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HUMAN RESOURCE MANAGEMENT IN BANKING INSTITUTIONS

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ABSTRACT

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Name of thesis HUMAN RESOURCE MANAGEMENT IN BANKING INSTITUTIONS		
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<p>The aim of the thesis was to present the study on human resource management practice in banking sector. The key concept of human resource management is to manage each human resource working in the organization. This thesis consists of practice of human resource management from historical time period until now and in coming future. A Finnish Cooperative bank Osuuspankki has been used as a part of a research. Throughout the research this thesis various books were used to find out appropriate information.</p> <p>The theoretical part consisted of motivation theory discussing the three ‘classical’ needs theories. The author of this thesis used qualitative method for the research. A semi-structured interview method was used and Mr. Aatto Ainali and Mr. Kimmo Peuranto were interviewed. Same questions were asked individually. The interviews were recorded and the transcripts of the audiovisual materials were used in reporting the main findings.</p> <p>This thesis findings were: the change in a system of human resource management is possible with the change in technology in the near future. There are many challenges in managing the human resource issues at the banks. Banks need security and trustworthy workers like in every organizations to avoid the risk of fraud and threat. Therefore, artificial intelligence could partly replace the human involvement in the near future when providing security to the banks.</p>		

Key words

Banking, human resource management, motivation.

CONCEPT DEFINITIONS

HR- Human Resource

HRM- Human Resource Management

HCM- Human Capital Management

HRD- Human Resource Department

HRC- Human Resource Committee

PM- Personnel Management

PM- Performance Management

PR- Personal Relation

CEO- Chief Executive Officer

CSR- Corporate Social Responsibilities

OP- Osuuspankki

AI- Artificial Intelligence

ABSTRACT

CONCEPT DEFINITIONS

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1 INTRODUCTION

Human growth and civilization have made changes possible in the world. Technologies are developing day by day and in response to that human beings have become more wiser and smarter. Today, huge number of people are working inside a same roof and work are carried away efficiently with the help of management and technology. 'Management' refers to controlling things or people. However, human resource management (HRM) refers to the management of Human resources of an organization. HRM in a big organization is only possible with the help of different factors such as technology, communication and skilled manpower.

The topic 'HRM' is documented universally in literature (Bratton & Gold 1999; Armstrong 2006; Rouse 2011). The definition of HRM is not a discipline, but the field of study drawing on concepts and theories from core social science disciplines including anthropology, economics, psychology, sociology, law and political science. Disciplines provides relatively elastic boundaries within which to analyse how the employment relationship is structured and managed in the increasing competition, development in technologies, change in work places and future trends and globalization (Mishkin 2013).

This thesis overviews the practices of HRM in the bank and present their outcome. The main reason behind selection of the term 'banking sector' is because of the future competitiveness and growing commercial banks that has more potentiality in increasing employment and economy in the world. This thesis helps reader to simplify the view of HRM and its importance and reflect the role and practices of HRM in banking institutions. Additionally, motivation theories have been discussed by clarifying the best theory on managing the people in the work places.

The main aim of this thesis research is to find out the performance of HRM in Finnish cooperative bank. Furthermore, finding include challenges affecting HRM. The subject of employee satisfaction and employee motivation are always the biggest thing to concern about. A lot of research has been done to find out the best methods to apply.

The theoretical approach covers the root ideas of classic theories of motivation such as, Maslow's need theory, ERG Theory, Herzberg theory of comfort at work, need theory compli-

cations for this study, equity theory, goal setting theory, expectancy theory, reinforcement theory reviewing the Work motivation Thesis by Bergström (2005) Motivating people (2005) for the study.

The book “Human Resource Management” Gary Dessler 14th edition (2015) and “Key concepts in Human resource Management” by John Martin (2010) has been used as the major study materials during the research process. Additionally, various different journals, books, thesis and E-books were used as a theoretical material.

During the thesis process, A qualitative approach has been applied. An Interview is the major part of this thesis research where two bank representatives were interviewed Mr. Aatto Ainali who is a former Bank Director officer and Mr. Kimmo Peuranto who is the present Managing Director of keskipohjanmaan OP well-known cooperative bank of Finland. For the research an interview plan will be made.

Semi-structured interview method will be applied in this thesis. The questions are arranged in themes and the interviewees’ personal opinions and experiences are asked. The research is useful because it will help the reader to know more about the main idea of HRM and its practices in service-oriented organization especially in banking institutions. This study will reflect the important roles of HR and management strategies at work places

Overall, the thesis consists of seven main chapters, starting with introduction along with the theoretical background, research methodology, observational study, conclusion and discussion. Introduction contains of the general ideas of thesis with research purpose highlighting the theoretical approach, research approach, highlighted research questions and structure of the thesis.

Besides, the theoretical framework consists of the broad concept of HRM, its strategies and different concept of motivational theories that are practiced by different organizations and banking institutions based on studies. Similarly, research methodology consists of the research approach that will be used for the research.

Categorically, the fourth chapter consists of the observational study of the Bank in general. This chapter includes basic introduction of bank following with types of banking institutions,

HRM in banking institutions, current situation and organizational performance of HRM, challenges and shortly, practices of HRM strategy in the bank.

The fifth chapter consists of a brief study of the Finnish cooperative bank presenting the general outlook of Finnish banking sector. Next in order, representing OP as the short fundamental example of the study. Along with concise responsibility of HR committee in OP.

However, the sixth chapter contains information of research approach methodology and research results. The final, seventh chapter includes conclusion and discussion for further development of the HRM in banking institutions.

2 THE CONCEPT OF HUMAN RESOURCE MANAGEMENT

Management is a process of coaching and enabling others to act (McCrimmon 2019). Whereas, HRM is the art of surrounding multidisciplinary activities and focusing in all the managerial activities through decision making to achieve competitive advantage through the efficient work force displaying different personnel, cultural and structural techniques (Bratton & Gold 2017).

This chapter focuses most importantly on HRM and its functions. The author presents periodic history of HRM practices in the 17th and 20th century. Overall, this chapter helps the reader to learn more about the civilization of HRM and analyze past and present situation in HRM practice.

2.1 Human Resource Management

An organization consists of many people working independently in their formal tasks according to their assigned roles to achieve the organizational strategy. In an organization there are Board of directors, Chief executive officer (CEO), Managers, department heads, Team workers, Accountants, Assistants, Workers, Cleaners etc. Remarkably, every people who are working for an organization are known as organization's human resource. HRM is the method of managing the human resources by existing organizational law's and different plans to get the productivity efficiently. Everyone is assigned according to their tasks and qualifications. A manager must be qualified and responsible for managing the organizations tasks.

Is HRM similar to the management? Yes, it is a management but in fact it is more than just a management. After all, HRM can be referred to the department in an organization. In another words, HRM is also known as 'people management' (Martin 2010, 129). HRM is a process of developing, evaluating, guiding, balancing and maintaining relations as well as taking care of employee's safety and health (Dessler 2015, 36-37). HRM or Human resource department (HRD hereafter) determines the essence of each and every employee's job, plans labor needs, builds employee commitment etc. (Dessler 2015, 39-40). According to the author Bratton & Gold (2017), HRM outcomes have wider social consequences.

Besides, HRM also works in Behavior Management, career management, competency, counselling, coaching and mentoring, Human resource planning, analyzing organizational culture, data protection, human capital, knowledge management, management development etc. (Martin 2010). Similarly, Personnel management (PM hereafter) is the function of the management that regulates with people needs such as employee selection, training and development, rewards and union-management (Martin 2010, 129).

2.2 Periodic History of Human Resource Management

The practice of HRM was started before the world war during the 17th century (Langbert & Aupperle, 2002). During those periods of time, there were industries and organizations where different kinds of industrial tasks were carried out by the help of labors and industrialists. Quinn & Rohrbaugh [1983] has listed the four competing methods of Organization's effectiveness such as: Human relations, internal process, rational goal and open system (Langbert & Aupperle 2002, 932). Whereas Ulrich [1997] has discovered four HR deliverables which are Employees, efficiency, strategy execution and capacity for change (Langbert & Aupperle 2002, 932-933).

Historically HR had four broad periods Pre-industrial period, paternalist period, bureaucratic and high-performance period (Langbert & Aupperle 2002, 933). Each particular period shows a slight improvement with the prior one in terms of equality and flexibility. However, the pre-industrial period was said to have high inequality and flexibility which lasted until the late 18th century in the United States of America (Langbert & Aupperle 2002, 933). Significant improvement was made in the time period of late 18th century to 20th century. However, management practices for the employees in those days was still less effective and more inferior and unsatisfactory compared to the HRM of the 21st century (Langbert & Aupperle 2002 932-933.)

