



## DECISION EFFICIENCY IN EMPLOYEE SELECTION PROCESSES IN REGARD TO HAPPINESS

*Doctoral student Maria Minichmayr*  
*Faculty of Economics and Management*  
*University of Latvia*  
*Berghamerstrasse 76, 4072 Alkoven, Austria*  
*Phone: +43 676 814 69 085*  
*E-mail: maria\_minichmayr@hotmail.com*

**Keywords:** happiness, decision efficiency, employee selection

### Abstract

This intention of this research paper is to analyze decision making processes in job search and prior educational search processes in Austria. People from their childhood until adulthood are confronted with recurring decision processes regarding their educational and vocational choices. Assuming that most people want to achieve the highest possible level of happiness in their lives it could be deduced that people would align their decisions accordingly. It seems that this is not the case though as happiness research shows. Therefore this research paper intends to investigate the decision making processes of individuals in Austria. The assumption that there is a need for improvement of decision making processes regarding educational and vocational choices is analyzed and seems to be supported. An investigation of this topic seems relevant in business context as especially in human resource management and employee selection processes the aspect of happiness is an important one and relevant to various organizational variables.

### 1. Introduction

The presented research paper will focus on issues of decision making regarding educational and vocational choices in Austria under the perspective of happiness. There are various definitions of happiness but it may be briefly described as the subjective feeling of well-being or life satisfaction. In recent years not only philosophers, psychologists, neuroscientists but also economists and business scientists are increasingly investigating the importance and impact of individuals' happiness. Especially the relevance of employees' happiness at work is an issue relevant to companies today, particularly to human resource management. The process of individuals applying for jobs and companies hiring candidates with the according antecedent decision chain in Austria is critically reviewed under the aspect of happiness.

### 2. Economic and Business Relevance

Career planning of individuals and decision making in regard to education and job selection in Austria and most western countries is a process which seems to highly influence the



## New Challenges of Economic and Business Development – 2012

---

May 10 - 12, 2012, Riga, University of Latvia

quality of employees available on labor markets. The relevance of these topics for companies and especially human resource management and recruiters are therewith evident. Companies might be able to recruit most suitable job candidates but most times before that individuals have to make decisions about application for a job they find suitable for themselves. These preventive decisions are usually taken by individuals under consideration of different criteria and viewpoints.

Now in economics a relatively new scientific field appeared over the last years – namely the economics of happiness. Not only in philosophy but also in economics and business sciences leading researchers like Richard Layard, Bruno Frey, Rosenstingl, and others started to investigate in what makes people happy and its conclusions and impact for the business and economic world. By connecting the perspective of happiness with the processes of career planning and the according decision making processes it becomes clear that a rethinking seems necessary.

As Frey states “individuals tend to make systematic errors when choosing between alternatives. For example, they often mispredict the utility gained by future consumption. They overestimate the satisfaction they derive from having a higher income in the future, and they underestimate the utility gained from immaterial aspects of life, such as friendship and social relations. As a result of these errors in judgment, they find themselves less satisfied with life than they could be according to their own evaluation” (Frey, 2008, Preface) Under the perspective of happiness it seems important for individuals to improve their judgment and prediction of personal future utility of alternative education or job options in order to be able to optimize decisions and to achieve the highest possible level of happiness and satisfaction in their future lives.

The relevance of employees to be happy at work has been broadly studied over the past decades especially in the context of job satisfaction. The effects seem to be clear. First of all continuous happiness is said to be healthy. Happy people got a stronger immune system, their bodies produce less of the stress hormone cortisol. (Layard, 2009, p. 37) Biswas-Diener & Dean (2007, p. 31) state that “happy people live longer, stay married longer, make more money, receive better evaluations from work supervisors, take fewer sick days, are more altruistic and more creative.” They say that “Happiness is functional. Individuals, families, organizations, and societies need happy individuals to flourish. Happy people are more likely to be curious and explore, to take risks and to seek new social contacts.” Also Faragher et al. (2005) report that the level of job satisfaction is an important factor influencing the health of workers. Job satisfaction was most strongly associated with mental and psychological problems – strongest relationships were found for burnout, self-esteem, depression, and anxiety.

Management Literature has widely investigated the impact and effects of job satisfaction and dissatisfaction at work on various organizational variables. By measuring different variables e.g. the degree of satisfaction with the work, co-workers, supervision, total pay, promotional opportunities and more, researchers have examined relationships between job satisfaction and organizational commitment, performance, cohesion and organizational climate.

