

You Know Who?

Where to find that perfect new employee? Ask the ones you already have.

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Skilled management consultants who want to work part time are tough employees to find. Scott Glatstein needs them keep growing [Imperatives](#), his \$2.5 million Minnetonka, Minnesota, consulting firm, but the usual recruiting tools work poorly. "It's hard to advertise for independent consultants," says Glatstein, 48. He has used a variety of recruitment tools, including online advertising, but he now relies almost exclusively on one: recommendations from his 40 existing employees. "In the past six months, we've hired eight people and haven't run a single ad," says Glatstein. "Those hire came [from] referrals."

Employee referrals are one of the more powerful staffing tools available, according to proponents, who say the ability track down hard-to-find talent is just one benefit. Costs can be 75 percent lower than using advertising or agencies, says Jody Ordioni, president of New York City employee communications brand consulting firm referrals also reduces turnover among both new and existing employees because applicants come prescreened for culture fit, she says.

The most important plus is that new employees become productive in less time and have superior skills. "You get a better quality of hire," says Ordioni. "That's the number-one overall benefit."

Glatstein agrees. "People aren't going to recommend people who [will] make them look bad in the eyes of their employers," he says.

But referrals pose potential downsides, too. For one, as employees recommend people from their own circles, your workforce may lose diversity. Glatstein experienced this at Imperatives. "We were starting to build the company with a certain image, and that image was good for about half our clients," he says. "We needed to find a way to hire people from that other half."

It also takes more than just asking to motivate employees to refer. Cash is the usual sweetener. Imperatives, for instance, pays workers a \$300 bounty for each referral hired. Other firms pay much more for special employees in great demand and short supply. Ordioni says one offered a \$3,500 bounty for software developers. That tempted one

employee to advertise and interview his own candidates, she says--a risky business that exposed the firm to potential liability.

Referrals may not be the best way to fill senior management jobs and positions involving skills no one else in the company possesses. Glatstein experienced difficulty hiring vice presidents early on until he had a few onboard who could refer others at their level. "People are hard-pressed to recommend someone up the line," he says.

These problems are solvable, however. Generating diverse or specialized referrals can be as simple as asking employees to recommend specific sorts of candidates. "We told [employees] what types of people we were looking for and very quickly wound up with those people," says Glatstein.

The same approach can yield people with new skills or fill new levels of management, Ordioni says. "You're not just asking people to refer their friends," she says. Referrals may come from competitors or previous employers.

If employees try to game the system or they give low-quality referrals, HR software packages can help by tracking applicants, Ordioni says. Many companies structure referral bonuses so that recipients become eligible for part or all of it only after new hires have stayed on the job for a few months. Others reduce costs further by offering noncash prizes such as T-shirts and coffee mugs. "Make it as fun as possible," Ordioni says.

Online networking sites such as LinkedIn and Jigsaw should make employees ever-richer sources of referrals, according to Ordioni. Glatstein is already convinced. "We're definitely going to do it more," he says. "I interviewed five people in the past few weeks and all were referrals. We find that's the way to go right now."

Mark Henricks writes on business and technology for leading publications and is author of Not Just a Living.

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