Creating an Employee Referral Program: Guidelines for Getting Started

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Introduction

Investors:

www.RolePoint.com

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RolePoint Advisory

Bill Boorman
Founder of Tru Events
Bill has designed and implemented employee referrals programs at companies including Oracle and BBD Worldwide. As lead advisor he was instrumental in product development at RolePoint.

China Gorman
CEO of Great Places to Work
China is a global business leader experienced in managing high performing profit and non-profit organizations in the competitive human capital management marketplace.

Amelia Merrill
VP, Talent Acquisition & Emp Engagement at RMS
Amelia’s HR career has varied greatly from creation, development, and implementation of M&A and workforce reduction programs to HR business partner to talent acquisition leader.

Jer Langhans
Global Talent Acquisition, Expedia
Jer has extensive expertise in strategic engagement platforms (sourcing, research, and social media) and applies his channel knowledge in attracting talent.

William Tincup
First of Talent / DriveThruHR
William is one of the country’s leading thinkers on social media application for human resources and an expert on adoption of HR technology.

John Sumser
HR Examiner Founder
Is the founder, principal author and editor-in-chief of the HR Examiner Online Magazine. John explores the people, technology, ideas and careers of senior leaders in Human Resources and Human Capital.

Kevin Wheeler
Founder Future of Talent Institute
Kevin is the founder and president, The Future of Talent Institute, a think tank that focuses on the future of talent management, staffing and recruiting.

Lars Schmidt
Talent Acquisition & Innovation NPR
Lars is a fierce HR advocate with a strong track record in building, developing, and leading progressive teams. His global experience spans a variety of industries including technology, web, media, non-profit amongst others.

Matthew Charney
Editor & Director
Matthew is the managing Editor/Director of Marketing at RecruitingBlogs.com and RecruitingDaily.com

Paul Maxin
Talent Leader
Global Resourcing and Talent Leader, specialising in strategy, employment brand, digital and change.
Today’s Agenda & Presenters

- The value of employee referrals
- Factors to consider before getting started
- Ways to drive program engagement and different types of incentives
- What to measure to gauge program effectiveness
- Technology and social media in employee referral programs

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The Value of Employee Referrals
Referral Hires and Retention

- Career Site: 14%
- Job Board: 32%
- Employee Referral Program: 42%

Employees still on the job for more than three years

Employee Referrals

*They matter, they really do!*

Current employees are a strong predictor of great future employees.

Employee referrals are great for sourcing difficult-to-find candidates to fill highly specialized positions.

Referrals can offer high returns given that employees usually refer candidates who are similar to themselves.

Having a friend in the organization can increase retention for new hires.

Polling Question

Does your organization currently have an employee referral program in place?

- Yes, trying to make it the best it can be
- Not yet, but that’s why we’re here today
Getting Started
Making the Commitment

What’s first?

- What do others do?
- Are we ready for this?
- Who can help?
- How do we demonstrate the value?
- Policy?
- Cost?
- Legal?
- System?

Overview

Employee Referral Program Planning

Strategy
• Purpose
• Scope
  • Geographies
  • Employee types
• Tax implications

Awards
• Types
  • Monetary
  • Nonmonetary
• Timing

Communication and Employee Engagement
• Brand clarity
• Culture clarity
• Understanding of the position
• Job postings

Evaluation
• Measures of success
• Metrics to gather
• Reporting requirements

Key Components

*Developing the Strategy*

- Determine **goals** of the program
- Demonstrate **benefits** to the organization
- Consider **eligibility** guidelines
- Figure out program administration
- Don’t give up

Setting Employee Expectations

- Recruiter guidelines for referral communication should be clear
  - Timing of candidate communication
  - Status of application
  - Determine if referred applicants will be given preference
  - Timing of incentive payments

Failure to set realistic expectations can effect the effectiveness of the program

Communication, Engagement & Incentives
Get the Word Out
Communicate for Success

**INFORM**
Let employees know it’s coming

**EDUCATE**
Provide training and tools

**EXCITE**
Showcase what is in it for them

Key point: if making a referral is a difficult process, employees will become uninterested and not want to participate

Practice in Action
The Red Hat Ambassador Program

- Employees actively engage in an array of online forums, enabling them to become familiar with candidates
- Red Hat expects their 5,900 associates to act as recruiters
- Rewards and incentives include t-shirts, stickers, hoodies, and cold hard cash

Red Hatters become “Ultimate Ambassadors” for referring five new hires

Engagement

*Talk About Everything!*

- Employees should **understand** how to participate
- Be **prepared** to address all questions
- Be **transparent** about process
- Clearly **define** incentives
- Set **realistic** expectations
- Deliver on the **promise**

Frequently Asked Employee Questions:

- How well do I need to know my referral?
- What if I don’t have a resume but know a rock star?
- Why should I bother?
- How else can I help?
- Will I know if my referral is engaged?
- I’m hiring on my team, can I refer someone?
- Can I refer my spouse?
- What are the award levels?
- How do I submit a resume?
- How long until my referral is contacted?
- My friend applied in the past, can I refer again?
- What if my referral is not hired?

