CHAPTER 2

LITERATURE REVIEW

Recruitment and selection have long been recognized as key activities of the personnel function in any organization (Tarrington & Hall 1991). These areas actually require special knowledge and the application of such knowledge. While line-managers have no doubt played an important contributory role in these activities the policies have largely been developed by the personnel function. With a paradigm shift in thinking of the role in human resource functions and subsequently a change to the concept of Human Resource Management there has been a greater emphasis on the role of the line manager (Storey 1992). This has resulted in a shared activity to achieve a greater integration between line and staff functions in the organization to achieve a common organizational purpose.

Another important aspect of Human Resource Management is that it seeks a strategic role. Recruitment and selection are important areas where Human Resource Management can be strategic (Everton 1993). As McKenna & Nick Beech (1995) pointed out, it is through these processes that the Human Resource Management functions of an organizational interacts with the external environment, and recruitment and selection can have a major impact on the future direction that an organization is able to take.

The two important activities of recruitment and selection are an integral part of Human Resource Management. The various activities in these two functions constitute a planned process as it tries to meet with organizational

strategies. It therefore means that recruitment and selection must necessarily be driven by organizational requirements. Legge (1989,1955) has criticized this approach as being contingent on variable market and environmental conditions. This has however become a factor in Human Resource Management that has resulted in increasing its business like approach. This has a number of implications. Firstly there will be a conscious effort by the organization to reduce costs in terms of number of persons as well as salaries. Secondly there will be regular reviews to restructure and right size the work force. Thirdly and fast appearing activity is that there is a move towards short-term contracts, part-time workers and outsourcing certain functions. These are issues of strategy as they impact on the long-term future viability of the organization.

Another important strategic issue is the necessity not only to get the requisite numbers of persons with the appropriate skills but also to 'ensure' that they have right attitude and are able to fit into the organizational culture. These aspects have been found to play an important role as has been experienced by the Japanese towards employment. Recruitment into Japanese companies is characterized by careful selection procedures that emphasize attitude and potential rather than experience and acquired skills (Wilkenson & Oliver, 1992). The main objective of such an emphasis is to ensure that the selected individuals will fit into the organizational culture and be willing to work as a team. To the Japanese willingness to fit in is seen as being more important than the skills that the individual already possesses. To achieve this aim it is necessary for the human resource development strategy to be integrated with the recruitment and

selection policy of the company. In the pursuit of such a policy it is necessary to recruit relatively untrained persons then train them in the skills and competence specifically needed.

By this method it is felt that the individuals will identify themselves with the organizational objectives. Of course such an approach is not without shortcomings. It is a rather costly exercise. It can also to some extant stifle creativity as team effort is often overemphasized. Being aware of such constrains the introduction of innovative measures seems to be the answer to the Japanese success. A significant issue that needs to be highlighted is that in order to achieve such an objective it is necessary and essential that a great deal of effort is spend on the recruitment and selection activities. As an example at Toyota's Kentucky plant in the USA, 1700 recruits were selected from 100,000 applicants. The candidates went through 20 hours of tests spread over several months. Adaptability and the ability to work and learn in teams were the primary criteria. In Komatsu in the UK candidates went through skill, numeracy and dexterity tests and selection procedures that elicited information on teamwork ability and level of cooperative attitudes. In addition those with leadership potential went through further psychological tests exploring flexibility and responsibility (Wilkinson & Oliver 1992).

Having looked at different approaches one might ask what is actually the best strategy. The answer is not that simple. However based on my experiences in this area for nearly three decades I would say any organization could take one of two approaches. These are commonly referred to as

'poaching' and 'gamekeeping'. 'Poaching' involves attracting trained persons from other organizations including competitors. This approach will no doubt result in new ideas and expertise being brought in by the new recruits. The price the organization has to pay is higher salary than 'fresh' recruits are and the possibility that they bring with them fixed ideas and habits. 'Gamekeeping' aims to provide for the needs of the recruits by nurturing and developing them. The advantage is that such a strategy could produce loyal employees with appropriate skills. Of course there is the danger of loosing them to other organizations after they are trained.

