

The Importance of the Hiring Process

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Abstract

Often times in business, the hiring process is over looked and underemphasized. However, it is important to note that the hiring process plays a major role in the overall success of a company. Having strong, reliable employees can increase a company's profits and its bottom line. Therefore, it is imperative for a firm to have a strong human resource department. Once a business establishes an effective human resource department, they then can create an efficient interview process and develop a systematic approach to hiring. The interview process should incorporate valuable hiring tools and focus on hiring ethical employees who match the company's culture. Once this process is perfected, it allows companies to avoid common hiring mistakes and reduces employee turnover. This has been shown to increase a firm's overall success and profits.

Keywords: hiring, interviews, systematic approach, retention, ethics

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The Importance of the Hiring Process

In today's world, businesses are faced with many challenges and difficult decisions that greatly affect their levels of success. How these situations are handled greatly influence the company's bottom line. Arguably one of the most important decisions faced by a company is whom they should employ to work for and represent their company. Often times, a company's employees are the first interaction that potential customers have with a company. Employees represent the business, create a reputation, and determine a company's productivity. Therefore, at the core of every successful business are hardworking, dependable and ethically sound employees and managers. It is crucial, consequently, for a company to have a structured, dependable hiring process and strong Human Resource department to design and implement such a process.

The decision the company makes on whom to hire needs to be based on accurate information, prevalent qualification, and ethics that are in line with the business's standards. This needs to be done in order to ensure that the business will be as successful as possible. Therefore, it is vital for a company to have a strong human resources department. It is important for a business to develop a systematic approach to hiring and incorporate the most effective types of interviewing processes. It is also essential to avoid common hiring and interviewing mistakes and to incorporate useful, informational tools into the hiring process. If an organization hires individuals that are not right for the job, it will cost them valuable time, money and resources. Employee retention is essential; therefore, a company must work hard to ensure that the cost of employee turnover remains low. If the necessary steps are taken and the hiring process is perfected, a company can create a better reputation, increase its bottom line, and become a more successful business as a whole.

Human Resources Management

By definition, human resources management is a “formal system for the management of people within an organization” (Bateman & Snell, 2011, p. 340). However, the human resources department (HR) is a much more complex and essential aspect of a business. In fact, it is one of the most important and fundamental components of an organization. As more managers are becoming aware of the importance of their employees’ skills, knowledge, and abilities, HR management is becoming one of the strongest departments in a company. It is becoming clear that human capital and employees are some of the most valuable resources that a company can have (Bateman & Snell, 2011, pp. 340-341).

For an organization to fully take advantage of their human capital, their HR department must have a strategic plan set in place, be ethically sound in their processes, keep laws and the legal ramifications of their decisions in mind, and must be aware of their financial situation. A successful HR department goes through a three-stage process: planning, programming, and evaluating:

First, HR managers need to know the organization’s business plans to ensure that the right number and types of people are available... Second, the organization conducts programming of specific human resources activities, such as recruitment, training, and layoffs. In this stage, the company’s plans are implemented. Third, human resources activities are evaluated to determine whether they are producing the results needed to contribute to the organization’s business plans. (Bateman & Snell, 2011, p. 342)

The HR department is responsible for demand forecasting to determine how many and what type of employees are needed, labor supply forecasting to determine how many employees an organization will actually have, job analysis to determine what the job will consist of,

recruitment, and most importantly the interview and hiring process (Bateman & Snell, 2011, pp.342-346).

Interviews

Companies conduct employment interviews for many reasons. The most prominent of these reasons is to “provide insight into a candidate’s future performance by evaluating the oral responses to the questions presented by the interviewer” (Oliphant, Hansen, & Oliphant, 2008, p 383). An interview’s main purpose is to gather information about a potential employee.

Interviews are the most popular and effective tool that a company can use in the hiring process. In fact, most corporations have some sort of interviewing process. Many managers find that interviews “yield[d] more valid judgments on several observable interpersonal dimensions of behavior,” such as self-assurance, social poise, and interpersonal skills (Oliphant et al., 2008, p. 384). Interviews provide employers with key information that greatly influences their choice on whom to hire.

