

MOTHERHOOD, APPLE PIE AND ERP

Every time the labor market tightens Employee Referral Programs (ERP) get more attention, and this cycle is no different. Like motherhood and apple pie, ERP's are a time honored (and proven) tradition for sourcing candidates. Who wouldn't welcome employee referrals?

But for many of us, ERP's offer a classic example of the law of diminishing returns.

The law of diminishing returns:

As more variable input is applied, each additional input yields less additional output.

We try to amp up the employee referrals by upping the referral bonus (variable input), and what happens? We get more unqualified applicants requiring a high touch treatment. Ouch! We get some hires, sure, but dollar for dollar the additional output (hires) is disappointing.

Remember, the additional input (referral bonus, ERP marketing dollars, etc...) generated a lot of additional applicant noise (unqualified applicants requiring a high touch treatment) which placed more stress on the fixed inputs. Walla! The law of diminishing returns.

So how do we get more out of our referral programs? We think the answer is pretty straight forward.

MOVING BEYOND ERP

1. Our focus on referrals needs to expand beyond current employees; and
2. Referrals are no longer good enough. We need endorsements.

Step #1:

Focus on "Credible Endorsements" vs. "Referrals"

We don't need more employee referrals. We need "credible endorsements". Too many referrals are riding a slow boat to no where. "Credible endorsements" fast track to an interview. Your hiring manager "green lights" and schedules the interview because they like the resume and see the candidate being endorsed by a trusted and respected source. That's what we want.

Referrals have a candidate bias. Example: Cousin Eddie needs a job. Just look at Webster's definition:

re-fer (rĭ-fĭr') To direct to a source for [help](#) or [information](#)

Cousin Eddie needs help. He needs a job. YOU need him to get a job, too! You know your company is hiring because you saw the new ERP poster hanging in the lunch room. **\$1,500 for referring an employee!** You think to yourself, "I can get Cousin Eddie a job, score points on the home front *and* buy my new flat screen TV. What's not to like?"



**THE LAW OF
DIMINISHING RETURNS:**

**AS MORE VARIABLE
INPUT IS APPLIED,
EACH ADDITIONAL
INPUT YIELDS LESS
ADDITIONAL OUTPUT.**

**STRATEGIC
STAFFING
SUMMIT
TEST CASE**



The problem? Scenarios like this play out a lot and they have NOTHING to do with finding the right person for the job. Nothing.

Endorsements reflect a company bias.

en-dorse-ment (ĕn-dôrs'mənt) Formal and explicit approval

What's the downside to simply referring a friend or family member to apply at your company? Not much. But if you endorse a candidate for a position your credibility is at stake. Webster's calls it "formal and explicit *approval*".

Unfortunately, too many referrals are candidate centric. "I'd like us to consider this PERSON for the job." There's no formal or explicit approval there. We just want Uncle Eddie to get the job.

Endorsements are job centric. "This person (In my opinion) can do the JOB." Formal and explicit approval means there's skin in the game. Credibility is at stake.

Step #2:

Finding "Credible Endorsers" - Means, Motives and Opportunities

Police qualify criminal suspects using three criteria: means, motives, and opportunity. We can qualify (and target) endorsers the same way.

The Means

First and foremost, a potential endorser has to have access to relevant prospects. If they don't, then they likely won't have the "means" for making a credible endorsement.

Now, what are "relevant prospects"? *Relevant prospects* have held positions in the past that indicate they have the skills or experience that are of interest to our Hiring Managers.

There are two sides to this equation. In order to endorse a relevant prospect, you have to have at least a cursory understanding of the job. How else would the endorser know what skills are of interest to the employer?

Finally, the endorser has to have some measure of credibility with the hiring manager. The hiring manager doesn't have to know the endorser, they can simply know of them. Example: "*The Dean of the University's business school recommended Tom...*".

Means Checklist

Access to relevant prospects?	Yes	No
Understanding of job requirements?	Yes	No
Familiarity with candidate's work history?	Yes	No
Credibility with hiring manager?	Yes	No

Motives

As we pointed out earlier, referrals typically possess an applicant bias. Credible Endorsers possess a company bias. So what would motivate someone with no applicant bias to take the time to surface relevant prospects?

POLICE QUALIFY CRIMINAL SUSPECTS USING THREE CRITERIA: MEANS, MOTIVES, AND OPPORTUNITY. WE CAN QUALIFY (AND TARGET) ENDORSERS THE SAME WAY.

STRATEGIC STAFFING SUMMIT TEST CASE

Quid pro quo is Latin for “something for something”. Once we begin to target logical endorsers, the currency they trade in is really pretty easy to identify.

