

How to Build a Strong Employee Referral Program

YOUR GUIDE TO ACTIVATING
YOUR EMPLOYEE NETWORK

Why Referrals Matter

In today's workforce, the people you hire have a big impact on what your company can achieve both creatively and financially. We have a feeling you probably already know this—that's why you're looking for ways to get even better people through your doors.

Luckily, there's one approach that will help you find top-performing, dedicated employees who will lead your company to do great things: Asking your existing employees to make referrals!

Let's take a look at why referrals should be an essential part of any recruiting strategy.

Referrals are the #1 source for new hire quality.¹

According to Dr. John Sullivan, 88% of employers said that referrals are the #1 best source for above-average applicants.

¹ <http://www.slideshare.net/eremedia/raising-your-employee-referral-program-results-to-50-of-all-hires>

Referred employees stick around for longer.²

After one year, retention of referred employees is 46% compared to 33% from career sites and 22% from job boards. After two years, retention of referred employees is 45% compared to 20% from job boards.

Referral hires are better performers.³

Hires from referrals produce a nearly 25% higher profit than hires from other sources.

They can produce between 24%–135% more profit on average. If an employee produces \$150k in revenue, that translates to \$37.5–\$202k in additional annual profit!

Referred candidates are 20x more likely to get hired.⁴

On average, it only takes 5 referrals to make a hire. Compare that to 100 applicants from job boards! And as we've already pointed out, the referral hire will likely be a more valuable asset to your organization.

But... only 20% of recruiters are happy with how involved their employees are in referrals.⁵

So we have a little bit of a problem. Recruiters can see the value in getting referrals, but it's not always easy to get everyone on board with setting up (and participating in) a referral program.

² <https://www.eremedia.com/ere/10-compelling-numbers-that-reveal-the-power-of-employee-referrals/>

³ Berkeley Study, The Value of Hiring through Employee Referrals

⁴ CareerXRoads, 2012 Source of Hire

⁵ <https://business.linkedin.com/talent-solutions/blog/employee-referrals/2015/data-shows-why-you-need-to-invest-in-employee-referrals-infographic>

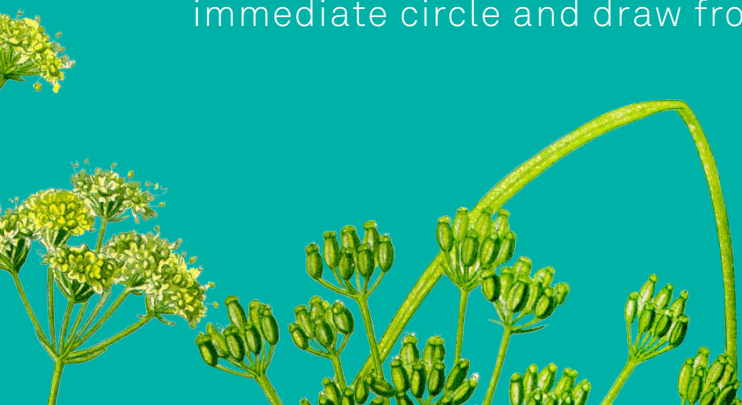
That's why we've put together this eBook. Want to know how to get your execs and other stakeholders to support your referral program initiatives? Want to set up a brand-new referral program or maybe just improve your existing one? We've got you covered!

A NOTE ABOUT DIVERSITY AND REFERRALS

We've just mentioned all the great benefits of employee referrals, but you might be wondering what sort of effect referrals will have on your company's diversity. It's a big question: Will employees only refer people who look like them and come from a similar background?

This is certainly a possibility, especially if you don't provide any guidance to employees when asking for referrals. However, if you ask employees to look beyond their immediate circle into their extended professional, academic, and other communities, they will be much more likely to tap into a network that's a more accurate representation of the world around them.

As you build out your referral program, don't forget to think about the ways that you can encourage employees to move beyond their immediate circle and draw from a wider, more diverse network.





PART I:

Getting Buy-In for a Referrals Program



Even if you are already aware of the impact of a successful employee referral program, it can be challenging to get buy-in from the rest of the organization. These are some of the most common reasons that employee referral programs fail to get traction:

- Executives don't understand the value of the program, so they don't give it their support.
- Companies can't get employees to use their applicant tracking system (ATS).
- There's no clear process for submitting referrals.
- Referrers feel excluded from the process after submitting a contact.

