

Measuring and Developing Human Capital:  
-A Study of the Swedish Service Sector

Bachelor Degree Project in Business Administration

Level C, 15 ECTS

Spring term Year 2008

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-A Study of the Swedish Service Sector

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**2008/06/03**

We certify that all materials in this thesis which is not our own work has been identified and that no material is included for which a degree has previous been conferred on us.

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## Abstract

The aim of this research is to study *how the Swedish service sector measures and develops Human Capital*. It consists on five parts. The first part will be compounded by the background, problem, purpose and limitations. We will detail the goal of the project; we will introduce the research question which we will answer at the end of the thesis. The second part deals with the Methodology; we will use the necessary methods in order to conduct properly this study. After that, in the third part, Theoretical Framework, we will develop the model in order to know how Human Capital is measured and developed, that is to say, the theoretical aspects of our research in order to acquire enough knowledge and from here, to be able to answer the research question. The fourth part will regard the Empirical Findings with the results of the questionnaire. Analysis will be the fifth part, where we will apply the theory studied in the previous part throughout the questionnaire. It will be based on making Conclusions, last part where we will answer the research question launched in the introduction.

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# 1. INTRODUCTION

## 1.1. Background

The term Knowledge and its specific weight are growing and taking better position in the world of business. Nowadays, because of the stiff competition between the firms, who collect the best data will get to understand the significance of information and will achieve the stage of wisdom which will let them to achieve in a competitive lead with their competitors and with that bigger business success.

The study and development of human resource into the company give good results for business, will improve the order inside organizations, will give valuable information to managers for taking correct decisions in order to achieve the fixed goals, as well as it will permit to know with certain, the productivity and profitability of the their products, giving to the company the capacity of manoeuvre and the possibility of taking a quick response.

The demand of professionals more and more qualified and with higher levels of knowledge is increasing; it came up with the importance of concept Human Capital, also called Human Resource or Social capital, as raw material to present-day firms and for the markets with certain technological level, too. Its intrinsic value is in constant growth. The companies search to take the services of those professionals more and better qualified in order to be them indirectly better. According to Peter Drucker, “The economies are in the process of a transformation from an industrial economy to a service-based economy. In this economy the knowledge and skills of the people engaged in service production is one of the critical factors for success and survival.”<sup>1</sup>

Recognising the importance of measuring and developing Human Capital in the companies and even more in the service sector supposes an interesting reason to carry out a research about it. The Service sector is chosen because it is considered as a sector which needs to value and to improve its human capital for achieving the best business goals of them.

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<sup>1</sup> Drucker, Peter “Post-Capitalist Society“, Oxford: Butterworth-Heinemann (1993).

“The new reality of tighter labor markets has fundamentally changed the landscape of employee management. Successful companies are finding that employee knowledge is the key source of competitive advantage“ *Peter Capelli (1993), Director, Center of Human Resources, Wharton School of Business.*<sup>2</sup>

Summering, developing Human Capital (Human Assets, Human Resources) → it will rise of value of the workers (skills and corporate culture) → it will Improve the overall situation of the company (profits, productivity, higher goals) → it will make the company stronger, more efficient and more competitive.

## 1.2. Problem

The use of points of control that measures the value of Human Capital and the application of techniques for improving and updating, it will be definitive in the future of companies with strong investments in knowledge.

Therefore, we focus on the Swedish Service sector which has a great weight within economy. This sector needs to know and develop the skills and attitudes of the workers. To sum up, the main problem to be addressed is:

### ***How Human Capital is measured and developed in the Swedish Service Sector?***

The Scandinavian organizations have a good international reputation about how they measure and control knowledge of their workers and how treat to develop this matter. In this way, Leif Edvinsson and his famous model of measure Skandia IC Navigator are a good example of measuring HC.

After having an overall idea of the possible contributions in good done of measuring Human Resource, it is not less important to talk about the development and sustainability in the time. Aldisert, Lisa M. (2002) *page 164*, claim that we can introduce in our firm the last technology to get the necessary information but if you not give appropriated training

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<sup>2</sup> Peter Capelli, Director, Center of Human Resources (1999), Wharton School of Business quoted by Thomas O. Davenport (1999), “Human Capital: What It Is and Why People Invest It”, back cover page.

for their use, you will not obtain the expected results. Those firms that bear in mind this rule benefit from their advances in productivity<sup>3</sup>.

In a global view, the world economies have a tendency to focus more and more in the service sector, and gradually, they search higher knowledge in the labour in all stages of the product ( production, distribution, sale and after-sale) for improving and to be more competitive.

### **1.3. Purpose**

The purpose of this thesis is to describe how Swedish service companies measure and develop their Human Capital.

### **1.4. Limitations**

Our limitations will deal with Swedish companies operating in the Swedish Service sector. Because of this sector is dependence upon Human Capital as the main asset. Our sample had to be representative of the sector.

- Companies will be from Skövde and outskirts but also from the rest of Sweden (medium and large companies). These companies should belong to subsectors of Service sector:
  - Company oriented services (included Financial Service)
  - Distributive Trade
  - Transports & Communications
  - Hotels & Restaurants
  - Public Services
  - Others
- Our time limitation will be spring semester 2008.

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<sup>3</sup> Aldisert, Lisa M. in her book “*Value People: How Human Capital Can Be Your Strongest Asset*” (2002) page 164.

## 2. METHODOLOGY

In this part of the thesis we are going to describe how to conduct the research. For that we will illustrate the model which we chose for them and our research strategy that we are going to illustrate from the beginning, that is to say, the survey. It will be the test to show how they measure and develop human capital. Also we will mention concepts like validity, reliability which will give a deep knowledge about researches methods.

### 2.1. Research method

Taking into the account what W.M. Trochim (1993) establishes about the “*cause-effect*”<sup>4</sup>. We consider our research subject by the effect hand and taking into account the importance of value of HC as the cause. Always, considering the *quality* within the method, with the intention to carry out it with objectivity and realistic view. We will deal that the reader consider our work as *valid and reliable* (Validity and Reliability terms applied).

In addition to this, we have to say that the researcher will have two different perspectives in order to make his own thesis. On one hand, it will be the objectivistic and on the other hand, the subjectivist. We think that mixing both perspectives is suitable.

### 2.2. Research process

We must know that “all research is based on assumptions about how the world is perceived and how we can best come to understand it”<sup>5</sup>.

In this part of the methodology, we will indicate the steps which we are going to follow in this project thesis. Hereby, it is to mention several stages in this way:

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<sup>4</sup> William M. Trochim «The Research Methods Knowledge Base » Cornell University Custom Publishing 1993, page 29.

<sup>5</sup> William M. Trochim «The Research Methods Knowledge Base » Cornell University Custom Publishing 1993, page 23.

## **Pre-understanding**

Firstly, the researcher (that is to say us) needs to have previously a knowledge acquired to deal in the best possible way his research topic. For that, we must to achieve this level of knowledge in order to make a valid work and through this to get the reader understands better the thesis.

### ➤ **Designing and creating of data collection**

These both steps constitute the basis for the further thesis detail. We must plan how we want to carry out the thesis and from that, we will create the questionnaire which is the tool where we will detail our research. To make the questionnaire, we are going to base on “The research method knowledge base”<sup>6</sup>, Trochim (1993).

The aim of the questionnaire is about the measurement and development. Thus, in order to create a good questionnaire for collecting the best information for our research, we have to sample our work field and to make distinction between the population of interest to our research and our final sample.

### ➤ **The collection of Data**

We must contact with the organizations to send and to give them the questionnaire which we have elaborated previously.

### ➤ **The evaluation of Data**

When we contact with these organizations and collect all the answers, we will take into account what we can use from them in our empirical analysis. We will delete those answers which are not useful to the analysis part, for that we will have to give appropriate scales which let it be analyzed.

### ➤ **Conclusions**

Once selected the answers which will be useful for our research, we will make a deep analysis by commenting them and answering our research question.

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<sup>6</sup> William M. Trochim (1993) «The Research Methods Knowledge Base», Cornell University Custom Publishing.

## 2.3. Primary Data

Once chosen what we wanted to research, we needed to collect enough information in order to know how we were going to carry out our thesis project. Firstly, we began searching data in Skövde University library, but we could not get as much information as we thought, for that, we had to borrow those books that could be interesting for our research. The University provided us all of this data among loans from other Swedish universities (Göteborg, Stockholm, Jönköping, Umea, Västeras, etc.) It was in that moment when we were able to face the project thanks to the knowledge acquired previously. Secondly, we resorted to Internet (Google, Wikipedia, research websites, links of official and educational institutions and the electronic database of the university "ELIN") such as journals, articles, work papers and books online.

## 2.4. Secondary Data

When we acquired the necessary knowledge about the aim of our research, we wanted to build up a questionnaire in order to have a sample where illustrated how Swedish service sector measures and develops Human Capital which is the essence of this thesis. Once elaborated the questionnaire, firstly we sent it by email to those companies which belong the service sector. Due to the fact that most of the companies were not willing to fill up, we realized that it was better to make them pressure by delivering all questionnaire by hand. However, it was not as success as we thought. Hereby, we had problems in order to collect data required in a short time. Finally, we were able to get a representative sample to achieve our research goal.

## Introduction to Validity<sup>7</sup>: to achieve our own survey

1. **Theory**: what do we think about research subject?
2. **Observation**: what do we do, test and see with our survey?

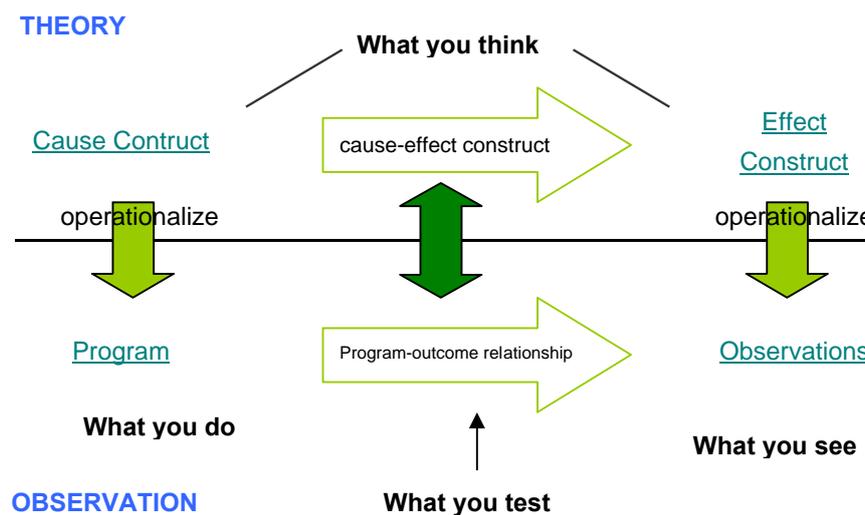
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<sup>7</sup> William M. Trochim «The Research Methods Knowledge Base » Cornell University Custom Publishing 1993, page 29.

Everybody knows the saying “all cause has its effect”, so we can think that these concepts are related. The *cause-effect relationship* must be applied as a whole in order to achieve a valid system of measure. Is then when we have to explain the term *operationalize* used by Trochim (1993, page30) to describe as possible the act of moving a qualitative data to quantitative terms.

The explanation of this process show by Trochim can let us to introduce the term of “Validity” and “Reliability” mentioned previously. And we believe it should be substantiated on a series of guidelines into the research, which are described by Evert Gummesson in his book “*Qualitative Methods in Management Research*”<sup>8</sup>.

**Figure 2.1: Fields that a research**



## Validity

William M. Trochim<sup>9</sup> (1993) claims “The best available approximation to the truth of a given proposition, inference or conclusion”. The understanding must be achieved in order to set the foundations of a valid research problem.

<sup>8</sup> Gummesson, Evert (2000), “Qualitative Methods in Management Research”. Thousand Oaks: Sage Publications, page 186-188.

<sup>9</sup> William M. Trochim «The Research Methods Knowledge Base » Cornell University Custom Publishing (1993), page 29.

According to Trochim (1993), the obtaining of Validity in our research tool should start from the real assumption that the companies measure Human Capital within its organization. Besides this point and among our questionnaire, we will try to get the real information (*operationalize*) in order to be able to issue valid assessments for our theoretical framework, answering the assertions launched by Trochim in the figure above: “*what you do*”, “*what you test*”, “*what you see*”.

## Reliability

“The proportion of “*truth*” in your measure<sup>10</sup>, “...we cannot calculate reliability because we cannot measure the true score component of an observation. But we also know that we can estimate the true score component as the covariance between two observations of the same measure<sup>11</sup>. In our research, we pretend to approach to the Reality as much as possible among our questionnaire, knowing that our results will be estimations close to it. Thus Validity and Reliability must go together. The results of a good project will have a great level of Reliability if it keeps the three dimensions: Time, Place and People with similar values.

