Development of the hiring process in Iceland

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Forewords

This study is a Master Thesis towards a MSc. Degree in Human Resource Management in the School of Business, School of Social Science, University of Iceland. The thesis is a 30 ECTS points assignment.

This thesis was achieved with insightful supervision from Professor Ingi Rúnar Eðvarðsson. Likewise, I wish to express my gratitude to Kendall Wilson for proof reading the thesis. Finally, many thanks to family, friends and my employer for patience and brainstorming sessions.
Abstract

This study is aimed to discuss and explore the development of the hiring process in Iceland over the past twenty years. Previously, studies on the topic have been quantitative and therefore lacking insight, as well as reasons, for the development that was taking place. Other Master studies completed in Iceland have been mostly referenced with global research and theories.

The development of the hiring process globally has increased professionalism and created multiple methods in selecting and acquiring talent. Human Resources (HR) professionals have been hiring candidates long before twenty years ago. However, since the interviewees for this study had experience that covered this period, the focus of this thesis took aim to a like timeframe. The individuals that were interviewed for this study experienced similar global development trends. Furthermore, it was concluded that professionalism and multiple methods towards assessing candidates and acquiring talented individuals were the greatest areas of innovation. The methodology in this study was qualitative and was executed by conducting ten interviews with HR professionals that had been involved with the hiring function of HR for over five years.

Results show that the Icelandic HR industry and therefore, hiring function, is on the second and third maturity stage. Participants had similar experiences as the quantitative reports of The Cranet Report in Iceland. The trends are highly influenced by global trends and economical fluctuation. Most development in the hiring process is due to demands and the needs of Icelandic organizations.

Measurement of the outcomes of the hiring process were one of the findings that seem to highly lacking. Assessment and measurement tools are one of the aspects that would need to change for Icelandic organizations to reach the fourth maturity stage of HR practices.
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1. Introduction

The hiring process is the procedural step that occurs before onboarding an individual to an organization. The process is initiated when a decision is made that there is a need to hire someone and continues until the individual is hired. Hiring is therefore the result of a successful recruitment and selection process (Beardwell and Claydon, 2010). The aim of this thesis is to focus on the process itself and how it has developed in Iceland over the past twenty years. Likewise, while emphasizing on the importance of the hiring process, the thesis will explore the way Iceland attempts to measure the success of the hiring process.

Throughout the study, a distinction is made between the two aspects of the hiring process; the recruitment process and the selection process. Both are highly important for hiring a successful candidate, as will be explained later in this thesis.

Hinkin and Tracey (2000) concluded within their study that hiring a wrong person can be both expensive and disruptive to an organization. With hiring the wrong person, the turnover increases. Hinkin and Tracey (2000) explain that an organization turnover cost should involve separation costs, replacement costs, training costs, and an estimate of lost productivity. The loss of productivity comes from the organization being one employee short, but also could the impact of hiring the wrong person change the dynamic of the team which decreases productivity (Hinkin and Tracey, 2000). More productivity can mean that a team or organizations completes their assignments and reaches their goals in a shorter timeframe. Therefore, each day that the organization is fully staffed with high quality, counts in productivity as well as revenue (Schmitt, Cortina, Ingerick and Wiechmann, 2003). Phan Tej Adidam (2006) goes further to state that having a high turnover rate, which can be related to insufficient hiring, can cost an organization 25-250% of an employee’s annual income (Adidam, 2006). Nevertheless, cost of hiring can have many influencing factors such as time devoted to the process, time of evaluating all candidates and training the hired individual. Training the hired person affects the cost of hire since the company tends to lose income and resources. This loss occurs while the hired team member is in training and is not productive to his/her full potential (Rolley, Parise and Cross, 2012).
Heneman and Judge (2006) state that the standard deviation of performance can be calculated. Therefore, employees could be lined up and the one in the middle would be more productive than 50% of the employees. The 35% of the best performing are therefore more productive than 65% of the employees. With the formula, it is possible to figure out how much the cost is for each position and how each assessment method can cost or pay off for an organization. Accordingly, they show how the profit decreases with lower productivity of lower quality candidates. Likewise, that the productivity can increase the profit with higher performing individuals. Their formula utilizes the validity of each assessment method and other factors that predict how much financial impact it has for the organization to use each assessment method (Heneman and Judge, 2006). It is worth mentioning that their model is based on prediction so there will always be some risk involved.

Holling (1998) states that the financial return of hiring individuals in the upper 35% can be valued at 16-40% of a year’s salary in the respective job (Holling, 1998). Others have made a wider cost range where as it varies from 25-250% of the positional based annual salary (Adidam, 2006). That study was on retention which is thought to be mostly caused by imperfect hiring, but it can be caused by other factors such as the onboarding (Mankin, 2009).

A growing presence of professionalism in the hiring process can also increase the competitive advantage of organizations. Barney and Wright (1997) state that shortening and/or using gut feeling in hiring increases the likelihood that an organization fail to raise their quality of talent (Barney and Wright, 1997).

According to a new LinkedIn survey, quality of hire is measured differently from company to company. This new survey, *Global Recruiting Trends 2016*, has collected data from recruiters that use LinkedIn in their hiring or recruiting. Among the findings from the survey conclude that 50% of recruiter’s measure quality of hire through the new hires performance evaluation, 49% through turnover or retention statistics and 43% through the hiring manager’s satisfaction. “Most companies are measuring quality of hire with feedback methodology (such as new hire evaluations and hiring manager satisfaction), or a long-term methodology (employee retention)” (LinkedIn, 2016b: p.8).

Recruitment has dramatically changed with technological advancements and an increase in pace of society. Social media platforms such as LinkedIn, Twitter and others
are now used on a greater scale in recruitment and headhunting. The driving factor appears to be the widespread accessibility to the talent pool, open source applications and the overall reach to professional people (LinkedIn, 2016b; Adler, 2015; Einarsdóttir, Ólafsdóttir, Georgsdóttir and Bjarnadóttir, 2015).

The hiring process is the holistic process that consists of recruiting and selecting the most qualified individual to hire (Schmitt, Cortina, Ingerrick and Wiecgmann 2003). This process can be executed easily when seeking to hire an able individual in a market where many have the qualifications needed. However, when attempting to hire an individual that increases the competitive advantage of an organization and when hiring in a scarcity market this process can be challenging (Watson, 1995; Beardwell and Claydon, 2010). There are multiple reasons why employing the most suitable person matters. First, is that hiring the most fitting person has been shown to be more cost efficient. Second, with a more capable and higher performing individual most often comes with the ability to reach greater successes and productivity rates. Furthermore, greater productivity means less wasted efforts and more profit. Having a continuous flow of such quality talent gives an organization a competitive advantage. Finally, raising a company's talent bar increases the likelihood of other talents to further stretch their own capabilities (Beardwell and Claydon, 2010; Landy and Conte, 2013).

It is beneficial for both the individuals as well as the organizations to ensure an ideal fit for one another, regarding culture and goals. Both parties gain more from this approach in the short and long term through financial gains and satisfaction rates (O’Reilly, Chatman and Caldwell, 1991; Dalal, 2007).

Employee turnover is expensive for organizations, as not having a fully staffed team will decrease productivity. Likewise, other staff must pick up a greater workload while the hiring process takes place (Bjarnadottir, 2012; Hinkin and Tracey, 2000). Deems (1995) states that the loss of revenue for having too high of an employee turnover can cost an organization 35-100% of an employee's yearly salary (Deems, 1995).

In recent years, the primary focus within hiring has changed from concentrating on the searching and selecting of candidates to a rapidly increasing influence of marketing and brand management. Clear evidence of this is shown with increasing usage of the concept of talent acquisition. Talent acquisition is explained as a more
comprehensive process than recruitment. Additionally, to finding and selecting candidates, talent acquisition involves brand management of an organization and different sources of attracting quality talent to an organization (Johnson, Winter, Reio, Thompson and Petrosko, 2008; Srivastava and Bhatnagar, 2010).

This thesis is written as an inquiry into the Icelandic hiring market. Staffing trends within Iceland have been researched through efforts utilizing surveys such as the Cranet Reports of 2012 and 2015, which is based on a survey to HR professionals in Iceland.

Many have researched the hiring process in Iceland, but not specifically on the development and trends found within the process in the last twenty years. The Cranet Report (2012, 2015) assesses the hiring process from an overall perspective of HR practices (Einarsdóttir, Bjarnadóttir, Ólafsdóttir and Georgerdóttir, 2012; Einarsdóttir, Ólafsdóttir, Georgerdóttir and Bjarnadóttir, 2015).

To gain a better understanding of the hiring process in Iceland, a qualitative study was conducted by interviewing ten experienced individuals. The persons interviewed have been in senior positions in the recruitment industry and overseen the hiring process in Iceland. The purpose of this study will be to gain insight into current and past hiring process trends in Iceland from the perspective of recruiters and hiring managers. In this thesis, there will be an attempt to answer these key questions:

- How has the hiring process developed in Iceland since 1997?
- How do recruiters and hiring managers define a quality hire?
- How do companies in Iceland measure a successful hiring process and quality of hire?
2. Theoretical framework

This chapter is the theoretical framework of this thesis. The chapter will cover key concepts, philosophy and research on hiring practices. Among others, the chapter will cover the key concepts such as recruitment, talent acquisition, selection and hiring. Furthermore, the chapter will be covering the recruitment process and what is important to the strategy of obtaining the best talent for the organization. For deeper understanding, each fundamental assessment and method that create the process will be explored. Once the process itself has been covered, the focus shifts to the outcome of those processes, that is the quality of hire. The chapter is then closed with discussions on the topic as well as the 21st century hiring market.

2.1 Human Resources Management

Recruitment is an important matter within organizations as the first Human Resources Management (HRM) function. The recruitment process is the first contact or interaction an organization has with its employees. HR, recruitment and hiring have the same overall goal to increase the human resource capital and the competitive advantage of an organization (Landy and Conte, 2013; Evers, Anderson and Voskuil, 2005).

Human Resources or HR is a people related function within an organization that includes hiring, firing, developing talent and sometimes payroll, as well as benefits. HRM is the formal system of this function that strategically seeks to improve the human aspect of an organizations operation. Historically HR comes from the field of management that was known as Personnel Management. It involved mostly on thriving to get the most out of every employee with tools that measure each element of their daily work to try to reduce loss of time and/or cost. HR has developed in the last decades as a management operation that views the employee as one of the most valuable assets of an organization. HR has the goal to support the individuals and team to reach their goal with processes and resources that keep the organization competitive within its market. This transition in perspective has made Human Resources Management one of the important pillars of most organizations (Guest, 1987; Mankin, 2009; Landy and Conte, 2013).
HR practices are often, simply put, the people operations of an organization. Therefore, relating to performances reviews, processes, job descriptions, personal growth and even sometimes payroll and other administration related functions. HR development as a whole is categorized into maturity stages. These maturity stages are, in short, how organizations develop from being reactive in their people operations to being strategic where HR is integrated into the overall operation of an organization (Kearns, 2009). For further understanding the stages, table 1 breaks down each stage.

<table>
<thead>
<tr>
<th>Maturity Stage 0 - No Conscious Personnel Management</th>
<th>Maturity Stage 1 - Personnel Administration</th>
<th>Maturity Stage 2 - Good professional practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Chief Officer has main responsibilities of all employee relations</td>
<td>• More awareness that decisions are made on intuition and gut feeling are not likely for long term success</td>
<td>• Growing professionalism and increasing awareness of strategy and organizational values</td>
</tr>
<tr>
<td>• Central control is common and gut feelings or insight are the main drivers in decision making</td>
<td>• Employee records are kept, being able to supervise payroll cost and headcount</td>
<td>• Executive management are keen on having highly qualified HR people, but tend to focus on day-to-day operations</td>
</tr>
<tr>
<td>• No measuring or assessing of HRM practices</td>
<td>• Salary and other factors are within legal and unionized agreements</td>
<td>• The onboarding and performance are well organized, but still loosely executed</td>
</tr>
<tr>
<td>• “Put out the fire” symptoms</td>
<td>• Management shows no or limited initiative toward career development of employees</td>
<td>• Performance is documented and influences compensation</td>
</tr>
<tr>
<td>• Communications between employees and management is informal and inadequate</td>
<td>• Workshops are available but have no connection with the strategies and operational goals</td>
<td>• Turnover is documented and information technology is used to gain more productivity</td>
</tr>
<tr>
<td>• Recruitment and career development are not organized</td>
<td>• Management tends to focus on discipline and surveillance, therefore attend to problems rather than prevention activities</td>
<td>• Meetings are bilateral, but not regular and lacking organization</td>
</tr>
<tr>
<td>• The hiring process is built on informal networking and the intuition of the managers</td>
<td>• Communications between employees and management are increasingly formal, in the form of unilateral meetings where information and orders are presented to employees</td>
<td>• Most HR processes are professional</td>
</tr>
<tr>
<td>• Interviews are unstructured and the criterion is not gathered before the process</td>
<td>• The hiring process involves short, unstructured interviews with a high emphasis on references of applicants</td>
<td>• HR manager’s role is solely to be a functional expert in HR and to organize the HR function, therefore not in the executive management team</td>
</tr>
<tr>
<td>• Hiring has the purpose to fill empty seats and finding more hands to work</td>
<td>• Hiring has the purpose to fill empty seats and avoid hiring mistakes</td>
<td>• The hiring process is structured with job descriptions, criterion for each process and interviews are organized pre-execution</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Multiple assessments are used in the process, such as work samples, tests and so on</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Job postings are properly done to reach as many applicants as possible and usage of references are decreasing in the process</td>
</tr>
</tbody>
</table>
Equal treatment of all applicants gets more popular

