Developing and Retaining Human Capital in a Multinational Enterprise

A case study of a Swedish multinational enterprise in the automotive industry

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Abstract

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Title: Developing and Retaining Human Capital in a Multinational Enterprise- A case study of a Swedish multinational enterprise in the automotive industry

Research question: How is human capital developed and retained by a Swedish multinational enterprise that operates in the automotive industry?

Purpose of the study: The purpose of this thesis is to investigate and understand how human capital is developed and retained by a Swedish multinational enterprise that operates in the automotive industry.

Methodology: The qualitative research approach was used for this study. Primary data was obtained through semi-structured interviews. Additional information was obtained through other sources such as books, scientific articles and the internet.

Conclusion: The studied MNE adopts a unique strategy for retaining its human capital. The studied MNE offers its employees stability and safety instead of high salaries.

Keywords: Human capital, human resources, human resource management, intangible assets, intellectual capital, automotive industries, multinational enterprise
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This master thesis is written in the interest of human capital and its development. The aim of our thesis is to help academics and practitioners understand how human capital is developed and retained by a multinational enterprise.

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The glossary gives an alphabetical list of the most commonly used abbreviations and concepts used throughout this thesis.

**Human Capital (HC):** The employees whom possess individual and collective knowledge, skills and abilities. (Ivana, 2010)

**Intellectual Capital (IC):** Intellectual capital (IC) consists of all intangible assets that contribute to creating value for the company. (Ordonez de Pablos, 2002)

**Multinational Enterprise (MNE):** An enterprise which has operating subsidiaries, affiliates or branches which are located in foreign countries. (Eiteman et al., 2010)
1 Introduction

According to Tung (1984) the effective performance of a multinational enterprise (MNE) is subject to the availability and efficient use of various strategic resources such as technology and human capital. Eiteman, Stonehill & Moffett (2010) defines a multinational enterprise as a company which has operating subsidiaries, affiliates or branches located in foreign countries. Human capital (HC) according to Ivana (2010) is the employees whom possess individual and collective knowledge, skills and abilities. Human capital is a crucial factor for the successful performance of a MNE as without it all other resources will not be effectively used and transferred from a MNEs corporate head office to its various subsidiaries established in different parts of the world. It is imperative for MNEs to pay attention to the management of human capital as it serves as a function of the global planning and the control process within the MNE (Tung, 1984).

Malik & Aminu (2011) explains that a more important role has developed for the use of human capital when planning resources in MNEs. MNEs are operating through threats produced by the global economic decline. According to the Oxford Analytical Daily Service (2009) a global economic decline entails “a negative impact on economic growth, employment and technology transfer, slowing the rise of middle classes in developing countries and raising poverty.” It is vital for MNEs to take advantage of the distinct value of the MNE and in addition develop opportunities by means of vision and innovation. It is the distinct value of a MNE in the automotive industry that gives them character, the organization is affected by higher quality expectations and many different kinds of individual customer demands. (Moser & Wohlfarth, 2009) MNEs operate their subsidiaries in different parts of the world, today they find themselves in the free flow of technology and human capital (Oxford Analytical Daily Brief Service, 2009). This free flow of technology and human capital is important for the studied MNE.

Since human capital is the primary factor in the new generation (Hassan, 1992) it is critical for MNEs to manage human capital to in order to gain a competitive advantage in the global economic decline. (Malik & Aminu, 2011) To gain a competitive advantage, expensive technological machinery and intricate processes are used and developed by MNEs. Because of these developments, MNEs are much dependent on the knowledge and skills of its employees to operate advanced machinery and develop processes. The management of human capital can only be developed and be effective in context with the organization’s strategy. Human capital has to serve a purpose within the strategic approach of the MNE (Youndt, Snell, Dean, & Lepak, 1996).
1.1 Background

Edvinsson & Malone (1997) explains that by taking a glimpse back on the developments in Sweden, it gives a clear picture of how the economy has evolved from an industrial-based economy to a more complex society with greater demands on the skills of the employees. Today we call it industrialization. The domination of mechanical production is becoming less of a focus and the knowledge of society is becoming more of a focus. From the industrialization arose the mass production principle where staff were often tied to repetitive tasks. (Ibid) The trend towards a more knowledge based organization began to evolve in the 1990’s where employees developed from being a support function in the organization to being the main players in the organization (Johansson, 2003).

Products of a MNE are not only produced within factories or plants, it also coincides and are produced in relation to customer service. This means that the refining processes of companies have changed from previously having hard values such as materials, equipment and direct labor as the most important competitive advantage to the soft values that is employee’s abilities, knowledge, experience and skills. These soft values are the core fundamentals for a company’s human capital. Development means that companies not only deal with the physical and financial resources, but also use strategies to manage and develop employees (Hansson & Andersson, 1999).

Today management sees human capital as an invested asset, an asset which needs to be developed and utilized to the fullest. (Rimmel, 2003) Johansson (2003) confirms the fact that skills development has become an important part of today’s competitive society, where employees are dependent on for innovation of products. Management these days places greater emphasis on business skills and staff development. Management also require more skilled staff that can create a more stable advantage in the industry and a more sustainable competitive advantage (Ibid). By effectively using employee’s competence, skills and abilities the results are successful performance in the global market (Mayo, 2006).

1.2 Problem statement

The studied MNE strives to create an environment for innovation in order to keep up with technological changes. With change come new standards and practices for work scopes. Because of new standards and practices, employees are required to be competent and educated in their field of expertise and also possess knowledge of new changes. The studied MNE is one of the world’s leading companies in the automotive industry and the company claims this is due to the knowledge of its employees, both on the managerial and non-managerial level in addition to advanced technology. Although technology and machinery are of importance to the studied MNE, it cannot be operated without competent employees. In the case of complications, employees are required to know how to address problems or find solutions to problems.
Edvinsson (2002) writes that companies today not only have to worry about finding the right employees for the organization, but they also have to work on retaining them. It is even more important for the organization to retain core employees who are difficult to replace. Core employees are valuable to the studied MNE since they possess special competence to carry out daily work. This means that core employees must be inventive and take advantage of their talents in finding solutions to problem. (Ibid) How is it possible for employees in general to spread knowledge among themselves and also remain at the forefront of the market and be competitive? This is a difficulty for the studied MNE to find a balance to make sure employees are competent to ensure the company’s objectives are achieved and at the same time enhance that competence by developing and retaining it to add to the competitive advantage, thereby giving the competence added value.

1.3 Research question

The research question is based on the problem statement of this study and our question is as follows:

• How is human capital developed and retained by a Swedish multinational enterprise that operates in the automotive industry?

1.4 Purpose of the study

The purpose of this thesis is to investigate and understand how human capital is developed and retained by a Swedish multinational enterprise that operates in the automotive industry. This study is aimed to answer the research question with the help of relevant theory which we find applicable and empirical data which is obtained from the studied MNE.

1.5 Target audience

This thesis hopes to help academics and practitioners of the studied MNE to understand the importance of the developing and retaining human capital and its impact on the benefits of a MNE in today’s competitive environment.

1.6 Delimitations and limitations of the study

This thesis is delimited to the study of developing and retaining human capital in a Swedish MNE. This study is delimited to only one Swedish MNE and is the perspective of management and human resources representatives from the studied MNE. We requested these individuals in these positions because we believed they could be more informative and have a broader knowledge about the current strategies being used to manage human capital. We imposed these delimitations due to the time restrictions on this thesis.
A limitation with this study was that the studied MNE chose to be anonymous. Another limitation was that the studied MNE chose the individuals with the selected job titles to be interviewed.
2 Theoretical framework

This chapter describes the relevant theories which we found applicable to the research area. It begins with the development of human capital, thereafter defining intellectual capital and human capital to facilitate an understanding of the topic. Followed by the strategic human capital management, importance and advantages of human capital on a MNEs performance, human capital as a competitive advantage and lastly, the disadvantages and limitations of managing and investing in human capital.

2.1 Defining intellectual capital

Intellectual capital (IC) is defined and explained in several ways in literature by various authors. Several authors have attempted to define the term according to their own interpretation. Authors such as Olve & Samuelson (2008) and Edvinsson & Malone (1997) define intellectual capital as the difference between market value and book value. Olve and Samuelson, (2008) argue that the market value is usually higher than the book value and that difference is called intellectual capital. According to Ordonez de Pablos (2002) intellectual capital consists of all intangible assets that contribute to creating value for the company. Intellectual capital may comprise of various intangible assets such as possession of knowledge, applied experience, organizational technology, customer relationships and professional skills that can provide a competitive advantage in the market. (Edvinsson & Malone, 1997). Intellectual capital according to Stewart (1997) is “the intellectual material—knowledge, information, intellectual property, experience—that can be put to use to create wealth”. Brooking (1996) defines intellectual capital as a combination of intangible assets which contribute to the company’s results. This means that companies use intangible assets to differentiate themselves in the market. (Ibid)

There are many different definitions of intellectual capital and their significance to companies. (Kostagiolas & Asonitis, 2009) The result of intellectual capital lacking a proper definition causes the management and identification of intellectual capital to be difficult. (Ibid) Even though many authors define the concept differently, they have one thing in common and that is that intellectual capital consists of three components namely human capital, structural capital and relational capital.

2.1.1 Components of intellectual capital

To give the reader an understanding of the research topic, this section will describe the components of intellectual capital. Since human capital is the main focus of this study, this concept will be discussed more in detail throughout this thesis. According to Ivana (2010) intellectual capital consist of three categories which are described as follows:

1. **Human capital:** Are employees who possess collective and individual knowledge, skills and other characteristics. Employees are referred to as human capital as soon as they
apply their knowledge and skills to create product and services that gives value to the organization. Examples are employees with unique specialist knowledge for high technologically equipment.

2. **Structural capital:** Are the organizational and technological elements that are used for developing co-ordination and integration within a company. Examples are infrastructure support for human capital.

3. **Relational capital (Customer capital):** is the value of relationships that a company maintains with external agents. Examples are suppliers, customers or allies.

![The intellectual capital model. (Stewart, 2003)](image)

The figure above shows the components of intellectual capital. It depicts the importance of intellectual capital in relation to the total market value. It also demonstrates the problem which could exist if MNEs dismisses their intangible assets. Intangible assets represent the majority of a firm’s total market value. By efficiently managing these assets, they can become a great competitive advantage. Unfortunately some firms are not aware of their intangible assets, while others are aware of them but tend not to focus on them. (Stewart, 2003)

### 2.2 Defining human capital

The term human capital can be explained in different ways. In literature we have found several words used as synonyms for the concept. Some examples are: “human resources”, “human assets”, “cultural capital” and “worth of employees” (Abeysekera & Guthrie,
These expressions have very similar importance but still not exactly the same meaning. In this thesis we will use the term human capital.

