HUMAN RESOURCE MANAGEMENT AT WORK

The Impact of HRM Key Practices on Company Performance

A comparative Cross Industrial Study of Handelsbanken and TeliaSonera

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Sincerely

Elnaz, Elham and Zeinab
Abstract

Course:
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Research Question:
How do Handelsbanken and TeliaSonera utilize key HRM practices such as, attracting, selecting, training, assessment and rewarding and retaining, in order to benefit these practices in terms of company performance?

Purpose of Study:
In this cross industrial study, key human resource management practices of Handelsbanken and TeliaSonera have been compared to figure out how human resource management practices differ between these two service companies and what the impact of these practices is on the performance of these two companies.

Method:
A deductive approach has been applied as research strategy. To accomplish the purpose of the topic to be investigated, primary data (collected in a qualitative approach by means of semi structured interviews) and secondary data have formed our empirical findings. The interviews have been conducted with the branch manager of Handelsbanken in Västerås and the senior business service and operations of TeliaSonera in Stockholm. Utilizing books, articles and the Web have formed our secondary data.

Conclusion:
To increase the capability of attracting, training and retaining qualified workforces who are encouraged and capable of fulfilling their tasks, can be introduced as a consequence of effective human resource management. Having right employees that are motivated, results in rare workforce turnover, higher profitability, less service cost, great service quality and also the acceptance and accomplishment of organization strategy would be carried out more promptly.
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ABBREVIATIONS


[SKI] Svensk Kvalitiets Index

[PA] Personnel Administration

[CV] Curriculum Vitae
1 INTRODUCTION

This chapter of our thesis provides the reader, general material for the subject such as, fundamental background to the research topic, as well as the research question and our primary reason for accomplishing this study.

1.1 Background

“HRM is a philosophy of people management based on the belief that human resources are uniquely important to sustained business success. An organization gains competitive advantage by using its people effectively, Drawing on their expertise and ingenuity to meet clearly defined objectives. HRM is aimed at recruiting capable, flexible and committed people, managing and rewarding their performance and developing key competencies”. (Price, 2011, p.29) In other words, human resource management is organizational policies and practices that focus on attracting and recruiting people, screening and training, appraising and rewarding. (Randhawa, 2007, p. 2)

It has been argued that human resources are assets that need to be managed conscientiously and in tune with their organization’s need. Today’s most competitive companies are working to ensure that now and a decade from now, they have employees who are eager and able to address competitive challenges. This means attracting and retaining superior talent and stimulating employees to perform at peak levels. (Jackson et al., 2011, p.4). Human resource is one of the most important resources in a firm. Many firms invest huge amount of time and money and effort in advertising to attract and recruit best candidates. Companies can’t make it through the tough competitive marketing situation unless they create an efficient team of workforce and managing them in as valuable capitals. Nowadays HRM is a big deal of organization’s source of competitive advantage. In a new perspective, human resource is a capital for a company because they build up the foundation of success of a firm. The effective human resource management helps a firm achieve competitive advantage in a market place. (Huselid et al., 1997)

Human capital is considered as a unique resource that is difficult to either replicate or substitute. Technical HRM activities lead the firm to select talented employees with high potential ability and also to train employees in a way that they will have unique skills that are needed in the firm. (Huselid et al.1997, p.173)

HR specialists ensure that HRM activities add value by helping organizations achieve its strategic objectives. They will focus on overall HR policies and procedures support the strategic objectives and that there is consistency approach and implementation across the organization. There are different activities which form the Human resource management process which differs from organization to organization, but in this study some of the major ones are considered to be more important which is the study is focused on them. (Foot&Hook, 2008, p.3-4)
Managing human resource is the approach that is used by some firms to achieve sustainable competitive advantage. A competitive advantage is gained by a company, when its customers prefer its products/services to its competitors and if it is difficult for competitors to understand and copy the company’s advantage, that company has a sustainable competitive advantage. Firms attempt to ensure that their customers get excellent service at the lowest possible price to gain sustainable competitive advantage. (Jackson et al., 2011, p. 11). Human resource management is organizational policies and practices that focus on attracting and recruiting people, screening and training, appraising and rewarding. (Randhawa, 2007, p. 2)

1.2 History of HRM

According to Freitas et al. (2011, p.226) human resource management is a subject with steady progress and alternation. There is no general pattern for HRM strategies for all the firms and that’s the reason for various patterns to describe evolution and management of HRM. Therefore it is not so simple to pull a timeline for the development of human resource management. One of the important factors which influenced on human resource management was a scientific management which goes back to 1903 by Fredrik W Taylor explains three concepts which supplies a foundation of novel HRM according to Jamrog and Overholt’s study, 2004 (as cited in Freitas et al., 2011, p.226):

1. Mankind should be selected for a job if they fulfill the requisite
2. Mankind should be trained according to the job’s specifications
3. Mankind should be motivated to work

According to Jamrog and Overholt’s study, 2004 {as cited in Freitas et al., 2011, p.227} amongst 1900 and 1920, many firms employed professionals to direct the staff’s subject. That’s the time when personnel department was originated. The concept of human relations dated back to 1930s with the help of scholar regularities.

According to Jamrog and Overholt’s study, 2004 (as cited in Freitas et al., 2011, p.227) during the extension of automobile industry, between 1950 and 1960, efficiency and performance were significant. Within this course, personnel management operated as a registry force with a functional identity. The transmission was from the term PA (Personnel Administrative) to HRM in the managerial operations, implicates the switching from human relations concentration, to Resources on employees. This human resource concentration was expressed by Yoder in 1959 but never applied on books. But shifting from PA to HRM became privilege in terms of practices and theories. According to Gooderham & Nordhaug (2010) it has been agreed that human resource management concept is generated in North America and that was the breaking point for traditional personnel administration. Also Schulter and Jackson (2005) believe that origination of so called alternation in the US goes back to the mid-1970s and it is a reactance to the fact that HRM practitioners became more professional and rising diagnosis of the significance of HRM to a firm’s victory. The evolution from personnel department to human resource management mainly started when the theories revealed by North American writers amongst 1960 and 1970 and the HRM term has been accepted universally (Freitas et al., 2011).
### 1.3 TeliaSonera

Telegrafverket (government authority) was founded in 1853 and at the time when electronic telegraph line was setup for the first time between Stockholm and Uppsala. Later in the 1953 the name has been changed to Televerket. The company was owned by the government until 1992-1993 and then it was renamed to Telia which is one portion of TeliaSonera (TeliaSonera.se, 2013).

Teliasonera is a company which supplies network accessibility and telecommunications service that aid mankind and firms associate with each other. Telia (Swedish company) and Sonera (Finnish company) merged in 2002. They operate in the northern and southern Europe, south and central Asia and Spain. Teliasonera is the fifth biggest telecommunication company in Europe. These two companies have been operated before the merger (TeliaSonera.se, 2013).

Teliasonera expanded in to 15 countries and they have 27,838 employees. Mobile and broadband services such as TV, to local clients in Finland, Norway, and Sweden calculates almost 60% of sales. The company also presents mobile services to Spain and Eurasia regions, such as Russia (almost 65 million subscribers) and Turkey (almost 35 million). With a prominent rank in most of its marketing regions, the company calculates 175 million subscribers amongst its networks. Teliasonera mobile trade, fetch nearly half of sales. Alternative services consist of sales of telecom material and the preparation network capacity sales to the porters. All in all Teliasonera operates with in three main trade areas which are: Broadband services and Eurasia and Mobile services (TeliaSonera.se, 2013).

### 1.4 Handelsbanken

Handelsbanken was created on 1871 by several large cooperation and residents in the Old Town of Stockholm, Sweden, which at that time was the commercial center of Stockholm. Some years later, first branches were established in other cities, and in 1880 decade Handelsbanken could grow rapidly in comparison with its competitors. After Second World War, while other banks reduced their number of branches, Handelsbanken had over 260 branches and more than 2000 employees. Handelsbanken was the first Swedish bank as a finance company that provides leasing and factoring service. In 1980s, the bank established international branches in London, New York and Singapore (handelsbanken.se, 2013).

At a time, Handelsbanken is one of the largest and also strongest banks in Sweden and has a wide branch network in Nordic countries as well, with more than 10,000 employees. And also, performs as a universal bank with 782 branches in 24 countries, that is well-known as a financial service bank that present all kinds of banking services such as: individual banking, corporate banking and a special contract for those customers who want to have long-term relationship for using bank service. According to annual report of a Swedish institute which is named Svenskt kvalitets Index (SKI), the bank has achieved the first place for customer satisfaction among four big banks in Sweden in 2013 with the slogan of “our customer like us” (Handelsbanken.se, 2013).
1.5 Research question

Obviously, HRM includes a broad scope of practices that affect organizational performance to achieve organizational objectives. In order to narrow the domain of this case study, it has been focused on steps of attracting, selecting, training, assessment and rewarding and retaining which are recognized as key practices in HRM field. Thus, the point of these practices has investigated on Handelsbanken and TeliaSonera and also how these two companies benefit from these practices to achieve high quality performance. So, the research question in an integrated form is designed such as:

How do Handelsbanken and TeliaSonera utilize key HRM practices such as, attracting, selecting, training, assessment and rewarding and retaining, in order to benefit these practices in terms of company performance?