## 3. THEORICAL FRAMEWORK

### 3.1. Background

The value of skills of intangible assets is vitally important nowadays. Therefore, the correct skills measure will lead to a flow of data that will extent through all levels of company, waiting to be used to improving productivity, efficiency and effectiveness of resources and getting a positive environment to the organizations, providing sustainability in the long time.

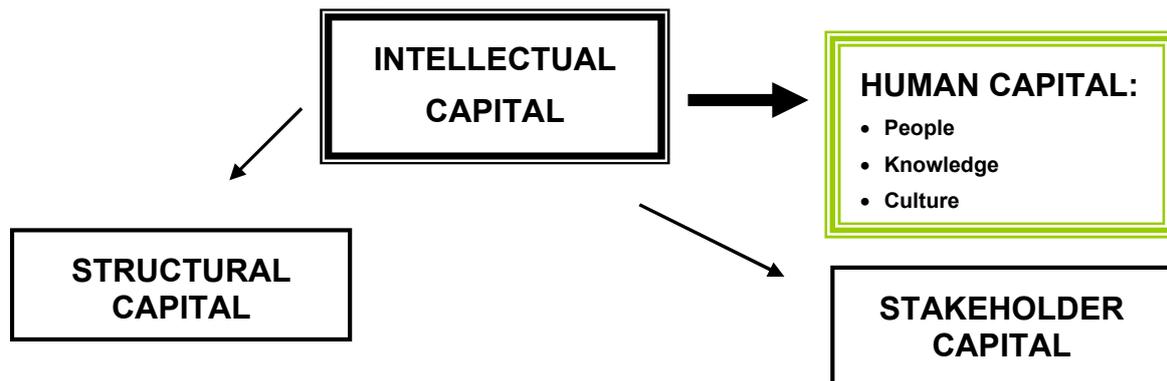
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<sup>10</sup> William M. Trochim «The Research Methods Knoledge Base » Cornell University Custom Publishing (1993), page 97.

<sup>11</sup> William M. Trochim «The Research Methods Knoledge Base » Cornell University Custom Publishing (1993), page 98.

It is not less important to develop the skills and attitudes of workers (Training), and to keep them always motivated (Retaining), because as Dina Gray (2001) page 26 says “All businesses need to strive to motivate their employees to give more of themselves than is being asked of them”<sup>12</sup>.

**Figure 3.1: Levels of Intellectual Capital<sup>13</sup>**



Continuing in this descriptive line we shall present the theoretical base to our research following the Fitz Enz’s model (2002) we will concentrate in the last level, *Human Capital management*. Because of we think it is the most relevant focus to our research (the value added by human resources), the first and second level focus more around the global goals, strategic plans and organizational structure.

At the same time, we are going to delineate our application relating it with a method which connects the qualitative and quantitative valuation offering numeric values of attitudes and skills through one scorecard (Human Resource Scorecard). Subsequently, we will discuss about the strategic of development and the means of improving the talent and the effectiveness of staff.

In the last part of our theoretical framework, we shall develop into the measure of our possibilities, the overall lines for getting development and keep it in the firm and what is

<sup>12</sup> Gray, Dina (2001), “Intellectual Capital: Measuring and enhancing the true value of your business“. Financial Times (Prentice Hall), page 26.

<sup>13</sup> Gray, Dina (2001) page 6, “Intellectual Capital: Measuring and enhancing the true value of your business“. Financial Times (Prentice Hall)

the level of knowledge and application of these factors in the Swedish service sector, as well. It will depend on our results in the survey that we shall carry out.

### **3.1.1. People, Knowledge, Culture**

*People*, the means of transport that contains, applies and evolves the abilities, skills and *Knowledge* earned along their lives through educational system as from their own life cycle. We can summarize all of these concepts in a key word “*Experience*”.

The *culture* will be given by the environment and the own initiative of person, and like the experience, it will develop during all person’s life. We shall focus in its organizational aspect on the given base by global definition. The organizational culture is so different depending of the organization, goals in its economic life.

## **3.2. Human Capital and Development**

### **3.2.1. Human Capital: Yesterday and Today**

Human Capital is not a term from now, but especially with the increase of the competition into developed economies therefore the difference will come marked for the attitudes of the skills. One of the top researchers of this term, Gary S. Becker, claim in one of his assignments (1990)<sup>14</sup>, that two economies with the same initial state but different level of investment of human capital, introduce the equal technologic advances and then both will evolve, but when that technology has been exploited completely, economies will increase only in the via of human capital, and will occur the following, one of them has more investment in this rate can continue increasing, the other will have arrived at its limit.

### **3.2.2. Development: necessary insight**

The successful of the company and keep itself along time (*Retaining*) will depend on its effort for searching new talents, ideas, products and services. Its mission will consist in to

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<sup>14</sup> Gary S. Becker, Kevin M. Murphy and Robert F. Tamura, “ Human Capital, Fertility and Economic Growth“ NBER Work Papers Series, nº 3414 (1990)

do that outside the organization but not neglect its labor person, trying to make them motivated and important for the structure of the company.

We know the development must impregnate all organization, in all its levels, so would be interesting to introduce the term *corporate culture*. According to Eric G. Flamholtz and Yvonne Randle (1998) page 27, “the organizations like all people have own personality. This corporate culture would involve those values, beliefs and unwritten rules that everyday show the adequate path of behavior and the relationships between workers”<sup>15</sup>. The development and the ability to retain the resources within the organization already counts and the obtaining of new ones it is a primordial task.

Therefore, to promote these values and concepts is an excellent environment to development; we call it “to feel development inside of each person and as a whole as well”.

### 3.3. Applied model and its relevance our research

#### 3.3.1. Measuring people

Leif Edvinsson (1997), introduced in his insurance company, Skandia by Skandia IC Navigator, two different categories of Human Capital measurements, he established 164 metric measures (91 intellectually based and 73 traditional) embedded the whole productive range<sup>16</sup>.

From the model of Fitz Enz, we point out *FTE or Full-Time Equivalent*<sup>17</sup>, an indicator which permit to know the influence of workforce in the quantitative way, as well as to keep the control on temporal workers, who are not representative as such, but it is necessary to assess how they contribute in the production of the firm.

According to Becker, Huselid and Ulrich (2001) page 21, the *Balance Scorecard* can be used with tool of guarantee always that the firm uses not only financial elements but also proper values of human base (customer, business process, learning elements, etc) and

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<sup>15</sup> Eric G. Flamholtz and Yvonne Randle: “Changing the Game” Oxford University Press (1998) page 27.

<sup>16</sup> Edvinsson Leif and Malone Michael, “Intellectual Capital...” HarperBusiness (1997) page 131

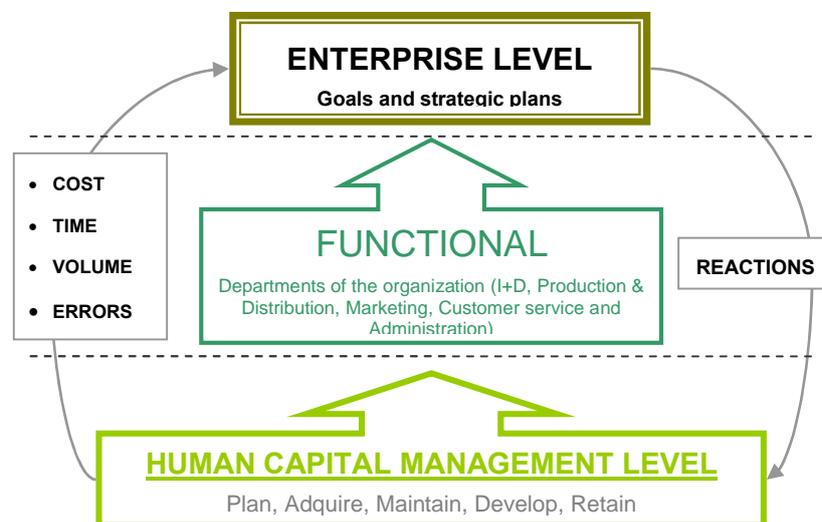
<sup>17</sup> Fitz Enz, Jac (2000), “The ROI of human capital: Measuring the Economic Value of Employee Performance”, Saranac Lake, NY, USA: AMACOM, page 31.

then to create tangible means to each one. Otherwise, it will be a waste of time and money.

### 3.3.2. Applied model to measure HC

We decided to apply the model of Fitz-enz from his book “The ROI of Human Capital” (2000) chapter 4, but specifically his *1st level: Human Capital Management Level: workforce, its value, its development and conservation.*

**Figure 3.2: Data to value cycle**



We will try to achieve the goal of our research among this level, also we are going to take into account the second level only in *Process Performance Matrix*. Fitz-enz analyses the Human Capital through to divide the structure and processes of the firm in three levels.

Fitz Enz (2000) page 72, describes the *Process Performance Matrix* as a basic methodology for process management. By one hand the matrix treats the five different indicators mentioned above; to evaluate everything happens in organizations and in the life:

- *Cost (How much does it cost?)*
- *Time (How long does it take?)*
- *Quantity (How much is it?)*
- *Errors (How many errors are there in the process?)*
- *Reaction (How did people react to it?)*

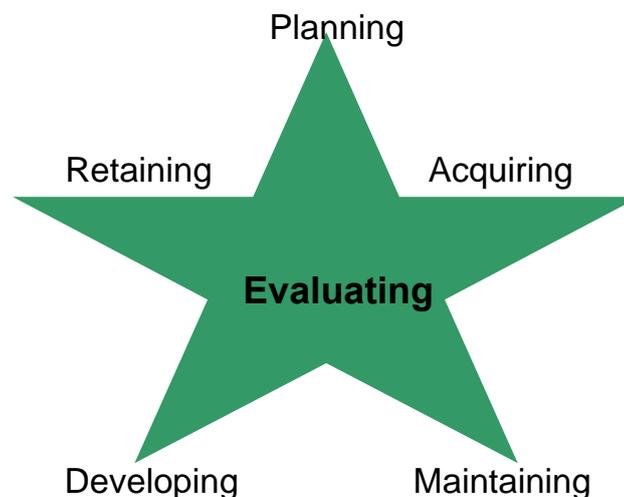
On the other hand, the matrix deals with three basic organizational objectives: *service, quality and productivity*, where is quiet valued the human component and even more in the service sector.

- *Quality* is mainly defined by the customer, normally they judges quality in terms of a combination of factors.
- *Service* could be described as taking care to satisfy the needs of people.
- *Productivity* is according to Fitz-enz the most concrete of all measures.

### 3.3.2.1. The Human Capital Management Star

Focusing in the essence of this part, we are going to treat of showing the authentic theoretic base where our research is focused, Fitz Enz's model (2000, page 92-125), *Human Capital Management Star*.

**Figure 3.3: The Human Capital Management Star**



This star was created by Fitz Enz (2000) in order to show the different goals or tasks which should have each organization about Human Capital. As we already mentioned during the research, we will focus more in developing that as we are looking at now, belongs one of the human capital task described by Fitz Enz.

We will summarize every task to get an idea of how it is consisted in. Regarding to developing:

➤ **Planning**

Each organizations must have a special planning for Human Capital, that is to say, they should lay the requirements which they consider more beneficial for them.

➤ **Acquiring**

In this task, it takes relevance the hiring part, that is to say, it hires employees at full or part time to achieve the goals marked by the company.

➤ **Maintaining**

When we have acquired workforce, we need to elaborate a maintaining task which can be translated on pay and benefits. It must pay to the employee a fair wage in order to feel valued within the company.

➤ **Developing**

It is the next step once they acquired and maintained it. It will have a special dedication for our analysis that we know, it constitutes one part of our purpose. The best way to develop Human Capital is by training. For that, the employees will be trained to improve their skills and then to be able to increase the value of the company.

➤ **Retaining**

It is the last step; it serves to keep talent which was already acquired. For that, it uses different programs such as surveys or exams, where can be seen to retain it (talent).

➤ **Evaluating**

This task is related to the other five, even if it is the least practiced. As its own name says, it is used to “Evaluating” Human Capital once it is acquired.

Knowing our central method of research, is necessary to say that along of our literature research, we have found interesting methods for measuring HC and HR, as it was the case of the EC (Earnings Capacity) indicator, develop it by Robert Haveman<sup>18</sup> (2003), where we have observed how this indicator, through the study of the different segments of population in work age and a serie of porcentages and statistics, creates and determinates their contribution in quantitative terms at the productivity (national GDP), in

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<sup>18</sup> Haveman, Robert (2003) “Human Capital in the United States from 1975 to 2000: Patterns of Growth and Utilization“. W. E. U. Institute for Employment Research, page 2.

this case EE.UU.; analysing this indicator we think it is possible to move its essence to entrepreneurial environment.

