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A Study of HR Formality and Employee Development: Is Culture A Factor?

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Abstract

With the technological advances in the world today, many organizations are utilizing globalization to remain competitive. However, cultural differences play a large role in the way in which companies operate throughout the world, influencing the structure of Human Resources Department and shaping different internal cultures within companies. Identifying and understanding these cultural differences in how various countries operate their business is vital for companies to thrive. Without the knowledge of how business functions operate globally, it would be extremely challenging for an organization to succeed. One crucial factor of ensuring multinational enterprises to stay competitive is human capital growth, or employee development. This paper looks at HR formalization and employee development and their connections with cultural factors by conducting an analysis using CRANET survey and the regression model.

Keywords: *globalization, cultural differences, HR system, employee development*

Introduction

Today, many organizations are utilizing Human Resource departments to aid in their strategic functions and overall success. This function has been evolving from mainly an administrative one, to a department that is necessary for day-to-day operations. One of the most important parts of ensuring that organizations remain competitive is ensuring that employees are continuously developing and building skills that are necessary to perform their jobs to the best of their ability. In addition, countries are putting a large emphasis on their human capital growth, which is especially important for globalized organizations.

Today, HR plays an important role in employee development on a global scale. With the development of HR brings a demand for heightened workforce development, created by investments in training programs and education (Nafukho, Hairston & Brooks, 2004). The development of the HR department is referred to here as HR formalization: The extent to which HR practices are institutionalized, systemized, and documented (Nguyen, Thang & Bryant, 2004). Employee development is one of these practices that becomes more systemized as the HR formalization in an organization increases.

Cultural values and norms are likely to play a role in how structures of HR systems are created and utilized throughout the world. Different interpretations of the department are common between nations (Reiche & Quintanilla, 2012). In addition, cultural differences can also shape the internal culture of companies, which creates differences in the attitudes and goals of HR systems (Aycan, Kanungo & Sinha, Kanungo &Sinha, 1999). Hofstede's factors, which describe different dimensions of culture, vary between regions on a global scale. By using these measures, it is clear how different nations navigate life and business. In this study, masculinity and power distance will be examined; these two factors may play a role in how organizations and HR departments run. According to Hofstede (2011), masculine cultures tend to be more competitive and assertive. This likely translates into the business world, meaning organizations in masculine cultures will rely more heavily on HR to be competitive, indicating formality. Countries that exhibit high levels of power distance, which relates to inequality constructs throughout cultures, tend to rely on hierarchy systems (Hofstede, 2011). In companies, hierarchy structures are often signals of formality. Therefore, countries with higher power distance scores will likely have more formalized HR operations.

In order to conduct analysis on HR formalization and employee development, the CRANET survey will be utilized. This survey, conducted by over 40 academic partners, targets senior-level management participants in various organizations who are in charge of the Human Resource activities. The academic representatives distribute this survey, either electronically, or by paper, to their region. This information is then shared among the academics. For the purposes of this study, the 2014-2015 results will be used, in order to keep the analysis up to date. In order to calculate significance between formalization and employee development, regression analysis will be used.

By evaluating the available literature and research, as well as conducting analysis on different regions, the CRANET survey will provide insight on HR formality's involvement in employee development. The regions studied were separated and selected based on both location and their Hofstede scores of masculinity and power distance. The regions are defined as Anglo-Saxon, Nordic, Germanic, Asian, and Central and Eastern European. This study aims to discover connections between cultural factors, HR formalization and employee development.

Literature Review

Employee Development in Organizations

Employee development has been a vital strategic tool for organizations to utilize in order to have continued success. It is broadly defined as developing the abilities of an individual employee and

organization as a whole (Hameed and Waheed, 2011). More specifically, development includes activities such as courses, workshops, seminars, and assignments that are used to encourage growth both personally and professionally. A similar term to employee development, human capital, refers to "the ability and efficiency of people to transform raw materials and capital into goods and services, and the consensus is that these skills can be learned through the educational system" (Son, 2010). According to the macroeconomic perspective of human capital, accumulating more education that translates into workforce knowledge improves overall labor productivity of a region. Conversely, the microeconomic perspective states that human capital allows individuals to become more attractive in the labor force, increasing one's overall labor productivity (Son, 2010). With this increased educational development, firm performance tends to increase as well. The Human Capital Theory states that the learning capacities of individuals are comparable to the value of other resources utilized in the workplace (Nafukho, Hairston & Brooks, 2004). Furthermore, it explains that the gains of education and training are an investment in humans as resources. Since the success of an institution depends on many different resources, including the individual, the performance of an organizations employees is vital to their overall success. Investing the time and effort into their development has become extremely important for organizations to become competitive. By investing in the future of employees, institutions are showing their workers that they care about their success, and in turn soliciting loyalty, motivation, and increased performance.

The Elements of Employee Development

There are many different dimensions of employee development. For the purposes of this study, the four that will be focused on are training needs analysis, training spend, number of managerial training days, and training evaluation. The first item, the training needs analysis, is one aspect of employee development that has shown to aid in the process of human capital development. This foreshadowing activity analyzes the quality of the work an employee is completing for their specific position and determines the capacity of the employee to learn and perform new tasks ("Training and Development"). In addition, the assessment identifies areas in which an employee would benefit from increasing their skills in order to become better at their job.