Both the above mentioned approaches differ from the traditional method of being functional and job related. What is happening in the Malaysian private sector is that both the approaches are utilized. In many companies that do not practiced good human resource planing, poaching is a common feature. This appears to the company an easy and quick way of getting the trained persons they need. There is no doubt that a price has to be paid in the form of higher salaries.

We might now consider the various stages/activities in the recruitment and selection process.

As in most other functions the process starts with human resource planing which has implications on recruitment and selection. Of importance in HR planing is the need for organizations to recognize that they operate in a dynamic and ever changing environment that is now seeing the disappearance of 'boarders'. This has to be matched with the problems and constrains faced

internally by the organizations. Hence the HR planing can only be effective when these two issues have been duly taken into account.

Armstrong (1992) points out, in terms of planing that there are straightforward demands and supply economic issues at stake. First the organization needs to be aware of its manpower needs and how these will meet the internal and external labor market. Second, these requirements must be realized by developing a recruitment program, selecting the individuals and developing them to meet organizational needs as well as their own thereby retaining them. The responsibility of HR planing, while it is a management function, requires HR to provide the greatest input and perhaps even to do the coordination.

HR planing in the view of Cowling and Mailer is one of the most potent sources of information. It provides management and specialties with tools and techniques to manage the organization professionally. Unfortunately many HR staff remains ill equipped or lack the management support, to make the best use of these techniques. The amount of training provided to those directly involved in the recruitment process is rather limited. This has been highlighted by the survey results.

The process of recruitment and selection has been the center of discussion by HR gurus for many years. While all recognize the importance not many follow through the belief. The evidence of successful companies (Peters and Waterman; 1982, Peters and Austin; 1985, Kanter; 1985) and especially the Japanese competition, suggest that markets, machinery and the money are

available to everyone. Success goes to those organizations that are able to recruit and develop the right people and not just at the top. This means planing resources not only in quantitative terms but also in qualitative terms as well. It means seeking to integrate the full rage of policies with one another and with business planing. Also, and perhaps more idealistically it means seeking to achieve some fit between organizational and individuals goals.

Recruitment and selection fundamentally involves a serious of activities in a definite process. It starts with a need being identified. The need could be as a result of any of the following situations:

- At any time in the life of a company there will be vacancies resulting from employees leaving for a variety of reasons.

- Manpower requirements could arise due to an expansion in business. This happens when companies decide to go global and thereby open branches in other parts of the world.

- Finally the introduction of additional products and new services being offered can also call for extra manpower requirements.

Once the need has been established and before selection can take place it is pertinent to know the job content of the job to be filled. This exercise known as the job analysis normally takes place when a position becomes vacant but there are organizations that perform it as an on-going process so as to enhance the adaptability of the organization (Mckenna & Nick Beech 1995). Job analysis is useful to other aspects of HR management such as the identification of training needs, job evaluation and also in industrial relations. The job analysis provides

the basic information that will be used in formulating the job description and job specification i.e. the information about the tasks that are carried out and the skills and attributes needed to achieve successful performance. In producing a job description an organization should include the following important items viz.

- Job title
- Purpose
- Location
- Performance indicators
- Any special issues (such as shift work)
- Lines of reporting and responsibilities

Although the above areas are usually included in the job description there is a trend to move away from too much details so as not to be limited in future changes. Of course there must be a balance between flexibility and the individual need to have a reasonable understanding of what is expected of him in so far as his job is concerned.

The next logical step in the recruitment process would be the employee specification. Basically the information in the job description will be used to develop the employee specification. Two plans that have commonly been used are the Rodger's (1952) seven-point plan and Munro Fraser's (1958) five-fold classification.