In order to move forward with a referral program, you need both resources and high employee engagement, two tricky things to secure. Here are a few suggestions for how to gain resources and boost adoption.

Getting executive buy-in

7

Encouraging employee adoption

9



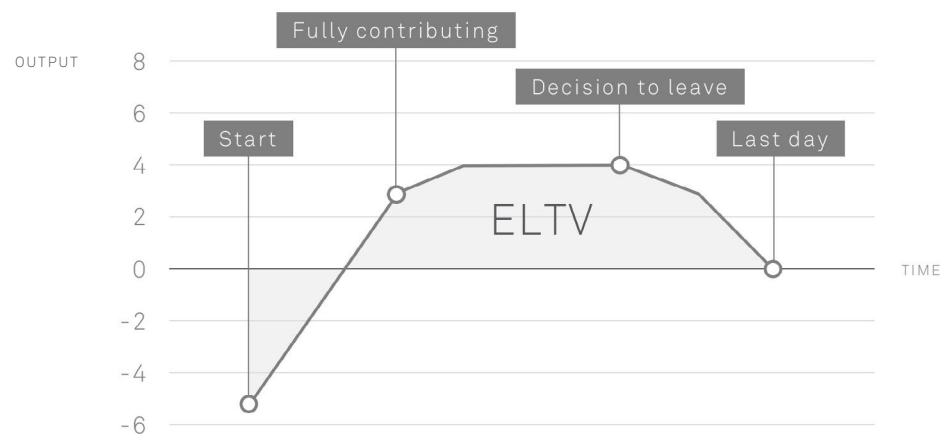
Getting Executive Buy-In

In order to get the attention of execs, you can start with the statistics we provided in the introduction about how referrals boast better performance and retention while reducing hiring costs.

If that doesn't work, you can also pull in the concept of Employee Lifetime Value (ELTV). This topic is so big, we wrote an [entire white paper](#) on it, but here's a quick overview:

Consider the contribution an employee makes to your organization during their tenure at your company. You can represent it in a graph like this:

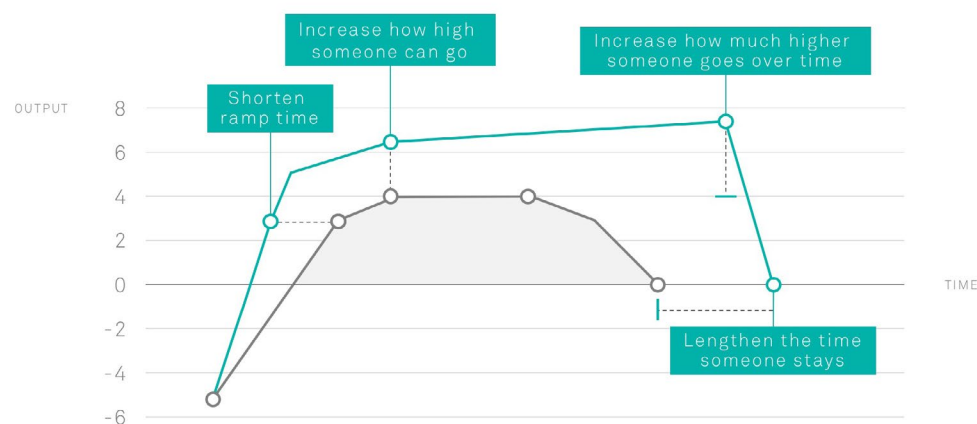
THE EMPLOYEE LIFECYCLE



If you'd like to increase the value of ELTV, there are four basic areas where you can focus your efforts. You can shorten their ramp time (with better onboarding), increase how high someone can go (by making better hiring decisions), increase how much higher someone goes over time (with better learning and development), and lengthen the time someone stays (with better management practices).

So by making smarter hiring decisions with the help of referrals, you're also making a BIG impact on someone's ELTV (and the return on your hiring investment). That should get your execs' attention!

RAISING THE BAR: CULTURE



Encouraging employee adoption

Are your execs already on board with your referral program?

Awesome—you're halfway there! But getting employees to participate can also be a big challenge.

