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A Study of Recruitment and Retention Strategies of Swedish Firms in India

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Abstract

With the expansion of many national firms and entry of a number of international firms in India, the demand for local talent has increased tremendously. International firms need to have policies and processes for attracting and retaining the right talent in a highly competitive market, that are adapted to the local employment market conditions. As India is a vast and diverse country divided into different regions, with different sub-cultures, the complexity of the Human Resource Management increases. The presence of Swedish firms in India has been continuously growing with more than 100 Swedish firms doing business in India today. The exports of Swedish firms to India have increased by 42% in the past six months. Sweden is one of the top ten investors in India and is heavily integrated in the India's business milieu with firms like Ericsson, Volvo, IKEA and ABB. [2]

Our paper will focus on the HR practices, specifically related to the recruitment and retention strategies, of established Swedish firms in India as well as new Swedish entrants. This paper will focus on how Swedish firms attract talent in India, what are the processes and policies for retaining talent, and how they can improve their recruitment processes. We are also interested in examining how Swedish firms overcome cultural differences, i.e. attitudes and mental models, and facilitate a transition to a culture that works across both countries.

Keywords: HR practices, recruitment, selection, retention, Swedish firms, India, ABB, Caran Design India, Syntensia.

Introduction

With the expansion of many national firms and entry of a number of international firms in India, the demand for local talent has increased tremendously. International firms need to have policies and processes for attracting and retaining the right talent in a highly competitive market, which are adapted to the local employment market conditions. As India is a vast and diverse country divided into different regions and groups of people, the complexity of the Human Resource Management increases.

The presence of Swedish firms in India has been continuously growing with more than 100 Swedish firms doing business in India today. The exports of Swedish firms to India have increased by 42 per cent in the past six months. Sweden is one of the top ten investors in India and is heavily integrated in the India's business milieu with firms like Ericsson, Volvo, IKEA and ABB.[3] The established Swedish firms in India differs greatly concerning size, turnover, local history and nature of job implying that the HR processes looks different depending on organisation.

Today, on many recruitment markets, war on talents is a crude reality for the companies. In order for the companies to stand out in the competition they must establish strategies efficient enough to attract and retain the talents. How can the newly established companies compete against the giants? What sustainable attraction and remuneration strategies do the well established Swedish firms use on the Indian market?

1. Methodology

Data has been collected through primary and secondary sources. For primary data collection, we have used a hands-on approach where in-depth interviews have been arranged with three Swedish firms from different industries. The companies are divided into two groups; one Swedish firm with presence in India for over five years respectively two Swedish firms with presence less than five years. The selection of companies is based on the number of employees and the history as this facilitates the comparison between companies of well established recruitment processes and those with lesser developed processes. In order to give substance to the recommendations we have investigated the talent market and here chosen to look at different Universities' placement strategies as well as the current situation for students.

Means to acquire information have been;

- In-depth interviews with persons at key positions at targeted firms
- In-depth interviews with key persons at elite universities i.e. IIM and NIT
- In-depth interviews with an industry within the field

Data from secondary sources comprises published as well as confidential internal company documents, news reports, database searches and academic literature. The findings from the interviews are then analyzed using a theoretical framework, which constitute as the foundation for our recommendations.

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[3] *"Sweden-India Business Guide 2006-2007", Swedish Trade Council, 2007*

2   Theoretical Framework

The theoretical framework includes canonical HR methods and recruitment process models and is based on the literature by K Aswathappa[4]. The selected theory is summarized and structured in appendix 1 and is the foundation for the analysis of the target companies' recruitment and retention strategies in India. The main theory parts in focus are; 1) recruitment processes including search and selection and sourcing channels, 2) retention processes including remuneration systems, training etc., 3) HR models i.e. the strength and weaknesses of the different HR approaches, 4) International HR activities including categorization of different companies.

3   Empirical Findings

3.1   Introduction of Target Companies

We have chosen three Swedish companies to investigate in this report, all with established businesses in India. The newly established companies are Caran Design India (incorporated in 2006) and Syntensia (incorporated in 2005) and the targeted company with a long history in India is ABB India (incorporated in 1949). The following information is introductions of the companies and the full interviews can be found in the appendixes 3-5.

3.1.1   Caran[5]

Caran Design India is a subsidiary to Caran, a Swedish firm with head quarter in Gothenburg, Sweden. Caran Design India has been established in India since November 2nd 2006[6] and currently they have 7 employees at their office in Bangalore. Caran is specialized in industry design and works with clients such as Volvo and Electrolux. The organization at Caran is flat since they are only 7 employees; one Country Manager and 6 graphic modelling specialists. The Indian office is also a part of their global sourcing of labour and is designated to recruit over 300 engineers before the end of 2009 for their clients world-wide[7]. Mr. Barun Kumar, Country Manager, describe the reasons being that "there are hardly any engineers in India who specialise in designing cars but finding young, bright people is easy in India,"[8] It would be of great interest to investigate the recruiting of engineers in India for the global operations further but this information but was not captured during the interview. These operations were likely to have been carried out by another agency under the direction of the head quarter in Sweden and not the Indian subsidiary. By this reason the focus is on the Indian operations and the HR strategies undertaken by the subsidiary.

3.1.2   Syntensia[9]

Syntensia is a company in the security industry and was established in 2005. Selling complete security systems at a subscription ("Security-on-demand") basis they have managed to grow quickly with their so-called White Knight Solution[10]. The main markets are Small Office/Home Office (SOHO) and Small and Medium Businesses (SMB). Their head-office is situated in Stockholm, Sweden, but the operational activities are predominately carried out outside Sweden.

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[4] Aswathappa, K, Human Resource Management, New Delhi, Tata McGraw-Hill, 2007

[5] Interview, Mr. Barun Kumar, Country Manager India, Caran Design India, 2007-10-17

[6] "Swedish firm to set up office", Special Correspondent, www.hindu.com, Oct 31, 2006

[7] "Global car designers eyeing India", K Giriprakash, www.thehindubusinessline.com, Nov. 10, 2006

[8] "Global car designers eyeing India", K Giriprakash, www.thehindubusinessline.com, Nov. 10, 2006

[9] Information based on interviews with Mr. Miral Nandani, Chief Operation Officer UK, 2007-10-13 and Sunija Rishi, Marketing Manager India, 2007-10-09

[10] www.syntensia.com

3.1.3 ABB: Company Background[11]

The ABB group is represented in over 100 countries and is a global leader within automation and power technologies. The Swedish share of stocks is 52 per cent. The group employ more than 105 000 people whereas around 5 000 are located in India. They conduct manufacturing in ten centres including a global engineering, operations and Research and Development Centre. The annual turnover in India 2006 was Rs 43477 mn[12]. ABB was first incorporated in India in 1949 and today the Bangalore department works as ABB's base for the Asian and other markets. The Indian operations include deliver turn-key projects to both public and private actors and the projects include automation processes i.e. robotics, relay technique, plant automation, driver and gear among many. ABB India works with a multiple of projects and fixed manufacturing simultaneously. The level of number of employees will vary with the current operations and will be widely differing in terms of type of job and employees that they need.

Bright future connected to huge recruitment needs

For the year 2006 ABB India increased their sales by 44 per cent[13] and the same number for 2006-2007 is expected to be more than 60 per cent[14]. The growth is a result of both increased sales of core activities but also the addition of new projects. The vast expansion is naturally connected to massive recruitment needs and globally the company group has planned to employ 45 000+ employees until 2011. For the Indian operations alone this number is anticipated to be 15 000+ new co-workers that are to be recruited during a four years period. Today the Bangalore operations employ around 2000 employees and an additional 3000 people working outside the city's limits.

4 Analyze of Case Studies

4.1 *Caran Design Ltd & Syntensia*

In the following analyze of the recruitment, selection and retention within Caran and Syntensia, is our intention to apply the theoretical framework (Appendix 1) to investigate and evaluate the processes. Our mean is to describe the practices Caran and Syntensia employ and identify weaknesses and opportunities. The motive to bundle these two companies in this analyze is to exemplify the processes in newly-established companies, rather than to execute a cross-study between the two.

4.1.1 Recruitment and selection

In the case of Caran, the recruitment of all employees to the Indian office was executed by a recruitment agency, therefore will this analyze suffer due to scarcity of information. Generally in smaller firms, it is a challenge to attract qualified employees. According to Ms. Venkateswaran (Appendix 2), the recruitment to smaller firms tends to be more expensive due to lack of brand reputation. The reason for this is the more extensive recruitment process needed to find the qualified candidates to an affordable *price* due to budget constraints. When smaller companies recruit, the channels are likely to be fewer and the process is neither as extensive nor as standardized as in larger companies, i.e. less steps and no tests. The emergence of e-recruiting has

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[11] *"Sweden-India Business Guide 2006-2007", Swedish Trade Council, 2007*
[12] *www.abb.com*
[13] *www.abb.com*
[14] *Interview Mr. Purshotham*

been very beneficial to smaller firms regarding the recruitment. To search database is both cheaper and there is no need for a large back office to handle the screening process.   \

Syntensia has chosen a recruitment strategy built upon both formal and informal channels. Even if they might not have resources to source the best personnel, they have access to widespread network to locate potential employees. This is an advantage in the competitive context they are operating in. Furthermore, to attract candidate they mostly have been using referrals as a source. At present, Syntensia do not have intention to hire graduates, but see it as a possibility along with expansion in the future. According to Swedish Trade Council is this approach common among Swedish companies in India. The reason behind is that they do not perceive the students to be qualified enough. It is further an economic risk in investing in personnel who might continuously look for better job-offers.