Essentially Roger's seven-point plan consists of:

1. Physique (health, physical abilities where required by the job)
2. Attainment (education, qualification, experiences)

3. General intelligence (intellectual capacity)

4. Special aptitudes (dexterity, numeracy etc)

5. Interests (cultural, sport etc)

6. Disposition (persuasive, ability to teamwork)

7. Special circumstances (able to work shifts, excessive travel)

Having completed the job description and job specification the next step in the process would be to identify the sources of recruitment. In this regard the two main sources would be internal as well as external. Although recruitment may bring to mind employment agencies and classified advertisements, current employees are sometimes the company's best source of recruits (Dessler 2000). Different organizations have different views with regard to internal vs. external recruitment. The main advantage would be that the existing employees are given an opportunity to move up the organizational hierarchy and this has a good motivational value. Moreover existing employees need not have to be acclimatized to the organization's culture. The major disadvantage is that employees who aspire to be promoted and are not promoted can feel rather dejected and discontented and can cause 'ripples' within the organization.

Yet another drawback arising from internal recruits is 'inbreeding'. When all managers have been brought up through the ranks there may be a tendency to maintain status quo, when new and innovative and new directions are needed. Balancing the benefits of morale and loyalty with the drawback of inbreeding is thus a challenge (Dessler 2000).

Hiring employees the second time around seems to be the norm with a number of organizations although it was at one time considered unusual. There are certainly advantages and disadvantages of doing so. Many of the high-tech companies are indulging in this phenomenon. AT&T for example in 1996 re-hired more than 130 of its former employees. External recruitment has developed not only as a very critical activity but it has also resulted in many innovative ideas never heard of before. Such activities are stretched when the labor market is 'tight' and every company is all out to get the best candidate. While the philosophy of external recruitment may be sound, organizations are facing increasing recruitment costs which has resulted in 'short cuts' to recruitment mainly to minimizes such costs. External recruitment has several obvious advantages including the bringing of new ideas, skills and approaches that can be very useful at certain levels in the organization.

The most effective and popular method of external recruitment is by placing recruitment advertisement in the mass media. These could be the local newspaper, journals, publications by professional bodies, radio, television, and more recently the Internet. In advertising job vacancies companies have become very creative and unique so as to attract the right people to respond to their adverts. In drawing up the adverts most companies use the AIDA principle often used in marketing.

The AIDA principle basically uses the following approach:

> Attract the reader's attention.
>
> Maintain the readers Interest.
>
> Create a Desire in the reader.
>
> Get the reader to take Action i.e. to respond.

Job advertisements are expensive and therefore it is necessary for companies to keep the advertisements as cost effective as possible. The items that need to be included in an advertisement are as follows:

The Company - a short brief of the company

The Job – its title, location and key tasks

The Person – the necessary qualification and experience

The Benefits – the rewards associated with the job

Any additional information that may be relevant and can be used as an 'attracter'

The choice of the media is important especially its coverage, circulation and image. Other sources of external recruitment in Malaysia are: -

- Labor exchanges set up by the Ministry of Human Resources
- Employment Agencies – privately owned and operated
- Institutions of Higher Learning – colleges, polytechnics, universities, and technical institutes
- Walk-in and Phone-in – for lower level jobs
- Recruitment and search agencies
- Recruitment consultants (Head Hunters)

- Interns and scholarship holders

Companies make use of various sources depending on the type and level of candidates they need. According to the survey results the usage of external recruiting consultants is irregular and only for very senior positions.

Another method of recruitment used by companies in the private sector especially the larger local ones as well as the multinationals is by visiting institutes of higher learning and interviewing final year students. Historically this has proved to be an effective way of recruiting persons at the executive level. The writer himself had the experience of such an activity in 1964 when he was in the final year at the University of Malaya.

Yet another approach taken by companies is the unsolicited application as well as through referrals. These methods are not widespread and if used are mainly for managerial level positions. The next activity in the recruitment process is the short- listing from those who have applied for the position. In conducting this important exercise the job description and job specification documents which have been drawn up will be of great use. Often the number of persons to be short-listed would largely depend on the numbers that have applied and who meet the essentials as determined by the job specifications. Dessler (2000) recommends the 'Recruiting Yield Pyramid' (RPY) as a guide in the number of 'leads' applications needed to basically make one offer. The example used is the requirement of 50 new entry level accountants to be hired.