Human capital is defined as the individual’s knowledge, skills, experience and their willingness to share these factors with the company to create value. (Baron, 2011) The word individuals refer to the staff and management of the company that is all individual ability (Edvinsson & Malone, 1997). Knowledge has a significant impact on a MNE’s value of knowledge because knowledge lies partly in the staff’s experience. Brooking (1996) divides knowledge into three levels: tacit, explicit and implicit knowledge. Tacit knowledge is the knowledge that is used by people but that is not easy to explain or written. Explicit knowledge is the knowledge that is documented and written down. Implicit knowledge is the knowledge that is hidden in practice and also in the organization. Competence creates value through knowledge and skill. (Ibid) Today employees are a source of motivation, knowledge and innovation (Johansson & Skoog, 2007). Key decisions in organizations are made by people who are expected to have the right skills and knowledge to perform certain decisions. (Tung, 1984)

If employees do not feel satisfied, work performance can be affected in an adverse way in terms of reduced quality of products and services, lower production and absence from work. It is the company’s human capital that uses knowledge as value added for customers to increase revenues. Employees create solutions to customer problems and requests. A MNE’s survival relies on the competence and innovation of its human capital. Employees’ well-being in a MNE is important for the company’s profitability and opportunity to become a leading company in the future. If human capital is highly valued in a company, there is a greater motivation to give the employees a good salary, which also acts as a competitive tool to attract the best human capital (Pfeffer, Hatano & Santalainen, 1995).

2.3 The development of human capital

The research of human capital (HC) is one of the emerging areas of study with regard to social science theory. (Kaufman & Geroy, 2007) The term has its roots in Adam Smith’s economic theories book “The Wealth of Nations” of the eighteenth century and other economists of that time. These theories described commodities which were faceless and which were utilized until they were of no value. The term faceless means in this context something that is difficult to measure. Faceless commodities are today known as intangible assets and are the origin of the term human capital (Larry, 2007).

The acknowledgement that employees are a valuable asset to organizations is nothing new. (Carson, Ranzijn, Winefiel and Marsden, 2004) Human capital is often characterized as an individual’s innovativeness, creativity, skills, capabilities, experiences and knowledge. All these characteristics are linked with each other and cooperatively contribute to the success of performance (Hussi, 2004). Because of the intangible nature of human capital, it
is a resource that can be difficult to imitate by competitors. The intangible characteristics of human capital can provide a foundation in the creating the sustainable competitive advantage for a company. Aside from being able to contribute towards a competitive advantage, human capital also contributes to the overall value for the company, particularly its performance. With investments in human capital, companies can expect an increase of financial results and employee productivity (Ivana, 2010).

From the perspective of the company, human capital is the outcome of the company’s conscious investments when they are employing employees with high formal education or general skills. In addition to recruiting specific competent employees, continuous investments are made through training of specific skills by internal and external training opportunities. This means that companies can increase their resources in human capital through different human resource management practices that are related to training and employee selection. Companies are able to use selection methods to increase their human capital generically while developing company-specific human capital through education of its employees (Vincente, Inmaculada & Mercedes, 2012).

2.4 Strategic human capital management

Strategic human capital management (SHCM) is a research area that still causes arguments as to what it actually encompasses. (Malik & Aminu, 2011) Definitions range from “a human resource system that is tailored to the demands of the business strategy” (Miles and Snow, 1984) to “the pattern of planned human resource activities intended to enable an organization to achieve its goals”. (Wright & McMahan, 1992) Even though the differences between these two definitions seems little, the implications of the differences are broad. In the first definition, human resource management is a responsive management area in which human capital management becomes an instrument to apply strategy whereas the second definition has an active function in which human capital activities truly develop and form the business strategy. (Malik & Aminu, 2011)

SHCM includes internal policies and processes that are configured and actualized to assure that the company’s human capital contribute to the success of the business goals. (Jackson & Schuler, 1995) Schuler (1992) has formulated a more detailed academic definition of SHCM as follows: “Strategic human resources management is largely about integration and adaptation. Its concern is to ensure that: (1) human resources (HR) management is fully integrated with the strategy and the strategic needs of the firm; (2) HR policies cohere both across policy areas and across hierarchies; and (3) HR practices are adjusted, accepted, and used by line managers and employees as part of their everyday work.”

To summarize all the above definitions Khatri (1999) made it clear that some of the repeatedly cited foundation features of SHCM in scientific articles are:
• It is macro oriented.
• Proactive.
• Long term focused in nature.
• Human capital is seen as assets or investments and not as expenses.
• Application of SHCM practices have a connection to the organizational performance.
• Focusing on the managing of human capital with organizations strategy as a means of achieving competitive advantage.

It is almost impossible for any MNE not have any human capital management problems. There are few human capital management problems that are specific for global businesses. Some of these problems include “staffing policies selecting and retaining talented employees, training and development whilst encouraging employees to be innovative and creative, culture barriers and legal framework”. Companies need to recognize the factors that determine the efficiency of their different human capital processes and strategies (Malik & Aminu, 2011).

2.4.1 Retaining human capital

According to Fitz-Enz (2000), two of the most important tasks for the HRD of a firm is to retain its employees within the organization. Retaining employees is something that is an important task because it allows firms to prevent employees from leaving the organization. There are different methods for a firm when it comes to retaining its employees. A firm can for example retain its employees by allowing them to receive benefits or higher salaries than competitors. Awards that are nonmonetary are also good when a firm is trying to retain its employees within the organization. (Ibid)

Retaining employees according to Fitz-Enz (2000) can be accomplished by having employee-relation programs, surveys, and other methods to find out how to keep employee talent within the organization. To retain employees within an organization brings several benefits such as: Reduced costs in recruiting and training and less time spent on supervising employees.

In the competitive global economy of today the retention of employees is one of the prime issues for organizations around the world. (Hayton, 2003; Hornsby & Kuratko, 2003) It is one of the prime issues since very few studies have been conducted that investigate the factors that are influencing the retention of employees in firms. Many firms today do also not know the importance of retention. (Baron & Hannan, 2002) Retention is commonly overlooked in growth-oriented firms besides to organizational culture according to Cardon & Stevens (2004).

Employee retention can be improved by the MNE by e.g. creating a positive work environment, create freedom & flexibility, employee involvement & growth, employee
communication & assistance and compensation & benefits such as pensions. (Kemelgor & Meek, 2008; Stephen, 2000)

The retention of employees is not only affected by increasing and lowering the salaries of the employees. Benefits and compensations such as pensions given to the employees of the organization deter economically rational employees from leaving the firm. This is unless the employees are compensated with much better benefits and considerably higher salaries than before. (Stephen, 2000) Allowing employees to be more involved in their work and be more committed to work harder for the firm. Engaging the employees can lead to increased quality service, productivity, and realized purpose. (Kauffman, 2010)

2.4.2 Creating a learning organization for the development of human capital

Cunningham (2002) writes that assisting employees to develop knowledge, skills and competences increases the human capital of the organization. Organizations consist of people and the success of the organization is much depended upon the actions of people. People are more competent to execute their jobs if processes works, giving value to the organization. Processes include equipment used to assist with work tasks, communication channels used within the organization and education programmes to develop employees. Developing human capital is not always enough to assure the success of an organization. Thus, the development of the whole organization became the focal point of many organizations and this concept became known as the “Organization Development” from the 1960s to the 1980s. By the end of the 1990s there was a new concept for “organization development” namely the “learning organization” (Ibid).

Senge (1990) writes in his book, “The Fifth Discpline” that learning organization refers to the development of knowledge, insights and the mental connection between past actions, the effectiveness of those actions and coming actions. This means that learning can be seen as a process of obtaining new knowledge or skills and by using it, results in a change of behavior. Learning can include activities like training and development activities, exposure to new processes and equipment, and formal studies. The heart of learning is the process whereby sharing knowledge results in more knowledge (Ibid). The issues of learning and knowledge are two components of one goal; how to get the maximum results out of intellect and revive the energy of the workforce. (Finerty, 1997) Dumaine (1994) explains Senge’s (1990) philosophy is expanded upon some main principles.

1. Mental models- Managers must get rid of their old ways of thinking.
2. Personal mastery- Learn to be open with others.
3. Systems thinking- Understand how the organization functions.
4. Shared vision- design a plan that everyone can agree upon
Using these four disciplines, the learning organization can be developed as a result of the learning and the behavior of people. This is the basis for “Team learning, the fifth discipline”. (Dumaine, 1994)

According to Senge (1990) the learning environment is vital, not only because it allows people to learn, but it also encourages people how to learn. Senge (1990) explains that the learning organization perceives to be developing as a result of learning and the behavior of people. It is a continuous process where the capacity to learn quicker than the competitors could be the sole source of sustainable competitive advantage. The learning organization should facilitate the learning of each and every person within the organization and thereby enabling the organization to transform itself, this transformation gives the organization the capacity to increase the efficiency in processes leading to better performance results. (Ibid)

2.4.3 Empowerment strategy

A strategy that exists for the management of human capital in a firm is empowerment. The empowerment strategy is about vesting and delegating employees’ authority. (Fiermonte & Bruning, 2005) Paul, Niehoff & Turnley (2000) writes that empowerment is a process in which responsibility and authority are given to employees at the lower levels of the hierarchy in the organization, however these employees have the knowledge and information that is necessary to work independently from management control. Gandz (1990) also mentions that empowerment can only occur when approval authority and decision making is transferred and moved from being exclusively management privilege to highly trusted employees of the organization.

Fullam & Lando (1998) mentions that organizations that have implemented strategies in which they use empowerment have recognized improvements in several areas such as customer service, productivity, absenteeism, quality and business turnover. Empowerment leads to employees finding their jobs more meaningful, which leads them to have a more dedicated understanding of the organization in which they work in and its leadership. The result of this increased dedication is better performance by managers and employees make better job-related decisions. It is shown that the more empowered employees are in an organization, the more initiative they take. (Fiermonte & Bruning, 2005) Employees also remain longer in their jobs and become more committed as a result of being involved in the progress and creations of their operations since it becomes much more challenging for them. (Kirkman & Rosen, 1999) Fiermonte & Bruning (2005) writes that empowerment strategies helps an organization reduce time which is needed to get approval or to make decisions from upper management. Many small companies today are successfully competing with larger MNEs because new technologies are shrinking the global marketplace. These technologies allow small companies to compete with larger MNEs on an equilibrium level. (Ibid) Small firms have the advantage and being able to compete due to their organizational size makes the decision-making authority at a low level. Larger
companies and MNEs decision-making authority is much more complex and bureaucratic which is a major drawback. (Piercy, 1994)

According to Fiermonte & Bruning (2005) Empowerment does have several benefits which are easy to understand. Many large organizations today claim that they are interested in the empowerment strategy and usually state that they are actively practicing it but this is seldom the case. Most organizations prefer a centralized authority strategy in which decision-making is limited. This limitation in the organization in transferring power and authority to employees at lower levels can cause negative impacts on the organizations competitive position. (Ibid)

2.5 The importance and advantages of human capital on a MNEs performance

Companies are built upon the knowledge, skills and competences of individuals. A company is grounded by an entrepreneur who hires specific individuals to manage and operate the business decisions need in order to produce a product or service at a profit. The main difference between companies is their management of human capital (Barney & Clark, 2007). Human capital is considered one of the most important factors of efficiency at the organizational level. (Barney & Wright, 1998)

The modern view of human capital was derived from the economic theory and was formalized by Becker (1964), where the central message was the development of general and company specific skills which lead to increased efficiency at both the individual level and the organizational level. It is important for MNEs to continually educate workers because knowledge can be lost or become outdated. (Ibid) Since virtually all of the MNEs value creation activities is impacted by human capital, employees can impact the business results in both a positive or negative manner. Employees have the ability to affect every process within the business enterprise (Barney & Wright, 1998). This means that they have the ability to reduce and stop production, affect the quality of products and services and even influence customers in a negative way. (Ibid)

Nerdrum & Erikson (2001) explains that an important economic attribute of many types of human capital is that they often complement other resources. It takes skill to integrate resources to meet the forthcoming demand for a specific product. The result is often that other abilities or counterparts are restricted from clarifying themselves and have economic effects. Therefore the return on investment of other intangible assets becomes low or even negative (Ibid). Empirical studies also reinforces this assumption that human capital has the ability to significantly increase performance at the unit level (Ployhart & Moliterno, 2011) as well as having a positive relationship with companies both directly and indirectly through other resources.(Hitt, 2002; Hitt, Biermant, Shimizu & Kochhar, 2001)
Human capital is defined in a theoretical framework as a resource (Barney, 1991) and can thus be analyzed based on its ability to contribute to a company’s competitive advantage.

