

**Poor Recruitment Decisions –
What is the cost impact to the Organisation?**

**A Case Study on an Organisation within the Financial
Services Sector**

Kevin Gordon

Table of Contents

<u>Table of Contents</u>	1
<u>List of Tables and Charts</u>	4
<u>List of Appendices</u>	4
<u>Declaration</u>	5
<u>Acknowledgments</u>	6
<u>Abstract</u>	7

Section 1 – Introduction

<u>Introduction</u>	9
<u>Aims and Objectives of the Research</u>	11
<u>Methodology</u>	12
<u>Project Structure</u>	12

Section 2 – Literature Review

<u>Introduction</u>	13
<u>Purpose of Human Resource Planning</u>	14
<u>The Human Resource Planning Process</u>	15
<u>Stocktaking</u>	16
<u>Forecasting</u>	16
<u>Planning</u>	17
<u>Implementation</u>	18
<u>Wastage/Labour Turnover</u>	18
<u>Recruitment and Selection</u>	21
<u>Human Resource Planning</u>	22
<u>Job Analysis Phase</u>	22
<u>Recruitment Phase</u>	23
<u>E-Recruiting</u>	24

<u>Recruitment and Selection in Ireland</u>	<u>25</u>
<u>Purpose of Recruitment and Selection</u>	<u>33</u>
<u>Recruitment and Selection – A Strategic Function</u>	<u>36</u>
<u>The Cost of Recruitment and Selection</u>	<u>37</u>
<u>The Cost of Mis-Hiring</u>	<u>39</u>
<u>Hidden Costs of Staff Turnover</u>	<u>43</u>
<u>Costs of Staff Turnover</u>	<u>47</u>
<u>Importance of Cost Per Hire</u>	<u>48</u>

Section 3 – Research Methodology

<u>Type of Research</u>	<u>49</u>
<u>Company Information</u>	<u>51</u>
<u>Research Methods</u>	<u>52</u>
<u>Quantitative Research – Exit Questionnaires</u>	<u>53</u>
<u>Qualitative Research – Interviews</u>	<u>54</u>
<u>Method of Data Collection</u>	<u>54</u>
<u>Action Research</u>	<u>54</u>
<u>Survey</u>	<u>55</u>
<u>Evaluation Research</u>	<u>56</u>
<u>Sampling Method</u>	<u>57</u>
<u>Alternative Methods</u>	<u>57</u>
<u>Piloting</u>	<u>59</u>
<u>Questionnaires</u>	<u>60</u>
<u>Validity and Reliability</u>	<u>61</u>
<u>Interviews</u>	<u>61</u>
<u>Difficulties Associated with the Research</u>	<u>62</u>

Section 4 – Findings/Data Presentation

<u>Introduction</u>	65
<u>Learning & Development</u>	65
<u>Resourcing</u>	68
<u>Exit Interview Data</u>	70

Section 5 – Analysis of Data and Discussion

<u>Introduction</u>	73
<u>Learning and Development</u>	73
<u>Resourcing</u>	74
<u>Exit Interview Data</u>	75
<u>Conclusion</u>	76
Bibliography	
Appendices	

LIST OF TABLES AND CHARTS

Table 1:	Duration and Cost of 1st Year Training
Table 2:	Duration and Cost of 2nd Year Training
Table 3:	Internal and External Hires – 2007
Table 4:	Agency Costs for 2007
Chart A:	% of Leavers who completed Exit Interview
Chart B:	Age Analysis/Years of Service
Chart C:	Reasons for Leaving

LIST OF APPENDICES

Appendix A:	Exit Questionnaire
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DECLARATION

I hereby certify that this material, which I now submit for assessment of the programme of study leading to the award of Masters in Human Resources is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

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ABSTRACT

All organizations have to be concerned with the issue of making sure that the best and most effective people are employed by them. This is something that a lot of organizations struggle with and find challenging. In recent times, we have seen significant changes in both business and social environments, and these changes have caused organizations to re-consider the modus operandi of their human resource management policies and practices.

Moreover, labour shortages in specific labour markets throughout Europe have led to increased attention being focused on how best to attract prospective applicants. Selecting individuals that have good technical skills is no longer enough to ensure that there will be effective job performance.

This research examines the cost of making a “bad” recruitment decision and the impact it has on the organization. During the course of the project, the author looked at areas such as Recruitment, Learning and Development and also data taken from employees who were leaving the organization, who had completed exit questionnaires. This was done in order to get a clearer understanding of the reasons why people leave organizations and also, to ascertain whether or not the organization could have done anything to prevent them going.

The literature review provided the context of the study, where the author relied mainly on publications and papers produced in various journals, for the most up to date information on learnings and current schools of thought in relation to the Recruitment Challenge currently being experienced by many organizations.

The research methodology consisted of mixed methods. The data was collected by means of a questionnaire to employees who were leaving the organization, and also by conducting semi-structured interviews with key managers within the business.

The conclusion and recommendations suggested that there is a huge cost associated with recruitment and selection, and also with employee development, and that organizations have to be very careful and aware when working through the recruitment process. The impact on the organization, of making a mistake in the recruiting process, will not only be felt financially, but also by the effects that it will have on the existing employees.

SECTION 1 – INTRODCUTION

INTRODUCTION

The cost of hiring an employee has enormous impact on both productivity and profitability, and costs over four times more than what you might spend on something as basic as a computer printer. For many organisations, more thought and time goes into replacing a computer printer than into hiring “their most important asset”. Doesn’t it seem odd that a company that regards “people as its most important asset”, doesn’t accurately measure the cost of acquiring that asset.

As HR professionals, our organisations rely on us to identify and attract people with the skills and personal qualities to take the business forward. We are now in a culture where the practice of Human Capital Management (HCM) has evolved to secure a competitive edge for businesses through recruiting, developing and maintaining people who match the success criteria required by the business. The stakes are high and rising in this battle for top performers, and early assessment is becoming increasingly important.

Whilst businesses have become more aware of the value of carefully thought out recruitment, the true downside of wrong recruitment decisions is also coming to light. Recent studies conducted by Royal Bank of Scotland show that the actual cost of a wrong hire can be in the region of a year’s salary, and this doesn’t even take into account the opportunity cost of not having a high performer in the role.

Could these factors be responsible for the fact that 25% of top HR jobs are now going to people with backgrounds in marketing, finance and other operational functions? Perhaps, but one thing is clear, accountability for HR Professionals has increased dramatically along with the opportunity for HR to add significant value to the business.

“Significant Value” means not just achieving bottom line savings through cost efficiencies but adding top line value to the business by making sure those individuals

who will add most value to the organisation are in the right job. In HR, we need to apply the best methods to select and place people who can hit the ground running and deliver results in the short, mid and long term.

To predict both tenure and performance of employees is undoubtedly a critical success factor of any HR function these days. How well an employee will perform and how long they will stay depends on:

- Whether or not the individual has the right competencies for the job in the first place
- Whether or not the individual has the right attitude and approach to doing the job
- The “Cultural” fit between the individual and the organisation they have joined

A global survey of HR professionals reveals that the average firm spends upwards of £2,000 per head on hiring, yet one in five businesses claim that half the people they recruit don't work out in the long term. As a result, companies are wasting millions every year through poor recruitment decisions.

Large Organisations in both public and private sectors take on thousands of new staff every year and the costs quickly mount up. For example, based on these findings, the cost of hiring 1000 new staff at £2,000 per head is £2,000,000. The research shows, that a further 30% of businesses state that a fifth of all new recruits are not up to the job. Having the wrong people in the wrong job means poor productivity, lost opportunity and directly, hits the bottom line – even before the cost of recruiting replacements is considered.

SHL's research also reveals that the majority of companies surveyed (63%) recruit less than 10% of the candidates that apply for job vacancies. Not only does this create a lengthy sifting process for HR and line managers, but it represents a further

drain on resources through extended candidate attraction and screening processes. John Bateson, CEO, SHL Group PLC, said “in a climate where cost savings have dominated the business agenda for a number of years, it’s interesting to see that companies worldwide are pouring money away through their recruitment policies. Businesses need to re-evaluate the methods they are using to make decisions about candidates. In an increasingly performance driven economy, talent is critical to the success of the organisation”.

Recently, the consulting company Watson Wyatt Worldwide, published the results of a study that present online recruiters with both an opportunity and a challenge. The study examined the human resource function at 405 companies to determine which area had the greatest impact on an organisation’s market value. The recruiting function not only came out on top by a wide margin, but Watson Wyatt estimated that a high quality recruiting capability will actually increase an organisation’s value in the market by over 10% - an impressive contribution in anybody’s book.

AIMS AND OBJECTIVES OF THE RESEARCH

This project aims to:

- Identify the true impact of poor recruitment and selection decisions to an organisation
- Identify the costs associated with Recruitment and Selection
- Identify training costs of new entrants to the organisation.

The outcome from this research information aims to:

- Identify any trends coming out of this research
- Explore ways in which an organisation can become more effective in the recruitment and selection of staff

Context for the Research

The context for this research was based on the researchers own experiences of recruitment and selection within both a large multi-national organisation and also a leading Financial Services Organisation. The researcher was asked to complete a research based project, which was to be submitted in partial fulfilment of the requirements for a Masters Degree in Human Resource Management.

METHODOLOGY

Mixed methods were used for this research project, deriving from a quantitative approach and a qualitative approach. An exit questionnaire was administered to individuals who were leaving the organisation. Semi-structured interviews were conducted with senior members of the HR Dept within the Financial Services Organisation, including the Head of Resourcing, the Head of Learning and Development and senior relationship managers, to supplement information gained from the questionnaire.

PROJECT STRUCTURE

- Chapter 2: provides a review of literature
- Chapter 3: details the reason for the methodology chosen
- Chapter 4: presents the findings of the research
- Chapter 5: provides an analysis and discussion of the results
- Chapter 6: outlines the research recommendations and conclusions

SECTION 2 – LITERATURE REVIEW

INTRODUCTION

All organisations have to be concerned with the issue of making sure that the best and most effective people are employed by them. This is something that a lot of organisations struggle with and find challenging. In recent times, we have seen significant changes in both business and social environments, and these changes have caused organisations to re-consider the modus operandi of their human resource management policies and practices. Both Millmore (2003) and Thomas and Ray (2000) argue “that the ability to attract, hire, retain and develop the most capable talent is the single most important determinant of an organisation’s strategic effectiveness”.

