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**THE REASONS BEHIND THE DIFFERENCES BETWEEN CHINESE AND U.S.
TRAINING PROGRAMS**

A Thesis in

Human Resources and Employment Relations

by

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Abstract

This thesis reviewed scholar articles about training programs in the United State of America (U.S.A.) and China and provided explanations for the differences between training programs in these two countries. With secondary data provided by an academic network called Cranet, this thesis hypothesized that training days and training costs would be different in the private and public sector between the U.S.A. and China. Inspired by previous studies on training, this thesis also created a concept called systematic training and hypothesized that the relationship between the systematic training and two other indexes, the organizational performance and the employee turnover rate, would also be different in China and the U.S.A. The results from hypotheses tests confirm that the differences between two countries exist, but statistically, they are not as obvious as expected.

Keywords: training program, China, U.S.A.

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Chapter 1

Introduction

Globalization is one of the most significant trends in today's business world and many firms have identified globalization as their top priority (Marin & Verdier, 2012). Under globalization, competitions between companies have become fiercer than before. Thus, to stay competitive and to maintain economic growth are important missions for companies to survive. Human capital is one of the important drivers of economic growth, and therefore the focus on human capital is essential for businesses and especially for human resource (HR) departments (Blanchard & Olney, 2017). The skills and knowledge that employees acquire from training programs are a form of valuable capital (Schultz, 1961). So, for the HR department, training employees is important as through this process employees improve their skills and acquire new knowledge.

People understand the importance and the value of training. Moreover, a good evaluation and measurement system of training will ensure the highest possible level of efficiency in training (Ritzmann, Hagemann, & Kluge, 2014). In this thesis, the measurement system contains two parts, which are the level of training programs valued in a company and the effectiveness of the training program. The investment in training serves as a good indicator representing the extent to which a company puts its emphasis on and value its training programs (Maršíková & Šlaichová, 2015). Similarly, the duration or days of training programs also shows how much time a company is willing to spend on training. Both investments and days on training programs

can be used as indicators of how much a company values its training program. Employee's and organizational productivity and performance are indicators of training effectiveness (Arthur, Bennett, Edens, & Bell, 2003; Maršíková & Šlaichová, 2015; Kotey and Folker, 2007), because they help people to know if training is improving company's performance. Acknowledging the importance of training for organizations, this thesis provides a concept called systematic training. The systematic training is conceptualized as an overall and integrated measurement system of training programs. It starts with the need analysis for training, then confirms the designer of training programs, and most importantly, records the individual and organizational performance after training.

The national context is another issue which companies should consider when they design and conduct employee training programs. Globalization requires employers to understand different national contexts and how they influence the HR management (HRM) practice, specifically, training programs. Different countries have different cultural backgrounds, types of economies and social values, etc., and these factors influence the way that an employer values and conducts training programs in their home country (Brewster, Mayrhofer, & Smale, 2016). In this thesis, China and the United States of America (U.S.A.) are picked for the research.

The U.S.A. has been the No.1 on global GDP ranking for years, which keeps showing the world its great business power. The U.S.A. is a typical example of a liberal market economy and two features of the liberal market economy are the emphasis on market dominance and free trades (Gallego-Álvarez & Quina-Custodio, 2017; Pucheta-Martínez, Gallego-Álvarez, & Bel-Oms, 2019). On the other hand, the No.2 country on global GDP ranking, China, is completely different. China has long been under a planned economy and is a typical example of a state

corporatism economy which focuses on group objectives and which has many state-owned enterprises (SOEs) (Unger & Chan, 2015). China is also under a transitional period, which has started since the 1980s with the opening of its market (Wang, Bruning and Peng, 2007). The current market in China is primarily dominated by SOEs with many private business employers (Warner, 2004). This special market form makes China very unique compared to the U.S.A. As the top two countries in global GDP ranking, the U.S.A. and China have achieved their great economic development by adopting different economic mechanisms. The differences in types of economy and market are expected to influence HRM as well (Brewster et al., 2016).

Recognizing that training is important in today's business world and is different across countries, my study focuses on comparing training programs in the U.S.A. and China. There are six research questions: *1) What are the differences in training programs between China and the U.S.A.? 2) Why do these differences exist between China and the U.S.A.? 3) How much training, measured in days and costs, in the public sector and private sector in the U.S.A. and in China? 4) What are the differences in the level of systematic training in the private sector between China and the U.S.A.? 5) Does the level of systematic training influence the performance of the private sector business in China and the U.S.A.? 6) Does the investment (cost) in training influence the employee turnover rate in private sector in China and the U.S.A.?* I use secondary data by Cranet to test my hypotheses. The sample includes 82 private and 67 public companies in China and 54 private and 26 public companies in the U.S.A.

The findings in this thesis provide insightful information to the study of the effects of training programs on organizations in China and the U.S.A., an area which scholars have rarely touched before. Previous studies on training programs were either conducted in western

countries or in China, but no study, to the best of my knowledge, has compared training programs in the U.S.A. and China or tried to build connections between these two countries. The findings confirm that training programs are different in these two. However, they also indicate that under the trend of globalization, the differences are decreasing.

This thesis starts with the review of previous literature on training programs and national contexts in the U.S.A. and China and then uses them to build connections between training programs and national factors, leading to the comparison of differences between China and the U.S.A. Next, the hypotheses are created, and the methodology is explained. Finally, the results of hypotheses tests are presented and discussed, leading to the conclusion.

Chapter 2

Literature Review

Employee training in general

Employee training is a very common activity in the business world and organizations are using various training programs to train and educate their employees. Many scholars have defined training. Maršíková and Šlaichová (2015) defined training as “a planned effort by a company to facilitate their employees’ learning of job-related competencies,” which includes “knowledge, skills and behaviours that are critical for successful job performance in the immediate term or near future” (p. 14). They defined training from the skill and job-related aspect. On the other hand, Hughey and Mussnug (1997) defined training as a process that entails personal involvement and commitment and experiential gains. What they focused on was an individual’s career path rather than job-related competencies. Another type of training program is informational training. The informational training is primarily used in policy and knowledge learning and the improvement of work-related attitudes (Bennett & Lehman, 2001). In this thesis, the skill and job-related training and informational training will be focused.