Training Needs Assessment

There are two different types of training needs assessment used by organizations; the reactive approach and the proactive approach (Arshad et al., 2015). The first strategy, which is subject to much criticism, occurs when organizations attempt to fill in growing performance gaps that employees exhibit after working at an organization for an extended period of time. The second strategy, the proactive approach, occurs when managers identify the business needs ahead of the talent gaps; they are able to determine knowledge, skills, and attitudes required to be successful, and train their employees as needed ahead of the deepening of these gaps. This has to do largely with the overall organizational strategy.

Studies have shown a positive relationship between utilizing training needs assessments in order to build training plans, and the overall effectiveness of these programs. According to Armstrong (2007), conducting a thorough training needs assessment leads to effective and efficient training, which increases the chance that employees will demonstrate successful outcomes in their performance post-training. Completing this analysis benefits both the employee and the employer, since the organization as a whole will benefit from creating closer alignment between human capital and the strategic goals of the organization.

Training Days/Spend

In addition to the training needs analysis, training spend and the amount of days spent on training also signal whether or not employees are receiving a high level of development, and determines how much

the organization is willing to invest in human capital as a whole. There are many different types of training, with dissimilar costs and effectiveness. Furthermore, it has been shown that training methods with the highest degree of transfer, such as simulation methods, are also likely to cost companies the most. Therefore, it is likely that organizations that spend more of their payroll on training will have a higher level of development overall. The same trend exists for the amount of time that employees spend training per year. According to the training industry report, employees received an average of 53.8 hours of training per year in 2015 ("2015 Industry Report"). Those who spend more time training are more likely to learn the desired skills and improve their overall performance.

Training Evaluation

Lastly, whether or not an organization evaluates their training methods will be focused on in this study. According to Kirkpatrick, there are three key reasons why organizations should evaluate their training methods, including:

1. To justify the existence of the training department by showing how it contributes to the organization's objectives and goals
2. To decide whether to continue or discontinue training programs
3. To gain information on how to improve future programs. (Kirkpatrick and Kirkpatrick, 2006)

It is clear that it is extremely important for organizations to evaluate their training in order to ensure that employees are continuously receiving training that is useful. If a company does not evaluate their training, they will be unable to recognize that employees may not be learning exactly what is needed to further their careers, as well as benefit the company and their overall return on their investment. By reflecting on and correcting weak parts of training, the effectiveness of employee development will increase.

There are many different ways that organizations can assess their training; research has shown four common models that have been proposed to evaluate training in an organization. The first model is Kirkpatrick's four-dimensional measurement typology (Alvarez et al., 2004). This model, which is considered the simplest and is the most frequently used of the four proposed models, exemplifies when evaluation of training occurs during the actual training. Behavioral, cognitive, and attitudinal learning is measured in this model, including reactions to the training, what has actually been learned, as well as changes in behavior exhibited in training.

The second level of training evaluation, described by Tannenbaum and Yukl (1992), expanded on the first model proposed by Kirkpatrick. In this model, attitudes were measured both during and after the conclusion of the training. In addition, the behavioral component was broken up into two parts: training performance and transfer performance. An employee who completes training well would be said to have a high level of training performance, where as an employee who exhibits high levels of transfer performance would have actually changed their behavior after the training had concluded, using what they had learned in the training modules. This process goes a step further than the original model, measuring if the training is actually being utilized after it has concluded.

The third model, described by Holton (1996), included three variations from the previous method: learning, transfer, and results. This model rejected the use of employee reactions, since they did not relate to how well the knowledge was actually transferred. This model solely focuses on how the skills and information presented in training transferred to the worker, which led to changes in results. Unlike the others, Holton's model had the goal of measuring training effectiveness, which is made up of individual characteristics related to training, the context of the training, and the overall training characteristics (Alvarez et al., 2004). Individual characteristics include things like personality traits, previous experience, and overall attitudes displayed by workers. The context of the training describes

how the organization as a whole handles training; this may include the cultural climate for learning, history of training success, and different policies. Lastly, the overall training characteristics include how the training is actually completed, such as the style of instruction, how it is practice, and how feedback is given. By looking at these different factors, in addition to the performance of the employee after the training, detailed conclusions can be drawn about the efficacy of the training program.

The last model, presented by Kraiger (2002), identified three areas that organizations should target for evaluating training, including content and design, changes in the subjects, and payoff to the organization (Alvarez et al., 2004). For the content and design of the training, evaluators should look at the design of the overall program, the method of how it was delivered to employees, and the validity. When looking at the changes of the workers, behavioral aspects, cognitive differences, and affective changes should all be considered. Additionally, the organizational payoffs should be measured by looking at the overall job performance of individuals, and results of these changes. These results should be positive if training was actually effective.

HR Formalization and Employee Development

In addition to the need for companies to focus on their employee development, there is a need for organizations to become more adaptable, as well as more efficient. With the competitive pressures taking over the workforce today, the need for organizations to become more strategic has increased. Strategic human resources, which is defined as matching business activities and objectives with human resource actions and goals, has become a vital part necessary for success in many industries throughout the world. One of the most relevant topics for human resources today is the link the human capital. Like the Human Capital Theory, which states that by investing in people, with activities like training, their production will increase, human resource development also advocates for heightened workforce development by investing in educational and training programs (Nafukho, Hairston & Brooks, 2004). One of the major parts of a strategic human resource system includes providing training and development activities to employees that align with both the needs of the organization, as well as the employee (Tregaskis, 1997). It is likely that strategic HR systems exist in a formalized environment, and it is much less likely that regions without a formalized human resources system are able to obtain the same strategic value, especially for the development of employees. Therefore, formal HR systems will likely signal higher employee development.