The early time period known as pre-industrial time period, is the time period between 17th to 18th century when the medieval statue of labors was started (Langbert & Aupperle 2002, 933). During that period the cruel law or principle practice of physical punishments to the labors were practiced, enslaved servants and slaves were hired to work in the province (Langbert & Aupperle 2002). There were laws confining the freedom of employment to the employees.

Hiring and rejecting employees were not fair and motivation was quite low. Author, himself agrees that the quality of the HRM was low and not well organized. After the end of the first time period, paternalist period was started. Paternalism refers to the policy of restricting the freedom and responsibilities of the subordinates by the people in authority. The period lasted from the late 18th century until the beginning of 20th century (Langbert & Aupperle 2002, 933-934.)

During the period of 20th century, there has been slight change effectively markets were growing, and the industries were expanded. As a result, Organizations and firms were fruitfully improved with good labor output and there was a positive change in state of living and life expectancies (Langbert & Aupperle 2002). Slavery was abolished, and the flexibility was reinforced with the evolution of employment. So the modern management practices were developed with the inducement plans (Langbert & Aupperle 2002, 933). As stated by Jacoby [1985], 'The drive system generally led to bribery of foremen obtain jobs and physical abuse of worker' (Langbert & Aupperle 2002, 933-934). Bureaucratic systems were evolved where as a result job analysis, training, evaluation of jobs, classification and employee selection were developed (Langbert & Aupperle 2002, 934).

Late in time period of late 18th century, Trade unions happened to take place whereas during late 20th century some learning experiments were made to find out good and bad in terms of HR. Subsequently some experiments succeeded whereas some failed (Langbert & Aupperle 2002, 934). Bureaucratic period pressures were enforced by Trade unions, management experts, and economists on firms to reform the paternalist period's low-quality practices (Langbert & Aupperle 2002, 934). However, improvement came with management practice, Bureaucratization and unionization in the early 20th century. Later, Taylor (1972) supported the idea for the rational goal-setting model which focused on improving the employee selection and jobs and employees (Langbert & Aupperle 2002, 934). Technological shifts, computers, telecommunication begin to come into more practice as a new work approach (Langbert & Aupperle 2002, 935).

Eventually, high-performance period was introduced when the Transportation industries were denationalized, and importance of small business firm and entrepreneurship were announced and spread widely for the improvement of economy. Essentially, HR focused more on customer

needs and satisfaction, authorization to the workforce, increased responsibility, psychological motivation and learning more about the organizations (Langbert & Aupperle 2002, 935).

2.3 The Functions of Human Resource Management

The main function of HRM is to maintain the good relationship between employees and employers. There are two main functions in HRM i.e. Managerial functions and operative functions. According to the Gary Dessler (2015), managing associates with planning, organizing, staffing, leading and controlling. These five functions are the most important functions that represents the Management process. HRM has quite similar functions to the every organizations. These functions are classified into sections.

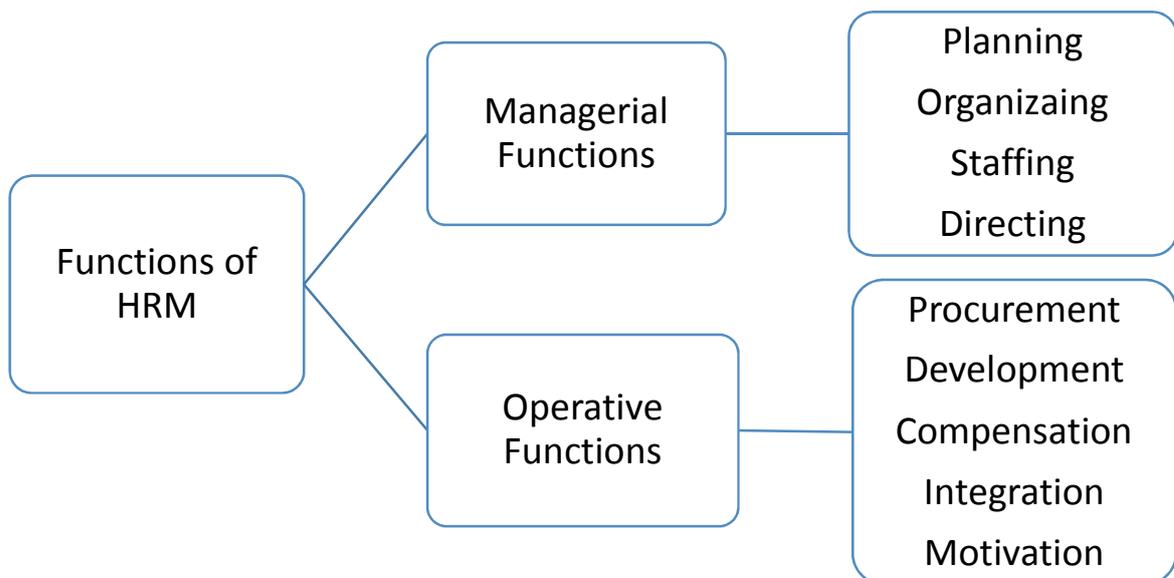


FIGURE 1. Functions of Human Resource Management (HRM) (Adapted from Dreamsit.com 2000-2008)

Planning is the process of thinking before doing anything. It means determining something in beforehand for future. HR planning includes career development, job design and having flexibility with employees (Martin 2010, 145). Additionally, HR planning process encompasses people utilization plans, performance management and motivation plans, reward plans, outsourcing etc. (Martin 2010, 147-148).

Organizing refers to arranging or dividing the right task for the right person or a group of people. Organizing consists of establishing channels of authority, initiating the rules and regulations, managing the good relationships with the employees, integrating activities, governing, implementing the plans and procedures in an effective manner and maintaining the good personal relationship (PR) (Dessler 2015, 36.)

Directing is the process of leading or supervising people. It consists of various other factors such as managing, guiding, controlling, supervising, motivating and administrating employees. HR needs to have a very good managing and leading skills to direct each and every individual inside the organization (Mehul 2018.)

Controlling refers to regulating. It signifies examining, comparing, identifying, verifying and regulating to make sure that things are implemented in a good way with the given instructions. In controlling HR the management tasks consist of providing training and development programs to employees, developing employees, investigating the economical records of employees, surveying the situation of the employees (Mehul 2018.)

Procurement function is the initial function of HRM because it is related highly with recruiting and employing people who have essential qualification, knowledge and skills for the job. HRD has full authority to select and hire the respected individual. Despite of hiring employees HRD also plans the whole recruitment process such as; recruiting interns, placement, orientation and internal mobility (Mehul 2018).

The process of examining operations and responsibilities that are required for the specific job is known as job analysis. Besides, HR planning is the process of determining and affirming the organization's sufficient number of Present and future work force. Providing them job satisfaction so that they can perform the better work in terms of future need (Mehul 2018.)

Selection refers to selecting the right person for the job in the organization. Selection process includes going through the experience, skills, knowledge, essential qualifications of an applicant to see if S/he meets the job requirement. Though, Placement refers to the process of positioning the right applicant for the right job matching the qualification and experience with the required job (Mehul 2018.)

The process of making the positive change and improving or creating something new is known as developing. In HRD, development could be done in terms of an individual such as developing the attitude, punctuality, skills, knowledge, aptitude and values of employees for the present and future jobs. Training, good motivation, career planning and promotions keeps employees updated and active in working life (Mehul 2018.)

Integration means combining and motivating employees and improving the excellency of work life by maintaining discipline inside the organization. Handling problems, negotiating with manager in various organizational terms and conditions. Likewise, it is also concerned with handling conflicts amongst the employees, providing opportunities to the employees to participate in the organizations meeting and asking for their feedbacks as well as suggestion (Mehul 2018.)

Compensation refers to the remuneration. It is given for the employee's contribution to the organization to help to achieve the organizational goals. Compensation is also known as a reward. Compensation includes job evaluation, payroll, bonus and determining salary and wages for different jobs (Mehul 2018.)

3 ROLE OF MOTIVATION

In this chapter, the author presents the definition of motivation and the famous motivation theories derived from the early 19th century. Furthermore, this chapter contains the information on why expectancy theory and reinforcement theory are not totally similar to the motivation theories.

3.1 Definition of a motivation

The word motivation is derived from the Latin word “movere” which means move (Enhanced motivation 2019). Motivation arouses the desire to continue the activity (Enhanced motivation 2019). Motivation maintains interest and desire in people to be committed to a job. There are two factors in motivation i.e. intrinsic and extrinsic motivation (Shenton 2015). Intrinsic motivation is based upon motive whereas extrinsic motivation is based on incentive (Shenton 2015). A person can be motivated through incentives, bonus, short motivational speech, Positive attitude, flexibility, Good communication skills etc. The role of motivation in an organization is to formulate the positive results produced by the act of motivation.