As one of major HR functions, employee training programs generate a big value for the whole organization. Training programs help increase employee’s productivity and improve overall organizational performance (Hughey & Mussnug, 1997; Kotey & Folker, 2007; Maršíková & Šlaichová, 2015; Spowart and Taylor, 2019). In fact, training programs influence

organizations by positively influencing their employees' work-related skills, attitudes, and behaviors (Athur, Bennett, Edens, & Bell, 2003; Ehrhardt, Miller, Freeman, & Hom, 2011; Gardner, Wright, & Moynihan 2011; Maršíková & Šlaichová, 2015; Spowart & Taylor, 2019). Training is one of the most important company's investments on which a company could rely to generate additional value and increase productivity (Maršíková & Šlaichová, 2015). Kotey and Folker (2007) suggest that training could benefit a company's productivity, competitive advantages, and overall performance. Companies who value and focus on training programs would lower the turnover rate, increase productivity, and improve financial performance (Kotey & Folker, 2007). According to Spowart and Taylor (2019), employee training is a good way to upskill employees and then to keep the sustainability of the business, so managers view training as beneficial activities. Similarly, Arthur et al. (2003) state that training can help employees enhance their skills and increase their productivity and thus can maintain a firm's superiority in the marketplace. Maršíková and Šlaichová (2015) find that 72% of company's executives said they believed training is serving as one of the top ways to increase employees' knowledge, skills and abilities (KSAs). Meanwhile, training leads to stronger employee commitment (Ehrhardt et al., 2011; Gardner et al., 2011). Gardner et al. (2011) conclude that employees see training as a signal that their employer cares about their contributions and that training programs help employees to increase skill mastery and to eliminate their role confusion. Ehrhardt et al. (2011) assert that employees who feel they have received a comprehensive training tend to have higher organizational commitment. These statements from previous studies suggest that training is beneficial to both individual and organizational performance because it increases employee skill

level, contributes to higher productivity and improves employees' loyalty. In summary, training is valuable to organizations.

National contexts

Training is important, but successful and effective training programs must take national contexts into the consideration. Under the trend of globalization, understanding comparative HRM is critical, and it should involve the comparison between HR practices, such as training programs (Boxall, 1995), in different nations. Understanding training programs in different countries is the key to effective training programs. Extant research findings suggest that HRM in different countries is influenced by two main factors of national context, namely cultural and institutional factors (Gallego-Álvarez & Quina-Custodio, 2017; Pucheta-Martínez et al., 2019; Unger & Chan, 2015; Fernandez, Carlson, Stepina, & Nicholson, 1997). In this thesis, cultural factors refer to the overall national culture which is evaluated by Hofstede's (1980). On the other hand, institutional factors refer to types of society and types of capitalism or economy.

China and the U.S.A. have very different national contexts, but they both have made great economic achievements. Successful economic growth needs human capital (Blanchard & Olney, 2017), so the training programs in each country would be worth to study. Consequently, China and the U.S.A. will be great examples showing how national contexts will influence training program and its effectiveness on organization performance.

Institutional and cultural differences between the U.S.A. and China

The U.S.A. and China share one commonality, which is the great economic achievement, but they have very different, even opposite cultural and institutional features. The U.S.A. is one of the most typical capitalistic countries with a liberal market economy (Gallego-Álvarez & Quina-Custodio, 2017). The U.S.A. has a matured open market that encourages competition, and it is less regulated to protect the free trade between companies and even between countries (Pucheta-Martínez et al., 2019). China is a communist country, whose type of economy is called state corporatism. Typical state corporatism focuses on the goal of a country or a state rather than a single private business, and it normally means many regulations and policies and a planned economy (Unger & Chan, 2015). Nonetheless, during the last three decades, China has been experiencing changes in the market and in the property ownership. Today, China is also under a transitional economy. The term transitional economy in China specifically refers to the change from the planned economy to a more open-market economy with the allowance of multiple types of property ownership (Hou, 2011). The transitional economy and state corporatism together make China a very special case in the global economy as it has both the planned economy and the market economy at the same time.

China and the U.S.A. also differ in cultural aspects. The Hofstede's (1980) six dimensions of culture are widely used as a reference when researchers assess a country's culture. The six dimensions include power distance, individualism or collectivism, masculinity or femininity, uncertainty avoidance, long term oriented or short term oriented and indulgence or restraint. A significant difference between China and the U.S.A is that Chinese culture values the high power distance and collectivism, yet the U.S. culture values the low power distance and

individualism (Fernandez et al., 1997). The differences in these two dimensions influence the style of HRM in both countries.

Differences in training programs between the U.S.A. and China

China and the U.S.A. have different national contexts, leading to different training practices in both the private and public sector.

Public sector in the U.S.A. and China

The public sector in China are SOEs, and thus they are having a political role under the Chinese context (Unger & Chan, 2015). SOEs in China are owned by the Chinese government, which is the Communist Party of China and they are unique compared to those in other countries because of the state corporatism. The state corporatism values the goal and performance of a country or state, so it makes SOEs in China the primary representative of the Chinese national economy and thus requires huge financial and human capital investment (Unger & Chan, 2015). In the U.S.A., this is quite different since the market is less regulated and relatively free, and both the public sector and private sector could be the primary representative of national economy (Pucheta-Martínez et al., 2019). Consequently, the U.S. government doesn't put as much effort in the public sector as China does.

On the other hand, in China, large employers are more likely to provide trainings to employees than small employers (Mishra and Smyth, 2015). Since the SOEs in China are owned

by the central or regional government, they are big employers. Another fact in China is that for those companies who offered trainings, they have higher proportion of the communist party members in their employees than non-communist party member employees (Mishra & Smyth, 2015). Almost everyone who works in SOEs are members of the Communist Party of China because of the ownership of SOEs in China, so SOEs in China will take more training.

The transitional economy in current China also makes the Chinese SOEs very unique compared to the U.S. public sector. Wang et al. (2007) mentioned that the Chinese transitional economy requires western high-performance HR practices to be adjusted when applied in Chinese companies. Although SOEs in China have already adopted or are in the process of adopting western HR practices, they still show a very limited focus on humanistic goals compared to economic goals (Wang et al., 2007). In fact, under the transitional economy, the SOEs in China are still carrying some traditional HR practices. For instance, Wang et al. (2007) asserted that Chinese employees need a strict leader but not necessarily an excellent one who is good at work-related issues, which indicates the hierarchical management style in China even under the trend of adopting the western-style HR practice. In SOEs, the human resource department is controlled by only top management members or even some regional government officers. This strict hierarchical management style requires a high level of employee obedience. Training is a good way to help employees understand both the company's and party's policy, future development plans and the management style (Mishra & Smyth, 2015). Therefore, Chinese companies under public the sector would provide extensive training to employees and the type of training is likely to be the informational training since it is about policy compliance

(Bennett & Lehman, 2001). In summary, the stronger hierarchical management requires extensive informational training to employees in the public sector in China.