Moreover, labour shortages in specific labour markets throughout Europe have led to increased attention being focused on how best to attract prospective applicants (Barber 1998; Breaugh and Starke 2000; Highhouse and Hoffman 2001). Selecting individuals that have good technical skills is no longer enough to ensure that there will be effective job performance. There is an increasing need for employers to seek individuals who have good interpersonal abilities, congruent values and beliefs, and good development potential. Graves and Karen (1996) suggest “that employees must be able to work as team members, have knowledge of automated process and be IT literate, be flexible enough to manage varied workloads and be able to cope with changes as they occur”. Organisations have to find the ‘right’ candidate, with the right knowledge and experience, and as quickly and as cost effectively as possible. Heraty and Morley (1998a) refer to this as the “right fit”.

Human Resource Planning covers a number of the core activities that go together and in practice occur simultaneously. Among these activities is recruitment and selection – depicting the organisation determining the nature and calibre of employees required for effective functioning (Human resource Planning Phase) and for establishing the employment relationship (Recruitment and Selection Phase) and the psychological contract.

Once the employment relationship has been established the organisation has to shift its concerns to identifying those processes and procedures that will retain and develop the newly recruited employees. Issues such as job design, reward practices, performance appraisal and management, employee development and employee relations need to be addressed. Legge (1995) notes that “the integration and internal consistency of HR Systems is a critical determinant of organisational success”.

Purpose of Human Resource Planning

Accepting that human resources are potentially the most valuable resource available to an organisation is one thing – recognising how highly differentiated, complex and unpredictable they are quite another. Beardwell and Holden (1997) argue that where organisations fail to place and direct human resources in the right areas of the business, at the right time, and at the right cost, serious inefficiencies are likely to arise, creating considerable operational difficulties and likely business failure. It stands to reason, then, that human resource management can only be truly effective where human resource actions and activities are linked to strategic business issues or

priorities (Bechet and Walker 1995; Bratton and Gold 1999; Tansey 1998; Grundy 1997; Gubman 2004). This necessitates that human resource considerations be integrated into the strategic planning process. Rothwell (1995) suggests that formalised human resource planning represents a bridging mechanism that allows corporate plans to be translated into actionable human resource requirements. This, Millmore (2003) argues, requires a capacity to anticipate those human resource requirements that are necessary to ensure the successful implementation of the strategic plan.

The Human Resource Planning Process

Human resource planning has traditionally started from the premise that a balance needs to be achieved between the supply of and demand for human resources. The central assumption between models of human resource planning is that demand for labour is derived from corporate plans, while labour supply is derived from either internally – from current stocks of employees, or externally – from potential employees in the external labour market. (Taylor 1998; Bratton and Gold 1999; Iles 1999).

It is the balancing of demand, for, and supply of, human resources that leads to the development of plans related to the other core functional activities of HR Management.

The four main stages of the Human Resource Planning Process are: Stocktaking, forecasting, planning and implementing. All of these stages are interlinked and therefore form a cycle whereby human resource planning affects, and is affected by,

the range of human resource policy choices that the organisation has available to it.

Hendry (1995) advocated this view of HR Planning as a cycle of events, arguing that change can be initiated at any point in the cycle (responding to external market fluctuations, for example) and so the HR plan is more flexible as a result.

Stocktaking

In reviewing approaches to human resource planning, Sisson and Timperley (1994) suggest that stocktaking involves analysing current human resources, that is, developing an accurate human resource profile, in which the workforce is evaluated and classified according to factors such as age, experience, skills and abilities.

Specifically, the organisation needs to gather details on the current skills mix of its workforce in terms of education level, training level, job knowledge and ability.

Information of this kind should be readily available from existing HR records, which will include reference data from employees' curricula vitae, performance reviews, job descriptions and job analyses that have been conducted.

Forecasting

This stage of Human Resource Planning involves forecasting both the supply of labour and the demand for labour. It requires the organisation to make predictions about how many employees will be required for the future (demand analyses based on past trends and likely future business functioning); and determining where future employees are likely to be sourced (supply analysis). Planning by nature relies heavily on past experience and the development of certain hypotheses concerning the future, and given the mercurial nature of the current business environment, it is hardly surprising that forecasting either demand for, or supply of labour, is highly

speculative at best. Sisson and Timperley (1994) suggest that demand forecasting involves determining the general pattern of trading and production, product demand, technology and administrative changes, capital investment plans, market strategies, acquisitions, divestments, mergers, product diversification and centralisation-decentralisation. Mayo (1991) further suggests that knowledge of the following aspects of organisational functioning will facilitate improved demand forecasting:

- Changes in requirements for management, geographically or in 'new business areas'.
- New subsets of the organisation that may be required as the plan progresses and those that will no longer be required.
- Changes in the number of particular types of jobs.
- The knowledge, skills, attitudes and experiences that will be required for particular types of job.
- Requirements for joint ventures and collaborative management
- Changes needed in career structures.

Planning

Once the organisation has forecasted likely demand for, and supply of, labour it can then estimate whether there are any imbalances between the two, that is, whether the organisation is faced with a labour shortage or a labour surplus. Where a shortage exists, or is predicted to occur, the organisation can decide to plan for recruitment or retraining as appropriate. A labour surplus requires that an organisation make plans for redundancy, redeployment, retraining, or perhaps lay-off or short-time.

Regardless of the particular options open to it, the organisation's eventual decision

will have consequences for the general nature of employee relations, the structuring of work, the reward package offered, and the structure of its internal labour market. For this reason the organisation needs to carefully weigh the attendant costs and benefits of whichever strategy it decides to employ.

Implementation

On completion of the human resource plans, the organisation operationalises its decision and the cycle is once again set in motion. Since both internal and external environments are subject to considerable change over time, it is advised that human resource plans are monitored and reviewed on a regular basis and amended or redirected as required.

The Human resource planning process identifies a range of options that are available to an organisation depending on whether it forecasts a shortage or surplus of labour occurring in the future.

Wastage/Labour Turnover

During the course of any given year, it will be the norm for a certain number of employees to leave the organisation, and in turn be replaced in order to maintain normal levels of production and service. This is seen as natural wastage or attrition and is referred to as labour turnover. There are many reasons why an employee may leave the organisation, (retirement, better opportunity elsewhere, job dissatisfaction, dismissal etc.). It is vital, for an organisation, as part of the HR planning process, to be able to predict a rate of labour turnover. One of the simplest methods of calculating wastage is through turnover analysis.

A recent CIPD survey on recruitment and retention (2004) suggests an average turnover rate of 15.7% for Ireland (the comparable figure for the UK is 16.1%), and, combined across both countries, reported the highest levels of turnover in personal services employment including call centres (50.9%), and hotel, catering and leisure (45.7%). Beardwell and Holden (1997) suggested that a turnover rate of 25% is perfectly respectable in modern large scale organisations, but that anything approaching 30 -35% should give some cause for concern.

A labour stability index can provide additional information in terms of labour turnover. This index will provide information and details on issues such as whether the organisation is retaining experienced employees. Because this type of index will not provide the complete picture, it is necessary for many organisations to adopt the use of 'exit interviews' to help explain turnover. The purpose of these exit interviews is to provide details of why an employee has chosen to leave the organisation. The usual process would be to ask the employee to rate the organisation against a list of pre-determined criteria, such as attractiveness of reward package, job satisfaction etc. The information received from exit interviews can provide some useful indications of potential problems with respect to various personnel procedures and practices. Hill and Trist (1955) in conjunction with the Tavistock Institute (UK), conducted a number of landmark studies of labour turnover and developed what has become known as the 'survival curve'. The evidence from their studies suggested that the propensity to quit employment is highest during the early stages of employment but this tapers away as employees settle into the organisation.

The survival curve is essentially a social process that involves three distinct phases. The first phase is labelled the 'induction crisis', at which time wastage/turnover is very high. There have been many reasons cited for the occurrence of the induction crisis, among them being:

- Expectations not matching – the job is not what the employee imagined it would be; the role may not have been properly explained to them at interview stage.
- Sometimes new employees find themselves unhappy with some aspect of the work environment, there may be difficulties settling in or adapting to the organisation.
- Finding alternative work elsewhere, they have applied for a number of positions and take the first one available until something more suitable comes along.

While the period of time covered by the induction crisis will vary, it is generally considered to have reached its peak after the first six weeks of employment. The second phase is termed as the 'differential transit'. This is when the employee begins to feel more comfortable in his/her position and settles into life in the company, the likelihood of suddenly leaving begins to decrease.

The final phase or stage is called 'settled connection', and Hill and Trist (1955) suggest that the employees who remain with the organisation for this period of time tend to be viewed as 'quasi permanent'. At this stage there is a perceived greater incentive in staying with the organisation rather than leaving to go elsewhere. The survival curve is, in many ways, indicative rather than definitive and, while it does

not take into account personal motivation or career expectations, it suggests that there are inherent practical abilities in the process, which allow organisations to forecast wastage with some reliability.

Recruitment and Selection

Much of the recent literature on the subject of HRM, emphasises the necessity for recruiting and selecting only those employees who are committed to the goals of the organisation. Many are of the opinion that the profitability and even the success of any organisation or enterprise depends on the calibre of the workforce. Snell 2005, suggests that Human Resources represent a critical means of achieving competitiveness.

It has also been argued that the recruitment and selection decisions are the most important of all decisions that managers have to make, since they are the prerequisite to the development of an effective workforce, while the costs of ineffectual commercial viability can often be attributed to decades of ineffective recruitment and selection methods. (Rossa et al). Montgomery 1996, 94) highlights this notion of fit as key to job success “Think back in your career and ask yourself, of all the people you know who failed in a job and were terminated, how many of them failed because they lacked the right educational degree, the right job experience, or the right industry background? In all likelihood, most of them failed because of inadequate interpersonal skills, an inability to communicate, or because they just didn’t fit in with the culture; in other words – bad chemistry!”