Logical Endorsers	Currency “What’s the ‘something’?”
Supplier	Goodwill
College Professor	Internships
Retirees/Alumni	Inclusion/Involvement
Shareholders	Stock value

In order to have a long standing relationship with a credible endorser there has to be a *quid pro quo* foundation in place. And as you can see, it’s not all about money.

Local community leaders may have a strong allegiance to your corporation (Their currency? The local tax base and your tax dollars.) Nurture this corporate allegiance. Those same local community leaders may feel a social motive, the kind of social responsibility that believes healthy companies are good for communities. This motive can be nurtured over time, too.

Finally, some are motivated by professional duty. A college professor may not simply be out for internships. That professor may feel that it is their duty to assist - when possible - the local employers. Employers are the customers of our education system, and believe it or not, some educators still acknowledge that fact.

Referral bonuses aren’t a bad thing; unless, of course, we simply create a profit motive for someone with modest means and a candidate bias. Done right, a referral bonus can offer a powerful and cost efficient inducement for credible endorsers. How? Think alumni groups, clubs and associations and consultants.

- **College Alumni groups** – tremendous access to educated and credentialed candidates and the referral bonus might become a charitable contribution to the university on behalf of the endorser
- **Trade Groups and Associations** – access to accomplished individuals within a particular targeted industry segment and referral bonus might become source of income for the Association
- **Consultants** – deal with executives and professionals in the daily course of business, so they certainly have the means. Have you ever heard of a consultant turning down an income opportunity? Plus, their reputation is on the line with the endorsement making them the ideal candidate.

There is a lot of recruiting dollars in play right now. Headhunters are circling like sharks around both us and our hiring managers. Why not free up some of those dollars? A typical contingent fee for a mid-level white collar professional is \$20,000. That makes the alternative of offering a \$10,000, \$12,000 or \$15,000 bonus to a credible endorser pretty attractive.

Opportunity

Our job is to create the *opportunity* for people with the *means* and *motives* to become Credible Endorsers. If someone has questionable motives and limited means, why bother?



QUID PRO QUO IS LATIN FOR “SOMETHING FOR SOMETHING”.

ONCE WE BEGIN TO TARGET LOGICAL ENDORSERS, THE CURRENCY THEY TRADE IN IS REALLY PRETTY EASY TO IDENTIFY.

**STRATEGIC
STAFFING
SUMMIT
TEST CASE**



If we limit our focus to *Employee Referral Program's*, we are relying on people that may not only have questionable means, but then we end up trying to motivate them with money.

We have identified four steps to creating the opportunities:

FOUR STEPS TO CREATING THE OPPORTUNITIES:

- 1. IDENTIFY POTENTIAL "ENDORSEES"
- 2. TARGETED AWARENESS CAMPAIGN
- 3. EXPLICIT MOTIVES
- 4. CREATE THE CONNECTION

1. **Identify potential "endorsers"** – this will require some homework on our part, but we need to identify prospects that likely possess the means to become "endorsers". Once we identify prospective endorsers, we should begin to consider potential motives for supporting our cause.
2. **Targeted awareness campaign** – potential endorsers need to understand our interest in them and the relationship we would like pursue. This is a recruiting outreach campaign that needs to be done face to face. If it feels like a sales call, it should. We're selling our companies to influential endorsers.
3. **Explicit motives** – through the awareness campaign we should be able to agree to quid pro quo scenarios. That agreement should be explicit agreement, meaning both sides acknowledge the "something for something" benefits and express interest in moving forward.
4. **Create the connection** – so we've identified potential endorsers, sold them on the relationship and agreed on the value exchange (if you do this, we'll do that), now what? Create the connection. Emerging technologies allow real time sharing of information between parties. In this case, your hiring manager and credible endorsers. Make sure that the technology you choose provides for a closed loop of communication so that your endorsers are not left wondering what ever happened to their candidate.

STRATEGIC STAFFING SUMMIT TEST CASE

	Why traditional ERP's fail	Building network of "Credible Endorsers"
Means	Employees can have limited means. They are often narrowly focused on friends and family. They understand the corporate culture, but may have a very limited understanding of the specific skills required to succeed in the job.	Focus on people with: <ol style="list-style-type: none"> 1. Access to relevant prospects 2. Understanding of job requirements 3. Familiarity with work history 4. Credibility with hiring managers
Motive	In many cases an applicant bias is in evidence. They're trying to help the candidate. As corporate loyalties continue to erode, this will happen even more. By focusing on referral bonuses we introduce a profit motive.	Strong motives: <ol style="list-style-type: none"> 1. Quid pro quo 2. Corporate allegiance 3. Social responsibility 4. Professional duty