1.6 Purpose of the Study

Since HRM is a key element of management field, the purpose of this thesis is to describe the important role of HRM in service sector in the fierce marketing environment. It has been explained and analyzed how Handelsbanken and TeliaSonera are utilizing the steps of HRM and how they organize their human resource to get the best of each workforce in order to be efficient service companies.

1.7 Scope of the Study

The domain of this case study is limited to Handelsbanken and Teliasonera which are pioneer in service industry and are highly involved with HRM practice to coordinate their staff to perform towards the organizational objectives. According to SKI (Svenskt kvalitets Index) Handelsbanken is one of the leading firms in the banking industry and have high rate of customer satisfaction. TeliaSonera is a well-known brand and is industry leader and good representative in telecommunication industry and according to SKI, customers are more satisfied with TeliaSonera.

1.8 Target group

This thesis aims to provide useful information for business administration students in the specific field of human resource management and also those who want to study, learn or even deepen their knowledge about human resource management practices and its impact on firm performance.
1.9 Delimitation

This thesis is relevant to HRM practices in Handelsbanken and TeliaSonera its impact on performance of the both companies. Since this thesis is a comparative case study, the conclusion would have been more reliable by comparing more various number of service companies; however this study is delimited to two companies, Handelsbanken in Västerås and TeliaSonera in Stockholm. Consequently the results are delimited to these two companies due to the short period of the bachelor thesis course and also difficulties to book interview appointment with the managers.

1.10 Disposition

1. **Introduction**: to provide the reader general material for the subject such as, background to the research topic, as well as the research question and our primary reason for accomplishing this study.

2. **Method**: to explain the method, procedure and technique which are used to carry out this study and how we collect and analyze data and results to explain the purpose of this study.

3. **Theoretical Framework**: to describe useful theories and concepts related to our subject which provides material that enables us discuss human resource management in more details.

4. **Empirical Findings**: organization structure of the company and the data collected from the interview.

5. **Analysis**: summarizing what have been discussed in the chapters 3 and 4 and connecting the theories and concepts to the primary and the secondary data in the chapter 4.

6. **Conclusion**: conclusion of analysis carried out to respond the research question.
2 METHOD

Research methods and research methodology are two concepts. In fact, methodology is the science or philosophy that hides behind of each research. But the research method is a way of implementing a research. For this reason this chapter is named as method, and the methods using in data collecting and conducting the case study are represented here (Adams et al., 2007, p.25).

2.1 Research strategy

Deductive theory demonstrates the character of the relationship between theory and research. (Bryman & Bell, 2011, p.11) In the deductive reasoning, researchers work from top to down which means they start from the theory to attain logically specific conclusion. (Soiferman, 2010, p.3) The deductive method is known to function from “the general to the specific”. A common collection of suggestions relating to a given case is restricted down to particular collection of experimental hypothesis. Testing the hypothesis needs the usage of related data in the theory (Adams et al., 2007, p.29). In this case study, the data has been gathered through semi structured interviews that show a systematic way of appointing data. These data are going to be analyzed in deductive approach in this case study while there is a clear theoretical situation prior to the data collection.

Inductive approach bases on experimental validations of a general result concluding form limited number of perceptions. Inductive approach functions from “the specific to the general”. Perceptions are utilized to generate a general theory. (Adams et al., 2007, p.29) Inductive approach is less structured and might be accomplished by asking a range of people their ideas about a specific title.

The interview questions were designed to fulfill the topic to be investigated. These questions were compassed by concentrating on the subject to be interrogated and utilizing the key words in the human resource management field. It is believed that by collecting the first hand data through the results of the interviews, the study came up with handy information which supported the whole study.

2.2 Reliability, Validity

Reliability is about to what extent measuring of concepts are consistent (Bryman & Bell, 2011). In order to fulfill reliability of the results, it is of a significant concern to extract correct information from trusty person in addition to utilize reputed available data bases in the internet. “A method is reliable if it provides consistent results. Reliability is a partial contributor to validity, but a research method can be reliable without being valid”. (Cooper & Schindler, 2003) So validity issues the ability of a research method design in identifying and describing the case to be studied. (Remenyi et al., 1998) The outcome of this study has the validity of the excellence of the writers cognition due to the investigation on all the resources used in this study to make sure all the information gathered and submitted are based on the scientific journals and articles.
2.3 Choice of Literature

For the sake of gathering data and concepts relevant to the thesis topic and research question, database of Mälardalen University such as Web of Science, Scopus, Swepub and Emelrand has been utilized to acquire scientific articles and journals relevant to the subject of study. Google scholar and google online books have also been used in this study. Reviewing previous bachelor and master thesis in DiVA and uppsatser.se inspired us generating ideas and patterns to accomplish this study.

Library of Mälardalen University supported us accomplishing this study with many books and references related to the phenomenon to be investigated in addition to the useful information and tips related to the business research methods in terms of how to conduct and effective interview and picking the right questions which matches the topic to be studied to provide us with effective information associated to the research question and theories and enabling us collecting proper and valid data. All of the resources above supported this case study to be conducted in an effective one. The key word have been used looking up for the relevant phenomenon were: human resource management, soft and hard model of HRM, evolution of HRM, principles and practices of HRM, HRM and firm performance, managing employee retention and so on. The referencing system used in this study is according to APA (American Psychological Association) system. It means that the author’s name, the year of publication and in some cases the page number is mentioned at the end of sentences. And all of the books, articles and so on that are cited in this case study will be stated in alphabetic order in reference list by details.

2.4 Research approach

Qualitative research is a research strategy that is more intellectual and consists testing and representing the features of the research topic that are less tangible and emphasizes on words rather than numbers. This type of research is easier to start but can be more difficult to expound and submit findings and can be challenged simply. On the other hand, quantitative research emphasizes on gathering and analyzing numerical data in detail and focus on evaluating scope, ratio, frequency etc. of a specific phenomenon. (Neville, 2007, p.3)

In this study, qualitative approach has been used to verify the purpose and considering the important role of HRM that the firms utilize in selecting the high talented workforce, training them to be adapted to organizational needs and retaining them in order to achieve organizational objectives.

2.5 Choice of data collection

2.5.1 Primary data

Face to face Qualitative Interviews are the main primary data collection method in this case study. Semi structured interviews and structured interviews have been conducted in data collection. Semi
structured interview is when the interviewer should cover certain areas and topics (Bryman & Bell, 2011, p.467). Two interviews have carried out. One interview executed with Lars Sandberg, the branch manager of Handelsbanken in Västerås. An appointment to do the interview was made one week earlier by meeting Lars in his office in the bank. The topic and field of interview were explained to him. He found it smooth and comfortable to respond to questions in this section and not necessary to read them before. The interview took place at three o’clock on 14th of November 2013 in Lars’ office in the bank. The whole interview took 54 minutes in a fairly comfortable and friendly manner with such a well experienced manager whom devoted 29 years of his life working in Handelsbanken. The responses were very clear which provided pretty much sufficient answers to this study.

The other interview was conducted with Quintus Kahapolarachchi, Senior Business Services, Business Operations Architect at TeliaSonera on 25th of November 2013. The elapsed time was 50 minutes in quite a cooperative and convenient environment. Appointment was made with Kahapolarachchi over telephone and he has been told what sort of questions and subject was going to be discussed. He knew the theme of the interview. The interview was conducted in the evening of 25th of November during Fika time at his place. It went as expected since he was pretty much aware of the theme and had quite good knowledge about the subject. Both the interviewers and interviewee were feeling comfortable and relaxed all along the discussion.

Both interviews were recorded and listened and written down carefully to draw out useful information. It was allowed to record the whole interview by the permission of both of the interviewees.

The semi structured Interviews carried out to collect data for the empirical findings. Open ended questions were sorted out. Non leading questions have been raised so that the interviewees can answer to those questions in their own terms and views (Herman & Bently, 1993). In order to avoid ambiguity it was tried to centralize on the topic to be investigated and the discussion but at the same time, it was the interviewees who lead the interview based on their own ideas and terms, and interviewers remained neutral all along the discussion. (Bernard, 1995)

2.5.2 Secondary data

There are so many sources of secondary data such as educational institutions, libraries, and internet and company website. Secondary data plays a crucial role in enabling us accessing good quality data and it gives us extensive outlook of the subject. Business and management researchers have been increasingly concerned with utilizing the secondary data (Bryman & Bell, 2011). The secondary data in this study has been gathered mainly through TeliaSonera and Handelsbanken’s websites as well as the annual reports and internal reports. There was also some useful information in their Facebook pages which could have been used. These data are used as supplement data collected in order to enable this study to achieve a broader perspective of the subject.
3 THEORETICAL FRAMEWORK

In this section, useful theories and concepts, relevant to HRM is stated which assisted the research question of this study to be fulfilled. The theories are connected to the research question thoroughly and directly which in the analysis section, all of the theories in this section are applied in order to cover the area to be studied.