**Figure 2:** Model of Human Capital Theory and the Associated Investments or Inputs and the Associated Return on Investment or Outputs. (Zula & Chermack, 2007)

Human capital theory states that both society and individuals receive economic benefits when investments are made into people. (Sweetland, 1996) Figure 2 above shows the model of human capital theory and which associations’ different sort of investments and inputs have on the associated return on investment (ROI) and outputs. A company that invests some of its inputs in “Formal Education or Schooling, General On-The Job Training, Firm Specific On-The Job Training and other sorts of knowledge into its human capital will get several advantages from this as ROI. The advantages and outputs received from investing in human capital are for example increased productivity and profits. This occurs because the company’s employees become well educated (Zula & Chermack, 2007).

### 2.6 Human capital as a competitive advantage

Policies, programs and practices developed by human resource departments can lead to the focus of the firm’s resources as a source of competitive advantage. Brandenburger & Stuart (1996) writes that an organization can experience competitive advantage when the business pursues the opportunity to participate in an economic trade in order to create higher than normal profit as compared to not participating in an economic trade. According to Wade & Hullard (2004) sustainability is a term that has accumulated as a situation where the organizations products or services are successful over time.
Barney (1991) writes that one of the resources that can provide a competitive advantage to an organization is human capital which includes factors such as “skills, judgment and intelligence”. In order to identify the organizations human resources that give competitive advantage, it is also as important to know how the function of Human Resources Department (HRD) impacts this process. (Ibid) Barney (1991) stipulates that four questions need to be asked. He integrates the four questions of “Value, Rareness, Imitability and Organization” as the concept “VRIO framework”. Organizations generate value by means of reducing the cost of a product or service or by making a product or service exclusive in order to charge a higher price as compare to its competitors. It is therefore the intention of the HRD to create value by means of effectively manage human capital with appropriate strategies. Strategies are put in place to assist in reducing costs or alternatively increase profit. An example of a HRD strategy to reduce cost could be an encouragement to employees to choose a less expensive health insurance. A strategy to increase profit is an unusual goal for HRD but one that is very important to the organization as a whole. (Ibid)

According to Waterman (1994) a customer’s level of approval starts with the employees’ approval. This means that the employees are the main connection in the value chain and if therefore a value is generated by focusing on them. By connecting the bonus and penalty system of managers to employee satisfaction, organizations assures that the employees are treated and appraised accordingly. This circle of satisfaction starts with satisfied employees whom provide customers with a satisfied service which leads to value creation which is the link to the organizations profits. (Barney & Wright, 1998)

In order for an organization’s human capital to be classified as a competitive advantage, the human capital needs to be rare in comparison to other competing organizations. (Barney & Wright, 1998) These resources should therefore be investigated by HRD to ensure that they are refined and taken advantage of to gain competitive advantage. Talents of employees need to be exploited to the advantage of the organization. Human capital that is valuable and rare can contribute to the higher than normal profits over a short period of time if other competing firms do not have the means to imitate those characteristics. If the competitors are able to imitate those characteristics, then those characteristics of human capital no longer serves as a competitive advantage (Ibid). Barney & Wright (1998) emphasizes that it is the responsibility of the HRD to ensure that the organization’s human capital that are refined and fostered not be easily imitated by competing organizations. They also state that it is important that the organization is systematized and ready for the exploitation of human capital. The organization needs to have policies, practices and systems in place which give economic evaluation of human capital. The focus of human capital should not only be that of the HRD but that of the organization as a whole. A co-ordination of human resources across all departments is imperative for the system to be effective. (Ibid) Evidently the HRD plays a vital role in the managing of human capital in order to keep a sustainable competitive advantage.
Organizations must create barriers to prevent the copying of their rare and valuable strategies. (Porter, 1985)

2.7 The disadvantages and limitations of managing and investing in human capital

Russ-Eft & Preskill (2005) explains the difficulty of conducting return on investment evaluations in a human resource context. They state that it will always to be important for decision makers to question the results and more importantly the monetary investments made human resources initiatives. According to these authors, it is a multifunctional and complicated task within a complexed system. Human resources practitioners find it difficult to evaluate the return on investments of human resources initiatives due to the fact that they themselves have a lack of understanding and misconception about evaluations. The problem with return on investment of the education programme for human capital is that in some cases it has no practical significance in the future decision making concerning that education programme. Future decision making can include elements of the programme that can be eliminated and which elements need to be added (Ibid).

The authors, Lepak & Snell (1999) writes that competing organizations may acquire human capital by buying it from the market. The authors mean that competing organizations can opt to not develop their human capital, instead the competing organization can reap the rewards and benefits from buying the valuable skills and knowledge from another organizations whom have developed the human capital. By buying developed human capital from another organization the competing organization chooses to pay the price to acquire that developed human capital. In this way the competing organization immediately has the benefit of the developed human capital versus having to develop the human capital within the competing organization, resulting in a loss of productivity. For the competing organization, buying the developed human capital allows the organization to benefit from huge cost savings for the development expenditure of the human capital and instant access to using the skills and knowledge of the return of investment. This is a pressure for organizations who continually aims to develop their human capital. Losing critical competent employees to competitors can cripple an organization resulting in the organization losing its competitive advantage of having unique human capital (Ibid).

Parkhe (1993) explains that when two parties attempts to engage in collaboration, such as employee and employer, there will be the possible threat that one’s knowledge will be transferred to the other. Awareness of this possibility can lead to distrust and abuse of short term arrangements. (Williamson, 1975) To avoid these risks organizations need to focus on creating “true partnerships” that focuses on mutual investment in the relationship and build trust between the two parties while also taking care of their investments and means of access each other’s capabilities. (Parkhe, 1993) Structured plans needs to be in place so that both the employee and the employer work in collaboration to attain the same goal. Human resources departments need to encourage and reward the collaboration and for this purpose it is important for human resources
departments to communicate information necessary to facilitate this process. Communication mechanisms need to be in place to facilitate the sharing of and transfer of knowledge. Despite the practical appeal and theoretical approach of “one-size-fits-all” to the management of human resources, employment conditions in most organizations are not always constant. Employees interact in different modes if employees are not willing to maintain and develop their knowledge, it can be a barrier for competitors to imitate the human capital. If employees fall behind with development, competitors can imitate and overcome the competitiveness by having their human capital up to date with developments in the industry. (Ibid).

2.8 Conceptual framework

According to Chalmers (1982) the majority of research reports have a conceptual framework in which the problem statement is put into context. Miles & Huberman (1994) mentions that a conceptual framework explains the main factors to be studied either in narrative form or a graphically form. Variables, constructs, key factors and the relationship among them these factors are also shown in a conceptual framework. (Ibid) Chalmers (1982) also mentions that the conceptual framework is important for making the relationship among variables more clear and to identify these research variables.

The concepts that we have discussed in the theoretical framework are presented in the figure 3 in order to give the reader an understanding of how the concepts are connected to each other. Another reason for having a conceptual framework is to help the reader to understand the main issues that exist within the paper, the purpose and research question of the thesis. In order for us to find the answers as to how the studied MNE develop and retain its human capital we therefore needed to investigate the strategies used by the studied MNE relating to retention, management and development of its human capital.
Figure 3 shows the main factors and the relationship between the three discussed topics in this paper, namely the development and retention of human capital, their strategies and the advantages & disadvantages of developing human capital. This figure was based upon the assumption that the studied MNE uses both retention and development strategies. Figure 3 therefore has the point of departure from the studied MNE thereafter the retention and development strategies of the studied MNE in order to answer the research question of the paper, which is how the studied MNE is developing and retaining its human capital. The figure also shows the connection between investing in human capital and the advantages and disadvantages that it can bring to the studied MNE. This connection exists because when a company develops the human capital according to Cunningham (2002) the company also increases the human capital of the organization. Kemelgor & Meek (2008) and Stephen, (2000) explains that retention can be improved by employee involvement & growth and positive work environments. Employees become educated and grow when a MNE is investing in human capital since the employees gain more competence. (Cunningham, 2002) Many advantages are created when investing in human capital management strategies for retention and development. One of the main advantages of retention is that it keeps vital human resources within the organization. A disadvantage that exists is that sometimes employees leave the organization and are not retained which means that valuable human resources leaves the company. The

Figure 3: Conceptual framework.
disadvantage is also increased if employees leave the company after that they have been developed themselves in their competency and skills and join another company.

As the figure illustrates, there exist relationships between the different variables of retention, development, advantages and disadvantages when it comes to human capital management for the studied MNE. The variables are affected by each other and are often dependent on each other.
3 Research methodology

This chapter presents the approaches that were used to gather information for this study. It also justifies the choice of subject and choice of MNE followed by a description of the research pre-understanding, data collection methods and lastly, validity and reliability of this study.

3.1 Research approach

Researchers can start their research by using one of two approaches, namely the inductive approach or the deductive approach. (Bryman & Bell, 2005). However in our study we have used a combination of the inductive and deductive approaches which is called the abductive approach. (Alvesson & Sköldberg, 1994) We used this approach in our study in order to gain new knowledge about our research question and we believed that abductive reasoning was the best choice in our case since both authors of this thesis had some prior knowledge and understanding of some of the theories related to human capital.

The empirical data which were obtained through semi-structured interviews helped shape the theoretical framework of this thesis. The abductive research approach according to Dubois & Gadde (2002) is beneficial if the objective of the researchers is to discover new things such as other relationships and variables. The gap between the inductive and deductive research approaches is also a place where exciting and new knowledge can be found according to Holme & Solvang (1997).

To give the reader an understanding of the abductive approach, which is a combination of the deductive and inductive approaches, we will now give a short description of the two approaches.

The inductive research approach is when the researcher gathers empirical data to develop a theoretical framework for the study. It means that theories are derived from the investigation that occurs in the study. By using the inductive research approach the researcher must have pre-knowledge about the subject, which enables the researcher commence the study with some knowledge (Bryman & Bell, 2005).

According to Bryman & Bell (2005) the deductive approach is one of the most commonly used approaches in the field of social science. The deductive research approach is when the researcher uses theories to develop hypothesis. Secondly empirical data provides results from which the hypothesis are either confirmed or rejected. Thirdly, the results are a theoretical contribution which is either a revision or confirmation of the original theories (Bryman & Bell, 2005).
An abductive research approach was applied to this thesis. The research was aimed at gathering and gaining new knowledge about the research problem which is the development and retention of human capital. In order to succeed in answering the research question empirical data had to be gathered to find similarities or differences between the theories of the studied subject and the empirical data, which is part we used from the inductive approach. We gathered and gained pre-knowledge about our studied subject before obtaining the empirical data. This pre-knowledge was gained by investigating scientific articles, books, and the internet. We conducted an empirical investigation and theories were created from the conclusion that was created from the empirical investigation. This is the part we used from the deductive research approach.