Websites such as Naukri.com enables these companies to recruit to a low cost and it offers accessibility to a large pool of potential employees. This is a trend that will proceed according to Ms. Venkateswaran. She believes the whole recruitment process will become more interactive in the sense that the process will be online-based except for the very last step, the interview. This will make the process more efficient and more cost effective. An issue to this development is the likelihood to make mistakes and failure to find the right candidates out of the pool.

4.1.2   Remuneration

Caran has a very informal information flow, and they encourage a working environment with open communication and participation of all employees. This springs out from the fact that they are only seven employees at the office. Their team approach to run the office and solve problems makes the operations very flexible and dynamic. The Office Manager takes the strategic decision but in the daily work everybody contributes with their individual skills. This is a strong factor to the high satisfaction among the employees, even if they would have the opportunity to leave for a better paid employment, the personnel hesitate due to the good working conditions. There are also likely that further training will be conducted in Sweden as to be seen as great opportunity to the personnel.

Syntensia have a retention strategy that focuses on job enrichment, training and education. The initial phase when a candidate has been recruited is devoted to an introduction period where the new employee gets to know the company. The first impression is important and Syntensia emphasize the importance of a good start within the company. The challenge is to maintain that notion and encourage the employee to adapt to the company culture. Furthermore, they offer their employees the opportunity to change placement location and go abroad. This is usually an incentive for many employees to stay within the organization. A placement abroad is often linked to a payment increase and other monetary reward such as free accommodation and company car, travels etc.

4.2   ABB

In the following analyze of the recruitment, selection and retention within ABB (Appendix 5), our intention is to apply the theoretical framework (Appendix 1) to investigate and evaluate the processes. Our mean is to describe the practices ABB employ and identify weaknesses and opportunities.

4.2.1 Recruitment and selection

ABB has a very well-developed recruitment processes, and their strategy to recruit employees follows a certain scheme. Since ABB is growing at a very high rate, the need of new and qualified employees is crucial to sustain the growth. Most of the new recruits are professionals with several years of experience, but ABB also emphasize the necessity to hire graduates; thereby will this analyze focus on the two categories of people.

The system ABB has adopted in their recruitment has many similarities with the theory. The centralization of the recruitment to the HR Centre is a strategic decision based on their increasing demand of qualified employees. Consequently, they can improve the effectiveness and accuracy which also reduce costs linked to the recruitment, such as hiring the wrong person or extensive and expensive selection processes. To centralize the HR department also offers the opportunity to collect data of the employees which is useful when developing HR strategies. At the moment, ABB use the data to categorize their employees regarding their personal goals and character in order to implement career path program to satisfy their employees' needs. This tool is developed to reduce employee turnover and increase satisfaction.

ABB use mostly external recruitment channels as a result of their rapid growth. Consequently, new employees will enter the company with a fresh spirit, and the company can benefit from new skills and new experiences to the organization, which is stated as an advantage in the theory. The major disadvantages for ABB are the expenses involved, and that they have to replace the open position of an internal recruitment. Furthermore, the recruitment process is an opportunity for the company to market itself as well as it builds-up a pool of potential employees.

The implementation of technology into the recruitment is a necessary device to reduce costs, but it also gives them a reach that they did not have before. The recruitment does not have to stay on a regional or local market, but can instead reach potential employees in the national market or even international market. Therefore, with the implementation of technology, ABB can now reach a larger pool of applicants and increase the possibility of a successful recruitment. Though, the accessibility of talents also implies an increase in competition among companies worldwide. This is in particular true in a country as India, since many professional get tempted to go abroad and work because of higher salaries.

On a regular basis, ABB invite students to collective recruitment activities. The last time this was carried out, around 2600 students attended these activities over three days. The agenda includes company presentations, screening, short-listing and recruitment. It is a challenge to screen the candidates and ABB devotes a team of six members whom conduct the tests. The character of the tests differs; firstly, everybody has to do a technical test. The first test will be followed by personality, physical and medical test. The recruitment team needs a comprehensive view of the applicants in order to do the final selection. The object with this kind of recruitment activities is both to find potential employees as well as branding the company. Crucial when carrying out such an activity as the one described above is to address the right candidates. In ABB's case, these applicants are found mainly from technological institutes such as the NIT's and IITs, but also from private T-schools. Even if the recruitment does not end up with job offers to all attending students, it does give them an understanding of the business and the company. Since many of the candidates will end up working in manufacturing firms in the future, and it is likely to assume that these candidates will change job site several times during their career, it is of great importance to give them a sense of ABB. It is possible that some of the candidates will join ABB in the future, therefore is it vital to give them a good impression of ABB as a company.

The management program ABB has implemented is a part of their campus recruitment. This is considered to be a very expensive method to attract employees, but it is a vital channel for ABB to recruit talents as the *war on talent* is of great importance to their competitiveness. The recruitment of ABB Management Trainees (MTs) is referred to as an e-recruitment process. This is enabled by the introduction of modern technologies. The first phase of the process is conducted without any physical interaction. See Appendix 5 for further information regarding the full process. The physical interaction begins along with the screening process. The tests the candidates have to conduct are to remove those applicants who are visibly not qualified for the job. Tests are usually a reliable method to take out applicants that do not match the qualification requirement of the job. The MTs are seen as the future leaders of the company and their traineeship is designed to be challenging in order find *the best*.

ABB also offer summer internships, but this is carried out in a different manner compared to the MTs. ABB do not provide summer placement for students in order to recruit them in the future, but only as a part of their social responsibility program. ABB offers 100 students summer placement each year and this is a great opportunity to tie the student to the company. The reason why ABB do not use this source for recruitment is the lack of screening before placement. The basic screening is performed by the placement centres on each campus and the students who are recommended are likely to get a summer placement.

4.2.2 Remuneration

In the competitive context in which ABB is working, the need of retention strategies is a must to prevent desertion of high calibre employees. ABB has developed processes to handle the issue when it occurs and an employee want to leave the company. The changes in behaviour regarding company loyalty have forced ABB to implement employee-centric HR activities. These activities aim at identifying prospects that might leave the company, ABB then tries to approach them and suggest a solution for both parties. ABB see this as an important task for the HR department as it more cost efficient than recruiting a new person. It is a challenge for ABB to retain younger employees as they are more likely to change job site in order to take the next step in their career. The retention strategies for these young employees must differ from the older ones. The remuneration to high-performing young employees has to focus on the monetary rewards, while remuneration for the older generation should focus on non-monetary benefits such as influence over their daily work.

The linkage between remuneration and business strategy is covered in the theory. Since ABB is experiencing a very high rate of growth, and their business strategies include recruitment of a large number of employees, they should offer a blend of remuneration with a salary above average and strong incentives to perform. This strategy will attract talents on a merging market and stimulate entrepreneurship within the company.

Indian-based companies are not able compete against the monetary remuneration offered in the developed countries; instead they have to focus on the improvements of their recruitment channels and processes, and on the non-monetary rewards. This is an issue ABB is putting a lot of effort into. The most predominant attraction attribute for ABB, except of monetary rewards, is ABB's company culture, where they offer clear career paths. ABB has an extensive internal training and development program which gives the employees the opportunity to improve their skills and grow as professionals but also as individuals. This is confirmed by Ms. Venkateswaran (Appendix 2) as she has seen a change in behaviour the last years towards a learning approach, among professionals, and a strong urge to learn more. The company also encourages responsibility among

their employees to take initiatives. This in linked to the short power distance between different levels in the hierarchy ladder as it contribute to an open information flow, which, in turn, gives employees the accurate information to take the right decisions.

ABB claims that the main goals for the internal training programs is personal development, implement company culture and to change peoples' attitude. Personal development includes both training and education, and is a tool for companies to remove performance deficiencies among employees. ABB apply this on their employees in order to perform their daily work but they also educate their employees in a proactive manner to prepare them for more challenging tasks. This strategy carried out by ABB makes their employees to stay longer as it stimulates and encourage them to perform better. The training also increases the employees' efficiency in operations as well as it strengthens the relationship to the company.

5 Weaknesses and Opportunities with Current Processes

5.1 Caran and Syntensia

5.1.1 Recruitment Processes

Out-source recruiting alternatives are expensive and is also connected with less control when searching for candidates. To be able to increase control and the hit-rate of potential employees, Caran and Syntensia must know the market and be cunning enough to thoroughly define the right candidate profile.

