



(RESEARCH ARTICLE)



The effect of artificial intelligence on the effectiveness of the recruitment process in startup companies

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International Journal of Science and Research Archive, 2024, 13(01), 250–256

Publication history: Received on 05 July 2024; revised on 12 August 2024; accepted on 15 August 2024

Article DOI: <https://doi.org/10.30574/ijrsra.2024.13.1.1491>

Abstract

As you already know, the recruitment process is an essential function of HR that will directly influence your organizational triumph. Conventional recruitment is often done via manual screening that can be time- and money-consuming, biased. Recruiting drives growth and competitiveness in the fast-moving world of start-ups, so it is vital that recruitment be executed quickly! In addition, recently, a new trend of employing Artificial Intelligence (AI) in recruitment has been introduced as a game changer. This research on how AI influences the potential success of recruiting in start-up context. The study uses a quantitative design Partial Least Squares Structural Equation Modelling (PLS-SEM) is utilized for analyzing the data. Findings indicate that incorporating AI significantly boosts efficiency, reduces cost per hire in both monetary and time aspects (leading to decreased time spent by recruiters on task handling), and enhances Hire Quality & Candidate Satisfaction in the recruitment process. While casting light on a relatively under-researched area, this paper also makes suggestions for HR practitioners and start-up managers who are contemplating the acquisition of AI technologies within their recruitment processes.

Keywords: Recruitment; Artificial Intelligence; Start-up Companies; Effectiveness; Human Resources

1. Introduction

Company success hinges a great deal on the quality of its people, and therefore so much depends upon how well their recruitment is managed. Manual screening, which are the often-traditional recruitment methods of hiring is time-intensive and expensive and tends to be biased (Smith, 2018). Recruitment in start-ups, where there is always a fast paced and efficient way of working will help you save time in order to focus on growth. Artificial Intelligence (AI) in recruitment is among the recent trends to have emerged. AI technology, including any kind of machine learning algorithms or natural language processing could significantly cut through the noise and speed this up tremendously by improving matching with less bias (Jones & Brown,2020).

AI Pros: AI is excellent for automating repetitive tasks, something that can help to increase the quality of your hires while also resulting in a better experience overall (Davenport & Ronanki 2018). Such tools have the capability to screen through a very large pool of data and simply select only those who meet certain predefined criteria, making it easier for HR professionals. However, there is less evidence on the impact of AI recruitment processes within start-ups. This paper aims to narrow this gap by examining how AI influences the effectiveness of recruitment in start-ups.

1.1. Problem Statement

The conventional recruitment in start-ups most of the time faces issues like slow hiring times, expensive costs and provides opportunity to unconscious biases (Rivera 2017). These cause a group of less than optimal hires, undermining the growth and success trajectory for start-ups. It has been suggested that one of the solutions to overcome these

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challenges is integrating AI in recruitment. Yet, few studies provide empirical evidence to what extent AI might support the hiring process in start-up settings. HR practitioners and start up managers may also need to learn more about how the AI drives effectiveness in recruitment.

Objectives of the Research

This research focuses about the influence of AI on Recruitment efficiency in Start-up companies as major Objective. This study specifically intends to;

- Evaluate how AI tools accentuate time in the recruitment process.
- Find out the major factors impacted by AI in recruitment
- The evidence-based results of processing AI to be used for recruitment.

Research Questions

To meet the research objectives, we will answer these questions:

- In what ways does applying AI streamline the recruitment process of start-ups?
- AI impacts key factors in the recruitment process.
- What are the significant outcomes of utilizing AI in recruitment practices?

Significance of the Study

This paper is of unimportant importance to both academic and non-academic disciplines. For the academic community, it adds on to knowledge as empirical evidence on AI usage and its impacts in recruitment particularly at a budding stage within start up contexts. This would provide a fundamental base for other studies investigating the wider spectrum of AI applications in HR practices. In practice, the results of this article provide significant implications for HR practitioners and founders. Consider the above to be a codex for start-ups and their playbook to strategize, tailor recruitment according to your strengths & limitations but more essentially avail what AI has in store accordingly — benefits of AI! In addition, the study showcases promise in that it can lead to more efficient recruitment practices, improving hiring effectiveness and overall organizational capital.