Employees who are motivated will improve the organization’s efficiency. Highly motivated employees are interested to work, and they have positive attitude towards the work they perform. Motivated employees are loyal and always believe themselves as a part of the organization. They are generally engaged in problem solving activities, perform tasks efficiently and creatively, are customer focused. Therefore, those organizations where are high number of motivated workforces, have higher productivity and has competitive advantage as well as satisfied customer. To maintain the consistency of an organization employee retention and motivation plays a vital role to achieve an organizational goal.

Motivation generates the energy. As a result, motivation at the right time makes employees to show the positive attitude towards work. The most important channel in every HR is to have a good personal relationship between the managers, employees and the customers. Bad relationships may affect the entire working environment. As a result, employees might leave the company, bad reputation of the company, internal disputes, demotivated employees, and in a worst

scenario organization could be dissolved. Whereas, a good relationship could create a friendly environment, good communication, positive attitude towards employees and Managers, good reputation etc. Consequently, motivation is the way to success that maintains the working environment of an organization.

Motivation seems to be very challenging. Comparatively, things that motivates one individual may not work for another. Employees should be motivated and complimented whenever they perform a good job. Relatively, in the opposite situations when times are bad with employee's, employer should motivate them and give some hope and energy to work in long run. Some of the good motivators for employees are; money, promotions, gifts and rewards, professional growths, loyalty of the company, trust, acknowledgement, good communication skills of employers and managers etc.

Hypothesis of motivation explains the understanding and nature of human being. Motivation theories has a very deep study from the early 19th century. Various theories feature the particular motivating aspects that helps Managers to recognize the better way to motivate employees.

3.2 Theories of motivation

The word motivation is derived from the Latin 'movere' which means 'to move'. Motivation according to the Muchinsky [1993] is defined as, "An individual's desire to display the behavior and willingness to put out the effort" (Bergström & Ternehäll 2005, 5-6). Every author has their own definitions on motivation however the meaning is similar. Each definition of 'motivation' carries identical meaning such as, motivation can control and direct the human behavior.

Motivation theory was derived from the early 19th century. The theories of motivation are classified in an order. Fundamentally, the three 'classical' need theories of motivation, Maslow's need hierarchy theory, Herzberg's two factor theory. Secondly, the three 'modern' fulfillment theories Expectancy theory and Reinforcement theory of ERG theory motivation are summarized in this thesis study.

3.2.1 Maslow's Hierarchy of Needs

Maslow's need hierarchy of needs theory is based on the human needs and it is the most well-known theory that is widely used in HRM study. This theory is developed by Abraham Maslow in 1943 (Latham 2012, 32-33). In this theory Maslow focused on the special need or the human behavior. Therefore, Maslow has presented his need-hierarchy theory in an order where he places all the human's universal needs in a hierarchical manner. Need and satisfaction are mainly defined in this theory because the taste of needs for each individual is different and in the other hand the satisfaction will no longer impact the person and the needs will be replaced with another one (Bergström & Ternehäll 2005, 6).

The need hierarchy theory is classified into two things. Firstly, what are the various kinds of needs and secondly, how are they related to one another (Bergström & Ternehäll 2005, 6). In this theory he has defined five different needs such as: Physiological needs, safety needs, social needs, self-esteem needs, and self-actualization needs. They are organized in a hierarchical order as a pyramid on Maslow's motivational theory.

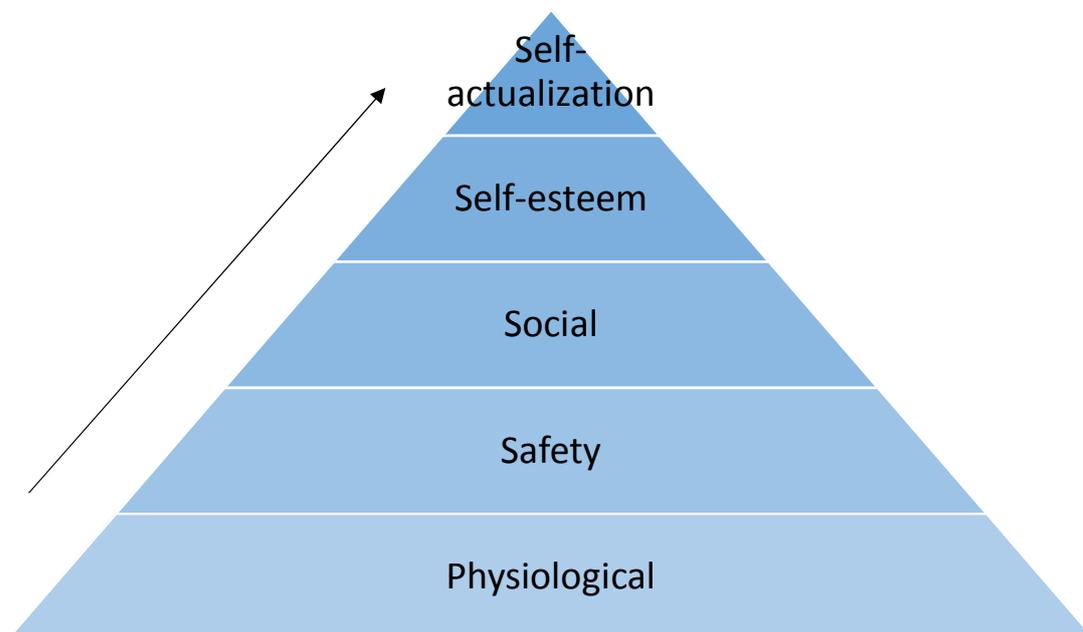


FIGURE 2. Maslow's Hierarchy of Needs (Adapted from Bergström & Ternehäll 2005, 7)

Physiological need is known as a basic requirements of human beings. The basic needs include fooding, clothing, shelter, air, water and other biological needs. Theory state, all the other needs are less important in comparison to the basic needs as according to its classification, the group of needs on a minor lever level of the hierarchical chain are not satisfied. In the given figure 1, the needs that are classified in above sections are neglected depending upon its needs according to the person (Bergström & Ternehäll 2005, 6). For example, at work place physiological needs could be employee working for the basic salary to survive.

Secondly, Safety needs can be defined as the second most important needs of human beings that comes after physiological needs. Free from any kinds of dangerous situations like natural disasters, rampage and threats etc. At work, work safety can be free from any injury and harm. There are many work places where work safety is a must although every work place must provide work safety to the employees. Sometimes in an emergency case such as in the time period of grave threat might be vice versa making safety need at first and food at the second (Bergström & Ternehäll 2005, 7.)

Social needs are known as belonging and associating with other people living in a society. These needs are concerned with emotional attachment with friends, families, relatives and other people. The way of sharing feelings and emotions like happiness, sorrow, anger, loneliness comes under social needs. At work, social needs works could be defined by friendly working environment, good leadership, good internal relationship, team work etc. (Bergström & Ternehäll 2005, 7-8.)

Self-esteem needs are defined as the needs mostly related with self-esteem and self-respect. Self-confidence, competencies, knowledge, achievement and independence, respect are the examples of self-esteem needs. These needs motivate human to do better at work and in life. Every individual working inside the company wants to develop their self-esteem needs. Therefore, to gain a recognition in the organization the individual works hard to make himself more confident and beneficial to the company when in return company rewards him with status and recognition. In an opposite case, if the person's self-esteem is not fulfilled then S/he is discouraged and helpless (Bergström & Ternehäll 2005).

Moreover, Self-actualization needs are needs that differs from person to person however other needs are universal among people (Bergström & Ternehäll 2005). According to Maslow [1943]

Self-actualization is defined as ‘what a man can be, he must be’. This need we may call self-actualization’’ (Bergström & Ternehäll 2005, 8). The simple idea is that a person should do what a person is good at. However, people want to do so many things in their life. Unfortunately, everything is not possible to do. Significantly, people should recognize their special talent and work on themselves only then they can become what they want to be (Bergström & Ternehäll 2005).

Maslow’s need hierarchy theory explains human’s behavior in a very transparent way. He states that human needs are always higher. If the one need is fulfilled, another need is added similar to the fulfillment of physiological needs leads to need for safety needs and so on. Maslow’s need theory came up with another standard defining two different biological needs in and the lower order and other two needs on the higher order.