Cultural reasons also play an important role. The reexamination of Hofstede's (1980) country classification showed that China is a collectivistic country with a high power distance score (Fernandez et al., 1997). Collectivism means that people pursue group goals rather than personal goals (Lee, Beckert, & Goodrich, 2010), which is a basic feature of the state corporatism as well (Unger & Chan, 2015). The group goals for Chinese companies are economic performance and overall corporate harmony, which also are the purpose that Chinese firms emphasize in their training programs (Wang et al., 2007). The high power distance, on the other hand, emphasizes the controlling power. The Chinese context requires a control based HRM, an HRM system that emphasizes centralization, top-down control and rule-based culture (Khatri, 1999). Because the SOEs in China are the representative of the government, they would receive the highest level of control from the government. SOEs in China use more training to make employees comply with the rules and policies set by the government (Su and Wright, 2012). They spend a lot of time per year to have extensive employee training meetings, to educate their employees to comply with new policies and rules and to understand how to follow their leaders. This is also a good way to control employees and thus to booster productivity.

The public sector in the U.S.A. is different. Above all, comparing to the Chinese transitional market, the U.S.A. has a more matured market economy which is less regulated. Companies do not only comply with the rules, but they also influence the process of making the rules (Deng, Tian & Abrar, 2010; Pucheta-Martínez et al., 2019). Hence, the public sector in the U.S.A. does not need to frequently train employees about new releasing policies and regulations

as the Chinese public sector does. The public sector in the U.S.A. also uses training to achieve different goals than what the Chinese public sector does. The U.S. public sector trains labors and employees to enhance their productive skills and to increase their future earnings (LaLonde, 1995). The typical form of training combined a single occupation classroom with subsidized on-the-job training (LaLonde, 1995). However, this design of the training program is easily influenced by personal interference. LaLonde (1995) mentioned that because the goal is to increase value and productivity, many training programs only select workers or employees who are able to perform excellent jobs even without or before training. By doing so, the person who oversees the training programs guarantee the best post-training results with very little costs and effort. Trainers do not need to offer much training, but they still make their supervisors satisfied with the growth in productivity after training (Cragg, 1997).

Cultural aspects in the U.S.A. are also different. Based on the statement from Hofstede's (1980) six culture dimensions, the U.S.A. is a country upholding the value of individualism (Fernandez et al., 1997). Individualism, which is consistent with the features of the liberal market economy, encourages people to pursue individual's best interests and benefits (Pucheta-Martínez et al., 2019), so the country doesn't not use the public sector as a representative and core power of national economy.

In summary, the main focus of training in the Chinese public sector is compliance. The public sector, or the SOEs, acts as the strongest and most important participant of the Chinese economy. Hence, to make employees under the public sector comply with the rules and policies set by the employer, the Communist Party of China, employees in SOEs would receive more training than the public sector in the U.S.A. Employees in the public sector will spend more days

to learn and to be trained for new policies, new directions or new skills. Chinese SOEs will be likely to spend more days and costs on training than the public sector in the U.S.A. I therefore hypothesize that:

***Hypothesis 1:** The Public sector in China offers more trainings than the public sector in the U.S.A.*

Private sector in the U.S.A. and China

The western style HRM is called commitment-based HRM and it focuses on decentralization within the organization, a bottom-up structure and flexible culture (Khatri, 1999). One goal of the commitment HRM is to create an organic working environment that motivates employees to increase their skills (Khatri, 1999). Under the commitment HRM, the training programs take place more often, and they are well-designed, which has an entire system that decides the training contents, chooses the delivery methods, and measures the effectiveness (Su & Wright, 2012). Because China has long been under the planned economy, the country is weak in labor regulations and policies and their implementations (Su & Wright, 2012). This situation influences the training program in the private sector. Su and Wright (2012) believed that Chinese companies do not follow commitment HRM, but they follow a control-based HRM or a combination of the commitment- and control-based HRM. The control-based HRM was designed to improve employee efficiency and to reduce cost by enforcing employee compliance

(Su & Wright, 2012). It is a common practice under the Chinese social context of strict hierarchy and compliance-oriented management.

In China, private business is sometimes very reluctant to implement training programs (Bai, Yuan, & Pan, 2017). Based on a sample of 533 private businesses, Bai et al. (2017) found that most company owners are concerned with economic results rather than employee benefits from training programs. Since Hou (2011) pointed out that China still has a decade or two to finish its economic reform, at this moment, most companies still put their own economic performance first. Many private business owners, no matter the size of the company, believe that the costs and investments on training programs do not generate their expected returns (Bai et al., 2017).

Guanxi also matters in the training program in China. Guanxi means “the relationship” in Chinese, but in the Chinese culture, when Guanxi is used to describe the relationship between people in the business world, it can be used as a substitution for formal institutional support (Xin & Pearce, 1996). Thus, in the business world, the term “Guanxi” stands for the interpersonal connections. Many Chinese business owners view Guanxi as a great channel to open new markets, to gain business advantages and to benefit overall business performance (Ren & Chadee, 2017). This group of business owners thinks training as a Guanxi’s destroyer because they fear the changes and challenges brought by training program are disruptive to overall harmony and hierarchical structure inside an organization (Bai et al., 2017). To keep the harmony inside the company, business owners actively choose to avoid starting training programs.

Shifting the focus to training programs in the private sector in the U.S.A., researchers (Lynch, 1992) have found that they are very structured, which includes on-the-job training, off-the-job training and apprenticeship. All of these three types of training are positively influencing the employee wages and employer's overall performance, so conducting multiple training programs is very common in the private sector (Lynch, 1992). In contrast to Chinese private employers, U.S. private business owners view training as an investment (Leuven, 2005). In Leuven's (2005) opinion, he thought that many private sector companies use a specific training program. A specific training program is designed by a single firm based on its situation and needs (Leuven, 2005).

