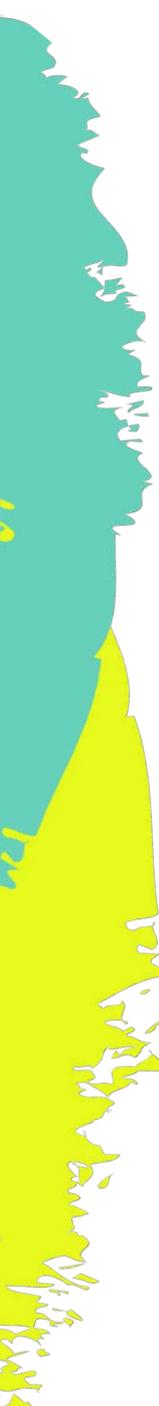


Firstbird Study

Motivating employees for long-term referrals - learn how it works!

In cooperation with Organomics www.organomics.de. Revised version November 2019.





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1 – Introduction

HR managers are faced with a great deal of responsibility when managing the successful introduction of an employee referral program. They must persuade multiple teams and stakeholders to get on board.

However, most important stakeholders to persuade are the creators and guarantors of success - your employees - of the idea and the possibilities within the new tool.

Once the employees are on board, the race against time begins - how can they be motivated to be consistent referrers, long term? That is the only way to ensure the success of the employee referral program.

Many Firstbird customers and HR managers are faced with this question every day. This has prompted us to summarize what important aspects need to be considered in the successful implementation and long-term use of an employee referral program.

For this study, we used aggregated and anonymized data from over 2,000 companies. All participants use Firstbird, the digital employee referral program, which provides recruiters with insights into the motivations of referrers.

This study is designed for HR managers and aims to answer the following questions:

- How do rewards affect the actions of referrers?
- Which motivational mechanisms play a central role in referral programs?
- How can the motivation for referrals be effectively controlled?

Following the problem analysis, we provide insights and concrete recommendations for action, to increase the referral rate and activity.

2 – What is an employee referral program?

Referrals are currently regarded in many areas of life as an important source for decision making. You can see this often in purchase decisions, holiday planning or the search for a new doctor. When it comes to recruiting, personal referrals from employees support HR managers in their search for candidates who match the job profile and cultural background of the company. With the help of a digital employee referral program, recruiters also save time, money and resources.

The basis of a successful digital employee referral program are the dedicated referrers and their extensive networks.

How does it work? The company informs its employees of job vacancies and the referrers share these vacancies across their social platforms. The incoming applications are received and processed by the recruiters, with the help of the employee referral program. As a thank you for their efforts in sharing job vacancies, the referrers will receive rewards.

Advantages of a Digital Employee Referral Program

FAR-REACHING

An employee has up to 1,000 LinkedIn¹ and 340 Facebook contacts² in their network.

SUITABLE

Referred employees fit into the company culturally.

CREDIBLE

Employee referrals are the most authentic kind of employer branding.

FAST

Referred candidates are hired more quickly.

COST-EFFECTIVE

Referrals are cheaper than headhunters or job advertisements.

SUSTAINABLE

Referred employees stay with the company longer.

Referrals are demonstrably the most effective recruiting channel. It is therefore worthwhile for HR managers to rely on personal referrals from employees.

¹ Statistika 2018

² Brandwatch Facebook Statistik 2019



3 – The disadvantages of monetary rewards

In practice, referral programs often fail. Many recruiters can tell you a thing or two about it: the rollout and use of employee referral programs are in many cases bumpy and result in little success while being associated with high frustration.

Many companies mention the same problem: they traditionally advertise individual open positions within the company, without a professional program and simply ask those employees who know of a suitable candidate to refer them.

But what sounds good in theory, fails in practice very quickly, due to the lack of motivation from employees. The solution lies in finding the right motivation for the referral network. The more motivated the network is, the more referrals are made.

That's why we asked ourselves the following question as the starting point for this study: How do I motivate my referral network correctly?



