

A question of balance – managing recruitment risk

“Internal recruitment executives in many companies have succeeded in instilling process and efficiency in their global hiring practices, and in many cases adding science to what had been considered primarily an art. Along with this has come recognition of the risks involved in recruitment: good hires add value to the business, but bad ones – or badly managed hiring experiences – can damage it in many ways... While the sources of recruitment risk vary, they can usually be traced back to a lack of clarity about, and ownership of, the recruitment process.”

Denis McCauley, Report author.

Executive Summary

With most of the world's major economies in growth mode again, talent wars are heating up. The internal recruitment functions of businesses large and small are straining to fill key roles, with the power shifting from the client to the candidate. Internal recruitment executives in many companies have succeeded in instilling process and efficiency in their global hiring practices, and in many cases adding science to what had been considered primarily an art. Along with this has come recognition of the risks involved in recruitment: good hires add value to the business, but bad ones – or badly managed hiring experiences – can damage it in many ways.

This report sheds light on the different types of risk involved in organisations' recruitment practices. It finds that when the biggest risks materialise, the consequences can be as or more ruinous as a major security breach or regulatory violation. It also uncovers that, while the sources of recruitment risk vary, they can usually be traced back to a lack of clarity about, and ownership of, the recruitment process. The report also examines how some organisations are seeking to minimise recruitment risk.

Key findings:

1. The greatest recruitment risk facing organisations today is hiring the wrong person. A bad hire can lead to loss of earnings, contracts, reputation or customers. It can also lead to a loss of other key staff, if morale is affected. The more senior the hire, the greater the risk. In the most extreme cases, a bad hire at chief executive or board chairman level can bring down a business. Many organisations fail to vet the backgrounds of their most senior hires thoroughly.
2. Overly long or poorly managed recruitment processes can result in the loss of good candidates. With organisations' greater attention to due diligence, the recruitment process is getting longer. In competitive talent markets, however, excessive deliberation in hiring can be costly. A lack of communication and engagement with candidates during the process can have the same result.

3. Much recruitment risk stems from a loose brief – failure to carefully define the role requirements at the outset. Other key sources of risk include
 - lack of transparency with candidates and internal stakeholders
 - over-reliance on one part of the process (such as interviews or testing)
 - laxity in screening and vetting internal candidates
 - inattention to the recruitment web portal.
4. Any one of these drawbacks is usually a symptom of a larger problem – unclear ownership of the recruitment process. Unclear division of responsibilities between the hiring and recruitment manager leads to lack of accountability, and failure to ensure processes and timelines are adhered to and issues addressed.
5. The closer co-ordination of recruitment practices globally should serve as a complement to a company's overall business strategy. Central policy is essential, but it needs to allow for local interpretation. In-country teams must have the ability to adapt to local conditions. Vastly different hiring rules and practices around the world – for example, in interviewing, reference checking or other aspects of background checks – dictate the need for local flexibility.

Along with growing awareness of the risks involved in recruitment is recognition that the company's brand and reputation are at stake in every hiring process. A well-managed process can improve the chances of the right candidate being impressed and accepting the offer. Even if the candidate doesn't make the cut, a good impression will have been created. Enough negative candidate experiences, however, especially if shared widely in social media, can undo all the good work of building an employer brand.

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