

Employee Referral Programs: Do Successful Employees Refer Better Applicants Than Unsuccessful Employees?

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Personnel professionals have long been interested in the best ways in which to recruit potential employees. This interest stems from two main ideas. The first idea is that certain recruitment methods will yield higher numbers of acceptable applicants, thus making the recruitment process less expensive (Kirnan, Farley, & Geisinger, 1989). For example, if a \$100 newspaper advertisement results in 50 applicants for a job compared to two applicants resulting from a \$3,000 fee paid to an employment agency, then an organization might be better off recruiting through newspaper ads.

The second idea is that certain recruitment methods will attract applicants who, once on the job, perform better than employees recruited by other methods. That is, even though newspaper ads in the previous example yielded more applicants, it is possible that none of the 50 will perform as well or stay with the organization as long as would the two from the employment agency. Thus, the savings obtained in recruitment costs would be nullified by the increased training expenses and the reduction in employee performance.

Though several studies have reported that certain recruitment methods yield better applicants than do others (e.g., Breaugh, 1981; Decker & Cornelius, 1979; Reid, 1972), the meta-analysis by Aamodt and Carr (1988) reveals that employees hired as the result of an employee referral have longer tenure than do employees recruited through other means. However, the meta-analysis also indicates that recruitment methods appear to be equal in regard to employee performance.

Even though employee referrals are superior only when tenure is used as the criterion, several theories have been postulated about why referrals result in better employees. The first of these theories suggests that applicants who are referred by other employees receive more accurate information about the job than do employees recruited by other methods (Wanous, 1980). In essence, the applicant receives a realistic job preview from a current employee. This theory has not only received some support in the literature (Breaugh & Mann, 1984; Quaglieri, 1982), but is also consistent with the results of the Aamodt and Carr (1988) meta-analysis. That is, employee referrals were only superior in regard to tenure and realistic job previews have also been found to have their greatest effect on tenure rather than performance (Premack & Wanous, 1985).

The second theory postulates that differences in recruitment-source effectiveness are due to the fact that formal and informal sources reach and are used by different types of applicants (Schwab, 1982). Though some research has

supported this theory (Breugh & Mann, 1984; Ellis & Taylor, 1983; Taylor & Schmidt, 1983; Swaroff, Barclay, & Bass, 1985), other research has not (Aamodt & Carr, 1988; Breugh, 1981). Furthermore, Aamodt and Carr (1988) pointed out that results are not consistent across studies and that applicants tend to use a variety of recruitment strategies rather than just one.

Though the two theories mentioned previously have received at least some empirical support, there is a third possibility that might better explain the finding that employee referrals result in great tenure than do the other recruitment strategies. This third theory (Aamodt & Carr, 1988) has its roots in the interpersonal attraction literature that indicates that people tend to be friends with others who are similar to themselves (Byrne, 1971). If this is true, and the research strongly suggests that it is, then an employee recommending a friend for a job will more than likely recommend a friend similar to him/herself. Thus, it would make sense that a person who is happy with his/her job would recommend a person who, due to his/her similarity to the incumbent, should also be happy with the job. Likewise, it would make sense than an unhappy employee would recommend similar friends who would also be unhappy and would probably have a short tenure with the organization.

If this theory is true, then it is not the employee referral process *per se* that makes the difference in the future success of an applicant. Instead, the success of the future employee is a function of the person who makes the referral. It is the purpose of this study to test this idea using four separate samples of employees who were recruited through employee referrals and comparing their tenure and performance with the employees who referred them.

Method

Subjects

The first sample consisted of 135 former retail employees who had been employed part-time and who had been referred for the job by a friend. The mean tenure for the first sample was 9.8 months with a standard deviation of 11.75 months.

The second sample consisted of 29 male employees who had been referred by a friend and worked full-time for a company that installed fire protection equipment such as automatic sprinkler systems. The mean tenure of the second sample was 12.39 months with a standard deviation of 18.09 months.

The third sample consisted of 24 male employees who worked for a concrete manufacturing company. Each employee had been referred for this job by a fellow employee.

The fourth sample consisted of 42 former restaurant workers who had been referred for the job by a friend. The mean tenure was 9.2 months with a standard deviation of 11.5 months.

Procedure

For the first and fourth samples, tenure information was obtained for both the employee who made the referral as well as the employee who was referred. The

tenure of the employee making the referral was then correlated with the eventual tenure of the employee who was referred. Unfortunately, no performance data were available for these samples.

The same procedure was used for the second sample that was used for the first sample. However, for the second sample, performance ratings were made on a performance appraisal form already used by the company. This form, completed by the employee's supervisor, contained 10 items and most resembled a behavioral rating scale. The maximum score that could be earned by an employee was 200. The actual mean score was 153.78 with a standard deviation of 63.02.

The performance ratings for the third sample were also taken from the performance appraisal system currently used by the concrete manufacturer. This appraisal system involved a supervisor evaluating each employee on six categories: Initiative, work quality, work quantity, cooperation, knowledge, and dependability. The maximum total score possible was 18 and the mean for our sample was 14.17 with a standard deviation of 2.33. Tenure data were not available with this sample.

Results and Discussion

As shown in the table below, the results indicated that for the retail, restaurant, and fire protection samples, a significant relationship existed between the tenure of the employee making the referral and the employee being referred. Thus, in terms for tenure, successful employees tend to refer applicants who will also be successful. However, there was no significant relationship involving the performance ratings for either the fire protection agency employees not the concrete company employees.

Sample	N	Criterion	
		Tenure	Performance
Retail workers	135	.24	
Fire protection workers	29	.70	- .01
Concrete workers	24		.33
Restaurant workers	42	.25	
Sample weighted mean		.31	.15

These results have obvious implications for organizations using employee referral programs. Rather than treating all referrals as being equally valuable, referrals from long tenure employees should be considered first.

An interesting outcome of this study was the lack of a significant relationship involving performance ratings. Although these results are consistent with the cumulative results of previous research indicating that recruitment source is not related to subsequent employee performance, they are not consistent with the idea that successful employees will refer applicants who will become successful employees.

Perhaps the reason for this lack of a relationship involving performance is that we choose friends who are similar to ourselves in terms of interests, attitudes,

and personality (characteristics commonly found related to job tenure) but perhaps not in abilities (characteristics commonly found related to job performance). Support for this idea comes from Streicher (1989) who found a correlation of .70 between the personality styles of friends and from Smith and Redden (1990) who were unable to find significant correlations between the abilities of friends.

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