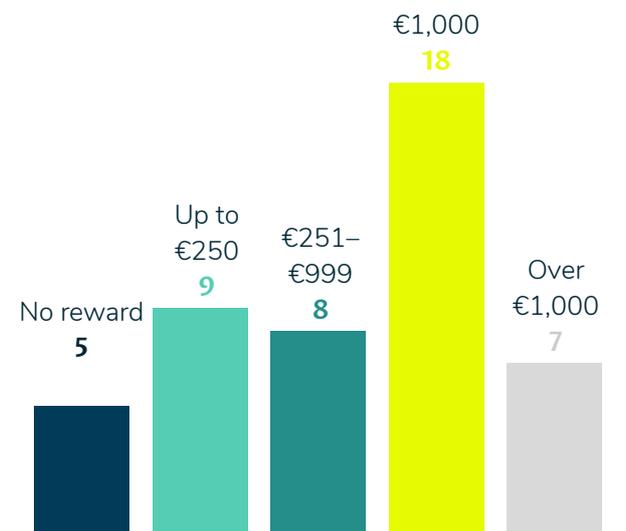
3.1 – Monetary rewards and their pitfalls

To answer the question about the right motivation for referrers, we analyzed our aggregated data based on three distinct criteria; Firstly, by the average number of jobs shared, secondly, by the number of referrals made and finally, by the number of hires made. The aim of the study was to find out what effect the type and amount of rewards have on the activity of the referrers in an employee referral program. The assumption was that by increasing financial rewards, the number of shared jobs, referred candidates and hires would also increase.

CHART 1

Number of shared job vacancies: As shown in the results of Table 1, there was no significant difference in average share counts across a range of reward values offered. This proves that a higher value reward does not necessarily result in more shares of open positions from employees to their network.

The analysis does not show a statistical correlation between the number of shares and the reward value amount.



Average number of shares per job, classified by monetary rewards (© Firstbird Data 2017)

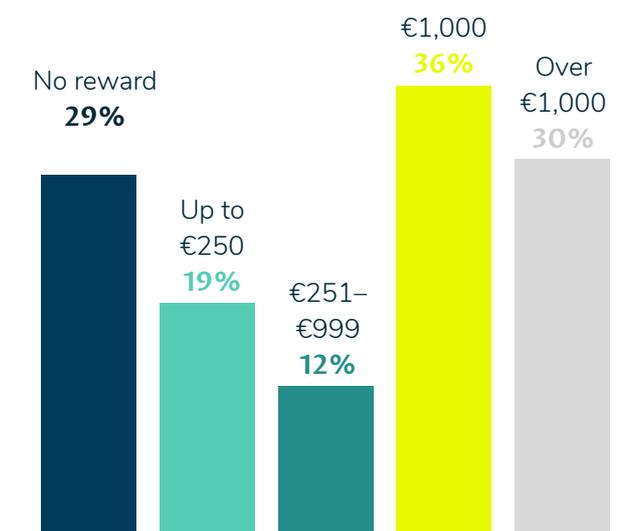
The data analysis revealed the highest average number of shares is associated with a reward of €1,000. However, Table 1 also shows that the average number of shares does not increase linearly with the increase of the reward amount. Additionally, the highest reward (over €1,000) has the lowest average number of shares, except for the control group which did not receive a reward.

CHART 2

Number of referrals made: Table 2 illustrates that referral behavior does not increase linearly with the reward amount, as expected. Particularly noticeable is the high willingness to make referrals without receiving any financial reward.

Table 2 disproves the assumption that the higher the level of reward, the higher the referral likelihood.

It can be seen that there is no statistical correlation between the number of referrals made and the monetary value of the reward. In fact, the difference in the number of referrals made and the reward amounts on offer does not correlate linearly for any of the reward category amounts.



Referrals made classified by monetary rewards (© Firstbird Data 2017)

CHART 3

Number of hires made: Table 3 shows that the probability of success for a successful hire is not related to the monetary value of the reward.

In view of the above results with the average number of jobs shared, the number of referrals made and the number of hires, it can be concluded that there is no correlation between the monetary value of a reward and the activity of the referrer.

This leads to an important conclusion for successful employee referral programs. In addition to monetary bonuses, other motivators are indispensable. This includes, for example, that employees have a positive attitude towards their company and that the intrinsic motivation of the referrers is activated.