3.2 Qualitative approach

Finding and gathering information can be accomplished with two different approaches. One approach is the qualitative approach and the other is the quantitative approach (Andersen, 1998).

To get an explanatory view on the development and maintenance of human capital in an MNE, we decided to use a qualitative research approach for our study. Bryman & Bell (2005) argues that a qualitative approach is based on text and words as opposed to the quantitative approach which is based on numbers and sums. The difference between the quantitative and the qualitative approach is; when researches gather data quantitatively, they usually use many respondents but when researchers gather data qualitatively, they usually use few respondents. Respondents are people whom are selected to participate in a study (Bryman, 2002).

We felt that our subjective values and perceptions of human capital was not enough to reflect collected data. This motivated us to use notes with area descriptions on which we expected to find answers to. It seemed achievable to us to find those answers one the developing and maintenance of human capital through interviews. The focus area of human capital gave us no right measure to find answers in statistical data. We had some relevant theories but we found it more interesting to use a qualitative research approach. Giving us a clearer understanding of the developing and managing of human capital in the studied MNE instead of drawing generalized conclusions which could be irrelevant. We found the qualitative approach more applicable for this study since the qualitative approach focuses more on words which we obtained through the interviewees perspectives and arguments which we found important for our research. The contribution of the interviewees was important to this study as we obtained information directly from the source which gives this study more credibility as well as helping us put the problem into context. Holme & Solvang (2008) writes that a reason for researchers to choose the qualitative approach is they acquire greater knowledge and they are in a better position to describe the totality of the problem and context in which the problem exist. The
qualitative research approach also allows for a better understanding of different behaviors in the information in which researchers gather. (Ghauri & Grønhaug, 2005) Another reason to why this paper was based on a qualitative approach was because of the number of respondents that could answer the interview questions. The questions we posed were directed at managers that have responsibility for the studied MNEs management and usage of human capital. The selection of respondents is limited to only a few people who are able to answer our questions. Choosing respondents whom have great knowledge about a chosen subject is a typical strategy used in qualitative methods. (Ibid)

3.3 Choice of subject
Our initial idea was study the area of intangible assets. After a week into our study, we realized that our topic was way too broad. This resulted in us downsizing our research area to human capital. We chose human capital as an area of interest since we were curious to find out how is the managing of human capital applied in practice within a big company. We perceived human capital as a resource which is difficult to measure and even harder to manage. We wanted to find out the perspective of a few line managers as well the perspective of a human resources representative of a MNE.

3.4 Choice of organization
Since large companies are more likely to have well developed human capital practices than smaller companies (Youndt et al, 1996) we found it more interesting to choose a large company. Even with the selection of a larger company, our curiosity lead us to find that the larger companies we were interested in were MNEs. Since a MNE is a large company with a vast organizational size, we became inquisitive to know how a MNE attract and retain its human capital.

The studied MNE operates within the automotive industry and the competition within this industry is fierce. Being involved in such a high technological industry, the studied MNE proclaimed to have a huge focus on human capital. It was a plus for us that the studied MNE was one of the largest organizations within the automotive industry in Sweden and in the world. Proclaiming to have a huge focus on human capital made us more inquisitive to gather information about their strategies. The studied MNE was also of interest to us because of its leading position in the automotive industry. Because of these factors, the studied MNE became interesting and was chosen to be investigated. Even though the MNE chose to be anonymous in this study, we still felt that it was a MNE which could provide us with interesting reliable and useful information because of the factors mentioned earlier.

3.5 Pre-understanding
Ghauri & Grønhaug (2005) mentions that it is important in a study to establish and gather knowledge in relevant literature. Aside from the advantages such as saving time by using
research from the past in a certain topic area, the building of knowledge allows researchers to gain better understanding of the research problem through the investigation of existing research, similar or related studies. (Ibid) According to Ghauri & Grønhaug (2005) one of the first steps in a research project is to do a literature review. They proclaim it helps researchers to answer their research question to some extend or to obtain more clarification. An advantage of gathering and establishing knowledge in relevant literature is that researchers become better prepared with the information that is gathered, which gives them a pre-understanding of the research area.(Christensen, Engdahl, Grääs & Haglund, 2010)

Before we started to write our thesis about human capital and its development and maintenance by the studied MNE, we felt it was useful to gather relevant information about our focus area so that we could have some pre-understanding of the topic. We searched through numerous scientific articles looking for information relating to our topic. Most of the scientific articles and literature we found were available in Mälardalens university’s electronic databases and also through search engines such as Google were helpful in our search for relevant information. The databases that we consulted were ABI/INFORM Global, ebrary, Emerald, DiVA and Google Scholar. The database ABI/INFORM Global for example has relevant information in the form of scientific articles, ebrary has e-books while DiVa has information from other theses and research from different universities in Sweden.

We used a few keywords as a search mechanism when looking for literature review in the different databases. The keywords were: human capital, human capital strategies, human resources, intangible assets, intellectual capital, management of human capital, management of intangible assets, multinational enterprises and human resources. We found these keywords relevant to our study and we believe we found applicable information using them.

3.6 Data collection

Data collection is divided into two types of data, namely primary and secondary data. Both these kinds of data can either be gathered randomly or strategically. In quantitative methods for example, the participators for a questionnaire can be chosen randomly and in a qualitative method, researchers can strategically choose respondents whom they think has the most profound information.(Ghauri & Grønhaug, 2005)

3.6.1 Primary data

Primary data is information that is collected by the researches which enable them to answer their research problems and research question. (Malhotra & Birks, 2003)
Sekaran (2000) mentions two types of interview categories that can be conducted in a study. The two categories are structured interview and unstructured interviews. Structured interviews are conducted through an interview schedule in which the interviewer creates pre-determined questions. The pre-determined questions control the structure of the interview and are compiled before conducting the interview. Unstructured interviews are conducted when the interviewer gives topics or lead questions that the interviewee answers and discusses. In the unstructured interview the questions and topics are not structured which allows the respondent to discuss more around the interview topic. (Bryman & Bell, 2005; Ghauri & Grønhaug, 2005)

3.6.1.1 Interviews
For this study, we compiled pre-determined questions but also choose to ask unstructured questions during the interview which lead the interview to become semi-structured. Semi-structured interviews are created when the researchers have a compiled list of questions but the question can vary depending on what the interviewee says. (Saunders, Lewis & Thornhill, 2003) The advantages of using a semi-structured interview is that the information needed to answer the research questions is gathered with a structured approach but at the same time the questions can be adapted depending on what the interviewee says, which means the interview is flexible. According to Bryman & Bell (2005) semi-structured interviews also allows the person being interviewed to answer freely but within the framework of the field of study which increases the relevance of the answers from the interviewee. These advantages were also the reason to why the semi-structured interview method was chosen because it allowed us to find relevant information to answer the purpose and research question of the paper. A disadvantage with semi-structured interviews are that it is highly dependent on the skill of the interviewer. If the interviewer is not skilled then topics might be missed and comparability might be reduced because of different wording and sequencing in each interview (Patton, 2002).

The interview questions that were posed to the selected interviewees are attached as appendix 1 and appendix 2 at the end of this paper. The five questions were prepared in advance. The questions served as guidance for the interviewer; however the interviewee could express him/herself by not only giving short answers such as yes and no. When the interviewees answered yes or no, we would ask them to explain why they said yes or no in order to gain more information. The interviews were not limited to the five questions since more sub-questions arose naturally while interviewing the interviewees. The sub-questions arose in order for us to gain more information about our main questions. We would ask for example why certain methods were used and to which extent. A total of five persons were interviewed from the studied MNE. Three persons were managers with staff liabilities and two persons were HR representatives. The titles of the interviewees and date of the interviews can be seen in Appendix 3 at the end of this study.
Our initial contact with the studied MNE was made through a HR representative. We requested the studied MNE to provide us with the names of three managers working in different business units with staff liabilities and one representative from the human resources department to interview. We chose to interview these persons as we believed we would get a good amount of data from these interviewees which would help us with our research question. Another reason why we chose these specific persons were because we wanted the perspective of the different managers, irrespective of their level of management and also obtaining the perspective of the human resources department, which we thought we could obtain through the human resource department representative.

By interviewing different managers on different levels at the studied MNE we were confident we would receive answers from them which would allow us to understand the management of human capital in the studied MNE with a more holistic perspective. We believe this because interviewing several persons allows us to see the management of human capital from different perspectives and not be narrowed by only one person’s views. Since the studied MNE employs thousands of employees, conducting a few interviews instead of only one interview was something we believe adds more validity to the study. The questions we posed were related to the processes, content of selection, training, education, competence developments and reward systems used in the organization. The interviews were conducted via telephone and e-mail contact was made with some of the interviewees to gather additional information. The interviews were conducted in Swedish since it is the native language of all the interviewees which we felt would be more natural to answer questions. The interview questions are presented in both English and Swedish as appendices.

The personal information of the interviewees as well as the name of the studied MNE is anonymous in this thesis as it was a requirement from the studied MNE. Even though the studied MNE wished to be anonymous, they still would like to see the results of this study. This is one of the reasons we included the practitioners of the studied MNE as one of the target audience. Each of the interviewees will receive a copy of this thesis in order for them see the results of our study.

We have focused on obtaining primary data for this study by making contact with the studied MNE through qualitative methods such as telephone interviews and electronic mail. Face-to-face interviews were not possible because the interviewees were restricted by time and therefore could not offer us this opportunity. The disadvantage of having a telephonic interview and using electronic mail is that it can be more difficult to control the interview and see for example the reactions of the interviewees in comparison to face-to-face interviews. There is therefore a lack of social cues. (Bampton & Cowton, 2002) Mann and Stewart (2000) mentions two advantages with telephonic interviews. The authors write that telephonic interviews have wide geographical access but also that they are cost
and time effective. These advantages were things that we found advantageous for us when we used both telephonic and electronic mail as interview methods because the methods were cost and time effective as well as allowing us to interview people regardless of geographical position. These advantages made us choose the telephonic and electronic mail interview methods and we found them useful for us, especially because of the geographical advantage since we interviewed persons who live in different geographical locations.

Christensen et al. (2010) writes that gathering information to investigate a problem exclusively in the form of secondary data is usually not sufficient. The authors’ states that primary data is also needed and this can be gathered from interviews.

After conducting five interviews with three managerial staff and two HR representatives from a MNE in the automotive industry we sensed that the interviewees were at first resilient to openly discuss their management and development strategies pertaining to human capital. Before we conducted these interviews, we agreed with the studied MNE to keep their name and the name of the interviewees anonymous in our study. It was the preference of the studied MNE to be anonymous. We believe that the studied MNE chose to be anonymous in our study because they are aware that the information pertaining to the management and development of human capital is a vital as a competitive advantage against other firms. We understood that the studied MNE did not want other firms to know which strategies and methods the studied MNE are using relating to attracting, developing and retaining of their human capital.

