

A STUDY ON EVALUATING THE EFFECTIVENESS OF EMPLOYEE REFERRAL PROGRAM WITH REFERENCE TO ZK TECHNOLOGIES HYDERABAD

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ABSTRACT

Employee Referral Programs (ERPs) have emerged as a widely adopted recruitment strategy across various industries, praised for their ability to improve hiring efficiency, reduce costs, and enhance employee retention. This study presents a comprehensive review of recent literature (1973–2017) to evaluate the effectiveness of ERPs. Key performance indicators such as time-to-hire, cost-per-hire, quality of hire, employee engagement, and retention rates are examined across multiple studies. The findings suggest that ERPs consistently outperform traditional recruitment methods in terms of speed and cost-efficiency, with referred candidates often exhibiting higher job performance and longer tenure. However, the review also highlights critical challenges, including potential diversity limitations and biases stemming from homogeneous employee networks.

Keywords: Recruitment costs, Boost up, Satisfaction, Non monetary reward, monetary.

INTRODUCTION

Employee Referral Programs

In the ultramodern commercial geography, acquiring and retaining professed gift has come one of the most significant challenges for associations.

As businesses strive to make high-performing brigades, reclamation strategies have evolved to come more innovative, cost-effective, and effective. Among the colourful hiring styles available, Hand Referral Programs (ERPs) have surfaced as a important tool for gift accession.

“A great referral program allows association to turn the entire pool into babe” It helps to empower all workers working in the association. Hand referral programs are popular due to lower overall recruiting costs and a high return on investment. As a price, the employer generally pays the pertaining hand financial, or non financial benefits.

Organizations around the world are increasingly recognizing the benefits of employee referrals. These include reduced hiring costs, shorter time-to-fill positions, improved employee retention, and higher productivity levels among referred candidates. Moreover, referred employees often adapt more quickly to the workplace, as they have a built-in support system through the referring employee.

Campaigners hired through referral programs are considered to be better players, as they tend to be pre-qualified by the referrer and better suited for specific jobs. On top of this, hiring grounded on referrals, reduce work cargo and saves time, strengthens the bond with

being workers, boosts the employer brand, turns workers into brand lawyers and improves the hand retention rate.

The popularity of ERPs is rooted in several key advantages. Research and industry reports suggest that employee referrals tend to deliver **higher-quality candidates**, **reduce time-to-hire**, **lower recruitment costs**, and **improve retention rates**. Additionally, referred employees often exhibit stronger engagement and faster onboarding due to pre-existing familiarity with the organization's culture, values, and expectations. For example, a study by LinkedIn found that referred candidates are hired faster and stay longer than those hired through other means. Despite these advantages, it is important to evaluate the **true effectiveness** of ERPs from a strategic human resource management perspective. Are these programs delivering measurable value in terms of cost-effectiveness, employee performance, and long-term retention.

LITERATURE REVIEW

An internal recruitment strategy used by businesses to find possible candidates among their current workforce is employee referrals. An employee referral scheme, encourages company's existing employees to select and recruit the suitable candidates, from their social networks Employee referral programs, are essentially used by organizations to hire great talent, while reducing acquisition time and cost. Employee referral is defined as recruitment method, in which the current employees are encouraged and rewarded for introducing suitable recruits, from among the people they know. Employee recommendation programs enable current staff members to evaluate, choose, and recommend the most qualified applicants for the hiring process.

It is crucial to monitor metrics like the cost of employee referrals in comparison to other recruitment channels, the performance and retention of employee referrals, employee attitudes regarding referral programs, and the proportion of new hires hired through referrals in order to assess the efficacy of an employee- referral program.

Aarthi Sharma and Santhi Swarup (2016) The level of Job satisfaction, job fit and rewards based on referrals were few of the motives due to which the percentage of employee referrals tends to boost up.