Number of hires classified by monetary reward value(© Firstbird Data 2017)



4 – Important motivators independent of monetary benefits

As it's now evident that employees cannot be inspired for a long-term employee referral program by financial rewards alone, it is important to consider and implement other options and motivators outside of financial rewards.

4.1 – Employee referral programs strengthen the self-esteem of referrers

Anyone who is invited to participate in the employee referral program and acts as a referrer is involved in the candidate selection process. They can help decide who fits into the team and who doesn't. The referrers become, so to speak, gatekeepers and get to have a voice in the recruiting process. As a result, this increases intrinsic motivation to engage in the employee referral program.

4.2 – Multi-reward approach as a motivation booster

In addition, it was found that friendly competition to make referrals had a positive effect on motivation within the team. Additionally, public recognition, awards, experience points or gamified challenges with levels can achieve positive results for ongoing motivation.

A leaderboard that's publicly visible in the company, where referrers are positively compared with each other, encourages active cooperation. Nothing motivates referrers more than earning points for actions taken. These points ultimately contribute to referrers advancing to the next level, or even to earning a place on the leaderboard.

4.3 – Scheduling regular updates for the referrers

Active communication with the referrers is also considered indispensable. They would like to be informed about what their commitment and their referral of possible candidates has achieved and how this contact has been handled. Was the referred person called? Were they invited and if so, how was the interview? What was the result? Without this important feedback, it is difficult for the referrer to make successful recommendations in the future.

5 – The psychological concepts of motivation

With the help of motivational concepts from a psychologist, we explain why money alone is not enough to promote employee referral programs and manage it successfully over many years. This study uses the McClelland performance motivation theory and the Ryan and Deci self-determination theory as examples and applies their theories to the use case of an employee referral program.

5.1 – McClelland's theory of motivation

A psychological approach discussed below in more detail is that of McClelland, an American behavioral and social psychologist from the 1950s. In his research, he states that there exist three basic motivators dormant in each of us. These are (cf. McClelland 1953 and 1961):

POWER

Need for influence and control over people and processes.

ACHIEVEMENT

Need to set and achieve challenging goals and experiences.

AFFILIATION

This is the desire and motivation to belong to a group and work harmoniously within it.

Each of these needs can be met in different ways by a robust employee referral program. Striving for achievement can be fulfilled, for example, via a referrers' leaderboard. Within a company, all participants can see where the referrer stands and how many points they have already collected. A direct comparison with colleagues is possible.

The desire for power can be satisfied with the fact that each referrer can engage in the selection process by referring suitable candidates. Of course, the decision is made by the recruiter in charge, but every referrer can make a decisive contribution to the decision-making process with a referral.

The desire to belong is covered by the referer's task of acting as a brand ambassador. They identify with the company and act as a referrer as part of the selected group.

5.2 – Ryan and Deci's theory of self-determination

The university professors and psychologists Edward L. Deci and Richard M. Ryan developed the so-called Self-Determination Theory, which, among other things, describes the social conditions required for different forms of motivation (cf. Deci / Ryan 2008).

The intrinsic motivation of the referrer plays an important role here. This can be explained in more detail through understanding the following three characteristics of self-determination required for optimal motivation:

AUTONOMY

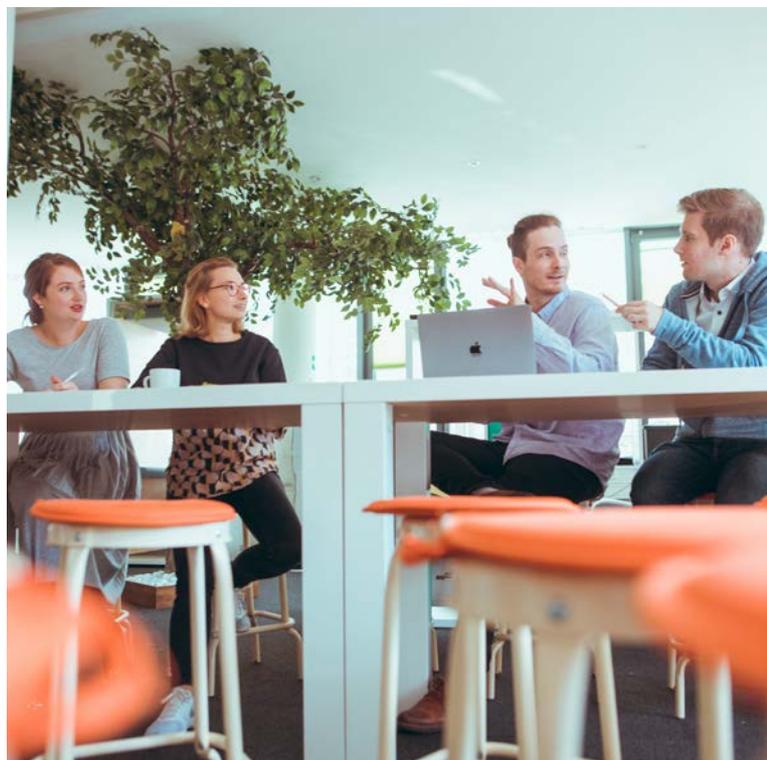
The referer considers each candidate they refer themselves, choosing who could fit from their network for the open job role.

COMPETENCE

The prerequisite is that the referrers perceive themselves as competent and capable to actively deal with their task at hand. They need enough information to be able to tell their network which job to fill and which requirements have to be met.

CONNECTEDNESS

Referrers feel that they belong to their company and are happy to make a referral.



6 – The art of properly motivating referrers

After having dealt with the pitfalls of monetary rewards and the motivation concepts from psychology, we now focus on the aspect of how the motivation of the referrers can be effectively guided and how communication channels within a company should be managed.

Best Practice: The U.S. company Google Inc. had an employee referral program, which despite doubling the bonuses did not lead to the participation they wanted. A revision of this referral program was necessary. These points were changed:

- Weekly updates on the status of referrals
- Feedback within 48 hours to the referrers
- Change in communication to introduce questions like: "Who's the most competent accountant you've ever worked with?" or "Who's the best programmer you've ever met?"

This revision has greatly changed the employee referral program at [Google Inc.](#)

6.1 – Communication challenges

In order to be able to effectively steer the motivation of the referrers, it is important to be aware of the different roles and competencies within a company.

The employee referral program is largely dependent on the activities and actions of the HR department. This is because they distribute and announce the job advertisements and are responsible for passing on information to the referrers.

The HR manager's task is to choose the right level of information depth and frequency to share with the referrer. A digital employee referral program matches the vacancies with the departments and locations of the company. This way, referrers receive targeted information about open positions via automated email or app notification that are relevant to them.

In addition to the HR managers, the managers of the individual departments also play an important role in a referral program's success. They serve as role models. If the employees are expected to act as referrers, the managers should set a good example and be active themselves as referrers.

7 – Conclusion

The introduction of an employee referral program requires some thought and preparation but can become the most successful recruiting channel - if it is implemented correctly and all important aspects are considered. In summary, the most important points you should consider to achieve ongoing success

APPRECIATION

Appreciation is everything. A genuine thank you motivates the referrers for the next referral.

COMMUNICATION

Referrers should be informed promptly of the status of their referrals.

REWARDS

Rewards are beneficial, but do not necessarily have to be monetary; the mix of non-monetary and monetary rewards makes all the difference.

REWARD PROMPTLY

One option that has proved its worth is to divide the reward, for example into three parts and pay out the first part as quickly as possible.

If these cornerstones are taken into account, nothing stands in the way of a long-term motivation of the referrers. The employees are happy to get involved as brand ambassadors for your company.

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Chart list:

Chart 1: Average number of shared job vacancies (© Firstbird Data 2017)

Chart 2: Number of referrals made (© Firstbird Data 2017)

Chart 3: Number of hires made (© Firstbird Data 2017)



About Firstbird

Firstbird, the digital employee referral program, connects people with jobs and companies worldwide with suitable candidates. With Firstbird, employees become brand ambassadors, and referrals become a company's most successful recruiting channel. | Shaping together. www.firstbird.com