In terms of the matching process, there are two distinct phases within the process, the recruitment phase and the selection phase. The recruitment phase is concerned with attracting a group of potential candidates to apply for the vacancy, and this is followed by the selection phase, which denotes the process of choosing the most suitable candidate from the pool of candidates identified through recruitment. The recruitment and selection process is outlined below:

Human Resource Planning

Pre-recruitment/Job Analysis	(job description, person specification, terms and conditions)
Recruitment	Job advertisement, internal/external sourcing, application forms/CVs, short listing for selection)
Selection	(interview, psychometric tests, assessment centres)
Induction	(training and socialisation)

Job Analysis Phase

Schneider and Schmitt (1986) define job analysis as a means of identifying the human behaviour necessary for adequate job performance, in other words, it provides an indication of the knowledge, skills and attitudes (KSAs) about all kinds of work activity.

Once an organisation has made a decision to recruit an individual to fill an existing vacancy, there has to be a comprehensive job analysis put together. The job analysis

has a number of different uses that go beyond just the selection phase. It can be used for promotion, career development purposes, job transfer, learning and development opportunities etc. Once the job analysis has been completed, the organisation will have a clear indication of the particular requirements for the role and also where the job fits into the organisation.

Recruitment Phase

Anderson and Shackleton (1986) indicate that the quality of new recruits depends upon an organisation's recruitment practices, and that the relative effectiveness of the selection phase is inherently dependant upon the calibre of candidates attracted.

Indeed, Smith, Gregg and Andrews (1989) argue that the more effectively the recruitment stage is carried out the less important the actual selection process becomes. Recruitment can be seen to have three important functions:

1. To attract a pool of suitable applicants for the vacancy
2. To deter unsuitable candidates from applying
3. To create a positive image of the company

One of the most immediate decisions that recruiters will have to face is whether to recruit internally or externally. Some of the advantages of accessing the internal labour market include it being cost effective, both in terms of eliminating the need for external advertising or sourcing and also in terms of reducing induction or settling in period. It is also considered to be good HR practice, as not only will existing employees see it as a motivator, but also the quality of the internal labour supply is

continuously upgraded and maintained through high quality recruitment, selection, promotion, career development and multi-skilling.

The choice of recruitment method is often determined by the nature of the position being advertised and whether the skills required for the job are in short supply or otherwise. Thus, for entry level jobs, for example, it may be sufficient to advertise in local papers or to allow news of the position to be spread by word of mouth.

However, where the position requires considerable experience and/or qualifications of a particular type, the organisation might have to consider recruitment at national level and beyond, through the newspaper media, trade and professional journals, or employ the services of recruitment agencies or consultants.

E-Recruiting

Web-based recruitment and early stage pre-screening of applicants are now a reality across Europe with the more technologically advanced European Community countries leading the way in these developments. In an Irish Times special feature on web recruitment (McMahon 2001) it was estimated that over 300 million people worldwide and close to one million people in Ireland were online. Today, with the increasing investments in technology and broadband, it is estimated that at least half of all Irish households are linked to the Internet. For many companies, on-line recruitment has represented one response to their staffing challenge and they are seeking to utilise one or more of the major techniques available to them for recruitment purposes: general commercial sites, specialised job sites, chat rooms or newsgroups and company websites.

A survey of Internet Business Network (1999) indicated that up to two thirds of visitors to commercial job sites are not actively seeking employment, whereas individuals who consciously seek out company websites are more likely to be actively seeking jobs. For the most part, convenience and speed are the two distinct advantages offered by the Internet. E-Recruiting lowers recruitment costs and levels the playing field. Menagh (1999) suggests that e-recruiting may cost less than half the outlay on conventional forms of recruitment. However, it does require that other organisational systems be in place to support it (i.e. to screen and short-list applications efficiently.)

Thomas and Ray (2000) suggest that those attracted to the net tend to be relatively well educated and computer literate, so e-recruitment is particularly useful for graduate recruitment. However, e-recruitment has a limited ability to attract some types of job seeker: it might not be able to target, for example, the local labour market or those with no internet access.

Recruitment and Selection in Ireland

In relation to the current environment in Ireland for recruitment and selection, the 1999/2000 round of the Crant E. /University of Limerick Survey is instructive. In the survey, questions in the area of recruitment and selection focused on whether respondents were experiencing difficulties in staff recruitment and retention, the methods employed in recruitment and retention, how managerial vacancies were filled and the selection methods most commonly employed.

For knowledge economies, the mainstay is not up to date technology, but in fact it is knowledge workers. Attracting and recruiting the best employees is critical to the

success in all sectors and to all types of organisations, regardless of size. Up until very recently, we have experienced a sustained period of rapid growth in the employment climate. IMI's recent survey (2005) which had been conducted over the last 8 years, recorded a growing concern with the availability of labour in Ireland. Data from other sources reported that there was a greater availability of jobs, which in turn created difficulties and challenges for recruiters, who were forced to compete for smaller supplies of labour, and for those organisations to seek to retain employees who are more experienced to switch organisations.

Michaels et al (2001) captured this situation exactly in their phrase "the war for talent". Written during the heady dot.com days, it pays credence to the reality that many organisations continue to face: key employees are an organisation's central resource, and losing them hurts the organisation more than any other business setback. In her seminal text on innovation and knowledge management, Leonard-Barton (1995) writes: "*firms are knowledge, as well as financial, institutions. They are repositories and well springs of knowledge. Expertise collects in employee's heads and is embodied in machines, software, and routine organisational processes. Some of this knowledge and know-how is essential simply to survive or to achieve parity with the competitor. However, it is core and strategic capabilities that distinguish a firm competitively. Management of these strategic knowledge assets determines the companies ability to survive, to adapt, and to compete*".

Whether or not, employees are seen as being strategic knowledge assets or as individual talent, the most important point is this: recruitment is the most important resource selection activity that any organisation invests time and energy in. Specific

knowledge and skills sets such as creativity, cannot be replicated elsewhere, once an organisation has individuals who have the knowledge and creative skills, they belong exclusively to the organisation. Even during times of slow downs in the economy, and down-sizing, new fresh talent needs to be brought on board.

Many organisations make the major mistake of assuming that once the talent has been recruited and brought on board, that they will stay. It is vital that organisations create an environment where employees will want to stay – this is an essential element of strategic recruitment. Strategic recruitment without a retention strategy is a waste of time and resources.

If we look at the language used by an employee who is considering a move to another organisation, they may use phrases such as “I love my job, but I can’t work in this place any longer”. What they are really saying is that they love what they do, and can identify with the work that they do, but not with the organisation. The organisation may have in some way treated them badly, or be perceived by the employee to have treated them badly, and cause them to take their skills, motivation and loyalty elsewhere.

Many organisations make significant investments in attracting and recruiting talent, and then in some ways treat the individuals as if they are privileged to work there.

Employee retention, in short needs to be as proactive as recruitment. Strategic retention is clearly an issue with many organisations.

Greville and Barry (2001) carried out an extensive study on the role of strategic retention in Irish Organisations, and distilled sixteen retention “hits” that successful organisations used to keep their best people, which fell within broadly under the

general headings of career development, rewards, management and work environment/culture. These hits or recommendations are:

- Autonomy for employees to self manage their training and development plans
- Commitment to develop employees' marketability
- Regular performance reviews
- Accelerated career progression programmes for star employees
- Flexible benefits that suit the employees' lifestyle
- Bonus schemes linked to performance reviews
- Targeted retention and rewards
- Share options
- Clear statement of vision and excellent internal communications
- Respect for people
- Excellent HR and line manager support for all employees
- Management with excellent interpersonal skills
- Culture of honesty that gives employees reasons to stay rather than reasons to go
- Work/life balance initiatives
- Culture of coaching and mentoring
- Challenging work environment, with good atmosphere of teamwork and support.

Recruitment and Selection is at the core of how each business finds the correct resources to carry out roles and to ensure that they are in a position to sustain a strong competitive advantage over their rivals. The main focus on strong recruitment and

selection is to be able to match the capabilities of candidates and potential employees against the roles and the rewards on offer in the organisation. Plumbley 1985 suggests *“that the profitability and even the survival of an enterprise usually depends upon the calibre of the workforce and it has been argued that the costs of ineffectual commercial viability can often be attributed to decades of ineffective recruitment and selection methods”* (Lewis, 1984; Plumbley, 1985; Simth and Robertson, 1993; Terpstra, 1996).

The majority of literature that has been produced recently emphasises that it is necessary that organisations recruit and select only those who are committed to the goals of the organisation. This has changed in recent times, as organisations have evolved, and the traditional models of employment relationships have changed. *“As traditional autocratic structures flatten and organisations utilise multidisciplinary teams to remain competitive, the need for strategic and transparent systems becomes paramount”* (Hackman, 1986; O’Reilly et al, 1991; Raghuram and Arvey, 1996; Worren and Koestner, 1996).

Krauthamer and Dorfman (1996, p. 49) further develop this view of the prevailing business environment and highlight that: *“with the sweeping changes in today’s business climate and the rise of re-engineering to meet the needs of organisations in the are of downsizing or cost diminution, (search) firms must be equipped to recruit individuals who can operate in a non-structured or “virtual” organisation... Even in today’s technically advanced business environment, the human factor will always be instrumental to the success of an organisation”*.

As these trends continue, more and more organisations will be re-sizing their head counts, and in doing so, will be asking employees to know more, interact more and as a result of this, they will have to identify sources and methods that will be most likely to predict future job performance. Ripley and Ripley (1994) suggest *“that the critical organisational concern today is the hiring or promoting of the best qualified people while still meeting all regulatory requirements”*.

The IPD’s Recruitment Forum commissioned a study in 1997, the results of which highlighted a number of common failings in the process of recruitment and selection.

These are:

- No link with HR Strategy and broader Business Strategy
- Using references in order to shortlist candidates for interview
- Hiring Managers unclear in the use of structured interview design
- Use of invalid prediction methods
- Lack of validation of situation specific selection procedures.