In the cultural aspect, the U.S.A. has a small power distance score (Hofstede, 1980) compared to China (Fernandez et al., 1997). A lower power distance score means that there is not a very strict hierarchy inside an organization. Thus, everyone has an equal chance in terms of being a potential candidate to receive training opportunities. In a real situation, when a company in the U.S.A. has a training program, the opportunity to everyone is relatively equal and the primary determinant is employee's appraisal data or employee's professional area. The process of gathering performance appraisal data and using it for developing and implementing a training program is defined as needs analysis (Herbert & Doverspike, 1990). However, as I mentioned previously, Fernandez et al. (1997) found China was still high on power distance, so private companies might only provide training programs to those top-level managers and those with longer tenure.

In summary, although Su and Wright (2012) assert that some companies under the private sector in China may adopt a combination of the commitment-based (western) and control-based

HR practices, the focus of training remains on the efficiency, compliance and costs reduction. Moreover, Bai et al. (2017)'s opinion revealed that many private companies are unwilling to conduct training programs. I therefore hypothesize that:

***Hypothesis 2:** The private sector in the U.S.A. offers more trainings than the private sector in China.*

Systematic training and company performance

In this thesis, I define the term “systematic training” as an integrated measurement system of the training program. The systematic training should contain the analysis of need in training, whom the designer is of the training, and the measurement of the effectiveness in training, which are individual and organizational post-training performance. My concept of systematic training is also inspired by strategic training. Strategic training always follows very a specific plan which starts from identifying the gap between skill required and current skill level, designing policies to ensure the implementation of the program and creating programs to improve skills and motivate employees (DeMotta, Gonzales, & Lawson, 2019). Both Leuven (2005) and DeMotta et al. (2019) have mentioned that in any training, the analysis of needs and the motivation for the employee are essential.

The training program is more structured, completed and well-designed in the U.S.A. with multiple types of training contents and a well post-training evaluation (Leuven, 2005). Based on its needs, the HR department decides and offers general training and specific training to

employees (Leuven, 2005). After the training is done, the company will look at the costs and returns to training to evaluate the whole program. Specifically, Leuven (2005) believed that the return on training program contains two parts, which are the extent to which employee skill develops after training and business performance. The business performance stands for growth in profit or market expansion (Leuven, 2005).

However, Chinese private companies are different. Because of the different social context, Su and Wright (2012) believed that Chinese private companies should combine both commitment and control style of HRM. All of these aspects influence the way Chinese companies train and evaluate their employees. Employee participation (as part of employee development) and skill-based training are reduced very much in China (Su & Wright, 2012). At the same time, since has been under the planned economy for long time, Chinese employees are even more productive under a competent leader than self-oriented (Kirkman & Shapiro, 2012). This situation makes the training program in China primarily be influenced by only the top management, not the HR department. Thus, the training program in China might not be designed and measured systematically by the company HR professionals as it is in the U.S.A. Consequently, the training in China is not always about skill, and it is only assessed by few top management members who might not be the HR professionals, resulting in the lower systemization (Kirkman & Shapiro, 2012; Su & Wright, 2012). I therefore hypothesize that:

***Hypothesis 3a:** The U.S. private sector has a higher systematic training score than the Chinese private sector.*

Systematic training and employee performance

Training programs will help organizations to improve overall performance (Kotey & Folker, 2007; Maršíková & Šlaichová, 2015). The performance will reflect training results and training effectiveness under a systematic training system (Leuven, 2005; DeMotta et al., 2019). Specifically, in my research, good company performance is represented by the performance of overall gross revenue and service quality, level of productivity, profitability, and stock market performance. Gross revenue is a significant index which represents the ability to make more money. The service, the productivity, the profitability and the stock are other factors that influence the integrated performance of a company.

In the U.S.A., most companies are training employees on problem-solving, leadership, and communication skills (Maršíková & Šlaichová, 2015). Both Kotey and Folker (2007) and Maršíková and Šlaichová (2015) have mentioned that training is a way by which a company could increase its productivity and thus influence its overall performance. As a training program could improve employee skill levels, it would improve the overall job performance. Molina and Ortega (2003) investigate 370 U.S. public traded companies, and they find that companies that invested heavily in training programs received 60% total shareholder returns in three years, but companies invest less in training only received 46%. Hence, there might be a positive relationship between systematic training programs and company performances in the U.S.A.

In China, great company performance could be reached by other means. Many Chinese business owners believe that the more guanxi, the better (Ren & Chadee, 2017). In China, guanxi is everywhere, and thus, it could be a part of training program as an informal approach. Informal training often happens on the job and common methods of it include networking, coaching,

mentoring and teamwork (Tocher, Shook & Giles, 2007). Guanxi could serve as a type of HRM orientation, and it could help employees to share knowledge and skills within a company as an approach of informal training (Law & Jones, 2009). This type of informal way is particularly widely used in China because of the social context and the culture. However, Guanxi is not always widely accepted or welcomed by other scholars. Hsu and Saxenian (2000) believed that guanxi did not have such great power in doing business and those people who talked about the power of guanxi have gone too far. Chang and Chen (2017) also pointed out that guanxi is the result of “Rule by Rulers” governing systems in China, and there has never been a rational framework to measure the outcomes of guanxi. Therefore, even sometimes Guanxi could be a kind of informal trainings, the measurement is ambiguous and unclear. So Guanxi should not be a part of systematic training since it is hard to measure, but at least many Chinese employers put their faith in it and believe the benefits they could gain from applying Guanxi.

U.S. companies have very different opinions on informal trainings than Chinese. Wholey (1990) investigated 52 companies in the U.S.A. and he found that informal on-the-job training only positively affected male employees’ tenure. The knowledge base of informal training is also limited in the U.S.A. as Marsick and Volpe (1999) pointed out that U.S. companies and HR professionals knew little about how to support, develop and encourage the informal learning process. In the U.S.A., the informal training is used more frequently in small companies because it costs less (Tocher, Shook & Giles, 2007). The Formal training, including lectures, discussions and stimulations, etc., with some on-the-job training (the only form of the informal training), is the main training type of most U.S. companies (Tocher, Shook & Giles, 2007).

