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# The Shortest Path to Better Hires: Best Practices for Employee Referral Programs

## Introduction

Referrals make the best hires—a fact that comes as no surprise to corporate recruiters. After all, it makes sense that the people closest to your best employees are also likely to be good employees. That's why more and more forward-thinking HR departments are trying to optimize their employee referral programs (ERPs) to yield a greater number of high-quality referrals. In fact, it's not uncommon for HR staffs to set out to increase employee referrals by 50 percent.

Think about it: What if you could substantially increase your percentage of hires made from employee-initiated referrals? What impact would this have on your recruiting budget and bottom line? There are all kinds of ideas floating around the recruiting industry about how to optimize ERPs to improve referral quality while reducing time to hire and cost per hire. This white paper details some best practices you can employ to take your ERP to the next level, as well as the technology required to support those best practices.

## Best Practices for a High-Performing Employee Referral Program

To understand the value of referrals, consider the following:

- On average, it takes just 10.4 referrals to lead to a hire.<sup>1</sup>
- Referrals account for anywhere from 24 percent to one-third of all hires in typical companies.<sup>2,3</sup>
- By launching an effective ERP, Vistaprint increased referrals from 19 percent to 42 percent of its total hires in one year.<sup>4</sup>
- Some companies make as many as 75 percent of their placements through referrals.<sup>5</sup>
- Referral hires perform 3 percent to 15 percent better than hires from other sources.<sup>6</sup>
- Referral candidates accept offers 15 percent more often than regular candidates.<sup>7</sup>
- A Workforce Management and Ohio State University study found that candidates hired through an employee referral had a 25 percent higher retention rate than those hired through other means.<sup>8</sup>
- Referral candidates perform better than candidates from other sources. When online services provider Hinda Incentives launched an ERP, it garnered 22 referrals and made 15 hires. The company not only saved US\$36,000 in hiring fees but also enjoyed a retention rate of 93 percent among its hired referrals.<sup>9</sup>

What does an effective ERP look like? Lou Adler, CEO and founder of the Adler Group, promotes the concept of a *proactive ERP* (PERP):

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<sup>1</sup> Zappe, John; “Employee Referrals May Be Even More Effective Than We Think”; ERE.net; January 31, 2012.

<sup>2</sup> Society for Human Resource Management (SHRM), “SHRM 2001 Employee Referral Program Survey.” [shrm.org/research/surveyfindings/documents/employee%20referral%20programs.pdf](http://shrm.org/research/surveyfindings/documents/employee%20referral%20programs.pdf)

<sup>3</sup> Sullivan, Dr. John; “Advanced Employee Referral Programs—Best Practices You Need to Copy”; ERE.net; June 14, 2010.

<sup>4</sup> Orgel, Marty; “It’s Who You Know”; The Wall Street Journal MarketWatch ([marketwatch.com](http://marketwatch.com)); February 10, 2010.

<sup>5</sup> Ibid.

<sup>6</sup> Arnold, Jennifer Taylor; “Employee Referrals at a Keystroke: Your Employees Could Be Your Best Source of Job Candidates—Especially If Your Computer System Efficiently Handles and Tracks Their Referrals”; *HR Magazine*; March 12, 2007.

<sup>7</sup> Ibid.

<sup>8</sup> Raymond, Pamela; “Employee Referral Programs”; [blog.ej4.com](http://blog.ej4.com); September 2, 2011.

<sup>9</sup> Rewards and Recognition Expo, “Put Your Recognition Program Online,” [nyirr.com/resources/9202\\_Put\\_Your\\_Recognition\\_Program\\_Online.14.html](http://nyirr.com/resources/9202_Put_Your_Recognition_Program_Online.14.html).

*PERP changes the game. The idea here is to set up internal company programs for employees to proactively connect with the best people they've worked with in the past, independent of their 'friendship' status.... Regardless of the social media platform, PERP allows you to dramatically expand your employees' network of top people....*

*Having a database of resumes... is less advantageous than having a deep network of direct connections to the best people pre-qualified and referred to you by your own employees. With this type of virtual talent community in place, once a requisition is opened you'll instantly see a pool of potential prospects emerge. Your employees will be automatically notified that one of their connections could be a good fit for the new career opportunity. They then can decide to contact the person directly, send an email, have a recruiter make the call, or suggest the match is not appropriate. As long as the posting represents a great career opportunity and the connection is a strong match, some type of contact will likely be established.<sup>10</sup>*

This is a reliable blueprint for any successful ERP. But how do you begin constructing such a program? Creating a successful ERP entails more than just writing policies and creating back-end processes. You'll also need to focus on marketing your program, enhancing the employee experience, and optimizing the candidate experience.

## Marketing Your Employee Referral Program

An ERP must consist of more than just an intranet page. To drive participation in your ERP, you will need to market it to your entire employee base. To keep your ERP top of mind with employees, consider implementing any or all of the following marketing components:

- A catchy program name, punchy tagline, and custom logo—as well as messaging that stresses the benefits to the employee, as well as to the company and the employee's friends
- Branded giveaway materials such as mouse pads, water bottles, coffee mugs, laptop bags, and apparel
- Periodic awards ceremonies (where employees earning referral bonuses receive sweepstakes-style oversized checks)
- Quarterly prize drawings for employees who make successful referrals (with prizes in addition to any predetermined bonus checks)
- A regularly scheduled program newsletter that includes interviews with employees about how they have used their bonuses
- Targeted messages to employees in specific geographies or to those likely to have connections that could help fill your hottest job openings

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<sup>10</sup> Adler, Lou; "Why Virtual Talent Communities Represent the Future of Sourcing"; ERE.net; October 13, 2011.

