

Hudson

The

Internet

Comes of Age for the

Recruitment Industry

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While it is the largest, Monster.com is only one of hundreds of similar Internet-based job sites. In addition, most companies offer career portals on their corporate Web sites where job seekers can post their résumés.

It might sound like it has become much easier for organizations to find and recruit precisely the right person for any given job opening. However, the reality is that the Internet has created a new challenge for recruiters. While the haystack is more convenient than it used to be, it is growing rapidly, and finding the needle is as difficult as ever.

Effective recruiting requires two components: “reach” (how many people are in your database?) and “relationship” (how well do you know them?). Emerging technologies soon will make it possible to expand both reach and relationship, making it more efficient and cost-effective to hire the best candidates. The intersection between reach and relationship technologies is the new frontier for candidate relationship management.

Recruiters are beginning to think about how to translate the capabilities of customer relationship management (CRM) to the hiring process. The heart of CRM is the ability to mine large amounts of data to target specific segments of the market with precisely the right message. “The basis of candidate relationship management and CRM is the same thing,” explained Richard Metzner, a Dallas-based expert in customer relationship management. “In both cases you are talking about dealing with an individual – what drives that individual, what interests him, how to keep him connected and motivated.”

Until recently, recruiters have not had access to the data they needed to efficiently build long-term relationships with target audiences. However, web sites such as Monster.com and networking technologies such as those employed by Spoke and LinkedIn are beginning to give recruiters both broader reach and access to the information they need to effectively manage relationships with job candidates.

Just four or five years ago, companies were skeptical that they would be able to use the Internet for recruiting. "That's changed drastically in that everyone is using the Internet. ... But now they're very overwhelmed with the volume that they generate," said Kris Rzepkowski, Program Manager, Global Interactive Services for Hudson, a global company that specializes in professional staffing, human capital solutions and inclusion.

More résumés doesn't necessarily equate to better candidates. "Internet technology is making it easier for companies to get to the populations they want to get to, but they are not as adept as they need to be at finding the people they really want," Rzepkowski added.

In this environment, hard-to-find "passive" candidates – those who are not actively seeking a new job – are increasingly valuable. To reach these candidates, HR managers need to do a better job tapping into their current employees, alumni and retirees. At the same time, companies must prepare for the talent shortage that will be confronting developed countries as the population ages and the Baby Boomer generation begins to retire. In the United States, for example, there will be 6 million more jobs than people to fill them by 2008, according to Bureau of Labor Statistics projections.

The major questions facing companies are: "How can we identify and build relationships with potential candidates before they become applicants?" and "How can we build a pipeline of talent now to prepare for the future shortage?" Smart companies will build a talent pool that they can dip into when the need arises, as opposed to being forced to take only the people who come through the portal. They will think like salespeople when it comes to attracting qualified candidates and getting them to come on board.

THE NEW FRONTIER

Recruiters are just beginning to understand that social networking technology available through Web sites such as Friendster, Ryse, Spoke and LinkedIn can be exploited to reach pools of passive candidates. By mining databases of contacts, social networking can help identify the connection between an individual and someone he wants to meet.

In addition, these networks have the potential to give recruiters access to large amounts of data, enabling them to use the sophisticated tools of customer relationship management to build and sustain relationships. Unlike the data generated by job boards such as Monster.com, the information available through social networking systems can be verified through trusted contacts – or at least through trusted contacts' connections.

Scott Biggerstaff, manager of sourcing strategies at Kansas City-based Sprint, has investigated LinkedIn, Spoke and the Electronic Recruiting Exchange, a Web site for recruiters interested in electronic recruiting techniques. However, he said Sprint has not gotten to the point of using them as a recruiting tool. "The folks I speak to think that there is some promise to it. Everybody's not quite sure how to use it yet," he said.

