

## Artículo de investigación

**The use of networking in staff recruitment: recommendations and referral programs**

Использование нетворкинга при подборе персонала: рекомендательный рекрутмент и реферальные программы

El uso de redes en la contratación de personal: recomendaciones y programas de referencia

O uso de redes no recrutamento de pessoal: recomendações e programas de encaminhamento

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**Abstract**

This article discusses various reasons of networking principles implementation in HR-management and the Russian companies attitude to referral programs as an instrument in HR. The paper also examines the differences between Russian and foreign companies experiences in referral recruitment.

**Keywords:** networking, recommendation recruitment, recruitment, referral program, referral recruitment.

**Аннотация**

В статье рассматриваются причины имплементации принципов нетворкинга в современный HR-менеджмент и отношение российских работодателей к практике рекомендательного рекрутмента и реферальным программам как инструментам подбора персонала. Также сравнивается опыт российских и зарубежных компаний по найму специалистов через рекомендации сотрудников.

**Ключевые слова:** нетворкинг, подбор персонала, рекомендательный рекрутмент, рекрутмент, реферальная программа.

**Resumen**

Este artículo analiza varias razones de la implementación de principios de redes en la gestión de recursos humanos y la actitud de las empresas rusas hacia los programas de referencia como un instrumento en recursos humanos. El documento también examina las diferencias entre las experiencias de empresas rusas y extranjeras en el reclutamiento de referencias.

Palabras clave: redes, reclutamiento de recomendaciones, reclutamiento, programa de referencia, reclutamiento de referidos.

**Palabras clave:** social networking, selección de personal, contratación recomendación, contratación, programas de referencia.

**Resumo**

Este artigo analisa as vantagens da implementação dos princípios do social networking na gestão de recursos humanos e a atitude das empresas russas em relação aos programas de referência como uma ferramenta para a contratação de pessoal. O documento também examina as diferenças entre as experiências de empresas russas e estrangeiras em contratar através de referências.

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**Palavras-chave:** social networking, recrutamento, recomendação de contratação, contratação, programas de referência.

## Introduction

The practice of hiring personnel through social contacts and recommendations has a complex historical background (especially in Russian society) and therefore does not look like it meets corporate standards and ethics for all managers. Nevertheless, the experience of many companies, including foreign ones, shows that in the age of social media development and increasing importance of social capital, referral programs and recommendation recruitment can be an effective tool in the hands of HR-managers, which allows to reduce the cost of recruitment and improve the quality of employed specialists. This article compares the experience of companies from Russia and North America in the implementation of networking principles and recommendation recruitment in HR management. Also examines various features of this process.

## Networking, recommendation recruitment and referral programs

Networking is usually referred to as a way of solving a problem that involves a network of social contacts. Networking principles can be applied in a variety of situations, but not all of them should be referred to as recommendation recruitment. For example, a freelance recruiter's search for the right specialist among his or her acquaintances is an example of networking, but it is not recommendation recruitment for a company that needs to fill a vacancy

Recommended recruitment in this article will be understood as the practice of hiring specialists for existing vacancies with the help of recommendations of employees already working in a company (including HR managers), or other counterparties who are in any kind of business relationship with an enterprise (customers, partners, contractors, and so on).

Recommended recruitment can be regulated and formalized to some extent (for example, employees are paid employment bonuses based on their recommendation, and HR managers are deprived of the opportunity to offer their own referrals). In this case, it should be said that the company has a referral program for personnel recruitment. Informal recommendation recruitment often implies the practice of "spontaneous" recruitment through recommendations, which takes place once or in

exceptional cases (for example, hiring someone on the recommendation of the General Director), but can also be carried out on a permanent basis.

## Prevalence of referral programs in Russia and abroad

Recommended recruitment is a fairly common practice both in Russia and in the Western countries. According to the data for 2012 of one of the largest career sites of the USA, CareerBuilder, about a half of applicants in the American labor market find work through recommendations. At the same time, about two out of three firms (69%) have any kind of referral programs. Thus, the search for work through acquaintances in the U.S. is a common and widely accepted practice (Burks, Cowgill, Hoffman & Housman, 2013).

According to another survey, jointly conducted in 2017 by the Human Capital Institute in Washington and the recruiting company Jobvite, 52% of companies have their referral programs headquartered in North America (Dmitriev & Novikov, 2017).