In summary, the U.S.A. has a more completed training system and evaluation system that will reflect the result of training. However, the Chinese private sector uses more informal training which is hard to measure, and which is less systematic. I therefore hypothesize that:

***Hypothesis 3b:** There is a positive relationship between the systematic training program and private company's performance, and this relationship is expected to be stronger among U.S. companies than Chinese companies.*

Training and employee turnover rate

Training is a good way to maintain the relationship between employees and employers, and it is especially useful to retain employees (Delery & Roumpi, 2017; Molina & Ortega, 2003; Zhong, Wang & Yang, 2017). Because training programs help companies to increase productivity, they benefit shareholders. Meanwhile, employees improve skill levels by participating in training programs and thus increase their personal market value. Zhong et al. (2017) believed that a good training program is key to maintaining an appropriate employee-employer relationship. Molina and Ortega (2003) also found that among 370 public traded firms in the U.S.A., the voluntary turnover rate for firms with high training investment was 13%, whereas the number for those with low training investment was 23%. This result is consistent with Ehrhardt et al. (2011)'s point of view that training could enhance employees' commitment to the organization. Delery and Roumpi (2017) also found that training can reduce employee's turnovers when it is believed as an approach of positive contribution to employees.

But, considering the effects of the transitional economy in China, the influence of training on the employee turnover rate might be reduced in the Chinese private sector. As I stated before, the spirit of collectivism might influence people in China. Both employers and employees who pursue group goals may choose to voluntarily omit their personal emotion, and thus they establish a strong commitment to the organizations. The traditions from SOEs also influence the private sector in China because, under the transitional economy, a large number of employers and employees in the private sector used to work in the SOEs (Hou, 2011). A large number of workers in the SOEs planned to stay in the same company for their lifetime and they often passed their job to their children if the situation allows (Berkowitz, Hong Ma, & Shuichiro Nishioka, 2017). Thus, for many employees in China, the job tenure is not related to any other factors but just the self-commitment brought by the spirit of collectivism and group goals. The spirit of SOEs, which a person wants a stable and long-life job, is a legacy that many people have and now bring into the private sector in China. As researchers (Wang et al., 2007) asserted that many Chinese firms using the western-style HRM still carry hierarchical features, the training program in the private sector is not motivated enough to make people stay. Therefore, although researchers (Delery & Roumpi, 2017; Molina & Ortega, 2003; Zhong, Wang & Yang, 2017) have found that training is beneficial to the employee retention, the extent to which it can influence employees in the private sector in the U.S.A. and China would be different. I therefore hypothesize that:

Hypothesis 4: *There is a negative relationship between the investment in training and the employee turnover rate in the private sector, and this relationship is stronger in the U.S.A. than in China.*

Chapter 3

Methodology

Data collection and sample

The data used for the hypotheses test is the secondary data provided by a larger research study group called Cranet. The data was collected via a questionnaire called the Cranet Questionnaire 2014. Launched in 1989, Cranet is an established collaboration which collects powerful and representative data that helps scholars to conduct research. The purpose of Cranet's establishment is to gather hard evidence about the way that HRM policies and practices varied between countries and to track how they are changing over time. Cranet offers scholars guidance on international and comparative HRM practices.

According to Cranet, the questionnaire was designed by a sub-section of the network in cooperation with the coordinator at Cranfield School of Management, UK. The questionnaire was originally designed in English, and then it was translated into several other local languages. The Cranet Questionnaire 2014 was collected from 35 countries. Originally, it had 256 samples from Chinese companies and 509 samples of U.S. companies. After cleaning the data, there are 82 private and 67 public companies in China and 54 private and 26 public companies in the U.S.A.

Measures

There are 8 variables in the hypotheses, which are (1) country, (2) sector, (3) total training days, (4) training cost, (5) systematic training, (6) gross revenue, (7) performance and (8) turnover rate.

Country. Specifically, “country” stands for the two countries in my research, which are the U.S.A. and China. In the actual test, a score of “0” was assigned to the U.S.A. and a score of “1” was assigned to China.

Sector. The “sector” stands for the two types of organizations, which are the private sector and the public sector. In the Cranet questionnaire, there are four types of sectors, which are private, public, non-profit and mixed (the private and public). In the actual test, only the organizations that are clearly defined as either the private or the public sector are tested. A score of “0” was assigned to the private sector and a score of “1” was as assigned to the public sector.

Total training days. In the Cranet questionnaire, the example question of training days is “Approximately, how many days training per year do employees in each staff category below receive on average?” The answer includes three categories, which are managers, professionals and clericals and/or manuals. In the actual test, the variable “total training days” is created by adding all training days from each of these three categories together and it stands for total training days of all existing employees.

Training cost. The question regarding training cost is “Approximately, what proportion of the annual payroll costs is currently spent on training?” The answer has a scale of “0” to “11”, or missing data. Specifically, a score of “0” to a score of “10” indicates 0% to 10% and a score

of “11” indicates over 10%. A “-9” stands for missing data. In hypotheses test, the same scale is used. The training cost also stands for the investment in training in hypothesis 4.

Systematic training score. The “systematic training score” measures the overall level of systematic training in the selected organizations. Table 1 shows how I use questions on the Cranet questionnaire to create my variable “systematic training score”. The maximum score of “systematic training score” is “8”, the minimum score is “0”.

Table 1: Systematic training

Questions by Cranet	Answers by Cranet	Variable
Does your organisation have a written HR training and development strategy?	Yes or No	1= Yes 0= No
Who has primary responsibility for major policy decisions on the training and development?	HR department HR dept. in consultation with line Management Line Management in consultation with HR dept. Line Management	1= HR dept. 0= all other options
Do you systematically estimate the need for training of personnel in your organisation?	Yes or No	1= Yes 0= No
Which of the following techniques does your organisation use to evaluate training effectiveness?	1. Meeting the objectives set out in the training and development plan 2. Measured job performance before and immediately after training 3. Measured job performance before and some months after training 4. Return on investment	1=Yes 0=No Maximum score is 4
Do you systematically evaluate the effectiveness of training of personnel in your organisation?	Yes or No	1 =Yes, 0= No

Gross revenue. The question about gross revenue on the Cranet questionnaire is “If you are a private sector organisation, would you say the gross revenue over the past 3 years has been?” The answer includes “Well in excess of costs”, “Sufficient to make a small profit”, “Enough to break even”, “Insufficient to cover costs” and “So low as to produce large losses”. The question asks about a comment to gross revenue rather than a specific monetary number. They have been assigned a score of “5” to “1”, meaning from the best to the worse, respectively. Thus, the maximum value of variable “gross revenue” is “5”, the minimum value is “0”.