3.1 Organizational Performance

Performance may not be explained by usage of a general theory, but there are some models and approaches such as economics, psychology and production management that are built on a special disciplinary perspective that help to figure out and categorize aspects of performance. In the organizational behavior field, performance measurement is demonstrated as the criterion problem (Guest, 1997, p.266).

Considering types of performance data, three types are available such as measures of services and output of goods that can be either quantitative like produced units and customers that have been served or qualitative like customer complaints and number of mistakes; measures of time containing absence, lateness, missing deadlines and lost working hours, and financial indexes that contain large variety of possibilities (Guest, 1997, p.267).

Since data reveal very little on their own, it is needed to have some basis for doing comparison cross-sectional or linearly and also to figure out the relationships between different types of performance data. In relation to this, many linkages can be made; such as absence which may decrease production that may change profit. Moving on to behavioral models, employee perceptions to their behavior may be linked to performance outcomes on individual or group level that affect unit performance that leads to change in company profit (Guest, 1997, p.267).

In order to mention the difference between outcomes and performance, performance is a scale which is company dominated while outcomes have a broader concept and contains environmental matters, job satisfaction, and relief to public activities and so on (Guest, 1997, p.266).

3.1.1 Link between HRM and Performance

At the individual level, high performance depends on high motivation as well as owning of the needed skills and capabilities, suitable role and figuring out of that role. To determine the HRM practices that persuade high skills and capabilities is a short step, for example accurate selection and to invest highly on training. For high motivation, employee implication and being paid with respect to their performance can be mentioned as examples (Guest, 1997, P.268).

Table 1 acknowledges that HRM practices should be formed in a way that high workforce commitment, high quality employee and employee that are highly flexible be introduced as the HRM outcomes. And on the condition that all these three HRM outcomes are fulfilled it can be anticipated
to have behavior variation and higher performance. High commitment is specified by using standard measures and base on employee desire to belong to the firm and the willingness that exist to do things for the firm. High quality employee is related to their capabilities, knowledge and proficiencies. Flexibility relates to functional instead of numerical flexibility.

<table>
<thead>
<tr>
<th>HRM strategy</th>
<th>HRM practices</th>
<th>HRM outcomes</th>
<th>Behavior outcomes</th>
<th>Performance outcomes</th>
<th>Financial outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation</td>
<td>Selection</td>
<td>Effort/Motivation</td>
<td>High: Productivity</td>
<td>Profit</td>
<td></td>
</tr>
<tr>
<td>(innovation)</td>
<td>Training</td>
<td>Commitment</td>
<td>Quality</td>
<td>Innovation</td>
<td></td>
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<tr>
<td>Focus (quality)</td>
<td>Appraisal</td>
<td>Cooperation</td>
<td>Absence labor</td>
<td>ROI</td>
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<td></td>
<td>Involvement</td>
<td>Involvement</td>
<td>Turnover Conflict</td>
<td></td>
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<td>Cost (cost</td>
<td>Job design</td>
<td>Involvement</td>
<td>Customer complaints</td>
<td></td>
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<tr>
<td>reduction)</td>
<td>Involvement</td>
<td>Flexibility</td>
<td>Labor turnover</td>
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<td></td>
<td></td>
<td>Organizational citizenship</td>
<td>Customer complaints</td>
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<td>Status and</td>
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<td>security</td>
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Table 1: Linking HRM and performance (Guest, 1997, p.270)

This model represents changes in behavioral, performance and financial outcomes separately. The essential point is to consider HRM outcomes to figure out how HRM affects performance. Moving on through the remaining stages in Table 1, it is expected that the impact of HRM become progressively weaker as other factors interfere. As long as this is a qualitative study and figures and ratios have been avoided, companies have not been discussed with regards to their financial outcomes.

### 3.2 Introducing Models of HRM

There are different models of HRM which interpret human resource management in their own ways but all of these models have four features in common. According to Price (2011, p.29-32):

- They should have integrated human resource policies and these policies should be in coordination with the firm’s business plan. Employees are viewed as key assets and HRM is an important tool for business strategies.
- Senior (line) manager is responsible for managing the people and personnel specialists has the responsibility of providing consultancy service for the line manager.
- Individual employees and managers are encouraged to have direct conversations instead of collective bargaining.
- There should be commitment and personal initiatives in an organization.
Pfeffer 1998 (as cited in Price, 2011) emphasizes in a series of book that “the greatest competitive advantage is to be obtained from people rather than technology”. Which means that firms do not necessarily achieve competitive advantage by implying the newest technologies; the more complicated the technology, the more skilled people are needed. (Price, 2011, p.32)

3.3 Hard and Soft Model of HRM

There are two versions of human resource management model which are broadly adopted. These two versions are called soft and hard model and are founded on contrary opinions of human character and supervisory inspection strategies (Truss et al.,1997).

The hard model is founded on the concept of rigid strategic inspection, and economic model of man and soft model is founded on controlling via commitment (Truss et al.,1997). Human resource management has mostly been defined through two concepts which are two different shapes. Soft model of HRM is related to application of human affiliation motion, the application of people’s talents and capacities and foresight on every single person. This concept is parallel to the notion of “high commitment work system” “whose goal is initiating commitment in individuals in a way that manner and morality is initially self-regulated not by inspecting, commanding and forcing individuals so communications inside the firm are founded on high level of trust” (Wood,1996,p.41). Soft HRM affiliates with the purpose of being flexible and adaptable and requires that relationship plays a crucial role in management. (Story&Sisson, 1993)

The soft model of HRM implies that when employee is thoroughly committed to the organization, he does the best towards organization objectives and increase quality of the performance of the firm. Soft model focuses on commitment which will be obtained by employees trust. Employees are trustworthy when they are trained and have control over what they do (Guest, 1987). Soft model is in contrast with the hard model in terms of strategic dimensions. (Purcell, 1993)

Hard HRM stresses on the significance of strategic fit, which means that human resource policies and practices are tightly connected to strategic goals of the firm (Baird&Meshoulam, 1988). In which the aim is leading the firm in to increased competitive advantage. Severe controlling is an important aspect of the hard model. Hard model focuses on strong control over employees and managements activities and performances which aims at performing securely to achieve competitive advantage of the organization. Based on this model, each employee is manipulated on a much more beneficial basis than on the soft model (Guest, 1995).

Storey and Sisson (1993) have distinguished between Hard and Soft forms of HRM, typified by the Michigan and Harvard models respectively. Hard HRM stresses on the resource aspect of human resources. It emphasizes that workforce being controlled tightly by the management so the management job is to control and manage individuals efficiently and maintaining the workforce relatively adjusted with organizations requirements and objectives, while Soft HRM emphasizes on the human aspects of HRM. It involves that it is all about communication and motivation. Individuals need to be leaded than being managed and controlled.
In the soft model individuals are considered as resources which need to be trained and developed but in the hard model, individuals are considered as cost to the firm. Therefore organizations that pursue hard model, prefer to downsize the cost to training of the employees (Truss et al., 1997).

3.4 Recruitment

3.4.1 Definition and policy

Once a job has been defined and the qualities of ideal applicant specified, it is necessary to attract applicants (Robertson, 2001, p.450). Recruitment is the procedure of looking for prospective candidates which are qualified to apply for a job by several methods. The Concept of recruitment is known as a positive concept since in this process potential candidates are attracted for the specific job therefor it facilitates the procedure of selection (Randhawa, 2007, p.68).

The item achieving the highest rank of being attracted are the features which the employers list in the adverts of a job, are description of the job such as salary, main responsibility, company details, location, experience needed (Robertson, 2001, p.450).

According to Randhawa (2007) organizations must have proper recruitment policies before they start the process of recruitment. Here we are listing some good policies below:

- It must well found on organizations short term and long term goals.
- Analysis of the job should be accomplished before the recruitment procedure.
- It must represent organization’s relations towards employment of reservations of women, physical handicapped, minorities, etc.
- It must illustrate the extent of promotion in an organization
- It must represent the leading source of recruitment

3.4.2 Recruitment Process (Sources and Methods)

According to Randhawa (2007) recruitment sources are divided in to internal and external which are not going to be explained but just sorting them down:

- Internal sources such as referrals from current employees, previous applicants and present employees and seasonal employees
- External sources such as advertisement, employment exchange, private agencies, walk in interview

There are 3 types of recruitment methods:

- Direct methods such as sending recruiters to fairs and desired centers, seminars and professional institutes
- Indirect methods advertising in the newspapers, radio, TV, internet and journals
• Third party methods such as trade union, data banks.