3.6.2 Secondary data
Secondary data is data gathered by other researchers and has been gathered for a different purpose than that of the actual study. (Malhotra & Birks, 2003)

One of the primary advantages of using secondary data is that researchers can save money and a vast amount of time, not having to collect the data themselves, but instead invest time in finding information that is relevant by other researchers or from external and internal documents such as annual reports. (Bryman & Bell, 2005; Ghauri & Grønhaug, 2005) Some positive aspects of secondary data is that it can be information about a certain topic that could be available in written documentation such as websites or papers. The data could also assist researchers in defining and explaining the focused area. Secondary data can also be unfavorable to use since it just like any other data can be affected and subjective depending on source from which it was gathered from. For example, if data is gathered from the website of a firm, is the information objective or subjective about the firm? This is something that the researchers need to make judgment about. (Malhotra & Birks, 2003) This is one of the underlying disadvantages of using secondary data; the data could not be suitable for the actual research problem. The actual data could possess different scopes and purposes. (Bryman & Bell, 2005; Ghauri & Grønhaug, 2005)
The data in the theoretical framework was used for analyzing the empirical data that was collected through interviews and which consisted of primary and secondary data. Other kinds of gathered data such as electronic references were also of importance as it contributed towards the theoretical framework. The other kinds of data were also used to determine if there are any possible suggestions that could improve the business efficiency of the studied MNE. An example of the electronic references that were used were websites. The primary source of gathering data for this study was the use of scientific articles, articles online and old theses which we found relevant to our topic.

### 3.7 Validity and reliability

Validity and reliability are two terms that often are discussed in qualitative approaches. According to Bryman (2002) many researchers are diagnostic in their approach therefore they use these terms when it comes to qualitative approaches. By using these terms in studies, researches want to show the quality of the study. When doing qualitative research, researches must discuss the authenticity and reliability of a study because research that has been done qualitatively usually does not result in merely one truth. Reliability is a term that includes authenticity were the result obtained by a researcher should be considered reliable. Authenticity relates to the research that has been performed which should give an impartial representation and be able to help those who have participated in the research conducted in the thesis. (Bryman, 2002)

According to Saunders et al (2003) information that has been gathered must contain the information which is of interest to the focus area and the researcher in order for the validity of a paper to be high. The validity of this paper was increased by creating interview questions which were structured and that were relevant for the study. The validity of the content was also achieved because the opinions of other people have been collected. Increased content validity was also obtained by having our tutor read our original thesis as well as changes done to it. Reliability can also be defined as the lack of measurement errors in the study which are random. This means that if you conduct a study numerous times, the results should be similar. (Saunders et al, 2003) To minimize deviations and increase the reliability in this study, the research approach and interview methods provide clarification to the reader on our process of gathering information for this study.

The reliability has been increased because if the study was to be conducted once again by other researchers, it would be easier to replicate and to use the same kind of methods. Our interview questions are clearly presented to the reader which allows the questions to be replicated and used by other researchers to conduct similar studies. References have also been given throughout the thesis which allows the reader to find references for the information given.
The predominant purpose of the interviews was to gather primary data for this study and not only for the purpose of establishing if the primary data corresponds to the theories that has been presented. Another purpose of the interviews was to determine if anything new that can be learned from the studied MNE that is being investigated.

Our interview questions to the studied MNE are subdivided in the following sequence. Question 1 relates to the strategies used by the Swedish MNE to manage human capital. This first question gave us a platform or a base to begin our discussion with the interviewees and is a connection to 2.4 Strategic human capital management in our theoretical framework. Question 2 relates to the retention of human capital which we connected to 2.4.1 Retaining human capital. Question 3 relates to the development of human capital which we connected to 2.4.2 Creating a learning organization for the development of human capital. Question 4 relates to the advantages and disadvantages in managing and investing in human capital which we connected to 2.5 The importance and advantages of human capital on a MNEs performance and 2.7 The disadvantages and limitations of managing and investing in human capital. Question 5 was posed to find out what practical lessons have been learnt by the studied MNE from the management and investment of human capital.

A disadvantageous aspect of qualitative approaches is that it can be subjective and difficult to reproduce. This means that it can be difficult or impossible for another researcher to obtain the same results. This disadvantageous quality is due to fact that the approach is greatly influenced by interpretation which makes the results of the research become influenced by the researcher’s previous experiences and apprehensions. (Häckner, 1985) Even though this paper was mainly based on using a qualitative approach, the research was attempted to be evaluated with an attitude and approach that was objective as much as possible. Ghauri & Grønhaug (2005) mentions a method by which researches can achieve this objectivity. They write that it can be achieved by thinking critically towards statements and different situations but also to avoid and to be able to see biases.

Söderbaum (2008) mentions that a qualitative approach is not unique as it are influenced by interpretation. Other approaches such as the quantitative approach are also affected by the interpretation of the researchers conducting the study. Other methods are also influenced by interpretation because a researcher managing the data that was personally gathered will be influenced by the researcher’s own opinions and, experiences. To create something completely objective is not possible since everything a person does is somewhat influenced by his or her interpretation or previous experiences (Ibid).

Bryman & Bell (2011) write that the issues of ethics in research is something is not neglectable and that there rises ethical aspects in the study at different stages. It is because of these reasons that all stages in a research process and aspects such as plagiarism, confidentially, openness and objectivity has to be taken into account and be
treated ethically. In this study we have tried to give detailed information of the limitations, methods and processes that have been used. Throughout the thesis we have used references which are easy to follow for a reader. The interviews that we have created were also made with discretion and this was especially important for us since the MNE chose to be anonymous. We have made sure that the MNE is kept anonymous by not revealing the name of the MNE, names of the interviewees or other data that reveals the MNE.
4 Empirical findings

The purpose of this chapter is to present the background information on the studied MNE, the information obtained from the interviews explaining the studied MNE’s human capital strategies and the development of human capital in the studied MNE. Thereafter the advantages, disadvantages and the improvement areas of human capital will also be discussed. The interview questions can be found as Appendix 1 and Appendix 2 at the end of this paper.

4.1 Background of the studied MNE

Because the studied MNE has chosen to be anonymous we can therefore only give a general description of the organization. We will try to give you, the reader an insight as to which industry the studied MNE operates, its size, and where in Sweden it is located.

Several of the interviewees mentioned that the studied MNE, is one of the largest organizations within the automotive industry in Sweden and in the world. We chose this studied MNE because it had an organization with a vast amount of employees with subsidiaries in many countries. The studied MNE has over 100 000 employees, has its business operations in almost 20 countries and conducts business operations in about 200 countries worldwide. An MNE of this magnitude and size is very much dependent on its employees, which are a great asset for the organization.

4.2 Strategies used to manage human capital by the studied MNE

Human capital, more commonly known as human resources to the interviewees of the studied MNE is seen as a vital part of the organization. The departmental manager quoted this statement during the interview:

“Even if we have the best machines in the world, they are worth nothing without our employees.”

Human capital and technology are the predominant components that make up the competitive advantage of the studied MNE. All of the interviewees gave us this indication that the biggest contribution for the studied MNE’s competitive advantage is its human capital and technology.

The studied MNE operates within the automotive industry and because of this high technological environment; the studied MNE relies heavily on machinery and technology to produce its products. Even if the MNE has the best machinery in the world, these
machines cannot be operated and improved without the critical resource, namely human capital.

The HR Business Partner and the department manager stated that human capital is the heart of the organization. The studied MNE not only consider human capital to be vital as it is a necessary resource and which is required in the automotive industry, but it is also a very important competitive advantage for the organization. The studied MNE perceive human capital to be a competitive advantage because it is seen as unique resource to the organization and cannot be imitated by competitors. The employees of the organization are difficult to imitate because they are shaped after the culture within the studied MNE and developed accordingly to the needs of the organization.

According to the HR Business Partner the studied MNE tries its utmost best to find the most competent and skillful employees when searching for new recruits. The HR Business Partner also mentioned that many firms try to find the right criteria in people they are recruiting but the studied MNE is focusing more on finding the person that is the most suitable for a certain position. The studied MNE is active in recruiting young unemployed people using contracts. Young people are considered to be a good choice as new recruits since they can become an important resource in the organization’s work force. Young people are often eager to try new things and because of this characteristic, the studied MNE see them as potential innovators. The studied MNE encourages young people to develop their innovative skills by allowing them to share their new ideas within teams they are working. New ideas are welcomed relating to the improvement of assembly processes within the factories. It is for this reason that the studied MNE not only recruit experienced persons with several years of working experience but also young people with little or no experience at all. Younger employees are also easier to shape after the culture of the organization and easier to teach new things than employees that might have years of experience and a high education.

The studied MNE is aware of the impact of human capital on its performance and attempts every year to create an investigation to find out how they can manage its human capital in a more effective way. The investigation is attitude based which means it investigates how each individual can perform and improve their work efficiency. The investigation is important for the HRD of the studied MNE because it allows them to improve their business unit results and efficiencies based on the results they receive from the investigation.

The HR Business Partner and a department manager mentioned that most of the decision making in the studied MNE is controlled by a centralized approach but in some cases, employees are given authority. For example, each employee is responsible for its own self development and education within the company. This means that studied MNE are empowering their employees by giving them authority to a certain degree. Managers
managing the employee play an assistance role to help the employee find the best development and education programme suited for the work task. The studied MNE therefore uses a combination of centralized and decentralized methods in order to control their organization.

4.2.1 Strategies used to retain human capital in the studied MNE

According to all the interviewed managers, the MNE sees their employees as a very important resource they have developed several strategies in order to increase their chances in retaining their employees within the organization. These strategies also help the MNE to decrease the possibility of their employees in leaving their organization for another company or because they feel that the organization does not allow them to develop.

4.2.1.1 Retaining human capital

One of the department managers stated in the interview that one of the first strategies that the studied MNE uses to retain their employees are, they take care of the employees outside of their workplace. The studied MNE does this by providing a healthcare allowance for their employees. The healthcare allowance allows the employees to spend about 2000 SEK (Swedish Krona) per year on healthcare related products and services. Gym expenses, expenses from the participation of sports activities or expenses from therapeutic health massages are all examples of things which are included in the healthcare allowance. The studied MNE puts much emphasis in having their employees active and healthy because this will increase their happiness and well-being while working for the organization. The healthcare allowance can be seen as an investment in keeping employees healthy and in good condition for the future prospects of the company.

The same department manager also mentioned that aside from the healthcare allowance the studied MNE also focuses on giving their employees a pension fund insurance. This plays an important role in retaining their employees since it provides them with a sense of security while working for the organization. This sense of security begins when the employees start working for the studied MNE and thereby save money aside for the future. The pension fund insurance selection is made easy for the employees since the studied MNE determines which pension fund the monies will be contributed towards. The studied MNE focuses also on the future of the employees and to achieve this, the studied MNE wants to make sure employees feel safe and stable within the organization.

The area manager mentioned that one of the strategies for the MNE in retaining employees within the organization is to give them a holistic perspective of their work. This is important because it will give the employees the feeling that his/her work tasks are meaningful and they should know that they contribute to the operations of the organization. The area manager also mentioned that it is important for the studied MNE
that employees are not ignored in any way. The employee must be seen and heard which creates a feeling that the employee really matters to the studied MNE and can make a difference in the operations of the business.