All this stresses the importance and relevance for companies to have employees being happy at work due to direct and indirect costs associated with employee and especially hiring decisions. Certainly much can be achieved by applying different approaches and programs in human resource management to increase job satisfaction. But employee selection decisions



# New Challenges of Economic and Business Development – 2012

May 10 - 12, 2012, Riga, University of Latvia

seem to stay crucial like Hunt says: “The most important decisions companies make about employees is the decision to hire them. All other decisions in human resource management are a consequence of this initial choice.” (Hunt, 2007, p. 3)

### 3. Factors contributing to Happiness at Work

Definitely there are many factors influencing people’s happiness and also happiness at work. For instance according to Maslow’s hierarchy of needs in western countries besides security of employment especially need for self-actualization or self-esteem will have an impact on people’s satisfaction and happiness in their jobs. (Maslow, 1943)

According to Frey & Frey Marti (2010, pp. 95) the possibility of self-determination is a highly motivating intrinsic value which is correlated with autonomy. It allows the experience of competence, autonomy, social integration, flexibility and freedom to use personal potentials and talents. All this results in non-monetary benefit and increases satisfaction.

When looking for self-determination and happiness at work Peter F. Drucker (1999, pp. 73) in his article “Managing Oneself” encourages everyone to ask fundamental questions like: “What are my strengths? How do I perform? What are my values? Where do I belong? What should my contribution be?” and more. Regarding values he states “To work in an organization whose value system is unacceptable or incompatible with one’s own condemns a person both to frustration and to nonperformance.” From his perspective it is inevitably important for everyone to review his values, as well as his/her talents and strengths.

Also Komisar (2000, pp. 23) follows the statements of Drucker that it is essentially important to know who one is and to let passion drive people through their working life. He encourages that even if this approach might not get people up any ladder but if it makes them feel better they should move on the chosen direction.

Also the hypotheses of people involved in volunteer work being experiencing a higher degree of happiness can be approved. People are generating benefit from helping others by making advances of the intrinsic motivation of taking care of the well-being of other people. (Frey, 2008, pp. 101)

Definitely there are more factors relevant for people being happy in their jobs but most of the above researched can be found throughout happiness at work and job satisfaction literature. It’s these parameters which seem to be necessary to pay close attention to: for individuals on the one hand and human resource managers regarding e.g. employee selection processes on the other hand.

### 4. Decision Making in Career Planning Processes in Austria

When analyzing the decision making processes in job and career planning of individuals in Austria beyond others the following question appears: who takes when and why which decision?

When looking at the decision chain in the career paths of individuals the decision about which education to choose is probably one of the first major decisions which will influence the jobs a person will and can apply for in the future. Decisions regarding which school to attend,



# New Challenges of Economic and Business Development – 2012

May 10 - 12, 2012, Riga, University of Latvia

which apprenticeship to apply for, which higher educations to opt for or which jobs to apply for are just some to be managed.

Most times one decision will influence the next one and so on so that already early decisions of parents will have an impact on the path of individuals in their future life as people are used to have investments of time and money in education, practice and know how pay off in their life. Fundamental changes of education paths or careers are usually connected with all kind of costs and time efforts, consecutively paths usually seem more time and cost effective.

The parameters and motives relevant for individual's decision regarding education, job or career selection might differ but probably regularly contain internal and external criteria like:

- Internal criteria: interest, know how, education, talents, values, flexibility, mobility, income perspective, prestige, security, fix costs to cover, responsibilities etc.
- External criteria: schools available and affordable, jobs available, distance from home etc.

When looking at educational decisions in Austria public opportunities include:

