant', to 5,

[1] Based on the formula to determine sample size $= \frac{N}{1+N(e)^2}$, where N is the population size and e represents the confidence level.

'very significant' – the level of their activities in nine possible functions. The routine activities included tasks such as 'Headhunting (searching for skilled employees)', 'Contributing to succession planning' and 'Organising training programmes', whilst the strategic activities were made up of 'Contributing to planning and implementing the business and corporate strategies' and 'Advising on organisational design'. Question 2 belongs to section (B); the latter had four questions in total. In Question 2 we asked the respondent 'How has the role of HR Director changed over the last 5–10 years?' For their reply, we gave five options and asked respondents to indicate the most appropriate of four choices, which were: (1) 'The HR Director has become more influential in strategic decision-making'; (2) 'Review of training needs' (meaning the role of the HRD has become more important in this aspect); (3) 'The training budget carries a higher priority' (for the HRD); and (4) 'Frequent job rotation has become more common for middle managers' (by the HRD). Question 3 asked 'How important is the delegation of the following to Line/Junior Managers?' with HR Directors asked to indicate on a Likert scale (5 being very important) their views on two HR issues: 'Day-to-day HR work' and 'HR strategic decisions'. The footnote to Table 1 lists all the variables used in the study.

Control Variables

Seven binary variables and one non-binary control variable were chosen for this study: gender (male/female), age (young/elderly), experience of the HR Director (in years), firm age (older firms – established for more than 15 years), firm size (larger/smaller), local labour participation rate, and the number of years CEOs have served the company in the last ten years, and firm identity (DE/MNE).

Statistical Methodology

A descriptive analysis of the different aspects of the role of the HR Director, including the use of *t*-tests, was used to assess whether the differences between the continuous variables of DEs and MNEs were statistically significant. Mann-Whitney tests were used as a nonparametric equivalent of the independent *t*-tests, for the dichotomous variables. The independent *t*-test looks at the differences between groups. It also takes into account the unequal number of participants in each group (in our case, DEs vs MNEs) as the variance of each sample can be weighted. The *t* statistic can be stated as follows:

$$(\bar{X}_1 - \bar{X}_2)/(\sqrt{s^2_{p/N1} + s^2_{p/N2}})$$

These tests have been commonly used in comparative studies in HRM research (e.g. Myloni et al., 2004a; 2004b; Mammam et al., 2006). Such methods are the statistical techniques most frequently employed when evaluating and comparing the differences in means between two groups (Field, 2009). For multivariate analysis, ordinal and logistic regression analysis was used (see footnote to Table 4 for details).

Results

Descriptive Results: HR Directors' Activities

Table 1 lists the possible jobs HR Directors are likely to perform, and the priority that respondents assigned to the importance of these tasks.[2] The tasks were broadly classified into two groups – namely routine and strategic – although this was not highlighted to the HR Directors in the questionnaire. We shall look at routine tasks first.

[2] Levene's test was first applied, to determine whether or not the variances were different for the various groups for each task; the test revealed homoscedastic relationships of the groups.

Table-1: Routine and Strategic activities of HR Director[1]

HR Director Activity	Operation level	Mean	Mean Difference	Std. Deviation	Significance	t-statistics
Routine Tasks						
Headhunting	DEs MNEs	3.84 4.11	-0.270	1.113 1.002	0.064	-1.533
Succession Planning	DEs MNEs	3.75 4.11	-0.361	1.031 0.935	0.014**	-2.241
Organising Training programmes	DEs MNEs	3.55 4.11	-0.566	1.038 0.935	0.001***	-3.439
Planning career paths	DEs MNEs	3.45 3.97	-0.514	0.946 0.861	0.001***	-3.415
Job evaluation	DEs MNEs	3.66 3.97	-0.309	0.933 0.782	0.017**	-2.144
Monitoring and assessing employee performance	DEs MNEs	3.73 4.02	-0.289	1.036 0.942	0.041**	-1.752
Acting with equal opportunity legislation	DEs MNEs	3.17 3.19	-0.020	1.243 1.090	0.459	-0.103
Strategic Tasks						
Contributing to planning and implementing strategy	DEs MNEs	3.89 4.32	-0.431	1.129 0.858	0.005***	-2.665
Advising organisation design	DEs MNEs	3.09 3.44	-0.354	1.013 1.028	0.019**	-2.101