Before you start to manage the human talent that is in the organisation, firstly you have to get hold of it. Looking at the long term aspect, organisations will require individuals who will continue to adapt and learn in order for the organisation to sustain competitive advantage in the future.

How do organisations get the human resources they need? Bass and Barrett (1981) distinguish six possible theoretical models of personnel selection:

- The trial or ‘try it and see’ model, in which everyone who is interested is allowed to have a go at the job or role, and only some are kept on after their performance in the role has been assessed.
- The ‘lottery’ model or random selection, in which a number of people are started on a chance basis.
- The ‘quota’ model, by which it is required by law, or policy, that a fixed number or percentage of post-holders should be of a specific type – e.g. gender or ethnic group.
- The ‘common sense and experience’ model, where selection is on the basis of the sort of people who have proved to be associated with successful job performance in the past.
- The ‘matching attributes’ model, where selection is made on the basis of attempting to identify and to match attributes which the applicant possesses and which it is assumed predict job success.
- The ‘competency’ model – a refinement of the matching attributes model – where emphasis is placed on the applicant’s possession of certain particular traits or abilities, or the ability to perform to a specified standard (or some combination of both of these requirements).

Of course, not all of these models are practicable in the real world or work.

The ‘Try it and see’ model

Clubs and Voluntary Organisations can work with this model, as there are no entrance criteria for e.g. the girl guides or boy scouts (other than age and

gender). Obviously this is not feasible in areas where certain skills and experience is required. As far as paid employment is concerned, however, unless there are absolutely no skill or knowledge requirements for the job, this would turn out to be a very costly exercise – there is no guarantee that anyone who would join the organisation would be able to or willing to do the specific role.

The 'lottery' model

Similar to the above model, individuals are allocated to roles by means of random selection. This is obviously unsustainable for commercial and most other organisations. It can be appropriate where the task or job is seen to be a necessary civic duty – e.g. jury duty or military service. Under this model, there is no guarantee of minimum competency requirements.

The 'Quota' Model

Normally dictated by law or organisational policy. For example, universities in the USA are required to take set quotas from specified ethnic groups. This can achieve desirable social goals but might obviously be at the cost of effectiveness in any particular instance.

The 'Common sense and experience' Model

In certain circumstances this would seem to be the most sensible approach; however there can be some difficulties. The decision maker has to make sure that they are hiring the right person for the job not just.

The 'matching attributes' model

This is a model in which selection is made on the basis of attributes which the applicant must possess in order to do the job properly. It is assumed that these attributes can be assessed in some way prior to employment, and that these can reliably predict job success. This model should avoid the difficulties noted with the common sense and experience model because selection if individuals should ignore factors that are not relevant to job success, such as age, race, gender, residence or occupation of parents.

The 'competency' model

In this model a 'competency framework' is established for the job to be filled. Depending on the type of competency model used, this framework will either be a list of aptitudes or characteristics or other inputs which are required (e.g. 'leadership') or it will consist of specific behaviours or other inputs that are necessary for job success (e.g. being able to read a balance sheet). Although the former is not so very different from the selection paradigm noted above, the latter specifies actual performance which must be achieved, and not just the potential to do so.

Purpose of Recruitment and Selection

The overall goal of recruitment and selection for a position is to cost-effectively attract, detect and select those people who are most likely to optimally contribute to the organisation within that position at a particular point in time (and into the future).

This definition clearly highlights the set of common errors made by organisations during their recruitment and selection efforts:

- Spending an exorbitant amount of staff time and money recruiting and selecting for positions where the variations in future performance between any potential applicants is relatively small. This cannot be justified on a cost-benefit basis. (Cost-Benefit).
- Even if an applicant is a world class professional within a particular area of expertise it does not mean that same individual will be an excellent, good or even average performer in the particular role (job fit).
- Utilizing the best techniques available is pointless if you do not attract any good applicants (Recruitment Marketing).
- Having the best applicant pool available is pointless if your selection techniques do not reliably or validly predict future job performance (Predictive Power).
- An applicant who is overqualified for a position may not repay the investment of the recruitment and selection exercise and initial training before leaving the job (job fit).
- The best applicant pool and the best selection techniques are useless if the position is not understood by either the selection committee or the applicants.
- A recruitment and selection process that takes too long may cause your organisation to miss the opportunity window which generated the requirement for the position in the first place and/or cause you to lose the best applicants (Timeliness).

Recruitment and selection is an opportunity to either reward a very high performing employee in order to unleash their potential in a new position or to bring in the fresh perspective and new skills of an external recruit.

Recruitment and Selection is not:

1. The blind following of procedures as set out by departmental policy (The process requires a great deal of thought and planning and a high level of commitment to the goal of recruitment and selection).
2. Purely the detection of talented and/or experienced people (instead, you need to maximise the job fit).
3. A necessary evil (Recruitment and selection is an opportunity to expand the range of skills and potential in your organisation).
4. Something anyone can do well (Recruitment and selection is a very difficult task requiring extensive knowledge of the position, the organisation, the labour market, recruitment strategies, and selection techniques.)

Stages of Recruitment and Selection

There are four stages to all recruitment and selection:

1. Assess the job and determine its human requirements
2. Attract well targeted applicants
3. Assess the applicants objectively and validly
4. Select the applicant with the closest fit to the job's human requirements.

Never forget the first step, as it is crucial to the goal of maximising job fit. Too often selection committees try to detect the most talented and/or the most experienced applicant without really knowing what talent and experience the applicants need for the job.

Recruitment and Selection – A Strategic Function

Recruitment and Selection is the most crucial internal activity of every service organisation. Poor recruitment and selection makes every part of the organisation less effective. Excellent recruitment and selection can transform an organisation in a short period of time. An organisation with 20% turnover per year and recruitment and selection processes that hire mediocre employees, can theoretically become fully mediocre within 5 years (From the article Why Employment is a Strategic Function – the Business Impacts of a Bad Hiring Decision, by Dr. John Sullivan)

The concept of human capital management is that innovation and quality arise from your human resources and not from your machines, processes, or financial instruments. In order to maximise the performance of your human resources, and, therefore, your organisation, you must attract, select, develop, motivate and retain the best people possible. Recruitment and selection is the cornerstone of human capital management.

Recruiting is far from an exact science. It's a routine task for an HR professional to have to judge how well an applicant will work, often over a period of years,

based on little more than an application form and a brief interview. Given the challenges involved, it's amazing how successful standard recruitment techniques can be, but this typical approach does have its pitfalls.

The Cost of Recruitment and Selection

There are three kinds of costs associated with Recruitment and Selection:

1. The costs of undertaking the exercise itself
2. the costs of making a bad call
3. The cost of taking too long to come to a decision

The Cost of the Exercise

Recruitment and selection is an expensive process. It can involve:

- Job analysis
- Creation of a job description
- Endorsement of the evaluation
- Position creation
- Endorsement of the position creation
- Formation of a selection committee
- Development of the selection procedure
- Validation of the selection procedure
- Search for potential employees
- Search for potential transferees
- Creation of an advertisement
- Dissemination into one or more publications

- Distribution of the position description
- Acceptance of applications
- Photocopying of applications and distributing them to the selection committee
- Assessment of applications
- Short-listing
- Selection (normally just an interview)
- Checking references
- Offering the position
- Notifying unsuccessful applicants
- Providing feedback to unsuccessful applicants

If you are unlucky (and/or not careful) you may also find yourself answering an appeal over the recruitment and selection process. Appeals are a costly and time-consuming process that can also become quite emotive.

It should also be noted that positions with lower remuneration tend to attract a greater number of applicants. This tends to create the converse situation that lower level recruitment and selection costs more than for higher level positions. It may also be that the difference between applicants for the lower level positions will not vary dramatically (basically any of the applicants do the job as well as any of the others). Obviously, under such circumstances, intensive investment in the recruitment and selection exercise is not justified.

Recruitment and selection committees should consider more cost effective strategies.

Less than half (49%) of the 557 organisations surveyed for the latest Recruitment (RCI) by Cranfield School of Management, in association with Personnel Today, bother to evaluate the success of individual recruitment processes.

But more than eight in 10 (84%) organisations planned to maintain or increase recruitment expenditure in the next 6 months, and one-third has invested in a new recruitment system.

The Importance of Cost per Hire – Analysis of recruitment Cost

This critical metric shows you what you're spending now. Then you'll be better able to do a cost-benefit analysis to decide whether to adopt applicant tracking.

The Cost of 'Mis-Hiring'

The phenomenon of 'mis-hiring' will be familiar to just about anybody involved in the recruitment process. A candidate who appears nearly perfect for a role on paper, and who interviews flawlessly, can suddenly turn out to be quite unsuitable once they're in place. Another classic example of the same kind of effect is the high performer who is rewarded with promotion, only to lose their effectiveness in a new position.

The symptoms of this kind of situation are manifold. A lack of motivation, or a failure to fit into an organisation's culture, can result in ineffectiveness, distraction or even conflict in the workplace. These kinds of conditions are often subtle and

difficult to quantify, at least in their early stages, but their final effects can be long-lasting and profound.

While it is often difficult to precisely quantify the effect of a mis-hire to an organisation, the effects can ultimately manifest themselves in a sharp drop in sales or in an obvious lack of productivity. Such losses can have a crippling effect on a business when the mis-hire is in a key position. Some examples of the negative effects that can arise from a situation like this are:

- Personal Demotivation
 - The results of a mis-hiring decision can often be as negative for the new hire as for the organisation. Perhaps they find themselves unchallenged by their new role, for example, or perhaps the challenges they meet seem too great for them to master. In many cases, the problem is simply due to a mismatch – the role needs a certain type of approach that the candidate simply cannot provide. Whatever the reasons, the result will normally be a sense of demotivation, and a consequent fall in productivity.
- Loss of Team Focus
 - A demotivated and unproductive individual is rarely an isolated issue. Effects like this will tend to spread, affecting co-workers and fellow team-members. At best, the result will be a distraction, misdirecting attention and effort towards the internal problem rather than actual objectives. At worst, a situation like this can develop into conflict and

confrontation, reducing the effectiveness of entire groups within the organisation.