3.2.2 **ERG theory**

ERG theory (Existence, Relatedness and Growth) is introduced and defined by Clayton Alderfer (1972). This theory is constructed in a different way. This theory is the refined theory of Maslow’s hierarchy of needs. In this theory the five human needs that has been described by Maslow’s need theory has been diminished into three levels: Existence Needs which is defined as the survival needs that resemble the Maslow’s biological needs. According to Alderfer (1969), the things such as food, water and warmth are always accessible. Relatedness Needs are similar to Maslow’s social needs and self-esteem needs (Mulder 2013). It can be defined as the relatedness to need of social relationships which is directly involved in people’s lives. Growth needs relates with Maslow’s definition of self-actualization needs. Clayton Alderfer (1969) defines it as a need of people to develop themselves and grow in a positive way (Mulder 2013).

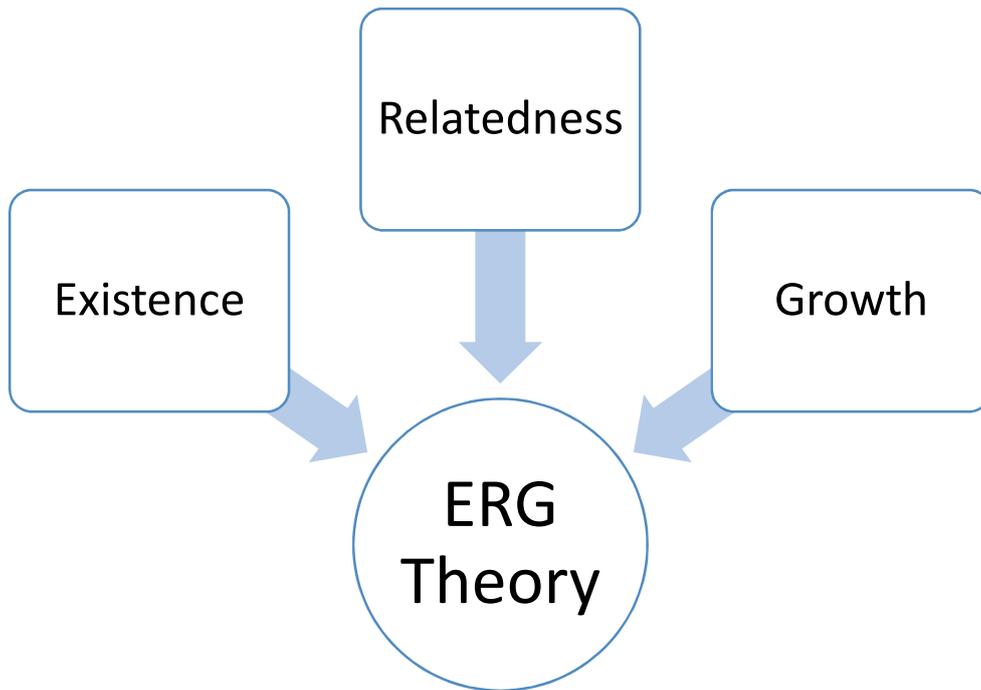


FIGURE 3. ERG Theory (Adapted from Mulder, 2013)

In contrast to Maslow's theory, Clayton's ERG theory argues that employees' different needs must be considered and should be satisfied rather than focusing on just one need at a time. ERG theory explains the Regression hypothesis which means other than growth people can be frustrated and regress down when the higher category needs are not fulfilled (Mulder 2013).

3.2.3 Herzberg's two factor theory

Frederick Herzberg's theory is different from Maslow's and ERG theory. This theory focuses on two aspects of needs that are hygiene factors and motivational factors. Herzberg's theory of work was identified in early 19th century. The theory discusses about the motivation factors needed in work place. Workers satisfaction are always related to their performance. The motivational factors result into the greater performance and satisfaction (Bergström & Ternehäll 2005, 9-10 [Bergman & Scarpello, 2001; Foster, 2000; Jacobsen & Thorsvik, 2002]).

Hygiene factors are the most important factors in the human being's life. At work place, improper hygiene could lead to disappointment to the employees. Hygiene needs are work con-

dition includes internal designs, light, space, color etc. Interpersonal relation refers to the communication between upper and lower level staffs of the company. company policy concerns with the policies and legal entities of the company. Status refers to the development or achievement of the employee. job security refers to the stability of the company. Factors in personal life relates with the workers own personal life matters. (Bergström & Ternehäll 2005, 9-11 [Jacobsen & Thorsvik, 2002]).

Herzberg's motivational factors motivates the employee to perform better task providing them with great satisfaction. There are six factors of motivation in total they are: achievement, recognition, responsibility, advancement and possibility of growth. Achievement is known to be the great satisfactory result of the motivation. Recognition from the good performance. Responsibility of the work and other co-workers from the company. Possibility of growth relates to the development of the skills and knowledge, self-actualization. Work or interesting task advancement as a promotion or status (Bergström & Ternehäll 2005, 11 [Herzberg, et al., 2004]). Motivational factors play an important role in work place than hygiene because hygiene factors create dissatisfaction when it does not exist (Bergström & Ternehäll 2005, 11-12 [Herzberg, et al., 2004]).

3.2.4 Vroom's expectancy theory

Expectancy theory is the modern theory of motivation which does not provide any idea on what are the factors that motivates the employees at work place. However, it focuses on three forms of motivation: effort, performance and rewards. This theory differs with need theories of motivation. Expectancy theory is known as a cognitive theory because this theory studies about the rational people and their behaviors such as perceptions, judgement, reasoning, probability and beliefs that influences rational people. This theory explains that people are self-motivated to work based on their own belief. In other words, people are motivated to work according to their own thinking i.e. if their work performance is high their rewards will be high according to their performance and vice versa (Lunenburg 2011, 1-2).

Vroom's expectancy theory is followed by four assumptions (Lunenburg 2011, 1-2) The first assumption deals with the people's expectations, motivations, past experiences and needs for joining the organization. The second assumption is based upon the people's behaviors backed

by their expectancies. The third assumption is based upon people's needs and wants from an organization they work at. Moreover, the fourth assumption is based upon people choice to increase their own productivity (Lunenburg 2011).

Expectancy is the term that identifies the relation between a person's effort and his performance. Expectancy is measured with the probabilities from null to one i.e. 0 to 1. Depending upon the individual's performance level, if he sees any probability or certainty to complete the task then the value of the expectancy is said to be one nonetheless. However, if the person or individual sees no probability to complete the task with the given effort then the expectancy is said to be null (Lunenburg 2011, 2).

Instrumentality is also the individual's estimation of the task performance with the output gained. In an organization, an individual force himself to perform the better task because of the expectation of the better outcome. For example; outcome could be taken as a salary of an individual. Increase of performance leads to increase in his/her salary. Which in terms of measuring in performance scale is one and Vice versa (Lunenburg 2011, 2).

Valence is measured in a positive or negative energy. In an Organization, an employee is rewarded when his performance is good. The valence is known to be positive. Promotion, salary raise, appreciation, etc. are the example of positive valence. Likewise, when the person no longer gets rewards then the valency is said to remain negative. Hence, Valency is similar to the need theory (Lunenburg 2011, 3).

In conclusion, Vroom's expectancy theory does not meet up with the content theories of Maslow, Alderfer, Herzberg. because this theory is based on the measurement of individual's estimation of task performance. Moreover, Individual's act according to their own beliefs and thinking's and anticipations.

3.3 Reinforcement theory

Reinforcement theory was introduced by B.F. Skinner (1938). Known as 'behavioral' theory was studied by conducting experiments using animals by Skinner in 1948 (McLeod 2018).

Later, this theory was applied on an individual observing people's behavior and acting accordingly. Highlighting on an individual's feelings, emotions and changes that occurs within them while doing something at work place or anywhere. Reinforcement theory explains the powerful way to motivate the employee and control the unacceptable behaviors of an individual. In an organization, there are different types of people. While working in a team knowingly and unknowingly harm is caused. So, to stop the repetition of any kinds of harms or mistakes Manager's should apply the reinforcement theory of Punishing and Positive reinforcement. A person is punished because S/He has made mistake and in order to not to repeat the same mistake again that person is punished. Whereas, positive reinforcement is similar to appreciating the employee for his good performance (Amutan 2014).

The theory has four approaches of reinforces positive reinforcement, relates with praising the person for is good performance and punctuality at work place. For example; admiring in public, giving rewards etc. Secondly, negative reinforcement, this relates with removing the negative stimulus form repeating the behavior again and again. Negative reinforcement somehow increases the chances of desired behavior. Extinction means lack of reinforcement. For example, an employer not getting rewards or appreciation of his good performance at work. Punishment could have both positive and negative changes. If taken punishment in a positive way, it could reduce the chance of mistakes and harm in the company and motivates people to go on the right way whereas, if taken negatively, it could raise different kinds of unwanted activities like repetition of the same mistakes, distracting other employees, gossiping etc. A manager should always consider punishing in private and admiring in public. Punishment must be immediate, intense, consistent and unavoidable (Amutan 2014).