Maturity Stage 3 - Effective HR management

- HR practices have developed into systems that are showing positive outcomes on the overall operations of the organizations
- Performance reviews and coaching/training are based on assessment that should increase productivity and overall operations
- At least 50% of employees are granted a performance review to further the growth of the employee
- HR professionals sit in the executive team as performance enhancer, human capital developer and employee advocate
- The hiring process is structured and well thought out
- The criterion is formed with job analyses and if they are not meet the organization is keen on not hiring at all
- Structured interviews and other assessments are used if they are assessing accordingly to the criterion
- Multiple interviewers executed the interviews and the processes mainly focus on comparing candidates to find the most qualified for the role

Maturity Stage 4 - HRM is integrated to operations

- HR is a key function into gaining a competitive advantage over the competition
- HR practices and strategy are fully integrated in the overall operation of the organization
- All managers are developing their employee’s career and personal growth in harmony with the strategy of the organization
- All measurements of performance combine operational and HRM objectives, meaning that all HR measurements are related to operational goals and wise versa
- Development of talents within an organization is an investment to reach operational goals
- Performance management is systematic and rewarded with compensation
- HR managers are in the executive management and are strategic partners, as well as advisors to all managers in the organizations
- Hiring is one of the most important function in the organization to increase success, implement strategy and increase productivity
- Multiple assessments are used for various roles whereas assessments are used accordingly to the role it concerns
- Traditional job descriptions are not used towards criterion since these organizations are often in fast changing environments
- The organizations are keener to fit qualified candidates to the values and culture of the organization

Table 1. The Maturity Stages of HR (Kearns, 2009; Ulrich and Brockbank, 2005; Bjarnadottir, 2012).

These stages of maturity of HR in organizations are especially useful to assess overall HR development in general, but likewise for the recruitment function within HR.

The hiring process is, as explained above, the first function that employees experience within an organization and can be a key function to implement strategy, as well as gain a competitive advantage. These processes contain certain sub-functions that will be explored below.
2.2 Defining Concepts

Hiring is defined by Landy and Conte (2013) as the result of a successful recruitment and selection process. Furthermore, it is also the beginning of the onboarding and career at an organization for the individual (Landy and Conte, 2013). Recruitment is the process of attracting and finding candidates to onboard or join an organization (Cook, 2009). Johnson, Winter, Reio, Thomposn and Petrosko (2008) define recruitment as the process to attach and hire a predefined talent.

In this thesis, the definition of the hiring process is that both recruitment and selection form the hiring process. The recruitment process consists of the job analyses, creating criteria, searching for candidates and job posting. The selection process involves choosing assessment methods, selecting the best candidate or vetting candidates to reach the decision to hire the best (Landy and Conte, 2013; Bjarnadottir, 2012; Guion, 1998; Schmitt, Cortina, Ingerrick and Wiechmann, 2003; Barber, 1998; Johnson et al., 2008).

Hiring, recruitment, talent acquisition, selection and staffing are all connected in some ways. Hiring is the result of the recruitment process. Talent acquisition is similar as recruitment, but has a distinct marketing aspect. In other words, talent acquisition is increasingly focused on attracting more and better candidates (Srivastava and Bhatnagar, 2004; Ædalssteinson, 2006; Adler, 2015; Bjarnadottir, 2012). Staffing or staffing decisions are the final step in a hiring process. Selection and staffing decisions overlap it the sense that staffing decisions are formed on various assessments (Landy and Conte, 2013; Cook 2009).

2.3 The Hiring Process

The process of hiring employees involves different methods and sub-processes. Hiring managers and recruiters use a variety of these assessment methods and recruitment methods to make sure that they have a big enough and/or good enough candidate pool, are making the most informed decision, make less mistakes, keep a certain competences and knowledge standard within the company. The process can be divided down to two categories:

- Recruitment process
Selection and staffing process

Recruitment process can them be divided into sub-processes such as *job assessment, defining the criterion* and *acquisition of candidates*. The selection process can be broken down to *choosing the assessment methods, assess candidates* and the staffing decision (that is, whether to hire or not) (Bjarnadottir, 2012; Landy and Conte, 2013; Guion, 2011)

### 2.3.1 The Recruitment Process

The recruitment process is everything that happens in a hiring process from the decision of adding a new employee to the organization until the decision of selecting the candidate. In practice, there is not a clear cut between recruiting and selection since they are built on the same principles. Where you search for candidates or post the job, as well as what is assessed towards selecting the most suitable candidate for the role, is all bound to what the role requires towards certain traits. In this segment, the first half of the hiring process will be explored, the recruitment process. The first stage of the process is assessing the job and creating criterion accordingly to that assessment.

#### 2.3.1.1 Job Analyses and Defining the Criterion

Defining the criterion includes breaking down what it takes to execute a certain role. It is a key sub-procedure in the recruitment process, as well as the holistic hiring process. This crucial procedure is the analyses of the job. When the role has been analyzed, a job description is developed. The description is used later for performance and other HR functions. The final step in this sub-process is to properly define the criterion from the job description. This criterion is used to measure all candidates to figure out who is qualified and fits best in the role. If this is not done efficiently, the outcome is left to a gamble (Cook, 2009). There are many ways to analyze the roles that require talent. Analysis of the role can be conducted by interviewing managers, coworkers or employees that are currently in the same or similar role. It is important to consider whether the organization requires a change of skill sets and talent or if the organization wishes to replicate a previous employee. This is especially important if there are changes ongoing or upcoming for the organization (Cook, 2009; Barber, 1998;
Bhatnagar and Srivastava, 2008). Other methods to conduct job analysis are for instance observations, standardized questionnaires, and dairaries.

In the job criterion, there are key concepts that must be defined. They include:

- Job knowledge
- Skills or competencies
- Abilities
- Personal characteristics

*Job knowledge* is knowledge that is directly related to the job. Examples would be knowledge for a bookkeeping software, knowledge on legislation, knowledge on different methods to lead, knowledge on different technical programing and more. Such knowledge is most often studied at a formal institution and therefore possible to assess the candidate's knowledge through test/assignment scores or degrees (Bjarnadottir, 2012; Barber, 1998).

*Skills or competencies* are distinctive from knowledge in the sense that knowledge is knowing something, but competencies include the ability to perform based upon this knowledge. This performance is often based on knowledge, personality traits or ability to do something (Bjarnadottir, 2012; Barber, 1998).

*Abilities* can be mental or physical core functions in the individual that allow him or her to function or operate. These competencies are thought by many to be genetic for the most part, even though one can affect and develop core abilities with practice. Examples of abilities are cognitive abilities (IQ), verbal abilities, word and number handling abilities, memory, and sight (Bjarnadottir, 2012).

*Personal characteristics* are behavioral reflexes that the individual chooses to act upon (physically or verbally). These reflexes are not related to abilities or knowledge, but can develop over long periods of time and between circumstances. However, they are stable enough to use in recruitment. For example, they can be will to serve, credibility, positivity, leadership, emotional intelligence and more (Bjarnadóttir, 2012; Barber, 1998).

The criterion is essential for the overall process. The assessment of candidates and the decision to hire should be based on the criterion, as well as comparing the candidates. If the criterion is insufficient, then the process and hiring will be

When the conclusion is reached that there is a need to hire a new employee, the next step is then to determine what working responsibilities the individual will have. When this outline is clear, the organization can first start to establish what qualities the prospective employee should possess. Acquiring the most competent individual for the job should always be the goal. However, the competency contributes to what will be created within the criterion and the assessment of the function of the role. Certain personality traits, educational degrees and work experience can in some cases predict the future performance (and therefore competency) (Cook, 2009). The reason why experience and formal education is often put as criterion, is to ensure that the need for certain knowledge and abilities are met (Schmitt, Cortina, Ingerick and Wiechmann, 2003).

Hiring mistakes can be costly, as will be explained further below. If hiring mistakes are made, according to Bjarnadottir (2012), most often they are based on poor job assessments and/or insufficient criterion (Bjarnadottir, 2012).

The criterion must be well balanced. A vague criterion can make it impossible or too difficult to select a candidate with the assurance that the candidate will be the best fit for the vacancy. Likewise, criterion can be too complex/detailed/narrow, that includes too many demands. This approach can result in a job post that excludes too many individuals making the talent pool simply non-existent or limited. Therefore, the criterion cannot exclude too many, but must exclude certain individuals in the talent pool. It should exclude, but to the point that the demand yields with the proper quality that is desired (Beardwell and Clayton, 2007; Cook, 2009).

A well-crafted criterion and job post, makes not only the selection process easier, but also makes the post-hiring process easier, as well as more effective. Those post-hire processes are for example: performance measurements, promotions and compensation evaluations and succession planning (Bjarnadottir, 2012; Landy and Conte, 2013).

Stoney (1995) argues that an organization should strive to use the opportunity to look forward to bringing on an employee that increases or grows the ability and overall talent of the organization. The opportunity for hiring an individual presented to
an organization should not look to mimic former employees or old criterion when creating criterion that is meant to meet future needs or performances (Stoney, 1995). Lou Adler (2015) agrees with Stoney and adds that the “old” way of job posting, as well as criterion, is simply meant to find another copy of the exiting/previous employee. Adler suggests that criterion, as well as job posts, should be aimed at what the individual must achieve in the position (Adler, 2015). With proper criterion, the next step is to acquire talent. The acquisition of talent can be met with various approaches.

2.3.1.2 Acquisition of Candidates

“Organizations that attract a larger applicant pool and more qualified applicants obtain greater utility in their selection systems.” (Bhatnagar and Srivastava, 2008, p.38)

Most research regarding recruitment has pointed to the theory that the higher number of candidates an organization attains via acquisition (informal or formal), the higher number the organization will get of qualified candidates. Acquisition is therefore seen as an important part of the process (Bjarnadottir, 2014; Collins and Han; 2004; Greening and Turban, 2000; Murphy, 1986).

Creating and developing a brand awareness is useful for marketing professionals when getting a message or product to their customers. Likewise, those practices are highly beneficial for attracting and obtaining valuable employees. One of the most important factors for companies in the 21st century's business environment is creating a competitive advantage. The biggest aspect of this competitive advantage is obtaining and sustaining a highly competent talent pool. Talent can also be grown within an organization, but since competition regarding talented people is fearsome, an organization might have to both grow and acquire it from external resources. The reasons for requiring it from the outside can be for number of reasons, such as not being able to keep up with rising salaries; the talent not being ‘good enough’; not there; or not ready. A natural first step in the process of attracting and retaining quality talent is to have a strategy that enforces talent to want to be employed by the brand (Beardwell and Clayton, 2010).

Barber (1998) defines the first phase of recruitment as the stage when an organization seeks to attract individuals to apply for a position at the organization. The impact that the organization can have on this phase can vary, but research shows that
an image and reputation has a great impact on candidate pools (Barber, 1998). Furthermore, a company that invests in an early recruitment strategy, the reputation and company image can have a significant impact on the quantity and quality of the candidate pool for a position (Collins and Han, 2004).

Acquiring talent can be executed through job postings, talent pipelines, search and head hunting. All of these tactics focus on a similar goal, to attract and find the right candidates for the organization (Heneman III, Judge and Kammeyer-Mueller, 2015; Beardwell and Claydon, 2010; Bjarnadottir, 2012). Acquisitions of talent can be formal or informal as will be explored below.

2.3.1.3 Formal Acquisition

Formal acquisition is when employer seeks talent through formal means such as:

- Jobs postings (in newspaper or other print media)
- Job posts on social media
- Cooperation with recruitment agencies
- Usage of special programs with educational institutes and job posts in professional groups
- Job fairs

Formal acquisitions are in many cases time consuming, publicly visible and costly. Nevertheless, it is important to use formal ways for the sole purpose of transparency. This allows for greater access to the role from talent that otherwise would not have access to the position. For example, some talents pools that are not in the social network of the organization, therefore would be significantly unlikely to obtain a role with an organization with unformal acquisition means (Watson, 1995).

Torrington, Hall and Taylor (2006) relate to a similar finding in the Cranet Report, that most companies apply formal ways to attract candidates. That is, use of ads in newspapers, magazines or use agencies (Torrington, Hall and Taylor, 2006).

2.3.1.4 Informal Acquisition

Informal acquisition is different from the former as it is not as public and often is not as structured. These methods to acquire talent include the use of referral systems, direct
applications to the company, in-house career progression, searches and sourcing on social media.

A referral system is the method that organizations use to get currently employees to refer potential talent to them. They are often in their network through education programs, social networks or from their work market (Breaugh, Greising, Taggart and Chen, 2003). Breaugh et al. (2003, p. 2285) compared employee referral and direct applicants and write:

*By utilizing employee referrals and direct applicants, an employer can increase the percentage of applicants who are worthy of receiving job offers and who are actually hired. In our study, 11.2% of the applicants referred by current employees received job offers, while only 1.3% of those recruited through college placement offices received offers. Of the direct applicants, 12.4% were hired, compared to 1.1 % for individuals recruited via newspapers.*

Dessler (2003) claims that one of the core qualities of in-house recruitment is that it promotes career development for existing employees. That creates incentive for most, if not all, employees to perform better. The incentive for an organization is that it creates a positive culture and loyalty. Furthermore, it has a clear financial incentive as there is no need to finance advertisements or the time spent interviewing and orchestrate a whole recruitment process. The downside is that with in-house recruitment the company has a significantly smaller group of individuals to choose from. Therefore the organization may be limiting its options which may result in yielding less qualified talent (Dessler, 2003).