Types of Incentives

- There is no norm
- Average range for bonuses:
  - $500 – $4,000, depending on role
  - Varying payouts for part-time, full-time and leadership hires
  - Hard-to-fill up to $5,000
- Company defined and driven
- Tax implications
- Cash and non-cash incentives

Polling Question

What types of incentives are most appropriate for your organization?

- Cash
- Non-cash
- Combination of both
Measuring Achievements
# Program Evaluation:

## Delivering the Win

<table>
<thead>
<tr>
<th>Category</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Usage</td>
<td>• Have targets been met? Why or why not?</td>
</tr>
<tr>
<td>Social Sources</td>
<td>• Which platforms are seem to produce good candidates and hires?</td>
</tr>
<tr>
<td>Demographics</td>
<td>• Which locations have the highest participation rates?</td>
</tr>
<tr>
<td>Cost Per Hire</td>
<td>• What is your average cost to hire for a referred candidate compared to agencies, postings, and so forth?</td>
</tr>
<tr>
<td>Incentives</td>
<td>• Are employees excited by award structure? Do nonmonetary rewards make sense?</td>
</tr>
<tr>
<td>Quality and Retention</td>
<td>• Have you measured productivity and retention?</td>
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</tbody>
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## Program Evaluation

### Outcomes and Actions

<table>
<thead>
<tr>
<th>Action</th>
<th>Core Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consider communication and branding</td>
<td>Usage</td>
</tr>
<tr>
<td>Focus on where your top targets spend time</td>
<td>Social Sources</td>
</tr>
<tr>
<td>Share the story and practice in public forum</td>
<td>Demographics</td>
</tr>
<tr>
<td>Savings could result in ability to invest elsewhere</td>
<td>Cost Per Hire</td>
</tr>
<tr>
<td>Give employees what they want most</td>
<td>Incentives</td>
</tr>
<tr>
<td>Use to promote employer brand and culture</td>
<td>Quality and Retention</td>
</tr>
</tbody>
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Technology and Social Media
Selecting a System

Finding one that is appropriate for you

Current solutions may offer the following functionality:

- Job-specific or general referral
- Auto email notifications to referrer and referee
- Dashboard access to view status of referral
- Source tagging applicants for ease in reporting
- Ability to forward job notifications to network
- Keep it simple

Polling Question

Does your current talent acquisition technology solution support employee referrals?

- Yes
- No
- Don’t know
Technology for Management

Help maximize your investment by eliminating as many workflow challenges as possible

- Test prior to launch
- Train recruiters and managers
- Communicate process & policy to employees
- Be flexible in the beginning
- Reporting starts on day 1

Driving Engagement

*Gamification Style*

**GAMIFICATION**

The application of typical elements of game playing (e.g., point scoring, competition with others, rules of play) to other areas of activity, typically as an online marketing technique to encourage engagement with a product or service.

- Boost participation in Employee Referral Program through targeted ‘game’ play
- Encourage friendly competition between departments, locations, etc.
- Celebrate mini wins publicly; consider a ‘leader board’
- Consider different incentives that can be awarded to teams
- Keep the pressure on through encouraging communications from leaders

Social Media

Make it Work for Referrals

- Prospects: find them where they live
- Encourage employees to participate
- Enable one-click referrals
- Drive contemporary process
- Provide cool content
- Appeal to Millennial workers

Leading Practice

Links with external social networks can make it easier for employees to refer friends and colleagues, as one-click referrals can both connect with the potential applicant and notify the hiring management program that the employee has made the referral.

Key Takeaways
Key Takeaways

- **Employee referrals are helpful for sourcing hard-to-fill roles**
- **Employee referrals have a higher retention rate than those hired through traditional sources**
- When planning for a new employee referral program, anticipate the questions your employees will ask
- There are many ways to measure program effectiveness, including key metrics such as cost-per-hire
- **Awards can be cash or non-cash based incentives. The key is to communicate how and when they will be paid**
- There are many solution providers available, including stand alone, ATS integrated or cloud based
- **Social media and gamification are fun ways to promote employee referrals programs**
- **Keep it simple for success**

Good Luck!
Questions?

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