Your biggest priorities are to make it as easy as possible for employees to make referrals and to make the system as transparent as possible. Put a clear plan in place so employees know what happens on your end once they submit a referral, whether or not you decide to move forward in the hiring process, and the logic behind your decision-making.

What does that look like in real life? In the following section, we'll share our best tips and tricks for encouraging employee adoption of your referral program.

PART 2:

Six Steps to Building Your Referrals Program

You've got executive buy-in, your employees are excited to participate in your referrals program, so what's next? In this section, we'll outline the 6 steps to follow to build a successful employee referral program.

1. Make employees feel appreciated so they refer again.	11
CASE STUDY: Axial	12
2. Keep people informed as their referrals progress.	13
CASE STUDY: Airbnb	14
3. Choose intuitive and user-friendly software to increase adoption.	15
CASE STUDY: Thumbtack	16
4. Reward engagement, not results.	17
5. Advertise your program.	18
CASE STUDY: How we do referrals at Greenhouse	19
6. Experiment with a variety of employee referral tactics to ensure success.	20

1

Make employees feel appreciated so they refer again.

It makes sense, right? If employees take the time to make a referral, they want to receive some sort of recognition for their effort. That's why referrals should be acknowledged—if not celebrated—at every organization.

Don't wait to see whether or not a hire is made: Recognizing your employees for submitting a contact is the easiest way to demonstrate how important referrals are to you. Take the time to shout out employees who are participating. Better yet, have your leadership do it!

CASE STUDY



New York-based company Axial is on a mission to connect every private company with the capital necessary to grow, finance, or sell their business. In order to add owners, advisors, and financiers to the Axial Network, the company is focused on building a large sales team in its NYC office. To do this, the team quickly understood the importance of defining its company culture.

Alex Steinberg, a recruiter at Axial, says that doing so has helped attract the right talent in New York's competitive ecosystem, as well as maintain a positive work environment that retains top performers. Employees want to preserve the positive work culture, so everyone is invested in the recruiting process.

Axial incentivizes employees to submit referrals by coming up with creative approaches to employee recognition. The recruiting team presents employees who make referrals with a vintage Axial T-shirt at company-wide meetings. Because of fun tactics like this, referrals make up 29% of Axial employees.

2

Keep people informed as their referrals progress.

One of the big frustrations employees have with referral programs is not knowing what's going on with their referral. Has someone looked at their application? Is there an interview scheduled? Will you be extending an offer? If employees are invested enough to make a referral, it's only natural that they'll want to stay in the loop with what's going on. That's why it's super important to be as transparent as possible and make the information easy for employees to access.

The more transparency there is in your referral process, the more likely employees will be to share their contacts and make referrals in the future. So be sure to create a program where submitting and tracking referrals through the pipeline is easy for all employees.

If referrals make it to the on-site interview stage, think about how you can do a little extra to roll out the red carpet for them. Maybe get the person who referred them to welcome them, take them out for coffee or lunch, or drop by to give them a little company swag. Get as creative as you'd like, but don't forget to leverage that personal connection during the interview stage!

CASE STUDY



With a company tagline like “Belong Anywhere,” Airbnb seems like it’d have an open and welcoming candidate experience. And that’s definitely true today.

But this wasn’t always the case.

There was a time when the recruiting team struggled to get back to candidates in a timely manner. It was a big challenge for the recruiting team to get referrals because existing employees didn’t trust the system. Head of Recruiting Jill Riopelle explained, “We were in a bad place. But there were no guidelines on how to develop a candidate experience.”

Meanwhile, in another department, Airbnb was using the storyboarding technique to sketch out what guests and hosts should be thinking and

feeling at each stage of their journeys. Joe Gebbia, Airbnb’s Co-founder and Chief Product Officer, helped the recruiting team go through the same storyboarding exercise to understand every stage of the candidate experience.

This exercise provided key insights into areas for improvement, including employer branding, timely communication with rejected candidates, and the applicant tracking system (ATS). By implementing changes in these areas, Airbnb created a candidate experience that was truly in line with its employer brand, and where employees were proud to submit referrals.

3

Choose intuitive and user-friendly software to increase adoption.

Recruiting is everybody's job, so everybody should have access to your recruiting software to make and track referrals throughout the hiring process.

Greenhouse offers three easy, intuitive ways to make referrals.