Riggio (2003) states that an individual that is hired from a referral has higher tenure than an individual that comes through a formal, external process (Riggio, 2003).

According to Breaugh et al. (2003), practitioners see these two pre-hire outcomes as important, but think that they are ignored by researchers. These two pre-hires being, employee referrals and newspapers ads. This empirical study reveals that out of the two there it is obvious which one yields greater results. Nevertheless, in the Icelandic Cranet surveys, referrals are not commonly practiced in Iceland (Breaugh, Leslie, Taggart and Chen, 2003; Einarsdottir et al., 2012; 2015).
In-house hiring has its negative effects, furthermore it may cause competition and friction within the organization. That can form a negative moral within, which then can backfire on to the organization that might have the opposite intentions in mind. Chan (1996) and Bjarnadottir (2012) state that a best practice rule is to start with in-house recruitment, but also get candidates externally to ensure that the organization hires the best talent available. Nevertheless, companies are more likely to hire people from within the company than the outside, though only if candidates are equally eligible/competent (Chan, 1996; Bjarnadottir, 2012).

When an organization has created a pool of candidates the natural next step in the hiring process is to determine and vet candidates towards whom to hire.

2.3.2 Selection and Staffing Process

Selecting the most qualified candidate for a position is in most literature and theory a separate process from the recruitment process. Even though, it is based on the criterion that was formed in the previous process. The selection process is also referred to as a process of staffing decisions. It consists of assessments of candidates and decisions based on those assessments. These assessments should be carefully selected to maximize their capacity and therefore ensuring the predictability of the outcome (Scroggins, Thomas and Morris, 2008).

2.3.2.1 Selecting Assessment Methods

Selection of the methods that assess the candidates should be done with the aim to determine who fits the criterion best. Furthermore, candidates can be compared towards how well they fulfill the qualification of the role they seek to obtain. Selecting these assessments and the criterion is or should be the key factor when selecting the candidate to offer the position. This is often referred to as the selection process that leads to hiring the most qualified and best suited candidate to the organizations (Cook, 2009; Dessler, 2005; Landy and Conte, 2013).
2.3.2.2 Assessment methods
The assessment methods that are used are impacted by the criterion of the position. In this segment, these assessment methods will be explored.

2.3.2.2.1 Performance Predictors
Assessment methods that are used to assess candidates have the aim to predict the candidate's future performance. Their future performance can depend on the different criterion described above (Bjarnadottir, 2012; Armstrong, 2009; Landy and Conte, 2013).

Two individuals that have the same educational degree and same experience, are unlikely to have the same performance. Therefore, an employer cannot rely on reading resumes as an indicator of performance (Armstrong, 2009).

There is various research that has been conducted on predictability of assessment methods. There are multiple different ways to assess future performance, although they have different predictability for each role, as prediction for certain roles can vary between industries and job functions (Landy and Conte, 2013). Table 1 summarizes assessment methods and their predictive validity. The predictability validity means is how valid they are or how credible it is. Therefore, meaning how much it portrays the reality.

Table 1: Predictability Validity of Assessment Methods
When predicting performance, it is imperative to keep in mind the validity and the reliability of the methods that will be used. Validity is how well a method predicts for future and the phenomenon you are trying to measure or research. Reliability refers to how reliable the methods are, meaning how well a method shows consistency and gives the same result over time (Landy and Conte, 2013).

Predictability validity can be relative and therefore have different validity (Cook, 2009). Interviews and references are widely used, even though references do not have high predictability. Neither does unstructured interviewing, however when both methods are structured in the manner that all candidates receive the same questions and the referenced individual receives the same questions, the recruiter or hiring manager can compare and score each candidate with the purpose of finding the most qualified candidate (Cook, 2009; Landy and Conte, 2013; Adler, 2015; Einarsdottir et al., 2015).

According to Asta Bjarnadottir (2012) as well as the Cranet Report (2015), the validity can increase with using more than one method. With that in mind, a process that consists of various assessment methods is more likely to predict the actual performance of the candidates.

### 2.3.2.2 Biases

In the selection of candidates, there are a couple of biases that can affect the individual's assessing candidates in a process. All individuals are affected by these

<table>
<thead>
<tr>
<th>Candidates assessment method</th>
<th>Predictive Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realistic work sample</td>
<td>0.54</td>
</tr>
<tr>
<td>General cognitive tests</td>
<td>0.51</td>
</tr>
<tr>
<td>Structured and behavioral based interviews</td>
<td>0.51</td>
</tr>
<tr>
<td>Coworkers assessments (internal hiring)</td>
<td>0.49</td>
</tr>
<tr>
<td>Job knowledge test</td>
<td>0.48</td>
</tr>
<tr>
<td>Trial period employment</td>
<td>0.44</td>
</tr>
<tr>
<td>Skills tests</td>
<td>0.41</td>
</tr>
<tr>
<td>Unstructured interviews</td>
<td>0.38</td>
</tr>
<tr>
<td>Assessment centers</td>
<td>0.37</td>
</tr>
<tr>
<td>References</td>
<td>0.26</td>
</tr>
<tr>
<td>Experience score (years)</td>
<td>0.18</td>
</tr>
<tr>
<td>Education score (years)</td>
<td>0.10</td>
</tr>
<tr>
<td>Handwriting sample</td>
<td>0.02</td>
</tr>
</tbody>
</table>

Source: Schmidt and Hunter (1998); Bjarnadottir (2012).
biases, it is only a matter of how much you can be aware of them and actively minimize the impact of them.

Among the biases are the halo effect, the horn effect, stereotyping and false consensus effect. The halo effect makes a candidate look better than he is, meaning that behaviors or traits are perceived more positive than they are. This can be caused by the candidate being funny or good-looking. Horn effect is the exact opposite, meaning that an unattraction or being pesky could cost an individual a job, due to the fact that your qualities are less for the perception of one’s perkiness or unattractiveness.

Stereotyping is the effect to predict someone’s qualities with others that fall under a type or group, another word for this is prejudice. For example, that ‘blondes are stupid’ or that ‘select minorities are lazy’. False consensus effect has the impact on the assessor that he overestimates qualities, abilities, traits or knowledge. This can be because the assessor identifies similarity with candidate and oneself. Therefore, seeing qualities they have as more meaningful or magnified (Cook, 2009; Bjarnadottir; 2012; Beardwell and Clayton, 2007; Landy and Conte, 2013).

2.3.2.2.3 Interviewing
Interviewing is most often described between two forms; structured and unstructured. Structured interviews have a well thought out questionnaire which is the same in every interview for that specific role. By having the same questions for all candidates, the interviewer can give a performance score for each question and therefore compare candidates. The intake of questions can be either behavioral based or situational based.

- Behavioral questions are based on past behavior and performances.
- Situational questions are based on hypothetical questions to assess how an individual would deal with potential future situations (Landy and Conte, 2013).

Unstructured interviews are not particularly organized and do not have the same comparability as the structured once. They are more discussion based and feel less formal. Often these interviews stray from the actual topic of the interview. Therefore, this approach can waste valuable time and the information collected is irrelevant to the assessment. In some cases, the questions can be based on the future, including how the
An individual will get along with others or questions can be asked regarding the candidate's personal life. The validity of these interviews is less than the structured approach. This is due to the fact that they do not have the opportunity for comparability between candidates and therefore, the assessments are not necessarily examining the same traits for all candidates. When informal assessments are used, it is often for an assessment of the personality (Landy and Conte, 2013; Cook, 2009; Bjarnadottir, 2012).

In Europe, 80-100% of organizations use interviews as an assessment method (Cook, 2004). Interviews can vary in time and number of interviewers. Therefore, meaning that they can be organized for a single interviewer or multiple. The time difference for interviews can range from a couple minutes up to multiple hours (Cook, 2004). With an interview as an assessment approach, knowledge, abilities, personality traits, behavior and attitude can be assessed; collectively sometimes called a fit. That is, how well the candidate fits the role and therefore the company (Cook, 2009; Adler, 2015). While assessing the candidate, an interviewer must assess many details. To assess within an interview, the interviewer must be competent and have been adequately trained to be able to ask the right questions, as well as assess the candidate properly. The main goal with an interview is to get to know the candidate properly within the field of the position (Cook, 2009; Bjarnadottir, 2012). A nervous candidate is less likely to open up to the interviewer, which then causes the assessment to be unrealistic in the sense that it does not reflect how the individual would function in the role and therefore is not a valid assessment (Bjarnadottir, 2012).

An interview is a strong method for information gathering, not only just for the interviewer, but for the candidate as well. In the interview, the candidate has the opportunity to ask about the role, the company, the coworkers and the management team (Barnett, 2008). Prior to the interview, it is crucial for the interviewer to have a well mapped-out criterion to know what to assess or seek out. Without a framework, one will end up being assessed irrelevantly. A poorly trained interviewer has decided their assessment on the candidate after the first 4 minutes of an interview. It is important to note that this is not enough time to properly assess a candidate (Beardwell and Claydon, 2007; Cook, 2009).

Successful interviews that have the best predictability for performance are interviews that are structured and focus on past performances. Questions in such
interviews are aimed at getting candidates to give examples of past performance and qualities. Candidates are asked to in-depth about the examples to allow for understanding the behavior and decisions. As explained above, interview questions can be behavioral and situational. Behavioral questions are better at predicting performance, but situational questions are good for understanding how one’s thought process functions and how they problem solve (Cook, 2009; Landy and Conte, 2013; Adler, 2015). Questions should always be half open, meaning that they are not too open and causing confusion, likewise, questions should not be too closed that a candidate's responses are yes/no answers.

In the interview, it is as important to give the candidate leeway to ask about the organization as the interviewer to ask the candidate about its qualifications (Baker and Spier, 1990). Giving this leeway increases the likelihood of a job offer being accepted and reduces chances of mismatch, therefore decreasing turnover (Baker and Spier, 1990; Baker and Spier, 1990).

For the interview to be valid and reliable, all candidates must be asked the same questions and in the same order. In general, the more similar or scaled the interviews are, the higher the validity and reliability. By being able to compare candidates, an organization increases the chances of the most qualified person getting hired (Westoby, 1998; Baker and Spier, 1990; Landy and Conte, 2013).

With unstructured interviews, there is an increased risk that the biases and prejudice are at play, the result is unfair to candidates it affects. In some instances where unstructured interviews are used, the interview can turn into a casual chat that involves discussion on matter that is irrelevant to the role or organizations. The irrelevant conversation predicts performance poorly. Additionally, it can significantly shorten the time length in compassion to an average interview (in a formal process) and therefore gives those candidates a significantly lesser chance to prove their worth (Fletcher, 1992). Documenting or taking notes in an interview decreases the possibility of mistakes being made (Cook, 2009).

Research on whether it makes a difference as to how many interviewers participate is indecisive. Some studies state that it is more predictable, however some state the opposite. Nevertheless, it has been proven to reduce the effects of biases on the decision (Cook, 2009; Fletcher, 1992).
2.3.2.2.4 References

References are used often in the hiring process after interviewing candidates. Contacting references do not predict candidate’s performance well, but as an addition to interviews they can increase the predictability (Bjarnadottir, 2012; Landy and Conte, 2014). References can be sought after by two means. First, being the written reference, where the reference giver writes the reference themselves in a document, which the applicant can then share to hiring manager or recruiter. The second reference approach is a direct reference where the hiring manager or recruiter contacts the reference, the latter being more dynamic in the sense that both parties can ask questions. This allows interviewers to gain further depth and understanding of the candidate’s past behavior and performance (Bjarnadóttir, 2012; Taylor, Cheung and Stringfield; 2004).

References are used to gather information from someone that knows the candidate well, but more importantly, knows how the candidate performs, personality traits and personality information (Taylor, Cheung and Stringfield; 2004). As stated above, references are not a good predictor of performance. The reason is that it has been proven that the information is often subjective and biased, which can result in an unwarranted assessment, which can be positive or negative for the candidate. For the hiring manager or recruiter, a reference is therefore not always a reliable source of information to assess a candidate properly. The information given in a reference can be invalid because the one giving the reference is biased, they might not be comparing similar roles and there might be a long gap since they had the experience of working with the candidate. (Quinn, Macrae and Bodenhausen, 2007; Heneman III, Judge and Kammeyer-Mueller, 2015).

The predictive validity of a reference letter is only 0.14 due to the biases and relative/situational flaws. However, when a reference is taken directly from the reference provider it increases the validity. More so, when the references are directly taken within a structured form for all candidates references in the process, it increases the validity even more or up to 0.26 (Schmidt and Hunter, 1998). In many countries, it is illegal to take a reference as a negative substantial information without informing the
candidate. Candidates often get the opportunity to object the negative information in a reference (Bjarnadottir, 2012; Schmidt and Hunter, 1998).