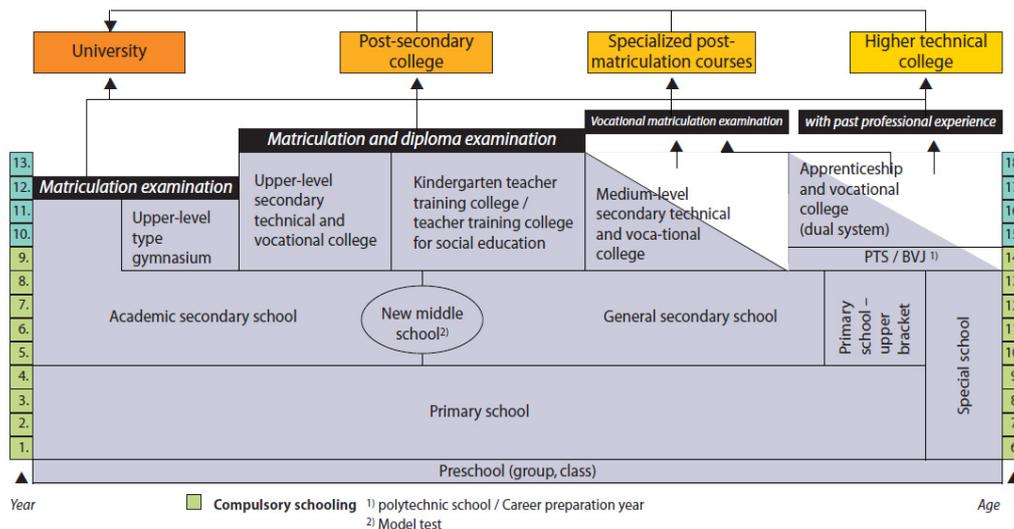


Figure 1. Educational Opportunities in Austria (Bundesministerium für Unterricht, Kunst und Kultur, 2008, p.2)

Additionally there are other options individuals can choose from like attending private schools, studying abroad, which majors to choose, further adult education and more.

What's common for all educational decisions is the influence on future jobs one will apply for due to specific know how built up in specific schools. Therefore it seems important that already early decisions are well analyzed and of high quality.

When looking at who is taking these relevant decisions, at young age individuals are usually strongly influenced by the views, values and opinions of their parents, families or other supervisors. They usually take the decisions for their children up to a certain age. Older kids and teenagers will start participating in decision making over time and will finally



# New Challenges of Economic and Business Development – 2012

May 10 - 12, 2012, Riga, University of Latvia

overtake the whole responsibility for their educational and vocational choices. Still influences will many times continue – from family, teachers, friends, partners and others. Decisions are especially relevant and regularly made at the crossing points between schools or between education and job.

Now as mentioned above Frey says that “individuals tend to make systematic errors when choosing between alternatives. As a result of these errors in judgment, they find themselves less satisfied with life than they could be according to their own evaluation.” (Frey, 2008, Preface x) This indicates the necessity of decision improvements – regarding early individual decision making processes as well as company decision making in employee selection processes.

## 5. Hypotheses and Research Questions

Derived from the statement of Frey it seems important that people improve their judgment and prediction of personal future utility of alternative jobs in order to be able to optimize decisions and to achieve the highest possible level of happiness and satisfaction in their future lives – and jobs. This seems relevant for individuals as well as for companies and economies.

The main hypothesis in this research paper is:

H1: There is a need for improvement in individual decision making under the aspect of happiness in Austria regarding educational and vocational choices.

Therewith the research question of “Are there indicators for the necessity of improvement of decision making processes in Austria?” should be investigated and analyzed.

Following the findings regarding this hypothesis and research question the concluding part of this research paper will analyze business relevance of the investigated topic especially for human resource management and aspects of decision theory will be added to the final conclusion.

## 6. Methodology

This research paper will examine relevant literature and critically analyze it in the theoretical context of the approached research topic.

## 7. Findings

When investigating public statements regarding educational and vocational decision making processes in Austria much information can be found.

The Austrian Federal Minister for Education, Art and Culture, Claudia Schmied, for instance states that consulting and orientation is the key to successful education decisions especially for the decisions what school to go to or what to study. Therefore a couple of programs have been initiated in order to support young people and adults in their decision making processes regarding their specific education and career paths. (Schmied, 2011a)

The fact that support for improvement is necessary in this field can be underlined by the evidence that 60% of all first-year students study only 10% of all offered study fields.



## New Challenges of Economic and Business Development – 2012

May 10 - 12, 2012, Riga, University of Latvia

“Studienwahlberatung NEU” is only one initiative which should improve the counseling of study fields for young people and encourage them to think about alternative studies. The main goals of the program is sensitizing of high-school graduates for education path issues, support and counseling as well as orientation opportunities for reduction of study dropouts and more. (Schmied, 2011b)

Another initiative of the Austrian Federal Ministry for Education, Art and Culture (BMUKK) is the IBOBB Program which is a program for information, counseling and orientation for education and profession. (BMUKK, 2009b) It goes along with the “European Lifelong Guidance Policy Network” which “promotes both social and economic goals: in particular, improving the efficiency and effectiveness of education, training and the labor market through its contribution to reducing drop-out quotes, preventing skill mismatches and boosting productivity. Two EU Resolutions of the Education Council (2004; 2008; Counsel of European Union) have highlighted the need for strong guidance services throughout the lifespan to equip people with the skills to manage their learning and careers and the transitions between and within education/training and work. The resolution focuses on four priority areas: the development of career management skills, accessibility of services, quality assurance, and coordination of services. Member States were invited to take action to modernize and strengthen their guidance policies and systems” (European Lifelong Guidance Policy Network, 2010, p. 5)