HR Formalization

Although a fairly understudied concept, HR formalization can play a large role in how an organization operates. It is defined as the extent to which HR practices, including functions such as training, recruitment, and strategy development, are institutionalized, systemized, and documented (Nguyen, Thang & Bryant, 2004). Usually, this can be seen by the written policies and decision-making procedures. By contrast, an informal HR system exists when no formal systems or strategies are in place, and decisions on common HR functions are made by other employees in the organization, such as line managers or team leaders. Global differences in how HR systems run can be shown by differences in formality.

Culture and HR Formality

Globally, organizations are run very differently due to cultural variations, indicating that HR departments are not all equal. According to Hofstede (1984), management techniques in various cultures are made up of very different characteristics. Between distinct cultures, what is appropriate in the business world can widely differ. In addition to unlike business practices, cultural values and norms can also shape administrative choices, which can lead to different interpretations and structures of HR systems (Reiche, Yih-teen & Quintanilla, 2012). Furthermore, cultural differences can also affect the internal work culture

of organizations, creating dissimilar HR attitudes and goals (Aycan, Kanungo & Sinha, 1999). The various structures and attitudes created by cultural characteristics affect many different aspects of HR, including formality, and in turn, employee development techniques.

Adding to the variations in culture examined by Hofstede, there are also many variations by region in human capital. According to Fitz-Enz (2009), a labor force with increased human capital tends to have higher commitment, ability to learn aptitude, creativity, and imagination, leading to increased productivity (Nafukho, Hairston & Brooks, 2004). Figure 1 below shows the average years of schooling throughout the world, which is linked to their human capital potential, Reported by Son (2010). Because of the high levels of variation witnessed here, it is likely that their development are also vastly different – leading to a global variation, and in turn, variation in HR formality as well as employee development techniques.

Region	Male	Female	Total	Gender Disparity
Central Asia	9.35	9.99	9.69	1.07
East Asia and the Pacific	8.47	8.01	8.24	0.95
Eastern Europe	10.24	9.95	10.09	0.97
Industrialized Countries	10.92	10.71	10.81	0.98
Latin America and the Caribbean	8.63	8.33	8.48	0.97
Middle East and North Africa	8.05	7.28	7.65	0.90
South Asia	6.41	4.79	5.62	0.75
Sub-Saharan Africa	5.98	4.89	5.43	0.82
World	8.41	7.84	8.12	0.93

Source: Author's calculation based on Barro and Lee's (2010) data set.

Source: Son (2010)

Culture by Region

Although culture varies at the country level, common patterns of Hofstede's dimensions can be seen throughout certain regions. For this study, we have chosen to focus on the level of masculinity and power distance displayed throughout the regions included in the survey. In the Anglo-Saxon region, made up of the USA, UK, and Australia, there is a tendency of high masculinity, with an average score of 63. The power distance score tends to be low throughout these locations, with an average of 37 (Hofstede et al., 2010). The Germanic region, made up by Germany, Switzerland, and Austria shows high masculinity scores and low power distance scores. The average masculinity score in this region is 71.6, and the power distance score is 26.7. The Nordic region, which includes Sweden, Denmark, Norway, and Iceland, shows a trend of low levels of masculinity and low levels of power distance. Their score for the masculinity dimension is a 9.75, and their power distance average score is a 28.6 (Hofstede et al., 2010). Central and Eastern Europe, the fourth region that will be evaluated, includes Croatia, Romania, Serbia, and Russia. These locations show a trend of medium levels of masculinity and high power distance, with average scores of 40.25 and 82.6, respectively. The Asian region, including China and the Philippines, also shows high levels of masculinity and power distance, with average scores of 65 and 84 (Hofstede et al., 2010). Finally, since the countries that make up each region have very similar scores and therefore similar cultural characteristics, it is appropriate to group them together for this analysis.

Cultural Variations

The levels of power distance exhibited by different cultures will have an effect on the amount of HR formalization witnessed throughout various regions. Hofstede (2011) describes this dimension of culture as being "related to the basic problem of human inequality." Countries that exhibit high levels of power distance are characterized by hierarchical structure; members of regions with high power distance levels tend to accept that power is not distributed equally throughout organizations. In addition, companies in these regions will show autocratic leadership with centralized authority. With this type of authority comes a large number of supervisory staff with many different hierarchical levels throughout organizations (Hofstede, 2011). HR formalization, which indicates the level that various HR functions are systemized and documented, will be greatly affected by the amount of structure in a given organization. Given that only few people high up in the hierarchy can make executive decisions for an organization, it is likely that systemization is required for tasks to trickle down to lower-levels of management. Subordinates in these organizations expect to be told what to do, which also indicates that HR must have formalized policies and procedures in order to be effective.

The cultural dimensions described by Hofstede can also be utilized to explain why differences in employee development levels may occur throughout difference regions. Although masculinity-femininity was intended to measure solely cultural differences, it has now often been described as an individual characteristic (Cho & Yoon, 2009). Individuals in different regions tend to take on the traits of that particular location, and therefore adapt "masculine behaviors." According to Hofstede (2011), masculinity versus femininity is related to the emotional roles of women and men. When looking at a masculine culture, work life tends to prevail over family life. In addition, those who are from a more masculine culture tend to be more assertive and competitive; translating to the workplace, employees with these cultural characteristics will likely attempt to increase their skills and position in order to obtain recognition or power (Hofstede 2011). On the other hand, feminine cultures exhibit more focus on work-life balance, as well as more of a caring nature compared to an assertive one. It likely that the performance driven nature of masculine cultures will cause these employees to put more focus on their human capital development, as well as organization development by requesting training and other forms of personal development tactics.