4.2.1.2 Market based salaries

According to one of the department managers the studied MNE in comparison with many other MNEs around the world, do not focus on giving their employees’ salaries which are higher than other MNEs. The result of this is that the salaries of the employees are usually equal to those working in other MNEs. This means that the studied MNE offers employees a market based salary. A market based salary means that an individual is given a salary depended on the median rate (average rate) of the individual’s profile in the market, which is the automotive industry. There exists a policy within the organization which states that you should not work for the salary given to you from the studied MNE but rather work for the studied MNE and its future. The purpose of having the employees working for their organization instead of a salary is so that the employees should feel a sense of security and stability while working in the organization. Employees should feel secure since they are working for the well-being of the MNE and that their work tasks contribute to this well-being. The result of this policy is a low turnover of employees within the organization, which means that most employees choose to stay for lengthy periods. The studied MNE attempts to have competitive salaries that are attractive to new employees. This competitive salary can be seen as a safety measure for the new employee who is becoming part of a new organization. In general, salaries in the organization are market-based which means that they are not too low or neither too high but rather in a balance with other MNEs in the same industry. The salaries which are market-based are perceived to be enough to prevent employees from leaving the company according to one of the HR Business Partners.

4.2.1.3 Education

Apart from the feeling of security and stability that employees are given, they are also given a competitive advantage when it comes to their education within the studied MNE.

A competitive education means that employees are given a very broad range of knowledge which is useful in different parts of the organization. This broad knowledge allows the employees to work with different tasks and be able to grow within the organization. Different tasks and growth within the organization prevents the employees from becoming bored and uninspired. This feeling is important since it keeps the employees happy and retains them for a longer period.

Education is important in the studied MNE because if for example a technician is on sick-leave or quits the organization, someone else has to be immediately ready to take over that position to save stoppage times. If there are no other employees available that
possess the same knowledge and competence then it could be costly for the studied MNE because it cannot proceed with its normal business operations in that area because there is a lack of human capital transfer knowledge.

A department manager explained that educating and teaching employees new skills and knowledge is not only occurring internally within the organization but also externally. The studied MNE makes use of external training providers to educate their employees. The external training providers provide external training courses which are not offered by the studied MNE themselves. The external courses can be offered in many different areas of expertise. Since the external courses are provided by external training providers, they tend to cost more than the training courses provided by the studied MNE. Due to the high costs of certain external courses, it is only provided to certain persons in the organization. Employees that have the potential to become leaders within the organization, are approved by their managers to receive an education in leadership. Employees that have the potential of becoming technicians are given an education within this area. These kind of specialist courses cannot be provided to every single employee within the organization since it would be very expensive for the organization and can cost up to 100 000 SEK per person. Aside from the courses being expensive, the responsible manager must examine the benefit of having an infidel study a course. The manager needs to provide a motivation as to why the individual is selected to study any external courses. The manager needs to show that it is a benefit to have the individual study the course as the course can equip the infidel with new skills and/or knowledge which is beneficial for the individual’s current position in the organization. One of the HR Business Partners stated that every employee in the organization is given the possibility to become educated with vital basic knowledge which the studied MNE deems necessary. The studied MNE offers all employees the basic level education that is needed to perform tasks. This basic level of education is especially important when new machinery and changes are implemented within the studied MNE. Employees are thereby guaranteed an opportunity to acquire new knowledge and skills. Employees can apply for different forms of education, which is internal and external training but it is the final decision of the responsible manager and the organization to decide if there is a need to allow the employee to learn a certain skill or acquire new knowledge.

One of the HR Business Partner expressed that employees are in some cases sent on longer periods of study time at a university in order to learn and develop certain knowledge areas. This interviewee also stated that the predominant and best educational source for employees is Learning-by-doing”. It entails an employee learning by themselves how to gain new knowledge or skills. With this system the employees gain not only gains competence but experience as well.
4.2.1.4 Interesting work opportunities

One of the HR Business Partners mentioned that a strategy used by the studied MNE to retain its employees are to give them interesting assignments, offer them a career change, an opportunity to work globally in one of the studied MNEs subsidiaries and receive good benefits. All these examples are inducements, created in order to keep the employee motivated to continue working in the studied MNE and to giving the employee the opportunity to develop themselves and progress in the organization. The studied MNE, do not want employees to feel like they are stuck in a single position within the studied MNE for the rest of their careers. The studied MNE encourages employees to develop and proceed with new assignments which challenge them from time to time.

4.3 Developing human capital in the studied MNE

According to one of the HR Business Partners, developing newly recruited employees occurs by also assigning a mentor to that individual. The mentor acts as an advisor to new employee and has the responsibility to teach and train the employee about the employee’s work tasks. The mentor provides assistance to the employee within a structure process which also helps with the communication between the studied MNE and the newly recruited employee. The mentor helps with the communication between the newly recruited employee and the studied MNE by acting as a spokesperson for the newly recruited employees to voice uncertainties or problem discussions.

Furthermore, the same HR Business Partner stated that because developing is a big part of the human capital management strategies of the studied MNE, it is important that new employees have the right competence and background. Most individuals can be educated to achieve the right competences needed by the studied MNE but it is also important for the studied MNE to find the most suitable individual for a vacancy which exist within the organization. The most suitable individual does not only need the proper education but also need to have the fitting attitude.

According to the area manager the employee’s competencies are measured against a competency matrix by the reporting manager. The competency matrix is used by the reporting manager to measure and manage employees in a more efficient way. If an employee needs to acquire more knowledge in a certain area which can be determined by this competency matrix, the reporting manager is able to use the information from the competency matrix to motivate for training courses which would help the employee acquire the knowledge needed to improve work flow of the employee. He mentioned that this competency matrix is used throughout the organization and acts as a standard for measuring employee’s competencies and allows the organization to be more structure. The competency matrix is helpful to managers for the management of human capital as competency information of each employee is available in a structured manner and also electronically for communication purposes.
The competency matrix is also a time saver as it is a tool used by all managers with staff liabilities and with by using this tool, managers do not have to develop own tools for measuring the competencies of their employees. By using the competency matrix the organization can better understand the competence levels of their employees and thereby enable the organization to give selected employees the necessary education to improve those low levels of knowledge. The competence matrix gives the respective managers an overall view of each individual employee and their respective work tasks.

The competency matrix is an important measuring tool according to the area manager since each department in the studied MNE can contain over 200 different types of machines, and it would be difficult to manage all the competencies of each employee without having some kind of structured competence measuring tool.

One of the HR Business Partners stated that the studied MNE does not solely focus on giving their employees practical education where they are taught how to handle new machines but the studied MNE also endeavor to provide theoretical knowledge. This is achieved by the respective managers giving their employees a composition plan and performance reviews in which the employees are allowed to discuss with their managers methods for improving work tasks and how the employee can develop himself or herself. The purpose of the composition plan is also to identify the business needs and personal related needs of the employee. This can be accomplished by an employee agreeing to learn certain skills of a specific machine within the agreed time period between the employee and the respective manager.

The area manager and one of the HR Business Partner mentioned that the studied MNE uses a tool called “Personal Business Plan” to create the composition plan for each employee. The personal business plan tool is also used to evaluate the employee’s development. Each year at least two meetings are conducted between the employee and respective manager to discuss the composition plan and find methods to develop the employee. The composition plan does not solely consist of practical learning which consists of learning about the machinery in the respective department in which the employee works, but also theoretical learning. Examples of theoretical learning can be; learning how to read blueprints, lean-manufacturing, organizational structure, project learning, processing techniques and more. The theoretical courses that are provided by the studied MNE are available on the intranet of the studied MNE and is named as “education portal” which is considered an important information tool for both the employees and managers. The courses that are provided in this “education portal” are basic fundamental courses which are offered to selected employees to provide them with the basic knowledge that is necessary for executing work tasks. At times there can exist reluctance from certain employees to learn new things and therefore a reward system is in place to reward employees when they have successfully completed certain training courses.
4.4 The advantages and benefits of managing and investing in human capital

According to one of the HR Business Partners one of the main advantages for investing in their human capital is that “the more the employees learn, the more profits are acquired by the organization.” The Business Partner explained that employees become more competent and more efficient when their knowledge are increased.

The area manager explained that investing in human capital is a resources which is used competitively against other companies and thus making it an important resource in the competitive market. Any company can purchase machines and factories but it is more difficult to acquire knowledge from individuals.

The HR Business Partner said that the studied MNE spends great amount of money finding the most suitable individual for the right position. These high investments made by the studied MNE have made the studied MNE to be in a position to find and recruit the best candidates for the open positions within the organization. In order to acquire competent new employees to the studied MNE, the organization endeavors to create structured recruitment processes in which the best competence is filtered out and selected to match the open position within the studied MNE. One of the advantages of investing and managing its human capital has made the employee brand of the studied MNE to be strong and attractive to possible future employees. This is one of the goals of the studied MNE to become one of the most attractive employers in the automotive industry and to achieve this goal; the studied MNE is active in investing and managing its human capital. New employees are subjected to different types of interviews, tests and background tests in order to maximize the chances of acquiring the most competent employee for an open position within the studied MNE.

The other HR Business Partner stated that every organization has employees but that does not mean that the employee’s existence is a competitive advantage or added value to the company. Employee’s existence within the company must be proven to show that the employee adds value to the company in order for the company to recognize it as valuable resource. Human capital in itself does not provide added value or a competitive advantage to the company if it is not proven to show it contribution to the efficiency of the company. It’s a competitive advantage when it can be proven that it contributes to the efficiency of the business performance and its competitive advantage. It is how efficiently human capital is managed by the organization that matters.
4.5 The disadvantages and limitations of managing and investing in human capital.

One of the department managers explained that a disadvantage that exists for the studied MNE is when the studied MNE offers too much safety in the organization. The studied MNE has had experiences where certain employees feel very secure in their normal work tasks and their normal routines that they at times refuse to learn new skills or knowledge. The new skills or knowledge is perceived to be unnecessary learning by these employees. The first interviewee also mentioned that it is important to remind these employees that the automotive industry, technology and work methods will always change. It is therefore crucial for employees to acquire new knowledge and skills in order for the studied MNE to improve its processes and compete with other companies. It is emphasized that every employee must take responsibility for their own development and be knowledgeable. It is for the good of the employee and the good of the organization.

The area manager mentioned some practical disadvantages in managing and investing in human capital is that employees do acquire a great deal of knowledge from external and internal training which makes them attractive in the labor market. This results in those competing MNEs attempting to attract these employees to their companies. There are a few occasions when the studied MNE loses employees to companies and this is seen as a disadvantage to the studied MNE. The competitive advantage of the employees having broad knowledge and skills which makes them well educated can easily be turned into a disadvantage if the employees are not loyal to the studied MNE.

One of the department managers and one of the HR Business Partners commented that in order to prevent employees from leaving the studied MNE, the studied MNE undertakes to create a safe and stable working environment to the employees.

One of the department managers stated that even if there are employees that leave the organization and there always will be a few that will leave, it does not have to be a disadvantage to the studied MNE because when those employees leave the studied MNE for another company, that employee is able demonstrate the fact the fact the studied MNE has provided the employee with competencies and skills which that employee now will use in the new company. The employee that has left the can also be an ambassador for the studied MNE as that employee will use the competencies and skills at new company whereby other employees at the new company could be interested in. The employee's new colleagues could be interested in acquiring those knowledge and skills and apply for positions at the studied MNE. It becomes a “word-of-mouth” effect. This effect is created by making managers and employees of new company aware of the competences coming from the studied MNE. There are occasions when employees that have left the studied MNE, return to join the organization again after some time, realizing that the studied MNE does provide some benefit which the employee did not obtain from another company. A
marketable salary if offered to these employees and only in a few cases does some of those employees receive a higher than marketable salary. In cases where the studied MNE wants the employee to return to the organization, is a higher salary offered.