Sameen's (2016) findings indicate that promotion, contingent rewards, operating conditions and nature of work had a significant effect with formal recruitment whereas pay, supervision, fringe benefits, coworker's attitude and communication had a significant effect with Informal recruitment. Formal and informal sources found to have no significance with employees intention to leave concluding that job satisfaction partially mediates the relationship of intention to leave

Pieper et al. (2017)suggested that larger referral bonuses can help offset perceived risk in referring and low affective commitment levels. We conclude with suggestions to practicing managers on ways to improve the motivating potential of their employee referral programs.

Granovetter, 1973 Referrals are often based on social ties, which help organizations access trustworthy, culturally compatible candidates.

McPherson, Smith-Lovin & Cook, 2001 People tend to associate with those similar to themselves, leading to referrals that align with existing company culture Castilla, 2011 ERPs may perpetuate lack of

diversity, especially in tech and finance sector

OBJECTIVES OF THE STUDY

1. To study the mindfulness position of the employee referral program.
2. To study the effectiveness of employee referral program of the company.
3. To suggest some measures to improve the existing referral program.
4. To analyse the amount of risks to the organization due to referrals in general, as perceived by existing employees.

NEED FOR THE STUDY

Understand how referrals can speed up the hiring process and reduce time-to-fill for open positions. To speed up the hiring process. To improve the quality of hires. To reduce recruitment costs. To boost employee engagement. To create a steady talent pipeline. To increase employee retention. To support data-driven hiring strategies.

SCOPE OF THE STUDY

This study focuses on examining the effectiveness and impact of Employee Referral Programs (ERPs) in organizations, specifically within the [insert chosen industry – e.g., IT, Banking, Manufacturing, etc.]. Data will be gathered from HR professionals, recruitment managers, and employees who have participated in the referral process, either by referring candidates or being referred themselves. The study will cover various dimensions, including recruitment efficiency, the quality of hires, cultural fit, employee engagement, the impact on diversity, and the return on investment for organizations implementing ERPs.

RESEARCH METHODOLOGY

Research is an active, diligent and systematic process of inquiry in order to discover, interpret, and revise facts, events, behaviours or theories or to make practical applications with the help of such facts, laws or theories. The term exploration is also used to describe the collection of information about a particular subject. The major goal is to determine the proportion of employees who have a positive or negative attitude and what factors likely to be similar. The typical employee opinion survey approach has been applied in this instance. The organization's staff members were given the surveys immediately to complete.

PRIMARY DATA

Questionnaires are employed to collect primary data.

SECONDARY DATA

The data secondary collection method includes: • Websites • Journals • Text books Method Used

consuming and expensive method and requires more administrative planning and supervision. It is also subjective to interviewer bias or distortion.

DATA COLLECTION TOOL

Data with an original personality are primary data, which are those that are gathered for the first time. In this study, questionnaires are employed to collect primary data. Tools Used for Analysis : Percentage Analysis, Chi square, Regression, Correlation & Anova.

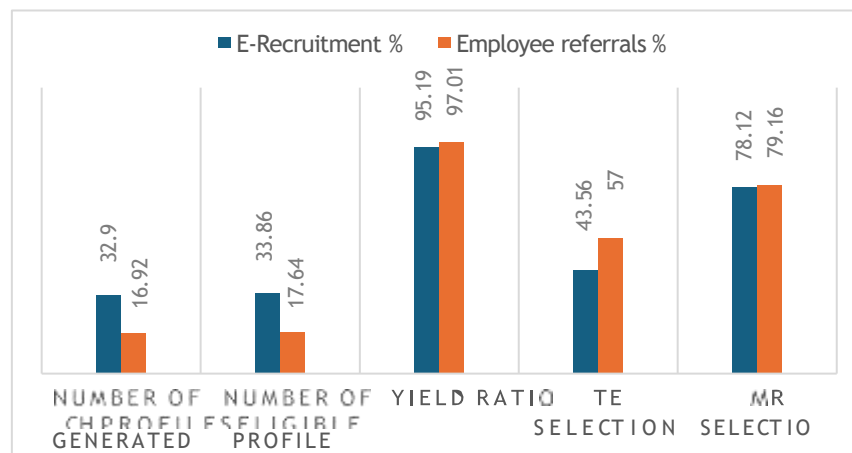
DATA ANALYSIS

Table 1

Number of profiles generated from each source

Interpretation

Out of 2565 candidates who applied for interview, 36.45% are from placement vendors, 32.9% are from E-Recruitment T team, 16.92% are from Employee Referrals and 13.72% are from direct walk-ins.