Expectations of the Study

According to the research and literature conducted based on the Hofstede principals and the relationship of culture with business structure, it is likely that HR formalization will vary based on differences within these characteristics. Since countries with high levels of power distance tend to have more authority structure and hierarchical systems, organizations in these locations are more likely to have a more structured HR system in place. Therefore, we expect the data to show a correlation between level of HR formality and the power distance score. Since we expect the level of formality to have an effect on employee development, we can also assume that high power distance levels will indicate higher levels of employee development. Provided that cultures with high power distance have a higher degree of structure, it makes sense that employee development would be more structured as well, resulting from more required trainings from managers higher up in the hierarchy system.

In addition to power distance, we expect to see a positive correlation between masculinity and HR formalization. Masculine cultures are said to be paternalistic, indicating a hierarchical and authoritative structure, as well as assertive. This indicates that there is likely a high degree of HR formality, since they are likely to have more of a structured organizational pattern. Therefore, we also expect the link between masculinity and employee development to be positive, since we hypothesize that HR formality and employee development are positively related.

Methodology

To test the relationship between HR formality and employee development, the researcher utilized secondary data from the CRANET survey, which gathers data on the HRM policies and practices in various countries. The CRANET survey is conducted by over 40 academic partners, representative of one country, throughout the world. The international team originally creates the survey in English, translating it to their own language. It is then distributed by paper, telephone, or online by the representative of the country location. The data is then collected by the same representative. The survey is meant to target senior-level managers that are responsible for the HRM in their organization. The survey is conducted each year, but minimal revisions are made in order to ensure that consistent results are found over time. For the purposes of this study, only the most recent results (2014-2015) were included in order to ensure findings were as up to date as possible.

Sample

For the purposes of this study, only the data from the five regions of interest were included, in order to narrow the response pool. These regions included the Anglo-Saxon, Germanic, Nordic, Central and Eastern Europe, and Asian regions, since the study called for a large geographic range with varying cultural characteristics. The Hofstede scores of masculinity and power distance for each location were determined by utilizing the official Hofstede website, and any countries with abnormal or inconsistent scores for their subsequent region were then removed from the dataset. This was done so that the results would truly reflect the masculinity and the power distance levels of each area as far as possible. In addition, SPSS was used to calculate the descriptive statistics for each country, and those with means and standard deviations that were inconsistent with the region were also removed to maintain uniformity. After the dataset with the correct countries was finalized, the countries were coded one through five in the following order: Anglo-Saxon, Germanic, Nordic, CEE, and Asia. In total, 3891 responses were included in the analysis (see Table 1-1).

Country	**Region**	**N**
Austria	Germanic	193
Finland	Nordic	206
Germany	Germanic	165
Hungary	CEE	244
Romania	CEE	225
Sweden	Nordic	283
UK	Anglo-Saxon	196
Croatia	CEE	117
Iceland	Nordic	116
Norway	Nordic	196
Russia	CEE	100
Serbia	CEE	153
Switzerland	Germanic	202
China	Asia	237
Philippines	Asia	130
USA	Anglo-Saxon	489
Australia	Anglo-Saxon	365
Total		**3891**

Table 1-1: Number of responses per country

Measures

In order to determine the formalization of the HR department, a scoring system was created using selected questions from section one of the survey, entitled HRM Activity in the Organization. This section was utilized because it was the most representative of the structure of the HR system that the respondent had. The researcher chose the following survey questions because they had the highest indication of HR formality: If the respondent indicated that there was an HR department, they received one point. One point was also rewarded if the response stated that there was a written HRM strategy and another point for a written training and development strategy. In addition, respondents would receive three points if they answered that the HR department was involved in a business/service strategy from the onset of development, two points if the HR department was involved "through subsequent consultation" in its creation, and one point if HR was involved upon the implementation of the strategy. Additionally, responses received points based on whether or not HR had primary responsibility for major policy decisions on certain issues within an organization, including pay and benefits, recruitment and selection, training and development, industrial relations, and workforce expansion/development. Surveys received three points if HR had the primary responsibility, two points if HR department had primary responsibility with consultation of line management, and one point if line management had primary responsibility with the consultation of the HR department. Lastly, respondents received one point if they indicated that they utilized a human resource information system or electronic HRM system. The full questions can be viewed in Appendix A.

In addition to selecting questions for formality, the researcher also chose a sample of questions from section three of the survey, entitled Employee Development. This section was the only section that captured the four elements of development utilized in the study: training needs analysis, training spend, number of managerial training days, and training evaluation. Four questions were selected, one for each of these characteristics. This can be seen in Appendix A.

Data Analysis

After completing the literature review and reporting the Hofstede scores, as well as developing a scoring system for HR formality, the researcher utilized SPSS in order to test the hypotheses. First, a bivariate correlation analysis was completed for the entire dataset in order to assess any association between region and HR formality, and ensure that any multicollinearity problems were avoided. Once this was completed, the researcher went on to complete five separate bivariate analyses, separating them by region, so that the association between HR formality and the dependent variables could be seen for each region of interest. This was completed so that the researcher would be able to view the significance levels and determine if HR formality was associated with each measure of employee development.

Next, the researcher completed a one-way ANOVA on the whole dataset in order to determine the differences between the mean formality scores across the regions. By doing this, the researcher was able to see which regions differed in HR formality, and which were similar. In tandem with the one-way ANOVA, a post hoc Tukey test was conducted to determine the numerical difference between each region. These can also be seen in the results section.