[1]Response to question: 'what activities of the HR Director are of greatest significance to the company?'
** Significant at the 0.05 level, *** Significant at the 0.01 level.

Our results indicate that, other than 'Headhunting' and 'Acting with equal opportunity legislation', the HR Directors of the MNEs saw all routine tasks as being more important than did their counterparts from DEs. This is a little surprising considering that the more developed HR systems in MNEs might suggest that there would be less emphasis placed upon routine tasks, freeing up time to concentrate on more strategic tasks. The reasons for this might reflect the challenges of having to navigate diverse, shifting and, at times, unfamiliar regulatory environments. Across five activities, the HR Directors of MNEs placed more emphasis on 'Succession planning' ($Md = –0.361$, $t = –2.241$, $p < 0.05$), 'Organising training programmes' ($Md = –0.566$, $t = –3.439$, $p < 0.05$), 'Planning career paths' ($Md = –0.0514$, $t = –3.415$, $p < 0.05$), 'Job evaluation' ($Md = –0.309$, $t = –2.144$, $p < 0.05$), and 'Monitoring and assessing employee performance' ($Md = –0.289$, $t = –1.752$, $p < 0.05$) when compared with the HR Directors of DEs. These statistics tell us that the mean difference for these activities was statistically significant. On two routine tasks that were not statistically significant, 'Headhunting' ($Md = –0.270$, $t = –1.533$, $p > 0.05$) and 'Acting with equal opportunity legislation' ($Md = –0.020$, $t = –0.103$, $p > 0.05$), HR Directors of MNEs still perceived these

activities to be more important than did DE Directors. Less surprisingly, the means of both strategic tasks were significantly higher in MNEs when compared with DEs. Both were statistically significant and showed that HR Directors of MNEs regarded both tasks as more important than did their DE counterparts in the activities of 'Planning and implementing strategy' (Md = –0.431, t = –2.665, $p < 0.05$) and 'Advising on organisational design' (Md = –0.354, t = –2.101, $p < 0.05$). The significant differences in strategic tasking between the HR Directors of MNEs and DEs lend strong support to the first hypothesis.

The Shifting Role of the HR Director

Table 2 presents the responses of HR Directors on their changing role within their organisations in the past 5–10 years (the question was asked within this class interval). A significant difference between the views of HR Directors of MNEs and DEs can be seen in the areas of the training budget (U = 2358.0, z = –2.261, $p < 0.05$) and job rotation (U = 2489.500, Z = –2.058, $p < 0.05$). No significant statistical difference was encountered in the areas of strategic decision-making (U = 2461.5, Z = –1.417, $p > 0.05$) or human relations (U = 2718.0, Z = –17.17, $p > 0.05$), although HR Directors from MNEs indicate a shift towards these areas when compared with DEs' HR Directors. These results partially support the second hypothesis.

Table-2: Dynamics of HR Directors' role[1]

Role of HR Director change	Operational Level	Mean Rank	MW- U test	Z-statistics	Significance
Strategic Decision Making	DEs MNEs	72.47 80.93	2461.50	-1.417	0.105*
Human Relations	DEs MNEs	75.39 76.86	2718.00	-0.239	0.471
Training Budget	DEs MNEs	71.30 82.57	2358.00	-2.261	0.020**
Job Rotation	DEs MNEs	72.79 80.48	2489.50	-2.058	0.038**

[1]Response to question: 'How has the role of HR Director changed over the last 5-10 years?' *Significant at the 0.05 level. *significant at .10 level.