There are some strengths and weaknesses of Reinforcement theory. The strength is to find out by what means a person can be motivated and associate employees. After all motivation theories concerns more with internal needs but Skinner's reinforcement theory relates more with external needs and situations. Appreciating, giving rewards, supporting and promoting employees are the strength that motivates workers. Weakness of reinforcement theory is difficult to identify rewards or punishments for the specific person because everyone working inside the company are not same, their choices vary. Subsequently, sometimes rewarding seems to be unethical because it seems like employers are trying to control people by imposing rewards (Amutan 2014).

4 BANKING SECTOR IN GENERAL

The main idea of this chapter is to provide information of bank with some examples. Moreover, this chapter helps the reader to identify the HR metrics as well as internal and external factors affecting inside the bank.

4.1 The definition of bank

Banks play an important role in the development of economy. Bank is the financial institution which is permitted to receive deposits, conduct monetary policy, and make loans. Banks may also provide financial services such as wealth management, currency exchange and safe deposit boxes (Investopedia 2018). Banks create liquidity for the public on the balance sheet by transforming relatively illiquid assets for example: loan commitments and similar claims to liquid funds (Berger, Molyneux & Wilson 2015). Other tasks of banks are to reduce interest rate, credit, foreign exchange rate and liquidity risk. Some of the largest banks have transformed themselves into multiproduct multimarket, financial service conglomerates which offer retail banking, investment banking, brokerage, insurance, wealth management services (Berger, Molyneux & Wilson 2015).

In addition, there are various other things that help to run banks for e.g.: staffing, human resource, security, facility management, technologies, and logistics etc. Banks are divided into different types, but the most common banks are commercial banks, investment banks and Central banks. In most countries, the national government or central bank regulates banks (Investopedia 2018). Central banks are the head of other banks that function as the chief and is responsible for the economic stability, controlling the inflation and the monetary policy and commanding the money supply. The example of central bank is Bank of Finland, Nepal Rastra Bank, Bank of Israel.

According to the sources, Euro countries have their own euro system. The European system of central banks (ESCB) and national central banks (NCBs) consisting of 28 EU member states. Commercial banks provide savings, withdrawals and provide short term loans to individuals and small business entities. Commercial banks are mostly selected because of its services that it provides such as saving accounts, mortgages etc. Some of the examples of commercial banks

of Finland are Aktia Savings Bank, Nordea Bank, OP corporate Bank, Danske Bank etc. Investment banks are the banks that is concerned to provide corporate clients with assisting and underwriting with merger and acquisition activity. Some of the examples from U.S. investment banks are: Invest Morgan Stanley and Goldman Sachs Group Inc (Investopedia 2018). Therefore, banks are the most important part of economy that handles all the monetary system.

4.2 History of Banking

Along with civilization banks have their own long history prior to the existence from 16th century (Lawson 1850, 14). According to William John Lawson (Lawson 1850) In the golden age due to scarcity of commodities such as gold and silver, the value of these commodities became high and their value were computed by weight, unit of quantity then people started procuring them for various reasons. Then the bills of exchange were invented to make the process easier in order to transmit the wealth safely from the banks of Ganges to the shores of the Baltic (Lawson 1850, 36-37). Hence, then the advantages of banking came into practice. Before the development of progress of banking then established English money i.e. pounds or pence (Penny) it became the only coin in England till long (Lawson 1850). Back in 6000 B.C barter system was introduced when our ancestors used to exchange goods with different kinds of foods and materials.

Further, revenues of the church where bank credits, bank cheques and bank notes had no existence and the whole system of monetary intercourse was rude and not perfect then, after the establishment of Bank of England, the Exchequer became office of accounts and control. In comparison which is now have become advanced and the banks have their own way and system and they perform their tasks in a very official manner with the help of professionals and advanced technologies (Lawson 1850). According to the source, banks were established before 1600. The most famous Italian banks was the Medici bank established in 1397 but the oldest existing bank of the world is Banca Monte dei Paschi di Siena headquartered in Italy and it has been operating continuously since 1472 (Lawson 1850).

4.3 Types of Bank

There are some banks that work in multiple areas which might offer many kinds of services such as business accounts, personal accounts as well as helps larger financial markets in raising money. Different types of banks are central banks commercial banks etc.

Central bank is a bank that is authorized to provide guidance and regulate the banking system of a particular country. Central bank is responsible for managing banking activity of all the banks inside the country. The task of central bank is to maintain deposit accounts of other banks and provide loans as well as guidance to the banks which are in need. It maintains record of government revenue and expenditure. It also advises the government on monetary and credit policies. Central bank decides the interest rates for bank deposits including foreign exchange rates.

Commercial banks are the banks that are mostly subjected to focus on the business customers. for example; business related saving accounts. Businesses need more complex services than the individuals. They provide various services related to the dollar, euro amounts that has high number of transactions and is much larger. Commercial banks accept payments from customers and manage cash flow and use letters of credit to do business overseas (Pritchard 2018). However, nowadays most commercial banks offer their services to consumers as well. Therefore, it provides savings accounts, safe despite boxes, loans, credit cards etc. to people as well.

Retail banks are defined as the banks that is concerned with providing services to the public people as their customers. These types of banks help in savings accounts and providing credit cards, offering loans. They also have numerous branch in many cities within the country. Retailed banks are similar to the saving banks (Pritchard 2018),

Investment banks helps in financial markets and business works. In case whenever the business needs or wants to sell their debt to investors they usually prefer investment banks (Pritchard 2018). Investment banks do not accept deposits but assists companies which are involved in acquisitions.

Credit unions are not exactly banks, but it is known as similar to banks, they are also known similar to the Mutual banks. These types of banks are not for profit organizations but owned

mostly by the investors. Credit unions offers less identical or mostly products or services to the retail and commercial banks (Pritchard 2018).

Online banks are exclusively online. They don't have any physical locations or branch where people can visit. For example: pay bills online, internet only banks etc. (Pritchard 2018). Services are done through the internet.

4.4 Human Resources Metrics and Benchmarking of Bank

The strategic goals of the human resource management are to develop the policies and practices that helps to produce the employee's proficiency and behaviours in HR (Dessler 2015, 105-106). Metrics is the standard measurement of the organization's behaviour, activities and performance. HR metrics is the important way to evaluate the quality and impact of the employee in an organization. Tracking Applicant metrics is basically used in recruiting employees and measuring them. One of the good examples of the Metrics measurement is the Authoria's system. Metrics helps in reducing the recruiting costs (Dessler 2015, 105-106).

The word 'benchmarking' is known as evaluating or comparing with the standard. As a process, it can be compared into two process quantitative and qualitative. Thus, comparison can be made between two separate organizations or between different divisions within the organisation. Therefore, it is common for employer to compare the HR metrics with another companies so that the company knows their performance and competition in the business world (Roth 2012).

Bank is formed with two different factors that is internal and external pressures. Both the pressures are equally important for the bank. With the challenging economy the change in these both factors are noticeable. In another word, the change can be related to the pressure of the internal and external factors (Roth 2012, 1-2). Therefore, the operational excellence, improvement in workforce capability, improving the future managers & directors and the growth of emerging markets challenges the pressure on the growth of emerging markets (Roth 2012, 1).