After looking at the differences between each region in terms of HR formality, the researcher then utilized linear regression analyses to determine the relationship between the independent variable (HR formality) and the four dependent variables, including training needs analysis, training spend, managerial training days, and training evaluation. An analysis was completed for the entire dataset, and then the file was split by region, where the researcher was able to complete five separate linear regressions by region. The linear regression was reported utilizing correlation matrices.

Results

In order to evaluate the research questions and hypotheses, including whether HR formality had an effect on the overall employee development in an organization, and if masculinity and power distance played a role in the amount of HR formality and subsequently, the employee development, the methodology above was used. Firstly, a bivariate correlation for each of the variables was completed on the full dataset, including all regions and countries in the study. The means and standard deviations for each result were also reported. The results of these correlations can be seen in Table 1-2. The researcher used Spearman's significance level of .05, and the results show high significant levels throughout. No values exceeded the recommended cut-off point of .70, indicating that there were no issues of multicollinearity on the global scale.

		Mean	Standard Deviation	1.	2.	3.	4.
1. Formalization		16.5580	4.69022				
2. Training Needs Analysis		.64	.480	.153**			
3. Training Spend		3.63	2.971	.129**	.123**		
4. Training Days		7.21	10.871	.042**	.035*	.187**	
5. Training Evaluation		.47	.499	.203**	.401**	.161**	.048**

n=1050
*p<.05
**P<.01

Table 1-2: Correlation Matrix, All Regions

Next, the researcher conducted five separate bivariate correlation analyses, one per region. These results can be seen in Table 1-3 through Table 1-7. Again, no correlations were calculated above the .70 cut-off point, indicating there were no multicollinearity issues present in the correlations calculated by region.

		Mean	Standard Deviation	5.	6.	7.	8.
6. Formalization		18.089	4.583				
7. Training Needs Analysis		.590	.492	.082*			
8. Training Spend		4.160	3.197	.066	.140**		

9. Training Days		6.290	6.850	-.018	.089*	.208**	
10. Training Evaluation		.490	.500	.167**	.421**	.254**	.119**

n=1050
*p<.05
**P<.01

Table 1-3: Correlation Matrix, Anglo-Saxon Region

		Mean	Standard Deviation	1.	2.	3.	4.
1. Formalization		16.999	3.843				
2. Training Needs Analysis		.750	.436	.244**			
3. Training Spend		3.190	2.607	.058	.016		
4. Training Days		5.580	8.107	.040	-.035	.103*	
5. Training Evaluation		.560	.496	.225**	.368**	-.025	-.026

n=560
*p<.05
**p<.01

Table 1-4: Correlation Matrix, Germanic Region

		Mean	Standard Deviation	1.	2.	3.	4.
1. Formalization		16.436	4.351				
2. Training Needs Analysis		.630	.484	.175**			
3. Training Spend		3.220	2.615	.104*	.099*		
4. Training Days		5.390	4.227	.138**	.082	.130**	
5. Training Evaluation		.330	.472	.211**	.310**	.122**	.029

n=801
*p<.05
**p<.01

Table 1-5: Correlation Matrix, Nordic Region

		Mean	Standard Deviation	1.	2.	3.	4.
1. Formalization		15.164	5.057				

2. Training Needs Analysis		.620	.485	.254**			
3. Training Spend		3.380	2.589	.168**	.156**		
4. Training Days		6.620	6.497	.136**	.116**	.156**	
5. Training Evaluation		.470	.499	.259**	.449**	.149**	.120**

n=839 **Table 1-6:** Correlation Matrix, CEE Region

*p<.05

**p<.01

		Mean	Standard Deviation	1.	2.	3.	4.
1. Formalization		17.967	4.025				
2. Training Needs Analysis		.480	.500	.042			
3. Training Spend		4.680	3.828	-.035	.371**		
4. Training Days		13.440	14.213	-.057	.057	.500**	
5. Training Evaluation		.540	.499	.042	.532**	.355**	.071

n=367 **Table 1-7:** Correlation Matrix, Asia Region

*p<.05

**P<.01

Next, an ANOVA on the full dataset including all regions was run in order to find the differences between the mean formality levels across countries used in the study. The results were significant at the p-value of .01 (F (4, 3886) = 64.348), indicating there is a significant difference in the mean levels of HR formalization in the five regions. This can be seen in Table 1-8.

Formalization	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	5140.123	4	1285.031	63.348	.000
Within Groups	78828.828	3886	20.285		
Total	83968.951	3890			

Table 1-8: ANOVA, All Countries

Lastly, a Tukey test was conducted to see the mean difference between each region used in the study. According to the results, there is a significant difference in the means between the Anglo-Saxon and CEE regions, and between the Germanic and Nordic regions. There was not a significant difference

in the means of HR formalization between Asia and the Anglo-Saxon Region. Additionally, the Germanic and Nordic regions do not have a significant difference in means. These results can be seen in Table 1-9.

