RELATIONAL RECRUITING –
A BEHAVIORAL ECONOMICS PERSPECTIVE

Case Study
Can video interviews contribute to a more relational recruiting?

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1   EXECUTIVE SUMMARY

The "war for talent" is a buzz topic. The strong competition for the best talent is the central theme of recruitment. The question is how can an application process contribute to tie future employees to an enterprise in a sustainable manner to establish a long-term work relationship early on. Reaching talented and motivated employees during the application process is essential, especially considering the skills shortage. Application processes should ultimately identify and select those candidates who would like to enter into a trusting relationship with the employer. This is a central criterion in light of the increasingly individualized forms of work. The solution: a "relational" application process. A relational application process should attract people who look for a relational employment experience, and select them for the future employer.

But what does "relational" mean in this context? A relational application process is personal, appreciative, cooperative, and communicative in its approach. It is transparent in the decision criteria and it focuses on long-term employment. In short, it creates the basis for a trusting relationship between employer and employee.

Below, we will present video interviewing as the decisive component for evaluating this common basis. This study examines whether the application process can be designed in a more relational manner by using video interviews over the Wepow platform. It pursues this question in the framework of an online experiment with former applicants at the consulting firm FehrAdvice & Partners AG in Zurich, Switzerland. The results are clear: both the enterprise and the application process are perceived to be more relational through the use of video interviews. The applicants feel personally valued in the application process and have the impression that not only letters of recommendation and diplomas are in the focus of their applications, but instead that their personalities are most important. Furthermore, from the perspective of the applicant, video interviews offer the chance not just to see the enterprise from the outside, but to experience it at an early stage – various employees at the enterprise ask the interview questions personally. The applicants thus receive a preliminary impression of them, as well as of the dominant relational entrepreneurial culture where social relationships and values are in the foreground.

The introduction of video interviews can be evaluated as a success story from the point of view of FehrAdvice & Partners AG. Better applications, more suitable, more motivated candidates and stronger relationships make an important contribution to the success of the enterprise.

Improving the recruiting process with Wepow video interviews can thus be considered a major building block for the success in a relational application process. However, only those enterprises that design the entire application process in a relational manner are successful in the medium term. The entire communication, the feedback and communication on an equal and respectful basis, the further steps in the application process, and the treatment of rejections all play an important role in the perception of the enterprise – a challenge for the human resources department. These factors can also offer an opportunity for differentiation from other enterprises.

2   INTRODUCTION

Finding new, talented employees who not only identify with their occupations, but with the enterprise as well, is a large challenge for most enterprises. In today's knowledge society, nothing affects an enterprise's performance more strongly than its employees. The employees contribute to the organization's success not only with their knowledge and abilities, but also with their effect on the entrepreneurial culture. Each individual employee contributes to the entrepreneurial culture with his or her character, competences, motivation, and manners. Which employees are recruited is, therefore, a decisive factor for shaping the entrepreneurial culture of an organization. It is thus not only important to find qualified new employees, but to attract those who also fit into the genuine culture of the organization. Two prerequisites must be met in order to find these employees:

1. First of all, the "suitable" applicants for the enterprise must be attracted to the company and its application process to ensure that they apply for positions at the firm ("pull strategy").[1]

2. Second, the application process must select those applicants to the enterprise who will contribute to the organizational culture.

Fulfilling these two prerequisites simultaneously is not an easy endeavor. This can be shown with knowledge gleaned from behavioral economic research.

Behavioral economics supplements traditional economic theory with methods and models from psychology, sociology, and neurobiology; it thus extends the application of the field to all areas of society. Experiments are used in behavioral economics to attain evidence-based and applicable results that are of major importance in recruiting.

For example, people cannot always take all available information into account and make their decisions based on rational deliberation. People are impatient, avoid large efforts, place importance on other people's opinions, and make systematic errors when processing information. It is thus essential to place the abilities and qualities that the enterprise is seeking in the center of the application process and to assist the recruiters in making good decisions in order to successfully attract and select the appropriate applicants. If, for example, a firm wants to have a team-oriented entrepreneurial culture, the recruiting process must be designed in such a way that applicants who are team-oriented are attracted and selected. Recruiters can benefit from behavioral economics approaches, in particular in the areas of feedback and transparency as well as in the areas of attracting and selecting talent.