### **3.3.3. Development**

We have to say that in our research we will employ the book “Valuing People: How Human Capital Can Be Your Strongest Asset” by Lisa M. Aldisert (2002) for achieving the necessary conscience of Development and to treat to put in practice with our questionnaire in order to know if and how the Swedish service sector develops Human Capital.

According to Aldisert, Lisa M. (2002) page 91, there are different strategies in order to do it. The aim is to determine how to attract the talent which the employees have to be able to increase the value. In other words, it puts emphasis through the books on talent since it is the key to expand and grow the firm.

For that, the way to value this talent is by interviews where the responsible to hire workers must look at the different skills and choose the most adequate for the company.

Once the interview is done, the responsible must decide to hire him/her or not. If finally he thinks it would be beneficial for the company to join them, he must attract him to work for them by giving “incentive compensation” and “benefits”. It is the only way to retain talent; the employees must be valued in order to perform better their task.

For that reason, if the organization “want to maintain employees goodwill are wise to make job cuts as humanely as possible”<sup>19</sup>. That is to say, the organizations must try to perform all make decisions as humanely as possible. By doing this, it is necessary an effective communication between the company and employees since it could avoid problems such as to tell to others that is not a good place to work or to text on internet some comments by criticizing the company.

One measure to avoid the layoffs is to rehire those employees previously sacked. It offers to them a voluntary reduction in a short term in order to make them involved in the company. If they really look forward to work in this place, they will not mind a voluntary

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<sup>19</sup> Aldisert, Lisa M. “Valuing People: How Human Capital Can Be Your Strongest Asset” (2002) page 106.

reduction, in other words, it needs to perform as humanely as possible according to layoffs.

Other way in order to increase the value of the firm is to create an “*alumni organization*” that is to say, to keep a good relationship with those employees who are not going to work for a long time (temporary workers) on the company, Aldisert, Lisa M. (2002) page 109. *Why?* Because the employees along the years can become clients, so the company should be interested in keeping a good relation with them.

Otherwise, we want to show some thoughts about how can approach recruiting people, since it is the basis of any company to develop Human Capital. Aldisert, Lisa M. (2002) page 109:

- I. Hire the right person for the position by assessing the job first. Objectively assess the requirements of the job, and the recruit a candidate who has credentials that match the job.
- II. Look outside your industry for ideas:
  - Have your best people recruit if you want to have the best candidates.
  - Look for what motivates a person and how that can apply in your organization.
  - Look for commitment and accountability.
- III. Hire for potential: the employees may not have all of the skills, if you are willing to provide them the learning environment, it will be a win-win for the both parties.

To sum up and according to the author, “Organizational capital provides the infrastructure and support that help to enhance the value of your people”<sup>20</sup>

### **3.3.3.1. Employee Development**

First of all, we should say that to be able to develop Human Capital, the company should build up a training and educational program for the employees, *the most common way to develop employees*.

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<sup>20</sup> Aldisert, Lisa M. “Valuing People: How Human Capital Can Be Your Strongest Asset” (2002) page 115.

Nowadays the figure of the *coach* is essential in order to make prosperous the relations between employees and company. According to the author, the “*coach*”<sup>21</sup> is appropriated for enhancing employee development. In few words, he or she is the responsible to make them better among improving their abilities.

As Lisa M. Aldisert (2002) claims if the employees work with a coach, they feel recognized and appreciated, which has a double benefit: on the one hand, the employees will feel valued or self-empowered and on the other hand, the company will get enhanced performance thanks to this. He or she may act like a psychologist for the employees by motivating or orientating on the best way.

## 4. EMPIRICAL FINDINGS

In this part of our research, the most practical, we tried to move to the reality, the studied models and achieved knowledge in the all previous parts. For that, we thought that the best way to get this goal is providing us the necessary data to know how the organizations from the service sector at regional level in the beginning, and subsequently depending on the number of collaborations, we can formulate conclusions of higher level, maybe to national level, but it is not sure, we will see it.

We decided to structure this point around the obtaining sample through our questionnaire as the main concept and practically the base of our project. Hereby, we tried to explain briefly the motive of the questions, the achieved information and a small comment.

The questionnaire used to study the sector is compounded for twenty questions, some of them with several sections. In its creation, it presented to us a difficult situation; we had to decide creating a questionnaire which provided us with interesting data. However, we were risking to obtain a few replies or to make an easy survey which gave us a lot of replies but less interesting results from a scientific point of view. Thus, we had to take care with both situations and to formulate each possible question in order to obtain a final

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<sup>21</sup> Aldisert, Lisa M. “Valuing People: How Human Capital Can Be Your Strongest Asset” (2002) page 150.

questionnaire not too much technical, treating not to get bored the interviewee unless a representative and useful sample.

- The questionnaire consists of four parts, and they are the followings:

- General characteristics of the companies.
  - Knowledge of Human Capital.
  - Applied measurement and methods in Human Capital by Swedish service sector.
  - Development of Human Capital in the Swedish service sector.
- Global results of the Swedish Service sector on the Total Economy.

## Questionnaire:

### ➤ **General characteristics of the companies.**

1. How many employees are there in your organization?

According to all answers, we made a representative sample with 56 contacts over 83. The scale which we considered, in order to classify them, was [0-19 employees] small companies, [20 - 99] employees] medium companies and [+100 employees] large companies. Our sample was compounded especially of medium and large companies.

2. Does your organizations belong any of these categories?

Companies Oriented-Services supposes (43.3%), Distributive Trade (24.3%), Others (14.2%), Public Services (7.2%), Transport & Communications (6.2%), Hotels & Restaurants (4.8%). *Figure on the following page*

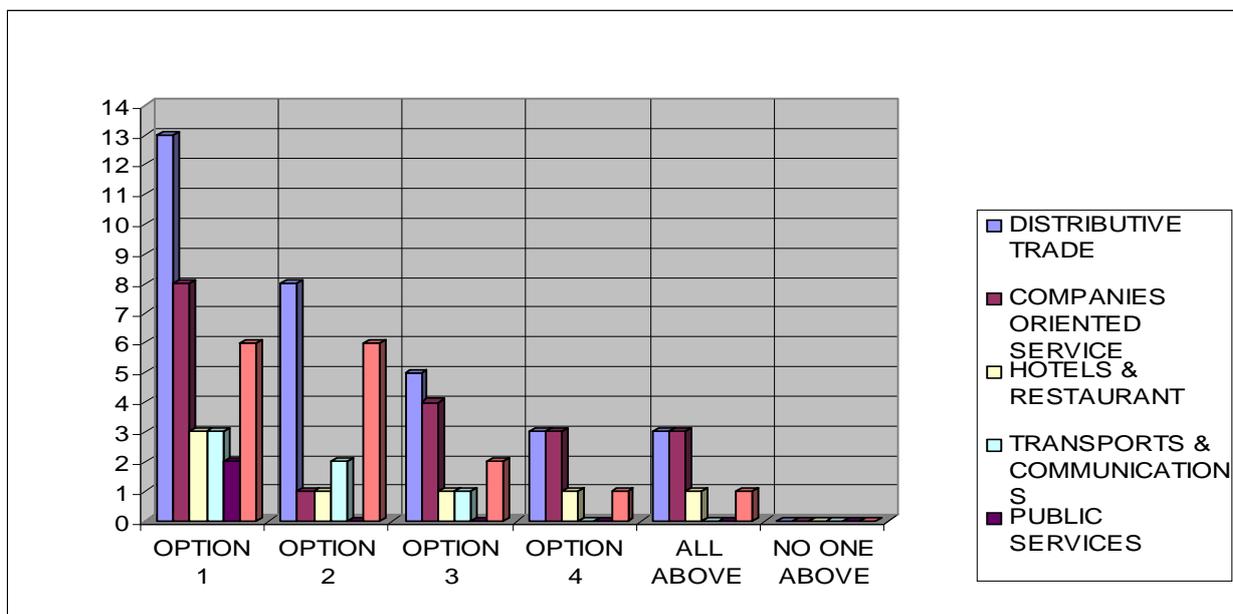
**Table 4.1:** N° of Companies of the Sample (per subsectors)

KINDS OF COMPANIES	N° OF ENTERPRISES
DISTRIBUTIVE TRADE	14
COMPANIES ORIENTED SERVICE	24
HOTELS & RESTAURANT	3
TRANSPORTS & COMMUNICATIONS	3
PUBLIC SERVICES	4
OTHERS	8
TOTAL	56

### ➤ Questions about knowledge of Human Capital

#### 3. What would you understand for Human Capital?

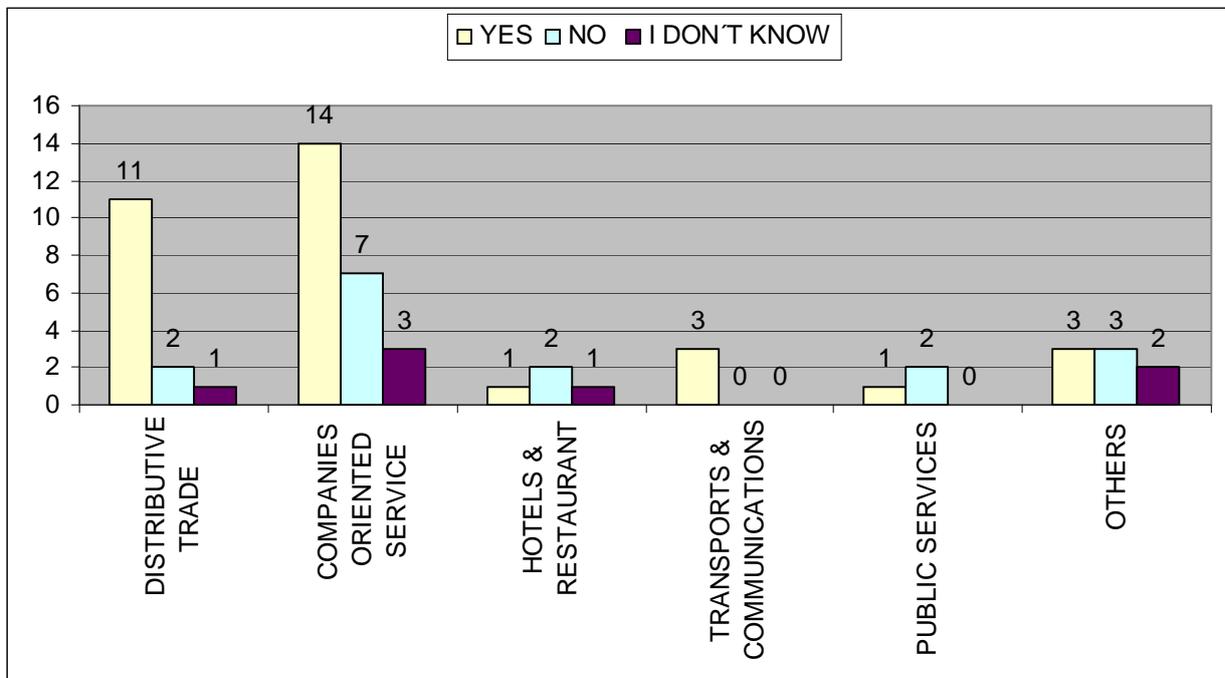
As regards all the data collected in this question from the organizations of our sample, we have as often answers “the techniques, methods and attitudes” (option 1). Being a question of multiple choices, the most chosen was this one around 62.5% of the interviewees. By the other hand, the last option 5 has not been chosen for anyone. We have to mention that 14.3% of the total interviewed replied “All above”.

**Figure 4.1:** N° of Companies per Definition of HC


#### 4. Do you think is the same concept, Human Capital, Human Resource?

As we knew it, most of the companies contacted answered “yes”. The other two different choices were equilibrated. On the first part of the question, 58.93% of the sample claimed that the concept of Human Capital and Human Resource was similar and 28.57% stated that it was not a similar concept and 12.50% said “I don’t know”. On the second part, when we asked for the level of similarity between both, 50% of the interviewees chose the Level 3 and 35.7% was the Level 4 as the most significant. No one chose the Level 1.

**Figure 4.2: Human Capital = Human Resource**



#### 5. Would you consider important Human Resources for the success of your organization?

As regards the results, 48.9% of interviewees claimed that it was important at Fourth level. The Third and Fifth levels of importance are around 25%. Anyone considered the First level.