- Client Dissatisfaction
 - The effects of a negative attitude can expand out even beyond co-workers and colleagues. This is particularly true where the individual concerned is working in a customer-facing role, or communicating with clients as a regular part of their work. Their lack of motivation can carry a powerfully negative message about the organisation as a whole, undermining the perceptions of current and prospective clients alike.
- Missed Potential
 - The negative impact of a situation like this can be considerable, but it's also important to remember that a mis-hiring decision not only brings an unsuitable applicant into an organisation, but also potentially excludes a rather better candidate. A different decision might have placed a more productive individual – or even a star performer – in the same role. So, the impact on the organisation is not simply to introduce a negative influence, but to miss out on a potentially stronger applicant.

All of these operational questions are important ones, but just as important – from a commercial perspective – is the fact that this kind of situation can be very costly indeed. To take a concrete example, consider a new recruit whose decline in

performance leads to their leaving after a few months. The costs they incur are far greater than just their salary for those few months. There will have been an initial recruitment cost (including advertising, administration and interviewing) and also an induction cost (from simple introduction to weeks of detailed training, depending on the role). There are even more costs in arranging for them to leave the organisation, and another round of recruitment to find a replacement. On top of all of these, there are hidden and unquantifiable costs related to the effects we've already discussed - how many potential customers were lost, for instance, or how did a negative attitude impact the performance of others?

The resulting costs of mis-hiring will vary from role to role, but you can get an idea of the typical impact from the graph below, based on factors discussed above, and showing the results of an applicant leaving the organisation after three months. The actual figures will vary according to a number of factors – not least, the currency involved – but the general pattern is remarkably constant. For lower pay bands, the costs of correcting a mis-hire are bad enough, but in higher salary brackets, the costs start to escalate alarmingly. This effect is hardly surprising, given that recruitment costs are normally greater for higher-level staff. More importantly, a candidate at this level will normally have greater responsibility, so their range of impact on the organisation will be greater.

How does a situation like this come about? Mis-hiring is often characterised as a 'bad recruitment decision', but that can be an unfair description. In the main,

recruitment decisions are relatively good decisions given what is known at the time. The symptoms of mis-hiring emerge later, not because of the quality of the decision, but because key information wasn't available when that decision was made. This doesn't necessarily point to a failure in the recruitment process – indeed, in conventional recruitment procedures; there can be no way of anticipating a negative outcome like this. Nor, generally speaking, can the candidate themselves be held to blame – they have no more means of predicting the situation than the recruiter, and the results of a mis-hire can often be as unpleasant and counter-productive for them individually as for the organisation.

Hidden Costs of Staff Turnover

Retention has long been a critical issue for Irish Firms particularly in the financial services sector. Long hours, competitive salaries and highly pressurised environments have all contributed to high staff turnover. Given figures released highlighting the increasing numbers of vacancies in the Irish Market Place, employers can no longer turn a blind eye to staff turnover and must up their game in order to retain existing talent.

Most firms accept that high turnover is the norm today and turn their attention to recruiting the next big hire. But what are the hidden costs of staff attrition, and what can firms do to reduce the number of employees leaving? When an employee leaves a firm, the most obvious financial damage is caused by having to pay to hire a new person to fill the role, both in the form of extra salary and recruitment fees and the time and energy of Managers to interview and assess potential candidates. The

induction and training of a new starter also take their toll for the same reasons.

Indeed, the time spent bringing the new person up to speed, whilst an investment, is at a cost to the firm's profit.

However, firms tend to forget that the financial impact of losing an employee takes many forms. Another, more evident cost, concerns billing. If there is a role within the firm standing empty, there is clearly no-one generating chargeable hours in that role. If a junior team member leaves, a more senior fee earner may have to pick up the workload of the leaver, which could not only be less stimulating but also is less profitable for the firm.

Often when an employee leaves, there is much talk in the pub or the tea room. If it is a Senior Manager, employees may discuss the impact this has on the firm's future direction and profitability, and this departure may well impact on staff morale. A senior team member could also poach junior team members for his/her new team. Moreover, over-worked employees can become de-motivated as they pick up the "slack" of the missing team member.

Firms often trip up by not realising the financial ramifications of client "leakage". Client expectations must be carefully managed, when an employee leaves. Clearly, if clients become unhappy with the service they receive, they will take their business elsewhere.

In order for firms to quantify the real potential impact of staff turnover, they have to look at recruitment costs (both direct and interview costs), training costs (looking at both direct orientation and associated salary costs) and productivity costs (comparing a new employee versus an experienced employee). There can be no greater incentive to retaining staff than management seeing the hard financial facts in black and white.

So, what can businesses do to stem the tide and aid retention? It is critical to take a holistic view and not offer simplistic solutions based on broad assumptions. The firm should take a careful look at the major causes. First, firms must understand what sort of profiles they need within their staff. Often overlooked is the culture of the firm and the extent to which potential employees are likely to fit. The degree of fit has a proven major impact on the intent to stay as well as their productivity.

Firms should consider all aspects of their employee value proposition. What motivates their employees, and what type of reward or recognition are they looking for? Financial remuneration remains an important factor for employees, but they are increasingly concerned with the quality of the firm's leadership, their career prospects, and with the level of responsibility, flexibility and autonomy they are given. Long hours are typical today – not many professionals expect a cushy “9 to 5” job – but the daily grind can get to employees, and employers should recognise that malcontent can result in employee burnout and reduced job satisfaction.

Failure to recognise talent and endeavour can result in disgruntled employees heading for pastures new. Businesses may want to consider introducing other roles for the promotion of talented employees. Identify other career paths for those employees who do not want to or will not make partnership, such as consultants or directors. In the current talent short market, firms should also make sure they know who within their firm will be the lifeblood for the firm's future, and could therefore be developed. Writing and implementing a succession plan will ensure firms invest time and energy into the employees who fit with that plan rather than the ones who may "sparkle brightly" in the short term.

Surveying staff on a regular basis to assess employee engagement is important, as are exit interviews with departing staff. Only when firms realise why people are leaving can they realistically implement solutions to retain and develop talent already within the firm, or entice talented employees to the firm.

Businesses need to work hard to attract and retain talent, as high staff turnover can be costly, both financially and in terms of reputation. Research has shown that the cost to the firm of a poor hire is likely to be up to ten times the employee's annualised compensation, with three out of ten hiring decisions ending up as mistakes. In a skills-short market, employees can be more demanding than ever before, and companies need to adapt to accommodate their needs.

Costs of Staff Turnover

Staff turnover in the UK hit its lowest level for four years in 2002, falling two % on 2001 to 16.1% - still a relatively high figure historically.

The latest Chartered Institute of Personnel and Development (CIPD) Labour Turnover survey shows that turnover has fallen more than 10% since 2000, reflecting the sluggish economic climate of the past few years.

But the survey of 577 personnel professionals across all industrial sectors in the UK and 69 from Ireland, shows that the majority of organisations are not attempting to calculate the real cost of staff turnover.

Even though more than six out of ten organisations say that turnover has a negative effect on performance, a mere 12% are able to provide even approximations of the costs (9% in Ireland) – and even these estimates are much lower than those calculated by expert consultants in the field.

According to the CIPD, the true costs associated with the departure of an employee include all direct and indirect costs incurred as a result of the resignation and the replacing of the individual. This encompasses recruitment costs, management time, the cost of induction and any training and taking into account that it will take the new incumbent some time to become fully effective in their job.

The survey also found that the occupational group with the lowest rate of staff turnover is personal and protective services, where 63% of organisations with employees within this category report no labour turnover at all during 2002. The

occupational group with the highest rates of reported turnover is administrative and secretarial jobs, where 3 out of 10 organisations report 20% or more annual rates of employee turnover.

Importance of Cost per Hire

When large companies hire thousands of employees per year, these costs can take a significant portion of the HR budget and the total operating expenses. Successful start-ups and dot.coms are also feeling the squeeze. Agency fees of 20 to 30% of the new hire's base salary have a heavy financial impact when you're adding more than 100 new hires per year.

Whether an organisation is using new electronic methods or more traditional hiring tactics, having a standard and effective way of measuring the cost per hire is essential to evaluating the effectiveness and efficiency of the recruitment process. The Saratoga Institute includes six basic elements to calculate cost per hire:

1. Advertising
2. Agency and search Firm Fees
3. Referral Bonuses paid to employees
4. Travel costs incurred by both recruiters and applicants
5. Relocation Costs
6. Company recruiter costs (including salary and benefits prorated if the recruiter performs duties other than staffing)

SECTION 3 – RESEARCH METHODOLOGY

Research Methodology

1. Type of research:

The central objective of this research was to establish the true cost impact, of a poor recruitment and selection decision to an organisation, and to identify key learnings and trends, if any, between employee attrition, under-performance in the workplace and recruitment and selection.

This study was of particular interest to me both as a Manager within the organisation and also as a Human Resource practitioner as I believe that:

- (a) in terms of investment in staff development, all tools should be used in a way which maximises their effectiveness and benefits to both the recipients and the organisation.
- (b) Little evidence was available as to how these tools were perceived by employees within the organisation.

The basis case study entails the detailed and intensive analysis of a single case. As Stake (1995) observes, case study research is concerned with the complexity and particular nature of the case in question. Some of the best known studies in business and management research are based on this kind of design.

The most common use of the term associates the case study with a location, such as a workplace or organisation. The emphasis tends to be upon an intensive examination

of a setting. There is a tendency to associate case studies with qualitative research, but such an identification is not appropriate. It is certainly true that exponents of the case study design often favour qualitative methods, such as participant observation and unstructured interviewing, because these methods are viewed as particularly helpful in the generation of an intensive, detailed examination of a case. Kinghts and McCabe (1997) suggest that the case study provides a vehicle through which several qualitative methods can be combined, thereby avoiding too great a reliance on one single approach.

Because this dissertation focus on a single organisation, it was decided that a case study approach would be the most appropriate in this situation. Saunders et al cite Robson (2002: 178: p.139) defining a case study as:

“a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence” Robson, C. (2002) Real World Research (2nd Edt) Oxford, Blackwell.