Devolution of HR Tasks

Table 3 presents the responses of HR Directors on the importance of delegating routine and strategic HR work to Line or Junior Managers. Though barely significant, the results do show that HR Directors in MNEs delegate routine HR tasks (Md = –0.225, t = –1.214, p > 0.05) to Line and Junior Managers more often than do those in DEs. In contrast, the results significantly indicate that HR Directors in MNEs do not delegate strategic issues to Line or Junior Managers as much as DEs' Directors do (Md = 0.435, t = 1.913, p < 0.05). These results support the second hypothesis as MNE HR Directors seem to devolve day-to-day HR issues, such as performance appraisal and recruitment, to Line Managers in order to focus more on the strategic issues and/or because they lack the insight possessed by their subordinates, who might interact more often with the general staff.

Table-3: Devolution of HR[1]

Devolution of HR	Operations Level	Mean	Mean Difference	Standard Deviation	Sig.	t-statistic
Routine HR work	DEs	3.81	-0.225	1.192	0.113	-1.214
	MNEs	4.03		1.015		
Strategic HR work	DEs	2.63	0.435	1.384	0.029**	1.913
	MNEs	2.19		1.355		

[1]Response to question: 'How important is the delegation of the following to line/junior managers?' **Significant at the 0.05 level.

Multivariate Analysis of Results

In order to further elaborate on these results, we undertook a detailed multivariate exercise involving control variables. We defined 14 individual equations involving seven routine and two strategic functions, and five tasks related to the changing nature of the HR Director's role, as a function of 25 control variables, grouped under four blocks (c.f. Table 4 and footnote for details). The first block of eight control variables in the table refer to the gender and age of the HR Director, their level of experience, operational level of the firm (MNE or DE), firm age and size, the extent of local participation in the firm's labour force, and the turnover rate of its CEOs. The second block refers to seven industry dummies, and the third block takes into

account the way in which the firm is organised. The final block considers the objective the firm is pursuing. This detailed multivariate analysis highlighted underlying influences control variables may be having on the routine, strategic or changing nature of HR Directors' functions. We analyse the results in Table 4 block by block.

Hypothesis 3 predicted that the ratio of local staff to migrants will have no bearing on the strategic role of the HR Director. Model 7, which asked the question on 'Ensuring compliance with equal opportunities', has a significant but negative sign as a function of 'local labour participation'. It seems that, with the increase in the rate of local labour participation, the need to actively comply with equal opportunity requirements wanes; such firms have less to worry about from local indigenisation legislation. It seems that DEs take this condition more seriously than their counterpart MNEs; they are not able to regime shop, and, hence, must take indigenisation more seriously. In Hypothesis 4, we conjectured that, the larger the firm, the more likely it is that HR Directors will play a strategic role. However, the results do not support this; rather, it seems that size of the firm has no influence on the activities – whether routine or strategic – undertaken by HR Directors. Accordingly, thus far, the results described hold for all firm sizes. In short, the differences we encountered were not simply a product of MNEs potentially being larger than their local counterparts.