Figure 1: recruitment process

3.5 Selection

3.5.1 Definition

“Selection is very much a process concerned with making a prediction from data obtained from candidates from methods of assessments such as cognitive test and personality measures about how they will perform once in the job” (Cowling&Mailer,1998,p.36). Selection is a process of differentiating applicants in order to identify or hire those with greater likelihood of success in a job (Mutsuddi, 2012, p.45). As soon as a huge amount of candidates applied through the recruitment
process, selection procedure begins. This concept is known to be a negative concept since only a few qualified ones will be selected and the rest will be neglected. (Randhawa, 2007, p.68)

3.5.2 Selection method

Based on Chaudhuri (2010, p.75-85) there are different selection methods but the most common ones are, employment test, group discussion, interviews, group tasks and in basket exercise. But generally picking a method depends on recruits, level of recruits, cost of selection method, and time needed to complete the selection.

- **Employment test**: there are different types of employment tests for recognizing candidates’ qualification such as test of knowledge, test of skills, intelligence test, personality test, merit test and etc.
- **Group discussion**: group discussion is a method which evaluates the candidates’ communication skills and leadership characteristics.
- **Interview**: in this most common method of selection, those candidates who fulfill the job requirements will be found. By this method, interviewee can predict and perceive the candidates future performance in the company.
- **In basket**: the candidates are given some problem tasks to handle. In this case the candidates will be evaluated to which extent they can handle similar problem.
- **Group task**: the purpose of this method is to assess the leadership ability of a candidate.

3.6 Training

3.6.1 Definition and meaning

The training term is defined almost as any attempt that is instituted by the organization to develop learning among its employees (Snell&Bohlander, 2012, p.292). Training is the methods that are used to increase the knowledge and skills of new or present employees to perform specific jobs. Training is considered as an investment in the employee and not as an expense in today’s organizations. Since no person is fully suitable for a job, after recruitment and selection the next HRM function will be employee training and development. (Randhawa, 2007, p.114)

3.6.2 Purpose of Training

According to researches, the firm’s earnings and entire profitability are positively dependent on the amount of training that is given to its employees and from the widest viewpoint, the purpose of the training is to achieve the entire goal of the organization (Snell& Bohlander, 2012, p.292-293).

Randhawa (2007, p.116) states that there are various reasons that make training essential in organizations as follow:
• To develop employee’s performance on their current obligation.
• To intercept industrial accident. Training increases safety for labors and reduce the chance of accident because workers learn how to do the job in the right way and how to work with machines.
• To intercept manpower decrement. Training helps workers to learn new methods and keep updated and well-equipped with newest ways of job performance.
• To increase employee’s encouragement. The well-trained employee will be interested in doing the job and gain satisfaction from the job.
• To decrease dissipation. By taking advantage of training, workers will know the right way of using material and the right way of handling the machines, while untrained staff will waste the material and damage the machines.
• Training make the person to take routine decisions by himself and also make the employee more responsible about the job, so trained staff need less supervision than untrained staff. To increase employee’s adaptation with the latest transformation at the work place.

3.6.3 Training Process

As a whole, training process includes six steps which are mentioned below based on Randhawa(2007,p.117-119):

• Appraisement of organizational goals

The first step is an appropriate appraisement of objectives that should be done in an organization. Nowadays, employers should become adopted to technological changes and increase the quality of products and services and improve productivity to remain competitive.

• Appraisement of training requirements

Training requirements analysis is a crucial step and before making decision regarding training of employees and designating huge amounts of resources for it, organization should perform a proper assessment of training requirements of its workers. Regarding this a trainer has said, “We sit down with management and help them identify strategic goals and objectives and the skills and knowledge needed to achieve them. Then we work together to identify whether our staff has the skills and knowledge and when they do not that’s when we discuss training needs.”

In a case that imperfection in performance is due to shortage of skill and knowledge, training will be fundamentally needed. Identifying training requirements can be done in two main ways of task analysis and performance analysis. Task analysis is to study a job accurately to recognize particular proficiency needed and it is especially appropriate for determining the requirements for the workers that are new in their job while performance analysis is the process of investigating whether there is imperfection in performances and making decision to correct it, whether through training or through other ways such as transferring the staff. There are also other complementary ways such as supervisors’ reports, observations, employee records and etc. that can be used to define training requirements.
• **Constitute the training goals**

Once training requirements are appraised then the goals of training are constituted. These objectives will define how a trained employee should perform after a prospering completion of training process.

• **Designing the training program**

After making decision about the need for training workers and what they should learn then it is time to design the training program by determining about the contents of the program such as determining about the trainers, procedures and techniques of training. Most of the time, trainers are recommended by HR department. In many professional firms there is a centralized database of their staff that evaluates workers’ skill regularly and just notifies sectional directors to send their employees for training.

• **Accomplishment of training process**

This step includes finding an appropriate place for carrying training out and scheduling the whole training program in a way that it does not interrupt the clear operation of a firm and control trainees’ improvements during training period by keeping records about their performances.

• **Assessment of training program**

The organization assesses the training program after the accomplishment of the training program to find out how impressive the training efforts were and whether they have achieved the particular training goals or not. Regarding that the directing of training programs has costs such as salaries of workers in training department, evaluation costs, the cost of program development and so on, therefore it is important to measure the cost and benefits of training program to be able to ensure the top management that the gains outweigh the costs of the program.

### 3.7 Assessment

Firm performance is measurable by HR manager activities and HRM practices at various levels. Assessment is one of the most special levels of those activities that contribute to organization’s performance to find its level and situation in social framework or as private. Hence, it can be said that each firm needs to have assessment center that select specialist staff in order to have high quality performance and thereupon competitive advantage with its rivals. In fact firm performance becomes palpable by assessment. In other words, assessment is: "appraisal", "evaluation" or “review” (Rowley & Jakson, 2010, p.3).

Regarding assessment contribution to the firm performance, it can be expressed that assessment is a core of HRM and if it appears timely, can causes success and growth in the firm, and also lack of accuracy in feedback, causes failure. Because the responsibility of this process is providing feedback of firm performance in long or short term and link that to organization aims. Employees believe that, performance evaluation once a year is needed but due to managers experience this should be carried out as regularly and ongoing activity. Therefore it appears as an essential process of organizational
managing as a whole and also human resource management. On the other hand, assessment of employees is substantial part of assessment processes that should be done in the job satisfaction frame and measured and then link to organization's vision and human resource goals (Rowley&Jakson,2010,p.4).

In order to assess the performance an integration strategy is needed which is called performance management integration strategy that can be explained as a process that appraise the performance of an employee and procreate all related information to employee's effectiveness in order to improve organizational plan to achieve strategic individual and organizational goals. Performance management strategy is not only for organizational assessing but also for improving employees’ skills (Ashok &Shen, 2009, p.175).

According to Randhawa(2007,p.1) although each organization has different types of resources such as financial capital, land, factory, machinery, input goods, raw material (which are not homogeneous) but it is only the human resource which is an active factor who can help the organization to attain its aims. Other physical resources that mentioned above and also high quality products are not enough for competitive advantage. Thus, organization can invest on foster, train skillful personnel to achieve high firm performance in production or service sector.

Also Håkansson (1989) mentions personnel are organizational resources and company attempt to control it as a core of firm resources in two ways of direct and indirect control. Direct control is as a traditional method which implemented in the past, when workforces were as slave. Indirect method is a fashion method at a time which this method is based on stable relationship with human resources.

### 3.7.1 Assessment in service sector

In the quick technology growth, achieving competitive advantage only through high quality products is impossible. As the technology grows, the need for qualified service providers is rising so companies are forced to add value through providing service to maintain competitive in the market.(Wilson et al.,2008,p.5-7).

On the other hand, according to Wilson et al., (2008, p.16) the other characteristic of a service is heterogeneity. Services are provided by organization employees so the same service offering by two different persons are not performed in the same way. Accordingly, heterogeneity has close connection to the human resource practices and service depends on who, where, when and how is provided. (Kotler&Armstrang, 2010, p.269)

### 3.7.2 Types of Assessment

According to Harrison and Shirom (1999, p.211) there are three types of assessment for organization that can focus on these areas:

1. Assessment of conceptual and design
2. Evaluation of efficiency and impact
3. Monitoring of work accomplishment

But for more utilities, assessment focuses on one or two areas i.e. monitoring of work accomplishment. Although monitoring of work implementation is more costly and need to invest time and is more expensive than assessing impacts but it is also more helpful for managers to make decision about the next implementation and planning for that.

Despite of different technics for HRM assessing that cited above, all evaluation methods have limitations which it is not focused on them in this study.