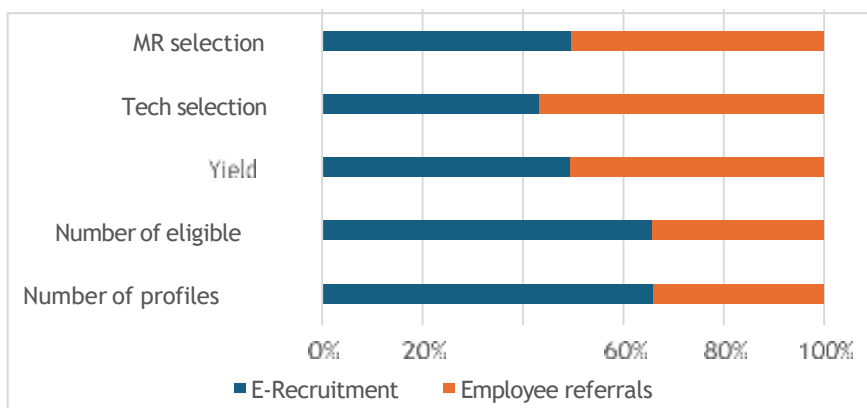


Interpretation

Out of 2565 candidates who applied for interview, 36.45% are from placement vendors, 32.9% are from E-Recruitment T team, 16.92% are from Employee Referrals and 13.72% are from direct walk-ins.

Table 2 Frequency table for number of eligible profiles from each source

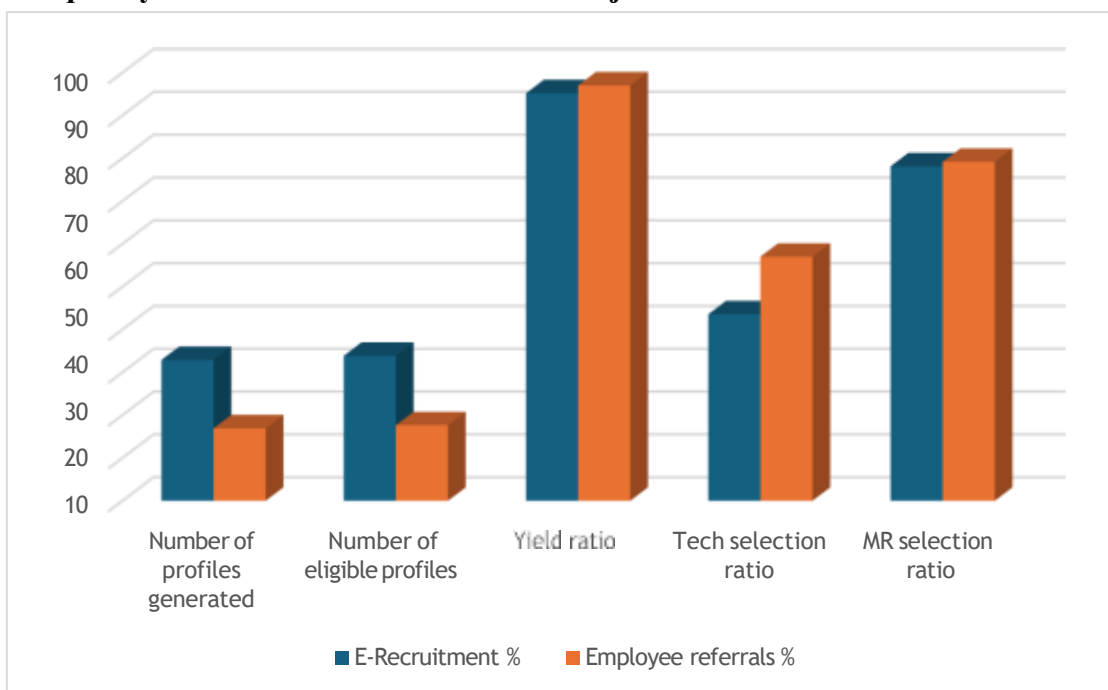
Interpretation



Out of 2386 eligible profiles, 35.79% are from placement vendors, 33.86% are from E-Recruitment, 17.64% are from Employee referrals and 12.69% are from Direct Walk-ins example, do not differentiate among departments of the same organization. This template was designed for two affiliations.