Structured vs. Unstructured Interviews

There are two main types of interviews: structured and unstructured. In an unstructured interview, the interviewer asks each prospective job candidate different questions and often asks follow up questions to gather more information about the candidate: “interviewers adapt [their] line of questioning based on the answers [the job candidate] give[s]” (Thill & Bovee, 2011, p. 527). Conversely, in a structured interview the interviewer conducts the exact same interview with each candidate. It had been noted “the structured interview is gaining momentum in the workplace as the tool of choice by employers” (Oliphant et al., 2008, p. 384). A recent study has concluded structured interviews are more valid and provided the interviewer with more information than unstructured interviews (Oliphant et al., 2008). Barbara Burgess-Wilkerson, a

management professor at Winthrop University, recently conducted an interview with Jim Olson, a retired auto industry executive. In this interview, Olson noted the importance of performing structured interviews and how looking back he wished his company had partaken in more structured interviews: “most of the interviews were unguided and unstructured, in my view, this approach was less than successful” (Burgess-Wilkerson, 2008, p. 102). Using a structured interview is a key component in the hiring process.

Structured interviews: situational vs. behavioral. There are two types of structured interviews: situational and behavioral. Situational interviews focus on hypothetical situation, whereas behavioral interviews focus on a job candidate’s past experiences. Of the two, the behavioral interview seems to be the most effective and popular because past behaviors have been shown to predict future behaviors and they are “much more predictive of a candidate’s potential for success on the job” (Longenecker, Petty, Palich, & Moore, 2010, p. 530). In a behavioral interview, “the interview will ask the job applicants open-ended questions about how they have handled past events that are similar to those they will face in the job they are applying for” (Oliphant et al., 2008, p. 384). The interview then evaluates the candidate’s answers and determines if they possess the desired behaviors for the job and the company. It had been noted that behavior interviews are improving the quality of new employees for many companies.

(Oliphant et al., 2008)

A Systematic Approach to Hiring

As stated earlier, a structured interview is the most popular hiring tool used among business. However, it is important to use this tool properly to ensure that the best employees are hired. To do this, it has been shown that a systematic approach to hiring and interviewing will result in the best possible new employees and lead to a more successful business. Mamin Ullah,

a professor of business and economics at Daffodil International University, has proposed a system of conducting interviews that “increases the reliability and validity of the interview” (2010, p. 107). In this approach, Ullah outlines a systematic process of conducting interviews that focuses on three main elements: development, discussion, and decision.

Development

The development stage of the interviewing process begins before the first question is asked and consists of all activities conducted before the interview process. HR personnel should conduct these activities; Ullah suggested very specific procedures that they should follow. First, the purpose of the interview should be stated and HR should determine what information they hope to gather in the interview. Next, each applicant’s resume should be reviewed very carefully: “The resume is a tool only to be used as an attention- getter and a means for allowing to get his/her foot into the door...it can be considered as a reflection of the candidate’s true person” (Ullah, 2010, p. 108). A job profile should then be constructed that defines the exact requirements, skills, experience, and expertise that will be needed. It is also very important to train the interviewers and to be certain that they have the appropriate skills needed to conduct the type of interview the company wishes to hold. Finally, the HR department needs to develop job related, open ended questions and develop responses that the company is hoping to receive. HR personnel will also develop an evaluation sheet for each applicant, determine how to record the information gathered, and prepare a suitable location for the interview to take place in (Ullah, 2010).

Discussion

The discussion portion of the interview process consists of the actual interview itself and the activities associated with the interview. The main goal of this stage is to find the candidate

who is the best match to the firm's requirements and who would be the best fit with the company. This can be done by establishing the rapport, because "research has shown that rapport between the interviewers and the applicant contributes substantially to the effectiveness of the interview" (Ullah, 2010, p. 109). The interviewer should also describe both the position and the company clearly to the job candidate. The interview should consist of well-structured questions that clearly allows the interviewer to gather pertinent information about the candidate that will later help in the decision stage. The interviewer should take notes, control the flow of the interview, be prepared to answer any questions from the candidate, and lastly conclude the interview (Ullah, 2010).

Decision

The last stage in the process is known as the decision stage. This stage consists of post interview activities. For this stage to be effective, it is important that the interviewer evaluate the applicant's suitability to the job and to ensure that a decision is made based on the candidate's pre and post interview behavior. In addition, the interviewer should check the candidate's references and to be aware of and to avoid the bias of interviews. Also during this stage, the interviewer may find it necessary to conduct a second interview: "Sometimes it may be difficult to judge a candidate's potential in a single interview session... another interview will ultimately improve the validity of the selection process" (Ullah, 2010, p. 110). Finally, the company will make a final decision on whom to hire (Ullah, 2010).