3.7.3 Main usage of Performance appraisal of Organization

In fact, performance assessment has utilized for achieving organizational goals and is able to provide most of those aims. This case study efforts to represent common usage of performance appraisal in an organization as follow, consider to Randhawa (2007, p.131-132):

- **Executive use**: Performance evaluations are used for executive purpose. They are the core of personal decision making for managers like: rewarding, promotions, degradation in job position or even termination of the job contract.
- **Compensation use**: Performance evaluation provides a logical basis for reward system, bonus or benefit.
- **Growth and development use**: Performance evaluation contributes to reorganization of further information that is need for development and training of the staff.
- **Provide feedback**: Performance evaluation provides feedback for employers and employees and helps them identify their performance and improve it. Preparing appropriate and on time feedback are significant parts of assessment. For organization survival, low quality of feedback will have negative effect on employees, thus organization is not able to reinforce its good performance.
- **Reduce complaints**: With getting feedback, employees understand their job performance, and then it causes reduction in complaints among the staff about their job.
- **Career programming**: Performance evaluation provides a rational and systematic base for managers in career programming level for their employees.
- **Motivation**: Fair performance evaluation, helps staff at all the levels motivating them to improve their job performance.

In conclusion, uses of performance evaluation are fundamental and vital for organization survival.

3.8 Rewarding

HRM goals are to enhance motivation and job commitment by presenting policies and processes that ensure people are evaluated and rewarded for what they fulfill and gain and for the degree of skill and qualification they achieve (Armstrong, 2006, p.9).
Accordingly all process of theories of motivation, it is suggested that rewards need to be designed and planned first in attraction of the talented employees in the business based on what is needed. And second to reward the dimensions of performance for the motivation’s sake (Partridge, 1999, p.114).

To obtain of better efficiency in organization, managers need to follow a formal reward system. According to Armstrong 1992 (cited in Partridge, 1999,p.114) “Reward systems contain powerful symbols, which communicate beyond their instrumental value, management philosophy, attitudes and intent. They are designed to encourage behavior, which will contribute directly to the achievement of the organization's objectives.”

Partridge (1999, p.114) also states that organization requires some criteria for its reward system to achieve high quality performance as following:

- Reward system should follow and support the achievement of organization strategy.
- Reward system should be integrated with other aspect of HRM activities.
- Reward system needs to be understood by human resource, so that they are able to see the effect of employees’ performance and also detect the fairness of this system.

Human resource function will often research by external market condition and also with internal job assessment to determine range of payment such as salary or bonuses offered to staff, for developing an auditable rewarding plan.

Partridge (1999, p.115-116) mentions about rewarding that ,in general, managers choose increasing annual payment or bonus payment for competent and talented staff, because employees who create the ideas in organization can save that organization. Based on one of the following reasons rewarding does operate:

- **Performance-related pay**: The aim of this rule is paying more to those people who make the most cooperation with the organization. It can help the other employees motivate them and change their attitude to achieve high work performance.
- **Profit-related pay**: Some organizations use shared ownership as an effective way to motivate employees, to achieve benefit to the organization. In fact, impact is that employees work for themselves and it makes psychological sense, and also has positive effect on quality performance.
- **Team bonuses**: For those organizations that want to promote and encourage team working, team rewards are a suitable way. Through this method employee is motivated to work as a team.
- **Competence-related pay**: In this rewarding system, paying is related to skill and merit .The goal of this reward is rewarding employee for how he or she does his or her job as well as the results achieved. In this method employee receives reward for developing his or her skills.
- **Discretionary prize**: Usually big companies make discretionary prize and often is in the form of shares to key employees. Most of the time this award has period i.e. three years and it motivates staff stay in the company at least until they are owner of this prize.
Consequently, workforces are looking for companies where they can be acknowledged. Therefore, developing a pay plan as a reward or compensation is significant in the organization for staff retaining (Cardon & Stevens, 2004).

3.9 Employee Retention

After employee rewarding, keeping career and competent employees issue is important. In recent decades organizations tried to keep good people by finding countless solutions, policies and projects. But managing employee retention is one of the most constant challenges for any organization so far (Philips & Connel, 2003, p.2). For showing high quality firm performance, firms effort to retain carrier employees who are motivated to work and also are eager to provide better efficiency. (Schuler & MacMilan, 1984) Moreover retention staff turnover and its reasons is other parts of organization dilemmas that will be described those in this chapter.

3.9.1 Definition of Retention

Employee retention has a broad sense, whilst has simple concept. The concept of retention is the percentage of staff that remained in an organization, and always high level of retention is desired in each job in companies (Philips & Connel, 2003, p.2).

According to Dibble (1999, p.31) retention begins before the first day on the employee's job, because job description, recruitment and selection are the foundations of retention. In fact, when a manager talks about maximized retention, actually he or she is talking about the numbers of good employees who stay in the organization because they want to that, not because they have to.

“A retention rate that’s too high can be just as bad as one that’s too low. You don’t want the wrong people staying around for the wrong reasons” (Carsen, 2002, p.2). In twenty-first century, employees are the customers of organization jobs. So, if organizations do not prepare a suitable foundation, organizations should not expect them to stay and continue working there. (Dibble, 1999, p.32) According to Carsen (2002, p.2) staff will leave the organization for some reasons and it is beyond of manager control, but there are a lot of policies to motivate employees to stay in organization as long as it is possible.

3.9.2 Retention Managing

The cost of selecting and training for an organization is too high, hence managers consider ways for reducing these costs by trying to ensure that employees choose not to leave the company that she, he worked there, because the staff turnover makes damage on the organization and employers (Pranit, 2010, p.155). Managers are always seeking for factors that cause employees to stay in organization. Dibble (1999, p.79) states that there are some factors that are responsible for retention of employees such as money, career opportunities, work environment, work and family. There are some of these factors that are briefly described as follow:
First factor that comes to mind is money. Money is portion of organization resources and organization life. Talking about money actually includes salary, motivation and even noncash awards. Second, managers look at the career opportunities. The area of career opportunities need to have accessibility to feedbacks and organization planning for developing, modern training, and possibilities for changing job in the organization. According to Dibble (1999, p.79) money and career opportunities are the top elements for keeping or leaving employees.

Third, is about work environment. It includes the organization policies, managing procedures and also managers who manage the employees. Because organization policies are its statement that show how organization really treat its staff and also how the staff treat each other. The forth factor is about work and family. That means flexibility in where employees work, when they work, how company support employee and his, her family, this factor is important for employees to make decision that want to stay or leave the organization (Dibble,1999).

3.9.3 Employee’s Turnover or Loss of Staff

Selection and retention are in top level of difficulties for human resource managers in most organization, because it is hard to replace a professional employee. Finding specialist people at the time is rare. Therefore employee turnover is as a significant problem in each organization. In fact, each organization needs staff turnover and it is vital for companies, but most debates are on high level of staff turnover in organization that has negative effect on it. Taylor (2002) cited some of the major causes of employee turnover and the reasons that staffs leave the organization. The reasons are as follow: (Taylor, 2002, p.5)

First reason is that sometimes employee is satisfied with his or her job and also with current organization and no problem occurred, but nonetheless they look for a new job with a better situation, higher salary, shorter working hours, more job security or more profit as a whole. Employees desire to work with other colleagues and managers to get more experiences and also have professional CV, hence they decide to move .It is called “pull factors”. In fact, it occurs because of tendency of employers for hiring specialist employees where these factors are the reason of staff turnover, organization try to enhance job satisfaction and find out what employees are really looking for in their job and what employees values are, to increase organization’s ability to provide them(Taylor,2002).

Secondly, sometimes employee makes decision to move from current organization, in order to get better job but there is no guarantees that he will. The employee does not know about a superb deal because she or he does not work in current company for a long period. Second reason is called “push factors” by Taylor (2002). These factors can be described in a situation that the employees dislike the organizational structure or cultural or maybe argue with his or her colleagues. The employees leave the company for finding better alternative. Most of the time people leave organization before finding other positions (Taylor,2002).

For push factors, organization should find root solutions such as selecting some supervisors in each department for the sake of better training, creating more fairness operation between staff to increase the quality working conditions and as a result. If employees have opportunities for the
expression of their dissatisfactions and it is considered by the managers, push factors will be decreased (Taylor, 2002).

There are other kinds of employee turnover, such as pension which is as an unavoidable reason and organization cannot have effect on it.
4 EMPIRICAL FINDINGS

- **TeliaSonera**

TeliaSonera is aiming at adding value by being customer and service minded. They try to build a good working environment. TeliaSonera certifies that their employees brings success to the company so they do their best to be a pleasant employer for the employees and they attempt to attract, develop and retain and motivate employee and provide pleasant working environment for them. They believe that all the staff should be behaved identically and they all deserve respect regardless of their gender, age, religion, handicap and sexual orientations and none of the employees should be discriminated (TeliaSonera.se, 2013).

Despite of being an international company that has global strategy, they work as a local company in every region that they operate. Their services play an important role in people’s daily lives in doing business and education field. They help people and companies to communicate easily, effectively and in an environment friendly manner by providing them accessibility to network and telecommunication services. They concentrate on delivering a worldwide experience to customers, as far as, remaining on a cost effective structure and assuring their network quality. TeliaSonera is an industrial leader company that has achieved their position by being innovative, trustworthy, to have close and friendly relationship with their customers and perform in a responsible way (TeliaSonera.se, 2013).