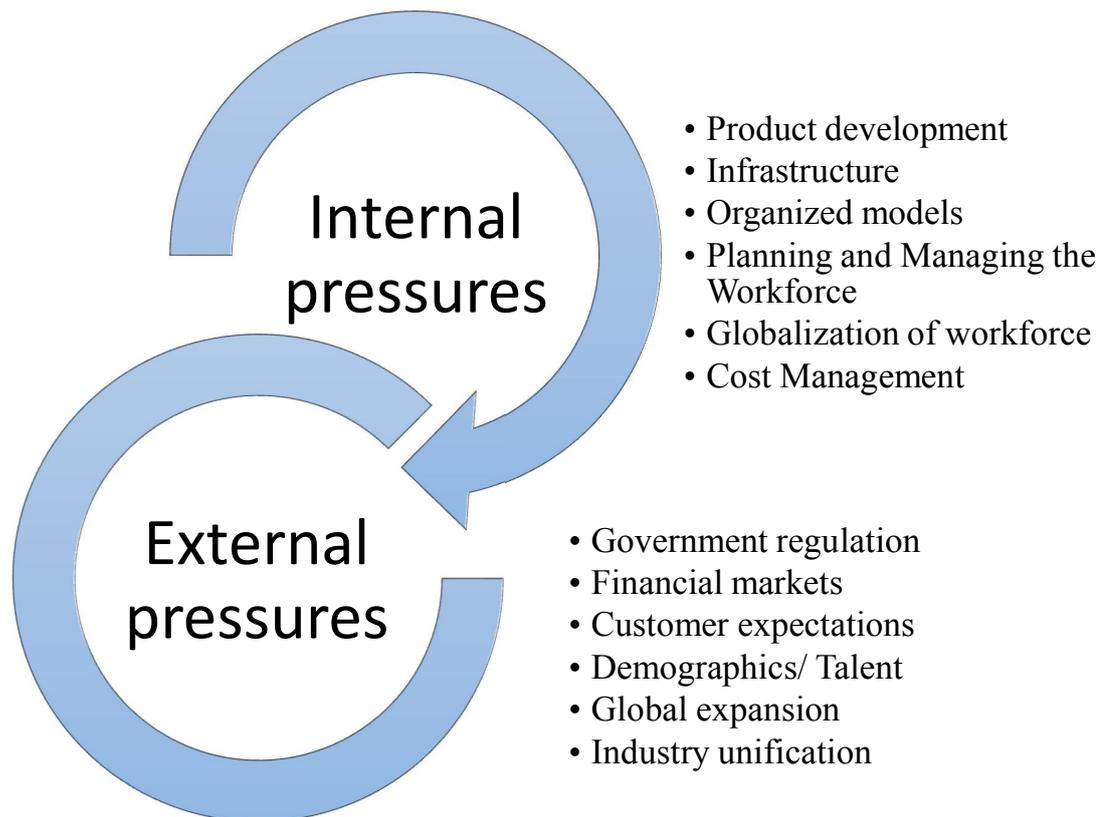


FIGURE 4. Internal and external factors of bank (Adapted from Deloitte 2012)

HR executives in banking organizations are considered in accomplishing cost competitiveness in fluctuating financial market (Roth 2012). HRM focuses on delivering equal services to both factors. HR must provide the instant support to the change in organizations with the unexpected change in market conditions. From CEO to the employees working in front line, dealing with the customers' needs to be provided with the excellent service similar to the customers' expectations. The following things must be taken into consideration such as developing product and channel with strategies, managing global workforce, developing the strategic expansion, promoting operational performance and developing the performance by new talent management approach.

The present situation of the banking and under HR assistance is very unpredictable and under-performing because of the challenging world's economy (Roth 2012, 2). With changing HR policies and the change in organizations both the internal and external pressures of banking organizations must compare high-performing companies to their own to find out what makes them improved. HR metrics and benchmarking seems preceding to the decisions making and

illustrate the productivity of their employee in HR through various options such as customer feedbacks, Surveys and change the HR policies according to the changing market.

4.5 Human Resource Management and Organisational Performance

The nature of the HRM performance link is traced by examining direct and indirect relationship between individual HR practices (Darwish 2013, 13-18). The studies however show that the specific HR practices can lead to the competitive advantage and as a result can upgrade the organisational performance. In other words, a set of HR practices can improve the performance of an organisation inadvertently and environment while it is believed that HR practices will lead an organisation to the better performance in any situation (Darwish 2013,13-18). HR practices refers to the training courses and motivational programs which assist management in performing better tasks. An author Darwish (2013), has discussed that whoever adopted the approach 'bundle of practices' should generate greater effects than the individual HR practices because it is discussed that the whole is greater than the sum of its small parts or in another word it is argued that the individual HR practices are finite to get competitive advantages for an organisations (Darwish 2013, 13-18). Therefore, many researchers only agreed that practices will lead to better performance for all types of firms, in terms of measurement of HR practices (Darwish 2013, 13-18).

According to the research there has been both agreement and criticism in terms of HRM and the performance. In the second research stream, indirect relationship between HRM and performance, researches has criticised by arguing that both individual practices and bundle of practices do not directly affect the organisation's performance (Darwish 2013 13-18). There are two factors they are internal and external factors on HRM performance relationship. Internal factors include employee satisfaction, research and development, leadership, employee commitment, employee turnover and social climate (Darwish 2013, 13-18). External factors can have considerable impacts on the company's performance.

In order to upgrade HRM performance for the organisational performance there is none other than practicing HR activities for the long time with the better outcomes resulting into the high competitive advantage. HRM activities must be followed to make the work more efficient and effective. The first most important activity or HRM includes staff recruitment, HR planning,

benefits to the employees, participation in different training and motivational programs, decentralisation, opportunity for internal promotion, autonomy, coaching and HR bundles for internal factors (Darwish 2013,19-18). HRM performance is performed for the competitive advantage of an organisation such as profit in an organisation, customer satisfaction, increase in sales, market value, market share, development of product and service, productivity and future investment.

External factors have two separate variables where is specific to an organisation following the demand condition, its competitive environment and market structure whereas the second one compose natural, economic, social, technical and political factors etc. these does not vary from one organisation to another and they are visible to outsiders (Darwish 2013, 17).

Moreover, there are certain things that work as a control variable for example, Level of an organisation (size, age, technology, capital intensity etc. whereas the next thing is an Individual's level for example, employee's age, gender, education lever, nationality and job experiences). These are the variables that plays vital role in performing the HRM activities for the best result (Darwish 2013, 16). We can take good example of a commercial bank for example, OP has many small branches in various cities in Finland. The HRM activities is interrelated with the HR performance because of the qualified staffs with different age groups working in many parts of the country. The information flow, HR planning and training leads employees to stay updated and work efficiently. As a result, positive outcome leading to customer satisfaction. Employee satisfaction builds trust and gives productivity of the bank.

4.6 Challenges of HRM

Globalization has made drastic change in the business world. Along with company's economy to the HRM, we could notice many changes and challenges. Competition has grown up in accordance with technologies. Banking institutions and many other organizations has faced both good and bad changes.

In comparison to both, international and national banks globalization. Development in technologies, challenges and opportunities, are the common challenges. HRM challenges are categorized into 3 categories and they are presented in the figure 3 below.



FIGURE 5. Challenges of Human Resource Management (HRM) (Adapted from Zkjadoon 2015)

In the given figure 5, three categorized HR challenges are multi-dimensional issues. Environmental challenges are the external forces that can affect the performance of the organization. Some of the environmental challenges are mentioned above in the figure 3.

Work force diversity falls under the environmental challenges. Along with the globalization, Organizations are expanding, many people having different cultural backgrounds, religions, ethnicity, gender, social status, age group etc. are working together. The importance of diversity in an organization is to bring together the talents and creative people inside an organization. In many Asian countries, high gender inequality has been faced. Women employees are not treated same as the Men employees. According to the given source Asian Development Bank (2011) women are earning 70 percent – 90 percent less of the male wage. However, cultural

differences create more challenges because of the thinking of the person towards working life, treating women, co-workers and adapting changes. In working life people have been facing many gender inequalities, racism, discrimination in terms of positions and many more issues in the work place.

The development of technology has been started from the beginning of 21st century. The field of Telecommunication and Computer are emerging significantly (Zkjadoon 2015). Therefore, with the changing technology the person with good technological skills are always in high demand. However, while recruiting staffs HR faces difficulties to find the right skilled person. Additionally, old employees must be trained to keep updated with all the new technologies. Not having technological skills could be challenges to employers. Additionally, globalization and increase in competition in foreign and domestic businesses are getting global and highly productive. Therefore, the challenge is quite tough for the HRD to update employees with the new technology skills (Zkjadoon 2015).

Organizational challenges are the internal factors that can be controlled by management inside the organization. HRM can be challenging for both small and big businesses. However, it can be more challenging to those small businesses that doesn't have HRD to commit for. While in big organizations HR managers duty is to manage workforce and be prepared for the future challenges. HR managers are aware about the challenges beforehand for which they have already prepared themselves. There are lots of organizational challenges that might affect workforce of an organization in long run (Zkjadoon 2015). Some of them are: unstable employment laws, rules and regulations, change in management, training and development, complying new technologies, cost controlling, improving quality, retention and recruitment of employees (Zkjadoon 2015).

Being updated to changing employment laws is a necessary task for the business owners. Each country has their own local, state and federal laws and each and every businesses are categorized according to their service and sectors. Therefore, laws are also made differently according to their different categories, size or structure, service and work. The EU has its own law compared to other Asian countries. Every organizations are obliged to follow the law to remain in the business and for the competitive advantage. Similarly, rules and regulations must be followed by both organization and workforce to maintain the position in challenging businesses world.

Training and development of the workforce is the common problem faced by HR in many companies. With the changes in work performance and advancement in technologies, old workforce needs changes and development in themselves. Employees will learn new skills and become more productive and loyal. New technologies will improve the work performance (Atlas staffing 2019).

