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Referral Programs 2.0: How Social Networking Maximizes Referrals

Introduction

In 2000, Mark Zuckerberg was a high school student studying classical literature and creating computer programs for his friends and family. Four years later, from the confines of his Harvard dorm room, he would launch one of the most revolutionary and popular Websites to date. Introduced as a social network Website for Harvard students, Facebook quickly spread to university students across the United States and the world. Eventually, it was opened up to everyone 13 or older with an e-mail address. Today, it has hundreds of millions of users and is in the process of changing the way we network socially and professionally.

In 2000, many professionals were still networking via Rolodex. Today, companies and their employees are using social networking Websites such as Facebook, LinkedIn, and corporate social networks to connect and to create business opportunities. Although only time will reveal the full potential of online social networking and referral programs, many organizations have already begun to harness the power of these programs to drive referrals, recruiting, and the bottom line.

This white paper explores the concept of *social recruiting*. It offers examples of how forward-thinking companies have incorporated alumni and social networks into their daily recruiting practices. And it predicts how social media-savvy businesses will operate in the coming decade. Finally, it explains what organizations can do *now* to get ready for 2020.

Globalization, Demographics, and the Social Web

People today are living longer than ever before, and research shows that they will be working longer as well. In a survey of working adults, the World Health Organization found that most people intend to continue working into their mid- to late-70s if they are physically able. In addition, Pew Research found that 33 percent of workers between the ages of 50 and 64 report delaying retirement because of the economic downturn. According to Facebook statistics in 2011, 35- to 54-year-olds represent the fastest-growing age group among its users. Judging from these facts alone, many generations of tech-savvy employees will be entering the workplace.

In her book *The 2020 Workplace—How Innovative Companies Attract, Develop, and Keep Tomorrow’s Employees*, Jeanne C. Meister (founding partner of Future Workplace) predicts that three forces—globalization, demographics, and the social Web—will greatly influence future business. Meister predicts that by 2020, global access to markets and talent will have reshaped business; five generations will be working side by side; and social media will be used to connect employees, customers, and partners for immediate communication.

Social Recruiting

Today’s recruiting professionals confront many of the same challenges they have faced for years; what’s different is the way they are tackling these challenges (which include global expansion, finding and attracting talent, building relationships, and communicating company values).

While companies continue to employ traditional recruiting methods such as job boards and on-campus interviews, they are increasingly supplementing them with social recruiting techniques. KPMG, Deloitte, and Ernst & Young provide three examples of organizations that are creatively integrating social recruiting into their overall talent strategies:

- KPMG redesigned its marketing materials into short video clips in which partners and managers talk about their jobs and what they are looking for in prospects.
- Deloitte held a film festival in which new hires made short movies about what they thought Deloitte was all about.
- Ernst & Young has begun using Second Life, an online 3D world, to conduct job interviews to determine whether new prospects can thrive in a Web 2.0 environment. For Ernst & Young, recruiting on Second Life has not only helped, it has led to substantial business savings from reduced travel and recruiting material costs.

Use of social recruiting is most prevalent among professional service firms, because they represent the companies hiring candidates in their 20s (that is, those who have grown up using Web 2.0).

IBM uses online social networking to manage its alumni, combining the concepts of social media and a private community. Through its alumni site, IBM connects alumni around the world. In turn, IBM stays connected with past and present “IBMers.”

TABLE 1. HOW RECRUITING FACES CHALLENGES

CHALLENGES	TRADITIONAL RECRUITING	SOCIAL RECRUITING
Expanding globally	Recruiting fairs in high-growth countries	Sourcing of candidates on social networks
Finding talent	On-campus interviews	Facebook groups, crowd-source job specs
Attracting talent	Job boards, search firms	YouTube channels, employee video contests
Building relationships	Several face-to-face interviews	Twitter groups, parents-at-work programs
Communicating company values	Research on company Website	Links to company YouTube channels, Facebook groups, or Twitter posts

Creating a custom, secure networking site for corporate alumni helps drive recruiting in various ways. Yesterday's employees can become referrals for tomorrow's new hires. Reaching out to alumni online can help a company

- Build a pipeline of readily accessible talent
- Actively manage employment brand with key influencers
- Drive new business
- Create new affinity groups

Boomerang employees—rehires who are active on a company's alumni network—are hired 50 percent faster and remain with a company twice as long as other employees, according to a December 2009 survey of 60 global organizations conducted by SelectMinds (acquired by Oracle in November 2012). Indeed, many organizations find that past employees are a fruitful source for new hires. Companies like J.P. Morgan, ADP, and IBM all have alumni networks that allow former employees to interact. 40 percent of organizations use social networking to stay in touch with former employees, and another 29 percent plan to implement some type of corporate alumni networking within the next 12 months, according to Meister.