- **Handelsbanken**

Handelsbanken’s goal is to achieve higher level of profitability in comparison with the average level of profitability of banks in Nordic countries and Great Britain. This goal will be gained by offering better services to the bank’s customers and also at the same time lowering the cost level comparing to other banks. They have also mentioned that the profitability is more significant than volume (Handelsbanken.se, 2013).

The business functions of Handelsbanken group are forcefully decentralized. The most significant means of control are the corporate policy, the corporate culture and an efficient financial control system. Branches responsibility for individual customers is the base of the organization and work methods and not the central units’ responsibility for product area or market segments. Handelsbanken organization is targeting at elevating interaction between strong branches, highly trained experts and effective support functions (Handelsbanken.se, 2013).

Handelsbanken is a customer oriented bank that has a long-term approach for making strong relationship with its customers. Obviously, this working model is based on trusting the employees on their abilities. On the other hand, Handelsbanken has an unchanged organizational framework for a long time and a strong organization culture which called "Our Way" in the internal document in the bank. This document describes Handelsbanken’s goals, method of working and ideas, which should be read by all staff in the bank. For increasing the corporate culture, the bank way is based on promoting "lifelong" employment. Handelsbanken planned to hire young staff for "lifelong"
employment in the bank by granting them opportunity to develop themselves and being empowered (Handelsbanken.se, 2013).

4.1 Companies Recruiting and Selection

- **TeliaSonera**

People get attracted to apply for jobs in TeliaSonera through different resources. Firstly people would like to acquire a job in TeliaSonera since it is a well-known international company and most of the job applicants are aware that working in such a huge company can bring them prestige and good job title and they consider these factors. TeliaSonera also take part in university exhibitions and university job fair to introduce job specifications in order to attract students. They also have contact with students and offer summer jobs to grant people the chance of working in TeliaSonera. In this period, people get to experience and develop themselves and show their competences for their future job opportunities by mentioning working in TeliaSonera in their resume (CV). Commercializing via The Social Media is the other way of attracting job applicants. They describe the job specifications and its requirements (Kahapolarachchi, 2013).

After the applications are sent, the recruiting agencies cooperating with TeliaSonera, after investigating all the applications, select few number of the qualified applicants and inform TeliaSonera. The human resource manager of TeliaSonera make phone call interview with the selected ones. The process of selection continues until the most proper person for the position has been picked. It is a long and very precise procedure which shows the importance the selection process. Compatibility for a job and fitting in a position is specified by adequate proficiency, wisdom and capabilities which can be determined by studying applicants resume interviews and so on. The characteristic of a person is a key factor when selecting an employee for example a person might have a very good resume but he is not a good team worker, so this person wouldn’t be picked for a position which requires highly involvement in teamwork. Finding the right people is a crucial factor for the company’s success. Job analysis should be taken in to serious consideration at the time of selecting people to make sure that applicants fulfill the job requirements. Some of the important criteria which are important while selecting the job candidates are high educations. On the top levels and positions, the employees are picked through headhunters. Headhunter is a person who checks through qualified peoples profile and pick the right one for a specific position. References and recommendations take in to serious considerations as well as the candidates’ profile (Kahapolarachchi, 2013).

- **Handelsbanken**

In two ways Handelsbanken recruits job applicants. One way is through participating in Mälardalen university job fair (högvarv) in Västerås that is implemented once a year and the students who are
enthusiastic in bank jobs will refer to the bank representative to submit their resume and receive some related information about the characteristics of various job opportunities and employment conditions. Regarding the second method of attracting people, the website of Handelsbanken can be introduced in which job announcement are uploaded to be available simply for the job seekers. As long as Handelsbanken has been an attractive company and have received many of job requests annually, they are not concerned with the necessity of taking advantage of other social Medias such as TV and Radio to attract the applicants (Sandberg, 2013).

In the process of selection in Handelsbanken for new applicants who are entering the firm for the first time, manager focuses on some criteria that are mostly required based on the job specification. In this step, employers are looking for people who can bring new and valuable ideas to their companies and not just to fill in empty positions with people. Possessing university degree in the relevant field that they are applying for is a major point that is considered by the managers when reading through the resume. For example, for the one who have applied for a job that is related to IT department in the bank, to have university degree in the field of IT is considered as a big option. For this reason many applicants are selected from the university students (Sandberg, 2013).

To know English language is the other option that distinguishes applicants from one another. By comparing these factors and some other characteristics between applicants, the ones that are more qualified base on job requirements are selected and invited for interview with the branch manager and after that to have a meeting with a representative from the human resource department. In interview the applicants are required to respond to some questions about why they have chosen this job and what talents they have to offer to the business and also to present what they know exactly about the field of performance of the firm and so on. After interview, the finally chosen applicants will be invited to start their jobs with one year trial employment (Sandberg, 2013).

4.2 Training and Assessment

- **TeliaSonera**

TeliaSonera is concerned the necessity of training programs which embrace three activities which are training, educating and developing. The first two tasks aim at enabling the employees doing the right job at the organization and the third one intent for improve their performance. One of the training programs in TeliaSonera is picking Trainees. This is conducted by their board of director to prepare the apprentices for the management positions. This has been an approach during this year. The company believes that the world is changing so they need to update their staff in terms of knowledge and education to get something back from them. Training programs are usually not so difficult to follow. The programs are designed to inform the employees of their tasks and responsibility and what the company wants them to do. It is all about leading both the employee and the organization finding their ways of doing the job. There is another training program which is called TeliaSonera project management training program which aiming at specific personnel for developing technical issues in the mobility service (Kahapolarachchi, 2013).
Job assessment is TeliaSonera takes place between two to four times per year. They assess every staff performance in a normative and periodical process. The aim of this action is to learn how the employee is doing. In other words, performance appraisal is process to identify the employee’s weaknesses and strength for the further development of the performance. It is necessarily needed to do assessment in TeliaSonera as a huge company for managing the performance. There should be a proper coordination between employee performance and organization performance. Regular based Conduction of performance evaluation provides useful information (Kahapolarachchi, 2013).

- **Handelsbanken**

Generally, there are two methods to design training process for staff. One is some internal programs that are placed for employees to participate in and learn about the affairs that they are expected to do in their position. The other way is to learn by performing job and being taught by senior employees. In Handelsbanken both methods are used in a way that employees study some materials about how to interact and cooperate with their colleagues and they meet a tutor for and then they start working their task and are supervised by their higher level employees. According to Handelsbanken manager, learning through working would be more efficient because they learn by experience and since the employees do not involve in education process, it would be more cost and time saving (Sandberg, 2013).

Assessment process in Handelsbanken takes place up to 5 times a year for new employees. Since most of new employees have academic degree without any work experience and are often new trained, bank assessment is focused more on new employees. Depending on the employees positions, the branch manager appraise the performance of employees through their achievements towards short-term goals. As long as employee evaluation plays a significant role to make decision such as rewarding, compensating and even firing, organization assessment is known as essential part of HRM practices. Handelsbanken manager who has 29 years’ work experience in the bank believes that assessment is an ongoing trend and is significant for staying up in the financial market. For either fulfilling an action or stopping it or changing the process, on time recognition and making a right decision is obligatory. On the other hand, employee assessment can also be applied by participating managers in staff group working, listening to staff and recognizing the ones that have performed more effectively. Indeed, HR manager would play a role as a “coach” in the bank (Sandberg, 2013).

### 4.3 Rewarding and Retention

- **TeliaSonera**

TeliaSonera values its employees by making them glad because they believe that rewarding are an effective way to accomplish it. Happiness brings satisfaction. Motivation usually comes with satisfaction so the result would be superior performance and fulfilling their responsibilities. They appointed several types of rewarding for various activities. Team bonus is considered to reinforce team working. Staffs would be granted competence and performance related rewarding when they
perform more than they are supposed to and also when they show their merits and their performance is along with the company’s goals and lifting the organization to the higher levels. Benefit packages, free gym cards, cinema tickets, lunch stamps, free medicine are the reward which is appointed for the employees based on what Kahapolarachchi (2013) said. The other reason TeliaSonera rewards its employees is that to appreciate them for they do for the progress of the company and encourage them to keep on doing that way. Through this approach the employee know that they will get something more than their salary for what they do and it has psychological effect on the employee as well (Kahapolarachchi, 2013).

Maintaining the employees is significant for a huge company like TeliaSonera. Their employees are the reason for our success, so invest on their employees and train, teach and educate them. Losing them is going to cost them millions of Kronor. For example if one of the specialist employees leave the organization, the whole project is down and replacing it takes lots of time and effort until they find a qualified one for the position and train them. One of the human resource manager’s duties is to make sure if the staff are happy with what they do, where they work in, if there is anything disturbing them in the work place. So the human resource manager at TeliaSonera, conducts different activities for assures the employees feel that they are being treated the way they are deserved. Those activities include small gatherings, giving them small Christmas gift, afterwork and so on. They even run surveys in among the staff to know their ideas and feeling about the whole situation and ask them for recommendations for improvements. Facilities are another factor to retain the employees in TeliaSonera. They give their staff the possibility to work from home for example if they are sick. so Retention programs are one of the main responsibilities of A human resource manager which can upgrade the whole organization and stepping up towards its goals and objectives. When the employee know that the company trust them and care about them and they are part of the TeliaSonera family, and the company’s success depends on them, that’s the time when organization captures employees trust and commitment and that’s an advantage (Kahapolarachchi, 2013).

