

Internal referrals keeping best talent out of cos?

Limit Choice, Can Lead To High Mis-Hiring Costs

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Mumbai: By using internal referrals as a key tool to hiring people, are organizations restricting their recruitment universe and limiting their chances of getting the best talent? In India, bulk of recruitment, estimated at over 90%, happens directly or through referrals while the rest is through specialist agencies largely for top-level posts.

In mature markets like the UK, an estimated 85% of recruitment happens through specialist agencies. Practices followed by Indian organizations, feel experts, could lead to 'mis-hires' which can be a drain on costs.

Most companies have internal referral programmes that offer incentives to employees. There are still others like Directi, a web product company, which offers handsome rewards under the 'refer a friend' programme to the extent that employees can even win cars on the selection of candidates referred by them.

For the company, this is an innovative way of attracting talent but experts believe internal referrals alone would not be cost effective. "An organization always needs the best candidate for a job. So while internal referrals are alright for entry level, there is absolutely no substitute for a 360-degree holistic search for the best candidate for jobs above the entry levels. It would be sub-optimal to use internal referrals, which restrict the search universe and could lead to mis-hiring as the best candidate for the job may not have been persuaded. An organization cannot afford to incur a cost on mis-hires," said Ronesh Puri, MD, Executive Access.

Companies agree that multiple sources of hiring is a better option. "In complex labour markets, no company relies on any single source of recruitment. Referrals is just one such source which com-

LOOKING FOR RIGHT MIX

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- > Recruitment outsourcing likely to see a quantum jump



panies rely on. One needs to have a good mix of hiring sources, which is based on the company's 'go to market' strategy. The idea is to throw your net far and wide to be able to attract the maximum number of people. This will then help you pick the best talent through proper selection process. That is indicative of the hiring philosophy we follow at Essar," said Adil Malia, group president, HR, Essar Group.

Getting the best talent appears to be the all-pervading sentiment, for which, companies are reinvigorating their hiring mechanism. "Current hiring strategies are getting re-evaluated regularly. One can see organizations focusing on 360-degree hiring through: appointment of recruitment professionals, referrals, career portals, campus hiring and internal job posts. A hiring process undertaken by an efficient talent acquisition partner can act as a resource for the HR manager and deliver better returns on the total cost invested. All other processes have their benefits, but are ineffective in isolation," said Asim Handa, CEO, Elixir Consulting, a GI Group company in end-to-end recruitment process optimization.

Handa said referral helps in better retention but does not guarantee success. "This technique only propels the hiring process; all other checks: background, competency, culture mapping are

still required," said Handa.

The method is adopted primarily by companies in IT/BPO/retail sector where attrition is high.

Prince Augustin, executive VP (Group Human Capital & Leadership Development), Mahindra & Mahindra (M&M), disagrees that referrals restrict the universe and limit chances of getting right talent. "In full employment markets, specialized agencies do play a crucial role; but in India where there is a need of talent that would engage with the organization, its culture and meets the job requirements, referrals have taken an upper hand and hiring through referrals ranges between 50% and 70%," he said.

"Referral in my view could be a good source to get the right fit as the person referring knows the organization, its culture and the job requirements and, therefore, would ensure that the right candidates are referred. And, in our experience we have seen that the success rate of referrals is much higher than that through consultants in terms of job fit, retention, engagement and connect with the organization," said Augustin.

Given the potential, India could see a quantum jump in recruitment outsourcing. The trend to appoint an outsourcing company is said to be in its golden age as most companies would want to focus on their core skills and outsource transactional activities to experts in related field.