Table 4 Ordinal and logistic regression results on the functions of HR Directors

Predictors	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14
Basic controls	Routine functions							Strategic functions		Changing role of HR Director				
1.Gender of HR Director	-.01	-.30	.35	.37	.09	.03	.35	-.65	-.13	-.05	.17	37.11	.76	.59
2.Age of HR Director	-1.02**	-.73*	.19	-.09	.00	-.25	-.03	-.13	.15	-1.01*	-1.13**	-42.17	-.08	2.70
3.Experience of HR Director	.33	-.24	-.84*	-.87*	-.26	.38	-.30	-.21	.15	.50	1.19*	14.57	-.78	19.27
4.MNEs/DEs	.25	.89***	1.11***	1.06***	.59*	.60*	.02	.72**	.74**	.36	.35	-101.53	1.26**	1.92**
5. Firm Age	.19	.07	-.91**	-.53	.12	.21	-.19	.58	.05	-.27	-.31	47.13	-.11	-1.01
6. Firm Size	.51	-.01	.00	.11	-.12	.07	-.34	.23	-.52	-.06	-.12	-81.96	-.37	-1.21
7. Local Labour participation	-.68*	-.27	-.18	-.25	-.18	-.51	-.82**	.30	-.02	.52	-.55	-21.43	.16	1.13
8. CEO stability	.39	.12	.27	.16	.06	.08	-.30	.47	-.22	.25	.23	-123.15	-.67	-2.09
Industry														
9.Oil and Gas	-.69	-.23	.68	.95	.67	1.03	.82	-.34	.45	-.24	1.44	19.75	20.87	17.47
10.Finance	-1.38	.15	.40	1.07	.23	-.52	-.01	-.39	.52	.06	.72	20.63	20.71	16.40
11.Travel and Hospitality	-.57	-1.96**	-.11	.19	-1.12	-.58	-1.22	-1.76**	-.11	-.61	1.64	82.73	18.85	17.32
12.Retail	-1.24*	-.74	.39	.51	-.14	-.16	-.89	-.85	-.10	.04	.09	71.05	19.82	15.53
13.Wholesale	-.83	-1.24	.20	.45	-.19	-.28	-.80	-.79	-.45	.27	.19	80.38	20.29	16.65
14.Media	-.77	-1.54*	-.01	.72	-.21	-.23	-.40	-.67	.42	.53	-.23	60.63	19.79	-1.25
15.Manufacturing	-1.95**	-.47	.44	.30	.01	-.01	-.31	-1.13	.09	.06	1.18	103.32	20.62	20.52
Company structure														
16.Functional Areas	-.49	-.93	-.12	-1.28*	-.13	.20	.72	-.77	-.03	-.88	.51	-10.18	-1.36	2.91
17.Product group	-.30	-1.09	-.62	-1.66**	-.67	-.88	.37	-.66	-.44	-.85	.28	-.06	-1.21	2.85
18.Geographical Areas	.40	-.43	.27	-.83	.35	.00	.90	-.59	-.02	-.11	-.75	93.39	-1.57	3.32
Company objectives														
19.Sales & mkt. share	-.10	.62*	.06	.04	.36	.47	-.56	.54	.08	.01	.42	-11.83	.16	.22
20.Profitability	.60	.18	-.21	-.14	-.04	-.51	-.09	.24	-.21	-.25	.32	22.15	-.61	1.40
21. Maintain reputation	.85	.27	-.06	.01	-.09	-.19	-.64*	.29	-.18	-.18	-.17	-10.11	-.35	-.81
Strategies pursued														
22.New/improved products	-.38	-.37	.13	.78*	.30	.53	.33	-.48	.12	.04	.41	-7.23	-.07	-.63
23.Traditional Products	.03	.02	-.23	.21	-.15	.09	-.40	.05	.28	-.17	.20	45.33	.16	-.20
24. Sophisticated advertising & Promotion	.58	.88**	-.13	.47	.26	-.44	.34	.07	-.07	-.26	-.44	81.16	.74	1.18

25.Competitive pricing	.25	-.69*	-.24	.38	.30	.49	.78**	-1.12***	-.33	.01	.29	61.45	.74	1.84*
Model Fitting Statistics														
-2 log likelihood	359.36	365.62	386.12	365.04	363.84	378.58	439.17	356.34	413.80	181.95	177.38	0.00	124.22	50.91
Chi-square	44.31	35.13	26.45	31.87	15.82	25.06	22.14	31.10	15.92	13.76	27.80	62.57	26.34	46.83
R^2 Cox and Snell	.25	.21	.16	.19	.10	.15	.14	.19	.10	.09	.17	.34	.16	.27
R^2 Nagelkerke	.27	.22	.17	.21	.11	.16	.14	.20	.11	.12	.23	1.00	.25	.56