6. Do the employees are for your organization expenses or assets?

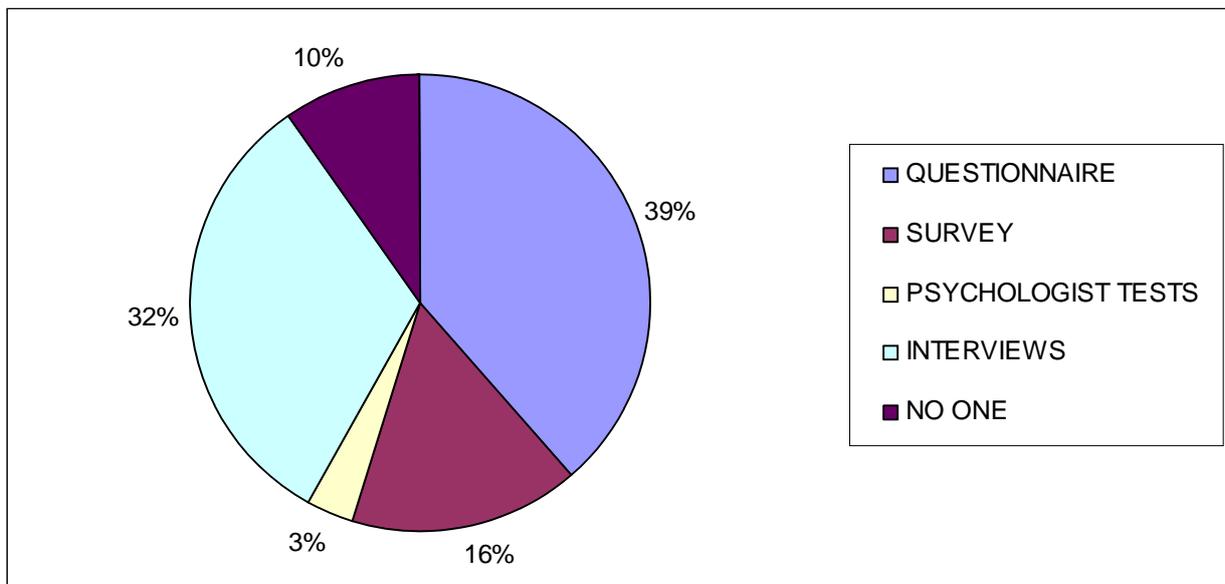
The results are conclusive, 75% of the interviewees considered the employees as assets and just 12.5% as expenses.

➤ **Questions about applied measurement and methods in Human Capital by Swedish service sector**

7. How do you measure your employees?

Around 61% chose Questionnaire and Interviews, 19% of interviewees used Psychologist Tests and Surveys and approximately 10% No one of them. We have to say it is multiple answers therefore the percentages are always over the total of interviewees.

**Figure 4.3: The Measurement of HC**



8. Are any of the following attributes of your employees do you measure regularly?

66% of the respondents said Satisfaction and Attitudes. It is followed by Potential and Talent rounding up 40% each one. Creativity is also valued, 12.5% especially to those companies which need to innovate constantly and we can also mention that 12.5% of the interviewees do not consider anyone of the options. *Figure on the following page.*

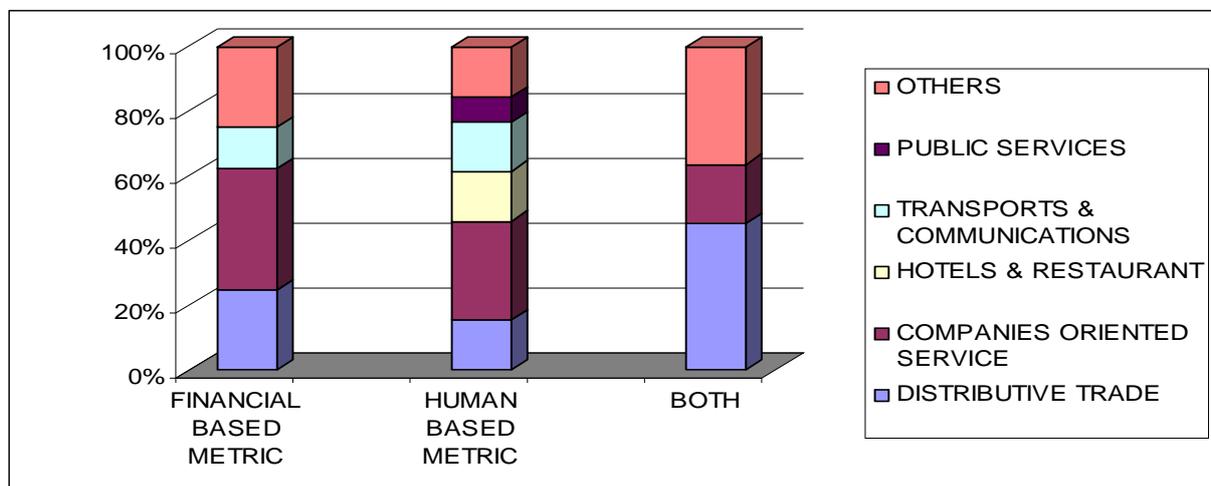
**Table 4.2: The Measurement of Employees Attributes**

KINDS OF COMPANIES	SATISFACTION	ATTITUDES	POTENTIAL	TALENT	BEAUTY	CHARM	CREATIVITY	OTHER	NO ONE
DISTRIBUTIVE TRADE COMPANIES ORIENTED SERVICE HOTELS & RESTAURANT TRANSPORTS & COMMUNICATIONS PUBLIC SERVICES OTHERS	11	11	11	9	2	0	1	2	3
TOTAL	37	37	22	23	2	0	7	5	7
(%)	66%	66%	39%	41%	3.5%	0	12.5%	8.9%	12.5%

9. Do you think your organization use to measure Human Capital, any financial based or human based metrics?

According to the results, 57.14% of the interviewees said "Yes", 22.11% said "No" and 20.75% answered "I don't know".

On the second part of the question, those interviewees who said "yes", 25% measured through financial based metrics, 40.62% through human based metrics and 34.38% measured through both methods.

**Figure 4.4: Metrics Basis**


10. Within these branches, it is often to use the followings, could you say if your company applies some of them?

As regards the collected results, from the percentage whose chose the Financial based, 52.63% opted by Financial Earnings, around 15.79% of them also chose Full Time Equivalent (FTE) and Process Performance Matrix in some of their options (Cost, Time, Volume, Error and Reaction) around 31.58% of those who answered “Yes”. Regards to those who measure human based, the bigger part is focus on Earning Capacities (EC) 63.16% and FTE is used for 47.37% and 15.79% uses Rankings.

**Table 4.3:** *The Measurement Used for the Companies*

KINDS OF COMPANIES	FINANCIAL BASED METRIC			HUMAN BASED METRIC		
	FTE	FE	PM	FTE	EC	RANKINGS
DISTRIBUTIVE TRADE	1	3	3	2	4	1
COMPANIES ORIENTED SERVICE	1	4	1	3	2	1
HOTELS & RESTAURANT	0	0	0	1	1	0
TRANSPORTS & COMMUNICATIONS	0	1	0	1	0	1
PUBLIC SERVICES	0	0	0	1	0	0
OTHERS	1	2	2	1	5	0
<b>TOTAL</b>	<b>3</b>	<b>10</b>	<b>6</b>	<b>9</b>	<b>12</b>	<b>3</b>

11. Does your organization measure the influence of the human component on *quality, service and productivity*?

Beginning by the quality, we can say according to the data that 69% of the interviewees have claimed “Yes”, following that 21% said “No” and the rest answered “I don’t know”. Most of the respondents who said “Yes” used the questionnaire on different ways depending on their activities as example; *the quality of the whole production process is measured in regular audits (ISO, etc).*

According to services, 83% had an affirmative reply and 12.5% said “No”, and the rest of the percentage claimed “I don’t know”. Those who claimed “Yes” used *customer questionnaire and the customer service department*.

Following that we face the productivity and we obtained the next results, 60.4% said “Yes” and 29.1% said “No”. Thereby, these companies who affirmed “Yes”, they used *personal tests into the direct production*.

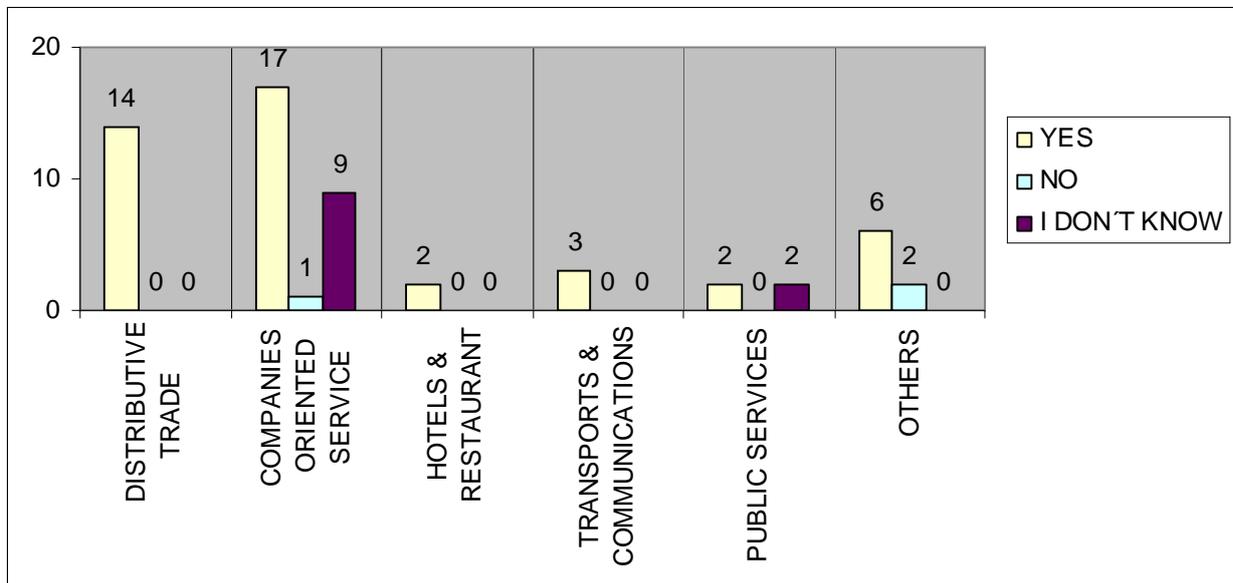
**Table 4.4:** *The Impact of Human Component on Quality, Service and Productivity*

KINDS OF COMPANIES	QUALITY (%)	SERVICE (%)	PRODUCTIVITY (%)
DISTRIBUTIVE TRADE	26.3%	30.4%	32.3%
COMPANIES ORIENTED SERVICE	26.3%	26.1%	35.3%
HOTELS & RESTAURANT	8%	4.3%	2.9%
TRANSPORTS & COMMUNICATIONS	13.1%	11%	6%
PUBLIC SERVICES	2.6%	8.6%	0%
OTHERS	23.6%	19.5%	23.5%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## ➤ Questions about Development of Human Capital in the Swedish service sector

12. Do you know anything about Development of Human Resource?

As regards the results, 78.57% stated that they knew the concept and on the other hand, 21.43% were not unaware of Development. *Figure on the following page*.

**Figure 4.5: Knowledge about Development**


13. If you said “Yes”, would you identify the term of Development with any of these options?

The first and fourth options were the most selected with 36.6% approximately and the third option got 30.3%. On the other hand, 16.1% chose all possible answers. Any of them marked “No one above”.

**Table 4.5: The importance of Development**

KINDS OF COMPANIES	<u>OPTION 1</u>	<u>OPTION 2</u>	<u>OPTION 3</u>	<u>OPTION 4</u>	<u>OPTION 5</u>	<u>ALL ABOVE</u>	<u>NO ONE ABOVE</u>
DISTRIBUTIVE TRADE	10	3	7	9	5	2	0
COMPANIES ORIENTED SERVICE	8	0	5	5	3	2	0
HOTELS & RESTAURANT	0	0	0	0	0	0	0
TRANSPORTS & COMMUNICATIONS	1	1	1	2	0	0	0
PUBLIC SERVICES	0	1	1	0	0	0	0
OTHERS	2	1	3	4	1	5	0
<b>TOTAL</b>	<b>21</b>	<b>6</b>	<b>17</b>	<b>20</b>	<b>9</b>	<b>9</b>	<b>0</b>
<b>(%)</b>	<b>37.5%</b>	<b>10.7%</b>	<b>30.35%</b>	<b>35.7%</b>	<b>16.1%</b>	<b>16.1%</b>	<b>0</b>

#### 14. How of important the Development is?

We gave three possibilities (Very important, Important and Not important) in order to know the grade of relevance and according to the answers, anyone of them considered the option “Not important”. Instead of this, they considered as “Important” (52%) and as “Very important” (48%).