Biggerstaff's group supplies recruiters with applicant tracking tools, but does not directly influence the tools and techniques they use. "We have to sell the merits of a process, procedure or an idea to get adoption," he explained. For example, four or five years ago the group promoted Internet recruiting. "We had to start showing results compared to how much it was costing us versus, for instance, newspaper ads or headhunters," Biggerstaff said. Today about 700 job listings are posted through the career portal on Sprint's Web site, which takes in 1,000 résumés a day. Forty percent of new hires come through the Web site. This year, the company, which had \$26 billion in sales in 2003, hired 11,000 people. A few years ago it was hiring as many as 20,000 people annually.

With that kind of volume, the social networking systems available today have limited use, according to Biggerstaff. Recruiters would find themselves searching for and contacting individuals who may not be interested in the company. "You have enough time to deal with those folks that you know are interested and probably qualified, and you don't really have much time to do anything else," noted Biggerstaff. Another potential problem is that as the systems are used more widely, multiple companies may bombard candidates with attractive résumés.

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Biggerstaff commented that before he would encourage widespread use of social networking systems at Sprint, they would need to be specifically geared toward recruiting. For example, they would need to have tools that would create and save a search, and automated functions that would alert recruiters to a person with the skills necessary to fill a particular opening. "If you were automatically notified as soon as this person registered you could immediately respond, as opposed to having to go in once a week and do a search and sort through the folks you'd already talked to and find the new folks that you hadn't talked to," he said.

Social networking systems may ultimately be most useful to companies targeting high-value candidates. Gartner, an IT consulting firm, recently began an initiative to strengthen relationships with alumni, who are generally talented, mobile IT experts. "We hope it would lower hiring costs if we could effectively source from the [alumni] network," said Melissa Parinello, manager of recruiting programs. The firm is not currently using social networking for recruiting.

SIX DEGREES

Initially, social networking systems focused on individuals who wanted to make personal connections or businesses seeking new customers. These systems rely on the concept of "six degrees of separation," derived from an experiment conducted by psychologist Stanley Milgram in 1967.

Milgram sent 60 letters to people in Wichita, Kan., who were asked to pass the letter to acquaintances they thought could reach an individual in Cambridge, Mass. Only three letters eventually reached their destination; however, after refining the experiment, Milgram achieved completion rates of 35 percent, and subsequent researchers achieved as high as 97 percent. For chains that did reach completion, the mean number of intermediaries was six. Milgram also found that most of the forwarding was done by a very small number of people with much higher than average connectivity.

By using social networking systems, recruiters – whether external or working in corporate HR departments – could tap into colleagues' networks, rather than depending on their own networks to fill positions. They could, for example, ask permission of their top producers to contact the people they know at other companies (on the theory that top producers probably socialize with other top producers) and people they went to school with who have a similar background. "It adds a whole new dynamic to the way people recruit," said Rzepkowski.

The technology comes in two basic forms: public or private. Private systems only allow connections within a given corporation, similar to an intranet. With public systems such as LinkedIn and Ryze, users register, provide information about themselves and upload information about people they know. The user identifies the individual she wants to meet, and the software searches the database for a path from the user to the target. The user contacts the person she knows, who can then decide whether to pass on the request.

Social networking accelerates the process of finding candidates, according to Zaw Thet, a former director at Spoke. "Instead of having to cold call [someone], you're actually able to get him to pick up the phone because his friend or old classmate is the one providing the referral," Thet said.

LinkedIn is a networking platform that allows users to view and connect with their extended professional network – people who are within four degrees of separation. It is the largest online business network, according to *Forbes*, with approximately 1.4 million registered users, half of whom are outside the United States. It is growing at the rate of 45,000 new sign-ups per week.

Early in 2005, LinkedIn plans to launch a premium service for HR staffers, recruiters and hiring managers, according to Matt Cohler, senior director of corporate development. Cohler calls the new service a listing and candidate assessment system "on steroids." In addition to being able to see the résumés of job applicants, it can show users which applicants know someone they also know, or which applicants know someone who works at the same company.

"All we're trying to do is mirror the real-world processes that exist for finding and hiring employees – the things that are already considered best practices and most effective," said Cohler. He recalled asking many HR people, "If you had the choice between two identical résumés, one of which had come in cold and one of which had been referred by a trusted colleague or another employee of your company ... which one would you look at first?' And the answer 100 percent of the time is, 'If they were identical résumés, I would always look at the one that came in referred first.' " He added that real-world experience shows that people hired through a trusted referral end up being better hires.