Recruitment is the most challenging and difficult task for HR managers. Hiring the right person for the right task and in the right time is quite difficult because it is impossible to know if a candidate is good or not. It is really difficult to know the person's loyalty until they have worked in a company for some period. Similarly, retaining talented employees is costly because of the competition and huge search of talented employees (Atlas staffing 2019).

Individual challenges are related to employees themselves individualistically. Organization is fully depended on the manpower. The measurement of output is related to greater output, higher productivity. That is why motivation and communication inside an organization plays an important role in an individual's work performance. Some of the individual problems are: Empowerment, ethics and social responsibility and brain drain (Zkjadoon 2015).

Empowerment of an employee refers to the individual control over their own work. Empowerment gives employees an independence of decision making and taking responsibility and control on their work. In conclusion, employee empowerment improves and increase the productivity and makes employee's responsible (Zkjadoon 2015).

Ethics and social responsibility are both important part for an organization. Ethics can be defined as a moral principles or values of an individual whereas social responsibility refers to the legal responsibilities. Ethical issues in an organization are; diversity, job security, fair pay, confidentiality. Social responsibility issues are: prioritizing health and safety issues, providing additional trainings, benefits, counselling etc. (Zkjadoon 2015).

Nowadays, the issue of brain drain is most common because of certain things like money and good facilities. In a business world there are always competitors besides. Brain drain can be defined as a situation where people leave particular place, country as well as their own profession for another place, country and profession that gives them better payment and good lifestyle

(Zkjadoon 2015). It is common to hear higher-level employees leaving for better remuneration and these things are becoming crucial issue in the higher technology companies (Zkjadoon 2015).

4.7 Practices of HRM Strategy

Strategy refers to planning about the future (Kearns 2010, 1). The establishment of any business organizations is to achieve a certain goal. For that reason, there is always some strategic plans made by executives to reach that goal. In a business world it is known as competitive advantage. Every organizations profitable or non- profitable, large or small, these all have some objectives to achieve through the well-planned strategies. Plans and strategies are made for future achievements.

In a business world where there are many competitors, Strategies works as a company's strength corresponding to that of competitors (Kearns 2010, 1). People management or Human management is not an easy task. There should be lots of experiences with thousands of people before working in HRM because each and every individual are different. Similarly, it is a very tough task to make people work according to strategies and plans. Consequently, different serious issues yield in an organization when strategy should be implemented to the people. Thus, human behavior in terms of future strategy is most of the time based upon the predictions. And as we know that predictions are least based upon the information's or accurate analysis, yet it is not always sure that organizations will enjoy the supreme level of success (Kearns 2010, 1-2). As a fact, in 2008-2009 global credit crunch many experts such as investment analysts, financial directors, economic professors came to have a questionable situation when the prediction went wrong (Kearns 2010, 2.) One wrong strategy for a company is always a wrong step.

HR strategy is mainly focused for the welfare of the Human resources and organization's success. Business strategy have to have fully unified HR strategy such as Corporate Social Responsibility (CSR), primary influence on the individuals or group of people, diversity and busi-

ness ethics for the development (Kearns 2010, 3-5). While devising the HR strategy plan making it into the implementation is the tough job because of uncertainty. HR- business strategy not only works with the company's plans, but also business ethics.

Motivation is the key to a successful HR strategy. While developing the strategic plan HRD should always focus on people and their needs. Competitive salaries, promotion opportunities, open-door policy, clear and regular communications and training and development are some to the tools that helps to maintain the strategic HR practice (Poppulo 2018).

5 FINNISH BANKING SECTOR

This chapter contains general outlook of Finnish banking sector concerning with characteristics, volumes and operations of the specific bank. Osuuspankki is taken as a main observation of the thesis. Therefore this part of theory covers the fundamentals of OP.

Moreover, the theory part will help to get knowledge about employees' wellbeing and responsibilities of HR.

5.1 General outlook of Finnish Banking Sector

Regardless of weak economic situation and disruptive market environment, Finnish banks have been able to keep themselves to be at a good level (Rautamaa 2017). Banks has restructured their business models and has adapted new operations by reducing amount of office personnel, closing the branch offices. The changes were made in Finland and all over the countries with the reason of development of technology such as fintech, electronic services, low market rates, tighter regulation and expanding digitalization (Finanssiala - Finnish banking in 2015).

In Finland there are approximately 300 credit institutions. Some of them are: municipality finance plc, credit card companies, finance house, mortgage credit banks were operating at the end of 2015 (Finanssiala - Finnish banking in 2015). According to the sources, Total number of 27,044 people were employed in Finnish bank at the end of year 2015 (Finanssiala - Finnish banking in 2015). Employees were increased gradually in 2015. Additionally, over 1000 bank offices are operating in Finland including more than 70 branches (Finanssiala - Finnish banking in 2015)

While in 2017, gross domestic product (GDP) turned by 2.8 per cent resulting to the significant improvement in economy, unemployment, business services and industries (Finanssiala - Finnish banking in 2017). The credit institutions were moderate in the year 2017. According to the source, the largest banking group in Finland by relating to its market share is OP financial group secondly, Nordea and thirdly Danske bank (Finanssiala-Finnish banking in 2016).

5.2 Osuuspankki

OP is known as Finland's largest cooperative bank providing banking services inside the country and in some international countries. A cooperative is a legal business entity owned by a group of people. The main motive of OP is to provide good banking and insurance services to the customers. OP maintains its relationship with customers by aiming to provide best loyalty benefits and investment services. The financial group has been divided into three business sections such as: banking, non-life insurance and wealth management (Rautamaa 2017).

OP group has around 180 independently working cooperative banks members. The central cooperative's supervisory board's election was held in 2018 where the corporate board has elected minimum 32 and maximum of 36 members in the meeting (OP, 2018). The main mission of OP is to develop customer satisfaction and needs, support safety and well-being of their employees, Sustainable growth etc. Therefore, OP has sustainable customer-centred approach which allows continues revival by meeting the customer's needs.

OP generates its income by the help of services it provides to the customer. OP provides banking services, non-life insurance services and wealth management (Rautamaa 2017). Nevertheless, banking service has been the largest service provided by OP until now. Aside from taking deposits, OP provides home and corporate loans inside Finland (OP 2016).

OP complies with Finnish legislation and financial groups are governed by the Act on cooperative banks & other institutions, the act on the amalgamation of deposit banks, insurance companies act and the act on supervision of financial and insurance conglomerates (OP 2015). The central institution has authority to control and to oblige the supervision of their operations in its credit institutions (Rautamaa 2017)

The Human Resource Committee (HRC) is the collaboration of board members, executive director and the HR staff (Berger, 2014). The responsibility of committee is to create efficient supervision procedure. However, the duties of HRC is to analyse, explore, expand, advise and implement the executive performance. Basically, the tasks include; reviewing salary scales, maintaining as well as enhancing employee policies, reviewing staffing structure and needs, managing and organizing etc. (Berger, 2014).

The responsibility of HR is almost identical in every organizations however the way of performing tasks may be different. HR committee is formed by the central cooperative's executive board and other members such as: senior vice president, human resources, group services etc. Decisions in OP financial group are made by the central cooperative's president and Executive board as well as group of administrative members (OP – Executive board 2018).

All the members belonging to HR committee must have enough knowledge of OP Financial Groups and HR subject (OP- Executive board 2018). The responsibility of HR committee is to support the executive board in directing HRM. Besides, the committee is responsible in operating with the adopted HR principles and policies guidelines.

6 RESEARCH PROCESS

This research contains the information regarding the study analysis, findings and the research methods applied for the completion of the thesis report. A semi-structured interview is conducted for gathering the information. Therefore, this chapter will provide more information concerning HRM in banking sector in Finland.

6.1 Research Methodology

Research methodology is a method of collecting the data or information to give meaning to the research. The term research methodology is formed by two different words ‘Research’ and ‘Methodology’. The definition of research varies from person to person. As a process research is a series of activities that are linked with starting from the identification of the topic or the problem followed by hypothetical questions, data collection techniques, processing and analysis, selecting units of study and collecting data, analyzing the hypothetical questions and finally presenting all the process in the form of a report. However, methodology is defined as a system of methods used for the study. According to Creswell (2014, 31) research method is the process of data collection, analysis and interpretation.

According to the Business Dictionary, Research methodology is defined as the process of collecting information by the help of using various methods such as interviews, journals, surveys, books, etc. for generating facts and figures and also improving the decision-making process in business world (Business Dictionary 2018). Research methodology helps to develop the decision-making skills and gives more knowledge of scientific attitude and disciplined thinking.