Using the RYP the company needs to attract 1,200 applications in order to eventually recruit 50 persons as shown below:
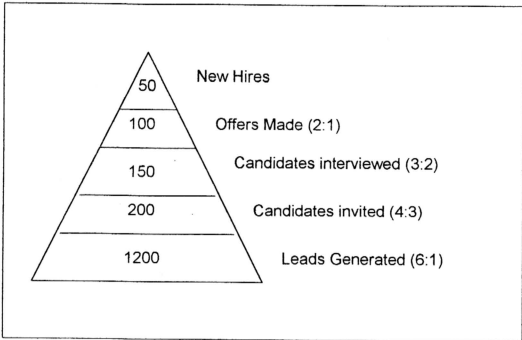
Recruiting Yield Pyramid

In attracting applicants not only the recruitment stages but also the actual recruiting is critical. Dessler is his book 'Human Resource Management' states that a study reveled that of the 41 graduating students from four colleges of a north- eastern university who had attended recruiting exercises, 12 mentioned the impression made by the recruiters themselves and 9 said that comments of friends and acquaintances affected their impression. Unfortunately the study reveled that the reverse was also true. While 39

mentioned the nature of the job, 23 said recruiters had turned them off e.g. some were dressed 'sloppily', 'barely literate', some rude and some made offensively sexist comments. "All these recruiters, needless to say were ineffectual recruiters for their firms".

While advertising is seen as popular and easy method of attracting potential candidates it is expensive and in many cases does not achieve the objectives. What are significant are the necessity to determine what media to be used, and the construction and frequency of the advertisement insertion.

A new approach to recruitment in recent years has been recruitment via the Internet. This method is increasing in its usage because of the wide courage it provides as well as the speed and convenience for both the employer as well as the job seekers. This new method of recruitment is fast spreading. Especially as attracting and retaining talent is frequently listed as the number one challenge facing all companies today, particularly the smaller ones who are in many cases competing with the 'big boys' for the same talent pool.

Among job seekers, using online recruiting is becoming an acceptable, even preferred method for finding a new position. According to an iLogo study in the U.S, 50% of Internet users actually say job searching is their number one reason for going online. While online recruiting initially only attracted job seekers in the technology fields, the proliferation of home computers, the advances in connectivity speeds to the Internet and the improved quality of online commerce have opened up the industry to a

diverse array of jobs and job seekers. Today an estimated one in every four persons goes online surfing for job opportunities. Keri Abraham and Claudia Newcorn (August 2000) in "Online recruiting – a powerful tool for all businesses"

According to the Forester Report, the online market is expanding exponentially, with the number of employers and recruiters advertising online projected to grow 231% to 124,315 by 2003. Corresponding online recruiting expenditures are forecasted to jump to $1.74 billion over five times the amount spent in 1999. Today more then two thirds of companies surveyed recruit online. According to Interbiznet.com web sites containing recruitment information grew by 48% from 1998 and 1999, and today over 75% of hiring companies have posted jobs on their own web sites. The online recruiting business market is forecasted to more than double in size by 2005 to $28 billion in sales.

Although the Internet is the key to recruitment with speed it is just one tool, and will not replace all other sources. Companies should continue to nurture a wide variety of recruiting sources so that candidates' flow will do just that – flow (Ahlrichs, 2000).

The selection process that involves the techniques/methods used to choose suitable persons from available applicants is the final critical activity in the total recruitment process.

These are the common methods of selection: -

• Shortlisting

- Interviews

- Tests

- Assessment centers

- Referees

- Medical examinations

Shortlisting

This has been explained sufficiently in the earlier part of this report.

