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The Talent Report

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For executives who hire top talent

Getting the best return from your employee referral program

In companies with strong talent management practices, up to 50% of their new hires come from employee referrals!

In this issue of *The Talent Report*, I'll discuss how you can get the biggest return from your employee referral program -- whether your program has opportunities for improvement or it's already a top performer.

First, why bother?

Quite simply, an employee referral program is the easiest and fastest way to improve staffing ROI. When executed well, this type of program can:

- **Save your company significant time and money.** Your sourcing is taken care of through your employees, thereby decreasing recruiting costs and improving your time-to-fill positions.
- **Increase the caliber of your new hires.** Good people refer and attract other good people.
- **Improve morale, build trust and decrease early terminations.** People want a buddy at work. They like working with people they know, and they're likely to stay in jobs where they have a strong network.

#1 reason for unsuccessful employee referral programs

So the question is, why are so many employee referral programs less effective than they could be?

Four words: Lack of follow-through.

The top factor in unsuccessful employee referral programs is slow or non-existent follow-through to the employees who made the referrals, as well as the candidates they recommended. When companies don't follow up, they send a message that input from their employees isn't important or valued (whether they intend to send that message or

The most efficient and effective source of external hires

Research shows that referrals account for almost 27% of all external hires, making

not).

Ultimately, poorly run referral programs create ambivalence, distrust and frustration.

The best referral programs provide quantitative feedback to employees **within 24 to 72 hours** of them submitting a candidate's name. In addition, each candidate is contacted by email or for a phone pre-screen within that time frame.

Even if the candidate isn't the right fit for your organization, it's important to close the loop with the employee who recommended that person. It's an opportunity to educate your employees on the skills that your organization needs. Not to mention, employees who are contacted promptly and with respect are more likely to refer future candidates, even if their first submissions aren't hired.

referrals the top method of sourcing external hires (over job boards and other sourcing channels).

One person is hired for every 15 referrals, making referrals the most efficient source of hires as well.

Source: CareerXRoads 9th Annual Source of Hire Study, February 2010.

Best practices from real companies

If you're looking for ways to elevate your employee referral program, consider these best practices:



- 1. Develop a service-level agreement** (Aricent). To increase the responsiveness of your line managers, put service-level agreements in place that spell out processes and expectations. For example, every referral from an employee will be contacted within 48 hours by letter, phone or email. HR will call or email employees who make referrals to personally thank them and let them know that their candidate has been contacted.
- 2. Hold follow-up interviews with employees** (Amazon). Following a successful referral, contact the referring employee to thank him or her. Find out how that employee sourced the hire. For example, is the new hire the employee's friend, a past colleague or a fellow association member? It may give your company new ideas on where to recruit or advertise. Ask the employee for more referrals.
- 3. Prioritize jobs within your referral program** (Accenture, Aricent). Focus your employee referral program on critical, revenue-generating jobs, as well as "hard-to-fill" positions. This may mean offering a higher referral reward for these positions or only paying for referrals for these types of roles (rather than paying for all your job openings).
- 4. Allow non-employee referrals** (Internosis and CACI). Allow corporate alumni, consultants, customers, references and other stakeholders who are interested in the success of your organization to participate in your referral program.
- 5. Reward referrals even if they don't lead to a hire** (Accenture). Offer small rewards for the introduction of any quality candidate, rather than just a successful hire, to encourage more referrals. (This is a growing trend.)
- 6. Increase recognition to grow participation.** Publicly recognize employees and managers for participating in the referral program, such as through personalized thank you notes from executives or special lunches.
- 7. Ask for referrals from new employees** (Eli Lilly). Ask new hires to make referrals

during the onboarding process.

8. **Use metrics.** Measure the quantity and quality of hires from employee referrals. Track their tenure, contributions and impact on the organization, so your company can continually improve.

9. **Pay promptly.** Once the company brings that new hire on board, pay the employee who referred your new hire promptly.

Parting thoughts

Employee referral programs are one of the best ways to cost effectively bring great people into your organization. When done well, they can be one of your biggest assets for developing quality talent acquisition and retention.

Note: I've been asked why, as a Headhunter I share and promote ideas on how companies can improve their recruiting ROI. The simple truth is -- it's not about me. It's about you and what's best for your business. Everything has a place and time.

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