Performance. The question regarding “performance” on Cranet is “Compared to other organisations in your sector, how would you rate the performance of your organisation in relation to the following?” The original answer includes five categories, which are “service quality”, “level of productivity”, “profitability”, “rate of innovation” and “environmental matters”. Also, each of these five categories has five degrees, which are “poor”, “below average”, “average”, “better than average” and “superior”. In the test, the variable “Performance” only measures the overall performance which includes service quality, level of productivity, profitability and stock market performance. For each of the categories in the test, a number of “1” to “5” to was assigned to stand for “poor” to “superior”, respectively.

Turnover rate. The turnover rate stands for the employee turnover rate in the private sector. The original question by Cranet is “Approximately, please provide the annual staff turnover about your workforce” The original answer is the actual turnover rate. In the hypotheses test, the original percentage value was used.

Research design

To test hypothesis 1, hypothesis 2 and hypothesis 3a, I used the T-Test as the statistical test. The T-Test is a type of inferential statistical test and I used it to determine if there is a significant difference between the means of the variable (3) “total training days”, variable (4) “training cost” and variable (5) “systematic training score” in China and the U.S.A. Hypothesis 1 compared only the Chinese and the U.S. public sector. Hypothesis 2 and Hypothesis 3b compared only the Chinese and the U.S. private sector.

To test hypothesis 3b and hypothesis 4, I used simple regression test. The simple regression is also called simple linear regression, and it is used to predict a relationship between two variables. The dependent variable is the factor that is being predicted and the independent variable is the factor that is used to predict. In hypothesis 3b, variable (5) “systematic training score” is an independent variable and variable (6) “gross revenue” and variable (7) “performance” are two dependent variables. I ran two simple regressions to find out the relationship between variable (5) and variable (6) and between variable (5) and variable (7). In hypothesis 4, variable (4) “training cost” is an independent variable and variable (8) “turnover rate” is a dependent variable

Chapter 4

Results

Descriptive statistics

Before testing the hypotheses, the descriptive statistic of data is presented in the table below.

Table 2: Descriptive and correlational analysis

	N	Mean	SD	1	2	3	4	5	6	7
1 Total Training Days	229	33.82	34.525							
2 Training Cost	229	3.66	3.113	.357**						
3 Sector	229	0.41	0.492	.216**	.143*					
4 Systematic Score	229	3.12	2.163	.176**	.252**	-0.034				
5 Gross Revenue	167	3.71	1.296	.156*	.184*	-0.130	0.022			
6 Performance	226	12.23	4.144	.301**	.363**	-0.091	.266**	.327**		
7 Employee Turnover	198	13.77	12.326	0.024	0.036	-.165*	-0.077	.163*	0.049	
8 Country code	229	0.65	0.478	.192**	-.214**	0.121	.266**	-.316**	-.136*	-.324**

Note: * $p < .05$; *** $p < .001$

Hypothesis test

Hypothesis 1, *the public sector in China offers more trainings than the public sector in the U.S.A.*, contains two tests, which are the T-test for the mean of training days and the mean of

the training cost. As a result, the Chinese public sector takes more days on training than the U.S. public sector, but not the cost or investment.

In table 3, The mean of the training days in total for the Chinese public sector is much higher than it is of the U.S. public sector. However, the training cost of the U.S. public sector is slightly higher than the Chinese Public sector. In table 3, The p-value of the training cost is 0.111 when equal variances assumed, and it is greater than 0.05. So, there is no significant difference between the Chinese and the U.S. public sector in training costs. Meanwhile, the p-value of training days is <0.001, indicating a significant difference. Therefore, hypothesis 1 is partially supported. Only the statement that the Chinese public sector spends more days on training than the U.S. public sector is supported.

Table 3: Descriptive statistics and T-test for hypotheses 1, 2 and 3a

	Category	N	Mean	SD	P value
Total Training Days	CHN Private	82	27.94	30.152	0.914
	U.S. Private	54	27.28	37.707	
	CHN Public	67	51.76	35.972	0***
	U.S. Public	26	19.69	14.797	
Training Cost	CHN Private	82	2.59	2.833	0.001***
	U.S. Private	54	4.35	3.263	
	CHN Public	67	3.88	2.884	0.111
	U.S. Public	26	5.00	3.323	
Systematic Score	CHN Private	82	3.72	2.056	0.001***
	U.S. Private	54	2.37	2.389	

Note: * $p < .05$; *** $p < .001$

Hypothesis 2, *the private sector in the U.S.A. offers more trainings than the private sector in China*, also contains two tests, which are the T-test for the mean of training days and the mean of the training cost for the private sector. The test result showed that the U.S. private sector only spends more money on training than the Chinese private sector.

In table 3, the Chinese private sector spends slightly higher days on training, with the mean of 27.94 days. The number for the U.S. private sector is 27.28 days. However, the average training cost that the Chinese private sector spends on training are lower than the U.S. private sector. Because the p value for training days in the private sector is 0.910, there is no significant difference between the U.S. private sector and the Chinese private sector. However, the p value for the training cost is 0.001, which is less than 0.05. Hence, there is a significant difference in the means of the training cost between the U.S. and Chinese private sector. So, hypothesis 2 is partially supported since the U.S. private sector spends more money on training but not more days than the Chinese private sector.

Hypothesis 3a, *the U.S. private sector has a higher systematic training score than the Chinese private sector*, contains one test, which is the T-test for overall systematic score. However, according to table 3, the systematic training score for Chinese private sector is actually higher than it is of the U.S. private sector. In table 3, the T-test shows that the p value of the systematic score is 0.001, which is less than 0.05. Hence, there is a significant difference in the systematic score between the Chinese private sector and the U.S. private sector. So, this hypothesis is not supported since the Chinese private sector is actually more systematic than the U.S. private sector.

Hypothesis 3b, *there is a positive relationship between the systematic training program and private company's performance, and this relationship is expected to be stronger among U.S. companies than Chinese companies.*, contains four regression tests, which are the correlation between systematic training and gross revenue and the correlation between systematic training and overall performance for both the U.S. and Chinese private sector.