J.P. Morgan has about 10,000 people registered on its online social network, which is serving as a powerful recruiting tool as well as a meeting place for niche groups. For instance, a group of former J.P. Morgan female employees who serve on corporate boards connected online to share information about their experiences.

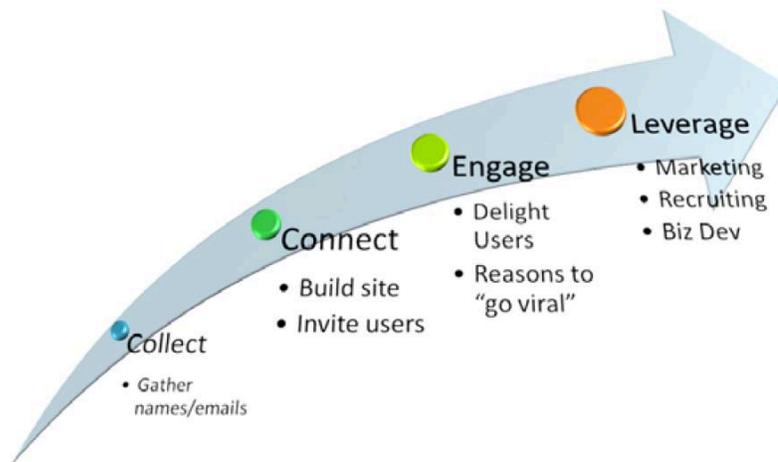


Figure 1. The four pillars of effective social networks.

Meister identified four pillars of an alumni network: collect, connect, engage, and leverage:

- **Collecting** involves gathering names and e-mail addresses of alumni.
- **Connecting** means building a Website and inviting users to participate.
- **Engaging** alumni means giving them something exciting and creating reasons to “go viral.”
- **Leveraging** the alumni network involves using it for marketing, recruiting, and business development.

Predictions

In her book, Meister makes many predictions about how social recruiting will affect the future of business; this white paper examines five of them. First, she predicts that people will be hired based on *reputational capital*. Just as people today are building Web-based social networks with friends, family, and associates, in the 2020 workplace they will be building personal brands online. Reputational capital will be based on expertise, as well as depth and quality of social network. However, it will not be enough to just have a lot of Web followers and connections. Social networks will be judged by their effectiveness in driving business results. In a job posting for a manager of social media, Best Buy required that candidates have at least 250 Facebook followers and 200 LinkedIn connections. The reason? The e-commerce site wanted assurance that the person in charge of its social media efforts would be able to drive results—and those numbers provided that assurance.

For her second prediction, Meister borrows the Apple slogan “There’s an app for that!” With phones now outnumbering people, Meister predicts that in 2020, most people will be accessing the internet via smartphones. In response, many companies are already using mobile devices to educate and connect employees. Watson Pharmaceuticals, for example, developed an app that provides videos about diseases to better inform its sales reps, and more companies will be introducing “wearable training” devices to disseminate product knowledge.



Figure 2. The employee/alumni value triad illustrates the relationships between recruiting, global branding, and business development through the referral engine of a network.

Third, Meister predicts that a *2020 mindset* will be required. Part of that mindset will entail developing skills in global citizenship. For example, if business is growing in the BRIC (Brazil, Russia, India, and China) countries, companies and employees will need to learn more about those parts of the world.

Fourth, Meister predicts that employees will be expected to be involved in continuous learning—and that mobile devices and social networking will be key to this effort. With mobile devices rapidly becoming the medium for conducting business, many universities are using these devices to deliver knowledge. Organizations need to follow suit, using mobile devices to keep their employees informed and efficient.

Finally, as more and more emphasis is placed on social networking and learning online, the fifth prediction almost goes without saying: companies will require that their employees be literate in social media. Intel, for example, has created a program to develop its employees' *digital IQ*, or knowledge of social media and online learning.

With the business world's shift into the digital realm well underway, there are several things companies can do to leverage social media. First, organizations should redefine their recruiting programs to emphasize social recruiting. Not only is social media the most likely place to find new (especially young) hires, employees with skills to navigate the digital world will be in demand in the years to come. Extending recruiting to alumni will be imperative, and it will be easier than ever given the availability of resources on the internet. Measuring the business impact of networking with alumni will be likewise imperative, to make sure a company's efforts positively affect its bottom line.