The Lifelong Guidance Strategy Development in Austria in accordance with national and international studies and in reconciliation with developments and discussion in the European Union defined the following programmatic goals: 1. Implementation of core competences in all curricula: train competences for decision making regarding educational and occupational choices, 2. Focus on process orientation and counseling as high quality decision making processes are the basis for unerring educational and occupational decisions during all phases of life, 3. Increase professionalism of all coaches, counselors etc. in the field of education and job orientation, 4. Quality assurance and evaluation of supply in the field of information and orientation and 5. Enlarge accessibility for new target groups – all people should be accessed who are in need of support. (BMUKK & Steirische Volkswirtschaftliche Gesellschaft, 2011)

The Austrian Government Program for 2008-2013 includes the following issues in the context of education and work:

- Work: Career Information and Training (Austrian Government Program 2008, pp. 24):
  - Improvement of vocational information and guidance at the Austrian Labor Market Service (Arbeitsmarktservice);
  - Mandatory career information and counseling at schools (7th and 8th grade) through increased cooperation between schools and external partners (Wirtschaftskammer, Arbeiterkammer, Arbeitsmarktservice, and companies);
  - Expansion of educational guidance – cooperation of responsible authorities;
- Youth Policy: Vocational- and Educational Orientation (Austrian Government Program 2008, p. 157):
  - In clearly defined criteria and within the existing curriculum for all students career guidance from the 7th School level, with special consideration of breaking gender stereotypes as well as networking with industry;
- Education (Austrian Government Program 2008, pp. 195):
  - Guarantee Education: activities towards vocational and educational orientation should support young people to find appropriate education;



# New Challenges of Economic and Business Development – 2012

May 10 - 12, 2012, Riga, University of Latvia

- Career guidance and counseling: should be increased in the 7th, 8th and 9th grade. This should help young people and their parents in making good educational and vocational decisions. Vocational orientation should be offered in cooperation with experts from outside schools counseling agencies. Intensive cooperation between schools and higher educating schools should help to improve decision regarding studying subject. Additionally a new program for vocational and educational counseling should be offered at public colleges for education;
- Adult education: further improvement of educational guidance for adults should be achieved through professionalization of counseling with modern counseling instruments. (Third paragraph);
- Science (Austrian Government Program 2008, p. 207): specific approaches to increase graduate- and success-quotes:
  - Intensive cooperation between secondary schools and higher educating schools like universities regarding individual study field decision making;
  - New forms of individual support such as tutoring (accompany students at universities) and coaching (experienced students assist younger students) should be supported.

All above statements seem to support the investigated hypothesis. It seems like in Austria there is a need for improvement in decision making processes, optimization and support in career management skills and decision making strategies.

## 8. Critical Analysis and Conclusion

As the main hypothesis of this paper seems to be supported by the findings it appears to be necessary to look at it from a business and human resource management point of view to analyze the impact on organizations.

Human resource management with its staffing and employee selection processes today have to obtain people with appropriate skills, abilities, knowledge and experience to fill jobs in the work organization. (Bratton & Gold, 2000, pp. 15)

According to Cook (Cook, 2009, p. 13) information used in employee selection is divided into five main types: self-reported, reported, demonstrated (test and behavioral), recorded and involuntary information. Recruiting and the selecting process are carried out with different methods and tools with which information from job candidates are analyzed for the purpose of prediction their future job performance. Cook lists a number of traditional and newer selection assessment methods of which most of them can be found in standard human resource management literature: application form, CV, resume, traditional interview, references, electronic application, structured interview, peer rating, mental ability test, job knowledge test, achievement test, personality questionnaire, honesty test, projective test, biodata, assessment center, group exercise, behavioral test, simulation, emotional intelligence, situational judgment, social intelligence, work sample test (trainability test) and physical ability tests. (Cook, 2009, p. 11) The types of selection practices vary across countries like e.g. presented by Dany and Torchy. (2009, cited in Cook, 2009, p. 20)



# New Challenges of Economic and Business Development – 2012

May 10 - 12, 2012, Riga, University of Latvia

---

Especially when relying on self-reported information about potential candidates the necessity for the highest possible level of individual self-reflection regarding interests, values, visions and goals seems to be essential not only for individuals but also for companies and their recruiters.