Interview

An interview has been defined as a conversation with a purpose. Both the company as well as the candidate has their own purposes. The company's purpose is to determine if the candidate's background, experience and skills match with the job description of the vacant position. The candidate's purpose is to establish if the job and the company are suitable and meet with his/her aspirations. Both parties will aim to decide on their purpose by trying to get as much information as possible through the conversation. While it is agreed that the interview is an effective method of selection it must be pointed out that the activity can also achieve other objectives. A general manager of General Motors once stated that there are four objectives to be achieved by having an interview. They are: -

1) The interviewer must answer fully and frankly the applicants' questions about the business, the job, and working conditions.

2) He must convince the candidate that the company is a good one to work for i.e. he must be skillful in "selling" the company to the candidate.

3) He must steer the candidate toward a job for which the candidate is better suited.

4) Finally he should leave the candidate with the feeling that he has made a personal friend.

Interviews are the most popular selection technique used by companies in the private sector. This is highlighted by the survey results, which indicate that more than 50% of the respondents use this technique regularly for selecting persons to fill vacant positions. Interviews are said to have low validity but they continue to remain popular (Lewis, 1985). It is not so much that interviews per se are irrelevant but there are flaws in the conduct of the process. According to Eugene McKenna & Nic Beach four types of weaknesses arise viz.: -

1) Subjective, unsound judgements are made by interviewers who have not been properly trained.

2) There is a tendency for interviewers to arrive at judgements too early in the interview and this can be reflected in the nature of the questioning and body language.

3) The "halo" effect and "horn" effect can find its influence in the interview itself, which can reduce the volume of the information content given by the candidates.

4) When a panel interview takes place there may be no consensus view from
   the panel as each sees different things in the same interview.

There are several variations to interviewing. Structured and unstructured are
two common methods. A co-ordination of the two versions can also happen.
Yet another approach to interviewing is called the situational interview
(Latham 1980) where critical on-the-job incidents are identified and recorded,
and questions are then prepared to elicit the views of the candidates on these
events. Studies by Latham *et. al* (1980) and Latham & Saari (1984) have
shown that the situational interview can be more valid and reliable than
unstructured interviews.

A recent development is the use of competency-based interviewing
(Johnston 1995). Instead of looking at what the candidates have achieved
the focus is on how they achieved the results they claim. With competency-
based interviewing the interviewer is looking for specific traits reflected in past
achievements. To identify specific traits interviewers are asked to look for
STARS (ibid. 1995). STARS are an acronym for Situation, Tasks, Actions,
and Results. McKenna & Beech explains how they unfold as follows: -

First, examine the job specification to establish what the job requires. For
example, a managerial job could require the exercise of leadership skills, or
the ability to make a presentation at a senior level, or skills in promoting
interaction in teams. Having identified the relevant roles the candidates are
asked whether they played such roles or found themselves in such situation
in the past or in previous jobs. Once interviewers have found an appropriate

situation in the candidates' past the next step is to identify the tasks they were responsible for, followed by identifying the actions they took if a problem arose, and finally what effect or 'result' the actions had. In spite of some weaknesses found in interviewing as a selection technique it can still be relied on provided certain precautions are taken. In the final analysis a well-structured interview can be a great help to recruiters. They can follow the BEST process to obtain maximum results, which include the following: -

Build rapport with the candidate i.e. to put him/her at ease to facilitate conversation.

Effectively utilize the time available to obtain the necessary information.

Sell the job, the company, and aspects associated with the philosophy of the company.

Terminate the interview on a friendly note such that a good PR image is created.

Since companies give a great deal of emphasis to interviews the question that is often asked is "how much time should be spent on an interview?" Although there is no magic number that can be given to the question it is important that interviews spend as much time as is necessary to make a decision on the candidate's suitability for the vacant position. In view of its importance interviewers are spending more time now before making a decision, as they are well aware of the negative effects of selecting someone who does not fit the job. (Dessler, 2000) highlights an example of the importance in terms of time attached to the interview. He states that Toyota's

hiring process takes about 20 hours and six phases spread over 5 or 6 days. What Toyota is looking for in its employees firstly is interpersonal skills, due to the firms' emphasis on team interaction. Secondly they are looking for persons with reasoning and problem solving skills which are necessary for job process improvements.