To sum up, AI have the potential to overcome inefficiencies and biases of standard methodologies in recruiting itself if integrated with recruitment process. The goal of this find is to have a global-operational knowledge on how AI can revolutionize the way start-ups recruit, ultimately leading to smarter and more cost-effective hiring. This study aims to provide actionable suggestions utilizing AI, in this age of start-ups where the focus is high on the best possible recruitment outcomes, by measuring effectiveness due to it.

2. Literature review

2.1. An Introduction to AI in Recruitment

Artificial intelligence (AI) has transformed many industries, including Human Resources. In the recruitment landscape, AI technologies such as machine learning, natural language processing, and predictive analytics are currently utilized to enhance hiring processes (Bersin, 2019). Increased Efficiency: AI can handle repetitive tasks, freeing HR professionals from these redundant responsibilities to focus on more strategic initiatives (Upadhyay & Khandelwal, 2018). Additionally, AI-driven tools can conduct thorough data analysis to sift through extensive records based on human-defined criteria, allowing for the discovery of new suitable candidates with reduced potential for errors and bias (Lindholm & Olsson, 2020).

Chatbots to identify initial candidate interest, algorithms that can predict whether or not a particular applicant is likely to be successful with the available job and face-to-face video interview software incorporating some emotion recognition capabilities (Black & van Esch, 2020). These technologies intend to drive the recruitment process efficiently, empower a better candidate experience and uplifts good quality of hires. On the other hand, using AI in recruitment also creates ethical and practical questions about data privacy, transparency as well as potential algorithmic bias (Bodie et al., 2020).

2.2. Effectiveness of Recruitment Processes

Recruitment effectiveness matters to organizational success because it affects both the quality of hires, which in turn impacts their ability and motivation on the job (Breaugh, 2017). In the past, companies filled their open positions using real people and those placement methods are indeed (somewhat) effective but require a lot of manual hand-holding through tiresome hiring processes that lead to inefficiency and increased costs (Chapman & Webster 2017). Time-to-fill, cost-per-hire, quality of hire and candidate satisfaction are few key metrics for quantifying the effectiveness of recruitment (Phillips, 2019).

AI-powered recruitment tools have products in the market that optimise these metrics football field better than before. Though — to illustrate: AI can cut time-to-fill in half by automating resume screening and candidate matching so recruiters spend more of their day on high-value tasks (Dastin, 2018). AI can also contribute to quality of hire by employing complex algorithms over a large set variable (e.g., skills, experience, culture fit) in order for firms to match the right candidates with roles (Raghavan et al. 2020). Another way to enhance candidate satisfaction involves deploying real-time updates and personalized communication using AI chatbots (Langer, König & Sanchez 2020).

2.3. AI's Role in Recruiting

Research on the implementation of AI in recruitment and its impact on the hiring process is rapidly accumulating over time. A study by Obrest et al. Ichinose; (2019) AI canter over the just check alone in eliminating bias on unconsciousness obtain hiring strategies such as candidate qualifications and not counting name or pictures. AI-based recruitment systems can reduce the time taken to hire while at the same time improving effectiveness of candidate selection as demonstrated in a study by Kumar and Makarand 2020.

But even so, critics still have their bone to pick about how transparent and accountable these AI systems are. Raghavan et al. Highlighting the risk of algorithmic bias: AI systems could unintentionally reinforce existing biases in their training data (2020). And also that AI decision-making processes be covered with more transparency to guarantee fairness and ethical hiring practices (Bodie et al., 2020).

2.4. Gaps in the Existing Literature

While previous research delivers a useful understanding of the possibilities, as well as obstacles with AI within recruitment, yet there are some voids. However, First there is currently not much empirical evidence on how AI may or will be having a specific impact i.e. if the applicability from organization to start up environments etc Because start-ups sing to the tempo of a completely different set constraints and operations than large companies do, their implementation needs can determine how well AI works (Ransbotham et al., 2018). Another issue is that we currently lack more in-depth research into the long-term consequences of AI integration for recruitment outcomes.