*** significant at .01 level; **significant at.05 level; *significant at .10 level.

Models 1-14 (Dependent Variables) are responses to following 14 questions classified into three groups—'routine functions', 'strategic functions', and responses related to the 'changing role of HR Directors'. Under 'routine functions' response to following seven questions was sought (models 1-7): what activities of the HR Director are of greatest significance to the company? Responses were: 1. headhunting 2. contribution to succession planning 3. Organising training programmes 4. Planning career paths 5. Job evaluation 6. Monitoring and assessing employee performance 7. Ensuring compliance with equal opportunity. Under 'strategic functions' two questions were posed (models 8-9): Importance of HR Directors in 'Contribution to planning and implementing business and corporate strategies' (model-8); 'Advising on organisational design' (model 9). Models 1-9 are ordinal as responses were in Likert scale (5 very significant). Under 'changing role of HR Directors (models 10-14) response to following five questions was sought: 'how has the role of HR Directors changed over the last five to ten years'? Responses were: 10. 'HR Directors has become more influential in strategic decision making' 11. 'the human relations perspective is now more influential throughout management' 12. 'the level of commitment which can be expected from employees has become lower' 13. 'The training budget carries a high priority' 14. 'Frequent job rotation has become more common for middle managers' (models 10-14 are logistic regressions as responses were 1/0).

25 independent variables in column 1 are as follows: 1. Gender of HR Director (1=male) 2. Age of HR Director (1=older) 3. Experience of HR Director (1=more experienced) 4. Company classified as MNE or DE (1=MNE) 5. Firm age (1=older established) 6. Firm size (1=larger) 7. Local labour participation rate (1 ≥ 50%) 8. Number of CEOs who have served the company in the past 10 years (if only 1=1; >1=0); 9-15 are industry dummies (1 for stated industry; 0 otherwise): 9 Petrochemicals Industry 10. Financial sector 11. Travel and Hospitality 12.Retail sector 13. Wholesale and Distribution 14. Media and Communication 15. Manufacturing; 16-18 are dummies on how a company is structured (1 if structured in the stated way; 0 otherwise): Company structured on: 16. functional areas 17. product groups 18. geographical areas. 19-21 are dummies for company objectives (1 for stated objective; 0 otherwise): Company objectives are: 19. sales and market share 20. Profitability 21. improve reputation; 22-25 are company strategy dummies (1 for stated objective; 0 otherwise): 22. Continuous innovation of new and improved products 23. Continuous investment in traditional products 24. Sophisticated advertising and promotion 25. Selling standardised products at highly competitive prices.

Ordinal regression used to analyse part of the data may be written in the form as follows: if the logit link is applied: $f[g_j(X)] = \log\{ g_j(X) / [1- g_j(X)]\} = \log\{[P(Y \le y_j \mid X)] / [P(Y > y_j \mid X)]\} = a_j + \beta X$, $j = 1, 2, \ldots, k - 1$, and $g_j(x) = e^{(a_j + \beta X)} / [1 + e^{(a_j + \beta X)}]$, where j indexes the cut-off points for all categories (k) of the outcome variable. If multiple explanatory variables are applied to the ordinal regression model, ßX is replaced by the linear combination of $\beta_1X_1 + \beta_2X_2 + \ldots + \beta_pX_p$. The function f [gj (X)] is referred to as the link function that connects the systematic components (i.e. $a_j + \beta X$) of the linear model. The alpha a_j represents a separate intercept or threshold for each cumulative probability. The threshold (a_j) and the regression coefficient (ß) are unknown parameters to be estimated through means of the maximum likelihood method (Chen & Hughes, 2004).