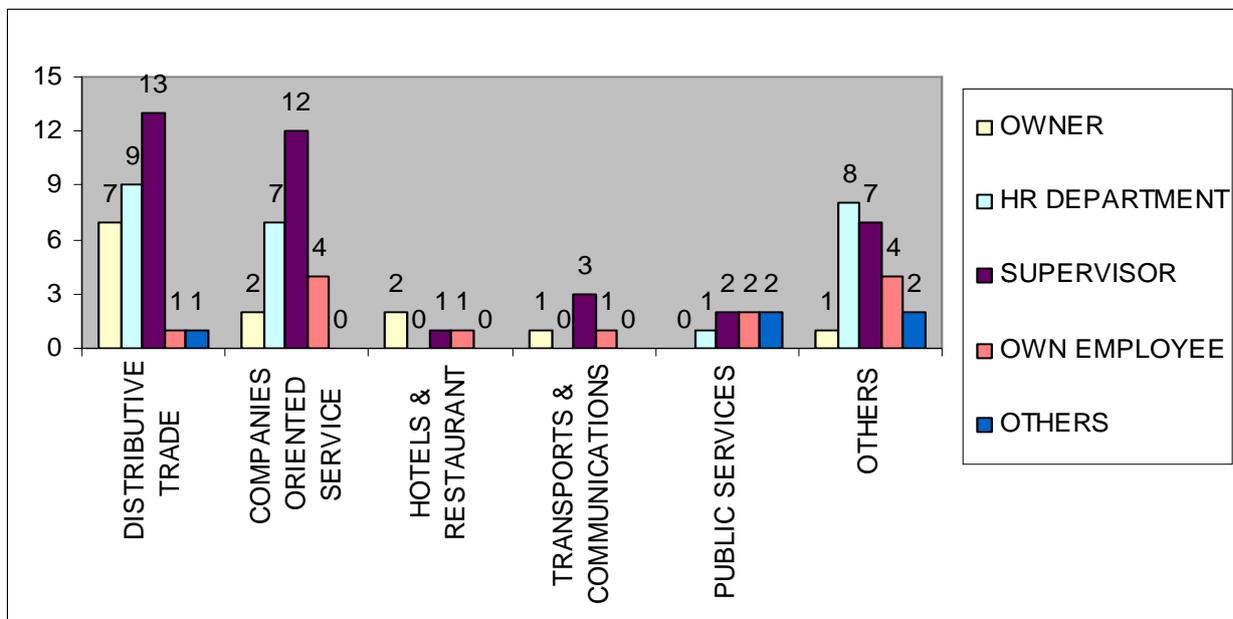
#### 15. Do you think its importance will increase in the future or it is only a fashionable thing?

The results were clear, 79% said “Yes, it is important” and just 4% chose “No, it is not important”, so the remaining 17% claimed not know it.

#### 16. In your organization, who is the responsible for the need of training?

67.85%% of all interviewees had selected “The supervisor” and with 44.64% “Human Resource Department”, 23.21% for “Own employee” and “Owner”.

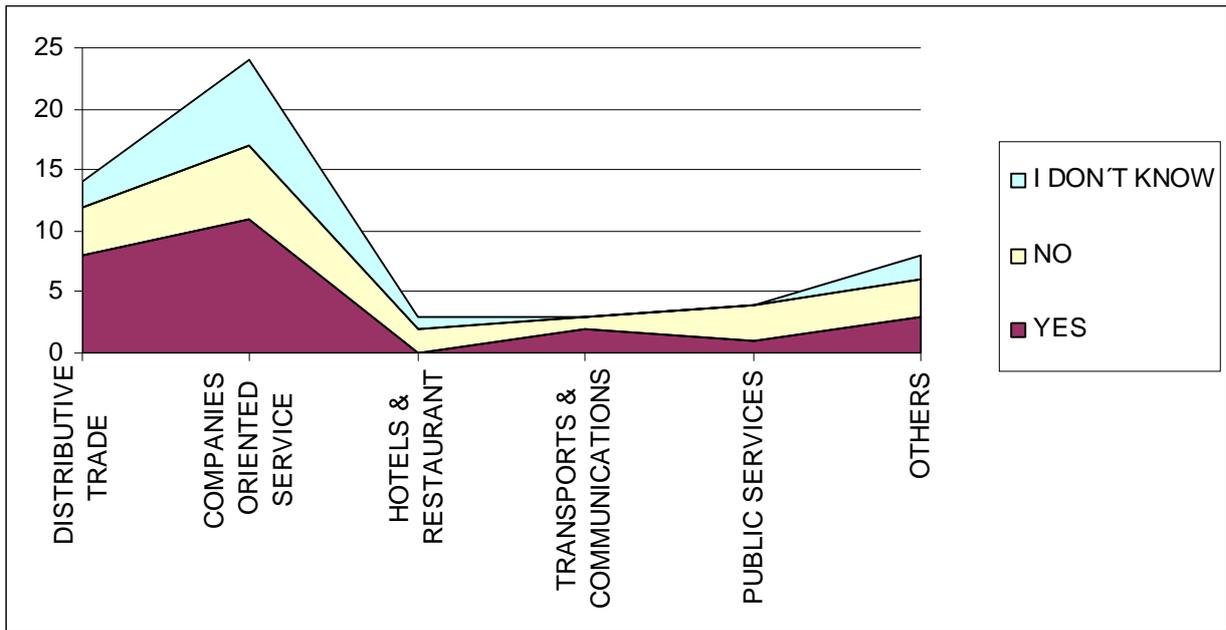
**Figure 4.6: Training**



17. Does your organization use the figure of *the coach* for enhancing employees' development?

44.64% claimed that they used the coach figure, 33.93% said "Not use it", and 21.43% stated not know it.

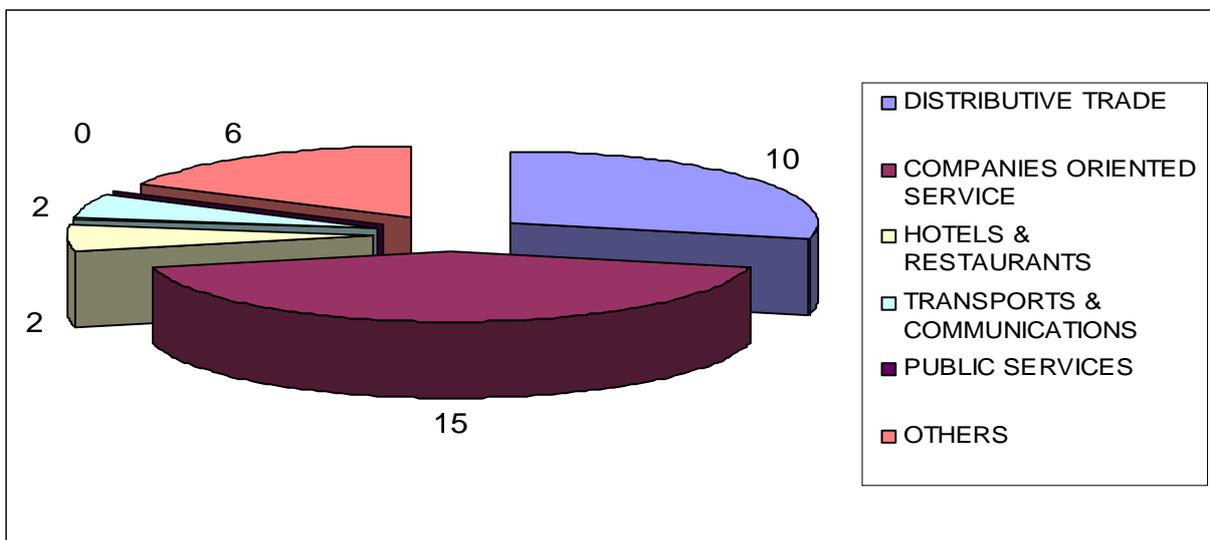
**Figure 4.7: The Use of Coach to Enhance Employees**



18. Do you reward your employees?

62.5% said "Yes" and 37.5% claimed "No"

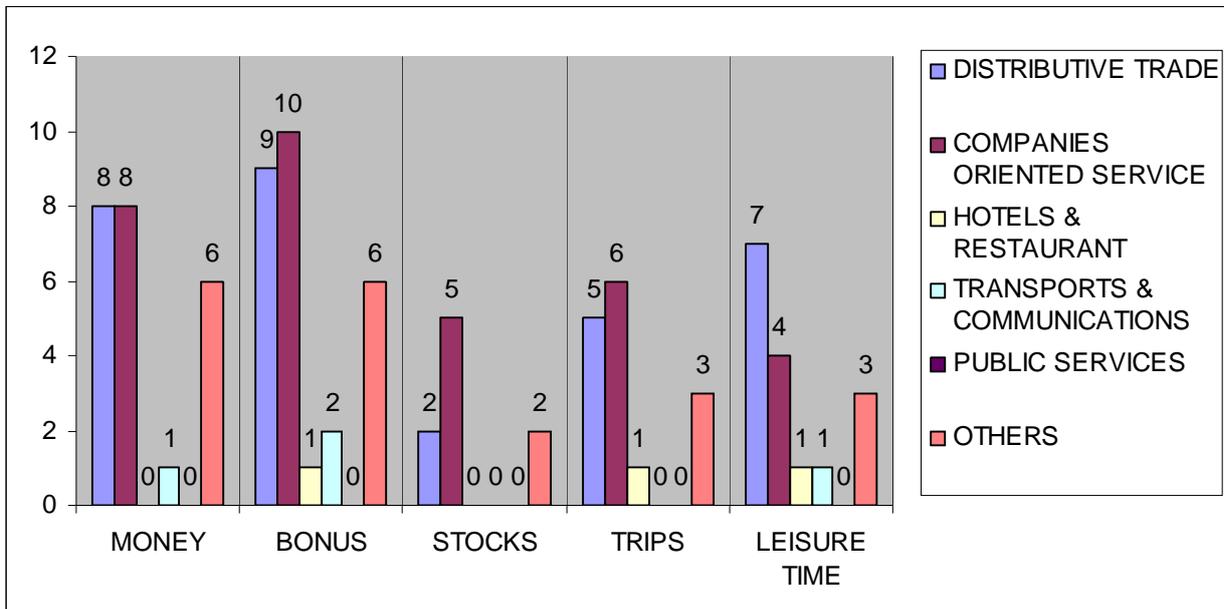
**Figure 4.8: Rewarding Employees**



19. How do you do that?

The most relevant are “Bonus” and “Money”, the first one with 50% and the second one with 41.07%, subsequently we can see as “Leisure Time” and “Trips” have around 27.68% of average (to take into account, they are multiple answers).

**Figure 4.9: The Means of Rewarding Employees**



20a. By developing the skills of employees, will be performed the value of the organizations qualitative and quantitatively?

Most of interviewees said “Yes” with 87.5% and just 5.36% said “No”. And 7.14% claim “I don’t know”.

According to these results, 30.36% of respondents marked the Fourth level and the Third and Fifth ones were around 27.68% of average answered and the rest of the percentage to 100% was between Level one and Level two. *Figure on the following page*

**Table 4.6:** *The Importance of Developing the Skills Employees for the Future*

KINDS OF COMPANIES	YES	NO	I DON'T KNOW	TOTAL
DISTRIBUTIVE TRADE	14	0	0	14
COMPANIES ORIENTED SERVICES	20	2	2	24
HOTELS&RESTAURANTS	3	0	0	3
TRANSPORT&COMMUNICATIONS	3	0	0	3
PUBLIC SERVICES	2	1	1	4
OTHERS	7	0	1	8
<b>TOTAL</b>	<b>49</b>	<b>3</b>	<b>4</b>	<b>56</b>

b. If you said Yes, could you say how is important from 1 to 5?