2.3.2.5 Personality Tests
Ones and Anderson (2002) state that the usage of personality tests for hiring have grown over the years. It has been one of the most reviewed and researched topics in work psychology (Ones and Anderson, 2002; Landy and Conte, 2010). Most often, personality tests are well received by the majority of managers and recruiters for their ability to map out candidates. However, they are not well received by applicants. The reason for this unpopularity amongst applicants is due to the lack of clear connection between the outcomes of the test and the abilities to perform a certain role. Also, personality tests are rather time consuming and no answers are definitively correct.

At first, these tests were mainly assessing general happiness and general behaviors of people. With adjustments over time, the tests now predict an employee's work related behaviors more specifically.

Barrick and Mount (2005) report that using personality tests should be done with the fact in mind that personality tests are not a good predictor on their own. When complimenting other assessment methods, the personality tests provide adequate additional perspective and therefore a more well-rounded assessment of a candidate. When utilized in a hiring process, the tests should not be targeted using only a handful of traits in mind, as one or two personality traits do not predict future performance well. Personality tests are the most valuable when they are used in conjunction with other assessment methods. Another useful fact regarding these tests is that they have proven to not discriminate against minorities, unlike for example IQ tests (Barrick and Mount, 1991; 2004).

Even though personality is not the only factor that controls performance and is not the most accurate predictor on its own, the personality of a candidate has proven to influence how well an individual performs. Rothmann and Coetzer (2003) point out that assessing the personality in a recruitment process is relative, meaning that it depends from role to role. Some personally traits have, for example, been connected especially to performance. To illustrate this, the traits of an extrovert have been shown to predict,
in some manner, the performance in roles that require a high level of communication skills, like sales or customer services. Openness, for example, is a good predictor for roles that include a lot of consulting. Agreeableness is a strong predictor for a role that consists of a high level of teambuilding and collaboration. Conscientiousness has proven to be overall predictive of performance for most roles, regardless of the roles intake. Neuroticism is a good predictor for specific roles that requires the ability to deal with change and stress, meaning that a low level of neuroticism is an overall predictor for such roles. Although, being high on neuroticism can tend to create a higher burn-out rate in certain roles if organizational skill are lacking (Rothmann and Coetzer, 2003). A couple of types of personality tests are utilized. Among some of them are Eysenck’s Three Factor model, Costa and McCrae’s version of the Big Five, and Zuckerman and Kuhlman's Alternative Five, The Minnesota Multiphasic Personality Inventory and more (Zuckerman, Kuhlman, Joireman, Teta and Kraft, 1993; Cook, 2009; Landy and Conte, 2013).

Personality tests are relatively reliable with other assessment methods, but on their own they have a predictability validity between 0,2 up to 0,4 (Paunonen, 2003). The reason that they vary from 0,2 to 0,4 is because they are relative, meaning that they are situationally based. Criticism on this assessment method is with the validity of it for a specific position. It is critical to assess the role thoroughly before assessing candidates. With that the assessment is more valid and therefore, the prediction is stronger for future performance (Scroggins, Thomas and Morris, (2008).

2.3.2.2.6 Ability Tests

Ability tests are, as the name suggests, testing an individual’s abilities, for example the ability to work with numbers or rationalize irregular circumstances. Also, among ability tests are cognitive tests such as IQ tests, EQ tests, sales abilities and safety awareness (Bjarnadottir, 2012; Taylor, 2002). Ability tests have a good predictive validity, but it absolutely depends on the role and the circumstances that it’s in (Cook, 2009; Bjarnadottir, 2012).
2.3.2.2.7 Assessment Centers
Assessment centers are compiled with a couple of tests and work samples. Candidates would be asked to perform these tests and work samples in groups and/or independently. Assessment centers are thought to have an overall high predictability validity, but is not entirely without flaws. The centers are costly and time consuming (Cook, 2009; Landy and Conte, 2013). Therefore, they are not used often due to their drawbacks in cost and time (Einarsdóttir Ólafsdóttir, Georgsdóttir and Bjarnadóttir, 2015; Landy and Conty, 2012).

2.3.2.2.8 Work Sample
Work samples are a form of assessing a candidate by having a candidate hand in a piece of completed work, explaining or display his/her work on site or online. As seen in Table 1, work samples are the best method, on their own, to predict the future performance of a candidate (Landy and Conte, 2013). The individual that hands in a work sample is displaying the quality of the work or performance that he/she would produce for the future employer. This sample can be in the form of an actual working shift (in store or labor), presentation of a mapped out approach to a problem for a managerial or specialist position, dealing with new material to view learning abilities or a creation of a balance sheet for a financial position (Bjarnadottir, 2012; Cook 2009).

2.3.2.2.9 Performance Based Hiring
Lou Adler (2015) is one of LinkedIn’s influencers and he has a theory on hiring called ‘performance based hire’. Adler argues that past performance is the best predictor for future performance. They way to assess past performance is to ask for examples in interviews that the interviewer can explore in detail. The indicators within the examples are key to predict the fit, but Adler divides the fit into two categories. First, is the core or basic competence fits, and second is the situational fit.

The basic fit is the assessment of the individual’s skills, attributes and personality. The situational fit is more focused on the role, culture and imminent environment (such as the manager, work environment, support of the organizations and so on). Adler believes that these two fits are a key factor in how well the individual will
perform for the organization. It is also the motivating factor for the individual to give all he/she has and be willing to adapt to the organization (Adler, 2015). In short, Adler argues that a recruiter and hiring manager should focus on attachments, how and why certain behavior occurs, the fit of an individual to an organization and finally determining what motivates the individual (Adler, 2015).

Research made by Terpstra and Rozell (1993) suggests that there are correlations between usage of assessment methods and financial gain. However, this alone does not prove that these assessment methods are the core cause of the financial gain, as the organizations could simply be better operated. Terpstra and Rozell found correlation between financially strong companies and the use of structured interviews, tests of cognitive abilities, questions about candidate’s overall life details, background checks and further research on the validity of the assessments in use (Terpstra and Rozell, 1993).

Furnham (2008) stated that hiring managers tend to use their trusted methods, which leads to use of their gut feeling. Therefore, disregarding complex methods and new findings (Furnham, 2008). This finding goes against what the Cranet Reports in Iceland are displaying. However the reports show that using multiple assessment methods in Iceland is increasing between years, but the reports do not provide an explanation on what is driving these increases (Einarsdottir et al., 2015).

2.3.2.2.10 Hiring Decisions

Having explored assessment methods, the next step in the hiring process it to make the decision whether to hire. These decisions are often called hiring decisions or staffing decisions (Guion, 2011). The decision to hire or reject an applicant should be done with consideration to the criterion. If the criterion is thorough, there should be a few opportunities to assess and reject where an applicants fall short. Staffing decisions are made not only with hiring, but also opportunities for promotions (Guion, 2011; Landy and Conte, 2013).

Information that is gathered in a hiring process can be decided on clinically and statistically. Clinical decision making process is when the decision maker processes multiple information pieces from assessments in their own head, weighs each out and
decides to hire, promote or reject/fire. This has proven to be inefficient and unreliable. Statistical decision making on the other hand, defines outcomes into quantitative data and therefore, allows predefined outcomes to be calculated with formulas. By doing so, decisions are less bias and more reliable (Meehl, 1954; Powell and Butterfield, 2002; Landy and Conte, 2013).

These decisions can be categorized into two different systems, comprehensive selection systems and compensatory selection system. These different systems are unique to each other in the way that they score candidates, therefore also differing in how one comes to make a staffing decision. Comprehensive selection systems gather enough high-quality information to predict as much as possible regarding candidate’s future performance. Compensatory selections system pick the appropriate information and compile them together, whereas one good score can compensate for one poor one. However, the score from these tests can differentiate predictability for the role it seeks to determine future performance. In those cases, a hurdle system is put in place. The hurdle in this system means that a cut score is put in place, meaning that if a candidate does not get the cut score or over is rejected from the process and cannot continue participating in the process, regardless of other scores. Those who succeed the cut score, continue the process to have their overall score compiled and summarized. In a hurdle system, there can be multiple cut scores referred to as multiple hurdle systems (Landy and Conte, 2013).

When gathering these tests or assessments that are utilized in the decision-making process, it is possible to use more than one predictor in the test and assessments, these methods are referred to as multiple regression analyses. This approach can partially assess or measure the same trait, have no correlation or almost assess the same trait. The best outcome is to have more than one predictor. Although when measuring with more than one method, one should assess for different predictors. Assessing for the same predictor is waste of resources (Landy and Conte, 2013).

After the decision has been taken to hire a candidate, the onboarding process begins. The onboarding process is important for future performance, especially in the short term (Mankin, 2009).
2.4 The Hiring Process in Iceland

The hiring process in the public sector is highly regulated as there are many laws, regulations and union agreements that concern the hiring process in the public sector. These regulations are meant to protect the public’s legal rights and ensure that the public sector is operating in a sufficient and decent manner. The laws and rules that shape and govern the hiring process include the Administrative Law nr. 37/1993, the Employment Law (law nr. 70/1996), the Information Law nr. 140/2012, law nr. 77/2014 regarding public filing, the Equal Rights Law nr. 10/2008 and Privacy Law nr. 77/2000. These laws determine how the hiring process is executed in many ways, for example they affect how the decision should be reached to hire the most qualified applicant, how to reach all prospective candidates and how a role should be presented, as well as what information should be presented to the public.

In 2007, the Financial Ministry of Iceland published a framework that was created to assist managers in the hiring process in the public sector. The content in this handbook included how to execute a hiring process by following the laws and regulations stated above (Aðalsteinsson, 2006; Ministry of Finances and Economics Affairs, 2007).

The greatest research on the HR practices in Iceland, including hiring, is the Cranet Survey that has been published in 2006, 2009, 2012 and 2015. The report is a quantitative research piece on the general HR practices in Iceland (Einarsdottir et al., 2015).

2.4.1 Acquisition of Candidates

The recruitment process in Iceland is becoming more influenced by social media use and most organizations are using multiple of methods to acquire talent. 65% of HR professionals in Iceland said that they had hired an employee with the assistance of LinkedIn or Facebook. Icelandic organizations have been increasing their ways to attract and reach talent. The Cranet Report, between 2012 and 2015, shows an increase from 3 to 4 methods to attract talent (Einarsdottir et al, 2015). Nevertheless, the increasing use of multiple methods to find and acquire talent went from the average of 3 methods to 4 between 2012 and 2015. The findings show that most companies and organizations in
Iceland use interviewing and references. For managerial positions and executive roles, it is common that more than one interviewer meets candidates in a panel or separate interviews. Likewise, for specialist and managerial roles, the use of work samples in conjunction with other tests to assess competence and abilities is a common approach.

The attraction and searching of candidates are changing in Iceland according to the Icelandic Cranet Report of 2009, 2011 and 2012. Most Icelandic employers use formal acquisition, some are legally bound to use formal and public ways to attract applicants. In Iceland, 70% organizations post jobs in newspapers to reach applicants, 68% of them post on their own websites and 25% post on social media platforms (Einarsdottir et al., 2015; Bjarnadóttir, 2012). The use of social media increases between years and seems to be still rising. In Iceland, there are specifically two social media platforms that are being used to reach out to candidates, Facebook and LinkedIn. Facebook is the by far largest social media platform being used in general in Iceland. Gallup’s report of 2015 stated that 91% of Icelandic people between the age of 18 and older are Facebook users. Therefore, the reach to future talent is greater through Facebook. LinkedIn, on the other hand, is less or 17% of people, making the reach much less with LinkedIn (Gallup Inc., 2015).

In an international report from the Cranet Network, European and non-European countries were compared in their use of recruitment and assessment methods. The findings of that survey were that companies in most countries use job advertising, recruitment agencies and word of mouth. There was a difference between countries towards using only a few methods and not using them extensively. Japan is one of those countries, but the opposite were countries like the US and the UK, where recruitment practices were more diverse.

2.4.2 Assessment Methods

The Icelandic Cranet Survey of 2015 shows that references are used in approximately 90% of hires in Iceland (Einarsdottir et al., 2012). Along with references, interviews and reviewing resumes/applications are the most used assessment methods in Iceland. The execution of more than one interviewer is especially growing in the cases of hiring for managerial and specialist roles. However, unskilled workers are more often interviewed
by one person only before hiring. Assessment centers and psychological test are used for managerial roles, but not as frequently for specialist and unskilled workers. Overall, it seems that managerial roles over all industries are assessed with more methods than both unskilled workers and specialists. The average numbers of assessment methods are increasing. For specialists, it went from 3.5 to 4.1 methods; for managerial roles from 3.6 to 4.1 methods; and for unskilled workers from 2.5 to 3.1 methods. That is generally positive, even though references might be used rather frequently for how poorly they predict and compare candidates. Different industries are assessed in the reports by placing industries into categories. They include manufacturing, industrial and the energy industries; commercial, service, finance, tourism and transportation industries; public service and administration sector. The three industry groups identified use assessment methods differently.

The first group, manufacturing; industrial and the energy industries, use less methods than the rest of the groups. They are less keen to use most methods except assessment centers, whereas 14% of companies in that group use them, but for the other groups only 7% of companies use them. The second group of services; commercial and others, are keener to use social media, work samples, psychological tests and other e-tests than the other groups, but are a less keen to use references and review of resumes. The public sector uses similar assessments as the second group, but use references, review of resumes and interviews in the hiring process. There is not much difference between sizes of companies, but larger companies are more likely to use multiple assessment methods in the hiring process (Einarsdottir et al., 2015).