Using a case study, this report will examine the question of whether and in which cases Wepow can be used as a tool to design an enterprise's recruiting in a relational manner and thus increase the probability of attracting and selecting potential applicants with an interest in a relational employment experience. In order to answer this question, we will examine the extent to which Wepow can influence the perception of the enterprise (attraction) and the choice (selection) of suitable new employees. In

this concrete case, we will confer with the firm FehrAdvice & Partners (hereafter referred to as FehrAdvice), a company that uses a relational recruiting approach and, that among other thigs, would like to use Wepow to strengthen its relational entrepreneurial culture. FehrAdvice is a consulting firm located in Zurich, Switzerland, that uses consulting approaches based on the newest knowledge gleaned from behavioral economics research. The organization always focuses on the person and his or her behavior. The genuine culture in the enterprise thus plays a decisive role at FehrAdvice; it is the basis for its consulting services and should therefore be genuinely practiced.

The procedure in this study is structured as follows:

- The difference between transactional and relational recruiting will be presented in chapter 3.

- Chapter 4 will illustrate how FehrAdvice implemented Wepow video interviews in its recruitment.

- Chapter 5 presents the results of an internal online experiment in order to discover the effect of Wepow on the perception of FehrAdvice and its application process (attraction).

- The question of how the use of relational recruiting influences the choice of applicants will be examined in chapter 6 (selection).

- Chapter 7 summarizes the results of the study.

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[1]   Behavioural Insights Team (2015)

3 THE DIFFERENCE BETWEEN TRANSACTIONAL AND RELATIONAL RECRUITING

If we examine the recruiting process from a behavioral economics point of view, we can differentiate between various forms of recruitment. "Relational recruiting" can be compared to the process behind "transactional recruiting". We can generally describe the difference between the two approaches in the following manner:

- The more anonymous, impersonal, unbinding, intransparent, and formal the recruiting is, the more transactional it is.

- The more personal, cooperative, appreciative, and communicative the recruiting is, the more relational it is.

Relational recruiting thus attracts those applicants who prefer relational employment. It is thus important that potential applicants both perceive the enterprise and its application process as relational.

Perception of entreprises

Several factors determine whether a potential applicant perceives an enterprise as relational or transactional. These include the work atmosphere, employee motivation, and the expected time horizon of employment. For example, a cool and anonymous work atmosphere usually prevails in a transactional enterprise. Monetary compensation is the main motivation for employees in a transactional enterprise, and employment is usually foreseen for a short duration. In contrast, the work atmosphere in a relational enterprise is cordial, and the enterprise makes advance provisions for employees. Entrepreneurial values motivate employees, and employment is usually long-term.[2,3,4,5]

Perception of application process

All factors that relate to the application process experience influence its perception. These can affect the attraction of the enterprise and its brands, when, for example, applicants share their application experience with other potential applicants (using online assessments on portals or in social media). These factors include, among others, the applicant's communication with the enterprise's HR department, feeling appreciated during the application process, or the deciding criteria for selecting the applicant.

Standardized communication and limited estimation characterize a transactional application process. Decision processes and criteria for the selection of the applicants are largely unclear and intransparent. In contrast, the communication is personal in a relational application process, and the applicant feels valued. Furthermore, decision processes follow clear comprehensible criteria.

Relational recruiting, however, neither only influences the perception of the enterprise, nor does it only attract those employees who are interested in relational employment; it also selects those applicants who prefer relational affiliation with their future employer.

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[2]   Rousseau (1989)

[3]   https://blogs.darden.virginia.edu/brunerblog/2008/01/transactional-versus-relational/

[4]   Kalleberg and Rognes (2000)

[5]   Bruner, B. (2008)

Selection

Important factors for selection are those who influence the selection criteria, the selection procedures or the requirements for applicants. In a transactional recruiting, the selection mainly places value on letters of recommendation, qualifications, an ambitious resume, and career orientation. In contrast, the focus in relational recruiting when selecting employees lies with personal characteristics, moral values (and congruency with those of the enterprise), as well as personal motivation.

Which of the two forms of recruiting takes precedence in an enterprise depends on the concrete design of the recruitment process; in most cases, components from both areas exist simultaneously.

The individual factors of a relational or transactional recruiting are listed in detail and compared in table 1 in the appendix.

We will explain in the next chapter how the Wepow video interview is used and how it helps make the recruitment process more relational.

4 HOW FEHRADVICE USES WEPOW VIDEO INTERVIEWS IN THE RECRUITING PROCESS

There are six steps in the hiring of an applicant in the FehrAdvice recruitment process. In addition to some standard elements, such as the assessment of the resume and cover letter, the process contains further elements that are based on the newest behavioral economics insights. The objective is to use these elements to minimize the influence of social norms, cognitive biases, and other human prejudices. The aim of the application process is to gain insight on wether FehrAdvice can offer an applicant a professional environment where he or she can further develop his or her strengths and feel "at home". Wepow is used as a video interview tool in this process after the applicant has submitted his or her resume and cover letter and after completing various behavioral economics personality tests. This provides the opportunity to get to know one another early.