LinkedIn recently entered into a partnership with the Direct Employers Association, a non-profit consortium of about 130 HR departments, about 100 of which are at Fortune 500 companies. LinkedIn users now can access job listings that link directly to corporate Web sites. They can also use the service to find out who they know who could introduce them to someone already working at the target company.

These “reach” systems allow users to open up a broader pool of contacts. “It’s the weaker ties – the person you met at your son’s weekly soccer game that you struck up a good relationship with, but he’s not part of your close circle of friends and coworkers – who provide you with the most reach and the most diversity,” noted Thet.

The concept is derived from “the strength of weak ties,” a theory put forth by sociologist Mark Granovetter in a paper published in 1973. Granovetter later explained, “The argument asserts that our acquaintances (weak ties) are less likely to be socially involved with one another than are our close friends (strong ties).” Each acquaintance, in turn, has a group of close friends who are not closely connected to one another.

Granovetter argued that individuals who have very few weak ties will be deprived of information from distant parts of the social system. “This deprivation ... may put them in a disadvantaged position in the labor market, where advancement can depend ... on knowing about appropriate job openings at just the right time,” wrote Granovetter.

BUILDING RELATIONSHIPS

Recruiters need to think more like marketers when it comes to attracting potential employees to their firms. “Job candidates today need to be approached in much the same way as prospective customers: carefully identified and targeted, attracted to the company and its brand, and then sold on the job,” Peter Cappelli wrote in *Harvard Business Review*. Cappelli is the George W. Taylor Professor of Management at the Wharton School of the University of Pennsylvania.

Customer relationship management refers to both technology and the skills necessary to take advantage of the technology. According to marketing experts, companies that have spent significant amounts of money on technology systems have not gotten full benefit from them because they haven’t figured out what messages to communicate to particular segments of the market.

Smart recruiters try to create a dialogue with candidates by asking questions about what’s important to them in a job, and using the answers to figure out the right messages. “The way you create a sense of relationship is by understanding the candidate, knowing where they are in their work lifecycle ... and maintaining contact until they are ready to change jobs,” said Metzner.

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Candidates, like consumers, make decisions based on both functional and emotional factors. Functional considerations include issues such as job description, salary and work location; emotional considerations include whether the candidate feels he will be comfortable with his new co-workers.

“You’re talking about a high-involvement sale when you’re talking about recruitment,” noted Dorothy Rosen, an Evanston, Ill.-based customer experience expert.

Just as effective CRM will maximize profit by identifying the right customers and selling them exactly what they want, effective candidate relationship management results in employees who are appropriate for the job, stay with it and contribute to the company’s profitability.

Building long-term relationships with candidates through ongoing, targeted communications helps a company differentiate itself from peers and positions the company as an employer of choice. Sophisticated recruiters and HR directors are beginning to understand that the more talented the candidate, the more important it is to establish a relationship before a job opening occurs.

Sprint encourages recruiters to stay in touch with good candidates qualified for higher-level positions that may not be open currently – to “keep them warm,” as Biggerstaff put it. The company recently hired an internal executive recruiter who will maintain these relationships.

“I like to think that a longer-term relationship reduces the guesswork. It increases the probability of a better match,” said Jorge Albinagorta, Interactive Strategy Manager, Hudson Highland Group. “[Otherwise] it’s like proposing marriage after you’ve known someone for 48 hours.”

CONCLUSION

The Internet already has changed the balance between job hunters and employers. By using social networking, as well as searching web sites, chat rooms and web logs (blogs), candidates can learn whether a company is the kind of place they really want to work. “Just as the Internet and the communities set up on the Internet have shifted a lot of marketing information and power to the customer,” said Metzner, “in the recruiting business, more power could shift to the candidate.”

It is too early to tell whether social networking and relationship technologies will fundamentally change the way recruiting is done. However, it is likely that as recruiters gain broader reach and the information necessary to target their messages to potential employees, candidate relationship management will join customer relationship management as an essential skill for tomorrow's companies.

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