Given that the main features of case study research include collection and examination of data including history, culture, politics, group-make up, economic realities, significant events and power distribution, this method was considered to be the most suitable.

Company Information

The company selected for the case study is AIB Capital Markets, which is a division of AIB Group Plc. AIB Capital Markets comprises AIB Group's Global Treasury, Investment Banking and Corporate Banking Businesses. The Division operates world-wide through offices in Ireland, UK, USA, Canada, Europe and Asia Pacific through a range of specialist business units and subsidiary companies.

AIB Corporate Banking is a division within AIB Capital Markets which provides banking and finance services to corporate and institutional clients both in Ireland and Internationally. The headquarters are in Ballsbridge, Dublin 4, but with offices Internationally, they can extend their reach to existing and potential customers.

AIB Global Treasury comprises AIB Global Treasury Services for business and institutional customers and AIB Wholesale Treasury for banks and financial institutions.

AIB Global Treasury Services operates principally in Ireland, UK, USA and Poland, and provides a comprehensive range of treasury risk, cash management and trade finance services and solutions to an extensive domestic and international client base. Our world class teams of treasury specialist deal exclusively with corporate, commercial and institutional customers, advising on and determining exposures in major and emerging markets world-wide.

AIB Wholesale Treasury is one of the many businesses that come under the AIB Capital Markets umbrella. Wholesale Treasury is primarily responsible for the day to day liquidity management and funding for the AIB Group world-wide. We are the leading Irish provider of treasury products and services to overseas institutions and is an active proprietary trader on the international financial markets. Wholesale Treasury have dealing rooms in Dublin, London and New York.

Research Methods

In conducting this research the author was of the view that a variety of instruments for data collection would be the most appropriate, therefore the research methodology used was a mixed method, in that the research made use of both quantitative and qualitative research. Cohen (2002:112) discusses the advantages of using mixed method approach in social research. Quantitative research “collects facts and studies the relationship of one set of facts to another” whereas qualitative research is “concerned to understand individuals’ perceptions of the world” (Bell 1993:5). Both quantitative and qualitative research have a number of positives and negatives which are examined further below:

In terms of data collection, it was decided to use both qualitative and quantitative data during the project, as it would be necessary to look at statistics, graphs etc and ascertain individual’s perceptions of the data and their attitude to the outcome of such. Saunders describes quantitative data as being “quantitative data is used predominately as a synonym for any data collection technique (such as interview) or

data analysis procedure (such as categorising data) that generates or use non-numerical data” Saunders et al, 2007, p 145.

Quantitative research, dealing as it does with facts rather than perceptions, was also considered to be a suitable approach. “Quantitative is predominately used as a synonym for any data collection technique (such as questionnaire) or data analysis procedure (such as graphs or statistics) that generates or uses numerical data” (Saunders et al 2007, p. 145)

Quantitative Research – Exit Questionnaires

Questionnaires are a widely used and useful instrument for the collection of survey information according to Wilson and McLean 1994 (cited in Cohen 2003:245). Use of a questionnaire has the advantage of being relatively easy to administer without requiring the presence of the researcher. Questionnaires are commended for being reliable (due to anonymity), encouraging honesty and are economical (in terms of time and money). The disadvantages of using questionnaires are there is often low response rate and the questions are often open to misinterpretation. (Cohen 2003: 269)

Qualitative Research – Interviews

The advantages of using interviews are that the interviewees can discuss “their interpretations of the world in which they live, and to express how they regard situations from their own point of view” states Cohen (2003: 267). Moser and Kalton (cited in Bell 1993: 91) describe the interview as a conversation between interviewer and interviewee with the purpose of eliciting certain information.

The advantages of the interview is that it allows for greater depth than with other research methods. The response rate is usually higher than with questionnaires or quantitative research but the disadvantages are that interviews can be prone to subjectivity and bias (Cohen 2003: 269). Bell (1993:95) similarly points out that there is a danger of bias creeping into interviews and suggests that it is easier to acknowledge the fact than attempting to eliminate it.

2. Method of Data Collection

The following alternative methods were assessed for suitability.

Action Research:

Easterby-Smith et al (1991) states the following two features are normally part of action research projects:

- a. a belief that the best way of learning about an organisation or social system is through attempting to change it, and this therefore should to some extent be the objective of the action researcher:
- b. the belief that those people most likely to be affected by, or involved in implementing, these changes should as far as possible become involved in the research itself. (Easterby-Smith et al 1991, p34)

At first sight, this would appear to describe the type of study which is the focus of this research. However, the definition offered by Bell (1993), citing Cohen and Manion (1989), describes action research as “essentially an on-the-spot procedure designed to deal with a concrete problem located in an immediate situation” (Bell: 1993, p.6).

The essence of this study is not to address a “concrete problem” but rather to establish if there are any such problems, and if so, what they are.

Survey:

Saunders et al (2007) state:

“the survey strategy is usually associated with the deductive approach.....and is most frequently used to answer who, what, where, how much and how many questions.

Surveys are popular as they allow the collection of a large amount of data from a sizeable population”. Saunders et al, (2007) p. 138.

Surveys require that all respondents, from a large number of individuals, answer the same questions in, as much as possible, the same circumstances. Information is gathered by questionnaires which are either self administered or administered by an

interviewer. As the objective of the research was to establish the true cost of a poor recruitment decision, this method was not considered suitable as it relied on the use of questionnaire, which was not considered the most appropriate instrument.

Evaluation Research:

According to Easterby-Smith (1991) evaluation research involves:

“looking at some system or practice that already exists and making recommendations as to how it might be changed” (Easterby-Smith, 1991, p.9)

As the objective of this case study was to identify the true cost impact of a bad recruitment decision, and to identify, if any the links between recruitment and selection and employee attrition, and to make recommendations for improvement and development of existing processes, this research method was one considered to be suitable.

As part of the Data Collection, the Researcher enlisted the assistance of 3 areas within the Human Resources Dept of AIB Capital Markets. These were, Resourcing, Learning and Development and HR Support and Technology. It was agreed to meet with a representative from each of these areas in order to identify data that would assist the researcher in coming up with a clear picture in terms of costs to the organisation. The Resourcing Rep was able to provide the researcher with explicit data around cost of hiring, agency fees, time to fill etc., while the Learning and Development Rep provided data on cost of courses, on-going training costs etc.

Sampling Method

Cohen (2003:102) describes a non-probability sample as when the researcher targets “a particular group, in the full knowledge that it does not represent the wider population; it simply represents itself”. The research made use of a non-probability sample, in that, the target population had recently handed in their notice. The sample size was constrained by cost, time and resources and therefore the researcher made use of a convenient sample.

In order to select the appropriate sampling method it was first necessary to identify the population which, in this case was an employee who was resigning from the organisation with less than two years of service.

The researcher surveyed X number of employees who were currently working out there notice and who were randomly selected from the HR Employee database.

Alternative Methods

Random Sampling

This method, which is used to select a random sample from a total population for research, was inappropriate, as the degree of accuracy is dependent on a relatively large population from which to derive the sample. Bell (1993) believes that to achieve a true random sample is difficult for a researcher working on a small scale project, as he or she is dependent on the availability and goodwill of the subjects.

Stratified Random Sampling

Used to select a random sample also, this method selects the sample from pre-determined strata relevant to the study e.g age, sex, length of service. Cases are selected proportionate to the size of that stratum within the total population.

Quota Sampling

Whilst this method would have been useful i.e. selecting a quota of subjects proportionate to the total population in a way similar to stratified sampling, it presented the same difficulties as mentioned above.

Cluster Sampling

This method, which involves the researcher drawing a sample of clusters and gathering data from (or about) all cases in the chosen clusters appeared most appropriate for the target population, as it is generally used when the total population is geographically widespread, but there is no reason to believe that the characteristics of the research population are in any way influenced by location.

Convenience Sampling

Whilst this method of sampling is concerned with selecting the sample according to speed and convenience and is not normally recommended, an element of convenience was necessary in terms of availability of respondents as the study took place over a number of different geographies.

Although it was not possible to guarantee that all cases in a cluster would be selected, this type of sampling combined with “quota sampling” and “convenience sampling” was the essence of the sampling method considered most suitable.

Piloting

To ensure that the questionnaire was clear, it was piloted to a sample 10 per cent of the population i.e. a convenient sample of 10 employees who were currently working out their notice with AIB Capital Markets. The pilot sample consisted of 8 males and 2 females. The main objective of the pilot was to ascertain if the questionnaire was easy to complete, the language and terminology was easy to understand and the length of time taken to complete the survey was not overly long. The questionnaire was then adapted to ensure the questions were clear. From the pilot a number of changes resulted e.g. the demographics questions were amended as they were lacking in face validity, a number of questions were deleted due to overlap and a likert-type scale was introduced for a number of questions to ensure ease of completion.

Questionnaires

A number of employees were surveyed using the questionnaire. As previously outlined, questionnaires have a number of advantages, they are low cost, they can reduce biasing errors, allow anonymity and facilitate greater accessibility.

The questionnaire was designed to identify common expectations and influences. It includes socio-demographic variables namely age, gender, marital status, year of graduation, type of degree, highest qualification. The second part of the questionnaire was clustered under a number of headings: compensation and benefits, personal, career, role/job, reason for leaving and employer. The questionnaire made use of a likert-type scale to ensure ease of completion.

The disadvantages in using a questionnaire was that you cannot explore the responses and the researcher had little control over who filled out the questionnaire or what they were thinking at the time of completion. In order to ensure that the questions were clear, the researcher piloted the questionnaire with a sample 10 percent of the population. The questionnaire was then adapted to ensure the questions were clear and ensure face validity.

Validity and Reliability

Triangulation is defined as the “use of two or more methods of data collection in the study of some aspect of human behaviour” Cohen (2003:112). The researcher engaged in a triangulation approach to limit the bias in the research. Campbell and Fiske 1959 (cited in Cohen 2003:112) suggest that triangulation “is a powerful way of demonstrating concurrent validity, particularly in qualitative research”. On the other hand, Fielding and Fielding (cited in Cohen 2003: 115) criticises triangulation and suggest that it does not necessarily increase validity, reduce bias or bring objectivity to the research. When carrying out the research the researcher was mindful of both arguments.