Syntensia are highly dependent on the senior management in Europe when recruiting new people. It is likely to believe that the senior management not have the local knowledge enough to decide whether the candidate is right for the position or not, thus the risk of hiring the wrong employees increases. The communication between Sweden and India might further be a time-consuming activity.

- By using an emic approach (culture-specific) when growing on a diverse market as India, the company should aim at establish a cluster model that indicates what talent to look for and where.
- When growth increases the companies should as soon as possible find key people/employees that can enable delegation of the recruitment processes from home-country to India.

5.1.2 Attracting students

Companies in this group are restricted by limited internal resources including lower level of reputation and less clear career paths. However, according to our findings[15] a well packaged offer could compensate these disadvantages. Instead the companies can try to compete with positions with greater responsibility, high wage-level and growth opportunities (important for companies in the growth phase).

It is further difficult for these firms to have extensive on-campus presence as this is both expensive as well as time consuming. Even if was possible for them to establish contact with certain universities they might not succeed due to insufficient know-how in how to approach the top

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[15] *Appendix 6*

students. In addition, the elite universities i.e. IITs and IIMs, are reluctant to invite/accept smaller foreign companies as the competition of the student is fierce and superior to these newly established firms. Students at the 2nd and 3rd layer of universities might be easier to approach but again, efficient on-campus activities can be hard to achieve.

- *Develop a competitive packaged offer that satisfy the students' demands*
- *Approach the 2nd and 3rd layer of universities using company ambassadors, appearance in campus magazines and on-campus company presentations*
- *Future potential includes the use of Talent Networks to penetrate the 2nd and 3rd layer of universities (elite universities are reluctant to accept external HR agencies).*

5.1.3 Remuneration

Caran uses a flat and informal communication system that seems to work well at this stage. As the company grows and become larger in number of employees there might be a need of new routines and organizational structure. To compensate a potential tightened organization Caran should prepare for expansion and the effects of it.

Syntensia emphasize on the induction period when hiring candidates and offer various non-monetary benefits to new employees. The company should refine the strategy to also be included in the remuneration plan.

- Use bench mark on best-practices in the local industry to find key factors that could increase the retention rate.
- Leverage on the global mentality in the organization and use the opportunity to work abroad as an employer branding element. Make candidate perceive it as global company in order to compensate its lower brand reputation in India.

5.2 *ABB*

5.2.1 Recruitment Processes

The new HR Centre has with its intranet recruitment process drastically improved the internal handling of job-postings and recruitments. Even though the system is used in India, it is likely to believe that its counterparts have similar applications installed. If the ABB group decides to scale the Indian system or integrate it with the global OSA (One Simple ABB) strategy, this could imply a more efficient global sourcing program due to the increased flow of information and transparency of information. Internal recruiting is already prevalent within the ABB group and cross-country transfer of employees is standardized through the opportunity to apply for relocation once per year. An integrated system could facilitate and encourage more globalized employment form and it is further efficient when expanding as employees or managers of specific skills can be easily located and if necessary transferred.

- *Integrate the intranet processes in order to establish a more efficient global labour sourcing*

5.2.2 Attracting students

ABB has a well established Summer Training program that we believe is not fully explored or used in the most efficient manner. Today ABB view the program almost as a part of their corporate responsibility even though the candidates come from reputable institutes. There is further no screening process, which could explain the fact that few if any will be offered a fulltime position after the program is completed. Our recommendation is for ABB to explore the opportunities of re-branding the program and change it to an internship. By installing a screening process they will further increase the likelihood of attracting/receiving better candidates, which implies greater chances of recruiting the candidates for fulltime positions. A future potential of the re-branding, and a way to improve and secure the sourcing of labour, would be to build a talent pool consisting of the applicants of the summer training.

ABB seems to have consciously chosen to restrict their campus activities to be entirely on-line exemplified by the e-Campus strategy to recruit the MTs. This is likely to offer cost-savings as it is described as an expensive method for recruiting but in order to stay competitive and be able to penetrate the elite universities; physical appearance offers a more tangible and closes interaction between the companies and the students. We therefore find it suitable for ABB to have a balance of e-Campus activities i.e. video-presentations, and on-campus presence with company representatives.

The elite universities are highly selective with inviting companies for recruiting students and students' demands are high. Potential lies in offering the students a competitive internship, which can be used as a trailblazer for future full-time recruitment.

- *Re-brand the Summer Training to Summer Internship and include a screening process*
- *Pro-active labour sourcing by building talent-pool consisting of former employees, applicants, summer interns etc.*
- *Include more physical interaction on campus*
- *Penetrate the elite universities by promoting internships in the shape of feasibility studies*

5.2.3 Remuneration

As Indian companies, and companies as ABB with longer history on the market, are challenged by the more competitive wages in western companies, these companies have to find alternative ways to attract and retain the employees. Non-monetary rewards are one way to retain and could include generous training opportunities and clearer career paths.

Our findings suggest that few if any monetary means are used in order to retain employees. If systemized, monetary rewards can be an efficient but maybe short-term solution to the remuneration issues.

- *By using cluster technique when segmenting the candidate information could cater for more customized non-monetary solution, which might improve remuneration.*
- *Try to implement retention bonuses on trial and investigate if defection rate decreases. Important that the reward works on the right employee as it otherwise can involve a risk of false loyalty.*

6 Appendix 1 – Theoretical Framework

6.1 *RECRUITMENT*

The recruitment is an important process for companies and their search for talent. It is the first contact that a company makes with potential employees and it is through the recruitment that most individuals will come to know a company and later decide whether they wish to work for it or not. A well-planned and well-manage recruitment programme helps the company to find high-quality applicants to a reasonable cost.

Along with the emerging *war on talent* recruitment in itself can be used as a source to competitive advantage. An effective and professional approach can help companies to be successful in their competition for talents. It can also be a very expensive experience if a company fail to recruit a right person regarding profile and skills. Companies must find an approach for their recruitment to find the best pool of candidates quickly and cost effectively. An recruiting programme can help companies in several ways: (1) attract highly qualified and competent people, (2) ensure that the selected candidates stay longer with the company, (3) make sure that there is match between cost and benefit, (4) help the firm to create more culturally diverse work-force.[16]

6.1.1 The recruitment process

The recruitment process can be divided into five interrelated stages: (1) planning, (2) strategy development, (3) searching, (4) screening, and (5) evaluation and control. A perfect recruitment attracts a large number of qualified applicants who will pass the screening and at accept the position offered by the company.

Recruitment planning This is the first stage in the recruitment process and the planning involves to define the nature of the job vacancy and set objectives that specify the number, and type of applicants to be contacted. Companies always plan to attract more applicants than vacancies offered. This gives them the opportunity to find the best applicant regarding qualifications and experience. When companies recruit they calculate yield ratios that express the relationship of applicant input to output at various decision points.[17] A task for the recruiters is to estimate the necessary number of applicants to fill all vacancies with people with the right qualifications. The company must inform the type of people about the job opening that have the qualifications and experience expected. This information is usually available through job description and job specification set by the company.

Strategy development Numerous of strategic decisions has to be made by the company and serious considerations need to be given whether the company should (1) 'make' or 'buy' employees, (2) the technological sophistication of recruitment and selection devices, (3) which labour markets offer the required job seeker, (4) sources of recruitment, and (5) define stages in the recruitment process.[18]

Firms can choose to hire less skilled employees and invest in training, or they can hire professionals with working experience for the particular job. It is almost always more expensive to hire professionals for a position, and the advantage is that they can begin working immediately and little training is needed. But professional demand higher remunerations and it might not outweigh the benefits.

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[16] *Aswathappa, K, Human Resource Management, New Delhi, Tata McGraw-Hill, 2007.*
[17] *Aswathappa, K., 2007.*
[18] *Aswathappa, K., 2007.*

Companies have to make the decision what methods to use in the recruitment and selection process. This is influenced by the technology available. But generally, computers have given employers and job seekers a wider scope of options in the first stages of the recruitment. Technology has also improved access for involved parties and has contributed to increased effectiveness.

There are some factors that determine where a company should focus in their search of new employees. The location of the firm is a crucial factor when recruiting; another is the state of the labour market. For managerial positions and professionals, companies generally look into the global or national market. When hiring less skilled workers, companies mostly hire from regional and local markets. If recruiting in the regional or local market fail to achieve the desired result, then it is likely to expand the search to national markets.

Sources of recruitment can be divided into two categories: (1) internal and (2) external. These can furthermore be divided into several sub-categories.

Internal recruitment

i) *Present employees* A good source for recruitment can be promotions and transfers among present employees. The advantages are that it builds morale among employees and encourage ambitions individuals to perform. It also improves the selection since the individual's qualifications are clearly available. Recruitment within the company is cheaper and it ensures the employee's familiarity with the organisation. Transfers are preferable if the company want their employees to acquire multi-skills.

ii) *Employee referrals* This can be a very effective way of recruiting and a good source of internal recruitment. In a large organisation a large number of potential applicants can be reached to a very low cost, and the employees usually helps the company to promote the job for their family and friends. They know the requirements and therefore it enables them to identify persons suitable for the job.

iii) *Former employees* Former employees that used to work in the organisation sometimes may be willing to come back. Some retired employees might want to come back and work on a part-time basis, or it could be a person who left the company and now wants to return. The advantage is that the performance of the person is already known.

iv) *Previous applicants* It is not truly an internal recruitment but it can still be a good source. People who previously applied for a job can be contacted again if there is an unexpected opening. It is a very quick and inexpensive way to fill a position.