Although in Russia the practice of networking is also widespread in recruitment quite widely, it exists mostly in an informal way. According to a survey of one of the largest Russian companies in the field of Internet recruitment, HeadHunter, conducted in 2018, in Russia only 14% of employers have regulated referral programs. At the same time, 79% of companies resort to recommendatory recruitment, but do not have referral programs.

The prevalence of referral programs in Russia is higher among large companies. For example, considering the firms with more than 500 employees, 27% of them use referral programs; among the companies with up to 500 employees, about 10%. The prevalence of referral programs is also higher for companies with foreign capital than for Russian ones: 21% against 13%.

Most often, Russian applicants face the practice of recommendation recruitment in the professional fields of insurance and raw materials extraction. More than half of the representatives of these professional fields stated that they have ever recommended their acquaintances to the employer as candidates.

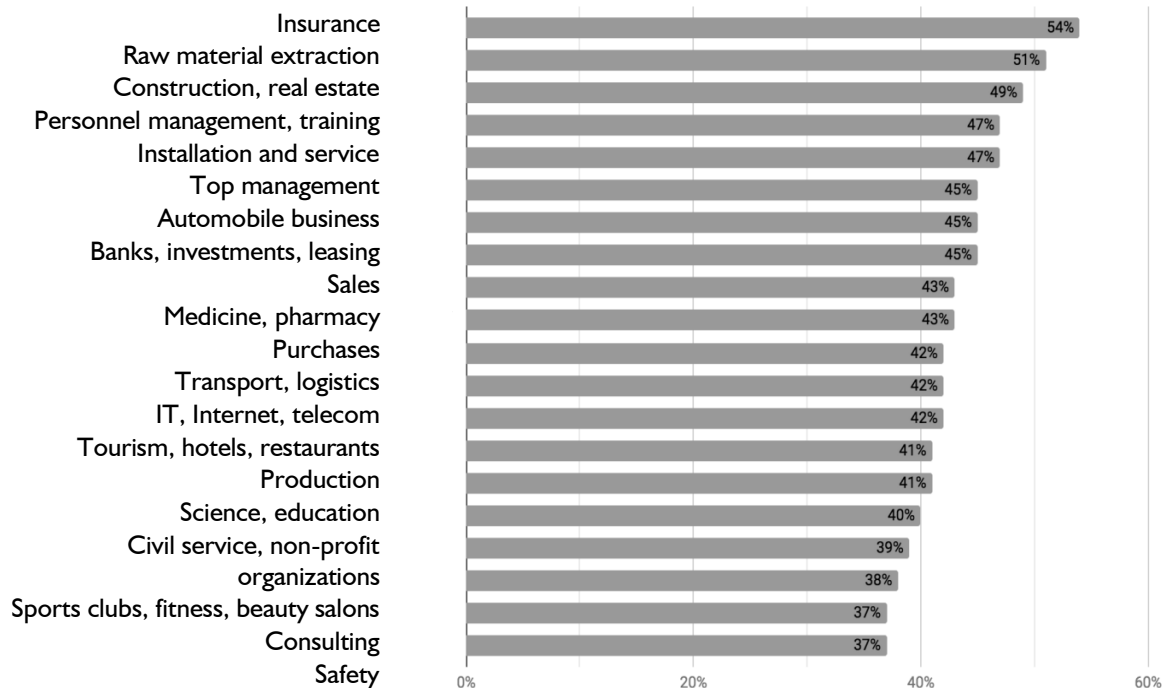


Figure 1. Top 20 professional fields, where employees offered their acquaintances to employers for employment (Russia, 2018)

### Experience of using recommending recruitment in Russia and abroad

According to Russian polls, the attitude to the practice of recommending recruitment correlates with whether the company has experience in using it in a formalized way. The more such experience an employer has, the less likely it is that he will consider this tool ineffective.

According to a HeadHunter study, among Russian companies that do not have referral programs, 11% doubt the effectiveness of recommending recruitment as a selection tool. Half of employers (51%) consider the practice of hiring through recommendations to be no more effective than others tools, and only 9% recognize it as more effective method.

On the other hand, among the organizations practicing referral programs, there were almost no dissatisfied with the practice of recommendation recruitment (0% within the margin of error). At the same time, 61% of organizations assess its efficiency as an average statistical one, and 32% of employers consider it as higher than for other selection tools.