The video interview process proceeds as follows: first an introduction is played in which two FehrAdvice employees introduce the tool and the enterprise. Next, all employees can be seen assembled as group. Each group member (five in total) asks a question thereafter and the applicant answers each question in the order they appear. The applicant has two minutes to prepare before answering each question. At the end of the interview, participants have the opportunity to ask their own questions. Several employees from various departments of the enterprise then assess the applicant's recorded answers. If the applicant embodies the entrepreneurial culture and shows factual evidence that he or she can perform at a high level, then he or she will receive a positive assessment from the team. If at least three team members give a positive assessment, then the applicant is moved to the next round of the application process.

The use of the video interviews makes the FehrAdvice recruitment process easier and more efficient. The video interview provides the recruiter the following advantages, among others:

- Questions for the interview can be recorded on video and asked by different people.

- Videos made in advance can be used as a standardized and structured interview for a large number of applicants.

- The applicant's recorded interview response can be easily analyzed and shared with other employees.

- Criteria for assessing the applicant can be determined in advance.

- Several employees can assess the applicant without being present at the interview.

The efficiency of the recruitment process is thus strongly increased due to the single recording of the interview questions and the simple administration of the interview answers. This allows the team to get a first impression of a large number of applicants much earlier in the process. Furthermore, any behavioral economics bias the recruiter might have can be minimized.

The structured interview questions guarantee that the course of the questioning does not depend on the recruiter's personal prejudices. Moreover, the recording of the video interview responses creates an objective decision basis for the assessment of applicants, which also lessens the influence of non-testable, subjective sentiments.[6] The applicant also benefits from a minimization of the recruiter's biases due to the video interview. The probability increases that the applicant will actually be hired due to his or her qualifications and personal characteristics and not because of a similarity to the recruiter.[7]

The Wepow videos also have the following advantages for applicants:

- Interviews can be recorded flexibly at any time.

- The applicants have the opportunity to practice the recording of the video interview and prepare for the interview.

- All applicants have the same chance due to the standardized interview questions; they are not dependent on individual recruiters' subjective feelings.

- The video introduction created by the team allows applicants to get to know individual employees and to become acquainted with the enterprise and thus to gain a concrete first impression.

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[6]   Dana et al. (2013)

[7]   Rivera (2012)

FehrAdvice places great value on explaining why the video interview is used as a part of the application process. At first, a video interview might seem unusual or impersonal to some applicants; for this reason, the way the enterprise communicates when sending the invitation is very important. FehrAdvice emphasizes the following points in its communication:

- FehrAdvice wants to get to know the applicant personally.

- The video interview permits a number of employees to make a preliminary acquaintance with the applicant. Several opinions complete the picture and increase the clarity of the decision basis.

- The video interview makes the same fair application process available to all interested applicants.

- The video interview helps better control one's own behavioral patterns and biases.

- The video interview provides the applicant the opportunity to meet several of the company's employees and gives him or her a first impression of the enterprise.

- FehrAdvice is strongly oriented towards new (communication) technologies. The video interview provides a strong indication whether the applicant feels comfortable with these new technologies.

- The video interview gives the enterprise the opportunity to get to know several applicants in a short amount of time.

After an applicant has completed the video interview, he or she is informed whether he or she reached the next level of the application process. A personal meeting, where the answers to the individual questions are discussed in detail, provides the possibility to receive in-depth feedback from FehrAdvice.

5 HOW DOES THE USE OF VIDEO INTERVIEWS AFFECT THE APPLICANT'S PERCEPTION OF FEHRADVICE?

Results of an internal, online behavioral economic experiment by FehrAdvice

FehrAdvice completed an online experiment in July 2017 to answer the question whether the use of Wepow assists in having applicants perceive FehrAdvice as relational and in attracting those applicants who are interested in a relational employment.[8] A total of 68 applicants participated in the experiment. Half the applicants were female and 80% had at least a bacherlor's degree. While all of the subjects participated in FehrAdvice's application process, some of them took the video interview, while others did not. This natural division into a control and experimental group allows us to measure the difference between the two groups along various indicators, which constitutes the experimental effect.