External recruitment

i) *Advertisement* Popular method among recruiter because of the wide reach. The advertisement should describe the job contents and the benefits of the job, and identify the employer to the applicants, as well as create a desire to apply for the job. It has to sell the idea that the company and the job is perfect for the job seeker.

ii) *Campus recruitment* Recruiting on campus is often an expensive process but still an attractive source for recruitment, especially among global companies where the search for talents is of great importance to their competitiveness. The presence of companies at campuses has increased throughout the last decades to the extent that each collage, university or institute will have to have a placement centre to handle all the recruitment functions.

iii) **Consultants** Consultants is equivalent to recruitment agencies and headhunting firms. Recruitment through this source is mostly for managerial and executive personnel and it gives access to the consultant firm's private and professional network. It is reliable but quite an expensive method.

iv) **Competitors** Recruiting from rival firms is popularly called 'poaching' and can be a very successful of the right person is found. The method involves identifying potential candidates in the rival company and then approach them a job offer with better terms. There are ethical issues addressed with this method. One is for example whether it is appropriate of an employee to leave the company which have given him education and training to join a rival firm? There are also country specific legal issues involved but they will not be included in this paper.

v) **E-recruiting** The Internet has revolutionised the recruitment practises and the impacts are strikingly to how both employers and candidates can benefit from it. Companies can benefit from low costs, speed enhancement and perhaps the most important, worldwide reach to potential candidates. From the job seekers' point of view, it gives them access to larger labour markets and a wider scope of potential employers.

Internal versus External Recruitment: Advantages and Disadvantages[19]

Internal recruitment	
Advantages	*Disadvantages*
1. It is less costly. 2. Candidates are already oriented towards the company. 3. Organisations have better knowledge about the internal candidates. 4. Enhancement of employee morale and motivation 5. Good performance is rewarded.	1. It perpetuates the old concept of doing things. 2. It abets raiding. 3. Candidates' current work might be affected. 4. Politics play greater role. 5. Morale problem for those not promoted.
External recruitment	
Advantages	*Disadvantages*
1. Benefits from new skills, new talents and new experience to organisation. 2. Compliance with reservation policy becomes easy. 3. Scope for resentment, jealousies and heartburn are avoided.	1. Better morale and motivation associated with internal recruiting is denied to the company. 2. It is costly 3. Chances of creeping in false positive and false negative errors. 4. Adjustment of new employees to the organisation culture takes longer time.

Searching The search process begins when the recruitment plan is set and the strategy is chosen. The search includes two stages: (1) source activation, and (2) selling.

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[19] *Aswathappa, K., 2007.*

The source and search methods are typically activated by a manager who verify that a vacancy do exit or will exist. If the company is well prepared and have developed its sources and methods to operate in an effective way, activation will result in a large number of incoming applications and resumes. All applications must be screened and those who pass will be called to an interview.

The selling stage involves the communication and information given the applicants. The challenge for companies is to attract desirable candidates with available methods without overselling their virtues. When selling, the company considerations must be taken regarding both message and choice of media. The message (the employment advertisement) is important but the effectiveness of the message is dependent on the media. Different media should be used depending on the type of job. Less qualified job can use less credible medias while managerial positions preferable are advertised in business magazines, for example.

Screening Screening of applicants is an integral part of the recruitment process. Some consider it to be the first step in the selection process. The reason for screening is to remove those applicants from the recruitment process who are visibly not qualified for the job. If a company have an effective screening process it can cut costs and save a lot of time. It is both good practise and legal necessity that applicants' qualifications should be judged based on their knowledge, skills, abilities and interests required to the job.[20] Different techniques and methods are used to perform the screening and they vary depending on the recruitment sources and methods used.

Evaluation and control The purpose is to evaluate if costs connected to the recruitment are reasonably compared to the benefits of methods used. The question is whether the methods are valid and if the recruitment process is considered to be effective. Many companies have measures for evaluating this but these practices are seldom carried out in practice.

6.2   SELECTION

6.2.1   Selection as a source for competitive advantage

Recruitment is refers to the process of identifying and encourage prospective employees to apply for a job, while selection refers to 'hire the right guy'. To improve work performance, it is important to hire people with the right competence and willingness to work. This should be done in a cost effective recruitment process. The costs of wrong selection are much greater than the extra effort (money) put into the selection process.

6.2.2   The selection process

Environmental factors The selection is closely related to the supply and demand of specific skills in the labour market, i.e. unemployment rate, labour market conditions, legal and political considerations, and company's image. Company's policy, human resource planning, and cost of hiring constitute the internal environment of the selection process.[21]

Preliminary interview Screening is, as mentioned above, the first step to eliminate unqualified candidates, and it is followed by a preliminary interview where the purpose is to furthermore eliminate unqualified applicants. The preliminary interview can identify misfits between the applicant and the required qualifications which did not appear in the application.

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[20] *Aswathappa, K., 2007.*
[21] *Aswathappa, K., 2007.*

Selection tests Many companies call the applicants that passed the preliminary interview to conduct tests. These tests are used to determine whether the applicant have the right ability, attitude and personality to meet the job specification.[22] There are several tests available and they are designed to measure and identify different aspects of the applicant. Which test a company decide to use during the selection process is dependent of the qualifications needed for the job, but also to measure the candidates' reliability to perform on a certain and stable level.

Employment interview An interview can be conducted in many ways but the mean is the same: to through an in-depth conversation/discussion evaluate the applicant's acceptability.[23] The nature of interviews makes them very flexible and many recruiters considered it to be an excellent selection device.[24] The reason for this is the two-way exchange of information, which gives the both the applicants as well as the employer the opportunity to learn about each other.

The main objectives of interviews are: (1) helps obtain additional information from the applicant, (2) facilitates giving general information to the applicant such as company policies, products manufactured and the like, and (3) helps build the company's image among the applicants.

Reference and background check The purpose for this is to gain insight information from people who have experience about the applicant's former performance and personality. It gives the employer important information of the applicant's potential, and a deeper understanding of the applicant's professional and social skills.

Selection decision This is the most critical step where the company, from a pool of individuals who passed the tests, interviews and referrals check, has to take the final decision.

Job offer When the decision is taken the company has to inform the applicant whom crossed all the previous hurdles about the job offer. This is usually made by a phone call or through a letter of appointment. The appointee must get enough time to respond to the offer, especially if the he or she is already in an employment. This will also give to company a reasonable time to prepare and facilitate the joining of the company. Perhaps the company want their new employee to complete some training before the employment begins, then they have to bear this in mind when planning the recruitment.

6.3   REMUNERATION

6.3.1   Training and development of employees

Training and development refer to the imparting of specific skills, abilities and knowledge to an employee.[25] Hence it is possible to make a distinction between training, education and development as they differ in nature and orientation. Training is sole the imparting of specific skills needed to perform a task. It is practical orientated and does not include a wider understanding. Training refers to the question 'how?' while education is the teaching with a theoretical orientation and general concepts, and it refers to the question 'why?'.[26] Training is generally more feasible for worker while education is more important to managers and executives. Development is a component of both training and education but refers to the learning opportunities designed to help employees to grow, both as professional but also as individuals. Self-fulfilment is the ultimate stage of

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[22] *Aswathappa, K., 2007.*
[23] *Aswathappa, K., 2007.*
[24] *Aswathappa, K., 2007.*
[25] *Aswathappa, K., 2007.*
[26] *Aswathappa, K., 2007.*

development and it involves such things as individual motivational factors, awareness, and knowledge regarding potential and limitations.

6.3.2 Training and development as a source of competitive advantage

Training and development programme is a tool for companies to remove performance deficiencies among employees. It improves employees skills and understanding for the organisation and the processes within the company. This encourages employees in their daily work and increases their motivation as well as their efficiency in the operations.[27] Further, it makes people stay longer as flexibility increase as a result of additional skills among employees. Continuously training and development of personnel tends to meet the employees needs and thereby their relationship to the company gets strengthen.

Companies must diagnose the needs of their employees and ensure that their skills and abilities comply with the expected performance. If there is a performance deficiency due to shortage, it is be necessary to train the personnel. Then employees are trained to acquire skills required for the specific job. Training must also be executed in a proactive manner as the company need to train their personnel to be prepared for more challenging tasks.

6.3.3 Components of remuneration

Remuneration refers to the compensation an employee receives in return for his or her efforts and contribution the company.[28] The compensation is generally of great importance in the life of en employee. First he or she need the salary to afford his or her living, but it also an indicator of the employees status in the company and the society. The compensation can be both financial as well as non-financial.