Aids in the Hiring Process

To ensure that the right employees are hired, many companies have begun to use different types of assessments to further evaluate potential job candidates. These tests "examine potential future successful job performance in terms of knowledge, ability and aptitude" (Woods

& Savino, 2007, p. 4). They also gather information that cannot be verbally gathered through the traditional face-to-face interview. For example, personality profile testing allows employers to gather information about a candidate's personality traits. These types of tests can "help a company with the recruitment hiring, training, and management of employees by identifying individual learning and work styles" (Violette & Shields, 2007, p. 64). Recently a regional CPA firm, Berry, Dunn, McNeil, and Parker (BDMP), has administered such a test and believes that they are "'cost and time effective means' to obtain information that BDMP should know about prospective employees to help determine how well a candidate will fit with the firm's culture" (Violette & Shields, 2007, p. 65).

Another test that many employers find useful to administer while conducting interviews is intelligence testing. Often the ability to learn, understand instructions, and solve problems are key attributes that potential employees need to have. Intelligence testing provides employers with a better insight of candidate's performance potential. Most of these tests provide information on general cognitive ability and are "considered a valid predictor of future job performance, providing insight into how easily individuals can be trained to learn a particular job function, understand related instructions, and solve problems" (Violette & Shields, 2007, p. 65). These tests help employers insure that they are hiring the best possible candidate for the job, which will in turn allow the company to become more successful: "through the use of a series of pre-employment tests, organizations have been able to feel more confident in predicting which candidates will meet its requirements" (Woods & Savino, 2007, p. 4). These types of test provide employers with very useful information. More innovations are expected in this area and "greater use of testing in general in the future as companies try to reduce the risks and costs of poor hiring decisions" (Thill & Bovee, 2011, p. 530).

Hiring Ethically

For a company to be successful it is important for them to hire employees whose ethics match those of the company. Often, employment interviews are focused on the candidate's knowledge, experience and skill. More often than not ethics are overlooked; however, a potential job candidate's "knowledge, skills, and abilities need to be complemented with moral values, such as respect for other people and rules... personal integrity and high ethical standards are indispensable attributes to possess" (Collins, 2012, p. 75). This can be done through the use of the six-step ethics job screening process which consists of ethics screening notice, legal ground rules, behavioral information, personality traits and related characteristics, interview questions, and post-interview test. The first step of this process allows employers to attract ethically sound candidates because people who behave unethically are less likely to apply for a position at a company that places special emphasis on the strength of their ethics job-screening process. The second step is used to ensure that the processes being implemented do not violate any federal laws. The next four steps are simply used to gather information on the candidate (Collins, 2012)

When employees are hired through an ethical process "they will always appreciate your honesty demonstrated during the hiring and training processes" and perform better for the company (Evens, 2009, p. 10). It is important to note that hiring employees whose ethics do not match those of the company can have major negative effects on the firm: "employing someone whose ethics does not match that of a high-integrity work culture can contaminate an organization...the inappropriate hire may attract like-minded employees, who previously restrained themselves, and lead them in directions detrimental to organizational operations" (Collins, 2012, p. 74). Hiring one unethical employee can disrupt the entire atmosphere and

make the daily life of other employees miserable. Demonstrating an ethical hiring process and hiring ethical employees positively affects the company's success and bottom line.

Common Mistakes in Hiring

Many common hiring mistakes and practices that managers partake in reduce the effectiveness of their company and employees. These mistakes have been known to cost companies between two and six times an employee's salary (Dye, 2007). It is important for HR managers to be aware of these mistakes and to implement a hiring process that avoids them. For example, often interviewers overemphasize the importance of chemistry and base a hire solely on that fact alone. This often happens when "the terminology for required and preferred skills and competencies are too broad," allowing chemistry to become the primary factor in the selection process (Dye, 2007, p. 116). In addition, interviews often use poor hiring techniques, which lead to poor hires. Interviews are much more productive when behavioral questions are asked instead of theoretical questions. Interviewers often do not properly utilize referencing. It has been shown that the "best predictors of future success are past successes on the job" (Dye, 2007, p. 118). Therefore, it is essential to successfully check candidates' references: "careful checking with former employers, school authorities, and other references can help an employer avoid hiring mistakes" (Longenecker et al., 2010, p. 531). Another common mistake that many interviewers make is failing to use an objective process. Objective interviews need to be a fact-based process: "putting objectivity into the selection decision means eliminating or at least defining with behavioral precision the requirements of the job" (Dye, 2007, p. 118). It is important for the HR department to conduct audits of the company's interview process to help identify any flaw or to catch any mistake such as the ones listed that might hinder the selection of a job candidate (Dye, 2007, pp. 116-118).