The results of the experiment show that the use of the video interview contributes to having applicants perceive both the enterprise and the application process as relational. The effect becomes clear in the comparison between the experimental and control groups. We also find that the group that used video interview is more strongly convinced than the group without the video interview that factors typically considered relational (see table 1 of the appendix) belong to the FehrAdvice entrepreneurial culture[9]:

Result 1: Perception of FehrAdvice

Those applicants who completed the video interview are more likely to have the opinion with respect to the control group that...

- ... FehrAdvice employees have mutual respect for one another.

- ... FehrAdvice employees behave cooperatively.

- ... FehrAdvice employees support one another.

- ... employees can make mistakes at FehrAdvice.

Furthermore, the results of the experiment also show that the applicants with the video interview are more likely to have the opinion that the application process at FehrAdvice is relational, as compared with those without the video interview.

Result 2: Perception of the FehrAdvice application process

Those employees who made a video interview are more likely to have the opinion that...

- ... they were personally valued in the application process.

- ... several employees assessed their application.

- ... they met many employees.

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[8]   An online experiment allows – unlike classical questionnaire formats – the representation of genuine behavior in decision situations and can simulate affective, intuitive decisions with suitable framing.

[9]   Differences in the answers to the questions are statistically significant at the level of $\alpha = 5\%$.

How can we explain these results?

In accordance with the results of the experiment, those applicants who completed the video interview are more likely to have the impression that the FehrAdvice employees have a relational, appreciative rapport with one another (result 1). This might be because the applicants received a better picture of the employees and their relationship with one another through the video interview. The employees appear in the introduction before the video interview, and they provide information about the enterprise; several employees are assembled in one room. These images can serve as a representation of the actual entrepreneurial culture, where the employees behave cooperatively, and support and appreciate one another. The impression that you can make mistakes at FehrAdvice can arise from the fact that the applicant can go through test questions during the recording of the video interview and can look at the questions twice before answering.

In the perception of the application process, the video interview seems to strengthen the impression that the applicant's personality is at the center of the application process rather than letters of recommendation or certificates. In addition, applicants can receive a first impression from several employees, and the applicants see that several employees are involved in their application, which leads to a stronger relational perception of the application process. Furthermore, the factors used to communicate and explain the video interview seem to have a strong influence on the perception of the application process (please refer to chapter 5). Explaining why the video interview is used in the recruitment process is thus an important factor in making applicants perceive the application process as relational.

In summary, we can say that the use of the Wepow video interview helps attract applicants who are interested in relational employment. Employees who completed the video interview perceive both the enterprise and the application process as more relational than those who did not do so. If these applicants share their experience with other potential applicants, e.g. through evaluations on online platforms or in social media, the use of the video interviews can help attract more of the applicants to the organization who are interested in relational employment.

6   HOW DOES RELATIONAL RECRUITING AFFECT THE SELECTION OF APPLICANTS AT FEHRADVICE?

FehrAdvice developed a recruiting process based on recent insights from behavioral economics in 2016, and has been using it for relational recruiting to build a modern entrepreneurial culture. The six steps of the application process are designed to reveal the applicant's personality. FehrAdvice wants to discover whether the personal characteristics, values, and motives fit into the FehrAdvice entrepreneurial culture. The Wepow video interview represents an important element in this relational application process, which can help in the selection of applicants interested in a relational employment. FehrAdvice already uses the tool in an early stage of the application process in order to get a personal impression of the applicant. Previously, only one or very few recruiters were in contact with an applicant early on in the process. Much time was spent on phone interviews or during the on-site interview process. Now, the usage of Wepow allows several employees to get involved in the recruitment process and each individual can make better use of their extra time devoted to selecting an applicant. The experience of FehrAdvice has shown that the quality of the applications and the new hires have improved markedly since the introduction of the new recruitment method based on behavioral economics and the use of video interviews. In addition, the following positive effects can be ascertained:

- A simpler application process and the use of constructive feedback for constant improvement

- New hires fit better in the relational, entrepreneurial culture of FehrAdvice, and already follow and improve it from the first day onward

- Employees who have gone through the new recruitment process are more productive, more innovative, and more open to digital themes than those employees who were hired using the old recruitment process.

These improvements in recruiting are due to various factors that can be found in the conversion to a relational recruiting process. The Wepow video interview plays an important role here. On the one hand, the video interview can help better filter out those key qualifications that fit in the relational entrepreneurial culture at FehrAdvice, and that often remain hidden otherwise. On the other hand, FehrAdvice can minimize its own prejudices and biases by using the video interview (please refer to the box on the next side).

Filtering out the key qualifications

■ FehrAdvice does not just seek people who are competent, but also those who will be in their element in the organization. The video interview allows a personal level in recruiting. This does not only revolve around knowledge and qualifications, but also concerns the applicant's personality and personal motivation in particular.