6.3.4 Theories of remuneration

There are three kinds of theories that can help us understand the components of employee remuneration and how companies can benefit from it. The first (1) is *reinforcement and expectancy theory* that emphasise the importance of a person actually experiencing the reward.[29] An implication in this case is when high employee performance is followed by a high monetary remuneration, which is likely to the employee performance in the future. The backside though, is if high performance is not followed by high monetary reward, the employee's motivation and performance will decrease. The second theory is (2) *equity theory* that emphasise perceived inequity in reward for an employee is a source to lower productivity and higher absenteeism. The employee will seek to restore the inequity and try to find a state of fairness. The third (3) is the *agency theory* where the interest and goals for the company is a victim of opportunistic behaviour within the organisation.

6.3.5 Factors influencing employee remuneration

There are several factors that influence the remuneration of employees. These factors can be divided into external factors and internal factors.

External The demand and supply of labour on the *labour market* highly influence wages and salaries. When demand of labour exceeds the supply, wages and salaries increase and it gets more

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[27] *Aswathappa, K., 2007.*
[28] *Aswathappa, K., 2007.*
[29] *Aswathappa, K., 2007.*

expensive to hire people. This is also the case of skilled labour due to a shortage in supply. The wage will be lower when there is a supply surplus. The problem the labour market is facing today is that unskilled is available in plenty, while there is a shortage of technicians, computer specialists and professional managers.[30] The remuneration to attract and retain skilled worker tend to be high, while there is a systematic exploitation of unskilled workers. Legislation regarding minimum wages is meant to prevent this and protect the worker. But still, the legislation is very poor in many countries and the authorities' ability to empower the laws may be low.

Cost of living is another important factor and it is linked to rising prices as the real wages decrease if the nominal wages does not increase at the same rate. In case of a rise in cost of living it sought to be compensated by a rise in wage as well, otherwise it is likely that the employees resign their job. *Labour unions* are also a strong factor when determining wages and at what rate it should increase. The presence or absence of labour unions differs to a great extent depending on the country's labour traditions and legislation. The next factor is *labour laws* and their impacts on wages. It is likely to have legislation regarding minimum wage to avoid exploitation, but if there are to many laws, the labour market can tend to become inflexible is case of changes in the labour market conditions.

The *society* has an obligation to implement institutions that can handle disputes regarding wages and salaries. The absence of these institutions to empower the laws will result in lower wages. The state of *the economy* has impacts on the remuneration. For example, the cost of living will rise in an expanding economy, and the supply of workers will probably rise in a depressed economy. This, in turn, will lower the wages as a result of the supply surplus, but the decrease will be limited by the statutory minimum wage within the country.

Internal The *business strategy* in the company determines the employee remuneration. The strategy should be outlined and linked to the ambition of the enterprise, for example, if the company want to achieve rapid growth, it need to offer higher remuneration than their competitors in order to attract people. If the company aims to maintain and protect current earnings, remuneration has to be on an average level or even below average in order to cut costs. For more information, see the table below.

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[30] *Aswathappa, K., 2007.*

Linkage between remuneration strategy and business strategy[31]

Business strategy	Market position and maturity	Remuneration strategy	Blend of remuneration
Invest to grow	Merging or growth rapidly	Stimulate entrepreneurship	High cash with above average incentive for individual performance. Modest benefits.
Manage earnings – protect markets	Normal growth to maturity	Reward management skills	Average cash with moderate incentives on individual, unit, or corporate performance. Standard benefits.
Harvest earnings – reinvest elsewhere	No real growth or decline	Stress on cost control	Below-average cash with small incentives tied to cost control. Standard benefits.

Job evaluation helps the company to satisfactory establish wage differential among jobs.[32] *Performance appraisal* can be used as a tool to award good employee performance. There are also some remuneration factors that are closely related to *the employee*. These factors are: the employee's performance, seniority, experience potential and even sheer luck.[33]

6.4   International HR activities – Recruitment and selection

When hiring abroad there are three main strategies companies can adopt: (1) ethnocentric, (2) polycentric, and (3) geocentric.

In the ethnocentric approach parent-country nationals hold all key management positions. This is most common in the early phases of international business. It is an appropriate way to transplant business processes from the home country, and implement the company culture into the organisation. In the polycentric approach, companies recruit from the local market to occupy the key positions in the host-country. Yet are the top key management positions in the parent-country filled by home-country personnel. The geocentric approach is strategy that many TNCs have adopted. The philosophy is to hire the best people for the key positions throughout the organisation regardless of nationality.[34]

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[31] *Aswathappa, K., 2007.*
[32] *Aswathappa, K., 2007.*
[33] *Aswathappa, K., 2007.*
[34] *Aswathappa, K., 2007.*

7 Appendix 2 – CEO Search Global[35]

We have conducted an interview with Ms Venkateswaran, CEO and co-founder of a CEO-recruiting agency, in order to learn more about the general nature of the Indian recruitment market. As Ms Venkateswaran has been in the recruitment business for over 18 years she does not only posses vast knowledge concerning the recruitment processes of CEOs but she also offers a good insight in the recruitment industry in India. She has further dealt with foreign companies starting up businesses in India, which was the field that we aspired to investigate further. Her company works with both single assignments CEO- headhunting as well as larger contracts where single CEO-headhunting is included.

7.1 Foreign Firms in India

The main reasons for companies to enter India are; low-cost labour and an English speaking population. But even if the labour is cheaper they are not very easy to attract. The foreign firms' recruitment methods differ depending on industry and labour source needs. If for example a foreign firm is looking for a new software facility in India, a common way is to initially out-source the staffing issues to a contracted agency who in turn find the best methods to deal with the company's recruitment issues. In this case is would probably concern to contract people using staffing companies (out-sourced labour), as this allow a newly established firm to keep the lowest number of employees as possible enrolled. The larger IT companies including IBM and similar industries normally have very few people enrolled as this is connected with larger responsibility and other recruitment issues. According to Ms Venkateswaran "keeping as few eggs in the basket as possible" is a scaled-labour strategy, common to many of the larger companies. This has created a big market for consultants within HR and manpower agencies, who now have an increasing number of people enrolled. Business Process Out-sourcing is another sector that is beginning to use this kind of recruitment policies. The main reason is that it is difficult to retain people also at the lower level compared to top managers or CEOs whom are easier to handle. Many times, foreign firms that enter India only look at recruiting people from the top management team, typically positions like the marketing function where local knowledge is crucial.

Some companies strictly works with on-line business, implying that they need another kind of labour force. Even some of the retailers have out-sourced the entire HR processes to agencies.

The companies' strategies also differ depending on region in the sense that they offer different wages and opportunities in different regions. This has lead to employees resign in one region only to start working for the same company in another region. Foreign firms, not very aquatinted with the Indian culture contract an HR agency to deal with issues like this. The processes also differ because of different company-cultures and history.

7.1.1 New entrants

To exemplify the process of how a firm deal with their recruitment Ms Venkateswaran describes when a HR consultant agency is contracted to find a CEO for a newly established foreign company. The first step is to establish a time-line with when to finish the recruitment. Thereafter the search and selection phase begins and when the right candidates are located these will meet local representatives here in India but when necessary they might be flown to the home country for senior interaction and interviews. The usage of video conferences is getting increasingly popular

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[35] *Interview, Ms Saraswathi Venkateswaran, president of CEO Search Global*

and in general people will not have to visit the head quarter during the recruitment process. When headhunting for CEOs, the process can stretch out to take a long time and this depend for example on if the members of the board must meet and decide on candidate. Depending on the number of interviews and the decision making the process normally lasts for 2-3 months.

In another example Ms Venkateswaran describes the routine for a company with annual sales of around 5 Mn USD where the process starts with figuring out what kind of position it involves. On the other side one must simultaneously investigate what the candidates really wants from a position and in the career. She must clarify both the candidate's intentions as well as personality which is investigated during the initial week of the contract. After this the HR agency goes into more detailed search, which lasts for 1-2 months. During this phase she meets and screens around four CEOs out of which she presents two to the client. These candidates are usually first screened with a meeting and interview and sometimes, when family issues are important she also meet the them. She further differentiates herself from other HR agencies by keeping track of the final candidate for one month. This is carried out by a detective agency that tracks the candidates 24/7. Main reason is to measure integrity and even if she has a vast network in the business, and knows most of the top CEOs, she still feels a need to investigate their habits as they will be handling the company's money in the future and therefore must be trustworthy.

For mid management positions her company associates usually carry out the first level of initial market screening by searching on the internet. In this channel also placement ads are posted. If this screening is unsuccessful the second level includes headhunting activities.

Nowadays most of the recruitment activity is carried out on the internet and mid-level positions are very common to find here. Only CEO recruitment will still be carried out physically even though Ms Venkateswaran beliefs that this will be interactive in India in about 5 years. The internal processes have changed lately with companies having their search function in-house as they easily can detect candidates via the internet.