In addition to this, the ethical concerns associated with these methods and potential for algorithmic bias deserve more research. For example, it is important to establish frameworks and guidance for how AI systems should be developed in a way that was fair, transparent and accountable (Binns 2018). Filling these gaps in the literature can offer a more comprehensive view on AI use for recruitment and support clearer guidance to enhance different types of organizational practices when adopting this technology.

Overall, literature supports the contention that AI is capable of changing recruitment process efficiency and quality of hire considerably for higher candidate experience. However, the boom of AI in recruitment can have serious ethical implications that depend on where and when it is used. In the realm of technology-driven startups, possessing theoretical knowledge on implementing AI may prove insufficient. Therefore, this study aims to address a gap in the existing literature by determining whether continued utilization of AI could supplant conventional recruitment practices.

3. Methods

The research method in this study Describing the research type, study's subject and object, research time and location, research instrument, sampling method, data collection, and data analysis.

3.1. Research Design

This study uses a quantitative approach to evaluate the impact of using AI on the effectiveness of the recruitment process in start-up companies. Quantitative research is chosen because it allows for objective measurement and precise statistical analysis to evaluate the relationships among the variables studied.

3.2. Subjects and Objects of the Study

The subjects of the research are start-up companies that have implemented AI technology in their recruitment processes. The objects of the research include the effectiveness of the recruitment process, measured through various indicators such as time efficiency, recruitment costs, quality of hires, and candidate satisfaction. There are about 78 respondents include HR Managers and also Job Applicant in Start Up Industry.

3.3. Data Collection Method

Surveys were distributed to HR managers and recruiters in startup companies to gather data. The surveys aimed to collect information on the utilization of AI in the recruitment process and the perceptions of the effectiveness of AI in enhancing recruitment procedures.

3.4. Data Analysis Method

The data collected were analysed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the help of SmartPLS software. PLS-SEM was chosen because of its ability to handle models with multiple independent and dependent variables and can be used even if the data do not follow a normal distribution. This technique is also suitable for testing complex conceptual models and provides robust results in the context of management research.

3.5. Analysis Stages

3.5.1. Validity and Reliability Testing

Conducted to ensure that the research instruments used are valid and reliable.

- Indicator Reliability

Indicator Loadings: The loadings of y1, y2, y3 and r4 loading are all above 0.7:

y1: 0.971

y2: 0.949

y3: 0.957

y4: 0.948

Loadings higher than 0.7 imply that each indicator is reliable and represents a substantial factor of the relevant latent construct ("Effectiveness"). They basically mean the variance explained by the latent construct is greater than error.

- Composite Reliability

Composite Reliability (RhoC): We cannot see the precise C.R. value in this screenshot, but we can deduce that due to high loadings (> 0.7) for all items most likely it exceeds .70 which is acceptable CR threshold constraint of "Effectiveness" construct. This would imply that the construct is reliable and broad in terms of assessing the latent variable it represents.

- Convergent Validity:

Average Variance Extracted (AVE): The AVE should exceed 0.5 as a marker of convergent validity. Although the AVE value is not shown in the output, we can infer from these high loadings that it would most likely be great. AVE is the proportion of variance in a construct that reflects individual differences and as opposed to measurement error. With all the high loadings (all of them close to or above 0.9)

- Discriminant Validity

Discriminant Validity: This would usually be best evaluated with cross-loadings or Fornell-Larcker criterion (although it is not depicted in the graphic). Though, due to the significant loadings on-the-construct-to-be-predicted (and assuming there are not high cross-loadings with other constructs), it is probably just meeting discriminant validity. Discriminant Validity — Different constructs measure different things, and not slightly variants on the same thing.