Table 3

Frequency table for source distribution of rejected candidates



Interpretation

Out of 1754 rejected candidates, 36.2% are from Placement vendors, 33.8% are from E-Recruitment, 15.73% are from Employee Referrals and 14.25% are from Direct Walk-Ins.

Table 4

Consolidated Analysis

Table for association between the source of recruitment and candidates' final status

Variable	E-Recruitment %	Employee referrals %	Placement vendors %	Direct Walk-Ins %
Number of profiles generated	32.9	16.92	36.45	13.72
Number of eligible profiles	33.86	17.64	35.79	12.69
Yield ratio	95.19	97.01	91.33	86.67
Tech selection ratio	43.56	57	47.07	32.34
MR selection ratio	78.12	79.16	77.11	70.64
HR selection ratio	78.18	76.31	70.64	70.66
Offer rate	26.6	33.41	25.64	17.49
Offer acceptance ratio	92.09	95.17	73.97	84.9

CHI-SQUARE TEST CHI-SQUARE TEST BETWEEN SOURCE OF RECRUITMENT AND CANDIDATES' FINAL STATUS

AIM: To test the significant association among the source of recruitment and candidates' final status

Ho: There is no significant association between the source of recruitment and candidates' final status

H1: There is significant association between the source of recruitment and candidates' final status calculation **Chi-Square Tests**

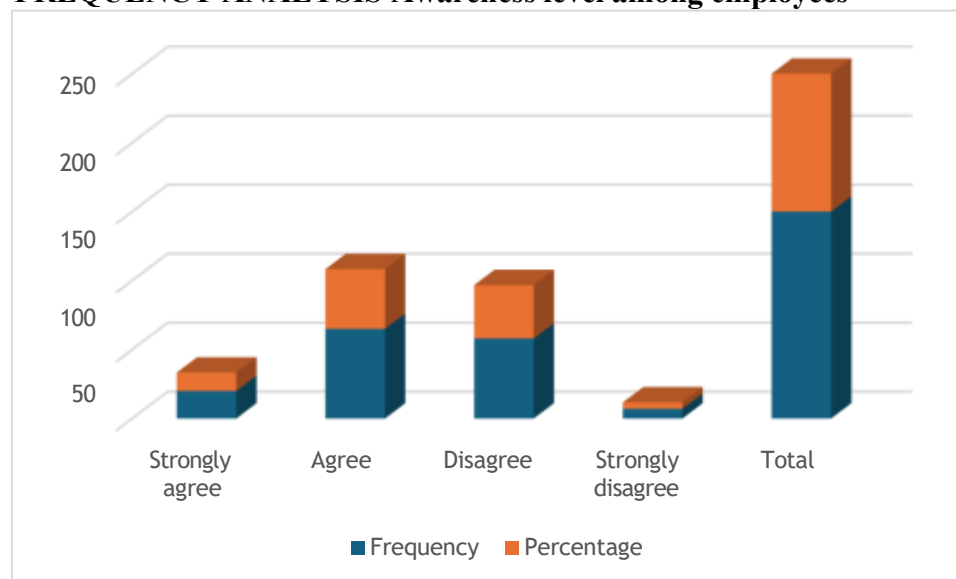
	Value	df	Asymp.Sig.(2-sided)
Pearson Chi-Square	36.45	3	0
Likelihood Ratio	37.233	3	0
Linear-by-Linear Association	13.503	1	0
No of Valid Cases	2565		

Interpretation

The significance level (0.000) is less than 0.05. Hence the null hypothesis is rejected and the alternative hypothesis is accepted at 95% confidence level. Therefore, there is significant association between the source of recruitment and candidates' final status.