According to the Cranet Reports from 2006 to 2015, a distinct development has been found (percentage of organizations):

- Usage of psychology tests for managerial positions have increased from 8% in 2006 to 45% 2015.
- Two people or more are interviewing each candidate, whereas the fact that hiring from a singular interview is declining for specialist from 51% in 2012 to 33% in 2015. For managerial positions, the year 2006 22% of organizations hired after one person meet the candidate, it went up to 49% 2012, but down to 18% at 2015.
• References are increasing in organizations for both managerial (from 68% to 85%) and specialist positions (from 70% to 92%).
• Assessment centers were used in 1% of organizations 2009, but were used in 8% of organizations 2015.
• Cognitive testing did not come up in the reports until 2015. Likewise, social media as an assessment method was new as an assessment method 2015.

In the international survey Cranet published, other countries are using interviews and references the most. Psychological and psychometrics tests are used more frequently in the other Scandinavian countries like Finland, Sweden, Norway and Denmark. Likewise, assessment centers are more common in some countries, whereas in Iceland they are not use often (Cranet, 2012).

2.5 Measuring the Quality of Hire
Selection processes can be measured by the validity and reliability of the assessment methods. Another way to measure the quality of the overall hiring process is to measure the outcome of the holistic processes. The outcome of the process is the hired candidate’s effect on the organization. This can be determined by his/her performance and productivity. The yield from the hiring process can be measured, as this chapter will explain. Measuring the quality of hire can be done in several ways as seen in Figure 2. In this segment, a few notable methods for measuring will be explored.

The quality of hire can be measured by employee turnover, retention of staff, cost of hire, time to fill, performance of candidates after hire and an overall calculation of quality of hire while using data from other measurements (LinkedIn, 2016; Boudreau and Ramstad, 2003; Greening and Turban, 2000; Hinkin and Tracey, 2000).
Figure 1: LinkedIn ways to calculate quality of hire (LinkedIn, 2016b, page 6).

The financial gain from HR and the hiring process can be measured with two methods, utility analysis and return of investment (ROI). Each method not only assess the financial gain of the processes, but they can also interpret the impact of all interventions of HR on the general operation. Utility analysis comes from economics and was popular in HR in the 1980’s. Utility analyses are fixated on the usefulness of the human capital and why it matters to enforce certain utilities in an organization. ROI is newer to HR, but its aim is to reveal what outcomes come from human capital investments (Boudreau and Ramstad, 2003; Boudreau, 1987).

Other related concepts to utility analysis and ROI are human resource scorecard, human capital accounting and human capital measurements. All these concepts involve measuring human activity and worth to an organization, meaning that all human capital investments that an organization makes needs to be substantial and measurable. With proper investments, an organization will grow and flourish (Boudreau and Ramstad, 2003).

Organizations that want to succeed substantially should create a sustainable competitive advantage. A permanent competitive advantage consists with the core capabilities of the organization. The core capabilities require intellectual capital or quality talent. The quality needs to be defined by each organization and for each role. There is a need for companies that want to be competitive within their market to have
insight and a well-rounded understanding of the trends within the business they’re in. To withhold and gain the advantages in a sustainable manner, a company needs to attract high quality talent. The best quality talent is the talent that has the proper knowledge, personality and abilities to achieve high performance for the role in hand (Mankin, 2009). Creating this sustainable competitive advantage involves strengthening the inner resources of the organization. Having strong inner resources is the most important factor in creating sustainable competitive advantage that is hard for competitors to replicate. Inner resources encompass human capital, social capital, company culture, company procedures and more (Thomas and Scroggins, 2006; Mankin, 2009; Stiles and Kulvisaechana, 2011). Human capital is defined as multifactorial and involving abilities; knowledge, individual competency, as well as the employees and employers experience. The challenge with human capital is to obtain and retain the ability of an organization to gain knowledge, abilities and experience within. Therefore, it is critical for an organization to invest in a thorough hiring process that yields a high human capital for a sustainable competitive advantage (Thomas and Scroggins, 2006; Mankin; 2009).

Dessler (2005) says that hiring the ‘right person’ can be highly important since the process can be costly. Costly in the sense that there might be a lawsuit if the process is unfair to applicants. Likewise, the company will lower cost by having to adjust the new employee less likely to perform. Dessler continues in stating that a hiring process should be reliable, meaning that even if the process would be repeated, the same conclusion would be the result. Also, that the validity must be top notch for it to bring substantial worth to a company. If the validity is low, the company might as well pick a random candidate (Dessler, 2005).

Boudreau and Ramstad’s matrix of 7 factors calculates how hiring can be assessed regard time and cost. Time and cost are simple to calculate, but defining the quality of candidates is harder because it is dependent on each role, company and industry. Therefore, each organization must define what determines the quality that is needed. The information to calculate this is most often available in organizations, but not used for these purposes or not actively tracked. Some organizations track some aspects of this matrix, but do not define the quality candidates. Therefore, one cannot finish their calculation to see the quality of their process or system, that is the efficiency
or overall yield. Boudreau and Ramstad state that supply-chain analysis seldom focuses solely on a singular link in their chain, but rather the holistic process to be able to determine what causes their outcome (Boudreau and Ramstad, 2001).

Having a measurement that reflects and suits each company can vary between companies and can be governed by multiple factors. Boudreau and Ramstad state each company should benchmark what defines their quality of talent and endeavor to measure for those qualities. The environment or climate that a company is hiring in effects the hiring strategy. The next segment will cover the environment and changes that have been playing a role in the growth of the hiring market globally over the past twenty years.

2.6 Hiring Market and New Strategy

Increasing globalization and various organizational changes in Western countries during the end of the 20th century led to shortage of talent. A report called “The War for Talent” was among those who addressed the increasing shortage of talent. The report was an analysis of the years between 1998 and 2007 (Michaels, Handfield-Jones and Axelrod, 2001). With a shortage of talent and an increasing demand, the outcome would lead to more competition for the talent (Dohm, 2000). This shortage can make it difficult for companies to attract candidates of great quantity and quality. This can impact an organization’s recruitment and hiring strategy holistically. Boudreau and Rynes (1985) state that those that attract large talent pools and yield well from them, are achieving a greater competitive advantage over their competitors (Boudreau and Rynes, 1985; Michael, Handfield-Jones and Axelrod, 2001)

Michaels et al. (2001) say that a candidate’s ability to learn and adapt is part of one’s talent (Michaels et al., 2001). McKinsey’s definition of talent is a sum of an individual’s abilities, skills, knowledge, experience, intelligence, judgment, attitude, character and drive. (McKinsey’s, 2016).

Boudreau and Ramstad (2004) state that talent management, that is attracting, yielding and retaining quality talent, is the most important factor in the global market’s competitiveness (Boudreau and Ramstad, 2004). Furthermore, Charon (2006) points out that with the invention of the internet came the increasing mobility of money, workforce and knowledge (Charon, 2006). Charon’s data indicates that certain
companies are starting to feel a shortage of talent. Likewise, the shortage will only get worse for the companies that will have to fight with time, effort and financial means to attain quality individuals. The report suggest that companies should start adjusting to develop talent within, because they will have an extremely hard time finding this talent externally.

ManpowerGroup (2013) and CIPD/Hays (2013) recognizes that there is a shortage but it is not generally over all industries and countries. These two organizations state that there is shortage is certain industries in certain countries. Those that are struggling to find talent seem to lack solutions to solve their shortage (CIPD/Hays, 2013; ManpowerGroup, 2013).

Other philosophers have argued that the talent gap that many institutions have documented through their research is not an actual shortage. Adler (2015) and Cappelli (2012) argue that this talent gap is the result of poor hiring practices and “picky” employers that are not willing to comply with changes of talent and talent market’s environment (Adler, 2015; Cappelli, 2012).

Adler and Cappelli both state that employers are looking for the purple squirrel or the magical unicorn, meaning that employers have unreasonable expectations to what they require/need of their candidates. Adler’s suggestion to a company is to assess the market that it operates in. The assessment reveals to the company whether it should strategize for a scarcity or surplus market. Meaning, if the current hiring strategy or processes are not yielding the quality it should/needs, it should be rethought and adjusted to each market (Adler, 2015).

Research by Randstad illustrates that the external hiring process are taking longer than before. These findings similar of what the Cranet Reports in Iceland are showing (Randstad, 2013; Einarsdottir et al., 2015).

Some philosophers argue that the internet and technology has impacted recruitment. In recruitment, the use of open source media and search platform such as LinkedIn and Facebook are impacting it greatly (Cook, 2004; Bjarnadottir, 2012; Einarsdottir et al., 2009; Johannsson, 2016). Cascio and Aguinis (2008) argue that the hiring systems is and will evolve with new technologies. They state that this system is changing with the work market. The criterion for jobs are changing, because the jobs themselves are changing.
The hiring model in this fast-changing work market is increasingly requiring adaptability, cultural agility, relationship management and a global agility. The modern way to predict for work success should include a wider and larger context. This context should focus on strategy, cultural fit and situational elements (Landy and Conte, 2013). According to Landy and Conte (2013), earlier hiring models should be:

- Assessing their predictors over longer periods rather than a single test of general mental abilities and personality,
- Assessing the predictors in a more realistic environment, rather than a decontextualized testing environment.
- Use collective data on a candidate’s performance to predict future performance instead of usage of tests and other traditional assessments.

Landy and Conte (2013) argue that the new hiring models will adjust to the technology and modern era with more short-term contracts, part time contracts and temporary contracts. By utilizing such formats, employers will have a greater understanding and insight on the talent/candidate before a full-time employment is reached (Landy and Conte, 2013).

Thomas and Scroggins (2006) use the concept of sustainable competitive advantage in the market with a well planned and executed recruitment process. Having these attributes with a successful attraction strategy, an organization has the ability to have a sustainable competitive advantage. Google has developed a strong brand that creates a luxurious situation. Google can focus on benchmarking their quality talent as well as assessing for that talent. They achieved this with researching and collecting data on their top performing managers. This study was given the name of Project Oxygen. Project Oxygen is a good example of a well-defined quality group of employees. Furthermore, Google has a distinctive way of interviewing and hiring. The way they hire is via a panel or at least multiple interviews with recruiters, hiring managers, staff and managers from the team that the future candidate will work alongside. The recruiter and hiring managers at Google were stripped of their decision-making power and instead the panel of future coworkers vote on candidates with data from assessments premade (Gavin, Wagonfeld and Kind, 2013; Bock, 2015).
3. Methodology

This chapter covers the methodology regarding the research that this thesis includes. To begin, the chapter will address what methods were applied in the research and the biases that followed the usage of the chosen methods. Next, the participants will be examined for better understanding of the findings. Prior to reviewing the results, the execution of the interviews will be covered. Finally, after the results segment, the discussions regarding the findings will close the thesis.

The methods used in this research were qualitative, more specifically interviews with open questions to gain the most depth and insight into how and why the development of the hiring process in Iceland has taken place. There is no current research on the quality of hire in Iceland, therefore the coverage of that topic is an exploration regarding if and how it can be measured.

Qualitative research methods are used to examine, investigate and understand the reality of the interviewee (Esterberg, 2002). They are experiencing the reality that the researcher is seeking to understand. With examining, watching, asking questions and listening to the interviewee, the interviewer can get an insight and further understanding into the topic that the interviewee experiences by first hand. The interviews used in this research are in-depth interviews that provide a personal answer from the interviewee. The individuals had freedom to express their personal views regarding the topic that the question involves. The interviews are semi-structured, meaning that the interviewer has a list of questions to stay on-topic, but allows the interviewee to talk deeper and longer regarding some of his/her answers it he/she chooses (Palermo, 1999; Holloway, 1997).

3.1 Research Method

Generally, research methods are split into two categories, qualitative and quantitative research methods (Esterberg, 2002). Qualitative research methods are used when the researcher seeks to obtain a detailed and in-depth information or understanding regarding the topic of his/her research. Methods that are part of qualitative category are for example interviews, observations, script reading and biographies. They have the goal to gain insight into a certain topic or subject, therefore, they are useful when there
is limited data regarding a subject. With the insight, the researcher can create a hypothesis. Qualitative research is useful to create theories and hypotheses, but they cannot be used to generalize (Flick, 2008). On the other hand, quantitative research methods are used to get overview and general view-point. Quantitative methods have the goal to get numerical and/or measurable outcomes that support the theories or hypothesis. They are for example surveys, meta-analysis and more. These methods can be used to generalize over the population (Bernburg, 2005).

The interviews that were performed were semi-structured questions and they were all recorded, reviewed and transcribed. This ensured validity for the interviews. Semi-structured interviews have few questions and allow the interviewee to focus on what he/she thinks is most important. Interviewers have few questions that serve as starting points for the interview, but after that it is up to the interviewee to form what is important. The biggest challenge with open interviews are that they can go off topic and therefore, lose focus of the topic that is being researched. Semi-structured interviews are more structured, as the interviewer has a fixed list of questions to keep the interview on topic. The questions are not necessarily in the same sequence between interviews. This is done because the interviewer wants to explore each question with depth, meaning that some questions make more sense following up with a certain answer and the interviewee might answer a certain question prematurely. The interviewer wants the interviewee to be as relaxed to allow for him/her to open up and give better insight. Therefore, the flow of the interview must be as fluid as possible (Kvale, 2007; Bryman and Bell, 2007).