Interviews

The interviews were semi-structured as this method was best suited to the exploratory nature of assessing the relationship managers views and expectations. The structure of the interview was designed to allow the rms to reflect on their expectations of employees joining the company and their own role in supporting and business in the retention and management of the same.

Each interviewee was given a pseudonym to ensure confidentiality. All interviewees were asked the same questions in order to limit any bias.

The researcher conducted semi-structured interviews with six relationship managers who support the various business units across AIB Capital Markets.

The researcher was an experienced interviewer and established an appropriate atmosphere where the interviewees felt secure to talk openly and honestly. The disadvantage of using a semi-structured interview approach was that the interviewer had little control over the “unstructured” response from the interviewee.

The interview setting was in the offices of AIB Capital Markets. Each interview was approximately 30 minutes in duration. The researcher felt that this was an appropriate amount of time to allow the interviewer to explore the main themes and for the interviewees to reflect and to fully answer the interview questions. (put copy of interview questions in appendix)

Difficulties Associated with the Research Process

Respondents' Perspective

In designing the research instrument, account was taken of the difficulties associated with the interview process. According to Easterby-Smith et al (1991), it can be difficult to understand issues from the respondents' point of view especially when he or she may not have fully thought through the answer to the question or may feel quite sensitive about the issue.

Ethics and the Issue of Obtaining Trust

The issue of obtaining trust as it effects the interview process is highlighted by Easterby-Smith et al (1991) who points out that there are some practical ways to achieve this. Being “well clued up about the company” is highlighted initially. As the study focused on my own organisation with which I was quite familiar, the guidance was used in this case to become familiar with the specific business areas each of the respondents worked in, so that I could talk the same language as the respondents and understand things from their perspective. The interview questions were also reviewed to ensure they were free of unfamiliar jargon.

Cavan (1997:810) cited on Cohen 2003 defines ethics as “ a matter of principled sensitivity to the rights of others. Being ethical limits choices we can make in the persuit of truth. Ethics say that while truth is good, respect for human dignity is better, even if, in the extreme cases, the respect of human nature leaves one ignorant of human nature.”

The researcher adhered to an ethical code in that:

- The purpose and procedures around the research were clearly explained to all participants.
- The researcher will protect the anonymity of the research participants and keep the research data totally confidential.

- Informed consent will be sought from participants. Participants will also have the right to refuse to take part and will also have the option to end their involvement at any time.
- When accessing the sample survey population appropriate permissions and approvals will be sought from the Head of Resourcing within the company.
- The research survey will be anonymous, confidential and non-traceable
- Face to face interviews will be optional and will be kept confidential by the Researcher
- The privacy, dignity and interest of the interviewees will be respected at all times.

According to Easterby-Smith et al (1991) “when talking about research it is important to use appropriate language. It is not a good strategy to unnerve the possible gatekeeper by using too many theoretical concepts.” (Easterby-Smith: 1991 p. 77)

Easterby-Smith (1991) suggests preliminary telephone calls are best followed up by letter. However, I did not feel this was appropriate as the target group was taken from the senior management population. I chose, therefore, to make initial contact through an introductory email (appendix). This was followed up by a telephone call to establish if (a) individuals were agreeable to being interviewed, (b) to position the research and (c) to agree a date and time.

SECTION 4 – FINDINGS/DATA PRESENTATION

FINDINGS/DATA PRESENTATION

Introduction

Detailed in this chapter, are the results of the exit questionnaires completed by all those employees who left the organisation in 2007. A copy of the Exit Questionnaire can be found in Appendix A.

Also in this chapter, detailed are the results of the semi-structured interviews with the senior members of the HR Dept, including the head of Resourcing, Head of Learning and Development and the Senior Relationship Managers. The information collected from these meetings is outlined in the charts and graphs further in this chapter.

Learning and Development

There are a number of courses identified by Learning and Development that employees who join the organisation are required to complete within the first year.

The courses and costs are detailed in the table below:

Table 1: - Duration and Cost of 1st Year Training Courses

Course Title	Duration	Cost
On the Job Training	On-going	NA
Induction	2 Days	€500 per day
Live the Values	Half Day	€250 per half day
FSE	2 Days	€650 per day
Management Foundation Programme	11 Days	€500 per day (€5,500)
Credit One	2 Days	€300 per day
Skills Performance Screening	2 Days	€600 per day
Credit Two	2 Days	€300 per day
PR for Reviewers	Half Day	€250 per day

In year two, employees are required to complete the following suite of courses as outlined the table below:

Table 2: Duration and Cost of 2nd Year Training Courses

Course Title	Duration	Cost
On the job Training	On-going	NA
Credit Three	2 Days	€300 per day
Intermediate Financial Modelling	2 Days	€600 per day
Negotiation Skills	2 Days	€500 per day
Advanced Financial Modelling	2 Days	€600 per day
Professional Mark Up Writing	1 Day	€300 per day
Business Skills Development	2 Days	€300 per day
Bring out the best in your people	1 Day	€300 per day

RESOURCING

In 2007, the organisation hired a total of 624 individuals. This includes both internal movements and external hires. A breakdown of Internal/External hires is outlined in the Table below:

Table 3: Internal and External Hires - 2007

2007	Internal	External
Mgrs/Execs	128	27
Jnr Mgt	103	47
Grad/BOG	19	98
FTC	NA	36
Co-Op	NA	10

AGENCY COSTS

For 2007, the total amount spent on Agency Fees was €920, 539.33. This is broken down on a month per month basis. The final figure also includes sterling agency fees that were paid.

Table 4: Agency Costs for 2007

MONTH	AMOUNT
January	€57,000.33
February	€52,541.27
March	€32,173.27

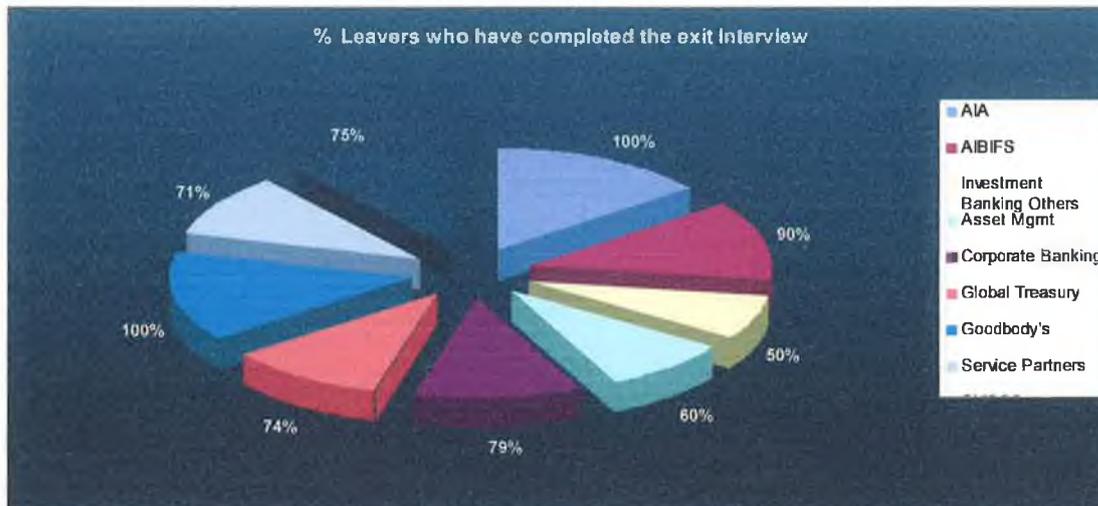
April	€54,656.50
May	€24,386
June	€17,242.50
July	€143,802.87
August	€6,534
September	€72,358
October	€34,485
November	€34,243
December	€66,761

EXIT INTERVIEW DATA

The overall attrition rate for 2007 is 10.5%. 275 employees left the organisation in 2007. 47% of exits were female and 53% were male.

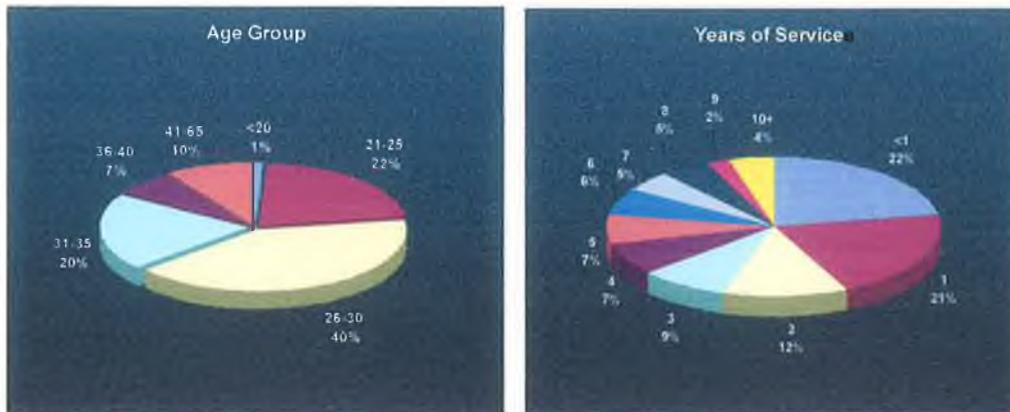
A total of 217 individuals completed the exit interviews – a rate of 79% of all exits.