**Table 4.7:** *Level of Importance for the Future*

KINDS OF COMPANIES	L 1	L 2	L 3	L 4	L 5	TOTAL
DISTRIBUTIVE TRADE	0	1	6	4	3	14
COMPANIES ORIENTED SERVICES	0	0	6	7	7	20
HOTELS&RESTAURANTS	0	0	1	0	2	3
TRANSPORT&COMMUNICATIONS	0	0	1	2	0	3
PUBLIC SERVICES	0	0	1	1	0	2
OTHERS	0	0	1	3	3	7
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>16</b>	<b>17</b>	<b>15</b>	<b>49</b>

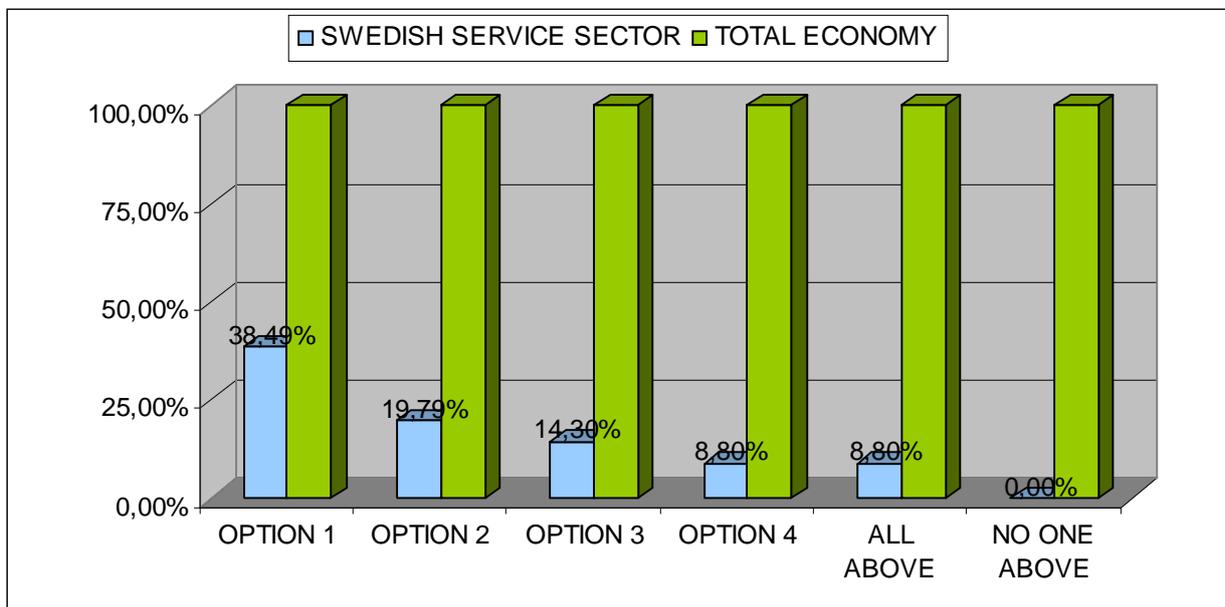
## Global Results of the Research

The followings five questions are the most relevant in our study in order to extrapolate the obtaining results of the sample to the Swedish Service Sector.

**Question 3:** What would you understand for Human Capital?

38.49% would suppose Option1 (The techniques, methods, skills and other developed attitudes for the individuals that are significant to an economic activity), 19.79% would be the Option 2, 14.30% is the result to Option 3 and Option 4 while All above would suppose 8,80%, No one above would be 0,00%.

**Figure 4.10: Human Capital on Swedish Service Sector**



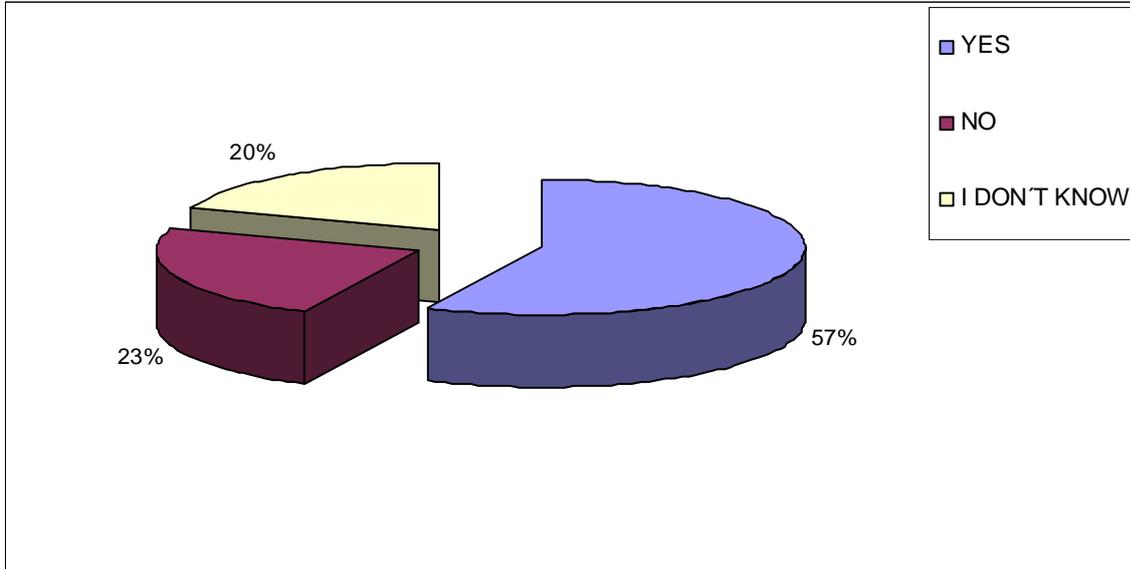
**Question 9:**

- a. Do you think your organization use to measure HC or HR, any financial based or human based metrics?

According to the figure above, we could say that most of the organizations of Swedish service sector measure Human Capital, the graphic is clear.

At this affirmation, we tried to know which kinds of measuring the Swedish organizations are used to apply, for this reason we show it below in the next graph. *Figure on the following page*

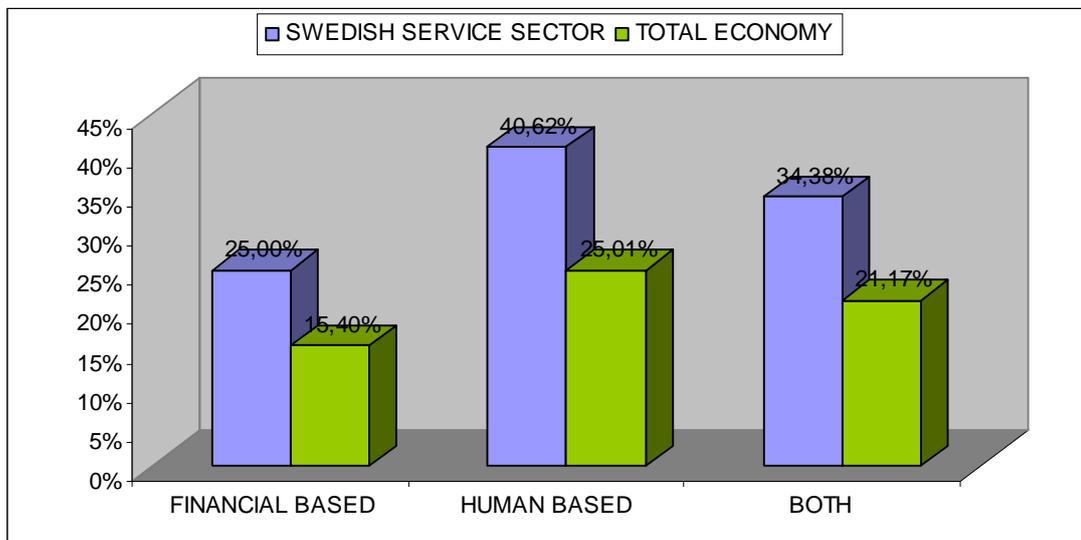
**Figure 4.11: Swedish Service Sector in the Total Economy**



b. If you say “Yes”, could you say which one?

We see that the most used measurement is the Human base metric with 40.62% over Swedish service sector and this percentage represents around 25.01% over the total economy. We can also observe how both methods are used by the companies at the same time, that is to say, the companies use them simultaneously, with 34.38% into Swedish service sector and 21.17% over the total economy. The remaining supposes financial base metric.

**Figure 4.12: Measuring HC in the Service Sector on the Total Economy**

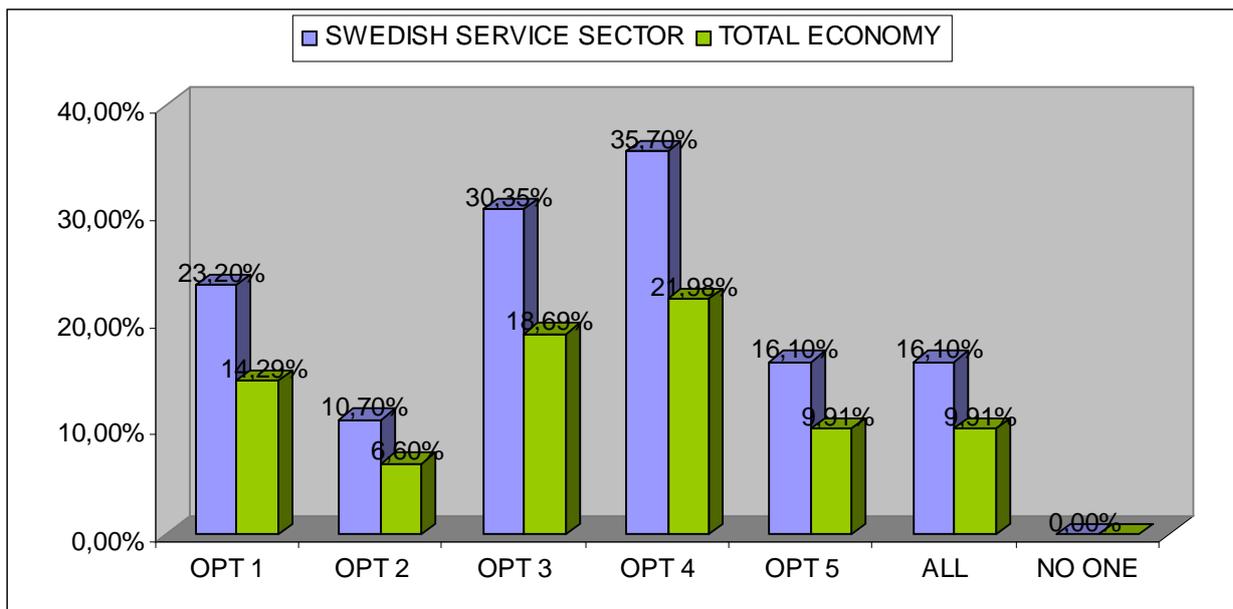


**Question 13:** If you said “Yes”, would you identify the term of Development with any of these options?

Taking into account the results from question 12, we are going to show how valued is the Development term on the total economy.

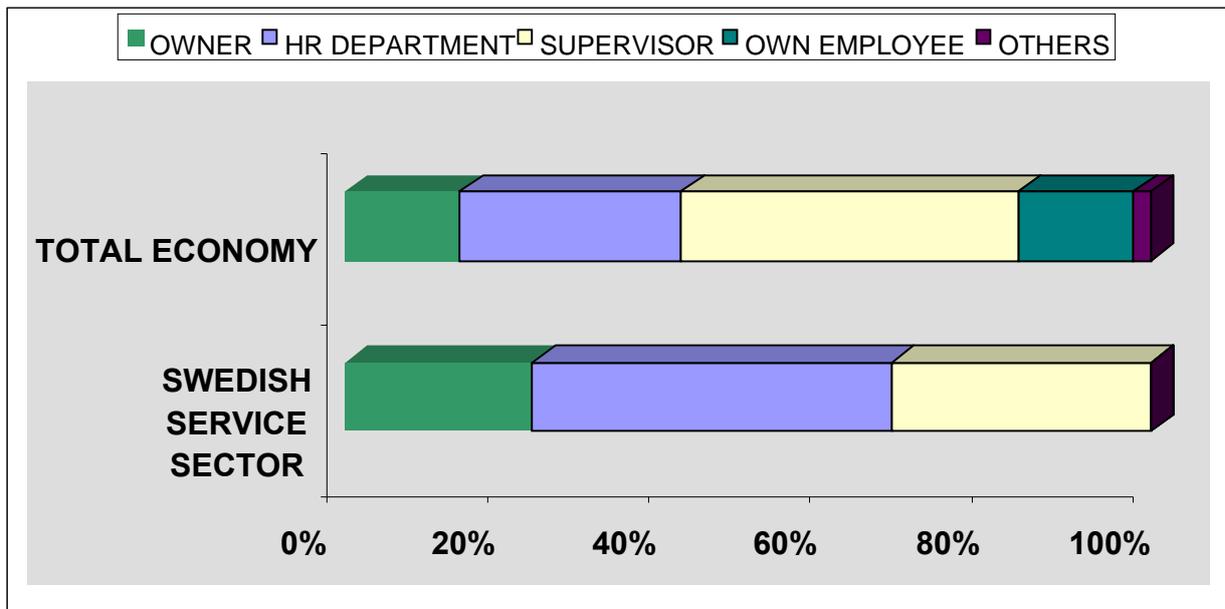
In the figure below, we point out the option 4, 3 and 1 are the most valued by service sector (35.7%, 30.35% and 23.2% respectively) and over the total economy, those mean 21.98%, 18.69% and 14.29%.

