

# Effects of Recruitment and Selection Process on Employee Turnover and Its Consequence on Organization's Profitability- A Study on Financial Sector of Bangladesh

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## Abstract

Possessing a strong employee team, being profitable and achieving less turnover are desired by every organization. In country like Bangladesh, it is crucial to manage the recruitment and selection process properly to reduce turnover for both government and non-government sectors. This study aims at pointing out the effect of recruitment and selection process on employee turnover and its consequence on the organization's profitability. The research has been conducted through a multiple case study method. Data has been collected with semi-structured interviews with twenty individual cases where the individuals are chosen from selected financial organizations. Analysis was done through pattern matching technique, based on the theoretical framework expected patterns were formulated and from the semi-structured interviews, empirical patterns were defined. Two propositions were proposed - appropriate recruitment and selection process affects employee turnover and proper recruitment and selection affects employee turnover which increases organization's profitability. The study initiates that a small number of turnover factors can be controlled during the recruitment and selection process; thus organization becomes capable of reducing turnover up to a definite level and this reduced turnover eventually boosts up organization profitability. Thus the study partially confirmed the first proposition and completely confirmed the second proposition.

**Keywords:** Recruitment, Selection, Turnover, Profitability.

## 1. Prologue

For any organization, employees are considered to be its life blood. Success and profitability of the organization relies on how the employees accomplish their job. Therefore, it is crucial to choose the right person for the right place. An appropriate job selection process boosts up the profitability of the organization because a good experience which is gathered in the selection process carried by the individual and thus it is a healthy starting for an amiable work experience (Kanungo, 1982). Recruitment and selection as well has a notable function in case of ensuring employees' sustainability in the organization. Most of the time, it is asserted that selection of personnel occurs not just adding up a workforce or replacing employees but rather aims at putting employees in proper sectors who can carry out their job at a high level and are bound with commitment. These committed employees are at less likely to turnover their job and become attached with the organization and when needed would sacrifice their own benefits for the betterment of the organization. Turnover has a dreadfully pessimistic impact on the organization. In addition, it is very costly and the cost is due to termination consequent advertising, recruitment, selection and hiring (Terborg and Lee, 1984). Moreover when the employees leave their job, the motivation level of the existing employees may automatically shrink and so will to the profitability. Increasing rate of high turnover spreads pessimistic impression within the employees, which can enhance, negatively, the rate of absenteeism related with organization's output.

Since the corporate world is complex and competitive, thus retaining the employees seems a very challenging task for the management. Organization should take prior positive actions to assess employee expectation about the job and try to cope with those. These actions should be started from the very early stages of recruitment and selection because this is the foundation of the journey. Effective recruitment and selection process is the root for enhancing organization's profitability which leads to reduced employee turnover.

## 2. Objective of the Research

The key objective of this research is to know in which ways effective recruitment and selection process affect employee turnover which eventually leads to increased profitability in financial sector.

## 3. Research Questions

To achieve the research objective, researcher has to assemble the answer of the following question:

"How recruitment and selection process affects employee turnover that leads to increased profitability of the organization?". To acquire the answer of the above question researcher also has to meet up the following sub question's answer:

- I. How do recruitment and selection process affect employee turnover?

## II. How can turnover influence profitability?

### 4. Theoretical Framework

Stage theories of organizational socialization (Maanen and Schein, 1979; Wanous, 1992) intend that the unmet expectation formed by the newly employed people regarding workplace do cause diverse levels of post-entry adjustment tribulations; parallel to, low job satisfaction and early turnover. Experience with employers during recruitment and selection processes is considered to be one part of a series of social episodes that affects the development of appropriate expectations hence reduce the employee turnover (Herriot, 1989). The series of procedures, like obtaining the right manpower requirement, anticipated competency, desired qualification levels, and skill base, from a variety of organizational departments are essential steps in the selection and recruitment of employees (Bowden, 1952). The next important step is to fix the capability to determine the labor market for targeting as well as employing. The experience and know-how of HR professionals in addition to the procedures they follow has been seen to have a strong effect on the recruitment and selection process. Since employees form an expectation about their working life during the recruitment and selection process, the recruitment and selection process can have an effect on the employee turnover. They become committed and loyal to the organization only when they see their expectations are fulfilled and this tendency of the employees helps the organization to retain their employees for a long time (Firth et al., 2007).