- **Handelsbanken**

Receiving is particularly significant issue due to staff retention. In Handelsbanken rewarding issue is dependent on the manner of fulfilling task and accomplishing extra work. So in the case of rewarding, appropriate and accurate assessment is required. Obviously doing overtime work is not mandatory for employees and it is not cited in internal organization document that is called “Our Way”. In Handelsbanken the policy of “increasing annual salary” is applied for the individual who has more cooperation and positive effect on bank performance. The policy of increasing salary as the remuneration has been applied for many years and has a great impact on employee performance. The Handelsbanken manager attempts to retain talented employees in the bank by considering their effective performance and to ensure that employees have the opportunity to develop their abilities. In fact, employees require to present their competences, and also to be appreciated. Otherwise, they prefer to leave the bank and look for a new firm with a new job position. From economic point of view, the manager believes that retaining experienced employees especially who have received long time training in the bank, is more cost and time saving. And retaining talented staff is also more beneficial for both employee and manager, because workforces are considered as an active bank’s
asset. Finally, the highest level of “happiness at work” should be created by the bank policies due to construct high job satisfaction that ends up with the employee retention (Sandberg, 2013).
5 ANALYSIS

5.1 TeliaSonera

Implementing the recruiting and selection procedure is the first steps taking towards the organization objectives and both are the first two crucial factors. When recruiting people for a position, it is significant that an overall precise analysis on the job should have been accomplished. A job should be excavated from different dimensions and the requirement should be sorted out and defined clearly and they include it in the job notifications as well as the other relevant informations regarding the position and that’s how TeliaSonera get this done through the different external sources such as job fairs, different agencies and social media commercializing for jobs and their close contact with the university students. So they provide the right information and requirements about the job for the job seekers to be informed. After the job announcement is published, it is time to receive huge amount of applications needed to be organized.

That is when they disqualify some and take the rest in to more serious consideration. A few of the most qualified one which their abilities (based on the CV) matches the job demand will be chosen and will be sent to the rest of the selection procedure. The candidates will be interviewed. That is an efficient way of scaling the candidates' knowledge and testing them psychologically so the Manager will recognize if a person is really interested in the job and his ability to communicate properly other employees and how much he can handle different situations while working and facing difficulties. So they will be given employment test to evaluate theirs wisdom, skills and personality. This is the whole process an employee goes through when being selected in TeliaSonera. This is a critical edge for TeliaSonera to opt the eligible employee in terms of knowledge, skills, personality and some other factors. For some higher positions such as leadership, they use internal source which is among the current employees. They will analyze and evaluate their performance and competence and abilities of the candidates to handle problems, the candidates will be given conditions to resolve so the employer would know how much he is capable of handling similar conditions.

Training is of remarkable consideration in an organization. A company needs to guide his employees ahead with its organizational goals to increase employee’s knowledge and performance and decrease the wastage. Employees must be trained accurately to be able to get the right job done. After the goals of an organization have been assessed, it is time to evaluate what the training program requires to be accomplished. Then it comes to designing the suitable training program. This is when the process of actually training the staff starts. The Training process in TeliaSonera carries out more or less in the same way, when the new employees will be given a handbook of training which notifies them of the information about the company’s goals and values. The rest of the educational procedure accomplishes through the working experience when it the moment of learning facts by doing them. In most cases new employees have the knowledge but do not know in which way they can use this. TeliaSonera is aware of the technological development and considers that the shifting the company to higher level or surviving in the market, involves being updates and keeping on updating its staff. That is why they do assessments about the training programs and strive to modify them and coming up with novel and modern educational programs such as leadership or project
management trainee programs in TeliaSonera. Being adjusted and updated is significant which will be accomplishes by assessing the organization’s needs. Promoting the company comes with instructing the employee and leading them along with the firm’s objectives and according to the soft model of HRM, Human are assets should be educated and develop towards the strategic goal of a firm.

Performance appraisement of employees is another major challenge in an organization. Assessments accomplishes in order to rate if the employee is on the right path concerning the firms target. Assessment is accomplished by creating a relationship with the employee in TeliaSonera which is the most effective way of doing it in the modern industrial environment in an indirect way so that the employees do not feel like they are slaves and being controlled and punished but feel that they are part of the organization and in order to step up to the firm’s goal, they need a guide to help them through this path. This is implemented in the soft model of HRM. It is a way of providing feedback for the employee from their managers. The Impact of this concept is progress in the performance. Performance evaluation is also effectual for the employee to show their merits so it causes motivation for an employee since they know that by this performance assessment their capabilities will be seen by the managers and they can promote it.

With the rising awareness about the value of the human capital, rewarding plays a terrific role towards overall performance of a firm. So it can be said that by rewarding employee, both the organization and the employee are benefited. Compensation is an imperative action in engaging the employee of a firm and encouraging them to move forward. Rewarding the staff in TeliaSonera is performed in a way that the employee touches that they are being values not just by paying of the pay check but by granting nonmonetary rewards which has positive psychological impact on employee. TeliaSonera rewards his staff in the form of performance related when the staff performs his job in harmony with firm’s objectives. Competence related reward is another type of compensation which will be granted to that employee who demonstrates their merits. It also create dynamic and competitive environment among employees so they do the best of they can.

Rewarding and employee retention have tight dependency. TeliaSonera’s aim is to be a good employer and provide a safe and attractive environment for their employee to maintain them because they are aware of the employees’ role in ruining or improving organization’s credibility. Losing an employee with the skill, experience and information is going to cost a lot to the organization because employee turnover causes an expense to hire and educate the new employee. On the other hand it takes a few years before the person becomes as productive as the existing one. So TeliaSonera strives for keeping on satisfying their staff to avoid the negative impact of losing them. Other than awarding employee another factor for an employee to stay in a firm is the opportunity he gets to promote himself. Facilitations are the other significant issue in an organization which is accomplished in TeliaSonera by being flexible toward employee and giving them the occasion to work from home. Employee must know that the company pays attention to them. In TeliaSonera the staff gets to meet their managers and talk about the inconvenient they face at work so the manager would know if the employee is happy or not. Employee satisfaction evaluation also takes place in TeliaSonera through survey. So it can be a good example if we say that people in a company are like a family but in a bigger scale and their needs should be fulfilled to maintain them and benefit their productivity. Employee retention is an approach which cannot be done unless by
making lots of efforts, tactics and wisdom but the outcome is worth it. Excellent quality company performance can be harvested through setting the good and committed staff.

Considering the modern society and increasing awareness about the worth of workforce, the hard model of HRM is not applicable. Obviously Individuals are not only considered as a cost and needed to be reduced in number, but also they are assumed as worthy resources and TeliaSonera endeavors to school and outstretch their employees. They empower their staff so they have control over what they do and lead them. TeliaSonera avoids monitoring rigidly every single action done by their staff. They stress on relationship and incentives to get the employee to do adjust them with the firm’s objectives. This is the reason for TeliaSonera emphasizing on developing their staff and designing rewarding system and the retention programs. Severely monitoring employee will cause opposite impact on them so they will not be able to work as efficient. So TeliaSonera upholds to the soft model of HRM to benefit the employees’ productivity by developing trust and commitment in them.

Every single employee performance contributes in to forming the organization’s performance. There are various features shaping employees performance. Selection (HRM practice) of the right employee, who fits for the position, will result in to high productivity in the form of performance outcome. Appropriate training (HRM practice) of staffs will improve the performance in terms of innovation and quality. Accomplishing appraisement (HRM practice) in a firm is an incentive for employee’s cooperation and the last but not the least, rewarding (HRM practice) employees holds the employee in the firm and as a result, labor turnover will be reduced. TeliaSonera makes effort of its best to boost its staff’s performance by applying these HRM practices for one and each of its employees to attain further improvement in organizations performance.

5.2 Handelsbanken

Recruitment Handelsbanken, in recruiting process, follow the policy of recruiting the young employees for lifelong employment at the bank and to reach this, it offers some opportunities to staff that they are able to develop their talent and improve their knowledge in the field that they are working. This leads to possessing highly skilled staff and manager by the bank. Recruiting planning is fulfilled by human resource planning and job analysis to attract the ones who owns all the job requirements. In recruiting high positioned employee such as branch manager, the internal sources are used and they are selected from the current employees who own the sufficient talent to perform as a manager and take the responsibility of controlling the branch. In the case of recruiting new workforce, they utilize external sources and attract them through announcement in the bank website and the job fairs that take place in universities which is the indirect method of recruitment.