The interviews were ten in total and the participants were from different industries. To get a better understanding the development, the interviews had the goal to get their experience of how and why the development of the hiring process has occurred.

The questions in the interviews for this thesis were formed with the intention to ask the interviewee about most aspects of the hiring process, as well as get them specifically to focus on the development of these aspects. Since the questions were semi-open, they had a specific topic that interviewees were meant to stay within, but the questions gave them the freedom to explain their opinion and views on that topic. The themes of the questions were background questions, how they have experienced
the development of the hiring process, their experience of why the development has occurred, differences between industries as well as types of roles (managerial, specialists and unskilled workers), measurements of qualities of the hiring process, and what they predict for the future of hiring. The length of the interviews ranged from 47 minutes to 1 hour and 20 minutes.

### 3.2 Execution of the Research

When the topic “development of the hiring process” was decided, the preparation for the research began. First the researcher read theories on hiring, as well as brainstormed with fellow hiring consultants. When discussing these topics and ideas with fellow hiring consultant, candidates for interviewing were also discussed. After creating the research questions, the researcher started contacting the potential individuals that came from the brainstorming meeting. Three of the handpicked interviewees responded and allowed the researcher to interview them. Two of these three individuals gave great insight into what people who had been in the industry for many years had experienced. From those ideas, the rest of the interviewees were decided upon. Such sampling is called snowball sampling or chain-referral sampling (Esterberg, 2002). The challenge with such sampling is that the interviewees are not picked randomly. With that, there can be a chance of not having a typical sample of the population that is being researched. However, for a specific industry like hiring and aiming to specifically interview people with a high degree of experience, it is effective and suitable.

Data collection took around 2 months, from October 2016 to December 2016. That involves contacting interviewees, executing interviews, reading research and theories.

All the interviews were taken in the greater Reykjavik area, but most of the interviewees are interviewed 1-2 weeks after they were initially contacted. The researcher contacted the interviewees via e-mail, LinkedIn and phone.

The interpretation of the data that was collected was done systematically, as the interviews were typed in to a computer and analyzed into themes as well as patterns. The analysis was not only on what was said in the interviews, as in some cases the interviewer had to read between the lines and interpret what meaning the participants
put into their words. The researcher did not speculate if there was no indicator to what was meant by the participants. With these patterns and themes in mind, the researcher could see similarities in trends in the answers.

3.3 Participants

The participants that were interviewed were ten individuals. Five of the interviewees have a Master’s Degree in Organizational Psychology, one has a Master’s Degree in Clinical Psychology, two have Master’s Degrees in Human Resource Management, one had a Bachelor Degree in Political Science and one had a College Degree. Participants are HR directors, managers and consultants. They all have over 5 years of experience, meaning that the lowest experience was 5 years. The highest experience was 21 years, but the average was 13 years. Participants were from different industries, but two are in the financial industry, three were consultants in staffing agencies, three were in the transportation industry, one in the healthcare industry and one in the IT industry. Six of the participants had worked in recruitment agencies in their careers, but three of them are now in HR functions of organizations. Others had worked for HR functions in organizations and not for recruitment agencies. Five of the participants were female and five were male. The age range was from 36 to 57 years. Sizes of the organizations that the participants are a part of varied from 50-1,000 employees.

The sample was a snowball sampling, as two were handpicked and from these individuals the following eight were referred. The challenge with using this type of sampling is that there is a risk of getting a sample that is a closed subgroup, which does not characterize the population. In that case, the insight of the hiring and HR industry in Iceland would be less because it would only reflect a small subgroup and likely lack diversity. Since the interviewees were in such different industries, this gave the researcher the impression that he was getting well-suited insight into the industry of recruitment of Iceland.

All the interviews were taken in the participant’s workplaces, this was mostly due to how busy their schedules were. Nevertheless, in all interviews a closed private room was used to execute the interview to minimize the risk of interruption. The flow of the interviews was rather good, in the sense that they felt relaxed and natural. Due to the interest of the interviewer, the participants were eager to give more information.
and insight. That could have caused them to be overly positive and exaggerate their descriptions on topics. From the researcher's viewpoint, the participants were rather critical and open to talk about their challenges. Therefore, the symptoms of exaggeration were minimal, if any. Even though the researcher showed eagerness and enthusiasm towards the topics it was never leading, on the contrary, the researcher focused on being as aware of biases and having a neutral perspective. Research has shown that having a comfortable, relaxed and fluid interview with non-threatening questions will make the interviewees answer more forthright (Aaker, Kumar, Leone and Day, 2013).

3.4 Ethics of the Research
The ethics in researches are important for the fact that the researcher is responsible for the harm that the research may cause the participants and the integrity of all publishing parties. To ensure that all ethical standards were met, participants were asked for their approval to take part in the research, as well as the research being well explained before starting the interviews. They were told that if they wanted to exit their participation at any stage, they could. The researcher made sure that all information that came from the interviews would be demonstrated in an honest and fair manner.

The researcher made sure that the participants identity and employer was discreetly kept concealed to protect them from being harmed from their answers. After the usage of the interviews the researcher erased all documentation of the interviews so that the information could not be used against the participants. Therefore, the research cannot cause any harm to the participants or their employers.
4. Results

In this chapter, the findings from the research will be explored with the research questions in mind. The chapter will seek to answer the questions, as well as analyze the answers received in the interviews. Research questions that this thesis seeks to answer are the following:

- How has the hiring process developed in Iceland?
- How are hiring managers, recruiters and HR professionals preserving the hiring process in Iceland?
- What is quality of hire?
- How do companies in Iceland measure a successful hiring process and quality of hire?

4.1 The Development of the Hiring Process in Iceland

The development of the hiring process in Iceland for the last twenty years (1997-2017) has been extensive as it came from simple methods to more professional and thought out methods. Before the millennium, most participants described the hiring industry as rather flaky and unprofessional. One participants explain his perception of this development as:

> When I started hiring in Iceland we wanted to hire more professionally and went abroad to get personality tests and other tests. We had been simply assessing by feeling before that... I mean many that have been hiring for long are good at assessing certain traits but no one gets good at assessing without bias nor does it in a perfect manner.

Another described the development for the past twenty years with the following statement:

> ...the development in my time (since 1995) has been tremendous, we’ve gone through the whole spectrum and a lot of changes. I would say it's much more in
touch with the science today and more professional, not only that but due to higher speed, now, it's much more efficient.

With this development, the assessment and recruitment methods evolved making the hiring practices more professional.

4.1.1 Development of assessment and recruiting methods

Before 1997, some companies had been exploring personality tests as assessments, but only started using them around the year of 1997. Consultancies went on to obtain personality tests which seemed to have started a trend of exploring other ways to assess candidates. On this, one of the interviewee said:

...1997 we started using personality tests, Big 5, I think they are called, and we were mainly using them for assistance or like an added perspective of our own assessments.... later, we started using personality tests in a higher degree and got a psychologist to make them more valid for the Icelandic culture. They were mainly still used for managerial roles but also specialist roles. Later, we went the same route with cognitive test, numerical and verbal, tests that had more predictability towards the future performance.

Before that time, references and unstructured interviews had been used and organizations wanted to explore different methods that would give more insight, as well as there was a demand to explore tools that global markets were using.

...we had been trying out some personality tests that we felt were not working. We knew that references and the interviews were not good enough predictors so we sent a group out to a Nordic country where we had found a company that were part of a global provider of respected personality tests. From there we had to adjust and modify them to Icelandic culture.

Those quests were efforts to try to find new and better ways to assess people, other than interviews that were heavily relied upon. In a similar timeframe, behavioral based
Interviews or AHA interviews were introduced to the market. Some interviewees explained that around 2000, there was a booming scene for knowledge of HR and other managerial education. “We were selling a lot of seminars at the time (just after 2000) to companies on all kinds of HR related topics and among other was the use of personality test and using structured interviews.” Another participant makes the point of how these methods gained popularity and respect:

Most companies were using interviews that were nothing more than chats, were being likeable or not made all the difference. I knew that this was not serving any logical sense from my stay in the US, studying and working. So, I made some suggestions that were thought to be crazy at the time. With time my ideas were proven effective and backed up from hearing big companies like Pepsi and others using them. That gave it more credibility and assisted to get them into the daily practices.

Some years later, work samples were beginning to be used more often, but it seems to be connected to a structured process that was created for the public industry. This structured process was a scorecard or matrix that was meant to frame processes for better practices. Work samples were used to see the capacity and competence of a candidate. This occurred around the year 2009, which economically meant that most industries had a surplus market of talent. This meant that there were many applying for most positions and the companies had the luxurious challenge of having a lot of candidates to choose from.

Around the same time, the public sector had a great need to increase their efficiency in their hiring process due to the legal framework that forces them to document effectively and be better prepared to face lawsuits or governance from the appropriate body. A process was created that would cover their bases in the sense that everything was done properly with good predictability and reliability. While implementing this process, the use of work samples grew in practice. It had been used slightly, but not frequently. One participant mentioned the clarity of having this structured process in place that allowed people to know what was being assessed. One participant had worked on this process and had the following to say:
... I have no statistics on if there are fewer lawsuits with these work methods but what it did at least bring is that the applicants were happier with this process due to how fair they thought it was. The result of the processes before were that there was a report of the hired one and how great they were but nothing on how that conclusion was reached. So, it felt unfair.

This process was confirmed by another as being still used and working well to cover the needs of the market. The process is however mostly used by the public sector along with the biggest executive positions in some organizations.

Since 2010, most participants said that there had not been much development in assessment methods and how processes were structured. The development from 2010 had been a shift from the assessment methods to the attraction of candidates. During the period of 2010 to 2016, development of the hiring process was on advertisement and finding new ways to find candidates. Finding candidates was mostly in the form of creating databases to search when the organization needed. The reason for the shift in trends seemed to cause the shortage of talent and therefore, more competition for qualified talent.

One participant described that being one of the biggest challenges for his organization as the shortage of talent. “... the shortage is difficult, to attain and attract talent.” Another participant stated that the attracting candidates was underestimated and that they were currently focusing on developing ways to get more candidates.

I think that many underestimate the part of the process to attract and attain applicants, but there are so many more ways to attain applicants then are done, we have been trying some new methods in that area where I am now. We for example are trying referrals, but they are highly effective. If you are only passive and only posting your jobs on job boards or websites, you might end up with only two unimpressive candidates to pick from. So that’s why we are trying to find new ways to get more attraction of talent to the company.

An example of this trend included the increased use of social media. All participants talked about social media and that it has had impacted the advertising of roles. Most
used them for their extensive reach to candidates, therefore using them as a platform for advertising. Some were using LinkedIn to actively search for candidates and said it was growing in use. Facebook has the greatest reach of all social media platforms in Iceland and therefore, it is not surprising that all participants mentioned Facebook as their most used media. As one participants described it: “We use social media to reach the younger generations. They don’t read the newspapers anyways. We use them for branding and to post jobs.”

Another participant went further in describing the reason as “With social media, recruitment is more interactive, communications are faster and are now a two-way street. Applicants are closer to us and us to them, if they want to reach us or research about us they can, likewise in the other direction.”

Social media was a platform that came from the technology of the internet and connected hiring managers and recruiters with candidates but it also created more speed in the process.

However, the development has not been the same for all roles, as managerial and specialist roles get the most additional assessment methods. The general assumption is that the roles that are higher up in the organizational chart are more valuable and therefore more methods are used in those hiring processes. Specialist are bringing unique knowledge to an organization, therefore it is important to select them carefully. Frontline workers (service, labor and unskilled workers) have a high turnover rate and therefore, companies tend to be less keen to invest resources in those hiring processes. Some participants stated that it was not just the turnover, but also the shortage of frontline workers. “With the frontline roles, here the challenges are to find the talent. There is a great shortage there.”

Another made the point that the time to fill had to be quick because if you find someone that can do the job, you need to act quick before they get hired somewhere else. “For some roles in the frontline, like service and so on, we are sometimes almost calling candidates in for an interview that ends with an offer or a trial shift.”

Most participants implied that it was only with the frontline roles that this speed and risk taking occurred. The lack of vetting was both because there was not time for it, but also that it was not worth it due to the high turnover rate. With specialist and managerial roles, companies were less willing to take this risk and, in most cases, had
more candidates to choose from and therefore, could have a stricter vetting process. All participants said that they did not experience much difference between industries, with one exception that was the IT industry. In the IT industry, there is a significant shortage of technical talent and therefore, recruitment was difficult. Likewise, some mentioned that technical professions such as engineers and technicians was hard to find talent in all industries. One predicts that the future of frontline workers will develop into a social media platform “...*I think the form of frontline labor and worker will change into more social media form, where the pace is much faster and communication is quicker too.*”

When looking at the answers provided through the interviews and the researchers notes, it seems to be a trend that Icelandic hiring develops in a similar manner as in other Western countries, due to increasing globalization. The hiring function has developed towards being more professional with the increase of knowledge and overall professionalism in the HR industry. Due to economic changes and demand on the market, assessment methods were integrated from Europe and North America and developed around the year 2000. The development occurred due to the demand of organizations to increase their capacity to predict future talents in a group of candidates, as well as increase efficiency in their hiring process.