Table 5

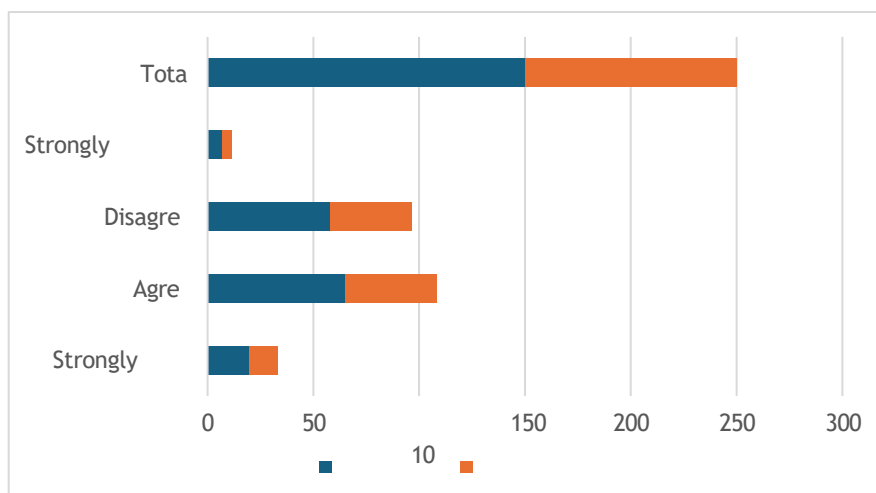
FREQUENCY ANALYSIS Awareness level among employees



Interpretation

14.7% of respondents are highly aware about the employee referral program. 40% of respondents are aware, 40.7% of respondents are not aware and 4.7% of respondents are highly not aware about the employee referral.

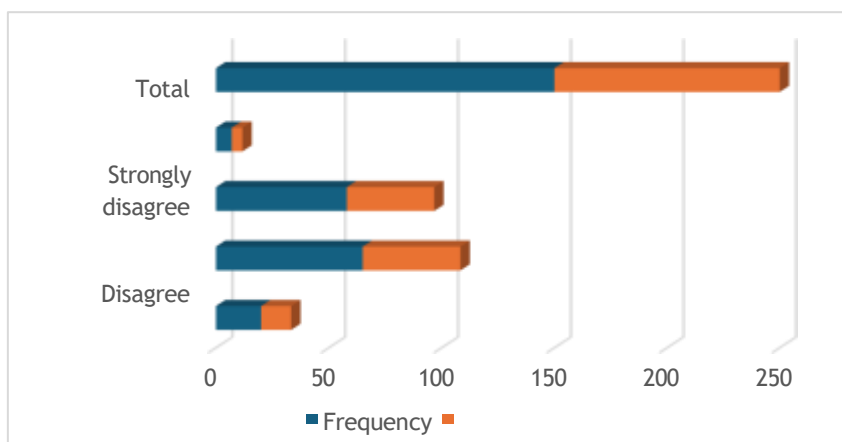
Table 6 Frequency table for regular updates about candidates' status



Interpretation

14% of respondents strongly agree that they receive regular updates about candidates' status. 44.6% of respondents agree, 36.7% of respondents disagree and 4.7% of respondents strongly disagree with the statement.