In table 4, the standardized regression coefficient (the β value) between the systematic training and gross revenue for the U.S. private sector is 0.018, whereas the number for the Chinese private sector is 0.242. The p value between the systematic training and gross revenue in the Chinese private sector is 0.029, whereas the number for the U.S. private sector is 0.896. For the Chinese private sector, an r square of 0.058 indicated that 5.8% of variance in gross revenue can be explained by systematic score. However, 0% of variance in gross revenue can be explained by systematic score in the U.S. private sector. Thus, the Chinese private sector has a significant relationship between systematic training and gross revenue, while the relationship for the U.S. private sector is not.

Table 4: Regression test for hypotheses 3b and 4

Regression Test Results for the U.S.A.			
	DV: Gross Revenue	DV: Performance	DV: Turnover rate
	β	β	β
IV: Systematic training	0.018	0.326*	
R ²	0	0.107	
Adjusted R ²	-0.019	0.089	
F	0.017	6.202	
IV: Training Cost			-0.088
R ²			0.008
Adjusted R ²			-0.011
F			0.405
Regression Test Results for China			
	DV: Gross Revenue	DV: Performance	DV: Turnover rate
	β	β	β
IV: Systematic training	0.242*	0.469***	
R ²	0.058	0.22	
Adjusted R ²	0.047	0.21	
F	4.966	22.542	
IV: Training Cost			0.127
R ²			0.016
Adjusted R ²			0.004
F			1.316

* $p < .05$; ** $p < .01$; *** $p < .001$

In table 4, the standardized regression coefficient between systematic training and performance for the U.S. private sector is 0.326, whereas the number for the Chinese private sector is 0.469. Table 4 shows that the relationship between the systematic training and the overall performance is significant in both the U.S. and Chinese private sector. Thus, I use Cohen's f square to measure which relationship is stronger. The equation for Cohen's f square is $f^2 = \frac{r^2}{(1-r^2)}$. The r square value of the U.S. private sector is 0.107. After the calculation, the Cohen's square value for the U.S. private sector is 0.120. The r square value of the Chinese private sector is 0.22. So, the Cohen's f square of the Chinese private sector is 0.282. In summary, the relationship is stronger in the Chinese private sector than in the U.S. private sector.

In summary, the relationship does exist between the systematic training program and company performance (gross revenue and overall performance). However, in the Chinese private sector, these two types of relationships are stronger. So, Hypothesis 3b is not supported.

Hypothesis 4, *There is a negative relationship between the investment in training and the employee turnover rate in the private sector, and this relationship is stronger in the U.S.A. than in China*, contains a regression test between the employee turnover rate and the training cost in both the U.S. and Chinese private sector.

In table 4, the standardized regression between the training cost (the training investment) and the employee turnover rate in the U.S. private sector is -0.088, but the number for the Chinese private sector is 0.127. These two numbers suggested that there might be a negative relationship between the training cost and the employee turnover rate in the U.S. private sector and a positive relationship between them in the Chinese private sector. However, in table 4, the significant level for the U.S. private and Chinese private sector, are 0.527 and 0.225,

respectively. Neither of them is significant. Consequently, there is not negative relationship between the cost in training and the employee turnover rate in the U.S. private sector, nor the positive relationship between them in the Chinese private sector. Therefore, hypothesis 4 is not supported.

Chapter 5

Discussion

It was hypothesized that there are significant differences between the training in China and the training in the U.S.A. The public sector in China was hypothesized to take more training activities and to invest more in training than the private sector, whereas the private sector in the U.S.A. was likely to take more frequent and more systematic training programs and to invest more in training. The relationships between the systematic training program and company performance and between the systematic training program and employee turnover rate were expected to be stronger in the U.S. private sector than the Chinese private sector.

In hypothesis 1, the result that the Chinese public sector spends more days on training than the U.S. public sector is consistent with the previous research findings that the Chinese public sector is taking more training activities due to the nature it stands for big employers with a large number of communist party members and the spirit of pursuing the best group outcomes (Wang et al., 2007; Mishra & Smyth, 2015). The result also is consistent with the findings on the public sector training in the U.S.A., which is primarily about to increase the productivity of a small group of outstanding employees (LaLonde, 1995; Cragg, 1997). I also expected the cost of training in the Chinese public sector is higher than it is of the U.S. public sector. Investing more in training would help the public sector in China control the employees and strengthen the policies (Wang et al., 2007; Mishra & Smyth, 2015), which is also a symbolic management style under the strict top-down hierarchy (Khatri, 1999). Yet, this argument is not supported by the test

result. There is no significant difference in training costs in the public sector between China and the U.S.A. One reason may be the focus of training in the public sector in China. Previous research has showed that the Chinese HR department primarily focuses on controlling employees, so does the training program in the public sector (Warner, 2004; Wang et al., 2007; Mishra & Smyth, 2015). Based on this fact, it is reasonable that trainings in the public sector in China mainly are about compliance. However, the compliance training might not need heavy investment as skill-based trainings do. It needs more frequent training sessions, which is why the Chinese public sector spends more days, but more training sessions do not necessarily mean more investments.

In hypothesis 2, the private sector in the U.S.A. only spends more money on training but not more days. The argument that the U.S. private sector is spending more money on training is based on the fact that China is under a transitional economy (Hou, 2011), a situation under which most private business owners do not value the skill-based training program and doesn't hold a positive expectation on the return on training investment (Bai et al., 2017; Su & Wright, 2012). Meanwhile, the hypothesis 2 test result also confirms that U.S. companies value training program and keep increasing investment in the training program (Hughey and Mussnug, 1997; Maršíková and Šlaichová, 2015). However, the argument that the U.S. private sector would spend more days on training is not supported. A reason might be that more training costs do not imply more days on training. U.S. companies value problem solving, leadership and communications as top three training contents (Maršíková and Šlaichová, 2015), and both leadership and communication training can be a part of the informal training which happens during daily works and operations (Tocher, Shook & Giles, 2007). Hence, the training days of the U.S. private

sector might not be higher than it is of the Chinese private sector since the two of the most valued training contents can be done through informal trainings.