7.1.2 Hiring graduates

One the industries, which employ a large number of graduates every day is the call-centres. This is convenient as the students can start working with a call-centre while studying to later transit to full-time. The call-centres further have strong on campus presence. Overall, even the students whom are not from the Indian "Ivy League" colleges are very attractive. Wages are increasing and talents equally as good can be found in the 2nd and 3rd layer of universities. For small- and mid-sized companies recruitment, due to the war on talents, is difficult and the reason to why they many times hire a consultant. These smaller companies also pay better to compromise the lack of an established, famous brand.

7.1.3 A new breed

Candidates today ask numerous questions to the employer including the career opportunities, opportunity to work abroad, incentive programs etc. The companies even offer retention bonuses which are given by the majority of the larger companies. The amount is based on the candidates' wage and is most often given on a yearly basis. Being send abroad is not the primary benefit that the candidates are looking for as India in itself offer very good career opportunities. Learning opportunities however, is very popular as Indian people according to Ms Venkateswaran have a strong urge to learn.

7.1.4 Cultural differences

Differences are strongly present among the employees but are not considered to be a major issue within the larger companies. Mixing ex-pats and locals is connected to certain friction and many times it is the ex-pats who are working in the top level management. These managers do not spend much time no micro-management where they interact directly with the labour at the bottom of the pyramid, which implies less chances of potential conflicts. It will naturally take time for the ex-pats to learn how the diverse Indian culture works but the differences are still not seen as a major issue. One example of differing culture could be that Indian people without notice can go for a cigarette break which is not considered appropriate for ex-pats.

When recruiting ex-pats from around the globe to come and work in India it seems not to be of crucial importance for Ms Venkateswaran to deal with the cultural change. Most facilities are in place for a potential move of the family. The wives' wants are however more challenging…

Appendix 3 – Caran Design India[36]

Caran has so far only recruited professionals with at least two years experience. All the employees are of Indian origin and initially experienced a 3-6 months training in Sweden to improve their professional skills as well as adopting the company culture. Caran does not seek to hire graduates, mainly because of lack of experience, they seeks to hire 'the right guy'. If Caran in the future expands and extends the workforce, they see it as a possibility to hire graduates.

The recruitment of the employees at Caran was made by a recruitment agency. Then the employees were sent over to Swedish, where executives in Sweden made the final decision. The Country Manager was found through a database and headhunted for the job.

Even if Caran India do not actively trying to attract graduates, they offer internships. This summer three student compassed a project within the automobile industry here in Bangalore. The main reason why they wanted to do it in India was the opportunity to learn about the Indian business community and gain a basic understanding of the culture. Caran claims that there is no problem to find students for internships, the problem is that there are no people within the company to guide the interns.

When you discuss the retention at Caran, you will always come back to *influence*. They are working hard to have an open and honest communication where everybody has a chance to say their opinion. They seen to have strong connections to each other and since it is such a small office they have to solve problems themselves (with some assistance from Sweden). It is not always possible but Caran tries to take decisions together, because then its it is easier to progress when the final decision is done. At Caran they do not find cultural differences to be a problem: 'Business is bigger then the culture'.

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[36] *Information based on interview with Mr. Barun Kumar, Country Manager India, Caran Design India, 2007-10-17*

8   Appendix 4 – Syntensia[37]

Mr. Miral Nandani, Chief Operation Officer at Syntensia considers the recruitment to be of highest importance, especially since it is a young company experiencing growth. As they currently the sufficient resources in India they have to divide the recruitment process to be carried out both in India and in the UK where the operational management takes place. In India, they focus on employing Indian people and do currently not hire people in Europe to move them to the Indian market. The most typical candidate profile is an academic with a few years of relevant work experience but for certain assignments/positions graduates are also sought for. Candidates have various backgrounds and different educations depending on position and Syntensia do not see cultural differences as a hindrance but rather an opportunity as they believe the organisation can grow in a global way. By mixing nationalities there is a hope to unleash synergies, creativity and problem solving capacity.

The recruitment process in India is considered to be more informal than in Europe and the UK in particular. Whether this is an advantage or not depends on the vacant position. For their business in Europe it is a more extensive use of recruitment consultants.

8.1.1   Current methods

The recruitment process can involve both informal as well as formal channels. Depending on the candidate profile of interest, headquarter normally contact a local representative who in turn initiate the recruitment process. If using formal channels they start with contacting either a headhunting agency or other media, depending on the seniority of the position. When they have a vacancy where they look for a senior candidate for a senior position they normally start with contacting a consulting agency or use external and internal references. For a more junior position they use other formal medias including newspaper ads or an internet source i.e. Naukri. In general when recruiting for local offices in India they have used referrals from current employees also for attracting graduates. However, using traditional medias they expect a hit-rate around 300 applications. These are narrowed down to a short-list during the first screening made by a manager in the local Indian office. During the second screening a senior manager in India or in the UK conducts interview face-to-face or via telephone. If they are invited for a telephone interview with a senior manager in the UK the Indian team can pass the candidate forward with a recommendation but the decisive power is restricted to the senior management.

8.1.2   Recruitment Strategy in case of continued growth

Syntensia do not work with any university-relations or on-campus presence at the moment but have strongly felt the need of additional elements in the recruitment-process if they expand even further. Core processes will remain the same including that senior management will be the ones approving and employing the candidates. Additional elements of the strategy would involve a closer interaction with the MBA universities as they predominately look for professionals or talents with a double academic degree. They are also planning to offer internships, with potential for the candidate to work in the UK or Sweden during the period, as a mean to attract students from the better universities. The internship period would be flexible and can be conducted during the summer months to be more appealing. When these strategies are about to implemented, Syntensia initially want to deal with the on-campus activities themselves but are willing to use external actors

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[37] *Information based on interviews with Mr. Miral Nandani, Chief Operation Officer UK, 2007-10-13 and Sunija Rishi, Marketing Manager India, 2007-10-09*

to aid in the recruitment process. This could include out-sourcing the first stage of the recruitment process in order to more efficiently pinpoint the right candidates. Even now Syntensia uses external agencies but this is limited to facilitate the recruitment of people for senior positions. In India, compared to Sweden or Europe, there are no well-recognised networks or recruitment companies to out-source the main part of the recruitment process and will be initially dealt with in-house.

8.1.3 Retention Strategy

When a candidate has been recruited the initial phase is devoted to train the newcomer. Depending on the educational background, the candidate can undergo different courses and training sessions. They offer the employees the chance to move within the organization and there are possibilities to change location. The wages and incitement systems are at the moment very country specific.

Appendix 5 - ABB

The information that follows is based on three interviews carried out during November month. Our primary contact person at ABB has been Mr. Purshotham, HR Manager Welfare and Sustainability, who has been a great source for information concerning general processes, the ABB company culture and values. The Interview with Mr. Purshotham was conducted on the 7th of November 2007. The following two interviews were conducted on the 15th of November 2007. During this session Mr. Edwin, Location Head-HR and Ms. Jayitha Roy, HR associate, clarified the massive reconstruction of the HR department which ABB has under-taken as well as the attraction and retention strategies of the company.

The Interviews has further been supported by internal classified documents given to us during the interview sessions. The information below could therefore be considered to be of sensitive nature and is not to be published.

8.2 Recruitment

8.2.1 Target Candidate

Due to the large variety of operations and activities the recruitment process is a complex system of different elements to take into consideration. There is a need of candidates with different skills and background and even though there are a number of different positions to be filled the educational background of the employees is predominately engineering. However, due to the high degree of specialization, which the projects and work requires, ABB looks for multiple types of degrees. Mechanical-, Chemical-, Oil-, Landscape- and Industrial Engineers is only but a few of the types of engineers that are sought for and the demanded type of education continuously changes and broadens. Even though a large number of graduates gets hired annually most of the recruitments regards people with previous work experience.

8.2.2 Legal Issues Public vs. Private

India, in general, have few and poor regulations for the human resource industry. If necessary a company can lay-off personnel with short notice and without any specific reason. ABB itself have as many other global companies adopted HR policies practically driven by a self-regulatory system. Once a candidate has been employed, a potential dismissal must be supported by very good reasons. This policy can be up-held mainly by a great trust in the employees and the reliability of the organisation.

The sector where challenges can be found is in the "workman"-category where the employees are protected by the union forces. Belonging to a certain labour group the worker will be placed in a category automatically, thus it does not take any active decision to be protected by the union. When it comes to the projects carried out by ABB, the unions are not likely to intervene as there are no legal boundaries to claim. This problem is particular for the private sector since different laws and regulations are applicable in the public sector. Other differences involves the type of career paths where the public sector offers a slow but secure promotional process while talents within the private sectors can be promoted instantly based on performance.

8.2.3   Facilitating the Complex Recruitment Issues

With a huge recruitment activities to be carried out in the immediate future and to reach the employment goal of 15 000 new employees until 2011, ABB has initiated a number of HR activities aiming to facilitate the process.