This seems also to apply from a decision theory point of view. Decision efficiency is defined as a decision which leads to the achievement of all given goals with a relatively low amount of resources, meaning at the best ratio of input and output including tangible (material) and intangible (mental) costs. (Gzuk, 1988, p.127, cited in Büschen & Everling, 2007, p. 326). It is stated that an increase of information and instruction level for decision making problems will increase rationality in managerial decision making processes. Higher degrees of rationality strongly tend to induce higher degrees of decision efficiency and better outcomes. (Neuert, 2004, p. 6)

Combining the insights of this research paper regarding happiness, career management skills in Austria, employee selection processes and decision theory this leads to the following conclusions:

It seems obvious that employers benefit from happy employees. To some extent happiness can be influenced within companies by job satisfaction initiatives. But especially the influence of hiring people who got a realistic chance to get happy in a particular job and organization seems to be important.

As stated above it seems like the hypothesis of this paper is supported by the findings and that in Austria there is a need for improvement in decision making processes in and optimization and support of career management skills and decision making strategies.

Obviously there are approaches and various programs implemented in Austria today to assist individuals in orientation and decision making regarding education and career planning. How far these programs are targeted towards happiness can be questioned. It is an aspect of orientation but also other aspects like lack of specialists in different working fields will very probably be considered. Of course there will also be differences in quality between the offered programs.

Human resource management today offers various tools and approaches for the investigation of peoples' characteristics like skills, experiences or personality. Depending on the type of employee selection methods the information level gained about potential candidates will differ. Especially for self-reported information there seems to be the need for challenging it due to the fact that career management skills and self-orientation in Austria at least among young people seems to lack sufficient competence due to findings.

The question or hypothesis whether an increase of information regarding self-reflection, educational choices and opportunities really increases the efficiency of decision making processes toward happiness still has to be investigated. According to decision theory this should be the case. Empirical studies might be able to further investigate in this topic. This might be an implication for further research.

## 9. Managerial Implication

The findings in this research paper show that happiness of employees is a relevant issue for companies due to its impact on relevant company objectives.



# New Challenges of Economic and Business Development – 2012

May 10 - 12, 2012, Riga, University of Latvia

Human resource managers should learn from the insights gained from happiness research which says that humans and therewith potential employees do not always behave and decide rationally towards happiness.

Also the obvious need in Austria for educational and vocational orientation, decision making and career management skills, seems to further indicate that individuals may not always be able to well reflect on themselves towards happiness and evaluate organization and job matches accordingly.

The managerial implication of this paper is that companies with their human resource departments and especially their recruiters should clearly investigate and strongly focus on how well applicants are aware of happiness factors and how self-reflected they are. Finding out about interests, talents, strengths, passions and challenging a realistic self-evaluation might contribute to better employee selection decisions. The methods or techniques to use for these processes can vary and the quality of each of them should be evaluated regarding their validity and reliability in this context. The aspects of happiness should be challenged in staffing processes in order to be able to avoid the negative impacts of unhappy workers and to enhance the positive effects.

## 10. Implication for further Research

Following the analysis from above it would be interesting to empirically test whether an increase of information level regarding self-reflection and orientation has the potential to increase the efficiency of decision making processes of individuals toward happiness. Similarly it would be interesting to further investigate the impact on decision efficiency in human resource management and their staffing and employee selection processes.

