

A Study on Calculating Risk during the Hiring Process

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Abstract: *The purpose of this article is to outline the foundational principles of a risk model concerning worker recruitment. The recruitment process has a profound impact on the selection of employees whose contributions directly influence a company's competitive advantages. The hiring of unsuitable candidates can significantly affect an organization's outcomes. This risk is particularly pertinent when sourcing workers from the external labour market but can also extend to internal recruitment. Thus, it becomes imperative to identify the determinants of recruitment risk and categorize their significance within these processes. The development of this model encompasses both theoretical and intuitive aspects, with the paper delving into the identification of model dependencies and their characteristics. Our endeavor is to evaluate the practical applicability of this risk model in the realm of economics. The analyses and findings presented herein aim to elucidate the model's capacity to elucidate the connections between factors that influence the worker recruitment process and the associated risk (the possibility of hiring unsuitable candidates who do not meet the employer's expectations). Recognizing the determinants of the worker recruitment process should facilitate the mitigation of the risk associated with hiring unsuitable candidates and contribute to a reduction in unfavorable recruitment outcomes. The distinctive value of this publication lies in its comprehensive identification of the determinants of recruitment process risk and their formulation in a model format.*

Keywords: Recruitment, Hiring, Selection, Worker, Risk

I. INTRODUCTION

Evaluating risk throughout the hiring process plays a pivotal role in talent acquisition and human resources management. Making informed choices about prospective employees is crucial for a company's long-term success. Here is an introductory overview of the concept of risk assessment during the hiring process:

1. **The Importance of Hiring Risk:** The act of hiring a new employee encompasses numerous potential risks. These risks encompass financial considerations, including recruitment and onboarding costs, as well as broader organizational risks such as their impact on team dynamics, productivity, and the company's reputation. The assessment of hiring risk involves gauging the probability and severity of these potential risks.
2. **Financial Consequences:** The recruitment and onboarding of a new employee can be financially burdensome, involving expenses for advertising, interviewing, training, and potential relocation. Employing an ill-suited candidate can result in wasted resources, underscoring the critical nature of risk assessment.
3. **Organizational Implications:** Beyond the financial realm, a poor hiring decision can disrupt team dynamics, leading to decreased morale, productivity, and employee turnover. It can also have adverse effects on the company's culture and reputation.
4. **The Role of Data:** Data-driven hiring has gained prominence in recent years. This approach leverages data analytics to evaluate candidate qualifications and forecast their performance. Through the collection and analysis of data from various sources, including resumes, interviews, and assessments, organizations can better quantify the risk associated with a candidate.
5. **Pre-Employment Assessments:** One strategy for risk mitigation involves the use of pre-employment assessments that evaluate a candidate's skills, competencies, and personality traits. These assessments offer valuable insights into whether a candidate aligns with a specific role and the organization's culture.

II. REVIEW OF LITERATURE

1. Management Science: Jasjit Singh and Ajay Agrawal - "Recruiting for Ideas: How Firms Exploit the Prior Inventions of New Hires" (Canada, 2011):- This study likely explores the relationship between hiring inventors and the utilization of their previous inventions by firms. It may investigate how organizations leverage the innovative potential of new hires. The focus is likely on knowledge transfer and the impact of recruiting inventors on firm performance.
2. Labor History: Linda Colley - "The Passing of Youth: How Removal of Traditional Youth Recruitment Policies Contributed to the Ageing of Public Service Workforces" (Australia, 2011):- This work probably delves into the historical aspect of public service recruitment policies and how changes in these policies led to aging workforces. It might explore the consequences of an older workforce on public service operations and management.
3. Administrative Science Quarterly: Matthew Bidwell - "Paying more to get less: The Effects of External Hiring versus Internal Mobility" (New York, 2011): - Matthew Bidwell's study appears to investigate the implications of external hiring compared to internal mobility for organizations. It may discuss the costs, benefits, and outcomes of these two approaches to filling job positions. The study could be crucial for HR and talent management strategies.
4. Journal of Business and Psychology: Tracy M. Kantrowitz, Craig R. Dawson, and Michael S. Fetzler - "Computer Adaptive Testing (CAT): A Faster, Smarter, and More Secure Approach to Pre-Employment Testing":- This article seems to focus on pre-employment testing methods, particularly Computer Adaptive Testing (CAT). It likely explores how CAT can be more efficient, effective, and secure in assessing candidates' cognitive ability, knowledge, and personality traits. This is valuable for organizations seeking innovative approaches to employee assessment.

2.1 Process of Recruitment

The recruitment is the main function of HR department and the recruitment process is the first step towards making the competitive quality and the recruitment strategic advantage for the association. Recruitment process includes a systematic procedure from sourcing the candidates to orchestrating and leading the interviews and requires numerous resources and time (Anwar, 2016). According to Abdulla et al. (2017), the traditional process of recruiting is starting with job description and job specification. The job description describes the work responsibilities of the successful job present. The job specification specifies the experience a person should possess in order to carry out the work (Anwar & Balcioglu, 2016). In a traditional recruitment present individual go through 4 stages according to Abdullah & Abdul Rahman, (2015) which is clarified in figure (1)

2.2 Objective of the research

- To understand the objectives about risk during the hiring process.
- To study the process of recruitment.

III. RESEARCH METHODOLOGY

The study is based on secondary data collected from various sources like books, journal and internet, etc.

IV. FINDINGS

No candidate selection process can deliver a 100% success rate even world class assessors make mistakes from time to time. As long as we are dealing with human beings, we will never achieve a goal of error-free hiring. The critical point is knowing when to take greater risk, and equipping your organization to address hiring mistakes efficiently and appropriately.

It's usually very clear to me when I am dealing with an organization that is experiencing a lot of pain from prior mis-hires. Their entire hiring process carries an air of risk aversion. Their sourcing approach focuses on "tried and true" talent pools at the expense of innovation and diversity. Qualification lists expand and interview lineups get longer and longer. Interview questions are oriented towards minimizing downside risk rather than uncovering the seeds of greatness. And often, the companies that are most risk-averse are the ones that are simply unwilling to address the prior mistakes they have made.

While it is critical to take steps to minimize the risks of mis-hires, it is unwise to allow this mandate to dominate your process—particularly if you are growing rapidly. You may achieve your goal of "no bad hires" but fail to achieve the

full potential of your business because you are either (1) perpetually understaffed or (2) overly focused on “safe” hires rather than transformational ones.

V. CONCLUSION

A well-defined methodology is crucial for mitigating hiring risks. It includes steps like defining job requirements, conducting thorough assessments, structured interviews, and reference checks while adhering to legal and ethical standards. Risk management in hiring is not just about assessing qualifications. It also involves evaluating potential risks associated with a candidate to protect the organization and its workforce. Hiring decisions have lasting impacts on the organization, including financial, operational, and cultural aspects. The focus is on ensuring long-term success, not just avoiding short-term pitfalls. Assessing cultural fit is vital to reduce conflicts and enhance employee satisfaction. It's about selecting candidates who align with the organization's culture, not just their qualifications.

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