The methods of evaluating the effectiveness of recommendation recruitment are not limited to

taking into account the subjective perceptions of employers. Studies conducted by a group of specialists from the USA and Germany at the Institute of Labor Economics in Bonn show that employees hired with the help of recommendations are, on average, more successful employees and adapt faster in the team (Zelentsova & Tikhonov, 2019). According to the survey data, the practice of hiring through recommendations makes it possible to select employees more quickly who are suitable for specific jobs, which affects their efficiency. The specialists already working in the company, who are ready to provide recommendations, on the one hand, as a rule, have a good understanding of what tasks it is necessary to find an employee for, and on the other hand, they know well the potential candidates from the circle of their acquaintances. As a result, a specialist hired with the help of recommendations is more likely to meet the specific needs of the company (including requests for compliance with corporate culture), and will not be selected by any general indicators.

Another feature that distinguishes referrals (personnel hired on the basis of recommendations) from other employees is the lower turnover. Among Russian companies, this is confirmed by one of every five (20%) that

practice informal recommendation recruitment and one in four (25%) that has their own referral program. Almost none of the respondents (2% of companies without referral programs) reported that the turnover of hired employees is higher than among other employees. Almost half of the companies (47%) simply do not track the turnover of hired staff based on recommendations.

The above-mentioned group of researchers from the Institute of Labor Economics also concluded that the turnover rate of the staff hired through the recommendations is lower than among other employees. Moreover, they estimated the probability of a referral's dismissal by 10-30% lower than the probability of leaving an average employee (Dmitriev & Novikov, 2018), which numerically agrees with the data of Russian surveys.

More than a half of Russian companies consider recommendation recruitment to be a cheap tool to use: 54% of employers said that its costs are lower than those of other selection tools. In a study conducted in 2001 at the Massachusetts Institute of Technology (MIT), the economic efficiency of recommendation recruitment was evaluated with the help of data collected in the process of personnel selection through recommendations to the call center of a large financial institution. According to the researchers' calculations, the rate of return on investment in the referral program at the Institute was 67%: that is, every \$100 invested in the referral program later brought \$167 to the employer (Fedotova, Tikhonov & Novikov, 2018).

According to the estimates of researchers at the Institute of Labor Economics, referrals bring

companies 25% more profit on average than employees hired in the traditional way. Nine firms from three industries (call centers, cargo transportation and IT) acted as a base for research.

The companies themselves do not usually track the economic performance of the recommendation recruitment process in an ad hoc manner. Even among North American companies, only 36% monitor the success of their referral program. The most popular method of monitoring is a simple comparison of the number of employees hired through recommendations with the number of employees hired through other tools (74% of companies conducting any monitoring of referral programs practice this method). Other methods of measuring the success of recruitment through recommendations, such as tracking the indicators of turnover, personnel involvement or KPI, are less popular (it should be reminded that in Russia about half of the companies do not track the turnover of referrals in any way).

In the HeadHunter survey Russian companies asked to quantify the share of vacancies to be filled with the help of recommendation recruitment. In the companies that use referral programs, this share does not usually exceed a tenth of all vacancies. Thus, for 25% of the companies the share is not more than 5% of vacancies and 29% of the enterprises fill 5-10% of vacancies through recommendations. In companies practicing recommendation recruitment but without referral programs, the share of vacancies closed with the help of recommendations is expectedly lower: for 39% of companies it does not exceed 5% of all vacancies (Komarov & Kuznetsova, 2018).

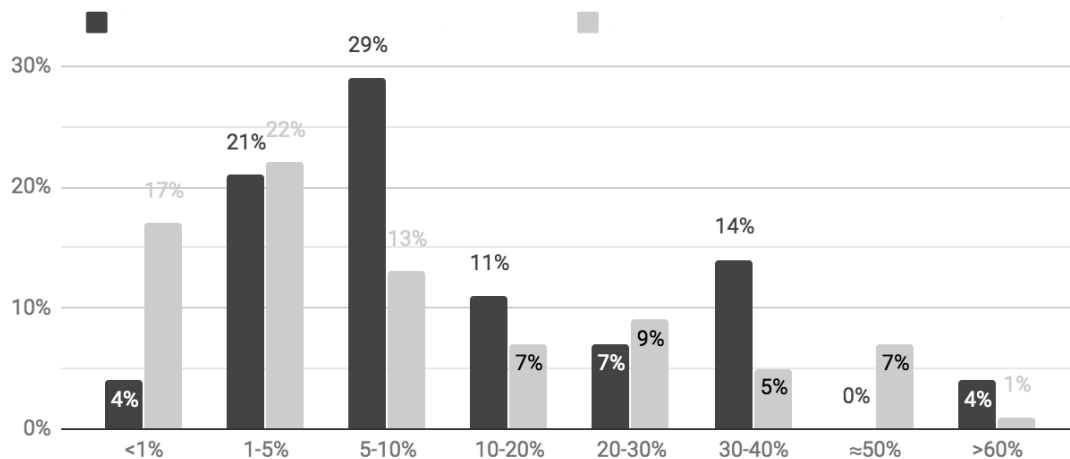


Figure 2. Percentage of vacancies closed with the help of recommendation recruitment in Russian companies (of the total number of vacancies) in 2018