## References

1. Austrian Government (2008): Regierungsprogramm für die XXIV. Gesetzgebungsperiode. Online: [www.oevp.at/Common/Downloads/Regierungsprogramm2008-2013.pdf](http://www.oevp.at/Common/Downloads/Regierungsprogramm2008-2013.pdf), per 19.11.2011.
2. Biswas-Diener, R.; Dean, B. (2007): Positive Psychology Coaching – Putting the Science of Happiness to Work for Your Clients. New Jersey: John Wiley and Sons.
3. BMUKK – Bundesministerium für Unterricht, Kunst und Kultur (2009b): IBOBB – Information, Beratung und Orientierung für Bildung und Beruf. Vienna: Austrian Federal Ministry for Education, Art and Culture, Online: [www.bmukk.gv.at/schulen/bo/bok/ibobb.xml](http://www.bmukk.gv.at/schulen/bo/bok/ibobb.xml), per 19.11.2011.
4. BMUKK – Bundesministerium für Unterricht, Kunst und Kultur; Steirische Volkswirtschaftliche Gesellschaft (2009): Lifelong Guidance Strategieentwicklung in Österreich. Online: [www.lifelongguidance.at/qip/mm.nsf](http://www.lifelongguidance.at/qip/mm.nsf), per 19.11.2011.
5. Bratton, John; Gold, Jeffrey (2000): Human Resource Management – Theory and Practice, 2nd Edition. Lawrence Erlbaum Associates, 432 p.
6. Bundesministerium für Unterricht, Kunst und Kultur (2008): Educational Opportunities in Austria. Vienna: Austrian Federal Ministry for Education, Art and culture, Department V/4, Online: [www.bmukk.gv.at/medienpool/9043/bw\\_engl.pdf](http://www.bmukk.gv.at/medienpool/9043/bw_engl.pdf), per 19.11.2011.
7. Büschen, Hans E.; Everling, Oliver (2007): Handbuch Rating, Second Edition. Wiesbaden: Gabler Verlag.
8. Cook, Mark (2009): Personnel Selection: Adding Value through People, Fifth Edition. New Jersey: Wiley-Blackwell, 376 p.



## New Challenges of Economic and Business Development – 2012

May 10 - 12, 2012, Riga, University of Latvia

9. Dany, F.; Torchy, V. (1994): Recruitment and selection in Europe: policies, practices and methods. In: C. Brewster, A. Hegewisch (eds.). *Policy and Practice in European Human Resource Management: the Price Waterhouse Cranfield Survey*: Routledge, London. In: Cook, Mark (2009): *Personnel Selection: Adding Value through People*, Fifth Edition. New Jersey: Wiley-Blackwell, 376 p.
10. Drucker, P.F. (2002): *Managing Oneself*. In: *Harvard Business Review on Managing Your Career*, originally printed in 1999, pp. 73-97.
11. European Lifelong Guidance Policy Network (2010): *A Report on the Work of the European Lifelong guidance Policy Network 2008-10 – Short Report*. Online: [www.lifelongguidance.at/qip/mm.nsf/0/E8C6BAB0F6542944C12578B60043575F/\\$file/English\\_ELGP\\_N\\_Short\\_Report.pdf](http://www.lifelongguidance.at/qip/mm.nsf/0/E8C6BAB0F6542944C12578B60043575F/$file/English_ELGP_N_Short_Report.pdf), per 19.11.2011
12. Faragher, E.B.; Cass, M.; Cooper, C.L. (2005): The relationship between job satisfaction and health: a meta-analysis. In: *Occup Environ Med*, Vol. 62, No. 2, pp. 105-112.
13. Frey, B. (2008): *Happiness: a revolution in economics*. Cambridge: The MIT Press.
14. Frey, B.S.; Frey Marti, C. (2010): *Kompaktwissen: Glück – Die Sicht der Ökonomie*. Zürich: Ruegger Verlag.
15. Hunt, Steven T. (2007): *Hiring Success – The Art and Science of staffing Assessment and Employee Selection*. New York: Wiley & Sons (282 p.)
16. Komisar, R. (2002): *Goodbye Career, Hello Success*. In: *Harvard Business Review on Managing Your Career*, originally printed in 2000, pp. 23-47.
17. Layard, R. (2009): *Die glückliche Gesellschaft, Was wir aus der Glücksforschung lernen können*, Second Edition. Frankfurt: Campus Verlag.
18. Maslow, A.H. (1943): *A Theory of Human Motivation*. In: *Psychological Review*, Vol. 50, pp. 370-396.
19. Neuert, J. (2004): *The Logic of Managerial Decision Making Processes – Rational Conduct in The Context of Multiple Behavioural Patterns: Conjectures and Refutations tested via an Experimental Investigation*. In: *Journal of the Academy of Business Administration*, Le Moyne.
20. Schmied, C. (2011a): *Beratung und Orientierung sind der Schlüssel für gelungene Bildungs- und Berufsentscheidung*. Online: [www.bmukk.gv.at/schulen/bo/index.xml](http://www.bmukk.gv.at/schulen/bo/index.xml), per 19.11.2011.
21. Schmied, Claudia (2011b): *Studienwahlberatung NEU – Maßnahmenpaket zur Unterstützung der Studienwahlvorbereitung*. Vienna: Austrian Federal Ministry for Education, Art and Culture, Online: [www.bmukk.gv.at/studienwahlberatung](http://www.bmukk.gv.at/studienwahlberatung), per 19.11.2011.