Logit model is of the type: $Logit\ (Y) = In\left(\frac{\pi}{1-\pi}\right) = \alpha + \beta 1X1 + \beta 2X2 \ldots\ldots\ldots\ \beta nXn + \epsilon_i$; where π = Probability; $\mid X_1 = x_1, X_2 = x_{2\ldots\ldots}, X_n = x_n = \frac{e^{\propto + \beta 1X1 + \beta 2X2 \ldots\ldots\ldots\ldots \beta nXn}}{1 + e^{\propto + \beta 1X1 + \beta 2X2 \ldots\ldots\ldots\ldots \beta nXn}}$

Where π is the probability of the event, α is the *Y* intercept, β_s are the regression coefficients, and X_s are a set of predictors; α and β_s are estimated by the maximum likelihood (ML) method. The null hypothesis underlying the overall model is that all β_s are zero. A rejection of the null hypothesis implies that at least one β does not equal zero in the population, i.e., the logistic equation predicts the probability of the outcome better than the mean of the dependent variable *Y*.

Row 4 describes the results for MNEs vs DEs across all 14 models. As described earlier, HR Directors in MNEs seem to more closely monitor all functional areas with the exception of headhunting. The latter may be easier for HR Directors of DEs to undertake considering their greater knowledge of local customs and values, and of how labour law (including indigenisation legislation) works in practice; they are also more likely to be aware of the nature of local informal networks. MNEs, on the other hand, may delegate the job to specialist headhunting firms or more junior local colleagues. The results of Models 13 and 14 tell us that training budget and rotating jobs for middle managers are important functions for the HR Directors of MNEs. Possibly, the two are related, as managers with rotated jobs might require additional training. The results of Model 3, when read in conjunction with these results, tell us that, as firms grow older, the need for organising training programmes wanes; possibly, owing to the presence of experienced employees available in-house, mentoring comes to substitute for formal training.

Results on Industry, Company Objectives, and Strategy Controls

As stated previously, literature does not give *a priori* guidance in terms of whether or not the role of HR Directors could, in any way, also be influenced by the industry, objectives and strategies pursued by firms. The available data encouraged us to model these additional blocks of variables (see Table 4) in our work. In our analysis, the 'Travel and hospitality' and 'Media' industries stand out: results for Models 2 and 8 show that HR Directors in these industries are less inclined to be concerned with contributing to either succession planning or the implementation of business and corporate strategies. These are service industries where the role of HR Directors is potentially more focused on the front line, such as finding and training employees, leaving issues of succession planning and corporate strategies to those higher up the Board. In the 'Manufacturing' sector, the coefficient for headhunting is significant but

negative, which might indicate an emphasis on industry-specific skills and knowledge secured through working with training institutions and/or on internal capability development. With regard to the structure of the firms, none of the coefficients, barring two for Model 4, are significant but negative, implying that the way in which a firm is structured has no bearing on the functions of HR Directors. It seems that, in particular, planning career paths as a job for HR Directors is negatively related to firms being structured on the lines of 'functions' area and 'product' group area – possibly because such firms are a little too dispersed for a single HR Director to handle. In the objectives block, it seems (Model 2) that, in the case of those firms that pursue the objectives of 'Growth in sales' and 'Sophisticated advertising and promotion policies' (sales volumes are often closely related to advertising), HR Directors are more likely to play an active role in succession planning. This is explainable by the fact that, if the firm is methodical in maintaining its sales, it would do well to retain key staff with carefully planned career succession for its key staff. It seems that, when the local labour participation rate goes up or when its reputation is on the rise, a company becomes less inclined to worry about equal opportunity issues – which is a plausible result. Model 14 tells us that HR Directors engaged in 'Frequent job rotations for middle managers' are a positive function of firms pursuing 'Competitive pricing' as their strategy – owing, perhaps, to a pressing need to find the best managers to help a company stay ahead of its competitors.