The Cost of Employee Turnover

It is important for firms to hire the right employees the first time. Employee turnover is one of the most persistent and costly problems that organizations face. In fact, according to the Bureau of Labor statistics, the average cost to replace an employee is over \$13,996 (O'Connell & Kung, 2007). Despite this figure, many employers do not recognize the importance of keeping employee turnover low, "perhaps it's because there isn't a line item in most profit and loss statements, nor is it typically adequately defined in the budget, and no one submits an invoice at the end of the month for turnover" (O'Connell & Kung, 2007, p. 15). There are three main elements of turnover cost: staffing, vacancy, and training. The staffing cost is associated with the expenses the company incurred in the process of recruiting and hiring the original employee and the cost of finding a replacement for that employee after they have left or been fired from the firm. The vacancy cost is incurred during the period of time that the position remains empty in between employees. This results in a loss of productivity and business. Finally, the training portion of turnover cost is associated with the money that is needed to train, orient, and develop the new employee for the position that they are filling. It is important to realize that nothing can be done to reduce these costs; therefore, the only solution is to reduce turnover itself by improving the hiring and interview process to ensure the right candidates are being selected for the position (O'Connell & Kung, 2007).

This reduction can be done by evaluating risk factors and ensuring a motivational fit. There are certain characteristics or risk factors that applicants have that indicate the likelihood of turnover: "Research has shown that the way candidates respond to some questions on an application form correspond to a reduced or increased likelihood for turnover" (O'Connell & Kung, 2007, p. 17). These traits and characteristics can be determined by including a turnover

risk index in the application. These types of indexes, if applied “early in the selection process significantly reduced the turnover rate” (O’Connell & Kung, 2007, p. 17). As stated earlier, it is important for a candidate to be a motivational fit with the company since “having both able and motivated employees is the only way to ensure a productive and stable work force” (O’Connell & Kung, 2007, p. 18). Studies have shown that high levels of motivational fit lead to great job satisfaction and organizational commitment, which will in turn lead to lower turnover rates: “assessing candidates for job fit and skill fit is your best defense against costly turnover and the best way to build a staff of capable, motivated people” (O’Connell & Kung, 2007, p. 19). It is important for organization to work hard at perfecting the interview process to ensure the best candidates are hired in order to reduce turnover and to increase their bottom line.

Analysis and Conclusion

Based on extensive research, the original hypothesis proved to be true. The hiring process is one of the most important processes that a company will partake in throughout its life cycle. For a company to be successful, they need to perfect this process and ensure that the hiring procedures implemented are the best possible method for the company. A successful hiring process begins with the Human Resource department. The HR team are the ones who determine how many employees are needed, what exactly these employees will be doing, and the process used to select these employees. If the HR department does not play an active role in an organization, the organization will, in turn, be unsuccessful. The organization reputation, productivity, and its overall successfulness are based on the employees hired by the interview process designed by the HR department. Therefore, companies who are struggling financially because of poor sales, employee turnover, or productivity need to conduct an audit of their HR department to determine areas that need to be improved in order to ensure that the right

candidates are being hired for the right positions. If companies conduct these audits frequently, the overall bottom line of the business will grow.

As stated earlier, it is important for companies to review their hiring process to ensure the best possible candidates are being hired. When conducting these audits, companies need to look at the interview process itself. The company needs to focus on developing a structured interview process that focuses on behavioral questions that will more accurately predict a candidate's future job performance. The HR department also needs to ensure that they are following a systematic approach to hiring with a set of distinct and well-defined steps used throughout the interview process. It is also important for the HR department to incorporate hiring tools into their interview process. Personality and intelligence tests help employers gather information about job candidates that cannot be gathered through a face-to-face interview. By using these tests, a more informed decision can be made. Most importantly the HR department needs to develop an ethically sound hiring process that attracts like-minded employees. It is imperative that a company hires employees that have the same ethical values as the business. Hiring unethical employees can result in a downward swing of the company's overall moral, profit losses and increasing the risk of employee turnover.

If companies are aware of these factors when developing or auditing their hiring process, they are more likely to avoid common hiring mistakes and reduces employee turnover significantly. By doing this, the company will become much more profitable and will see its overall bottom line increase. Based on the original hypothesis and the information gathered from respected professionals in the business field, it is clear to see that the hiring process is essential to any company. Without strong employees, a business will not be successful. Employees affect every aspect of a business including sales, management, customer retention, and much more.

Therefore, it is imperative that a company perfects its hiring process to ensure that the right employees are hired for every position to guarantee that the business is as successful as possible.

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