Proposition 1: *Appropriate recruitment and selection process affects employee turnover.*

Turnover ascends as a burning issue for any organization. For a steady level of profitability of an organization, it is crucial to maintain its skilled workforce. But most of the times it is very challenging to control the turnover rate within organizations. Nevertheless turnover rate should have to be maintained because profitability of an organization depends on the skills or expertise of its workforce. A skilled worker may be an asset for any organization (Shore and Martin, 1989). For check, if a skilled excelled person leaves an organization the consequences will be very high while in case of a semiskilled or un-skilled person that will be less. As a result, an unoccupied place of a skilled labor may be filled by another new worker although productivity level falls due to their skill difference. Conversely, five or six semi-skilled or unskilled labor's turnover can be replaced by the recruitment of one or two skilled labors. It is therefore, crucial to maintain a consistent stable workforce, chiefly for the skilled ones in an organization with a view to diminish turnover. To reduce the turnover achieving job satisfaction is apparent. Research also indicates that job stress indirectly influences intention of leaving a job. The more the level of stress increases, the more the levels of job satisfaction and organizational commitment decreases. Low level of job satisfaction and low level of organizational commitment increase the propensity to leave (Sager, Griffeth, and Hom, 1998). Griffeth, Hom and Gaertner (2000) in their study claimed that work satisfaction might show the highest relationship to turnover among all kinds of satisfaction facets. Furthermore, employees become satisfied with their job when their expectation matches with their working condition. Proper recruitment and selection can coordinate the candidate's expectation and organization's ability to meet those expectations. Hence proper recruitment and selection are essential for satisfying employees as satisfied employees are less likely to turnover their job and this reduced turnover may result into increased profitability. So on the basis of this, the researcher has made the following proposition:

Proposition 2: *Proper recruitment and selection affect turnover of the employee which increases profitability of the organization.*

### 5. Methodology

#### 5.1 Method General:

The study pre-meditated in a cross-sectional qualitative research design. A multiple case study method was applied in this study. The researcher has chosen individuals as unit of analysis.

#### 5.2 Context of the Study:

This research is conducted on the ground of Bangladesh's perspective. As the researcher is a Bangladeshi citizen it is advantageous for him to reach and get information from Bangladesh for collecting data.

#### 5.3 Selection of the Cases:

The population of this research is the entire people of the Bangladesh who are engaged with banking job sector. The researcher has chosen individuals as the cases for conducting this research. Non probability Judgmental sampling was used to choose the cases from the population. Twenty individuals were chosen from the selected financial organizations. The reason behind taking the small sample size is to access a wide range of views and experiences, from participants from within a range of different professional backgrounds and working years.

#### 5.4 Instruments:

The main instrument used for this research is a semi structured open-end interview. The interview protocol

contained questions regarding recruitment and selection process of the particular organization, effect of these on employee turnover and how employee turnover influences profitability of the organization.

#### *5.5 Procedure of Data Collection:*

In order to conduct case studies in appropriate way, Yin (2009), recommends six sources – Documentation, Archival Records, Interviews (or surveys), Direct observation, Participant observation and Physical artifacts. Semi structured interviews are employed for collecting data from the participants. This very form of interview contains a number of key questions which assist to identify the areas to be explored as well as to allow the interviewer or interviewee to diverge with the intention of pursuing an idea or response in more elaborate way. Among the various methods of data collection like over phone conversation, by mail, Skype or face to face interview, researchers have preferred face to face interview for the sake of collecting research relevant data. It is contented for the researcher to accumulate data through face to face interview as the researcher can get quick access to the participants' reaction. Approximately twenty five minutes have taken for conducting each interview and semi structured open ended questions are used for the interview.

#### *5.6 Coding and Data Analysis:*

Data, those are collected through the interview are recorded and transcribed for the sake of enable coding of the material. This is a theory driven coding in which coding process begins with the researcher's theory of what occurs and formulation of supportive indicators of evidence. The researcher put "y" into the coding matrix whenever the interviewee's stated any organizational factor that related with recruitment, selection, turnover and profitability.