Multiple Comparisons

Dependent Variable: Formalization

Tukey HSD

(I) region	(J) region	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1.00	2.00	1.09007*	.22280	.000	.4820	1.6981
	3.00	1.65221*	.21369	.000	1.0690	2.2354
	4.00	2.92432*	.19728	.000	2.3859	3.4627
	5.00	.12127	.27312	.992	-.6241	.8666
2.00	1.00	-1.09007*	.22280	.000	-1.6981	-.4820
	3.00	.56214	.23805	.126	-.0875	1.2118
	4.00	1.83425*	.22343	.000	1.2245	2.4440
	5.00	-.96880*	.29257	.008	-1.7672	-.1704
3.00	1.00	-1.65221*	.21369	.000	-2.2354	-1.0690
	2.00	-.56214	.23805	.126	-1.2118	.0875
	4.00	1.27211*	.21435	.000	.6872	1.8571
	5.00	-1.53094*	.28569	.000	-2.3106	-.7513
4.00	1.00	-2.92432*	.19728	.000	-3.4627	-2.3859
	2.00	-1.83425*	.22343	.000	-2.4440	-1.2245
	3.00	-1.27211*	.21435	.000	-1.8571	-.6872
	5.00	-2.80305*	.27363	.000	-3.5498	-2.0563
5.00	1.00	-.12127	.27312	.992	-.8666	.6241
	2.00	.96880*	.29257	.008	.1704	1.7672
	3.00	1.53094*	.28569	.000	.7513	2.3106
	4.00	2.80305*	.27363	.000	2.0563	3.5498

*. The mean difference is significant at the 0.05 level.

Table 1-9: Tukey Test, All Countries

Following the bivariate correlations and ANOVA tests, the researcher conducted a linear regression with all regions included. The results significantly supported that HR formalization predicted each of the four dependent, employee development measures at p<.001; the low R^2 values indicate that other variables in addition to HR formality may also explain levels of employee development. However, the significant values indicate that HR Formalization predicted the level of training needs analysis (β= .155, p < .001), the number of days of managerial training (β= .060, p < .05), the percentage of payroll costs spent on training (β= .121, p < .001), and the degree of training evaluation (β= .205, p < .001). These results can be seen in Table 1-10.

All Regions				

	Training Needs Analysis	Number of Days Managers Receive Training	Percentage of annual payroll costs spent on training	Training Evaluation
	Standardized β	Standardized β	Standardized β	Standardized β
Formalization	.155***	.060**	.121***	.205***
R^2	.024	.004	.015	.042
Adjusted R^2	.024	.003	.014	.042
F	89.633***	11.269**	40.071***	156.460***

n=3891 **Table 1-10**: Linear Regression, All Regions
*p<.10
**p<.05
***p<.001

The researcher then performed linear regression analyses by region. The first region, Anglo-Saxon, varied in significance among the employee development variables. HR Formalization predicted the level of training needs analysis (β= .082, p < .10) and the degree of training evaluation (β= .167, p < .001). However, significant results for the number of days managers receive training (β= -.018) and the percentage of annual payroll costs spent on training (β=.066) were not observed. In addition, the low R^2 values indicate that the variance in employee development may not be related to changes in HR formalization. These values can be seen in Table 1-11.

Anglo-Saxon Region				
	Training Needs Analysis	Number of Days Managers Receive Training	Percentage of annual payroll costs spent on training	Training Evaluation
	Standardized β	Standardized β	Standardized β	Standardized β
Formalization	.082*	-.018	.066	.167***
R^2	.007	.000	.004	.028
Adjusted R^2	.006	-.001	.003	.027
F	5.994*	.232	2.447	24.380***

n=1050 **Table 1-11:** Linear Regression, Anglo-Saxon Region
*p<.10
**p<.05
***p<.001

The Germanic region showed that formalization strongly predicted the level of training needs analysis (β= .244, p < .001) and training evaluation (β= .225, p < .001). Again, the results did not show significant results for the number of days managers receive training (β=.040) and the percentage of annual payroll costs spent on training (β=.058). The low R^2 values indicate that changes in HR formalization may not lead to changes in employee development. The regression results can be seen in Table 1-12.

Germanic Region				

	Training Needs Analysis	Number of Days Managers Receive Training	Percentage of annual payroll costs spent on training	Training Evaluation
	Standardized β	Standardized β	Standardized β	Standardized β
Formalization	.244***	.040	.058	.225***
R^2	.060	.002	.003	.051
Adjusted R^2	.058	.000	.001	.049
F	40.870***	.947	1.611	34.201***

n=560 **Table 1-12:** Linear Regression, Germanic Region
*p<.10
**p<.05
***p<.001

The Nordic region showed significant results for all four employee development measures. This indicates that HR Formalization predicted the level of training needs analysis (β= .175, p < .001), the number of days of managerial training (β=.138, p < .05), the percentage of payroll costs spent on training (β= .104, p < .10), and the degree of training evaluation (β= .211, p < .001). The low R^2 values indicate that changes in HR formalization may not lead to changes in employee development. The results are shown in Table 1-13.

Nordic Region				
	Training Needs Analysis	Number of Days Managers Receive Training	Percentage of annual payroll costs spent on training	Training Evaluation
	Standardized β	Standardized β	Standardized β	Standardized β
Formalization	.175***	.138**	.104*	.211***
R^2	.030	.019	.011	.044
Adjusted R^2	.029	.017	.009	.043
F	22.653***	10.81**	5.567*	33.415***

n=801 **Table 1-13:** Linear Regression, Nordic Region
*p<.10
**p<.05
***p<.001

Central and Eastern Europe showed significant results; each category of employee development tested showed a significance level (p) below .01. According to these values, HR Formalization predicted the level of training needs analysis (β= .254, p < .001), the number of days of managerial training (β= .136, p < .001), the percentage of payroll costs spent on training (β= .168, p < .001), and the degree of training evaluation (β= .259, p < .001). This linear regression shows that HR formality is predictive of employee development in the CEE region. These were the strongest results of the dataset between regions. However, the low R^2 values indicate that changes in HR formalization may not actually predict changes in employee development. These results can be seen in Table 1-14.