Selecting the most qualified candidates who are best fitted to job specifications is the critical point when making a job offer. To ensure that the selection process is job related, selection system should be based on job analysis. Since the firm’s budget and time are going to be allocated to train and educate selected applicants, the process should be accomplished with the high level of accuracy. Among the common selection methods, in Handelsbanken, interview is applied to select the target employees. By taking advantage of this method, the branch manager would be able to find out the characteristics of interviewee and, based on job analysis, whether he or she can create value for the
firm or not. The manager also asks some questions to get information about his or her wisdom and also how the interviewee encounters challenges and problems that would come up during the working process. Afterwards, during the meeting that take place between HR manager and the interviewee, some other features will be investigated and HR manager would confirm or oppose the selection of him or her.

Employee training and development is fulfilled with the purpose of making better the performance of individuals and groups. In Handelsbanken, Training program is designed to educate staff the right way of carrying the job out and also to develop employee talents to keep them updated with respect to new technologies and methods. Designing the training program should leads employees direction to reach organizational goal. To the large extent, in this bank, training process is accomplished during the working process which is more beneficial and cost saving than training through special courses. The manager is on the idea that being educated through experience makes the knowledge of work force deeper. The manager assesses the training program occasionally to renew it and to figure out how effective it operates in achieving firm's goals. Since the main objective of the bank is customer satisfactions, employees should be trained to handle the conflicts that may occur at the moment of truth between them and customers. The training process should be designed in a way that employees not only learn how to do the right job, but also to respect customers.

Based on empirical data collected from Handelsbanken manager, employee assessment process is the core of HRM practices in the bank that affect bank performance. As mentioned before, Handelsbanken is in the first place of customer satisfaction among Swedish banks, so for keeping this place, great effort is essential. Frequent appraisal and obtaining feedback from external environment such as getting information about current financial market and current competitors, and also internal environment such as measuring employee satisfaction, helps to keep this place. An ongoing assessment policy has been carried out in these years and yield results were acceptable reaching long-term organization goals. Handelsbanken appraisal policy is not just focused on organizational assessing, but also concentrates on improving employee's proficiency as well. The assessment approach helps managers to identify lacks of HRM practices and find an effective solution for current challenges such as changing the staff current position in the bank, rewarding and compensating for overtime work, recognizing the need of more training for fostering employees and motivating employees to have more high quality performance. Empirical finding represents that these activities have executive usage of performance evaluation in the bank. Through investigation in the bank, in current century, HR manager always avoids direct staff evaluation; due to establish sustainable relationship with staff, method of employee indirect assessment has been accomplished in the bank.

Bank treats their employees as its internal customers and makes a strong relationship with them by taking advantage of internal marketing. So to satisfy a customer, bank needs to have a satisfied employee through internal marketing in the bank. Perhaps it can be stated that job satisfaction and happiness at work is infrequent in organizations, therefore it makes difficulties for HR manager and his responsibilities, for example high expected level of rewarding by employees. Reward system in Handelsbanken is as increasing annual salary as an individual. On time and fair rewarding contributes the bank to retain career staff to avoid staff turnover. If employees feel that they are not acknowledged against their activities or their job position, it has a destructive effect on their job performance; and they prefer to leave the bank. Empirical findings in the bank represent time
average that employees stay in the branch is more than 4 years, so obviously Handelsbanken is in a well staff retention level.

Bank manager and internal organization policy try to retain talented employees as many as possible to decrease staff turnover. HR manager considers all staff turnover factors that are named "push factors" which are predictable, and related to rewarding and compensation, branch atmosphere, employees’ relationships and need to facilities, to provide best situation for staff. For example, for managing internal marketing in the branch, HR manager does not create a competitive atmosphere among employees to increase work efficiency; instead, the manager makes effort to improve their skills as a team. Indeed, the manager creates self-confidence in employees to take a responsibility and do their best. This atmosphere provides best staff relationship and low level of work conflict.

Regarding fashion view, Soft HRM model is mainly applied in Handelsbanken that is based on controlling employees through creating commitment in them. In fact, this model provides flexibility for HRM that rely on trustworthy on employees and assure employees that they can improve and develop their knowledge and abilities in their position after training. Other traditional model of staff controlling and organizational assessing is Hard Model which is not carried out, because managing based on Hard Model is obsolesce. Hard model considers employee as cost and try to reduce cost as much as possible. The bank manager believes that Hard model of HRM is not able to response to today managing requirements. Since one element of this model is intensive control, that weakens the trust of relationship between employee and employers.

Some qualitative data can be used for performance measurement of Handelsbanken. The absence of employees at work, being late at work and losing working hours, not to make ready documents up to its deadline and not to respect customers are some factors that may affect the bank performance in a negative direction. High performance in the bank require that, by taking advantage of HRM practices, every person be at the right position and possess the essential skills and abilities. As well, personnel should be sufficiently motivated like being paid according to their performance and extra job done with employees is considered by managers. To achieve high level of performance HRM practices should be designed in such a way that highly qualified staff work in the bank and become committed to the bank. Committed workforces are willing to belong to the bank and perform at their highest level of abilities. So, by increasing the performance of each employee the whole performance of the bank will increase.
6 CONCLUSIONS

In this cross industrial study, human resource management of two service companies have been investigated to figure out how human resource practices differ between the organizations. Assuming two firms with heterogeneous human capital, how HRM affect the firm’s performance by its people adding value to its production process.

The empirical findings in this case study support the all implications those are related to key HRM practices in banking industry and service sector. The HRM key steps are applied with a right method and to the direction of improving knowledge and talent of employees to achieve goals and they have been altering and updating these methods frequently that leads to keep up in competitive market of service sector.

Applying of the main HRM practices(recruiting, selection, training, assessment, rewarding and retaining) in the both TeliaSonera and Handelsbanken is conducted in a manner that they believe they can utilize the human resources efficiently along with their organizational objectives. Although both of them aim at elevating proficiency and the main framework is the same in the both companies but the procedure of executing them differs between these two. In some practices TeliaSonera have more technical oriented system than Handelsbanken does. For example employee attraction and job adverts in TeliaSonera have broader extent and use several sources which make it a more attractive method of doing it. Selection process is more or less the same and the candidates should pass the long and challenging procedure of selection. Employees in both companies will obtain training programs which varies in small features which is due to the firm’s objectives. The assessment process take place in both companies not in the form of strict monitoring their employees but just giving them directions and hints to the better performance and the rewarding and retention programs are performed in the both companies but it can be concluded that TeliaSonera provides more attractive rewards for their employees than Handelsbanken does but both companies are meant to capture their employees satisfaction to maintain them.

The most interesting fact about the two companies is that both pursue the soft model of HRM which punctuates human at the central significance which needs to be self-orientation, self-adjusted and entrusted should be the manager of themselves so he needs to be trained competently. Human capital is believed the most significant source of a company which should be chosen, trained and developed in coordination with the organizational goal.

HRM is needed to maintain industrial relations harmonious and peaceful, to have committed workforce in the firm, to attract and retain the best and most skilled and eager staff in organization, to improve the quality of work environment, to develop and manage human resources and to cope with technological development.

In service sectors, services are delivered and consumed simultaneously and there is a direct contact and interaction between employee and the customer so HRM is more important in service sector than manufacturing sector. In service sector people are the ones who create value and move the organization into prosperity as a unique resource that is difficult to either replicate or substitute. HRM activities lead the firm to select talented employees with high potential ability and also to train employees in a way that they will have unique skills that are needed in the firm.
In this thesis it is concluded that HRM practices place in a high level of significance in service industry that make the company achieve organizational goals. This would not be fulfilled unless HRM practices are applied with high level of accuracy and in a right direction.

To increase the capability of attracting, training and retaining qualified workforces who are encouraged to fulfill their tasks, can be introduced as a consequence of effective human resource management. Having right employees that are motivated, results in rare workforce turnover, higher profitability, less service cost, great service quality and also the acceptance and accomplishment of organization strategy would be carried out more promptly. The overall aim of HRM practices are coordinating resources efficiently, and creating committed employees which influence on organizational performance and renew the organization competencies.
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Quintus Kahapolarachchi, Senior Business Services, Business Operations Architect at TeliaSonera on 25th of November 2013
APPENDIX

*Interview Questions*

1. In which ways does your company attract job applicants? Why?
2. What is the selection process in your company?
3. How do you see the importance of the selection process?
4. Do the employees get training in your company? How?
5. For what reasons do you think the employee should be trained?
6. How do you believe the performance assessment of employee should be accomplished?
7. What are the reasons behind employees’ performance assessment?
8. What kind of rewarding system do you have in your company?
9. What impact does rewarding have on employees’ attitude towards organization?
10. Do you attempt to retain your staff in your company?
11. What are the benefits of retaining existing staff on the company?
12. How do you create job satisfaction for your employees?
13. Do you create competitive atmosphere among staff? If yes, how?