### **6. Results of the Study**

From analyzing the prior literature, researchers constructed the first proposition that is effects of recruitment and selection on employee turnover. The overall result has found several organizational factors which are mainly responsible for employee turnover. Furthermore, these factors are somehow related with recruitment and selection. If organization takes a close view on these factors then it is possible for the organization to reduce the turnover up to a certain limit, those factors are:-

**Salary:** Salary is a prime drive for doing a job. From the overall analysis, the researchers have found that seventeen (17) cases cited salary as the important factor for turnover. Clarification about the organization's salary policy and the duration of salary increment should be discussed properly during recruitment and selection procedure. This discussion will help employees to build a realistic expectation about the job, as illustrated by the following comment by participant thirteen (13) about "salary"- "In the circular, applicants get an idea about salary and environment, and those who are okay with that they apply for the job". According to case one (1), "When you spend a lot of time for the organization then you definitely count your benefit that you get from it". You then start comparing your earned benefit and what you'll get from other organization if you contribute the same time there. By analyzing opportunity cost between times and earning if you assume you are a looser then you took decision to quit the job. And if you think you are a gainer you may hold your position. Not only just this economic factor, there are some other factors also relevant with turnover. As the monetary factor is visible it gets foremost priority. In Bangladesh around 75% people count the economic benefit at first, so this is the main target". Case fourteen (14) describes it as "People switch job for the expectation of getting higher salary elsewhere". On the contrary case four (4) expressed her opinion in a different way. She said "Personally, I do believe recruitment and selection process have no effect on turnover. When anyone wants to do a job s/he must be acknowledged to the job and after recruitment if any employee finds better opportunity in other organization he definitely quit".

**Location:** Six of the cases uttered about location as a vital factor for turnover that should be plainly communicated at the time of recruitment. It can help to reduce employee particularly female employee turnover as case five (5) expressed his opinion like "Another initiative can be taken by the organization to retain women worker – organization can arrange a system like day care system for those female worker who have babies". Opinion of case one, two and three is also matched with case five's opinion. Case six (6) also agreed it in the following way- "Family bondage is the key reason for turnover". During the recruitment process, if organization has gather and consider knowledge about the employee's desired location of workplace and later tries to post employee in that suitable place then employee continues his work for an extended period.

**Promotion:** Among the twenty participants of the semi-structured interviews, twelve cases agreed that opportunity for promotion affect turnover. The following case one (1) about "Promotion" illustrated this, "At the time of my recruitment, Deputy Governor in Bangladesh Bank asserted to me that my preference for a job should be like that where I always have the opportunity to go ahead. Promotion related with mental satisfaction". Case six, nine, twelve also expressed their opinion in the above way. Case three (3) cited this, "Recruitment and selection process is not only confined in posting an employee. Employer should assess each employee according

to their qualification; everyone should get proper benefit that is related not only with salary but also with other factors like status, power, and authority and all these are also part of recruitment and selection. When organization takes these entire sectors cordially then turnover can be reduced”.

From analyzing the previous literature, researcher constructed the second proposition, based on effects of recruitment and selection on employee turnover and its consequence on organizational profitability. Beforehand it was proved by the researcher that recruitment and selection have momentous effect on turnover and turnover has pessimistic impact on profitability. The result has found numerous organizational costs those are mainly incurred for turnover, which eventually reduce organization profitability. If the organization can lessen turnover then it can boost up a significant portion of organization profitability.

**Training cost:** Training facilitates to explore the concealed talent of an employee. But arranging a training program is pricey matter for the organization. Besides a successful trained employee eventually converted into an asset for the organization, when this eligible employee switch his job, organization loses its asset and it hampers its profitability also. It was found that in all nine (9) cases, participants uttered that turnover occurs additional training cost for the organization that reduce profitability. According to case one (1), “Increased turnover tied with increased efficiency cost. Organization can get feedback from the skilled person, which cannot be got from new comers”. Case four (4) describes her opinion in the following way, “When turnover ensues many times, costs linked with this like new recruitment, training cost are also increased. Suppose, organization invests for an employee for training and other purpose, increases his salary but after 5 year when the employee become able to give something to the organization that time he switched his job. Then organization doesn’t get any feedback from that employee but a little one. In this way it affects profitability a lot”. Case sixteen cited like that, “All the costs associated to prepare a worker are incurred twice for the new one and this is a loss for the firm. This cost significantly reduces profit”.