CEE Region				
	Training Needs Analysis	Number of Days Managers Receive Training	Percentage of annual payroll costs spent on training	Training Evaluation
	Standardized β	Standardized β	Standardized β	Standardized β
Formalization	.254***	.136***	.168***	.259***
R^2	.064	.019	.028	.067
Adjusted R^2	.063	.018	.027	.066
F	69.376***	17.329***	24.078***	72.309***

n=839 **Table 1-14:** Linear Regression, CEE Region
*p<.10
**p<.05
***p<.001

Out of the five regions, the linear regression performed for Asia showed the weakest relationships. There were no significant relationships found for any of the employee development measures, indicating the HR formality is not predictive of employee development in China and the Philippines. Additionally, the low R^2 levels indicate that changes in HR formalization are not predictive of changes in employee development in this region. The results of this section can be seen in Table 1-15.

Asia Region				
	Training Needs Analysis	Number of Days Managers Receive Training	Percentage of annual payroll costs spent on training	Training Evaluation
	Standardized β	Standardized β	Standardized β	Standardized β
Formalization	.042	-.057	-.035	.042
R^2	.002	.003	.001	.002
Adjusted R^2	-.001	.002	-.002	-.001
F	.042	1.129	.398	.649

n=367 **Table 1-15:** Linear Regression, Asia Region
*p<.10
**p<.05
***p<.001

Discussion

The current study sought to explore an understudied topic, HR formality. Using the definition provided by Nguyen et al. (2014), formality is the extent to which HR practices are systemized, documented, and institutionalized. This study hoped to provide a link between this definition and employee development, stating that as the level of formalization increased, the overall employee development would also increase.

According to analysis on the entire dataset, the expectations of this study were found to be supported. When looking at the full set of data, including all countries and regions in the study,

significant relationships were found between HR formality and all four of the dependent variables: Training analysis, training days, training spend, and training evaluation. HR formalization was found to predict the amount of managerial training days at a significance level of $p<.05$, and the remaining three variables at a significance level of $p<.001$. These values indicate a strong relationship between formalization and employee development across regions. According to Nafukho et al. (2004), development of human resources indicates the development of employees by investing in education and training of the workforce. This study shows that the level of HR development, indicated by formalization, supports this observation.

Although most regions showed a significant relationship between HR formality and employee development, Asia did not display any relationship between the independent variable and the four dependent variables: Training needs analysis, training days, training spend, and evaluation of the training conducted. There are many different possibilities as to why this could have occurred; firstly, the evolution of Human Resources in general is extremely different in this region compared to the others. Until recent years, HR in China was utilized mainly as an administrative function ("HR Challenges," n.d.). The idea of Strategic HR, including procedures like talent management, training, corporate strategy inclusion, and organizational development were new concepts. Because of the novelty of these functions, actions like training, evaluation, and analysis could be still slowly developing. In addition, hiring HR professionals that have expertise in any of these areas would be a challenge.

Furthermore, the two countries included in this region for this study, the Philippines and China, have two vastly different business and economic structures which could have an effect on the results of this study. China is an extremely large and wealthy nation in comparison to the Philippines, with an annual GDP of $11,221,8336MM, compared to the Philippine's $304,906M. Additionally, China has a higher human capital ranking at 71, compared to 49 in the Philippines (Schwab, 2017). This indicates that overall, China spends more time and money in developing their workforce, including investment in education and in their human capital as a whole. This could have played a factor in why the results were insignificant in the study.

In addition to the insignificant results in the Asian region, there was also a trend of insignificant results in some regions for the training spend and training days variables being related to HR formalization. These two variables were used in the study to reflect the amount of employee development occurring in each region. Although these variables were significant when looking at the entire dataset, as well as in the Nordic region and CEE; the Anglo-Saxon, Germanic, and Asian region displayed insignificant results. This could indicate that although the HR departments within these regions are formalized, they may not focus on investing company time and resources into human capital development. Those in this region may gain the skills needed to succeed within the organization through other means. For example, human capital measures often take into account the level of education received by the workforce, not the actual on-the-job training (Son, 2010). These insignificant results found could also be reflective of the limited scope included in the study. This analysis focused solely on managerial training, and did not include professionals, clerks, and manual laborers. Depending on the organization and the industry, training may be more focused on these other types of workers. For example, manual workers in the manufacturing industry may require more training to properly work on heavy machinery in comparison to the managerial staff.

In addition to exploring the link between HR formalization and employee development, this study also aimed to connect the level of formalization to the cultural factors present in that region. Using Hofstede's masculinity and power distance dimensions of culture, the regions were grouped. According to Aycan, Kanungo & Sinha (1999), cultural differences affect the internal work culture of organizations, creating dissimilar HR attitudes and goals. It has been shown that culture can affect administration choices, leading to different HR systems (Reiche, Yih-teen & Quintanilla, 2012). Given

this, the researcher would expect a link between cultures; however, the results were not reflective of this prediction.

Although we expected to see a difference in HR formality and in turn, their employee development based on cultural factors, the analysis showed that certain nations with extremely different masculinity and power distance levels were actually more similar in their formality levels. Based on the mean scores of formality calculated, there was not a significant difference in the mean scores between Asia and the Anglo-Saxon Region. However, Asia had a high masculinity score of 65, and a high power distance score of 84. Although the Anglo-Saxon region also had a high masculinity index, they exhibited a low power distance measure of only 37. This could indicate that power distance plays a bigger role in the formalization of HR departments, and masculinity may not have an effect.

