

Jobvite



The Recruiter's Insider Series:

Optimizing Your Employee Referral Program



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Welcome

Welcome to Optimizing Your Employee Referral Program: The Essential Guide!

This guide is designed to help:

- Companies interested in implementing an employee referral program—but that aren't sure how to start in today's socially networked world
- Companies with existing employee referral programs, looking to improve outcomes or fine-tune strategies

What will this guide do?

- Walk you through the primary benefits of a successful referral program
- Help you establish program goals
- Outline the tools your employees need to refer successfully
- Clarify next steps

Let's get started.





Lay the foundation

What is an employee referral program—and why do you need one?

An employee referral program is a mechanism by which companies can locate potential new hires through recommendations from employees they already trust.

This is advantageous for many reasons, but here are a few of the most important ones to bear in mind:

- **Quality.** When employees recommend someone for a job, they don't want to hand off a random, unqualified applicant. That will only make them look bad. In fact, employees will be more likely to vet their referrals closely, ultimately offering up only their most qualified friends and contacts—so right off the bat, you've got pre-screened candidates. Employee-referred new hires also tend to be higher performing right out of the gate—between 3% and 15% better, in fact¹. And they tend to stay with the company significantly longer over a three-year period, compared to those hired through career sites and job boards². This means you can minimize turnover to save time and money on recruiting efforts down the road.
- **Quantity.** If done properly, having your employees refer their various connections is like exponentially increasing your recruiting and sourcing potential. Furthermore, in a successful program where employees are incentivized to make referrals, you're more likely to gain access to passive candidates— those highly skilled and highly sought-after people who aren't actively looking for a new job, but who might be swayed by the right opportunity.
- **Speed.** Of course, the more people you have assisting you in finding the right applicants, the faster the hiring process usually goes. Research has shown that successful employee referral programs can speed the time-to-hire by 55% over career sites, not only because you have more candidates applying for open jobs, but because you can stockpile referrals to build a talent pool that's ready to apply³.



¹ <http://www.shrm.org/Publications/hrmagazine/EditorialContent/Pages/1006SRarnold.aspx>

² <http://recruiting.jobvite.com/resources/recruiting-data-employment-statistics-by-jobvite-index/>

³ <http://recruiting.jobvite.com/company/press-releases/2012/jobvite-declares-may-national-employee-referral-month/>



Setting goals: What do you hope to accomplish?

Whether you've got an employee referral program in place, or you're looking to launch something completely new, you should always consider your objectives.

Ask yourself the following questions:

- Have you tried a referral program in the past? Is it working—and if not, why?
- What are the immediate needs you hope to fulfill through employee referrals? What are your long-term needs?
- What are your resource constraints? Who will be working on this program, and what is your budget?
- Do you have executive buy-in? Will you have access to the tools and technology you need to succeed?
- How will you roll the program out? Do you have a way to boost employee involvement?
- How will you measure the success of your program? Will you have a timeline?





Think about it

What are your overall objectives with respect to employee referrals? Be as specific as possible.

What are your biggest obstacles or concerns?

What are your goals for the next six months?

What do you hope to accomplish within the next year?

Now that you have some written expectations for your program, let's take a look at how to put them into action.



Get employees on board

Clearly, one of the biggest concerns in any employee referral program is how to get employees to *actually refer people*. And not just once. You need a way to make sure that your employees are motivated to continue referring quality prospects—even when you have no open requisitions.

Here are a few elements that are critical to ensuring employee participation.

Incentives: Show them the money

Many companies use monetary incentives or bonuses to attract employees into referring people they know. The premise is simple: If an employee refers a prospect that is ultimately hired, the employee is compensated in some way. This approach typically works well because:

- The amount spent on referral bonuses is usually far less than what is spent on contract recruiter or agency fees—as much as five times less per hire—and results in higher quality hires in less time.
- Money is a great motivator.





However, there are some important things to remember when using incentives in your referral program:

1. Incentives don't have to be monetary or purely cash-based. Some organizations prefer alternative forms of recognition, such as awards, vacations, gift cards, stock options, and even employee-selected charitable donations.
2. Consider limiting the number of referral bonuses that employees can earn in a given time period. This is not meant to discourage employees from referring; rather, this should serve to remind employees that they should be highly selective in the candidates they send your way, particularly if only referrals resulting in hires will earn incentives.
3. When a role is particularly difficult to fill, you might opt to increase the reward. For example, consider doubling the incentive for a requisition that feels "impossible" to fill. This ups the ante and further motivates employees to dig deep for quality candidates.
4. If you plan to use incentives of any kind, you'll need a way to identify which employees are participating in the referral program—particularly if the same employees are consistently succeeding on the company's behalf. (We'll talk more about metrics and tracking later in this guide.)