8.2.4   New Human Resource Centre

The HR department at ABB in India has over the years used different techniques for recruiting people. Some of the strategies included using the services of external recruitment companies i.e. Manpower Agencies and it has been the Research Centre who has been responsible for the overall recruitment activities. Up to 10 per cent of the employees have so far been represented by the Manpower agencies. This level of outsourcing is not unique for ABB but is a general trend among the larger companies, manufacturing in particular. By outsourcing certain non-core function they hope to be better in handling more specialized labour and increase the level of refinement in the processes. The length of stay among the outsource personnel is often around a year after which the candidates will be evaluated. If found to be talented and of importance to the organization they are likely to be enrolled for full time employment.

Additional external help has come from consultancy agencies that have aided ABB with issues like decreasing employee turnover, and increase the retention rate, but also to evaluate the overall recruitment processes. Due to the new recruitment challenges, which ABB stand before, the company has begun reconstructing the division and initiated the set-up of the so-called HR Centre. The core structure of this reconstructed division will be implemented in ABB globally but there is also local adoption that needs to be made for the Indian market. Some of the strategies involve decreasing the use of the external companies to instead bring the activities in house and by doing so they believe to secure the quality of the employees.

8.2.5   The Business Units (BUs)

Along with the new HR Centre a need of separating divisions emerged. By dividing the company into different BUs, reporting, training and evaluation of operational (BU evaluation) and employee performance (Role evaluation) would become much easier. Every BU consists of 2-600 employees and within the BU there are people of multiple skills at different positions.

8.2.6   Internal Recruitment Channels

Strength in the attracting the candidates is mainly the company culture of ABB. The main challenge lies in retaining them. In general when ABB is in the search for highly specialized candidates they often use referrals from current employees.

Student Recruitment

In need of numerous of new engineers ABB do larger collective recruitment activities. For lower level of positions this has included organising internal career fair at their facilities in Bangalore. The last time this was carried out 2600 students were invited for days of company presentations, screenings, short-listing and recruitment. To organize larger events like these ABB devotes a task force consisting of six members. They are in charge of the screening process where the candidates conduct technical tests followed by personality, physical and medical test. Other campus activities involve searching for the next Management Trainees.

Summer Training

For the engineering students with more than a year left from graduation ABB offers a training program (similar to internships), which are carried out during the summer when the students normally are free from studies. This year 100 students worked for ABB with different projects and got the chance to learn about the company. ABB do not offer these programs as a mean to employ or contract the student but see it more as a part of their corporate responsibility. This year they have so far received one recommendation for employment of one of the participants. The students do not get screened in order to get these placements and the process is simplified to the extent that interested students who are recommended by particular campuses are send directly to the company.

The Management Trainees

The recent years ABB has recruited MTs intensively and has today around 70 potential future managers around the country. The idea behind the program is to allow top graduates to get to know the company during a one year period, which includes studying core processes and working with different BUs. Starting with a month of orientation the MTs can discuss with its BU of a certain division where they want to work for the remaining eleven months. Continuously the trainees will be trained, monitored and evaluated in order to see if they want, and are good enough, to stay in the organization.

The MTs are recruited during the placement periods in India (normally in October-November) via the universities through ABB's e-Campus recruitment. The process is carried out as follows;

1. Contacting the placement centres – ABB ask for the names of the top five ranked students
2. Information – communicated through the campus placement centre using company video-presentations
3. Invitation – selected candidates are invited to a video conference
4. Video conference – normally carried out on the campuses. To this approximately 800 candidates are invited per year whereas 400 are invited to the screening process.
5. Screening – starts with a two-hour test where ABB investigate their personality and technical skills. This is followed by short-listing of selected candidates and is when the candidates for the first time will get physical contact with the company. Finally the candidates undertake interviews and psychological tests.

The Midlevel and Senior level recruitment

When ABB recruits mid- and senior level managers the process will look different depending on where the candidate is to be found and the cost of allocating the candidate. In general these persons are currently working for another employer and the time-horizon of when to win the person over

can differ. Normally the process lasts for a minimum of 90 days depending on what contract the person is currently working under. Ones the candidate is located, ABB will conduct interviews and depending on where the person it might be enough with a videoconference to make the process shorter. If it is recruitment for a more senior position the video interview might involve interaction with the head quarter in Zurich, Switzerland.

8.2.7 Retention Strategies

ABB is well aware of the competitive context in which they work and that retention of high calibre candidates is a difficult task. Senior and middle management constitutes around 60 per cent of all job positions and some of these employees are also very interesting to competitors. A couple of decades ago employees normally stayed in the company for life but the behaviour today looks different. The younger employees are more hungry, career-oriented and full of demands due to more opportunities and it requires more effort to attract and retain them. Senior managers are, ones hired, easier than these younger candidates to retain.

Not uncommonly head-hunters or manpower agencies circulate among the employees in the hunt for talents to win over to clients. The process involves locating the right candidate, establishing contact, discuss and potentially offer the candidate a higher position with a higher wage. When these situations get detected by ABB the head of the BU steps in and try to find a customized solution to the situation. In most cases the candidate keeps monetary reasons for leaving as a hidden agenda for the company, even though this often is the case, and instead they use lack of responsibility, space for own initiative, working hours etc. as reasons for leaving. Many times ABB finds a solution by compromising and redefine the candidate's position, increasing benefits etc. If the candidate still decide to leave this will be followed up and evaluated in order to minimize the chances of further defection.

The strength of ABB's retention strategy lies in three main factors:

1. Brand value attracting candidates with a passion for core-engineering (a job-sector that has become more popular lately)
2. Clear career paths, supported by training and education
3. Competitive wages (ABB also has a stock program where all employees have the right to use 10 per cent of their wage to buy shares at a discounted price)

Another mean to make employees stay is to offer them the opportunity to work abroad. Employees that are interested in this have a chance to apply for relocation once per year.
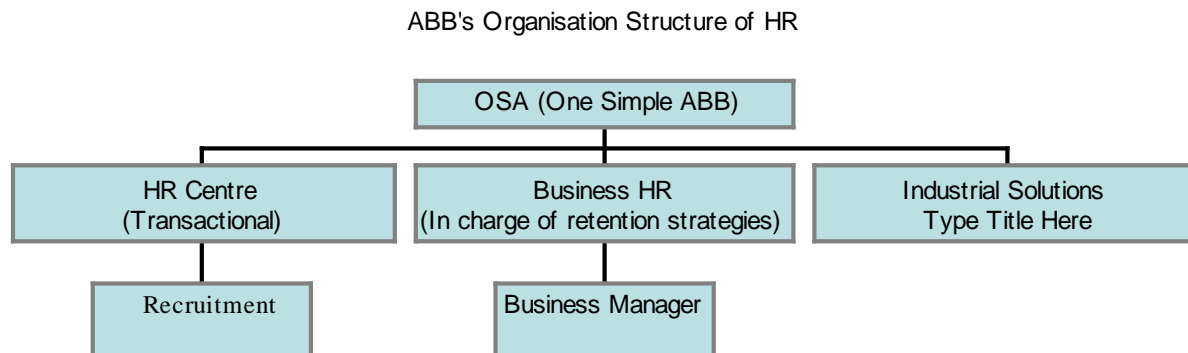
8.2.8 Training Programs

The main goals for the internal training programs is personal development, implement company culture and to change peoples' attitude. As ABB insists on the freedom of the employees they also want to supply them with the appropriate tools to handle this. In order to adapt the employees to the company's values and way to work, ABB requires "site-experience". This involves for the newly employed engineers to spend 6 months-2 years working with projects on a specific location in India. Site-experience put much pressure on the candidate as it often involves being far away from home and civilization but also offers personal development. After the period most of the candidates transfer to desk jobs in the main offices in Bangalore.

8.2.9 Cultural Differences

The HR department do not see cultural differences between people and the levels of the company as any issue. However, to reduce friction between people and levels managers are well trained to deal with any kinds of distortion or conflicts. This is also to minimize impatience that could spring from dissimilarities among the employees.

8.2.10 Organization Structure of ABB's HR division

ABB's Organisation Structure of HR

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                    ┌─────────────────────────┐
                    │   OSA (One Simple ABB)   │
                    └─────────────────────────┘
         ┌──────────────────┼──────────────────────┐
┌──────────────────┐ ┌──────────────────────────┐ ┌──────────────────────┐
│   HR Centre      │ │      Business HR         │ │  Industrial Solutions│
│  (Transactional) │ │(In charge of retention   │ │    Type Title Here   │
│                  │ │      strategies)         │ │                      │
└──────────────────┘ └──────────────────────────┘ └──────────────────────┘
         │                      │
┌──────────────────┐ ┌──────────────────────────┐
│   Recruitment    │ │     Business Manager     │
└──────────────────┘ └──────────────────────────┘
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The global system for ABB's HR division is called One Simple Solution (OSA). The organisation is divided into three sub-divisions where it is the HR Centre that is in charge of core recruitment processes i.e. joining, payrolls, induction etc.