■ The video interview permits an assessment at an early stage of the application process of whether an applicant will fit into the organization at the personal level.

Minimizing own biases

■ Each employee can evaluate the video interviews independently. This prevents employees from orienting along the opinion of the majority, which might not correspond to their own opinions.

■ The recording of the video interviews creates an objective decision basis for assessing the applicant, which lessens the influence of non-testable, subjective sentiments.

■ The enterprise can address the applicant's personal characteristics. This prevents concentration on qualifications that are not relevant for the relational entrepreneurial culture while assessing the applicant.

As presented above, the Wepow video interview helps portray the key qualifications for a relational entrepreneurial culture and minimize prejudices when selecting applicants. In connection with other complementary elements used in the FehrAdvice recruiting process, which is optimized in the area of behavioral economics, the Wepow video interview makes an important contribution to the successful selection of applicants who are interested in relational employment.

7   CONCLUSION

It is a challenge to organize an enterprise's recruitment in such a way that new employees do not just bring knowledge and ambition, but also contribute to the actual entrepreneurial culture and embody it. An entrepreneurial culture to which employees actively contribute is important for the long-term success of every enterprise. This case study, using an example from FehrAdvice, examined whether the use of the Wepow video interview can help design FehrAdvice's recruitment in such a way that it contributes to the relational entrepreneurial culture. The results are unambiguous: the use of the video interview makes applicants perceive both FehrAdvice as well as the application process as more relational. This is in particular due to the fact that applicants can glean a personal impression of the enterprise's employees through the usage of the video interview, and their personalities are the focus of the application process. Furthermore, the video interview helps FehrAdvice attract and select applicants who prefer relational employment. Moreover, the video interview assists in minimizing the recruiters' behavioral patterns and biases. The application process thus becomes fairer for the applicants, and makes it easier to reach a sustainable decision in the interest of both parties. A relational recruiting process is thus a fundamental factor in attracting the best and most suitable candidates who will contribute sustainably and effectively to the entrepreneurial success. As the case study showed, video interviews are a supporting pillar of this relational recruiting.

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9   APPENDIX

Table 1 – Summary: transactional and relational recruiting

Transactional Recruiting	Relational Recruiting
Perception of the enterprise (attraction)	**Perception of the enterprise (attraction)**
■ Individual performance is decisive	■ Teamwork is emphasized
■ Short-term employment relationships	■ Long-term employment relationships
■ «Cool» and anonymous working atmosphere	■ Family-like employment relationships
■ Monetary compensation motivates and drives	■ Entrepreneurial values motivate and are practiced
■ Employees mainly follow their individual careers	■ Employees follow the enterprise's vision
■ Lack of commitment	■ Loyalty is important
■ Communication limited to the necessary minimum	■ Comprehensive communication and feedback culture
■ Quantity before quality	■ Employees identify strongly with the enterprise
	■ Quality before quantity
Perception of the application process (attraction)	**Perception of the application process (attraction)**
■ Application process is impersonal	■ The application process is personal
■ The applicant is one of many	■ Personal estimation
■ Intransparent selection process without information about the criteria	■ Fair and transparent selection process
■ Applicants feel left alone	■ HR department supports the applicant (cooperative process)
■ Demeanor in the application process depends on the day-to-day condition	■ Flexible design of the application process with respect to time (cooperative)
■ Little to no standardized feedback	■ Clear, factual, and regular feedback given to the applicant
■ HR does the minimum possible	■ HR provides advance support
■ Certificates, degrees, and letters of recommendation are of central importance	■ The applicant's personal characteristics are in the foreground
■ The evaluation of an application depends on one, or very few, people	■ Several HR employees evaluate the applications
■ Mistakes must be avoided at all costs	■ Possibility for correcting mistakes
■ The enterprise's employees are unknown	■ Personal impression from many employees of the enterprise
■ The success of the application depends partially on random chance, such as the recruiter's current mood	■ Each applicant has the same chances

Transactional Recruiting

Selection

- Particular emphasis is placed on qualifications and diplomas
- One or few people decide whether the applicant will be hired
- An ambitious resume and career orientation play a decisive role
- New employees must be able to arrange themselves within the team

Relational Recruiting

Selection

- Particular emphasis is placed on the applicant's characteristics
- Decision makers communicate very often and carry the decision for or against an applicant together
- The applicant's ideals and personal motivation play a decisive role
- New employees must fit into the team personally

FehrAdvice & Partners AG