## Enhancing the Employee Experience

To optimize your ERP, you need to deliver a positive referral experience for your employees. You can increase employee participation by making it easy for them to source talent. Your ERP should help you

- Increase the volume and quality of your referrals
- Prioritize and follow up with recruiters, employees, and candidates
- Motivate employees to keep referring talented contacts

You can achieve these goals by focusing on three central tasks:

- **Ask employees regularly for referrals.** Send automated, targeted e-mails encouraging employees to submit the names of their most qualified contacts.
- **Help employees dig into their social networks.** Don't assume that your employees will remember all the relevant contacts in their Facebook or LinkedIn accounts. Chances are, they have hundreds or even thousands of connections and won't be able to recall offhand which of them are good fits for any specific open position. Instead, use social matching technology to make these connections automatically.
- **Help employees share jobs quickly and easily.** Employees don't want to add more footwork to their schedules, even if there's a chance of earning a \$1,000 bonus check. If you want to maximize participation in your program, you'll need to make referring friends a matter of just a few simple clicks. You'll also want to optimize your program for mobile devices, allowing employees to make referrals whenever they have downtime—inside or outside the office.

As you optimize your ERP, you should frequently reassess your rewards to determine whether they're serving two key functions: driving employee participation and ensuring high-quality referrals. To do so, you must ask yourself the following questions:

- **Do my employees value monetary rewards, gifts, or charitable donations most highly?** If you don't know the answer, consider running a survey.
- **Should we offer a choice of rewards?** Options drive participation—but too many can overwhelm, diminishing interest among would-be participants.
- **Is our program attracting top performers?** One way to drive higher-quality referrals is to offer bonuses that are paid only *after* a new hire has remained with the company for a set period of time—for example, 90 days.
- **Does our program build teamwork and pride among the workforce?** Cash awards will convince most employees to take notice, but recruiting thought leader Dr. John Sullivan believes that you should “instill in your employees that the primary reason that they should refer people is because

the team wins ‘when it has the best players.’ It is a superior motivator over monetary rewards, because it turns referrals into an opportunity to provide their teammates and themselves with the very best coworkers.”<sup>11</sup>

## Optimizing the Candidate Experience

In their hurry to make their company ERP as easy and as appealing as possible for employees, organizations run the risk of neglecting to optimize the candidate experience. However, they do so at their own peril:

*The candidate experience is finally getting the attention it deserves—organizations have never treated candidates as well as they did their customers, but the high jobless rate has allowed corporations to essentially abuse some applicants. As competition for talent increases and as more applicants visit employer criticism sites like Glassdoor.com, talent leaders will be forced to modify their approach.*<sup>12</sup>

As you work to provide the best possible candidate experience, keep in mind that you’re not just striving to avoid committing breaches of etiquette and other relatively minor mistakes. Providing a positive candidate experience enables your company to build a superior employment brand. This, in turn, will help ensure a pipeline of talent for future open positions:

*Employer branding and building talent communities are the only long-term strategies in recruiting.... The increased use of social media and frequent visits to employee criticism sites (like Glassdoor.com), make not managing employer brand perception a risky proposition. While corporations will never control their employer brand, they can monitor and influence in a direction that isn’t catastrophic to recruiting and retention.*<sup>13</sup>

How can you begin monitoring and influencing your employer brand? While you can’t control everything said about your company on the Web, you can build a talent community in which registered users can stay in touch with your company. Use this community to provide resources aimed at advancing the careers of your users. Show that you’re interested in helping candidates, not just your HR department. You’ll find that candidates begin to do much of your marketing for you, spreading the word about how much they gained by making contact with you.

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<sup>11</sup> Sullivan, Dr. John; “The Complete List of Employee Referral Program Best Practices”; ERE.net; August 15, 2011.

<sup>12</sup> Sullivan, Dr. John; “10 Predictions for 2012: The Top Trends in Talent Management and Recruiting”; ERE.net; December 5, 2011.

<sup>13</sup> Ibid.

## Oracle Taleo Social Sourcing Cloud Service

Employers looking to enhance their ERPs must market them effectively while making the referral process as easy as possible for employees and candidates. Oracle Taleo Social Sourcing Cloud Service is designed to do just that.

With Oracle Taleo Social Sourcing Cloud Service, your current and former employees use a custom-branded interface to receive alerts on open jobs in your organization. The system automatically matches these opportunities to each participant's social connections and then serves up referral suggestions. Making a referral is as easy as clicking your mouse. People who receive referrals can either apply to the jobs themselves or forward them to their own contacts. There's no need for employees to visit the actual social networks to make referrals—Oracle Taleo Social Sourcing Cloud Service automates the process.

In addition, Oracle Taleo Social Sourcing Cloud Service gives your recruiters a real-time view of referral activity, total job views, and applications received. Because referred candidates are typically the best candidates (as well as the fastest and cheapest to hire), your recruiters can leverage Oracle Taleo Social Sourcing Cloud Service as a cost-effective funnel of high-quality talent. Throughout the referral process, Oracle Taleo Social Sourcing Cloud Service reduces your administrative burden by automatically tracking referral rewards and collecting information for ROI reporting.

## Conclusion

What will the next few years bring for employee referral programs? More and more such programs will focus on the following:

- Using social recruiting to scale up the flow of referrals
- Fully leveraging employees' social connections
- Allowing employees and candidates to navigate the referral process on their mobile devices
- Optimizing referral policies based on lessons learned from real-time data
- Treating candidates as respectfully as if they were paying customers

In this way, companies will reap the benefits of improving referral quality while reducing time to hire and cost per hire.



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