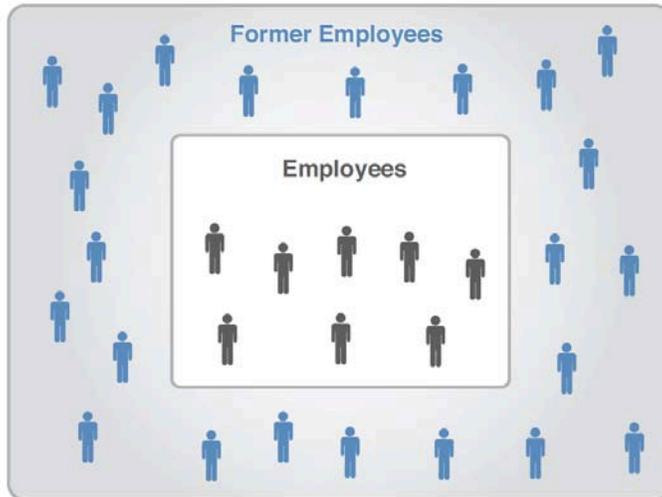


Figure 3. Maximizing a firm's brand ambassadors.

Cost to hire, quality of hire, and time to hire are all greatly improved when a company enlists a referral-based social recruiting strategy. To maximize the potential of social recruiting, many organizations are making significant investments in the social marketplace.

The savvier of these organizations realize the importance of including all brand ambassadors. This means involving more people in their recruitment efforts and training employees to be brand ambassadors. Alumni also act as a critical referral engine for companies—and because alumni are perceived to be unbiased, the talent pool values their opinions (much as they do the anonymous reviews on Websites such as Amazon).

Building Trust and Maximizing Referrals

Trust is by far the biggest factor in creating a successful social referral network. According to data gathered by Staffing.org in its 2010 Recruiting Efficiency Report, candidates rely heavily on employee and alumni comments in deciding to apply for positions. With only 8 percent of the people viewing jobs online actually applying for them, a company's relationship with current and former employees can provide the tipping point in getting people to step up and apply. Improving the connection to candidates through social networking improves the chances of a candidate applying.

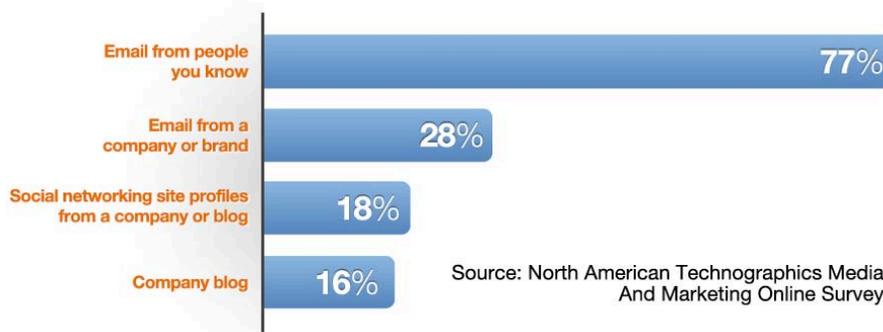


Figure 4. Which information sources do you trust?

Even in the Web 2.0 world, most companies' referral programs are still primarily manual, requiring extra work from employees, who must look through jobs and contacts to find potential hits, forward the right jobs to the right candidates, and repeat the process as needed. Using Web 2.0, a recruiter should be able to send jobs to the people who fit a position or who have contacts who fit the position. The result: greater market penetration and a more elegant process.

Essential to attracting and retaining talent, trust is what fuels any effective referral program. In the Web 2.0 world, however, too many companies have traded trust for reach. Most of the firms that have done so have seen candidate quality diminish. Social networks comprise trusted networks between people. Firms that attempt to use the social Web to build one-on-one trust with individuals typically find challenges, while firms that leverage the trust that employees and former employees have built up in *existing* social graphs have more success. Social recruiting is not about casting the net wide at the expense of trust. Instead, it should be about scaling the quiet conversations that happen between trusted colleagues. That is where social recruiting can deliver its real value.

Conclusion

As the business world undergoes rapid change, all signs indicate that social networking will be an indispensable part of any successful recruiting program. As Websites such as Facebook, Twitter, and LinkedIn become ubiquitous at home and at work, new employees will bring their expectations of instant communication and knowledge into their jobs. Companies can maximize the potential of their employees' and alumni's social networks by using them as a recruiting army to spread job listings and perpetuate their brands.



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