1. All employees can generate a trackable referral link to share with their contacts
2. Integrations with LinkedIn, Facebook, and Twitter make it easy to automatically post to these networks
3. Employees can manually upload their referral's resume, cover letter, and other application materials into the system

Plus, the Talent Acquisition team can provide company-specific referral program guidelines within Greenhouse, so employees can stay up-to-date on how to best contribute.

CASE STUDY

Thumbtack

In a recent push to hire 25 top-notch engineers, Thumbtack offered a trip anywhere in the world to the person who had the most referrals come on-site for interviews. They also gamified the process, introducing a fun competition that resulted in high engagement. Employees were able to track the status of their referrals easily through Greenhouse.

“
It was nice that there was an extrinsic motivation of a cash prize or a trip anywhere in the world. But at the end of the day, what really motivated me was that, to do my job, we had to hire engineers. Greenhouse was a place I could go to whenever I had a referral and it took less than a minute to add someone in. The benefit of using Greenhouse was that it got out of the way. You put all the effort into getting that referral interested in Thumbtack and applying, and it made the communication so easy between you, the recruiting team, and hiring manager. It closes the loop in a really simple way.
”

— Yue Zhao
Project Manager, Thumbtack

4

Reward engagement, not results.

Raising your referral bonus doesn't always lead to higher employee engagement. We spoke with a few companies who run super-successful referral incentive programs (with 50% or more of their hires coming from referrals), and a clear pattern emerged: They reward the behavior they want—not just the end result.

Here are three ways you can do this right now:

1. Give out immediate small rewards, like a \$5 Starbucks gift card for every referral, no matter what. Employ the same principle as salespeople ringing a bell whenever they close a deal—make hiring part of the culture.
2. Establish a leader board and display it in a prominent place in the office: 10 points for tweeting a job opening, 20 points for each referral, 500 points for a hire, etc. Let employees “cash in” their points for big or small rewards.
3. Have a few super rare, highly visible rewards, like a one-of-a-kind T-shirt only given for a successful hire. Be sure to distribute these rewards at an all-hands or other large meeting for maximum impact.

By giving out small, frequent moments of satisfaction, you keep people engaged, make hiring more prominent, and increase referrals. This can be a complete game-changer for your referral program!

REFERRAL PROGRAM KILLERS TO AVOID

- Delaying the reward/
bonus payment for three
to six months
- Failing to remind people
frequently
- Not tracking referral
rates by manager
- Too many rules and
restrictions

5

Advertise your program!

No one will participate in a referral program if they don't know it exists! Make sure that you clearly and regularly communicate the details of your referral program with employees. Here are a few tips to help you get the word out:

- Have your recruiting team lead a new hire onboarding session that introduces the nuts and bolts of your referrals program. Happy new hires can lead to even more happy new hires!
- When kicking off brand-new or high-priority roles, schedule quick kick-off meetings or send brief email updates. Let everyone know that you're always available to answer questions and provide feedback on potential referrals.
- Send periodic reminders to the entire company. Our customers have seen a big bump in referrals submitted after sending out an email to recap the details of their referral program.

PRO TIP

It helps to prioritize a few jobs at a time rather than simply sending a link to your careers page.

HOW WE RUN REFERRALS AT GREENHOUSE

Here's a quick overview of how our referrals program works at Greenhouse.

For every referral an employee makes, we give them a ticket (think arcade, not parking). The employee keeps half of the ticket, and the other half gets entered into a raffle that we draw from quarterly. Drawings are conducted at our quarterly all hands meeting. The other tickets can be saved, accumulated, and cashed in for Greenhouse branded swag—which employees can only earn by participating in the referral program.

Why the two tickets? Well, we wanted to achieve a couple of goals:

- Ensure employees feel rewarded and appreciated
- Have these rewards be visible and contagiously sought after by peers.

We believe that referrals should be acknowledged—if not celebrated—for all to see (versus being behind closed doors where you're cutting a check). The raffles have become visible quarterly reminders that have kept the program at the front of employees' minds (which are otherwise focused on their day-to-day jobs).

Ultimately, our recruiting team wants to foster a recruiting culture that emphasizes that there is value in every referral made.

As a cherry on top, the employee who makes the most referrals that result in hires in a year will win a trip for two (covering airfare and Airbnb accommodations) to a destination of their choosing.