Data from North America shows a greater inclusiveness of referral recruitment: local companies hire by using this tool from 14% to 17% of specialists, depending on the size of the company (the market average is 16%).

For most Russian companies, regardless of whether they have a referral program, there is no difference in what kind of job vacancies are filled with the help of recommendations: 78% of employers use recommended recruitment to select any categories of personnel. Only 22% limit the recommended recruitment to specific positions, mainly in the areas of management or related to finance or confidential information (Komarova, Zamkovoï & Novikov, 2018).

Although referral programs are more often used for hiring any specialists, it was proved to be more effective when looking for specific categories of employees: that is what 64% of

Russian employers believe. This opinion is shared by researchers from the Institute of Labor Economics.

However, the opinion as to which categories are better suited for hiring according to recommendations turned out to be different among different Russian employers. So, for 29% of companies that consider recommending recruitment effective for hiring certain categories of employees, the most effective is the selection of unique highly specialized specialists (as the specialists of the Institute of Labor Economics think). Another 25% of employers point to mass personnel as the main goal of recommending recruitment (most likely, respondents often had in mind temporary employment, as the practice of hiring temporary workers via recommendations is popular in many countries, including developing ones, for example, in India) (Kraev, Tikhonov & Novikov, 2018).

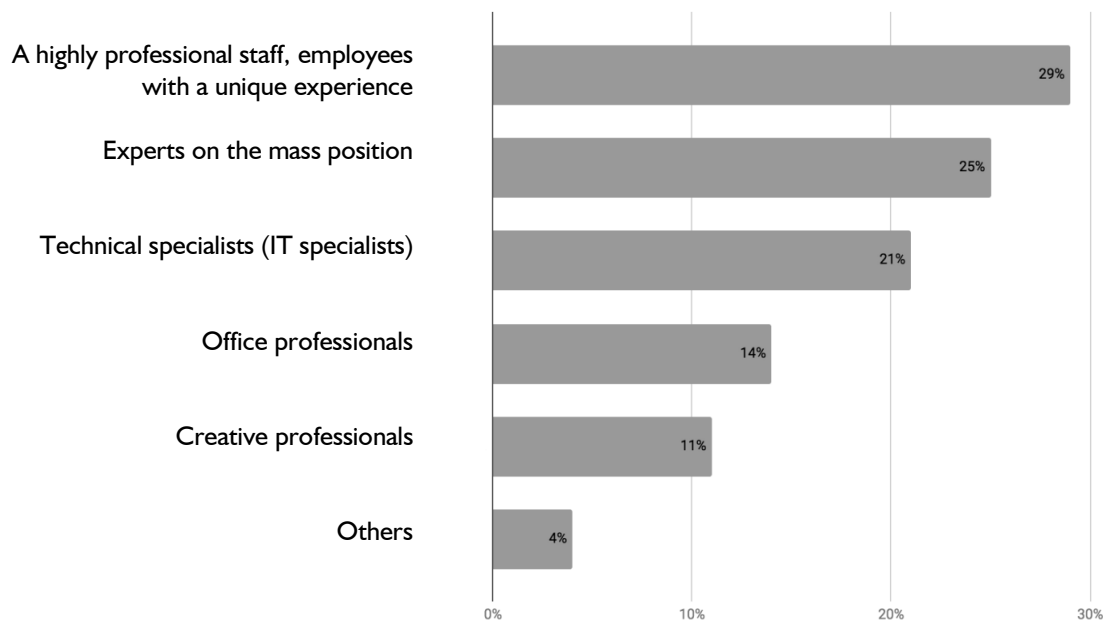


Figure 3. For which categories of personnel referrals programs are most effective from the point of view of employers (Russia, 2018)

Among other advantages of recommending recruitment, Russian HR specialists point out the low cost of using this tool (52%), a high percentage of relevant candidates (36%), the ability to create a comfortable atmosphere in a team (32%) and a cohesive team of like-minded people (30%). They point out the work in conditions when the remaining selection tools were ineffective (30%). Another 14% noted the speed of selection through recommendations (Novikov & Veas Iniesta, 2018).