Even if you limit employees to a certain number of paid referrals per year, you still want them to continue feeling motivated to refer their contacts—whether you have open requisitions to fill or not. Sourcing passive candidates through referrals is a great way to build an ongoing talent pool and ensure you have the right skills available for recruiting at the right time.

Think about it

Does your company currently use incentives to motivate employee referrals? If so, is the strategy working? Why or why not?



Platforms: Speak their language

Another element that's vital to promoting employee participation in a referral program is the use of familiar and convenient platforms. It's true that money is a fabulous motivator—but sometimes, even cash isn't enough to overcome frustration, difficulty, or laziness. You have to take a multi-pronged approach to reaching your employees. A simple poster in the elevator or a banner in the cafeteria absolutely will not cut it today.

The most successful referral programs are those that provide employees with a means for easily finding and submitting referrals from the connections they already have on the platforms they already use. (Hint: Think social media.)

If your employees are already well-connected with strong relationships on networks such as Facebook, Twitter, and LinkedIn, you should be using those connections to your advantage.

Here's why:

- Your employees already hang out with their online friends in these networks—typically on a daily basis.
- It's simple and fast to form connections and communicate with them online.

Before you let your employees roam free to recruit for you in the social ether, consider these questions:

- Do you have a written social media policy at your company? You might want one. A social media policy sets expectations for how employees should utilize social networks on the company's behalf. Don't go overboard, however. You trust your employees, and you're incentivizing them to refer their friends—so don't make blanket prohibitions about what they can and cannot post.
- Are you able to provide employees with the right tools to make social referrals straightforward? And can you follow up on social referrals quickly? It's one thing to encourage an employee to recruit her friends on Facebook—but you need a plan that takes the ball out of the employee's court after the referral has been made.

“...since the explosion of social media, you cannot have a well-performing referral program without also having a strong social media effort. This close link is required because most of the connections and the relationships that your employees now build with other professionals occur via social platforms. Employees who spend dozens of hours building these relationships must be able to easily convert them into referrals and those referrals must of course be handled with a high level of customer service.”

- Dr. John Sullivan, HR thought leader & expert, former Chief Talent Officer for Agilent Technologies

Source: <http://www.ere.net/2011/08/15/the-complete-list-of-employee-referral-program-best-practices-part-1-of-2/>



Think about it

Do you currently use social media in your recruiting or referral efforts? If so, how is it working out? Do you have areas of concern?



Culture: Make them like you

Finally—and this might seem fairly obvious, but it's worth stating—you need to be sure that your employees like where they work, so they feel good about referring their friends. You need a corporate culture that engages employees to encourage performance and participation. You also need a brand that speaks for itself, so prospects can easily see that your employees speak the truth.

Think about it

What is the defined vision for your corporate culture?

What type of employment brand do you have?

How are you seen online? Do you reinforce your employment brand through social media?

If you polled your employees, what would they say about their work environment?



Gather your tools

Now that you've given some thought to how you will engage your employees to participate more fully in a referral program, you need to think about how to put the gears in motion.

If the necessary players in a referral program are employees, their connections, and your recruiting team, then you need technology that effectively activates a functional workflow between these players.

Here's a checklist of some critical components to look for when exploring referral. Which are the highest priorities for your company?