The recruitment process normally starts with the Hiring manager of a division who need additional labour resources. The first step is then to specify the details regarding the recruitment using the internal electronic HR system. Details include; position, job profile years of experience etc. Ones this is done the Hiring Manager will forward the information to the BU Manager who will confirm and approve the case. The case is then handed over to the HR Centre who confirms the information and designates the case to a suitable co-worker. The process is then carried out according to the following four steps:

1. Source of Selection – Screening (including tests and interview) – Short-listing of candidates. The interviews will be carried out by managers with appropriate expertise
2. Closure – the contracting is carried out by the Negotiating Team from the HR Centre
3. Interface Team – in charge of staying in touch with the candidate while he/she is in the contracting period. This is to avoid loosing candidates who are considering the offer while waiting to end their current employment, which normally takes around one month.
4. Induction – communicate and educate the candidate in ABB culture, processes etc. This step lasts for three days before starting the job.

9 Appendix 6 – Talent Perspective

9.1 The educational system in India

Along with the industrial boom in India, it has also been an alarming rise in the number of institutes, schools and colleges offering managerial education. The increase in B-schools (Business schools) has led to segregation between reputable public and private institutions and more anonymous regional colleges. Some of the regional and private schools are however, catching up fast which is demonstrated by the increased amount spend on professors and which employers they are attracting.

The Elite Universities in India are constituted by six IIMs (Indian Institute of Management) along with the seven IITs (Indian Institutes of Technology - Engineering and Technology), the SPAs (School of Planning and Architecture - urban and regional planning, architecture and industrial design), the IISc (Indian Institute of Science -Science), the ISIs (Indian Statistical Institute, the National Law School of India University - Law) and the AIIMS (All India Institute of Medical Sciences - Medicine). Also the Indian Institute of Foreign Trade and Management Development Institute (Delhi) are highly respected and in total there are around 20-30 universities that can be accounted for in this group.

9.1.1 The Elite B-schools (Business Universities) – IIMs

Six MBA schools situated in Indore, Lucknow, Kozhikode, Ahmedabad, Calcutta and Bangalore constitute IIM. The latter three are especially reputable and offers some of the best educations in Asia. All of the IIMs have compulsory internships, which are predominately arranged by the placement committee at each school. This centralized way of matching the students with placements is naturally a way to distinguish themselves from other schools as this works as an institutional quality measure. Because of fierce competition between the students in the schools but also between the universities the interaction between the students is non-existent.

The internship situation at IIMB (Bangalore)[38]

Companies that are interested in recruiting from the school visit the campus for pre placement talks. Students then vote for which companies that should be invited to their career fair where 140 companies (offering 350 internship) compete for 250 students. All students conduct these summer internship and the employers are predominately banks employing around 120 out of 250 students. During the internship more than 100 conduct the internship abroad with a majority working in London, New York, Singapore and Hong Kong. The popular employers include global banks and consulting firms followed by Fast Moving Consumer Goods companies, IT-companies and domestic consulting firms. Manufacturing companies are not among the favorites but do offer students to conduct feasibility studies i.e. to prepare for a product- or service launch.

9.1.2 The Elite T-schools (Technological Universities) – IITs

The Indian Institutes of Technology (IITs) are the countries foremost group of seven autonomous institutes specializing in technology and engineering (whereas the top five are situated in Mumbai, Delhi, Chennai, Kharagpur and Kanpur). For the undergraduate admissions, they use a test called JEE, Joint Entrance Examination, (better known as IIT-JEE) from which around 4,000

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[38] *Interview, Karhtik G., Placement Representative, IIMB, 2007-10-01*

undergraduate candidates are selected per year. There are also Postgraduate Admissions to which you apply on the basis of the nationally used GATE (Graduate Aptitude Test in Engineering) and CEED. In total the seven IITs teach 15,500 undergraduate and 12,000 graduate students not including the research scholars.

9.1.3 The admission tests

The CAT (Common Admission Test) conducted by the IIMs is a very competitive test for admitting around 1250 postgraduate students in to the six campuses. In 2006, 195 000 students compete for less than 1200 general seats in the IIMs, which makes it one of the most competitive exams in the world with a success ratio of around 1 in 200. The top per cent will be invited to group and individual interviews and overall the final acceptance rate ranges from around 0.1% to 0.4% of the applicants depending on the rank of the individual IIM.

At the IITs the ratio of accepted undergraduates (conducting the JEE) is also very low with around 1 in 55 applicants. About 300,000[39] students conduct the test annually competing for 5 500 seats[40] out of which 4 000 are for the IITs.

9.1.4 The coaching Institutes

Due to the high degree of competition to succeed in the CAT, IIT-JEE and other tests for elite universities, a large number of "coaching" institutes have established throughout the country. For a substantial fee (sometimes exceeding the total fee for studying at the universities) these offer intensive, and specific preparation for the test. The quality of these services are at a high level; out of the 2007 IIM batch, 51,5% of the admitted students came from one individual coaching institute. Because of the toughness of the tests, nearly 95% of the admitted students had priory joined these coaching classes.[41] In some cases students spend two years in one of these institutes only training for the tests.

The coaching institutes are Indian companies and were established 6-7 years ago by students who themselves conducted these rigorous tests. Some of the market leaders include; Time4education, IMS and Career launcher.

9.1.5 National Institutes of Technology (NIT)[42]

20 top universities all around India constitute the NITs. Due to their geographical reach, the educational environment is highly diversified with people from different conditions, cultures and religions. The diversification also include that the universities have students highly specialized and unique skills. NIT students conduct two compulsory internships during their education, the first after the 4th semester and the second after the 6th semester. The internships are 4-5 weeks long and mostly on paid-basis. Very few conduct the internships abroad even though there is a strong demand for working for foreign firms.

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[39] *Rukmini Shrinivasan & Hemali Chhapia. "3 lakh students to vie for IIT entry this year", The Times of India, 2006-03-31*
[40] *Codes for various courses and availability of seats (PDF), Indian Institute of Technology, Madras*
[41] *Idichandy, V G. "Why the IIT-JEE pattern was changed", Rediff.com, 2005-10-11*
[42] *Interviews, Shikhar Tandon, student at NIT Kurukshetra, 2007-10-01/19*

Companies on Campus

During recent years the NITs have been blessed with a strong interest among employers. The ratio of offers per student is currently 1,5-2/student and for many years all students have had at least one job offer before they graduate. Earlier the job offers have predominately been constituted by IT related placements but today many of the best student aim to work within mechanical core i.e. the chip-industry. There has been little, if any, on-campus presence by Swedish firms or other smaller foreign companies.

Recruitment Process

The NITs have placement centres, which is an established link between the students and the market. The recruitment process starts in March-April when the placement-centres invite companies to company presentations at the campuses. They are then asked to fill in a form describing the company and the package that they offer after which receives a date when they are to present the company. Before presenting they can engage in a number of employer branding activities i.e. sponsoring the campus-magazines. They can also recruit a company ambassador who will act as a company representative during the pre-presentation period as well as stimulating a positive word-of-mouth effect. The ambassadors are normally selected after having answered a questionnaire. It is of great importance for the companies to select a good ambassador with large personal network, as it is a communicator of high potential.

Screening process

After the company have presented themselves and their offer they invite the interested candidates to the recruitment process. Depending on the size of the company they will send up to ten company representative to the campus to carry out the process. The whole screening process is finished in one day and normally includes the following elements;

- Written case/general test or core test. Can be conducted by the companies or be out-sourced to recruitment consultant agencies.
- General discussion, group or individual
- Interviews - normally carried out during two rounds; one with the technical division and one with the HR division.

If a student is successful he will be short listed on campus before the company leaves. Being short listed means being guaranteed a job and students normally have up to one year to decide.

The determinants that the students use when choosing companies are 1) the familiarity and reputation of the company (here size and brand name are of crucial importance especially if it is a foreign company) and 2) the package that they offer. The package includes level of wage, potential career paths, growth opportunities, incitement and bonus packages, location and job description.

9.2   Recruitment Channels

9.2.1   Talent Networks and Talent Consultancy

There are no larger private networks for top talents whether it comes to interaction or search for jobs. A potential demand for this is not likely to be found among the students in the elite

universities but rather in the private B-schools or regional universities.[43] At IIM the interaction students-companies is limited to the pre placement talks and the career fair. The reason for this is that the competition between the companies, to employ the best students, is fierce to the degree that they would use this interaction to do on-line screenings rather than for informal discussion.

9.2.2   Additional Channels for Recruitment[44]

Besides the university placement centres, which is extensively used in the elite universities, students in regional schools apply for internships and jobs using professors, magazines and on-line recruitment sites. Company also advertise themselves on campus and a common recruitment process is to arrange walk-in interviews in hotels near the university. These interviews are also marketed in papers i.e. Hindu-Opportunity and Times of India. The major on-line recruitment sites include; Monster, Jobster, Naukri and Timesjobs.com. Head-hunters are active at the universities and are frequently approaching the students. It is also common for these students to register with different headhunting agencies themselves.

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[43] *Interviews, Shikhar Tandon, student at NIT Kurukshetra, 2007-10-01/19*
[44] *Interview, Karhtik G., Placement Representative, IIMB, 2007-10-01*

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