Estimates of the benefits of referral recruitment by North American companies are close to Russian ones. The most popular reason for using referral programs is the desire to select employees who will easily fit into the team: it is noted by 45% of North American employers. Another 38% pointed the importance of hiring productive employees through recommendations from the same productive employees within the company. Low cost of using referral programs was noted by 30% of respondents, and the speed of search for candidates by 26% of them.

Among the drawbacks of the recommendation recruitment process, foreign researchers pay attention to the problems of reducing diversity among staff, and this applies not only to gender or age diversity, but also, for example, to diversity in the thinking methods of employees. People in the same social circle are more inclined to think in a similar way, and the saturation of the team with such employees can be critical for companies that depend on the influx of new ideas. Personal connections between employees

can also increase the likelihood of conflicts and, as a consequence, reduce the degree of control over relations in the team (Novosadov, Burtseva, Repetskaia & Novikov, 2017).

The main obstacle to the use of recommendation recruitment for Russian companies is the lack of awareness of the advantages of this practice: 57% of surveyed employers simply did not think about using such a tool. At the same time, only 39% said that they cope with the tasks without using this tool. For 22% of respondents, the main obstacle is the limited budget, and for another 17% the lack of time resources. Only 17% of companies consider this tool to be ineffective and therefore do not use it.

#### **Motivation of employees to participate in referral programs in Russian and foreign companies**

As a rule, the referral program primarily regulates the methods of motivating and rewarding employees for specialists brought to the company. Motivation can be either material (bonuses, gifts) or non-material (letters of commendation). Research has shown that employee motivation systems in American and Russian companies are very similar (Pinkovtskaia, Balynin, Arbeláez Campillo & Rojas-Bahamón, 2019).

The most often practiced way of rewarding employees is money bonuses: in North America they are practiced by 92% of those companies which have referral programs. In Russia, 85% of

companies with referral programs practice this method of motivation. In foreign companies, payments to employees for the mentioned candidate are less often made immediately after hiring an employee (27%), but more often after passing the probationary period (78%) (Zamkovi, Komarova & Novikov, 2018).

Other forms of material remuneration, such as gifts, gift certificates and extra days off, are used much less frequently (only by 12% of Russian companies and approximately 6% of North American companies), and often act as an addition to the cash bonus. The same applies to non-material remuneration, i.e. literacy and gratitude: they are practiced in 12% of American and 19% of Russian companies.

At the same time, the opinion that employees participate in referral programs primarily for remuneration is not shared by many recruiters. Among HR managers in North American companies, only 29% note remuneration as the main incentive for employees to participate in the referral program and propose candidates. Among Russian applicants who participated in a similar survey, only 12% said that they participate in referral programs to receive remuneration.

For 39% of North American HR managers, the main reason for which employees offer candidates is the personal relationship between the employee and the proposed referral (in particular, the desire to help a friend find a good job). In Russian companies, 56% of the interviewed applicants consider this the main reason for their participation in the referral program.

13% of HR-managers from North America note the desire to hire an employee with a suitable set of values in the company as the main reason for participation in the referral program. A similar answer was given by 17% of Russian applicants: for them the main reason was "the desire to work with a person with whom I feel comfortable communicating with" (Zolotukhina, Bakharev, Kapustina, Novikov & Lygina, 2017).

At the same time, only 17% of American HR-managers believe that the employees participate in referral programs simply because they have found a coincidence between the skills required in the vacancy and a suitable candidate from the circle of their acquaintances. Among Russian applicants "the value of human experience and skills for the company" is noted as the main motivational factor of 71%. Perhaps, HR-

managers from North America underestimate altruistic motives of their employees.

## Conclusions

The experience of Western companies shows that referral recruitment is an effective tool for solving certain tasks in the process of personnel recruitment: the main evidence is the combination of both the prevalence of this method and the positive feedback about it. Proceeding from this, it is possible to assume that the lower prevalence of referral programs in the Russian market can be a temporary phenomenon, and in the near future we should expect an increase in their number. Thus, hiring on the basis of recommendations, which is de facto already widespread in the Russian labor market, will become a formalized practice in Russian companies.

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