The HR Business Partners mentioned that another disadvantage of investing and managing in human capital is that it is very difficult to measure. It is difficult to determine exactly what the impact of education is on human capital and how this impacts the business performance. It is believed, as stated in the advantages of investing and managing human capital that more profits are created by having employees become more competent and more efficient when their knowledge are increased. More competent employees provide more profits for the organization since they have acquired broader competences that contribute to the organization than an employee who has not acquired additional competencies.

4.6 Lessons learnt from the management and investment of human capital

According to one of the department managers, the studied MNE can be more efficient in the education of human capital by offering an education “bundle” to new employees. An education “bundle” means that a newly recruited employee will get an introduction programme of the organization and the work tasks which the employee is working with. The interviewee meant that the duration of the introduction programme could be from the start of the new employee’s employment till the end of the first year within the company. This education bundle is important for a new employee at the start of the career since working for a MNE in the automotive industry; employees need to be knowledgeable about the company they work for, its machinery, its safety aspects, its quality measures, blueprints and some other important information.

One of the department managers reflected that another improvement for the managing of human capital can be that the studied MNE must make employees aware that their development in the organization is their own responsibility. The studied MNE has over a hundred thousand employees and competing for promotional positions within the studied MNE can be advantageous if the employee can show development progress. This is important as it shows that the employee takes own initiative and is eager to prestige in the career within the studied MNE. This decentralized decision making process must therefore be presented to the employee so that the employee knows what his/her responsibility is for development in the organization. It is the decentralized decision making process that must be communicated better with employees. The decentralized responsibility that the employees must be aware about must therefore be presented to the employees, using a better approach.
The area manager believed that another improvement for the managing of human capital can be allowing employees to be educated in different levels. All employees in the studied MNE do not have to be educated to the same “level”. It is important to find the right level for the right individual. This is applicable for example, the education of technicians and leaders. Their education levels will be different from each other. Certain education should be available on different levels. There is certain information or knowledge in a course which could be less applicable to leaders than it is to technicians. That type of education should occur at different levels.

One of the department managers stated that the studied MNE can improve is management of the studied MNE’s salary and benefits systems which are important incentive systems for employees. The interviewee believed that employees in general can be shown more appreciation from the managerial perspective. In the past, the studied MNE used to give different types of gifts to show their appreciation to employees. Currently there is no system in place to show appreciation for employees, for example a gift symbolizing this appreciation.
5 Analysis

This chapter clarifies the analysis of this thesis. The aim of this chapter is to answer the study’s research question based upon the results obtained from the empirical findings.

5.1 Strategies used to manage human capital in the studied MNE

Developing and retaining human capital is a not an easy task. Since the studied MNE has such a vast amount of employees, it is forced by head office to have a structured plan to manage its human capital. We believe that the studied MNE has a great focus on their human capital management system. From the interviews, we gathered information that the studied MNE invest in retaining and maintaining its employees within the organization. Human capital management is not only about acquiring new employees to the studied MNE but also to keep and maintain those already employed. As Fitz-Enz (2000) explains maintaining employees is an important task for the HRD of a firm since the HRD needs to have strategies in place to prevent employees from leaving the organization. When employees leave a company this means that the company is losing competences and resources which they have invested time and money in. The author explains that retaining human capital can be accomplished by companies offering different kinds of benefits and salaries. The studied MNE endeavors to use both of these compensation methods to retain its employees. The studied MNE uses several different benefits such as healthcare allowances, pension contributions, a sense of security and stability within the studied MNE. The studied MNE provides these benefits in order to prevent employees from leaving the organization. The studied MNE also attempts to have attractive salaries in order to prevent employees from leaving the organization. The salaries offered to employees by the studied MNE are in most cases not higher than the studied MNE’s competitors but the studied MNE’s salaries are at a level which is fair and provide satisfaction to the employees.

Kemelgor & Meek (2008) explains that there exist other factors besides salaries and benefits that are beneficial for an organization who wants to retain its employees. The authors explain that a positive work environments, freedom & flexibility, employee involvement & growth and employee communication & assistance are the other factors that can retain employees within an organization.

The studied MNE tries to create a positive work environment for their employees by allowing them to be involved and create opportunities for development. According to a managerial perspective, the employees in the studied MNE feel involved in the organization as their job tasks contributes to the operation of the studied MNE. Employees have the possibility of developing in the studied MNE as the organization has hierarchy
which allows employees to develop within the organization fulfilling new roles and higher positions. The employee has no excuse that there does not exist any possibilities for development within the studied MNE. Employees can see higher positions in the same or other department, in the same or other country and these possibilities for growth of employees is positive.

Freedom and flexibility is also another important factor that the studied MNE discusses in the interviews. By giving the employees several different benefits and own responsibilities, flexibility and freedom is realized for the employees. The employees must display own responsibility regarding their education within the studied MNE. It is the duty of the employee to notify the respective manager if the employee wishes to become educated in a certain area. This is an area in which the studied MNE does well, the studied MNE gives the employees freedom but at the same time the studied MNE makes and effort to have employees educated and up to date with new developments whether it is new technologies, processes or systems. The employees are offered flexibility by being allowed to try and learn new assignments. By taking on new challenges, the employees have the mobility to make a career change within the same or other department or country. At the same time, flexibility creates employee involvement for their own development and personal growth which also are two factors explained by Kemelgor & Meek (2008) as important in the retention of employees.

New employees in the studied MNE also receive an assigned mentor whom helps them with their work problems and contributes with assistance in times of need. The mentor also helps with the communication between the employee and the organization since the mentor assist the new employee with information from the studied MNE and information from the new employee to the studied MNE. This is a vital communication tool for the studied MNE because it helps the employee quickly become effective in a shorter period of time and able to contribute to the performance of the studied MNE.

Becker’s (1964) view on human capital is that the development of general and company specific skills can lead to increased efficiency at both the individual level and the organization level. The author explains that it is vital for the organization that a company constantly educates their workers because knowledge can be lost or become outdated. That comment from the author corresponds to what was said by the interviewees. Developing employees is a constant process that never ends. According to the interviewed managers the employees should always learn new things and develop themselves so that their knowledge do not become outdated. Machinery, technology and methods of working are all things that constantly change over time and therefore the studied MNE is required to constantly educate and develop its human capital to keep up with changes. It is vital for the studied MNE that its human capital is constantly developed because employees have the power to affect the business operations of the studied MNE in both a positive and
negative manner. Developing the competences and education of employees will increase the possibilities of the studied MNE to increase their productivity and effectiveness.

Human capital is one of two resources that make up the competitive advantage of the studied MNE. It is a compliment to the other resource, which is technology. This is a statement that Nerdrum & Erikson (2001) explains in their theories. These authors write that human capital is often a compliment to another resource in a firm and that it requires skill to integrate resources to meet up with forthcoming demand. Technology is also another important resource for the studied MNE. It is also a well needed resource for the operations of the studied MNE and of course the automotive industry. Advances in technology leads organizations to develop products and services which are better, faster and more efficient. (Chan, Saiki & Osada, 2009)

Fitz-Enz (2000) explained that retaining employees can be accomplished by using methods such as surveys and employee-relation programs which finds out from employees how to keep employee talent within the organization. The studied MNE is annually doing these type of investigations to find out how each employee is currently performing in their job tasks and how the employee can develop within the organization.

Much of the theories of Edvinsson (2002) can be compared to the strategies implemented by the studied MNE. Edvinsson (2002) explains that companies today not only worry about finding the right employees for their organization but focus on how to keep them within the organization. The studied MNE endeavors in most cases to search for the best suitable candidate wherever possible but in some cases, young, uneducated and unemployed individuals are recruited and shaped according to the culture of the organization. According to the interviewees, the studied MNE focuses on the retention of human capital, an important aspect with the managing of human capital, an aspect which even Edvinsson (2002) believes is important for an organization.

According to the HR Business Partner, the studied MNE cooperates with the its head office in most cases with matters regarding human capital strategies but there are certain instances where local approaches are applied. We therefore perceive the studied MNE to utilize a combination approach whereby the studied MNE follows general guidelines but are able to use the freedom to choose approach when it comes to implementation of policy frameworks.

### 5.2 The role of education and development

Zula & Chermack (2007) mentions some advantages from investing in human capital. Investment in human capital in the form of education, general and firm specific training and other kinds of knowledge. The studied MNE tries to utilize these kinds of investments mentioned by Zula & Chermack (2007). The studied MNE believed that one of their main
advantages of investing in their human capital is that their employees have the possibility to acquire more knowledge with the education, general and firm specific training offered by the studied MNE. With the acquired knowledge they are able to work more efficiently and which can increase profits. Contributions from employees may be in the form of applying for higher positions in the studied MNE instead of leaving the company for a higher position outside of the company. The flexibility of employees having a broad knowledge makes them able to be utilized in other departments when needed. These types of contributions are a result of educated, more competent and efficient employees when their knowledge are increased. The other return on investment in human capital as explained by Zula & Chermack (2007) is increased wages and income to employees. The studied MNE does not focus on giving their employees higher wages and income than that of its competitors since this is not part of the corporate strategy. One of the HR Business Partners implied that the studied MNE follows the salary guidelines from head office. The studied MNE focuses more on having opportunities for employees where they can develop and educates themselves. By successfully completing certain training courses are the employees able to increase their salaries by means of extra income. In this way employees can earn higher salaries. This means that the model of human capital theory fits the business strategy of the studied MNE and our empirical results are well related to the theories we found applicable to our study.

Senge (1990) writes that a learning organization is a vital part of development as it is a result of learning and the behavior of people. According to the author the learning environment is vital for the competitive advantage of an organization and it is a continuous process. The studied MNE endeavors in a positive way to continually remind their employees that the automotive industry will always change with new technology and processes and that therefore learning is a constant process that never will end within the studied MNE. The studied MNE on its part does its best to provide education and training for their employees so that they can continually be up to date with changes within the organization. With the information we gathered from the interviewees on education and training can we deduce that the studied MNE is creating a learning environment, which seems to be a continuous process as Senge (1990) describes.

Another aspect of education within the studied MNE is that it is the responsibility of the employees to take initiative to be want to be trained. However we also discovered that certain basis training is initiated by the studied MNE. Each employee has the responsibility for his own development in order to become a valuable part of the organization. To our understanding we believe it is a good strategy that the studied MNE has some degree of decentralization since too much centralization and no transfer of power and authority to the employees can also according to Fiermonte & Bruning (2005) cause negative impacts on the competitive position of the organization. The same authors motivate this by saying that a ripple effect is created if you are reluctant in transferring power and authority. According to Kirkman & Rosen's (1999) theories it is also positive for the company if there
exist decentralization because it helps the company to retain their employees because the employees becomes more committed from their increased involvement in creations and progress of business operations. We believe that education and development has an important role within the studied MNE as many of the employees according to one of the department managers remain to stay within the studied MNE. Since many employees remain to stay within the studied MNE, the studied MNE therefore has a low staff turnover and this gives an indication of the stability of the organization.