**Figure 4.13: Development on the Service Sector and Total Economy**



**Question 16:** In your organization who is the responsible about the need training?

**Figure 4.14: Relevance of Training on the Service Sector and Total Economy**



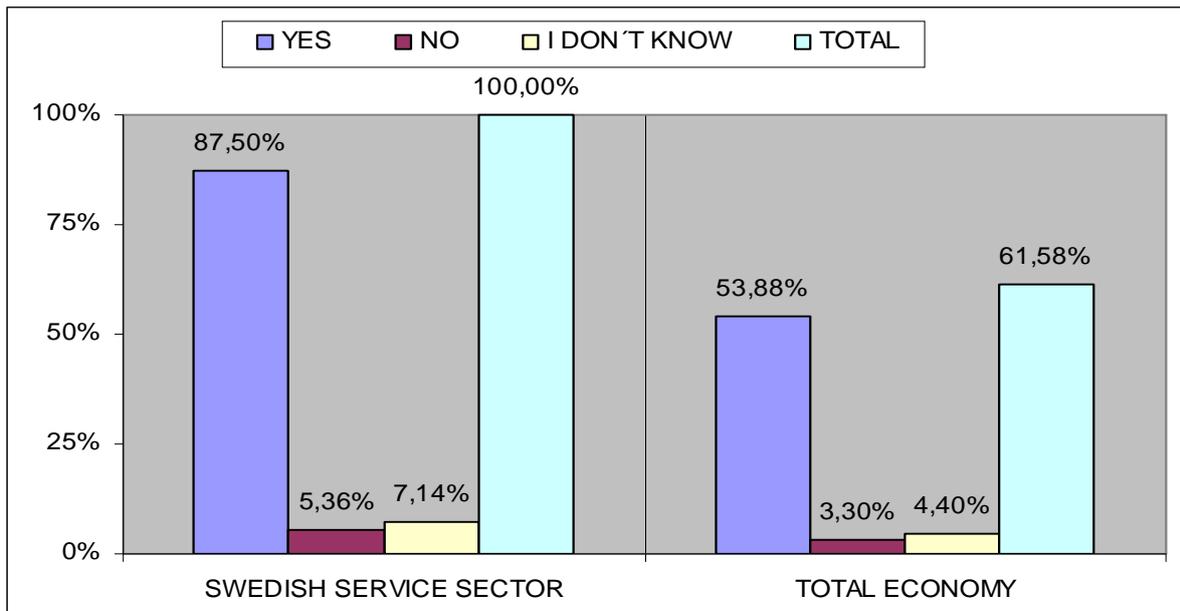
Looking at this graph, we realise who is the maximum responsible to train the employees into the companies; it is much related to the size of the firms. It is common to observe how in the smaller companies this task is mainly taken by the owner and, on the other hand, the medium and large companies utilize Supervisor and HR Department, we must say the figure of the Supervisor in the global economy of Sweden is approached with 41.79% and the HR department is around 27.49%. We should emphasize mostly this percentage is compounded by companies with a significant size (more than 100 employees).

**Question 20:**

a. By developing the skills of employees, will be performed the value of the organizations qualitative and quantitatively?

It is known by the companies in general, the importance of developing the employees' skills in order to enhance the value of the organization. As we look above through percentage of YES with 53.88% while the answers NO and I DON'T KNOW supposed no more than 8% each other, in base at 61.58%.

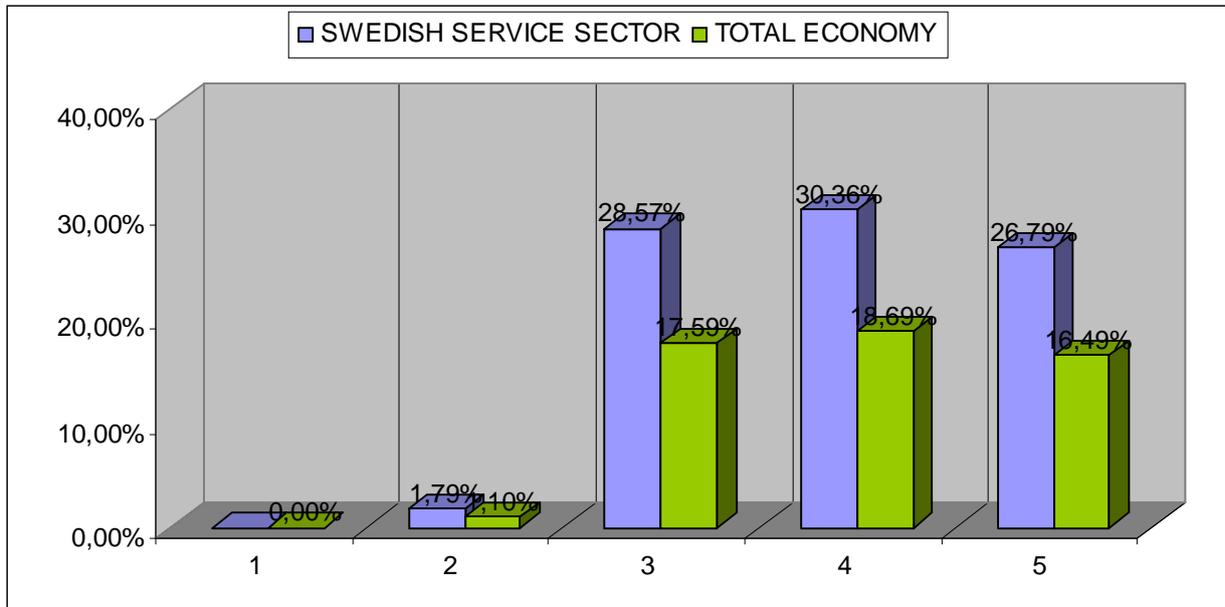
**Figure 4.15: The Importance of Developing Employees Skills on the Service sector with respect to the Total Economy**



b. If you said Yes, could you say how is important from 1 to 5?

Taking into account "Yes", the importance of Development is mostly considered by the firms on the three highest levels (3,4,5), as we can see Swedish service sector and total economy rounds up 28.59% and 17.59% of the average, respectively. *Figure on the following page*

**Figure 4.16: Importance's Level of Development to Service Sector and the Economy of Sweden**



## 5. ANALYSIS

The *first part*, General characteristics, is used mainly for having a basic grasp of our sample and they permit us to divide it, in order to know how the small, medium and big companies in the sector measure and develop their Human Capital, as well. This part spreads lengthways of the questions one and two.

The *second part* represents several questions about knowledge of Human Capital. From the question third to sixth, both included.

The *third part* means the measurement methods used by the companies if they use some or not. From the question seventh to eleventh, both included.

The *fourth part* treats about Development and it is compounded from the twelfth to twentieth question.

We know our sample is small but anyway we want to move from the sample to global situation, for that we will use the data collected on Statistics of Sweden (Statistiska Centralbyran)<sup>22</sup>:

➤ **Questions about general characteristics of the Swedish service organizations**

Question 1:

Firstly, we started for this question because we wanted to specify the sample in order to make the understanding of this questionnaire easier, also we thought about the possibility of taking into account the overcome but this data had been a little bit conflictive to be collected. Thus, we only considered as a right way the classification of them in smalls, mediums and larges.

The medium and large companies were the ones which least problems presented to fill up the questionnaire, although we got to make the sample at the end.

Question 2:

Besides the size, we want to classify all companies contacted on our sample in order to make clear the study, that is to say, our idea was to elaborate some general questions which let us to specifies our research. For that, we have split them into some different sub sectors (services).

The reason of this percentage was to get the necessary contacts in order to have a representative sample of Swedish Service Sector. For this reason, we tried to put more emphasis in this kind of companies without forgetting the rest of them since it is necessary in each sample to have data from everyone.

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<sup>22</sup> <http://www.ssd.scb.se/databaser/makro/MainTable.asp?yp=tansss&xu=C9233001&omradekod> , 2008-05-18

➤ **The following questions, as we mentioned at the introduction of this chapter, are about knowledge of HC and HR on the companies of Swedish Service Sector.**

Question 3:

We should say according to this question that the aim was to get an idea about if they really knew what this concept means. For that reason, we have written some different definitions about Human Capital to make the choice easier.

The reason because of most of the companies contacted have chosen the first one could be due to the fact that it is a generic definition and easy to understand it, that is to say it does not provide any technical description where it could be more difficult the understanding.

Question 4:

When we were building the questionnaire, we had the idea to include this question on our study because we considered it could provide us with interesting information to detail on the thesis. Due to these two concepts are not the same, we wanted to know their points of view about it.

The explanation of that consists of, as we already said above, a confused term where Human Capital embodies Human Resource; there is not a clear limit between both concepts. That could be the reason why they chose these levels of similarity. On our research we wanted to emphasize on this term (Human Resource) because it is more specific, not as large concept as Human Capital.

Question 5:

According to this question, we tried to show how was important for them to take into account HR for the success and the future of the firm. For that, we use a scale of 5 levels, where level 1 would be the lowest one and level 5 the maximum value. Therefore, we looked how the firms considered rather important the concept of HR for their future. And we could say that in more or less value they follow the general term of Human Capital

Management Star “*Evaluating*” in their way, and they take into account the importance of this analysis for their organization.

Question 6:

The aim which we wanted to include in this question on our study was to get an idea about which firms consider to the employees as expenses or assets. The evidence is clear and does not offer any doubt, the companies are considering their workers as assets. In view of that, they are appreciating their value and they treat to retain (Retaining) and to maintain (Maintaining) inside the company.

➤ **On the third part of our questionnaire we treat to show if the firms measure HC and how they measuring HC. Probably, it is the most technical section within the questionnaire.**

Question 7:

We wondered which ways have the companies for checking the opinions of their employees. We considered reaching this goal some possibilities such as Questionnaires, Surveys, Psychologist Tests and Interviews as ways more often.

As we look at the answers, the organizations use frequently Questionnaires and Interviews. We should mention that the use of Psychologist Tests depends on the concrete activities of the firms (such as financial service, technologic activities and public services). This question tries to show the central point of the HC Management Star “*Evaluating*” also, but firstly the answers of these surveys help to the firm for planning (Planning) its strategy for recruiting (Acquiring) and developing (Developing) its employees, and make them better.

Question 8:

Through this question we want to give the option of knowing which attributes and qualities the companies measure over their employees. With the intention of checking if their employees feel valued within the company and not being less important to know if they

are working according to the company's goals and whether their skills were made maximum use or not.

It was observed that the firms actually have the Satisfaction and characteristics of their employees in mind, with the goal of maintaining and retaining them. Thereby, taking these attributes into account, the companies try to achieve good strategies for keeping happy their labors in the medium and long term.

Question 9:

The first goal on this question was to know if the organizations measure HC.

It seems that the companies measure HC but there is a relevant percentage who answered "I don't know". We could consider that is not really close to the reality since the second part of this question is avoided by them. To use both based metrics is even more often in large firms due to they have a higher knowledge of the concept and its methods of evaluation. Connecting this question with our research model, we could see that it was true that the organizations established a base of measure (First level, figure 3.1) in the organizational structure of the company and to build up a good foundation to grow in the correct way.

Question 10:

We want to emphasize on a technical way our research. To know with more details who gave affirmative answer about how they measure.

We underline *Financial Earnings* as financial based metric and *Earning Capacities* as human based metrics. They are the most used methods, without forgetting that *FTE* is used in both tendencies, especially in human base. About the *Process Performance Matrix*, we have to say that the companies also use this method of measure but only the large companies develop it in a higher level and all of its possibilities.

Question 11:

We wanted to reflect how the measurement of the human component in three fundamental aspects (quality, service and productivity) can generate profits for the company. At the same time, we might see how they carry out these measurements.

We could say on this question, we have obtained interesting results about the knowledge and the use that the firms do of different methods of their employees' measurement and we can underline that the service section is the most relevant for them, due to they wish to satisfy the customers and to make them faithful in the future, premise so important to achieve good economic results. Maybe they do not know that they are exactly measuring through this method but anyway they try to obtain good results of this measurement.

➤ **This fourth part embraces the Development term. Our global vision on this part pursue to show how many of knowledge have the companies about this concept and how they treat to make good use of it and of course, to make it bigger, because this tendency will go into the advantage of the company.**

Question 12:

We made this question with the intention of checking in a first moment, the knowledge of the Swedish service firms about Development into the Human Capital section. We could say that it is a generic question.

Therefore, we claim that the companies have a certain conception about this term in question, but they do not have an accurate knowledge of Development.

Question 13:

The aim of this question was to get an idea about how they identify the Development term in their companies, by obtaining a bit more concrete reality of their knowledge on this concept.

The responders decided to consider the Development as "improvements in productivity and profitability", "increasing of value of the company" and "to increase the value of HR". We observe, according to these results, the second and fifth options were not really answered as much as others, thus we could think that they have knowledge about the Development, perhaps this term is more maintained on an intuitive conception than on a scientific base. The second and fifth options only were answered for people belonging to

large companies with important Human Resource Departments and with more technical knowledge.

Question 14:

Once we had evidences that the organizations knew the term, we wanted to check how important for them it was.

We will claim that all of them value positively its importance into the company and anyone consider the term as “Not important”.

Question 15:

We believed that it was convenient to make this question in order to provide us more information about if they thought this term was circumstantial or by other way a future value for the firm in the medium and long term.