**Advertising Cost:** Advertisement for employment means announcing the job vacancies in public media. Recruitment is linked with some advertising costs for offering a circular (Lengel and Daft, 1988). For a short term this advertisement cost seems to be very insignificant. But in the long term, the summation of advertisement cost which has occurred throughout the years seems significant. Case ten and eleven illustrated their view regarding “advertising cost”, “There are other turnover costs which decrease the profit of the firm like, new circular cost.....”.

**Recruitment Cost:** Recruitment cost includes not only monetary cost but also non-monetary cost. HR invests its time and energy to recruit the employee. If this procedure is not done appropriately, then it may ultimately leave a great chance to select inappropriate employees who are likely to switch their job quickly (Downs, Farr and Colbeck, 1978). And if this happens subsequently recruitment cost raises. When cost rises, ultimately it affects the profitability of the organization. According to case one (1), “Increased turnover tied with increased..... recruitment..... cost”. Moreover case ten and eleven said that, “There are other turnover costs which decrease the profit of the firm like..... time of management spent to conduct an interview....”.

**Client Loss:** Banking industry mostly depends on its’ clients. Normally clients come to the organization through a reference or it may happen that after dealing with a specific employee a customer becomes regular customer of the organization. When this specific employee leaves his job, customers who are acquainted with him may also leave the organization. And it significantly affects the profitability of the organization. As case two (2) illustrated that, “When any employee leaves an organization it sometimes ensues that a big client circle also transferred with the employee to another place as they are familiarized with that employee”. Case five (5) also cited that, “After a certain time..... He becomes well known to the clients. Organization losses its asset and sometimes clients also when he switches the job especially if that employee is competitive. And all these affect organization profitability”. Case twelve (12) uttered that, “An employee has to deal with some specific client as well as to make good work relationship with them; where the clients become comfortable and dependent on them. When these employees leave, their clients face problem in working with new employees and sometimes these clients also leave the firm with employees. A big client contributes a lot to profit. This is very severe in banking. If a higher authority leaves, he takes away with him some employees plus client. So this is very harmful for profit”.

## 7. Discussion

Literature study shows that profitability is imperative issue for an industry or organization. There are number of factors on which profitability of an organization mostly depends upon. Among those factors, employees’ turnover is one, which is considered to be one of the challenging concerns in today’s business. The impact of turnover has obtained significant concentration by human resources professionals, senior management as well as industrial psychologists. Turnover has demonstrated to be one of the most costly issues for the organization that affects organization profitability pessimistically. Several factors have been discovered that are mainly responsible for turnover. Improper recruitment and selection is one of the most critical of those reasons. An employee starts his journey through the recruitment and selection process. It has been argued that if the recruitment and selection process is adequate enough to select the appropriate candidate then the turnover rate

can be reduced and thereby increase profitability also. After joining at the post, organization should be aware about the facilities and demand of the employees as a part of recruitment. This paper proposes two propositions, based on literature that is “appropriate recruitment and selection process affects employee turnover.” (expected pattern). It is further proposed that “proper recruitment and selection affects turnover of the employee which increases profitability of the organization in the long run” (expected pattern).

In order to compare the empirical findings with the literature, researcher uses pattern matching. From the theoretical part of this study, propositions were constructed based on the literature. The core goal of pattern matching is to judge a predicted pattern based on theory against an empirically based pattern (Yin, 2009). Based on the semi-structured interviews, empirical patterns were defined. In this study, the result found in the interviews about effects of recruitment and selection on turnover and its effect on profitability in the long run (observed pattern) were matched against the expected pattern which were proposed based on theoretical framework. So it was found that both the two propositions were confirmed and the research question has been answered.

From the result it is found that appropriate recruitment and selection process have an impact on employee turnover but it's limited up to a certain level. Many of the fresh graduates are searching for a job at the very beginning of their career life. Getting a job is most important to them whether it fits with their educational background, qualification, interest or not. At that time they overlook position or the job nature because they remain unknown on their potentiality. After continuing the job, many better opportunities may come to the employees, whether they intentionally search it or not. And it is a very common phenomenon to leave the job if the employees find better opportunity in other organization. In this stacking situation, organization has a very little thing to do to reduce turnover. Nevertheless it is true that if the organization is able to find out the best suited employees and ensure an environment that is congenial and helps to build up loyalty and attachment with the organization, then it is possible to lessen turnover.