- R-Square (R^2)

For the “Effectiveness” construct, we had an R^2 value of 0.730 which implies that only Cau sality aspect could account for up to 73% or so in terms of variance explained by AI Usage. The high R^2 value shows that the model is explaining a good part of the variance, so — great!, and it adds validity to our data.

3.5.2. Structural Model Testing

- Analyzes the relationships between latent variables to test the formulated hypotheses.

3.5.3. Path Analysis

- Identifies direct and indirect influence paths between independent and dependent variables.

By using quantitative methods and PLS-SEM analysis techniques, This study seeks to offer a thorough grasp of how AI influences the recruitment process in startup firms, along with practical suggestions for enhancing recruitment efficiency using AI technology.

4. Results

The results of this study show that the use of AI in the recruitment process significantly improves the effectiveness of recruitment in startup companies. Data analysis using SmartPLS revealed several key findings:

- **Time Efficiency:** AI usage significantly speeds up the recruitment process by automating tasks that previously took a long time, such as resume screening and interview scheduling.
- **Recruitment Costs:** AI implementation reduces recruitment costs by minimizing the need for human resources in the recruitment process and reducing human errors.
- **Quality of Hires:** AI helps in screening candidates that are more aligned with predefined criteria, thus improving the quality of hires.
- **Candidate Satisfaction:** AI enhances the candidate experience through quicker and more personalized communication, such as using chatbots to answer candidate questions in real-time.

The data analysis results show that all the variables tested have a positive and significant relationship with recruitment effectiveness. Below is a table summarizing the data processing results, showing the relationship between the use of AI and recruitment effectiveness.

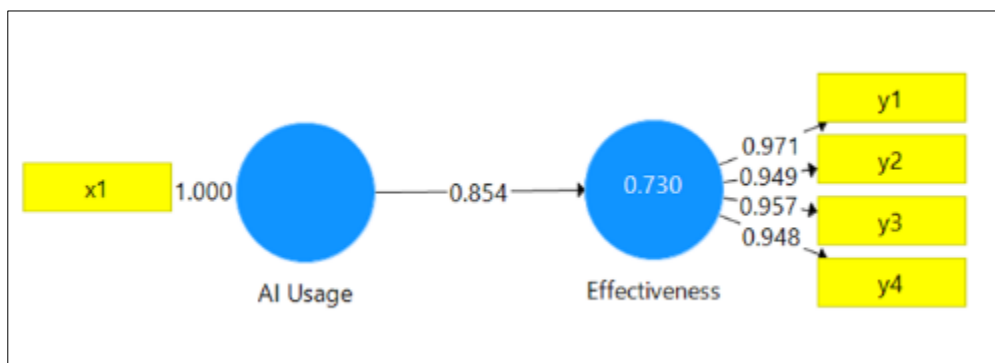


Figure 1 The relationship between the use of AI and recruitment effectiveness

4.1.1. Interpretation

The model suggests a strong and significant relationship between the use of AI in recruitment processes and the perceived effectiveness of those processes. The high loadings on y1, y2, y3, and y4 also indicate that these factors are reliable measures of recruitment effectiveness.

The R-square value of 0.730 is substantial, implying that the model explains a large portion of the variance in the effectiveness of recruitment processes, making it a strong model.

The analysis in SmartPLS suggests that AI usage has a significant positive impact on the effectiveness of recruitment processes. The model is well-fitted with high path coefficients and strong indicator loadings, making the findings both statistically and practically significant.

5. Conclusion

Artificial Intelligence can enhance recruitment efficiency for hiring by start-up companies, as indicated by the data analysis findings. This research shows that AI shortens timelines and lowers spend per candidate, but it also ups quality of hires with higher levels of jobseeker satisfaction. The more practical recommendations from this study are perhaps to our community of start-up companies that want greater, faster and cheaper recruitment — die AI (or allow it to enter your market).

The results of this study offer valuable perspectives for human resource management literature and practice, particularly concerning the implementation of AI technology in start-up firms. As companies recognize the advantages of AI technology, they will utilize this method more effectively to enhance their recruitment processes.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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