It also seems, from the results, that older HR Directors are less involved in the headhunting process, succession planning or the training needs of employees. These seem to be delegated to ranks below the HR Director – possibly in order for HR Directors to focus on higher value-added strategic jobs. However, older HR Directors may be lending a hand in jobs of a more strategic nature; they seem to be less influential, though, in the strategic decision-making process. It appears as if the Board is inclined more towards younger HR Directors when it comes to delegating strategic decision-making processes, possibly reflecting the extent to

which they are more likely to hold academic or professional qualifications; it may also be a generational matter. The formative phase of older HR Directors' HR careers may have fallen at a time when local people management was, perhaps, primarily concerned with the administration of personnel, and they have thus retained this orientation – even though the strategic possibilities have broadened. Indeed, more experienced HR Directors were more likely to delegate HRD and HR Planning to their more junior colleagues. As predicted, the gender of the HR Director has no influence on the role played by the HR Director. Finally, the results also indicate that longer-serving CEOs are more likely to accord the HR Directors a strategic role. However, it seems from the results that the turnover of CEOs does not have a discernible influence on the roles they accord to HR Directors; this would suggest that wider institutional contextual circumstances, and their relative effects on the firm as a whole, outweigh any particular insights accorded by experience.

Discussion and Conclusions

It might be expected that MNEs are likely to have more developed HR structures than their local counterparts (Budhwar, 2000). However, even between firms with HR representation at Board level, real differences were apparent. We found that HR Directors in MNEs were more likely to pursue a strategic role within their organisations than their local peers. There are two possible, interrelated reasons for this. The first is that MNEs are more likely to be exposed to global best practices than domestic firms, and/or under pressure by shareholders to adopt ways of doing things dominant in their countries of origin; in the case of Brunei, it would most likely be firms originating in the advanced societies. The second is that MNEs are, at best, only partially rooted in a single setting, and are not only subject to home and host country institutions, but have a greater relative autonomy and range of strategic options open to them

than their local competitors. Although having the HR function represented at Board level may impart a greater visibility to it (Lawler and Mohrman, 2003), this does not necessarily mean that it assumes a strategic role. Rather, the latter may represent a product of the density of the network of relationships both within a firm, and between it and other actors (c.f. Hall and Soskice, 2001; Hancke et al., 2007). When firms are, at best, only partially rooted in a single setting, HR Directors, and senior managers at large, may have considerably more autonomy to innovate, and to accord a more strategic role for HR, than might be considered 'normal' practice within a particular context.

The findings of this study have relevance to how we understand home and host country pressures on MNEs and the role of the HR function more generally. Although the literature on international HRM has tended to focus on variations in HR practice according to home and host country dynamics (Ferner et al., 2011; Brewster et al., 2008; Gooderham et al., 2008), this study provides further insights into the direct effects of an organisation being multinational; the role of the HR director is significantly more strategic in firms that cross national boundaries.

Again, the comparative institutionalist literature has tended to focus either on variations in macro-economic and societal features, seeing HR practices as something of a transmission belt, moulded by wider institutional arrangements, and in turn, socio-economic effects (Wood et al. 2014). In other words, there is more of an interest inputs and outcomes than the specific effects of institutions on intra-organizational practice (Wood et al., 2014). This study provides more detailed insights on the latter, and the uneven extent it is moulded by context. Even if a firm takes HR sufficiently seriously to have the office of an HR Director at all, the impact that s/he is able to have will depend on the nature and extent of local ties. It would also indicate that top-down changes in formal organisational structures to reform practice may vary in efficacy according to local dynamics. Rather than generally evangelising new ways of doing things that

spread across a context (Dore, 2008), MNEs may only have a limited effect on the actual HR strategies (or lack thereof) of their local counterparts.