Chart A: HR Management Information December 2007



No of Exits per Business	No	of Exits No's who completed exits interview	% Leavers who have completed the exit interview
AIA	4	4	100%
AIBIFS	29	26	90%
Asset Management	5	3	60%
Investment Banking Others	8	4	50%
Corporate Banking	61	48	79%
Global Treasury	34	25	74%
Goodbody Stockbrokers	32	32	100%
Service Partners	34	24	71%
CMBSS	68	51	75%
Total	275	217	79%

Age analysis is further broken down in Chart B: Exit/Age Analysis



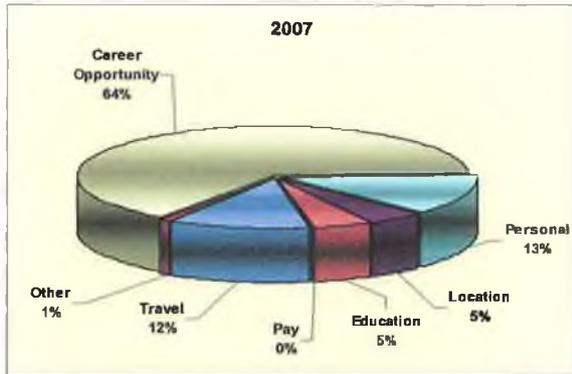
Age Group

From January to December 2007, 63% of exits were aged 30 and under, this represents a drop of 5% on 2006 (68%). There has been an increase in exits in the older age brackets with 20% in the 31-35's (18% in 2006), 7% in 36-40 age group (5% in 2006), 10% in 41-65 age group (9% in 2006). In the 21-25 age bracket there was a decrease of 6%, leavers in the 26-30 age bracket remains at 40%. When comparing the actual number of exits in the less than 30 age category, there was a slight increase of 2.3% from 2006 (171) to 2007 (175). A significant increase can be seen in the numbers in the older age groups, 25% in the 31-35 (55 vs 44) and an increase of 38% in the 36-40 age category (18 vs 13) when comparing 2006 to 2007.

Years of Service

43% of exits had under 2 years service (an increase of 1% since 2006 (42%)) and 64% of exits had under 4 years service (a increase of 2% (62%) on 2006). 195 exits in 2007 had less than 4 years service an increase of 13.3% on 2006 (172). Of

Analysis of reasons for exits is broken down in Chart C: Analysis of Reasons for Employee Exits



Overall attrition rate 10.5% for 2007.

275 exits from January to December 2007, (250 January to December 2006).

47% of exits in 2007 were female and 53% were male.

Career Opportunity has increased by 1% from 63% in 2006 to 64% in 2007, Travel increased by 3% from 9% in 2006 to 12% in 2007 and Education increased by 2%. Personal Reasons and Location have decreased by 2%, while Pay and Other as reasons for leaving have decreased by 1%.

Career Opportunity accounts for 6.76% points of the attrition rate of 10.5% (see above).

SECTION 5 – ANALYSIS OF DATA/DISCUSSION

ANALYSIS OF DATA AND DISCUSSION

Introduction

This chapter will analyse and discuss the findings of the primary and secondary research. The analysis will be grouped under three main headings – Learning and Development, Resourcing and Exit Interview Data.

In order to discuss and analyse the data outlined in the previous chapter, it is necessary to define what a ‘bad recruitment’ decision will be. This will help to put the data into context and provide a structure to the outcome. As mentioned previously, one in five businesses claim that half the people they recruit don’t work out in the long term. What is long term? Hill and Trist (1955) refer to the survival curves for new employees, and they identify the final phase of the curve as being the ‘settled connection’ where employees are less likely to resign. How long does it take for a new employee to reach this stage? According to Hill and Trist (1955) it could be anything up to two years from the date of joining. For the purpose of this body of research, therefore, I propose to define a ‘bad recruitment decision’ as any employee who leaves the organisation with less than two years of service.

Learning and Development

According to Table 1, the cost of training a new employee in the first year of service would be €10,600. In the second year, the cost is €5,200. Looking at the Resourcing figures and in particular the external hire data, a total of 218 individuals were hired externally by the organisation in 2007. Assuming that all these 218 individuals will stay in the organisation for at least two years, the total cost of training these

employees would be €3,444,400. We also know that 43% of the employees who left the organisation in 2007, had less than 2 years service. Based on the figures above, this would indicate that 129 employees left the organisation with less than two years of service, and the organisation would have spent a total of €2,038,200 on providing training for these individuals, only to have them resign within two years. It is critical therefore, when recruiting individuals to join the organisation, that the process is as watertight as possible. Mulhare (2003) and Thomas and Ray (2000), argue “that the ability to attract, hire, retain and develop the most capable talent is the single most important determinant of an organisation’s strategic effectiveness”.

Again, for the purpose of this research, if we look at the training cost for the new recruits, and assume that for the previous two year, the numbers would have been similar, then we are looking at the organisation paying over €2,000,000 to train individuals who are not going to stay any longer than two years.

Resourcing

We see from the agency spend table, that the total cost of agencies in 2007 was €920,539.37. If we average this out over the total number of employees hired externally in 2007, then the cost per person is €4,200. If we take the exit data into consideration, a total of 275 employees left the organisation in 2007. 43% of these had less than two years of service, therefore the agency spend on these individuals would be €541,800.

Exit Interview Data

Out of the total number of exits in 2007 (275), 217 employees completed the exit interview questionnaire. This gives us a rate of 79% of all leavers completing the questionnaire.

The overall attrition rates within all age categories increased, with the exception of the 40-50 age category, which showed a slight decrease of 0.25%. The attrition rate in the 25-30 age group increased by 1.99%, 31-35 age group increased by 3.74%, 36-40 increased by 2.24%, 41-45 age group increased by 2.72%, and the 51-55 age group increased by 3.9%.

The overall attrition rate was 10.5% for 2007. 275 exits from January to December 2007, (250 January to December 2006).

47% of exits in 2007 were female and 53% were male. Career opportunity has increased by 1% from 63% in 2006 to 64% in 2007. Travel increased by 3% from 9% in 2006 to 12% in 2007, and Education increased by 2%. Personal reasons and Location have decreased by 2%, while Pay and Other as reasons for leaving have decreased by 1%.

Career Opportunity accounts for 6.75% points of the attrition rate of 10.5%.

Out of the 275 exits from Capital Markets in 2007, Bad Turnover (good staff leaving and we miss the opportunity to keep them) decreased from 63% to 59% in 2007.

99% of these left for Career Opportunities and Pay only accounted for 1%.

Of the bad turnover in 2007, 62% were males and 38% were females.

Unavoidable turnover has decreased by 3%, 32% left to go travelling and 40% cited personal reasons, 15% left due to location reasons, education accounted for 11% and emigration accounted for 2%.

CONCLUSION

People are the key resource in any organisation. Quality services, innovative and critical thinking, effective working all come in significant part out of the combined effort of an organisation's human resources (HR), not from technology, processes, or financial structures. Selecting and recruiting people is therefore one of the most crucial activities in building and sustaining an effective organisation. That proposition may seem to state the blatantly obvious. However, it is remarkable to observe the extent to which many organisations and managers pay insufficient attention to this critical process.

An organisation that is struggling may be transformed by key selection and recruitment action and good selection and recruitment may make a good organisation even better. Done well, this is a key component in equipping an organisation for success. Done badly, it can leave a legacy of problems that can take extensive time and effort to resolve. Indeed, it has been postulated that an organisation with a 20% rate of staff turnover per year and which has recruitment and selection practices which hire mediocre employees, could theoretically become fully mediocre within five years (Sullivan, 1997).

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APPENDIX

EXIT QUESTIONNAIRE

**AIB Capital Markets
Exit Discussion**

Name:	Date of Interview:
Job Title / Rank:	Department / Business Unit:
Start Date:	Exit Date:
Contact Address & Telephone No:	Team:
Staff Number:	Line Manager:
Age:	Gender:
Qualifications:	

Reason(s) for Leaving

Primary Reason for Leaving	Tick ✓	Secondary Reason for Leaving	Tick ✓
Career Opportunity		Career Opportunity In another Financial Services Company - Similar Role	
Further Education		Career Opportunity In another Financial Services Company - different career development	
Self Employment		Career Opportunity outside the Financial Services Company	
Emigration		Lack of Recognition	
Travel		Pay & Benefits	
Location		Working Conditions	
Health Reasons/Illness		Management Style	
Work Life Balance		Insufficient Training	
Culture of Organisation		Work Life Balance	
		Working hours/part-time hours	
		Type of work	
		Development Opportunities	

What factors made you decide to look at opportunities outside of AIB (explore the sources of dissatisfaction that triggered the reason to leave).

--

New Employer Details (if applicable)

New Employer	
Location Details	

Grade /Title	
Pay Conditions 1. Salary 2. Pension 3. Bonus 4. Car 5. Health 6. Other Benefits	
Type/Hours of Work	
Responsibilities Currently v New Role responsibility i.e. managing a bigger team	
What are your future plans?	

Please comment on the following work areas;

Key: 1 = Satisfied	2 = Dissatisfied
--------------------	------------------

	1	2
Pay & Benefits		
Salary	1	2
Bonus	1	2
Profit Sharing	1	2
Pension	1	2
Staff Business	1	2
Education Support	1	2
Working Hours	1	2
Work Environment		
Working Environment	1	2
Physical Environment	1	2
Personal Recognition	1	2
Communications	1	2
Workload / Allocation of Work	1	2
Management Style (<i>separate section?</i>)	1	2
Career Development		
Personal Development Opportunities	1	2
Training Courses appropriate to Career	1	2
Progression Opportunities	1	2
Utilisation of skills and expertise	1	2
Training (<i>specific L&D areas where feedback is required?</i>)		
Induction	1	2
PC Skills	1	2
On the Job Training	1	2
Access to further Education	1	2
Other	1	2
Company		
Recruitment & Selection Process	1	2
PR Process	1	2
HR Policies & Procedures	1	2

Discussion Questions (Please fill in your comments below)

Were the work duties and tasks consistent with your expectations when you were offered the job?

What did you enjoy most about the job?

What did you dislike about the job?

Do you think that your abilities were utilised in your current job?

Were there sufficient opportunities for career development in your current job?

Overall, how do you feel about the level of pay and bonus (if applicable) that you received?

How was your working relationship with your direct manager?

How was your working relationship with colleagues in your area?

Did you encounter any difficulties whilst working with the Company?

Overall, how did you feel you were managed during your employment with us?

What would you change?

Under what conditions would you have stayed?



Would you work with AIB again?

How do you rate us as an Employer? (1 = Good, 2 = Average, 3 = Poor)

Overall describe your feelings about AIB Capital Markets, the work you were doing and your reason(s) for leaving?