Table 7 Frequency table for regular updates about current job openings

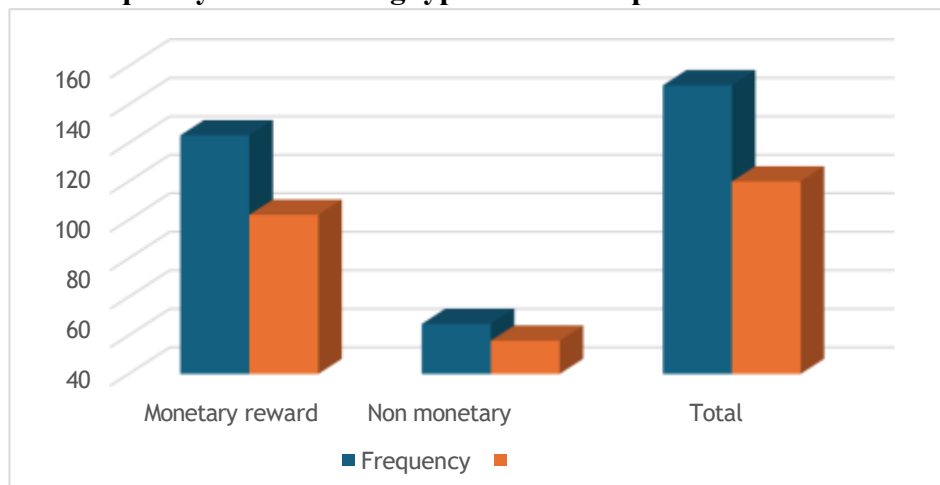


Interpretation

13.3% of respondents strongly agree that they receive regular updates about current job openings. 43.3% of respondents agree, 38.7% of respondents disagree and 4.7% of respondents strongly disagree with the statement.

Table 8

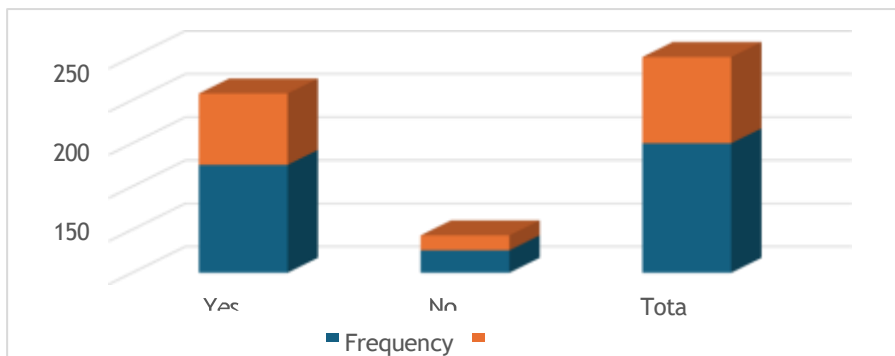
Frequency table showing type of rewards provided



Interpretation

82.7% of respondents responded as Monetary rewards and 17.3% of respondents responded as Non-monetary rewards were provided for referring a candidate.

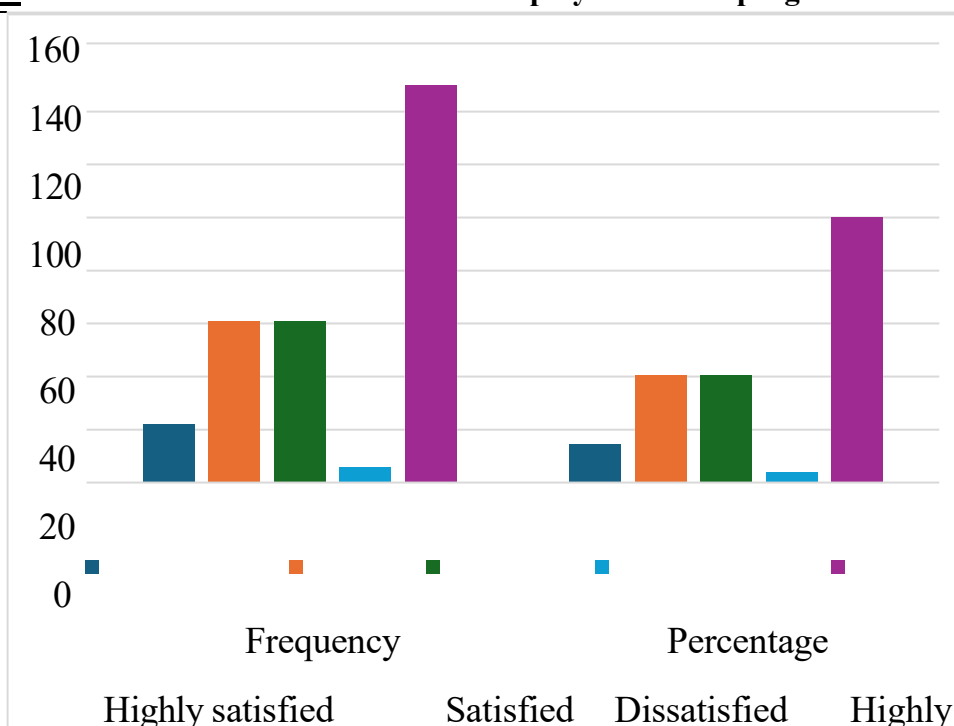
Table 9 Frequency table for respondents' willingness to refer in future