Does this mean that MNEs are always better at what they do than their local peers? We found little difference in the proclivity of HR Directors to delegate routine and formalised HR tasks, although what difference there was could be ascribed to more authoritarian local approaches when fixed procedures were considered. However, not only were DEs less likely to adopt a strategic approach to HRM, but also, when they did, they were more likely to delegate it. This could represent an inability to distinguish between strategic and routine HR functions. However, it could also suggest that MNE HR Directors (who are likely to be expatriated or working abroad) do not fully trust local staff to carry out more than routine administrative tasks. In contrast, informal ties and networks operating outside of formal regulatory structures may facilitate and moderate interactions between local staff across different levels of authority within and beyond the firm in such emerging market settings (Wood et al., 2010). It is likely that local staff are more attuned to local realities and to what is feasible. In other words, even if MNEs are better equipped to innovate, they may be less good at promoting more decentralised ways of working than their local peers, even within their own firm; this would further suggest constraints on any evangelising role.

We found only limited evidence to suggest that company structure, the objectives and strategies a firm pursues, and the industry in which it is engaged have any influence on the role HR Directors assume (whether routine or strategic) within the organisation. This would suggest that playing a strategic role is not simply a function of complexity, as for example, may be the case with multinationality, although the latter question would represent an important avenue for further research. This may reflect a greater degree of homogeneity in small countries; not only are there likely to be fewer regional variations in institutional effects (c.f. Lane and Wood,

2014), but also firms in different sectors are more likely to be found in close spatial proximity than would otherwise be the case (Maskell and Malmberg, 1999).

Implications for Practice

The study confirms the importance of MNEs in pioneering more modern and integrated approaches to people management, but also limitations in the extent to which they might influence their local peers. Even if local firms formally accorded Board representation to HR Directors, they were less likely to accord them a strategic role. Whilst national legislation clearly impacted on key areas of MNE HR practice – above all, on recruitment and ensuring compliance with equal opportunities legislation – areas of practice not subject to formal regulation continued to differ. Above all, this highlights that the role of the HR Director is a 'lived' one, and that formal status is somewhat disconnected from how it works out in practice; organisations and contexts unused to HR playing more than a basic administrative role will not necessarily be receptive to the adoption of a more strategic orientation, irrespective of whether or not the function has a voice at Board level. Overcoming historical marginalisation ultimately requires a process of incremental negotiation with key actors. As outsiders to their countries of domicile, HR Directors originating or based abroad are likely to face particular difficulties in ensuring local staff comply with and support new HR directions, which, perhaps, can help explain a greater proclivity to centralisation. However, the latter is unlikely to ensure real changes in practice beyond the confines of clear directives. Although strategic HRM can make a real difference to many or most organizations, it seems that the opportunities are greater within multinational organizations, and where the positive 'pull' of local institutions and practices is weaker; innovation is harder in contexts where established regulations and informal norms are less embedded or fluid, and where the firm is more closely bound to existing players. The extent to which HR Directors can make a difference reflects not only skill in navigating

complexity (Truss et al. 2002), but also the relative space – and opportunities - afforded to them by a particular organizational and socio-economic context.

Limitations and Avenues for Future Research

This is a study that compares MNEs with their local counterparts, and does not compare firms that have an HR Director with those that do not. A study of the latter might reveal even greater differences; nonetheless, it seems that, even if an organisation has an HR Director, the relative extent to which s/he really plays a strategic role is bound up with whether a firm is multinational or not. At the same time, a closer look at differences in formal HR structures and roles would represent fertile ground for future enquiry. Resources and time permitting, future researchers could also use more than one respondent for their surveys to avoid any common method variance bias – although, in the case of the present research, a number of cross-checks revealed that it was not an issue. Again, the usage of more in-depth methods would be likely to yield richer insights into the role of the HR Director and how it is interpreted by other players within the firm. This is the first study of its kind in a small developing country with a proportionately large MNE presence; contexts where MNEs are less prominent might be associated with stronger pressures to fit in and HR practices more closely aligned with those of local peers. Again, a comparative dimension, looking at a greater range of Asian states, might provide more detailed insights into the varying nature, and determinants, of the local embeddedness of MNEs. A further area for enquiry would be to explore the nature of country-of-origin effects on the role adopted by HR Directors.

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