The biggest development of assessment methods seems to have happened in a surplus talent market, meaning that companies had from many candidates to choose from. The assessment methods started with simple, unstructured interviews and references in 1990. The first real development that participants explained was in the late 1990 (‘97- ’00), that was the structured interviews and personality tests. They came with the increase of knowledge to the industry from people that had been studying and working abroad. From there, in the early 2000, more tests on various traits were getting used increasingly. Test like for example; safety tendencies, numerical reasoning and cognitive abilities. Group interviews for service and labor positions, as well as assessment centers were becoming more popular in the late 2000’s, but they never were used in any great extent.

The needs of organizations shifted around 2010 to attraction of candidates from the assessment methods. Even though the assessment methods did not develop as robustly after from 2010, organizations increased their use of multiple assessments as well as customization of some methods to suit the organization’s needs and specific
roles. Those that mentioned this factor stated that it increased the prediction rate. However, the research or measurement to prove those statements were not discussed in depth. Measuring of the outcomes was not thorough, if any, as will be shown in the chapter 5.3. A typical answer would be that in the experience of the organization, a specific assessment was a good indicator for an ideal candidate. It could be right and based on theory, but it seemed to be rather subjective. As an example, unstructured references and specific traits in resumes came up as such customized methods. Nevertheless, finding and attracting talent had been the main development and challenge for the last 5-8 years when reviewing the participant’s answers. There was some difference regarding sizes of organizations when it comes to methods of recruiting and selecting. Most candidates stated that bigger companies had more resources to attract and select candidates. These resources were said to be financial capacity, time capacity per HR personnel and hiring tools such as tests and media software.

Regarding in-house hiring, some organizations have been actively strategizing to produce certain talents within, especially towards managerial skills and very specific skills and knowledge. Participants mentioned Icelandair, Marel, Bank of Iceland and WOW Air as companies that practiced internal recruitment. One participant stated that in his company there were strategies regarding the in-house hiring. Developing certain skills and knowledge within by training highly performing individuals was often a big part of these strategies, but the hiring process was most often open for external candidates. The reason for that was to compare what talent was on the market versus the in-house talent. Other participants knew of companies that had these strategies in place, but stated that they were external hiring processes that were open to internal prospects.

4.1.2 Reasons for the Development
Many participants mentioned that the needs of the market and businesses drove them to go out and seek new assessment methods to implement in the hiring process of their organization or sell to Icelandic organizations.

All the participants mentioned that Iceland followed the trends and development of the global market, but in its unique way. Most said that they were greatly influenced by their education, reading material from abroad, going to
conferences and meetings abroad. However, all of them stated that the fluctuation of the economy was a critical element that created a platform for the development. Therefore, the organizations were mostly reacting to need or demand of their environment. That environment was to meet demand from organizations that were struggling or simply adapting of changes in their industry that were, in varying degrees, affected by changes of the economy. One participants described it with the following:

... we are always following the development of what goes on abroad but the similarities are that we are using the same assessment methods but they (hiring bodies abroad) are way better at presenting, finishing and reports and so on. They are further than us in those and they are more common with the use of them but they are bigger and slower than us. Because they have a larger demography, more applicants, more specific.

Another participant had a similar view:

Yes, in a way, I for example am largely affected by my stay abroad. I think we are doing similar things here (Iceland) and there (abroad) whereas we are all (meaning Icelandic and international organizations) are assessing with in mind the validity and reliability of the methods we use but frame and structure the processes differently. Some of the methods are actually not to scale and adjusted to the culture but we are still using them.

The development of hiring in Iceland has been greatly impacted by global development. Icelanders travel abroad for education and work experience to various countries like the UK, the US, Holland, Sweden and others. Their knowledge and ideas were implemented and influenced the hiring industry. Most participants believed this along with the HR education programs in Iceland, brought professionalism and increasing usage of new assessment methods to the market. On domestic HRM education one participant said: “The universities started to teach HR management so that was also an input of knowledge to the market regarding why it mattered to use more assessments and to be more professional. So, it was a big change that affected the HR industry in whole and
“hiring.” Another has a similar view. “...Well, we have more people that are educated in these theories and are therefore using better methods and know better what they are doing. We are working more professionally and more objective, that's my opinion.”

The professionalism and ideas came with increased knowledge in the field that seem to have come from this experience and knowledge that professionals and academics where bringing to the industry. Another big impact was the willingness and passion that professionals had to attend conferences, read professional journals on the topic and gaining new information as well as ideas from both collages all over the globe.

4.2 Challenges of the Hiring Process in Iceland

What most participants found was their biggest challenges was time or the shortage of time, shortage of talent, simplicity to fire individuals causing lazy hiring practices. The most common mistakes that participants found were made in hiring processes included insufficient job assessments, which generates poor criterion which can affect the process greatly.

4.2.1 Talent Shortage

Talent shortage, like described in the theoretical chapter is in Iceland is similar to other Western societies. The shortage is explained in the theoretical chapter, in specific industries and professions. One interviewee stated:“...most often related with the economic changes. But for certain roles there has been a shortage for a long time, for example in the IT department, programmer and others.”

Nevertheless, not all industries experience talent shortage, which harmonizes with previous reports from the US and the UK about it varies between industries and professions. Some participants mentioned skilled labor workers as hard roles to fill, alongside technical roles (technicians, engineers and others) and were specific specialist roles. One participant had not experienced the shortage at all, but saw some signs of experience shortage. This coincides with the writing of Lou Adler's on adjusting the hiring process to the talent market that the organization seeks to hire from. This participant states that:
...we are going into a period where many will be seeking jobs. The universities are producing tons of competent individuals and the market is not going to be able to grant them jobs, because they (organizations) won’t have the entry level roles they (candidates) would fit into. They do not have the experience that companies want, but might not be able to find.

Another makes a similar point when asked what the biggest challenges in hiring is:

.... that is simply to find quality people (why do you think that is?), in some industries and for specific positions there are simply not enough people that have that specific experience or knowledge, therefore the fight for those people is tough ...for high caliber specialists in financial and technical roles is for example very hard. .... another challenge is keeping up with technology, which is constantly changing. It takes time and effort...it's about branding and sourcing.

This shortage is therefore not in all industry and professions but the one that are in a shortage are highly effected by it. However, adjusting to the talent pool that is available should be practiced in order to obtain an organization staffing needs. Adjusting means either to recruit from other countries talent pools or develop talent internally.

5.2.2 Time Shortage
The lack of time, especially in the smaller organizations, was another challenge that most participant mentioned. One participant said the following: “...the time factor is the most challenging because managers are not given the time to be managers, they have to work as specialists too which takes up too much of their time...” One participant summarizes it well with how most companies are small in capacity and resources, therefore simply not having time to execute or plan some aspects properly:

...I think we are not doing the best job we can be doing here in Iceland.
Companies that are hiring on their own.... Well... first off, most companies in Iceland are small. So, their HR departments are small and they are hiring with the field managers, both of whom are drowning in their technical and specific
assignments. So, they are most often going ahead to recruit when there is a need to hire yesterday, therefore there no strategic oversight for the positions vacant. Likewise, is that the job assessment is lacking. They then throw out an ad to media that they took from the last time they hired for this position. Then come the assessments, they are meant to be structured and to scale but end up being different for some candidate and the market is small so that there is not always an urgency to have strict methods and work methods.

There seems to be an overall systematic problem where organizations lack understanding and urgency to give managers and recruiters time to perform certain task of their role. The outcome is that those tasks are poorly performed due to time shortage and/or lack of knowledge.

4.2.3 Poor Hiring Practices

One participant suggested to have a benchmark for what makes a great employee for a specific role and then assess for that specific benchmark. He noted:

What I think works better is to have certain profile or benchmark what a great performer is for a specific role. If it’s software engineer then what makes a great software engineer, and then what is the benchmark that we try to find when hiring. It is part of the criterion and that is what we are trying to improve the hiring processes. I mean why assess for something that is insufficient or you don’t know what is, why bother assessing it at all. It is the fundamental thing but I think a poor criterion is the reason for most hiring mistakes.

Nevertheless, some companies are disciplined with their job assessments and others have roles that are not meant to change over time. Certain organizations have roles that cannot be changed because of regulations or union agreements. For such roles, the job assessment can sometimes be skipped since it was done and the job has not changed over time.

In more than half of the interviews, the participants stated that most hiring mistakes are due to a poor execution of job assessments before creating the criterion.
By having a poor criterion, the whole process is distorted and not valid. It is not measuring what it is supposed to. Having an assessment for everything that the individual need for the role is irrational.

Many participant stated that one of the reasons that many companies have poor hiring practices is that it is simply too easy to fire people in Iceland (due to very liberal labor legislation for private companies) and therefore, better to take people on board to see if they fit and perform.

...it is rather simple to fire someone in Iceland and I think most companies know how expensive it is to hire the wrong individual and make mistakes in the process. Therefore, they simply take the chance and hope for the best. Maybe hiring someone permanently without measuring or assessing if the candidate is fulfilling what was needed and wanted from him and because the trial period is over and I’ll just fire him later if I need to”

4.2.4 Differences Between Sectors
The understanding for financial gain and the importance of using the proper assessment methods are not always present in organizations. There it seems to a difference between private and public organizations. One participant stated that:

...the private sector works as professionally and as validly (as the public sector) but it is not as well documented and organized, but on the other hand, the private market is much more willing to use tests and work samples (multiple assessment methods?)...yes... because they most often have better financial capabilities. The private process can take less time because they are not bound to follow as strict rules and processes.... but it is just as professional... They (the private sector) understand better that a hiring process can be costly and that it can be costly for a company to hire the wrong individual.
In that comment, the participant describes how he sees the differences between the two sectors, private being fast paced and pragmatic, but the public being well organized, structured and slow.

4.3 Measuring the Outcomes of the Hiring Process

From the ten interviews, six participants were actively measuring some of the outcomes of their hiring process. Four participants were not measuring the outcome at all. Those who did measure, were mostly using retention rates after the three months after hiring or satisfaction surveying the hiring managers. All participants expressed that those were poor indicators of the process and they did not reflect the reality or yield of the process. One was keeping track of percentage of instances where his ideal process was executed. Some of them had used mangers satisfaction surveys, but did not use them anymore.

Most stated that they knew of ways to measure it outcomes properly, but were not using them due to shortage of time or resources.

4.3.1 Defining a Quality Hire and Hiring Process

In the interviews participants were asked to define quality hiring processes and quality hires. Here are some answers:

(What is a quality hire?) ... When the employee increases the productivity or the performance of the organization.... then I mean goes further than status quo.... that is what should always be the goal. To go further than the criterion and what the role needs.

Another remarked: “It is when the individual qualifies and has the benchmarks of the criterion. It is also that the candidate fits in well and is happy at work.”

Likewise, they were asked to define a quality hiring process. Most individuals made a distinction between a quality hire and a quality hiring process, meaning that the two did not necessarily go together. Here are some definitions given on a quality hiring process: “A great hiring process is a process that assesses with high validity and reliability but has enough applicants to yield from.” Another participant stated:
Quality hiring process on the other hand would be to know what the quality (talent) is that you want to bring into the organization, and then you can form the proper assessments or measurements to yield that quality from the process.

Still another said:

... well you can check if certain information was obtained and if it was done, you have a good process. But you can have a good process yet hire an insufficient individual and you can have a poor process but still get a great hire...so what you can do is have a good enough process and therefore insure that you are doing all you can.

Participants seemed to agree that using many assessments in a process does not necessarily mean that the process is yielding good quality. The quality candidates must exist the process, meaning that the attraction and obtaining the right candidates matter as much to yield good talent. A good hire is when the organization on-boards a candidate that is productive and qualified to increase the capacity of the organization. Nevertheless, the validity of the assessments matters since there is a need to make sure that a hiring is based on evidence rather than gut feeling. The quality of the hiring process should be measured on the outcomes as well as the validity of the process because there needs to be information on

4.3.2 Measuring the Outcomes
Once established how participants define these different qualities, they were asked how they would measure for such qualities. All knew of ways to assess or measure the qualities of recruitment processes and outcomes, but were not doing so to the full potential. Most were using turnover rate or rate of candidates obtaining permanent contracts after the trial period. Some were using satisfaction of managers and one did a survey to determine how well the candidate was fitting into the company. The following are answers regarding the measuring the quality of the hiring process:
...great question... I want to measure this but ....it has been too complicated. I started a survey but when I finally got the time to process the data, too much had happened, the answers given in various time frames from hiring a candidate so the data would not have had reflected the reality. In the survey, we were asking managers how the new employee was performing and adjusting but again it was too inconsistent.... Turnover is also a measurement that we have in our toolbox.

According to another interviewee “there are many factors that you can measure to find out the quality of hire, but I have been measuring how often my process is implemented and then I calculate the percentage of all processes.” The third remarked: “...we are not using any success rate from the process but, there are ways to do that, like comparing performance after the trial period and so on, but there is no company in Iceland doing that, that I know of.” Still another answered the question in the following manner: “That is another challenge. Here we do retention rates. But 98% is not likely to tell us how good our processes are. I have not found a good measurement yet. If I ask a manager if the new hired is good, they always say yes, so I don't know what the best way is.” In a similar manner “...you can use retention and you can do a performance review after a certain period after hire. We have not done that. Some have used the percentage of how many are still with the company after the trial period...other measurements are more difficult.” Finally, one participant said:

... our measurement is if the new hired is around after the trial period and how they score on some scales, like how well they align with our values and so on. It is sort of a performance review. We take the overall hiring process over the year and compare with how many get a full-time employment after the first 3 months. It isn't bulletproof but it works for us. What could be better is that there could be a full-blown performance measurement done in X amount of time which is then compared with the criterion that the process was form around.