In the recruitment and selection sector HR plays a massive function to select the exact candidate. By properly communicating about the salary, job location, promotional benefits, non-financial benefits, required educational qualification and properly justified the previous working history of the potential candidates HR can get a clear idea about the employee and able to give an ideal thought to the employee about the job. And all these assist to lessen turnover slightly. But this reduced turnover has significant effects on organization profitability. Organization profitability largely depends upon its human resources. A knowledgeable, proficient, hardworking, experienced employee is just working as a magic spell for the organization profitability. In the occurrence of turnover organization not only loses employees but also occurs some additional costs like advertisement, recruitment, training cost has to bear by the organization.

### **8. Effects of recruitment and selection on employee turnover**

From the results, it was found that most of the participants of the semi-structured interview express their opinions that partially support the effects of recruitment and selection on employee turnover. According to their view, factors like salary, location, promotion, working environment are mainly responsible for turnover. They have mentioned several other factors for turnover like training, motivation, non-financial benefit, mismatch between qualification and job nature, fair treatment, educational background, job satisfaction etc. These factors cannot be controlled during the recruitment and selection process but organization should properly communicate regarding these factors through the recruitment and selection process to reduce turnover up to a minimum level. During the recruitment and selection process if organization is able to give an accurate idea to the candidates about the job responsibility and take an advance view about the employee's expectation then a portion of turnover can be lessened. Among the all supporting organizational factors, salary and promotion were mentioned most frequently. In the recruitment and selection process if organization goes for a contractual agreement about the working time, assures employee about their job stability, promotional facilities and consider their expectation during the selection process it can slightly reduce employee turnover. On the other hand some of the participants believe that recruitment and selection have no effect on turnover.

According to the literature, experience with employers during recruitment and selection processes is thought to be one part of a series of social episodes that affects the development of appropriate expectations hence reduce the employee turnover (Herriot, 1989). It is essential to communicate with the candidate appropriately because communication gap between management and candidate can create unrealistic expectation from both sides that leads to turnover (Herriot, 1989). For making the selection and recruitment process appropriate and fair, management concern about selection bias is must (Hom and Griffeth, 1995).

This study has revealed these supporting organizational factors which are based on Bangladeshi banking industry. In addition mismatch between qualification and job nature, educational background, job satisfaction are the factors those were unrevealed in the previous literature. These factors add extra value of this study. So overall, these empirical evidences (observed pattern) have shown that some of the factors regarding recruitment and selection those have effect on turnover, matches partially with theoretical propositions (expected

pattern). So the first proposition has been partially confirmed.

### **9. Effects of recruitment and selection on turnover and turnover's effect on organization profitability**

From the literature part it has been seen that turnover is deeply related with the profitability of an organization. Employee turnover can hamper the overall profitability of an organization and is often a symptom of other difficulties (Dalton and Todor, 1982). Moreover, turnover is moderately affected by improper recruitment and selection. The procedure of obtaining the right manpower requirement, expected competency, desired qualification levels, and skill base, from a variety of organizational departments is an essential step in the selection and recruitment of employees (Bowden, 1952). According to Porter and Steers (1973), organization faces a huge loss due to turnover. This loss occurs not only on the monetary basis but also on some other basis like loss of knowledge, communication skill and client of the employees who switched their job. Fidalgo (2012) argues that turnover is decisive for organization as the employee knowledge is critical for the organization because their value to the organization is basically intangible and not easily replicated.