5.3 Advantages and disadvantages in managing and investing in human capital

The advantages of managing and investing in human capital is something that the managers of the studied MNE discusses frequently during the interviews. They all commented that they can clearly see the advantages from investing and managing in human capital within the organization. One of the advantages that they mention are for example that the studied MNE makes more profits by employees learning new tasks and acquiring new knowledge. The studied MNE also mentions that the investment and management of human capital can be used competitively against other companies as it is seen as an important tool in the competitive market in which they operate.

The studied MNE’s advantages from investing in human capital is similar to the advantages mentioned in the literature from Barney (1991) and Sweetland (1996) in which the authors mention that the intention of the HRD of the firm is to create value. Barney also mentions that this is done by using the appropriate strategies and methods. In the case of the studied MNE we believe that they are aware of appropriate strategies and methods which are available to develop and retain human capital. The studied MNE tries to create value for the organization by investing and managing in human capital by using different strategies which they find appropriate for their human capital and their business operations.

Barney & Wright (1998) writes that in order for human capital to be classified as a competitive advantage, it needs to be rare in comparison to other competitors and a firm should be ready to exploit it. The studied MNE creates this rareness by allowing employees to use their talent by taking advantage of career opportunities within the organization, where it is the same department, same country or abroad. The studied MNE wants to keep the talent of it human capital within the organization and strive to continue develop that talent in line with business demands. The HRD of the studied MNE are making a big effort to determine how they can best exploit talents in their workforce. This is attained by giving certain talented employee education in leadership courses or technical courses.

A disadvantage of investing and developing in human capital according to one of the manager is that not every employee is satisfied with the education policies of the
organization. There exist cases where employees do not want to be developed or refuse to be taught about new changes in the organization. These employees do not feel the necessity of education within the organization.

One of the managers mentioned another interesting disadvantage of investing and managing in human capital. The interviewee mentioned that certain employees of the studied MNE are targets for aggressive recruiting from competitive firms. The interviewee also stated that the studied MNE invest a lot of money in the competence and education of employees. Some employees become highly attractive in the labor market which results in some cases that employees leave the studied MNE for a competing company. When employees leave the studied MNE for a competitor, it is seen as a disadvantage to the studied MNE. This disadvantage is directly linked to the investment of human capital of the studied MNE. Having highly competent and educated employees is seen as an advantage by the studied MNE, however this advantage can also easily turn into a disadvantage if competitors are in a position to exploit this.

We believe that many MNEs, SMEs (Small and medium enterprises) and other types of firms have the position and possibility to attract employees from the studied MNE. Lepak & Snell (1999) explains that organizations can also acquire human capital by buying it from the market in which they operate in. These organizations buy their human capital from other organizations instead of developing their own and in this manner they have the immediate benefit of gathering valuable resources. The possibility of SMEs, MNEs and other types of firm having the possibility to recruit employees from the studied MNE poses a serious threat to the human capital of the studied MNE. We believe that the studied MNE will always have this risk of employees to other companies. This is a threat for all companies. It is even a bigger threat when the studied MNE loses key individuals with valuable knowledge to the competitor. It means that the competitor could gain access to critical knowledge useful to the competitiveness of the studied MNE. We speculate that SMEs, MNEs and other types of firms are able to attract employees from the studied MNE because the studied MNE do not have higher than the market median (average). Pfeffer, Hatano & Santalainen (1995) pointed out that a good salary acts a competitive tool when attracting the best human capital. This means that organizations that offer a higher salary are able to attract the employees from the studied MNE by offering them a more competitive salary. We perceive it to be a disadvantage to the studied MNE that it does not offer employees higher salaries.

The theories of Russ-Eft & Preskill (2005) state that it is difficult to evaluate the return on investments of human capital. It is a theory that is applicable to this study and we can even conclude that it is difficult for the studied MNE to evaluate its return on investment of human capital. The authors write that human resource practitioners find it difficult to evaluate return on investments on human resource initiatives because they themselves lack the understanding and misconception about evaluations.
6 Conclusions

This chapter presents the conclusions that have been reached by the investigation of this study. The concluding results are derived from the analysis of the study and also connected to the research questions of the study.

The competitive advantage is one of the reasons why the studied MNE uses different strategies in managing and investing in its human capital. By investing and managing its human capital, the studied MNE wants to be unique compared to other organizations because they do not want their human capital to be replicated by competitors. The studied MNE is today a very successful organization and is constantly expanding to different parts of the world; this expansion can be the result that they are using strategies and methods that are successful and sustainable. Even if the studied MNE uses unique strategies and methods such as having average salaries, the studied MNE still demonstrates that the benefits offered to its employees is regarded as more important, since it is today an attractive employer.

In this study we found that the studied MNE adopts unique strategies relating to human capital. Some of these unique strategies are offering employees stability and safety which are two important factors which are valuable for the studied MNE to retain employees within the organization, together with unique benefits. According to the area manager, employees should not work for the studied MNE to have higher salaries but rather work for the studied MNE for their own future but also for increased safety and stability. This means that the studied MNE differentiates itself from other MNEs who often focus on giving higher salaries to their employees. We believe as with any business, it is important for a firm to differentiate itself against competitors, and this can be achieved with numerous methods. The method of the studied MNE offering its employees an average salary is considered by us unique because we have learnt from the theories in the theoretical framework such as Fitz-Enz (2000) higher salaries are normally given to employees to retain them.

Not all of the human capital practices that the studied MNE uses are unique. We have understood that most of the human capital strategies used by the studied MNE are similar to the theories we have used in our theoretical framework. We were very happy to find similarities between the comparison of theories and empirical data. We were satisfied to find these similarities as it shows that we have chosen relevant theories for our study and the empirical data supported our choice in theories. We were also glad that the studied MNE are using some strategies that are supported by literature.

One of the HR Business partners stated that the studied MNEs salaries are in par with its competitors. The studied MNE endeavors to keep employees satisfied with other benefits which are perceived to be attractive to the employees. We believe it can be difficult for the
studied MNE as it is a paradox not to offer higher salaries but offer better benefits. If the salaries are not higher than the competitors, the salaries can be perceived by employees not be attractive. According to one of the managers not having higher salaries is a problem for the studied MNE in managing their human capital. The studied MNE experienced in a few cases that employees were leaving the organization to be employed by competitors because of the higher salaries being offered to them. The studied MNE often do not match offered salaries of the competitors in order to prevent competent employees from leaving the organization. Instead of the studied MNE offering higher salaries, they offer more benefits to those individuals they perceive to be a risk of leaving the organization with valuable knowledge. We perceived this strategy of the studied MNE to be unique. The studied MNE wants to be different from its competitors who offer higher salaries.
7 Future research and final remarks

In this last chapter we present the reader with suggested future research areas which we perceive to be interesting. The future research areas include the areas of human capital, intangible assets and intellectual capital. This selection of future research areas are made based upon the inter-relationship between these areas.

7.1 Future research

It would also be interesting to conduct a similar study in the future to see if the role of human capital has changed in the studied MNE and if it did, how has the role of human capital change in the studied MNE. We are concerned how globalization and increased technological improvements would affect the management of human capital. In the view that the studied MNE is operating in the automotive, there does exist a possibility that employees could be replaced by machines in the future. Will human capital play a vital in the performance of a company as it does today?

Another perspective in the area of human capital that would be interesting to study would be to investigate the perspective of the lower level employees on the managing and developing of human capital in the studied MNE. It would be fascinating to find out how the lower level employees perceive and experience the strategies and management of human capital within the studied MNE. This would give the studied MNE a direct true indication of the perception of the employees.

If we had more time to do this study, we would have liked to do a comparison of the development and management of human capital by different MNEs. A study to investigate the similarities and differences between the strategies used by the different MNEs.

Future research in the area of human capital can be the study of managing human capital in state owned companies and governmental organizations. According to the media, the public sector is known for having lower employee salaries than the private sector. We would like to know how does the public sector which is controlled by the government manage and retain their human capital? We are aware that salaries are not the main factor of retaining human capital since there are other factors involved due to the fact that the public sector is a major employer in Sweden. (ekonomifakta.se, 2013)

7.2 Final remarks

We found this study to be very interesting; we have learnt a great lot about the managing and developing of human capital. We have learnt how different human capital strategies impact the performance of an organization as well as its competitive advantage. We found
that it is a subject area that is not openly and publicly discussed due to the competitive advantage it provides.

The study in itself has been a good experience for both of us. Both of us were really enthusiastic about learning which human capital strategies is used in practice by large companies. We feel that we have developed by acquiring new knowledge about a subject which we find challenging. It has also been fascinating to compare the strategies of the studied MNE with the applicable theories we have found in scientific articles and literature. We could by this comparison compare determine if the strategies used by the studied MNE were discussed by the researchers. We can conclude that many of the applicable theories are comparable to the studied MNE.

After having read through our theories and analyzing the empirical information from the studied MNE we realized how much we have learnt about the concept of human capital and strategies that are used by the studied MNE. It made us even more aware of the importance of human capital and how it is used as a competitive advantage against other firms.
References


Future research areas:
http://www.ekonomifakta.se/sv/Fakta/ Arbetsmarknad/Sysselsättning/Privat-och-offentlig-sysselsättning--historiskt/ - Visited 2013-05-02


Interviewee 1, Department Manager.
Date of interview: 2013-04-25.

Interviewee 2, Area Manager.

Interviewee 3, HR Business Partner.
Date of interview: 2013-04-30.

Interviewee 4, Department Manager.
Date of interview: 2013-05-02.

Interviewee 5, HR Business Partner.
Date of interview: 2013-05-02.


Appendices

Appendix 1 - Interview questions in English

Background information:
Title of your position:
How long have you been working in this current position?
How long have you been working for this company?
What is your highest education qualification?

Questions:
1. How does the organization manage its human capital resources?
2. What do you do to keep employees within the company?
3. How are employees educated in the company?
4. Which are the advantages and disadvantages in managing and investing in human capital?
5. In which ways could your management of human capital be improved?
Appendix 2 - Interview questions in Swedish

**Bakgrundsinformation:**
Namnet på din position:  
Hur länge har du jobbat i denna nuvarande position?  
Hur länge har du jobbat för detta företag?  
Vad är din högsta examen?

**Frågor:**
1. Hur hanterar organisationen sina humankapital resurser?
2. Vad gör ni för att behålla anställda i företaget?
3. Hur utbildas personalen i företaget?
4. Vilka fördelar och nackdelar finns det med att styra och investera i humankapital
5. Hur skulle er hantering av humankapital kunna bli bättre?
# Appendix 3 - Details of interviews and interviewees

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<tr>
<th>Interviewee 1:</th>
<th>Description of work position:</th>
<th>Department Manager</th>
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<td>Area Manager</td>
<td>Date of interview:</td>
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<tr>
<td>Interviewee 3:</td>
<td>Description of work position:</td>
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<td>Interviewee 4:</td>
<td>Description of work position:</td>
<td>Department Manager</td>
<td>Date of interview:</td>
<td>2013-05-02</td>
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<tr>
<td>Interviewee 5:</td>
<td>Description of work position:</td>
<td>HR Business Partner</td>
<td>Date of interview:</td>
<td>2013-05-02</td>
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