It seems to be that the intrinsic value of the Development will be considered important and with a specific weight on decision making into the companies of the Swedish service sector.

Question 16:

We formulated this question with the goal to take into account who was the responsible person to hire and to train the employees.

The percentage of the categories Human Resource Department and Supervisor is bigger in those companies with a medium and large size, since this kind of companies needs of these figures in order to have a better control on their workforce. On the other hand, the small companies concentrate the control and supervision of the employees on the own owner. Connecting the question with the Theoretical Framework about the *coach figure*, we could affirm that this figure supposes a good help and means for providing to the company with updated knowledge and people ready for new targets.

## Question 17:

We elaborated this question because we wanted to know if they use the figure of *coach* to train the employees in order to improve their individual performances. He does not do any other task apart that mentioned and it will have a positive effect on the company.

They use the figure of coach in its majority but it is not absolute, it is not definitive and it could be possible that they did not really know its authentic meaning. Just bigger companies do a normal use of this figure and also medium companies sometimes. With reference to the part of Theoretical about Development, the coach makes also the function of psychologist and treats to keep a good relationship between workers and company. That will be profitable for both parts.

## Question 18:

We pretended with this question to get useful information in order to set if the organizations make valued employees through some types of rewards.

This question depends on the kind of firms, because it is known for everyone that companies as public services not reward their employees, but on the other hand, firms from Distributive Trade and Companies Oriented Service reward their employees with relative frequency.

## Question 19:

We tried to know in depth the kind of rewards which the companies are used to apply.

Basically, most of the companies resort to Money and Bonus (commissions, etc.), because it is easier to apply for the company and at the same time, the employee has more liberty to use it whatever he/she decides.

The eighteenth and nineteenth questions are interesting in view of establishing a certainty about if the companies use the rewards with their employees and to know which one they use frequently. Both question suppose, we think, a good way for seeing it.

Question 20a and 20b:

The motive of the first part of the question has been to consider in which way it will improve the organizations qualitative and quantitatively by developing the employees' skills. And in the second part, how much important is it?

Clearly, the organizations are aware of the importance of this concept for its actual and future business growth. We have utilized a scale from one to five, where the option 1 is the lower one and the fifth level is the higher.

We consider that with this question it is possible to check how the organizations on the Swedish Service sector search to get the best position of their workers and make them recognized into the company, this question would be linked with the HC Management Star, the HC Management Level of Fitz-enz's model (2000) and finally, with the importance of the Development's part of Theoretical, also.

Hereby we could say that it is a summary question of our research study.

## 6. CONCLUSIONS

### ***Conclusions about the general characteristics of the companies***

Taking into account the proportion of companies which compound the Swedish service sector and regarding to the Official Statistic of Sweden, (Statistiska Centralbyran) the standard scale which we took to describe the size of them was the following (0-19 employees) (20-99 employees) (+100 employees). The attained results show us that 99.52% of total Swedish service sector are small companies (0-19 employees), 0.31% are medium companies (20-99 employees), the remaining are large companies (+100 employees).

We divided the Swedish service sector that represents 61.58% of total economy of Sweden, in six main sub-sectors which are enumerated by size: Companies oriented-service, Distributive Trade, Others, Public Service, Transports & Communications, Hotels & Restaurants.

In response to this, our sample, in order to be representative, should have these proportions. This is the reason why we formulated the first two questions of our survey.

### ***Conclusions about knowledge of Human Capital***

With the aim of realizing more or less which idea of Human Capital had the Swedish service sector, we elaborated the questions of this part. We could affirm the Human Capital concept is known whether intuitive knowledge and not as acquired concept. By other way, it can be looked how the organizations assess their employees through the essence of Human Capital's meaning which is considered as assets instead of expenses. In our sample we obtained one convincing result on the matter with 75% over total interviewees.

It is also true the fact that the interviewed companies from the sample knew what the questionnaire was about, such that they could have been themselves influenced in order to answer in favor of Human Capital concept.

### ***Conclusion is about applied measurement and methods in Human Capital by Swedish service sector***

We were able to observe on the one hand, mostly small companies do not measure Human Capital and on the other hand, medium and large companies are used to measure it. Thereby, once those measure Human Capital are known, we wondered which methods they applied to measure it. The Swedish service sector grants the category of the most important method Financial Earnings and they value Cost, Time and Error as well as financial based metrics and as regards to human based metrics, we must mention Earning Capacities. It is frequent for large companies the use of both basis metrics.

It would be suitable to highlight the human component is considered on global level by the organizations in every stages of the product (from production phase to its after-sales service). Hence, it seems natural to think the Swedish service sector gives vital importance to the service quality as measurement target and the customer's satisfaction which is normally measured by questionnaire.

### ***Development of Human Capital in the Swedish service sector***

The object of this part was to understand if the belonging organizations Swedish service sector developed Human Capital and how they did it. For that, we dedicate the last nine questions to this purpose.

The analysis of the collected data allowed us to claim with guarantee several assertions: Firstly, the organizations of researching sector have knowledge about Development of HC, but it is interesting to comment that it is more maintained on an intuitive conception than on a scientific base. Secondly, its specific weight is increasing from the fifties and it is known its value will be determinant if it is not being even, especially on the service sector because it needs to have a qualified HC.

We were able to check how the development like the measurement of HC depends on much over the size of the companies, such that it will be more common to see the development of HC in the medium and large companies of the sector through the coach figure who trains and improves the skills of employees and it is used to see the Supervisor and to have a Human Resource Department. The small companies concentrate frequently these tasks on the own owner.

As regarding to the questions about Rewards, 62% approximately of the Swedish service sector incentives mostly their employees by meaning of Money and Bonus. We should mention that the election of this type of rewards can be given due to it is easier to apply on the company and at the same time the employee has more liberty to use it whatever.

### ***Final conclusion on the research question***

Hereby, to conclude with the conclusions of our study and to answering our research question:

#### **How does Swedish service sector measure and develop Human Capital?**

Finally, we are able to conclude answering the question above, that Swedish service sector measures and develops Human Capital in general terms. We must mention that depends on the size of the firm and even more on the sub-sector which it belongs to, we will have different percentages over this affirmation because it is known for example, the Public Service does not measure and develop as the same way as Distributive Trade and Companies Oriented-Service.

It supposes for this sector, the challenge and the means to achieve the goals which the companies are going to set. The best and the worst way to carry out this venture will

provide to the company a higher or lower grade ambition in order to fix their goals in medium and long term.

Regarding to the Swedish total economy, with our conclusions, we can claim the percentage of companies which measure and develop Human Capital rounds up 38%. Even though this percentage makes to think that they still have to improve, we have to say that we did not consider the other sectors. Hereby, we are not able to state if the Swedish economy has a good or bad level of measuring and developing Human Capital but the thought generalized is the Scandinavian companies make a good job in measuring and developing Human Capital.

## **Closing and Acknowledgements**

We want to take advantage of this section for saying that we are so happy with our experience in Skövde (Sweden) and its university. We can claim that the learned knowledge through the different courses and this important final project has been a good investment in something which now, we know more and better, this magnificent and interesting topic, Human Capital and its measurement and development. And we hope that we had been capable to transmit the feeling to future students interested on this current subject and everyone who want to have an useful knowledge about Human Capital of the Service Sector in Sweden, in these years.

We want to give our acknowledgement firstly to our advisor and supervisor, mister Desalegn Abraha, who was always trying to get the best from us; the teachers from here, who always were kind and willing to help us, and finally to our families, who have invested so much in us and they never left to be closed. THANKS to everybody;

## ***Appendix 1***

### **Swedish Service Sector**

The service sector is by far the largest in the Swedish economy in terms of employment. It consists not only of traditional services like financial, educational and medical but also of an increasing service part in production industries. Large parts of the Swedish service industry belong to the public sector, for instance are almost all hospitals, schools and child care centers owned by the State. A privatization process has started in this sector and former monopolies like Posten (mail services), Telia (telecommunications) and SJ (railway transports) have been or are in the process of being introduced on the stock market.<sup>23</sup>

A few years ago, the Public sector round up 25% of the Swedish Economy, nowadays, its value is less, around 10% for the reason said previously.

The bigger subsector is Companies oriented service with 43.3% of sector and it represent 26% of the total economy.

The second subsector in order of importance is Distributive Trade with 24.3% of sector and 15% of the economy of Sweden.

The rest of sectors (Transport and Communications, Public service, Hotels and Restaurants and Others) supposes around of 20% in the economy and 32.4% of the Swedish Service Sector.

In total, Service Sector represents 61.58% of Sweden´s Economy and it is increasing. Its workforce is distributed in 499,372 enterprises and contains 731,342 employees.

98% of this sector is small companies and has 502,940 employees in 496,998 firms.

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<sup>23</sup> <http://www.sverigeturism.se/smorgasbord/smorgasbord/industry/branch/#service>, 2008-05-24

## **Appendix 2**

### QUESTIONNAIRE ABOUT MEASUREMENT AND DEVELOPMENT OF HUMAN RESOURCE

Your name:

Name of the company:

Your function in the company:

1. How many employees are there in your organization?

- Less than 19 employees       20 - 99 employees  
 More than 100 employees

2. Does your organizations belong any of these categories?

- Distributive trade       Company - oriented services  
 Hotels and restaurant       Public services  
 Transportation & communication       Others

3. What would you understand for Human Capital?

The techniques, methods, skills and other developed attitudes for the individuals that are significant to an economic activity.

The knowledge that the people get throughout their life and which is used to produce any types of products or services in order to be sold or to be improved the standard of life.

Investments in activities such as education, job-training, health or rewards for the employees and their families (like trips, ticket for cinema or theatre) enhance an individual's productivity in the labour market.

Human Capital = Human Resources.

All of above.

No one above.

4. Do you think is the same concept, Human Capital, Human Resource?

Yes                       No                       I don't know

If you said "Yes", in which level are similar?

1[ ]                      2[ ]                      3[ ]                      4[ ]                      5[ ]

5. Would you consider important Human Resources for the success of your organization? (in a scale from 1 to 5)

1[ ]                      2[ ]                      3[ ]                      4[ ]                      5[ ]

6. Do the employees are for your organization expenses or assets?

expenses                       assets                       I don't know

7. How do you measure your employees? (ways of data collection):

Questionnaire     Surveys     Psychologist test                       Interviews

8. Are any of the following attributes of your employees do you measure regularly?

Satisfaction                       Potential

Attitudes                       Talent

Beauty                       Charm

Others:                       Creativity

No one above

9. a. Do you think your organization use to measure HC or HR, any financial based or human based metrics?

Yes                       No                       I don't know

b. If you say "Yes", could you say which one? (Underline your answer)

Financial based metric

Human based metric

10. Within these branches, it is often to use the followings, could you say if your company applies some of them?

Financial base:

FTE (Full Time Equivalent)       Process Performance Matrix (Cost, Time, Volume, Errors, Reactions)

Financial Earnings

Human base:

FTE (Full Time Equivalent)       EC (Earnings Capacity)

Rankings

Others:

11. Does your organization measure the influence of the human component on *quality, service and productivity*?

Quality:       Yes       No       I don't know

If yes, could you detail in which kind?

Service:       Yes       No       I don't know

if yes, could you detail in which kind?

Productivity:  Yes       No       I don't know

if yes, could you detail in which kind?

12. Do you know anything about Development of Human Resource?

Yes       No       Nothing

13. If you said “Yes”, would you identify the term of Development with any of these options?

Improvements in terms of productivity and profitability.

Improvements of organizative structure in long term.

Improvements for increasing of value of the company.

Increase of value of Human Resource.

Improvements of the quality in relationships between workers.

No one above.

All of above.

14. How of important the Development is?

Very important       Important       Not important

15. Do your think its importance will increase in the future or it is only a fashionable thing?

Yes, it is important       No, it isn't       I don't know

16. In your organization who is the responsible about the need training?

The owner       The own employee

The Human Resource department       Other

Supervisor

17. Does your organization use the figure of *the coach* for enhancing employees' development?

Yes

No

I don't know

18. Do you reward your employees?

Yes

No

19. How do you do that?

Money

Bonus

Stocks

Trips

Leisure time

20. a. By developing the skills of employees, will be performed the value of the organizations qualitative and quantitatively?

Yes

No

I don't know

b. If you said Yes, could you say how is important from 1 to 5?

1

2

3

4

5

**If you have some suggestion for improving this questionnaire, please not doubt and tell it me. THANK YOU for your answers;. We are going to use it in our thesis about this topic to the University of Skövde (Sweden) / Adrian Ruiz Crespo and Roberto Megías García, [adrian6684@hotmail.com](mailto:adrian6684@hotmail.com) and [rotabatos69@gmail.com](mailto:rotabatos69@gmail.com)**

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