<i>Foundation: The underlying platform</i>	
What	Why
<ul style="list-style-type: none"> <input type="checkbox"/> Open platform for integration <input type="checkbox"/> SaaS/Cloud deployment 	In order to be cost-effective as well as highly functional, successful referral technology should be built on a platform that is open and accessible. Seek a system that is designed specifically to integrate well with your existing recruiting tools, such as an Applicant Tracking System, or that provides APIs for your own customization.
<ul style="list-style-type: none"> <input type="checkbox"/> Mobile access <input type="checkbox"/> Web-based 	You want to be certain that employees, recruiters, and hiring managers can easily access the features of the system that they regularly use—regardless of where they are or what device they are on. This further speeds the time-to-hire process.
<ul style="list-style-type: none"> <input type="checkbox"/> Usability 	Always look for a platform that provides an intuitive interface that works the way you work. If your employees don't use the technology platform, you've wasted money, time, and effort.
<i>Features: All about social media</i>	
What	Why
<ul style="list-style-type: none"> <input type="checkbox"/> Comprehensive social media integration 	When it comes to referrals, you will not succeed today in boosting your rates and finding the right talent if you cannot integrate social networks into your referral strategy. Look for technology that's engineered around this fact. You want features that empower your employees to connect with the people they know on every major social network, from Facebook to Twitter to LinkedIn, and to easily share information about your job requisitions, your company, and your culture.
<ul style="list-style-type: none"> <input type="checkbox"/> Automation and scheduling of social job broadcasts <input type="checkbox"/> Matching algorithms 	Furthermore, look for capabilities that simplify the referral process for employees in order to encourage greater participation in your program. For example, the ability to schedule and automate broadcasts about job openings, or the ability to automatically sift through connections to match skills against open requisitions—anything that saves your employees time while increasing their odds of finding you a good candidate.
<ul style="list-style-type: none"> <input type="checkbox"/> Employment brand reinforcement <input type="checkbox"/> Passive candidate allure 	Consider which features will best help your employees continue to route referrals your way even when you have no relevant openings, such as integrated Facebook apps that create a career site right within your company page. This kind of positive brand reinforcement builds awareness about your company, even for passive candidates.
<i>Results: Tracking & Reporting</i>	
What	Why
<ul style="list-style-type: none"> <input type="checkbox"/> Real-time analytics <input type="checkbox"/> Reporting 	With the proper tracking and reporting capabilities, you can determine which employees are successfully referring candidates. This is vital if you plan to incentivize employees for their participation. Real-time data also gives you the immediate perspective you need to see what's working and what's not. If you spot areas for improvement, you can quickly re-calibrate to keep referral strategies on track.



Think about it

What are your company's most important priorities when it comes to referral technology?

What metrics would you consider necessary to your recruiting tactics?



Now what?

You find and implement the right technology for your recruiting strategy. If your results go the way of today’s statistics, you could see a dramatic rise in referred candidates—and they should be high-caliber candidates.

What do you do with the influx of prospect data? Are you ready to recruit referred prospects? Can you store information for those prospects that look good but aren’t immediate fits?

Rate your ability to take the following next steps after referrals come in:

What	Why	Scale (1=not prepared, 5=capable)
Build, store, and manage a centralized pool of skilled prospects.	This is how you maintain a ready database of talent, so you always have the skill sets you need on hand.	1 2 3 4 5
Engage prospects with regular communication campaigns.	Keeping prospects in tune with your open jobs, your corporate culture, and more is imperative to ensuring their continued interest.	1 2 3 4 5
Recruit the right candidates at the right time.	This step demands that you have the ability to integrate your talent pool with your Applicant Tracking System for easy, natural progression when the right job openings become available for key prospects.	1 2 3 4 5

It’s important to be prepared for what happens after your referral efforts succeed. Look for our upcoming Essential Guide on successful Candidate Relationship Management.



Conclusion

Employee referrals have proven to dramatically increase the chances of completing a hire. In fact, according to Jobvite data, the statistics show that one in seven referrals result in a hire, compared to one in 100 general applicants. ⁴That's pretty astounding—because the referral likelihood becomes exponential as you begin to deploy the right technology. Make it easy for employees to share jobs with their friends and social connections, and you can boost your referral program participation substantially.

As you embark on improving—or launching—your employee referral program, be sure to take stock of how well you are utilizing available technology to connect your employees to their social connections and back to your recruiting and hiring teams.

Did you know?

For Jobvite customers, every job requisition listed results in an average of 730 Jobvites—a social referral to apply—being sent to potential candidates.

How many employee referrals do you currently get for each job listing?

Source: Jobvite Index 2012

¹ <http://recruiting.jobvite.com/company/press-releases/2012/jobvite-declares-may-national-employee-referral-month>



About Jobvite

It's no coincidence that Jobvite provides the industry's leading social referral application—Jobvite Refer—complete with open API, an incredibly intuitive user interface, and the robust analytics you need to make accurate, effective decisions. And Jobvite Refer is just one of our innovative recruiting solutions. We also offer Jobvite Hire, our revolutionary applicant tracking system, and Jobvite Engage, the new candidate relationship management application that's changing the future of sourcing.

Ready to learn more? Request a free demo of any Jobvite product.

Next, take a look at these additional referral resources.

- **Employee Referral Resource Center**

<http://recruiting.jobvite.com/resources/employee-referral-center/center/>

- **Employee Referral Webcasts**

<http://recruiting.jobvite.com/resources/employee-referral-center/webcasts/>