

How Does Your Employee Referral Program Stack Up?

Effective organizations look at benchmarking as a tool to force an audit of their own practices

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As one of the most — if not *the* most — vocal proponents of employee referral programs, we are constantly monitoring what's going on in leading organizations, what characteristics drive program success, what barriers limit excellence, and what various programs are achieving.

Our vantage point is a privileged one, one we didn't fully understand until we started to look into what benchmarking research actually existed on the topic. Short of whether or not an organization has a program that offers cash incentives and the value of those incentives, very little research exists.

Lots of Questions

While we have written on this topic extensively, sharing what best practices have been observed, documenting what concepts from other functions can be borrowed to drive a program, and highlighting the firms that for lack of a better phrase kick butt, we are aware that program managers have questions. In 2005 alone, concerned recruiting professionals submitted more than 179 questions to us via email or through our website.

Questions ranged from how to go about countering objections that employee referrals are unethical to figuring out which program marketing approaches were most effective. Not a single question was one that other organizations could not benefit from knowing the answer.

The Role of Benchmarking

Benchmarking can be time consuming, costly, and in the end tell you nothing more than what the average firm is up to, but it can be much more. Most of the organizations that "get it" — **it** being the "new DNA of HR" — look at benchmarking as a tool to force an audit of their own practices. Incidentally, they approach external awards and competitions from the same perspective. Such efforts force practitioners to ask questions and to analyze their efforts a different way.

They also provide a comparison point in that most benchmarking programs not only look at results, but also what characteristics drive results. While most report averages, almost all document the outlying data as well; this, without a doubt, is the most valuable information. If your organization isn't benchmarking, then you are not leveraging a key tool in becoming world-class.

What To Focus On

The questions received made it clear that there isn't any one focus area that employee referral program managers are struggling with; it seems that nearly everything under the sun can be a valid issue.

That said, in preparing to help fill the void for lack of information on this topic, we did sort out the questions into six logical categories including:

- Creating a program strategy and business case
- Developing a program budget
- Driving program participation

- Administering a program
- Monitoring and reporting program performance
- Overcoming roadblocks

A Strategy and Business Case

When it came to questions submitted related to program strategy and making the business case, most of the question generally came from large multinational or global organizations. This category of questions deals with setting program goals, setting targets for participation, and producing a plan that can demonstrate positive ROI.

Some of the questions that might easily get overlooked included:

- Can a program be designed to increase diversity?
- Should program participation be limited to a targeted group of employees?
- Should the program apply to all positions, or just key positions, and if the latter, how should we prioritize them?

Developing a Program Budget

This category of question was by far the most common, and deals with a lot of the issues that existing benchmark studies cover, including incentive types, overhead costs, etc. These types of questions came from a broad cross section of companies.

Some of the less common questions included:

- To more accurately forecast ROI, should the budget incorporate fees for services from other functions such as marketing, if those organizations do not operate on a fee-for-service model?
- At what point does an incentive alter the behavior of employees away from "referring to refer" toward "referring to get paid"?

Driving Program Participation

Getting employees to participate in a referral program shouldn't be hard if you're a great place to work. Unfortunately despite the sheer volume of organizations that proclaim themselves an employer of choice, we all know the truth: Less than five percent actually are!

If you proclaim yourself an employer of choice, yet hire less than 40 percent of your hires from referral, then chances are your organization isn't really an employer of choice. As you might expect, our broad perception on this category of questions is that the bulk of questions came from organizations that simply didn't understand their people or their motivations. That said, a few really good questions emerged, including:

- Should the employee referral program be marketed as a product internally by the marketing function?
- Is the percentage of employees likely to participate in a referral program as easily definable as the probable market for a product or service? If yes, are internal marketing efforts that attempt to grow that market futile investments?
- What impact does program interaction have on employee participation rates?

Administering a Program

This category of questions was by far the broadest. Questions came in that ranged from how to design a spreadsheet to track the program to how and when to issue incentives.

While a good majority of questions focused on what technology was available to automate employee referrals, some other outlying questions arose:

- What role should an RPO play in a referral program?
- How much visibility should employees have into the functioning of the program?
- How should administrative costs be charged or distributed among hires?

Monitoring and Reporting Program Performance

By far, our favorite category of questions had to do with how to effectively monitor and report the performance of an employee referral program. Included in this category were the typical questions surrounding what to measure, how often, and what formulas to use, as well as a few more interesting questions, including:

- How do you get people interested in the performance of a program when they have stated they are not interested in such "distractions"?
- How much measurement is too much measurement?
- How can one effectively credit employee referrals when many candidates use multiple approaches to apply to the organization?

Overcoming Roadblocks

The last category of questions posed those issues most deadly to a referral program — roadblocks. When these questions first started to arise, some of them made us scratch our heads and say, "Huh?" Some of the questions were dreadfully serious in tone, while other were comical in nature. The few that stand out include:

- How do you deal with executives who want to discontinue the program despite multiple years of data — that prove a positive ROI — because they don't like the idea of paying employees to recruit when you have recruiting professionals on staff?
- How do you convince recruiters who think referral candidates are easy and therefore not worth their time that priority needs to be given to them?
- How do you prove beyond the shadow of a doubt that employee referral programs do not cause an adverse impact on diverse populations?

Your Opportunity

A small fraction of those with questions ever actually ask them; that's human nature.

If you have questions that need answers, or have ever asked yourself any questions that fall into the above categories with regards to referral programs, now is the time to learn the answers.

This past week we initiated the most exhaustive benchmark study covering the design, program positioning, and performance of employee referral programs ever conducted.

The groundbreaking study looks at the congruence and correlation between numerous program characteristics and program performance, then analyzes the best practices and business impact of the leading programs identified. Participation is open to all organizations.

If you are ready to audit your program, learn from others, and improve your efforts, take the challenge and enroll in the study today by clicking the following link:

<http://www.zoomerang.com/survey.zgi?p=WEB224Z633TFAH>

If after completing phase one of the study, you would like to nominate additional questions or topics, please feel free to e-mail them to mburnett@drjohnsullivan.com.