6

Experiment with a variety of employee referral tactics to ensure success.

Every company is different, so don't be afraid to experiment to learn what works best for you. Here are a few ideas to help you get creative. You can use them as a starting point, but keep in mind the sky's the limit when it comes to what you can do with your program!

Educate employees on the power of referrals.

You know that referrals are the #1 source for new hire quality, that they produce more profit, and stick around for the longest amount of time. But do your coworkers know that? Make sure you're educating your organization on the positive impact referrals will have on your company's culture and bottom line.

Set and communicate recruiting goals.

Some talent teams, like the one at Thumbtack, share recruiting goals with the entire organization and send updates weekly. Providing more transparency into your objectives makes employees more likely to help out.

Carve out time for everyone to recruit.

Recruiting—both sourcing and interviewing—takes time. Some companies find it useful to tie recruiting into quarterly goals on a team by team basis so that hiring managers delegate time to this important task.

Prioritize tough-to-fill positions.

If there are roles that are particular priorities or especially tough to fill, be sure to communicate this information with everyone. A few ways to accomplish this: Send out emails with details about the roles, hold office hours to answer questions, and throw “referral” parties where you provide email templates, search terms, and other resources to help everyone source the type of candidates you’re looking for.

Tap into employee social networks

Instead of asking employees to dig through their social networks, do it for them! Sleuth through the employee’s LinkedIn connections (with their permission, of course), then ask for an intro to somebody that looks compelling. Even better, draft up an intro email that your colleague can send.

Define the attributes or skills that you’re seeking.

A colleague may not know a Sales Manager per se, but they may know someone with the exact attributes you’re looking for. Be sure that you provide an opportunity for employees to submit contacts with relevant skills—not just the right title.

Provide employees with talent marketing resources.

Give your employees something to point to—a video, blog post, or awesome careers page—when they reach out to their contacts. Social media is an invaluable tool if used properly, but is best leveraged if the content gets prospects excited about your organization.

Showcase your talent.

Start a blog or video series around the existing members of your organization to help define company culture or talk about the exciting projects your team is currently working on. An employee might be more likely to share a spotlight on their work than a job posting.

Start a competition.

Instead of a recurring cash bonus, get everyone excited with one large pool. Make it a competition and regularly update the team on who's ahead.

Make it as easy as possible to submit a referral.

Being able to submit and track a referral should be a no-brainer for your organization. Don't make employees print out paperwork or do anything that's too time-consuming. Remember: a user-friendly ATS can help a lot with this!

REFERRALS SHOULD MAKE YOUR LIFE EASIER—NOT HARDER!

So far we've looked at some of the ways that a great referrals program can work for employees, but what about the recruiters who are running it? Don't worry—we didn't forget about you!

Here are some of the ways Greenhouse supports referrals from the recruiter's perspective:

- All referrals are automatically tracked and assigned a person who gets credit, so as an admin you can easily filter results by source or person making the referral.
- The “candidate quality by referrer” report calculates how far each employee's referrals make it through the process, so you know which employees are making the biggest impact.
- You have the ability to monitor and measure referral trends over time.
- As an admin, you can opt in to receive email notifications whenever a referral is submitted. This helps ensure a great candidate experience since the job owner can make a point of getting back to referrals sooner.
- The entire referral process is transparent, which makes employees happy since they always know where their referrals are in the process. It also eliminates those pesky “What's going on with my referral?” emails that you're all too familiar with!





PART 3:

Conclusion

We've discussed why referrals are such a rich source of top talent, offered a few tools to help you make the case for implementing or enhancing a referrals program, offered a step-by-step guide to how you can set up your own referrals program, and even threw in a few case studies for good measure. Phew—we've covered a lot of ground!

By now you probably have plenty of ideas to try out immediately, and maybe even a few larger goals you can aim for in the longer term. So we won't keep you any longer. Go out there and build a better referral program!

And if you have any questions or concerns along the way, just let us know. We're here to help.





The Greenhouse brand sits at the intersection of people, data, and design. We design tools for people who are growing great companies. Our philosophy is to empower people with the best practices and data needed to build both a great business and great place to work. Companies use Greenhouse to optimize how they interview, hire, and onboard the best talent.



WWW.GREENHOUSE.IO