In hypothesis 3a, I argued that the Chinese private sector has a less systematic training system than the U.S. private sector. It is based on the previous findings that U.S. companies have a very systematic informal training system, which covers the needs analysis, delivery methods and the program evaluation (Molina & Ortega, 2003; Kotey & Folker, 2007; Tocher, Shook & Giles, 2007; Maršíková and Šlaichová, 2015). Also, the research in Guanxi indicated that Guanxi serves as another way, which may or may not be a type of informal training, to increase the Chinese private business performance (Law & Jones, 2009; Ren & Chadee, 2017). Nonetheless, the result from my empirical study doesn't support previous studies, and contradictorily, the Chinese private sector receives a higher average score in the systematic training. One possible explanation is that under the transitional economy, Chinese private companies are using western-style HR practices more than ever before and most importantly, they care about economic goals over other performance (Wang et al., 2007). Meanwhile, under the transitional economy, some private business owners still carry the traditions from SOEs (Wang et al., 2007), so these business owners value employee's compliance and use top-down management (Mishra and Smyth, 2015). In my research, one of the key factors of systematic training is performance evaluation. It is reasonable that a leader who loves top-down management would pay attention on performance measurement, increasing the score of systematic training.

In hypothesis 3b, I argued that a better company's overall performance is associated with the systematic training and this relationship is stronger in the U.S. private sector than in the Chinese private sector. The reasons behind this argument is similar to what I explained in

hypothesis 3a, yet the test result is also contradictory. One explanation might be the position of China in the global economy today. Since the economic reform in the 1980s, Chinese companies have achieved huge growth in profits because of the change in the society and the open of the Chinese market and the transitional status may still take a decade or two to finish (Peng, 1997; Hou, 2011). China now has the second-highest GDP, following the U.S.A. Therefore, now is a perfect timing for Chinese companies to take a growth in revenue and in other indicators of performance. These macroeconomic factors may cause the empirical study result to be contradictory to what I expected before.

In Hypothesis 4, I believe a higher investment in training programs is associated with a lower employee turnover rate. This argument is supported by the findings that the training program would increase the employee's commitment and reduce the employee turnover rate (Molina and Ortega 2003; Ehrhardt et al., 2011; Delery & Roumpi, 2017; Zhong et al., 2017). However, the result from my empirical test showed that there is no significant relationship between cost in training program and employee turnover rate in China and the U.S.A. One possible explanation might be the lack of considering external factors. Many factors, including both extrinsic and intrinsic motivations, will influence the commitment which an individual has for an organization (Stanley, Vandenberghe, Vandenberg, & Bentein, 2013). These factors may include family issues, job preference, personal pursuit, and personality, etc. In the real world, factors that influence employee turnover rate are various and multiple rather than a single factor, in my case, the cost in training.

Chapter 6

Conclusion

Even in the 21st century, the HRM between China and the U.S.A. is still very different. Companies in China and the U.S.A. are pursuing the best economic performance, but the way they reach this goal is quite different. U.S. firms conduct their training programs in a more organic way, in which they care about how their employees feel about the program. The core of this kind of training program is to improve company performance by discovering the potential of employees and enhancing their skills. Chinese firms, on the other hand, achieve the goal of excellent economic performance differently. Their training program, just as other HRM practices, is a way to control employees and force them to comply with policies.

The study was undertaken to examine the effects of training program on organizational performance and to compare them between China and the U.S.A. Even the U.S.A. and China are the top two countries in global GDP ranking, they have very different national contexts and follow different paths to achieve their economic developments. A study in training program in both countries helps to understand how to do business in each country and how to better implement training program in local organizations. There are some differences in training days and costs between China and the U.S.A., but they are not as much as hypothesized. The systematic training also influences both the U.S.A. and China and it is more beneficial to the Chinese private sector. The investment in training has little influence on employee retention.

Limitations

This study also has several limitations. The very first limitation is the sample. Since I am using a secondary data, I could not collect other desirable data for this research but to use existing data with existing variables and values. Thus, I do not know the background of the data collection process. Another issue with the sample is the size. After cleaning missing and inappropriate data items, there are only 26 and 67 public sector companies and 54 and 82 private sector companies in the U.S.A. and China, respectively. The small sample size might make the test biased.

The second issue is the lack of local literature in China. Even there are numbers of articles about training in China, the lack of Chinese literature is significant. Because the study is about both China and the U.S.A., I believe some local Chinese literature would be significantly helpful. The hypotheses were based on the U.S. literature primarily, so they might be biased. Since many scholars focused their studies on the liberal market over state corporatism, it might cause them not to have enough knowledge about the value of HRM in China as well as the effectiveness of training programs in China.

The third limitation is the lack of practical sources about training programs in the U.S.A. Nearly all articles about training programs in the U.S.A. are talking about current trends and innovations, yet very few are describing how employees are being trained in organizations. Consequently, my hypotheses were generally built on theoretical concepts but not some actual examples of how companies are operating training program.

Implications

The implications of my findings point out that the differences in training programs in the private sector between China and the U.S.A., which is supposed to be significant, are not. In both China and the U.S.A., training, especially the systematic training program, is associated with company overall performance. While many studies claimed training is better for company performance, my implication is that only systematic training would be a good investment. When designs the training program, the HR department also needs to consider the measurement and evaluation of it. A training program with an outcome that is hard to measure and evaluate would make employers lose confidence in it and result in a potential waste of company resources.

Another implication is that a company should not lean on training program to retain talents and experienced employees. Although previous studies proved that training can reduce turnover rate (Delery & Roumpi, 2017; Ehrhardt et al., 2011; Molina and Ortega 2003; Zhong et al., 2017), my test result denies it. The implication is that training might have some contributions to the higher employee commitment, but employers should not blindly believe that it will always help to reduce the turnover rate. To retain employees, an employer needs more than just offering a good training program. The HR department should wisely adopt integrated benefiting program to retain employees.

The public sector in China remains very unique as they are state-owned and are under the transitional economy condition. Being the HR department in a company under the public sector would need to consider both the external and internal factors to create the training program. However, both the U.S.A. and China have found their ways of conducting training program to

achieve economic growth, and they all did great job. My implication to the public sector in each country would be staying with the status quo and always reflecting the national context.

Final remarks

This thesis compared training programs in terms of days and costs and emphasized the effect of training program in the public and private sector in both the U.S.A. and China. The result showed that while the public sector is different, the private sector is getting very similar in both countries. It also indicated that a well-designed systematic training program will help the organization to achieve better performance and that a training program only has a limited influence to employee retention when there are no other types of employee benefits. At country level, it is hard to say which country, the U.S.A. or China, is having a better training system, but they all did a great job under own national context. Therefore, a conclusion is that meaningful training program should always start with own organizational need analysis and national context.

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