Interpretation

82.7% of respondents were willing to refer and 17.3% of respondents were not willing to refer candidates in future

Table 10 Table for overall satisfaction with employee referral program



Interpretation

14.6% of respondents were highly satisfied, 40.7% of respondents were satisfied, 40.7% of respondents were dissatisfied and 4% of respondents were highly dissatisfied with the employee referral program.

FINDINGS

- Out of 2,565 applicants, 36.45% came via vendors, 32.9% through E-Recruitment, 16.92% from referrals, and 13.72% were walk-ins. This shows higher dependency on external sources than internal ones.
- Out of 2,386 eligible profiles, majority came from vendors (35.79%) and E-Recruitment(33.86%), with fewer from referrals (17.64%) and walk-ins (12.69%), indicating external sourcing dominance.
- Out of 1,754 rejected candidates, most were from vendors (36.2%) and E-Recruitment (33.8%), with fewer from referrals (15.73%) and walk-ins (14.25%), showing higher rejections from external sources.
- Since $p = 0.000 < 0.05$, the null hypothesis is rejected, indicating a significant association between recruitment source and candidates' final status at 95% confidence level.
- Only 14.7% of respondents are highly aware of the employee referral program, while the majority (85.3%) have low to no awareness.
- Only 14% strongly agree and 44.6% agree they receive regular candidate status updates, while 41.4% disagree or strongly disagree, indicating mixed communication effectiveness.
- Only 13.3% strongly agree and 43.3% agree they get regular updates on job openings,

while 43.4% disagree or strongly disagree, reflecting moderate satisfaction with communication.

- A majority of 82.7% of respondents received monetary rewards for referrals, while only 17.3% received non-monetary incentives.
- 82.7% of respondents expressed willingness to refer candidates in the future, while 17.3% were not willing.
- Only 14.6% were highly satisfied and 40.7% satisfied with the referral program, while an equal 40.7% were dissatisfied and 4% highly dissatisfied, showing a split in overall satisfaction.

SUGGESTIONS

- Offer attractive monetary or non-monetary rewards for both the employee who refers a candidate
- Keep employees informed throughout the referral process with regular updates on their referred candidates' progress, increasing engagement and trust in the program.
- Make the referral process user-friendly by providing an easy-to-navigate platform and clear instructions, reducing barriers to participation.
- Periodically launch internal campaigns focusing on specific roles or departments that need candidates, creating urgency and focus for employees to make referrals.
- Regularly highlight the employee referral program and its benefits through internal communication channels to ensure employees are aware
- Create a feedback system where employees can share their experiences and suggestions for improving the program, ensuring continuous refinement and employee buy-in.
- Link the referral program to key company values and goals to ensure that referred candidates fit the organizational culture and contribute to long-term success.
- Encourage employees to share job openings on their social media profiles or professional networks like LinkedIn
- Celebrate successful referrals by publicly acknowledging the employee who made the referral, as well as the new hire.

CONCLUSION

The research was undertaken to determine the effectiveness of the various Sources of Recruitment specifically concentrating on the Employee Referral program. The specific data analysis in the sampled organization revealed that the Employee Referral is perceived as the best source of recruitment in the organization since it has the highest conversion rate, offer rate and offer acceptance rate. It is also inferred that the number of candidates attending the interview from Employee Referral program is less as compared to all other sources. In order to gain maximum advantage from the employee referral program, it is necessary to improve the motivation, awareness and satisfaction level among the employees.

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