Different types of research methods are used in conducting research amongst which qualitative and quantitative research are the two widely used research methods. Quantitative research is expressed and measured in terms of quantity. Statistical data is prepared in a numerical order. In this method, questionnaire forms are prepared, and respondents are asked to fill up the forms to make the precise measurement with the help of questionnaire. This research is done by comparing the trends and focusing on daily life experiences.

6.2 Qualitative Research

Qualitative research method is based on the introductory research. This method is used to get the information in more detailed way concerning with people's thoughts, opinions motivations and reasons. The result is not measured in numeric or statistical order. This method focuses on discussions with targeted group of people, interviews with participants or an individual. This research method is very effective because it reveals the ethical part of any problems or cases. It helps in identifying intangible and emotional factors of human life (Qualitative Methods 2018).

An interview is considered as the best way to collect information in qualitative research. There are three types of interview models: unstructured, semi structured and structured presented in a qualitative research method. This method is useful for interviewer to collect the true thoughts from an interviewee because it is conducted as a meeting which creates comfortable and friendly environment. A model of questionnaire is prepared with the help of a journals, notes, interview videos, current and past situation of the case. Qualitative research cannot be calculated or presented in any statistical figures, but it can be reported through making notes, taking interview videos with another person's authority, recording voice. Feedback from customers about a company's product or services can also be considered as a qualitative research (Saldana 2011, 3-4). Among all the research models Semi-structured method is mainly used to carry out the research.

6.3 Research Results

This thesis has intended to place the knowledge and experiences of two successful bankers who have had contributed half of their life and has been working in the banking sector for more than decades. During the research process, two respected intellectuals who has a very good experiences in banking and in management were interviewed. Mr. Aatto Ainali, who has spent his whole career by working in a cooperative bank and Mr. Kimmo Peuranto who has worked as a Managing director and as a Managing consultant and now actively working in the Cooperative bank as a Chief financial officer. Their respective thoughts and experiences are included

as an important part of this thesis. This interview had benefitted a lot to the interviewer by providing deep knowledge and new ideas about the HR management in Finnish Cooperative bank.

The interview was arranged on the 12th of December 2018 in the office of OP in Kokkola. Mr. Aatto Ainali and Mr. Kimmo Peuranto both were very responsive towards all the questions and were professional. The atmosphere of the interview was friendly and comfortable. Interview plan was set on the basis of three themes. Where theme 1 was focused on the individual himself and his personal working life background, theme 2 was mainly focused on the individual's experiences and views whereas the final theme 3 concerns mainly about the future challenges and opinions. The interview was taken individually, passing out the same questions and moreover discussing it and comparing the differences and changes happened after 10 years. Thus, the outcome of the interview was impressive.

Initially, theme 1 questions were about the personal background. Mr. Ainali introduced himself as a past Banking inspector in the Cooperative bank in Helsinki and Vaasa. Proceeding as a Managing director in Raahe for 10 years and continuing the career in the same banking field in Kokkola. According to him, he has worked for 13 years in OP Kokkola as a Managing director and got retired. Academically, He had got his degree in Swedish school of Economics. Similarly, Mr. Kimmo Peuranto, managing director of OP Kokkola who has now replaced Mr. Ainali described his working career as a long way where he had worked as a managing consultant in the central cooperative bank as a business consult and has worked as a managing director in Vaasa and now as a bank director in administration and Managing director for 10 years in OP Kokkola.

The second theme, theme 2 helped the researcher to obtain more deep information about the Human resource management inside the OP cooperative bank. The questions were most importantly focused on HR recruitment process experiences, good and bad experiences, handling the difficult situations, challenges in banking sector, cultural differences and procedures of internal communication with the employees. Answers were very interesting however it was easy to compare the HRM now and 10 years back. Mr. Ainali stated that HR is a very complex area to take care of where HR planning is made by the people for the people considering their highs and lows. Furthermore, to the question on recruitment process Mr. Kimmo added that the Cooperative bank hires new employee in principle to the needs of the company and the

requirements for all the new employees are prior to have skills and competencies in the related banking field. The recruitment process is tough for the all the banks because the selection of the right person at the right place is always a big challenge.

In the enduring banking career, Mr. Peuranto remembers employees related problems such as alcohol related problems and Mr. Ainali added mental problems as the high challenge during his period of time. Similarly, changes in existing laws, whereas new rules and regulations are the main big challenges in banking sector added Mr. Peuranto to the question regarding cultural difference and foreign employees, in contrary to 10 years back Mr. Ainali did not experience any cultural difference or challenges because he had not worked with any foreign employees whereas Mr. Peuranto also stated that he had less experience regarding the cultural difference because he had not worked with any foreigners in his past careers. The trustable and secured internal communication for the OP employees is e-mail and internal phone calls. Although weekly and monthly meetings are arranged as a face to face communication.

Theme 3 of the questionnaire was based on the future challenges and the opinions on HRD, motivation ideas and HR strategy. According to Mr. Peuranto, development of workers satisfaction and customer satisfaction is the main goal of OP. He thinks that both should go hand in hand in order to maintain the good HR strategy of the company. For motivating employees OP provides incentives like bonuses and twice or even three times more salary for the good performance of the work, health care, hobby time to encourage people to do their best at work place said Mr. Peuranto In the end, Mr. Ainali admitted that HR is the main thing in the service sector that controls the company.

7 CONCLUSION

Overall, this thesis was helpful to the author to acquire knowledge on human resource management, motivation theories and HRM practice in banking Sector. Both banking and HRM are very broad and vast topic. Apart from managing and recruiting employees HRM perform many other tasks inside the company. Partly, the research on HRM in banking institution was very informative. It helped author to trace out challenges and practices of HRM in banking institutions. While, OP was taken as a research example for this thesis. In Finland, banking is a small market as remarkably banks operating in Finland are either Finnish or Nordic banks. It is somehow obvious that the concept of HRM is constantly growing and changing with modernization along with the adaptation of economic and labor market changes.

The theoretical part of the thesis contains of motivation theory. To combine motivation theory with HRM the writer has presented motivation theory in a theoretical background. This knowledgeable study of motivation theory helped the writer to analyze the similarities and differences between Maslow's need hierarchy theory, classical theory and two factor theory. Moreover, two different theories are also presented to find out if they are similar to other motivation theories. Motivation theory provides a good example on impacts of motivation on employees. Organizational challenges and practices of company's strategy is also presented briefly.

Moving on to the banking sector, banks are the service sector that works with customers and monetary things. Generally, HRM has its own department that works in mentoring and motivating the human resources. HRD have always been the most important part of banks because of its responsibilities in facilitating workers performance. HR has been using digitalization such as online systems and HR tools. In the financial sector many factors such as attitude, knowledge and skills of an employee plays an important role in determining future competitiveness.

The research analysis in this thesis has a good message on how OP motivates its employees and what could be the future challenges in the developing world of technologies. Qualitative research helped the author to find out more about the problems and challenges of personnel management in Finnish bank. Eventually, it was easy for the author to compare the HRM now and back in OP. Respectively, there was not much change in HRM internally but according to

Mr. Peuranto future changes in laws and new rules and regulations might become challenging to the bank.

Banking institutions inside and outside EU countries operates on their nations laws and legislations. Similarly, 'labor management' has its own law stated by the nation. Besides, in banking institutions there are some of the statutory bodies and committee that works on behalf of the employees. There is no doubt that HRM practices in Asian countries might be different from HRM practices in EU countries. Thus, it is backed by the respective countries and company's rules and regulations.

In conclusion, development in technologies and changes in law are some of the positive as well as negative challenges of HRM. Future of HRM is uncertain but if we go through the history the changes are noticeable. Therefore we can assume that the development of HR will take place in future. Moreover, discussing about the future matter of HRM, digitalization and advancement of new software and artificial intelligence (AI) will make work even easier and faster. New software could be more cost and time effective which will benefit HRM with standard features. However, AI could eliminate the need for human involvement in near future providing more security and less job opportunities for human kind.

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APPENDIX 1

Personal background information

Can you tell me little about yourself, from a professional point of view?

What were your responsibilities as a Bank Director?

Experiences and views

1. How was to work as Head of HR?
2. Could you please describe the recruitment process at the bank?
3. Describe Good and bad experiences as a bank director. How did you handle difficult situations?
4. In your opinion, what are the challenges in banking sector from bank director's point of view?
5. Have you ever had employees of foreign origin? If yes, what kind of cultural challenges did you experience?
6. What kind of procedures are normally taken to enhance internal communication at a bank?

Future challenges and opinions

1. In your opinion, what kind of trends will shape the Human Resource Department (HRD) over the next five years?
2. In your opinion, what does good HR strategy include?
3. Do you have any suggestions for improvement of HRD and motivation ideas that would work the best?
4. Do you have something else to add about Human Resource Management (HRM).

Thank you!!