The underlying features of Toyota's selection system are: -

- Select not just for skills but for values. Clarify what the values are, then hire employees who exhibit commitment to these values.

- Commit the time and effort for an exhaustive screening process.

- Match the candidates' values and skills with the needs of the firm. Teamwork, Kaizan and flexibility are central values at Toyota.

- Self selection is an important screening practice at most firms.

Psychological Tests

The most commonly used tests for selection is the intelligence, personality, and the work/job based tests. The rationale for using these tests is that the results of the tests have some validity in predicting future performance on the job.

Intelligence tests are actually tests of general intellectual abilities. They measure not a single "intelligent" trait but rather a range of abilities including memory, vocabulary, verbal fluency, and numerical ability. There is of course the need to establish the relevance of such skills to the job requirements.

Personality tests are also frequently administered as part of the selection process. There is a universal belief that personality has a bearing on the competence of the individual to perform effectively at work. No doubt a highly motivated psychologically well adjusted employee is of greater value to a company than an employee who is emotionally unstable and demotivated.

While intelligence is concerned with the cognitive or thinking side of us, personality refers to that part of us that is distinctive and concerned more with our emotional side, and how it is reflected in our behavior. Cattells' (1963) 16-personality factors (16PF) inventory is the popularly used test to determine personality of the candidates. Another well-known test is Saville and Holdworth's occupational personality questionnaire (OPQ).

Work or job based tests are also commonly used and are specifically devised to provide evidence of the candidate's competence in actually carrying out specific tasks. The main drawback is that such tests are conducted in a stimulated situation rather than real situation, and as such certain factors may affect the performance of candidates. They may perform poorly if they are nervous or lack the background information and experience they would have if they were actually in the job. Whatever tests are used it is essential that companies consider their impact carefully before introducing them.

Assessment Centers

Assessment centers, which are events rather than places, use a variety of selection methods in order to enhance the likelihood of making a good decision. Some of the activities included in the assessment centers are: -

- Tests
- Individual exercises
- Group exercises/assignments
- Role play
- In-basket exercises
- Presentations
- Interviews

The rationale of using the assessment center is that the validity and reliability will be increased overall when more than one method is used. Typically the event would take place over two or three days.

Assessment centers are run and monitored by a team of trained assessors who will observe candidates' performance and will collate the information from the various activities conducted. At the end of the process the team will sit to review the results and decide on the candidates who are to be selected. In view of its advantages assessment centers have also been used for the purpose of staff promotion.

While the approach is very thorough it is a costly exercise and is usually only used for managerial positions.

According to a survey done in the United States "it was found that assessment centers are usually used for selection, promotion, and development purposes. Supervisors' recommendations usually play a big role in choosing center participants through a consensus process."

Referees

References are commonly used to determine certain aspects of the candidates' circumstances. These references are provided by family friends, past employers, people in society etc. They relate the opinion of someone that knows the candidate and his surroundings, and can be used as input to form judgements about the reliability and suitability of the candidate for the post. There are certain drawbacks in relying on the references. Candidates are likely to select referees who will write good things about them. References could also be written to avoid giving some information and the referee may not have an understanding of the job for which the candidate is applying.

It can therefore be seen that in recruiting persons for posts in companies there are numerous methods and techniques to use. The validity, reliability, and costs of each method are of paramount importance, and these have been weighed against the situation prevailing in the labor

market. Strategies would vary depending on whether there is a shortage or excess in supply of labor.

Methods like the interview remain popular. Shackleton & Newell (1991) found that over 90% of organizations always use interviews when recruiting.

Companies need to constantly review and upgrade their recruitment procedures to enable them to get the best persons to fill the vacancies they have resulting from resignations, retirement, as well as from expansion of the business activities.