As these answers indicate the participants all knew of ways to measure the outcomes of the hiring process. However, when asked why they were not measuring the process
better, they most explained that it was due to lack of time. One participant thought that it was not worth it for what it would cost the organization. That is the most likely explanation to why most companies do not have more measuring regarding the outcomes of the hiring process.

However, when looking beyond their answers, there is a factor that was not stated but lingered around their answers. That underlying finding was that it is complicated to measure the outcome accurately and understand how well the whole process is yielding. Even the measuring process is well organized and prioritized, it is still hard to measure accurately since there are many attainable factors that are difficult to measure properly. As one participant described it: “A great hire can be trashed with poor management of the company”, meaning that many different variables like onboarding can affect a hiring process outcome measurements. Therefore, the measurement must be well executed and organized, which means it requires time and attention by the specialists and managers. A resource that participants described as limited.
5. Discussion

The development of hiring process in Iceland has transitioned from a simplistic function to a professional HR function. According to the interviews executed, the development of assessment methods that were used in the late 1990s were mostly unstructured interviews and references. Over time, they developed with global trends around the 2000’s as more tests became integrated into the industry. In the late 2000’s, structured interviews, multiple tests and assessment centers were introduced.

All participants mentioned the period between 1995-2010, mostly involving developing the assessment methods. After 2010, most of them described the development of acquisition methods. The Cranet Report describes a similar development period as the participants, notably from 2006 the increased usage of new methods are evident in Cranet Report (Einarsdottir et al. 2015). Additionally, reports from 2012 and 2015 show organizations using multiple methods to obtain candidates. Most organizations use newspapers to advertise their vacancies, social media and company websites. For frontline roles, such as service and labor roles, applying directly to an employer is the reality in Iceland.

The economic effects on the development of the hiring process was significant. Prior to the banks collapse in Iceland, there was a need within organizations to acquire more assessment methods, as the global hiring industry was improving upon them. There was a need to hire fast in that market during 1997-2007, as many employers needed to hire more people. With the collapse of the banks and the economic crisis, the unemployment grew and so did the applicants for most positions. The focus then became on the overall process as more assessment methods were being utilized on more candidates. When the economy began to strengthen, so did the competition over talent. After 2010, it was a harder task to find decent groups of candidates (especially in IT and specialists in finance), driving the focus on recruiting and therefore the growth in the use of social media platforms. The reason for development in Iceland is, therefore, global development as well as economic forces. The global development was technological, as well as an increase of knowledge with more scientific research.
Both the Cranet-reports and the interviewees state that processes in Iceland are getting longer and more professional. Multiple assessment methods are increasingly used in processes with various attraction methods. Nevertheless, some interviewees explained that in some scarcity industries, it is more about reaching candidates than assessing their abilities. Adler (2015) and Cappelli (2012) state that this is good hiring practices, as each recruitment practice must take in consideration the market it seeks to yield from.

Figure 2: The development of the hiring process in Iceland past 20 year

Participants expressed the challenges in hiring is finding the time and resources to execute a successful process to supply proper quality talent for their organizations. Additional to that, there are shortages of talent in certain industries. As Manpower and CIAP/Hays (2013) explain, in a global perspective, many managers are having a hard time filling certain positions. From the interviews, it seems evident that skilled labor and technical roles, such as engineering and programming, is among the hardest roles to fill in Iceland. There does not seem to be a significant difference towards recruitment practices in Icelandic organizations regarding size. In the interviews, some difference seemed to exist regarding succession planning (internal hiring), but those processes were parts of external processes. The internal candidates simply were harder to reject.

Quality talent is relative and therefore, for each organization to define for each role. Most that were interviewed for this thesis agreed that quality hires were those that meet the criterion, but some added that the best hires were those that over-achieve the expectations that are set out at the start of the process. Quality processes are those that have enough qualified candidates and assesses for the best predictors for that specific role. In such a process, there are some unpredictable variables that can influence the outcome. For that reason, Lou Adler (2014) is logical when he states that
the one who hires should continuously assess the market and environment he seeks to hire from. With that processes and the methods that form the hiring process, can be adjusted for the maximum yield.

The participants, HR professionals and recruiters, perceived the hiring process in Iceland as continually developing as the focus now is on the recruitment process. Selection has been the same for some years now and most are using the same or similar assessment methods. They felt most recruit in a similar manner using social media and job postings on various job boards. Brand management was what most interviewers should be focusing on to increase the quantity of applicants. Some said they were actively improving their brand, but stated they could do better.

Participants stated that bigger companies had more capacity to use more methods to recruit and vet candidates. That is like what the Cranet Report from 2015 shows. Industries are recently similar towards methods of hiring, but there is some difference to how companies recruit and vet their candidates due to the talent market they seek to hire from. Participants did not see much difference between industries, apart from the IT Industry and skilled labor. However, some participants thought that there was a difference of how fast and agile the process was between the public sector and private sector. They used many of the same methods, but the private sector used more methods in general, as well as changing them more frequently.

Considering the calculations of Boudreau and Ramstad (2004), yield should matter to recruiters and hiring managers. A known conversation that often occurs in the HR industry that came up in one of the interviews included: “HR people always want to get to the executive table of the companies but often get rejected because they are told they don’t understand business well enough”. Understanding the yield of the HR processes, thereby the hiring function, could be a fundamental and strong starting point to get to into the executive group within an organization.

The hiring process in Iceland, like HR in general, has developed a great deal from the 1990’s, but still has a lot of room for improvement. Asta Bjarnadottir (2012) and the Cranet Report (2015) state that the Icelandic organizations are mostly in the second and third maturity stages. The development between years is that organizations are moving towards using more successful HR practices. Very few organizations are in the maturity stage category of “HR integrated in overall operation of the organizations”, but it seems
to be moving towards this integration. The same development seems to be occurring in the HR subcategory of hiring. In other words, that the hiring function has been developed incrementally from the 1990’s, but still has some steps to take to become a significant component of an organization’s strategies. One such step is to integrate metrics on HR and the hiring process. Those metrics should be connected to operational goals but with that strategizing the two together would be significantly better.

Nevertheless, many Icelandic companies are not yet operating a professional HR function, but there will always be companies that do not reach the third and fourth maturity stage. The question is will the Icelandic front running HR organizations get there? If so, there is a possibility that the HR industry will follow their lead and develop their HR practices, therefore including the hiring function.

This thesis has explored what the hiring process consists of and why it is important to an organizations operational and financial goals. From what was gathered from both interviews and other research, there might be a significant lack of information and awareness towards the yield and outcomes of the hiring process of Icelandic organizations. They seem to be executing the process in a professional manner, but the lack of data to improve their processes in a sufficient way that would drive their efficiency towards improvement. However, there needs to be more research on the topic on Icelandic organizations in Icelandic culture and the work market.

The limitations to the research of this thesis is the lack of generalization on why hiring managers and recruiters use the methods they use. There are many companies that do not have HR managers or professionals. Those companies were included in this research but were mentioned by some participants as unprofessional in their hiring process. Therefore, it would be interesting to compare Icelandic companies that have HR managers and a professional hiring process with companies that do not have these functions in the manner that is explained as best practices in this thesis. The companies that are in maturity stage 0 or 1 are not covered much in this thesis. Participants as well as the Cranet Report state that most Icelandic companies that have more than 50 employees are using similar assessment methods. The participants all stated that most organizations are using these method in a professional manner where they are predicting future performance well. Nevertheless, almost all are using interviews and references. Participants were certain that there are many that use unstructured
interviews as well as other methods in a non-consistent manner. Future research should focus on comparing organizations with different hiring practices and measure them with appropriate metrics. Perhaps Boudreau and Ramstad (2003) or Hinkin and Tracey (2000) metrics are such metrics.

The first step to improve anything in business is to be aware of what needs to be improved. That understanding and awareness only comes with researched information. This knowledge should come from measureable quantitative data and not theoretical insight or gut feelings. As shown in the theoretical chapter, an organization or an HR function is significantly less likely to be successful with practices that are based on gut feelings or insight.

The hypothesis created after the completed research is that Icelandic organizations are operating blindly towards their hiring process and will unlikely improve their yield without increasing measurements of the outcomes of these processes. The hiring process in Iceland will become more effective with greater assessments of the outcomes and with that, obtaining valuable information that can be researched. By researching their processes, an organization can properly customize their recruitment processes, as well as selection methods, towards obtaining and predicting sufficiently with the organization’s needs in mind. Having these metrics and analyses in place, an organization can improve the human capital through informed strategy and tactics, as well as effective practices.
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Appendix 1

Questionnaire (Icelandic)

Inngangur þar sem farið er yfir tilgang verkefnisins.

Spurningar:
1. Hver er þinn bakgrunnur hvað varðar menntun og starfsreynslu (hlutverk og ár)?
2. Hvar og hvenær hefur þú unnið í ráðningum? Og þá hvernig ráðningum? (framblínun, sérfræðings- eða stjórnendaráðningum)
3. Hvað var að gerast í ráðningum þegar þú hófst störf við ráðningar (hver voru trendin þá)? Þ.e. Á alþjóðavísu og á Íslandi.
4. Hver telur þú helsti munur ráðningarferla framblínun, sérfræðinga og stjórnenda?
5. Hver hefur verið þróun þessa tegundir ráðningar (hafa þær breyst og þá hvernig)
6. Hver hefur þróun innri- og ytri ráðningar verið undanfarin 10 ár?
7. Segðu mér frá því hvernig þú telur ráðningar á Íslandi hafa þróast síðan þú hófst að framkvæma slikar? Hvað telur þú hafa valdið þeirri þróun?
8. Telur þú að þróunin á Íslandi sé frábrugðin þróun ráðningar á alþjóða vísu? Ef já, hvernig?
9. Hvaða breytingar hefur þú séð á ákveðnum þáttum í ráðningarferli, þeas. Viótölum; prófum; umsögnnum, matstöðvum og fl.?
10. Eru samfélagsmiðlar notaðir í ráðningum svo þú vitir? Hvers vegna og hverjir helst (LinkedIn, Facebook og fl.)?
11. Hvað með auglýsingar og starfsgreiningar, hefur þú séð breytingar á þeim þáttum ráðningar síðustu 10 ár?
12. Hvað eru helsta áskorun sem þú stendur frammi fyrir gagnvart ráðningum í dag eða séð samstarfsfólk þitt standa frammi fyrir?
13. Hvernig er árangur ráðningar metin/mældur þar sem þú starfar núna? Tímalengd ráðningar; starfsmannavelta; árangur starfsmanns eftir ráðningu? Hefur verið einhver þróun á þessu?
14. Hvað telur þú vera gæða ráðning?
15. Hvernig mælir þú slik gæði/slíka ráðningu? (hvernig mundir þú vilja mæla gæði ráðningar?)
16. Hvað telur þú að framtíðin muni bera í skauti sér gagnvart ráðningum?
Appendix 2

Talent Acquisition is a pre-hire process that focuses on the attracting candidates to an organization. The difference between talent acquisition and recruitment is that recruitment has a stronger focus on the selection aspect, whereas talent acquisition leans towards marketing of the brand of an organization (Johnson, Winter, Reio, Thompson and Petrosko, 2008; Srivastava and Bhatnagar, 2008; Srivastava and Bhatnagar (2010).

Srivastava and Bhatnagar (2008) define talent acquisition as “...attracting people with the right skill set and competencies who also fit the need and the culture of the organization” (Srivastava and Bhatnagar, 2008).
Appendix 3

**Conscientiousness** is a trait that means that the individual is dedicated, organized, disciplined and has a strong willpower. With it can follow a certain degree of compulsion/mania, stubbornness and an unhealthy work-life balance (Rothmann and Coetzer, 2003).

Individuals that have a high score of openness to experience have a good imagination, sense of aesthetics, high EQ (emotional intelligence), have a good sense of critical thinking, open to diversity and intellectual curiosity. Those who are low on openness to experience are conservative and conventional, therefore choosing what they know and show little emotions in decision making. Those who have a high score of openness are unorthodox, have a good understanding of other people's emotions and are critically thinking (Rothmann and Coetzer, 2003).

**Neuroticism** is a trait that indicates an individual's capabilities to feel fear, anger, sadness and humiliation. If an individual scores high on this trait he is more likely to have unrealistic thought/ideas, have less control over impulses and has a difficulty complying with stressful situations. Nevertheless, an individual with a low score of neuroticism is likely to work well in stressful roles/situation (Rothmann and Coetzer, 2003).

If an individual has high levels of agreeableness he has integrity and tend high levels of compassion and helpfulness. Meaning that on how is low on agreeableness is therefore disagreeable. Those individuals are egocentric and thrives on competition rather than collaboration (Rothmann and Coetzer, 2003).

**Extrovert** individuals are social, likeable, determent and active. The other end of the scale is the trait of introvert, which is the opposite of extroverts. Introverts are shy and independent (Rothmann and Coetzer, 2003).