Adding to this point, the Nordic and Germanic regions also did not show a significant difference in the mean scores of formalization, according to the survey data. According to the Hofstede scores, The Germanic region had a high level of masculinity with a score of 71.6, and a low level of power distance with an average of 26.7. In contrast, the Nordic region had an extremely low level of masculinity with an average score of 9.75, and a low level of power distance with a score of 28.6. This counteracts the idea that masculinity has an effect on formalization, since their scores were very similar in nature, yet they did not have a significant difference in their mean formalization scores. However, these observations show that the power distance between each region was similar, and their mean formalization scores were also comparable. Therefore, this study has shown that power distance is more indicative of the HR formalization in various regions, and masculinity does not have a truly significant effect, based on the mean differences calculated across regions.

In addition to observing the locations that did not have significantly different HR formalization scores, those that did differ from one another also showed conflicting results in whether or not the cultural dimensions played a role in the formalization scores. According to the data, the Anglo-Saxon region was significantly different from the Nordic, Germanic, and CEE regions. However, each of these regions have varying levels of masculinity and power distance. With the high masculinity index and a low power distance score, the Anglo-Saxon region was actually very similar to the Germanic region in terms of cultural dimensions. Dissimilarity existed with the Nordic and CEE regions, since they had lower levels of masculinity and higher levels of power distance. Given these differing accounts of the relationship between the cultural dimensions and the level of HR formalization, it is inconclusive whether these Hofstede factors actually play a significant role in the variation in scores among the different regions.

The similarity in the HR formalization scores from unlike cultural regions, and the dissimilarity of very similar cultural regions, may be explained by a number of other factors not included in this study. For example, whether an organization is private or public, the number of employees within an organization, as well as the industry in which those surveyed worked could have contributed to the conflicting results.

Limitations and Future Directions

Although this research displayed that there was a significant relationship between HR formality and employee development, a causal relationship cannot be determined based on this study. When utilizing a cross sectional survey, causality cannot be confirmed. Cross sectional designs, especially the survey method, have been referred to as “post predictive,” meaning that they are predicting relationships that have happened in the past (Wright et al., 2005). In addition, survey methods do not control for alternative explanations; in this study, we rely solely on culture, even though many other factors are not being controlled. In the future, a new methodology should be used to look for causality.

For future research, a few changes could be made in order to create more accurate analyses of HR formality and employee development, in addition to the relationship of these variables to cultural

dimensions presented in each region. Firstly, the countries should be further evaluated in terms of economic and social factors to ensure that they are comparable. Even if nations have similar cultural scores, they may still be completely different in this regard. For example, the differences between China and the Philippines should be taken into account in future research when looking at the Asian region.

Additionally, if a new study were to be conducted in the future, examining additional employee groups in terms of training days may be beneficial. Since this study only looked at managerial training days, including professional, administrative, and manual laborers may result in increased significant relationships with this variable and formalization. This will provide the researcher with a bigger picture of an entire organization, instead of just a small fragment of the employees within a firm.

Lastly, it may be beneficial to limit the study to only one type of industry or organization to get a better picture of the cultural dimensions. This study did not take into account what industry the respondents indicated that they were employed in. When looking at employee development aspects, like training, the industry and organization can have a large impact. Some industries may require their employees to be highly trained in order to be an entry level employee, where others may require no experience whatsoever. In addition, looking at a multinational company may shed light on the cultural aspects, since the training would potentially be held constant.

Conclusion

Employee development is vital for an organization to be successful in the ever changing and evolving world of business. Although different regions vary in how they develop their human capital, as well as how their Human Resources departments run, it is imperative that their employees are able to complete the necessary tasks that make a company successful. The formalization of Human Resources calls for increased workforce advancement by investing time and resources into training and development programs (Nafukho et al, 2004). Strategic HR systems have an emphasis on development, which was displayed in many results throughout this study.

Overall, this study showed that there is evidence that HR formality has an effect on the level of employee development throughout the world, and that the level of formality varies throughout different regions. This knowledge can be useful for those working in multinational organizations, expatriates, and company executives attempting to expand upon human capital globally. There is evidence to show that power distance has an effect on HR formalization, and in turn, the development of employees; but masculinity did not seem to have an effect. Although Hofstede's factors relate to how businesses are run, the HR department may be a separate entity in terms of formalization (Hofstede, 1984). Therefore, more research should be conducted on why these differences exist, independent of the masculinity and power distance dimensions described by Hofstede. In addition, further research with a narrower scope, such as one industry or sector, should be conducted to attempt to explain the role of culture and how it effects HR formalization, as well as HR configurations as a whole.

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Appendix A

Survey Questions Used:

Section I: HRM Activity in the Organization

3a. Do you have an HR department?

Yes
No

6. Does your organization have a written…

Personnel/HRM strategy?

HR training and development strategy?

7. If your organization has a business/service strategy, at what stage is the person responsible for personnel/HR involved in its development?

"from the onset"

"through subsequent consultation"

"on implementation"

8. Who has primary responsibility for major policy decisions on the following issues?

"line mgt."

"line mgt. in consultation with HR department

"HR dept. in consultation with line mgt."

"HR department"

10. Do you use the following to deliver HRM activities?

Human resource information system (HRIS) or electronic HRM system

Section III: Employee Development

4. Do you systematically estimate the need for training of personnel in your organization?

Yes

No

5. Approximately, what proportion of the annual payroll costs is currently spent on training? (Please round up to the nearest whole percentage)

6. Approximately, how many days training per year do employees in each staff category below receive on average?

A. Managers _____ days per year per employee

7. Do you <u>systematically</u> evaluate the *effectiveness* of training of personnel in your organization?

Yes

No

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