From the empirical analysis researcher found that participants of the semi structured interview cited a number of detrimental effects of turnover. Most of the participants uttered that for turnover, organization profitability is affected mostly by increased training cost and loss of experienced persons. Dissatisfied employee feels frustrated which eventually lowered their productivity. As the organization profitability depends upon the employees, if employees' productivity become lower or they switch their job, it definitely reduces the entire organization profitability. All of the participants mentioned that human resource is the most precious asset for the organization. And if they are experienced and knowledgeable they become the key person of the organization. But their knowledge and experience are gathered through a process. Continuing the process accosts the organization. When these costs are added, it becomes a huge amount in the long run. So turnover affects organization profitability in both ways. To avoid this hindrance to profit, organization has to ensure that it chooses the right candidate during the recruitment and selection process. So from these empirical evidences (observed pattern), it was found that recruitment and selection can reduce turnover, and this reduced turnover can lead the organization profitability in the long run which is matched with theoretical proposition (expected pattern). So the second proposition has been confirmed.

### **10. Conclusion**

Despite the fact that turnover is a critical issue for any organization; it is scarcely possible to eliminate turnover fully. Organization possesses a very little control over the turnover. Fair and unbiased recruitment and selection process can reduce turnover slightly. The decision regarding which recruitment and selection procedure to use is dependent upon the market, industry, and wishes the company have. A clear and transparent job description, congenial working environment, use of different motivational tools helps to diminish turnover although employees will always have the intention to get better offer whether from inside or outside of the organization which eventually impacts organizational profitability negatively. To achieve the targeted profit, human resource plays a very significant role. Their knowledge, experience, expertise, communication skill are the crucial assets for the organization and those enhance the organization profitability. From the discussion it can be concluded that by following the appropriate recruitment and selection process organization can reduce turnover up to a minimum level and the reduced turnover can enhance the organization profitability. So first observed pattern has been partially matches with the expected pattern and the second observed pattern fully matches with the second expected pattern. Thus from both the propositions it can be said that the recruitment and selection can partially reduce turnover, which leads to the organization profitability. So organization should ensure fair and unbiased recruitment process to select the right employee and motivate them cordially. When the employee develops a sense of attachment with the organization they give their best efforts for the wellbeing of the organization. This study has contributed by giving a more in-depth view of this relation in banking sector by using qualitative data gathered from individuals working in banks.

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### Appendix - I

**Factor coding:**

Effects of recruitment and selection on employee turnover:

Respondents	Salary	Training	Motivation	Location	Non financial benefit	Promotion	Incentives	Mismatch between Qualification and Job nature	Working Environment	Industry Future Prospect	Fair Treatment	Proper Job Responsibility	Educational Background	Job Satisfaction	Contractual Agreement	Good Communication	Experience
Case 1	Y			Y		Y			Y								
Case 2	Y			Y	Y										Y	Y	
Case 3	Y			Y		Y		Y			Y	Y	Y				
Case 4	Y					Y			Y								
Case 5	Y			Y					Y	Y	Y					Y	
Case 6	Y			Y		Y					Y						
Case 7						Y						Y					
Case 8			Y											Y			
Case 9	Y	Y			Y	Y	Y										
Case 10	Y			Y		Y			Y					Y			
Case 11	Y					Y	Y	Y									
Case 12	Y				Y	Y											
Case 13	Y								Y		Y	Y	Y	Y			
Case 14	Y		Y		Y			Y									Y
Case 15	Y						Y		Y		Y						
Case 16	Y				Y	Y	Y	Y	Y				Y				Y
Case 17	Y	Y	Y						Y						Y		
Case 18	Y				Y	Y	Y		Y								
Case 19	Y								Y				Y				
Case 20			Y			Y			Y						Y		



### Appendix - II

**Factor coding:**

Proper recruitment and selection affects turnover of the employee which increases profitability of the organization in the long run.

Respondents	Goodwill	Training cost	Advertising cost	Recruitment cost	Less motivation	Establishment cost	Promotional cost	Fund	Client loss	Experience	Knowledge	Communication with stakeholder
Case1	Y		Y	Y						Y		
Case 2		Y							Y			
Case 3										Y	Y	
Case 4		Y	Y									
Case 5									Y	Y	Y	
Case 6												Y
Case 7		Y										
Case 8										Y	Y	
Case 9		Y				Y	Y	Y				
Case10		Y	Y	Y	Y					Y		
Case11		Y	Y	Y								
Case12									Y			Y
Case13												
Case14		Y		Y						Y		
Case15			Y	Y								
Case16		Y			Y							
Case17			Y	Y						Y		
Case18										Y		
Case19									Y			Y
Case20		Y		Y					Y			