

# **Social Referral Tools: A Critical Analysis**

## **Masterarbeit**

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# 1 Introduction

## 1.1 Relevance of the topic

Between 2002 and 2007 the global economy expanded abruptly. As a result business leaders and as well as human resource managers worried about the increasing international contest for talents. The effects of employees unsuited to lead and confront business challenges, substandard candidates employed just to fill out positions pose issues for every company.<sup>1</sup> This has resulted in a progressively more demanding recruitment process. Top companies find themselves in dire straits with regards to finding highly qualified employees for their vacancies. That is why companies have to find new possibilities to receive highly qualified candidates.<sup>2</sup>

Diverse programs are offered on the side of the companies to attract highly qualified employees, however in the age of the Web 2.0 and the resulting Social Media platforms, a new trend results. On the basis of the motto, “mouth to web” instead of “mouth to mouth propaganda”, employees can refer their family members, friends, acquaintances and other suitable candidates in their network through Social Media for the vacancies in their company. New opportunities for the human resource management emerge; they can act quicker, and more efficiently.<sup>3</sup> The study of Dunn (2015) suggests that thirty to sixty percent of employees found their job through personal contacts.<sup>4</sup> A Study of Social trends 2013 depicts that Social networks already rank at position three of the recruitment channels, before online job forums and also career sites.<sup>5</sup> Another study illustrates that increasing quality of candidates can be reduced to the referrals. The referrals screen their network carefully to give the most suitably qualified candidates.<sup>6</sup>

As many other companies, IBM Germany GmbH recognized the potential of the Web 2.0 and Social Media networks and implemented the Social Referral Tool on the 1st November 2015 in their Employee Referral Bonus Program. Employees have the option to refer vacancies through the Social Referral Tool and simultaneously receive the bonus.<sup>7</sup> Although the Social Referral Tool has a lot of advantages for the company as well for the employee, the usage at

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<sup>1</sup> cf. Beechler, Woodward 2009, p. 273.

<sup>2</sup> cf. Trost, Berberich 2012, p. 1.

<sup>3</sup> cf. Dannhäuser 2015, p. 8.

<sup>4</sup> cf. Dunn 2015, p. 32.

<sup>5</sup> cf. Scholl 2013, p. 8 ff.

<sup>6</sup> cf. Mani 2012, p. 13.

<sup>7</sup> cf. Attachment 2.

the IBM Germany location is still quite low. In the remainder of this thesis the reasons for the low usage will be explored.

## 1.2 Ambition of the Thesis

Aim of the Master's Thesis is to research the reasons of the low use of the Social Referral Tool of the IBM Germany GmbH. The different causes should be visited with a quantitative survey to subsequently generate recommendations through qualitative interviews. So in terms of this Master's Thesis the following research questions are examined:

- *What are the reasons for the low use of the Social Referral Tool?*
- *How can the usage and awareness of the Social Referral Tool be increased?*

## 1.3 Structure and Approach of the Thesis

The first part of this Master's Thesis represents the fundamentals of the Employee Referral Program and the development of the Social Referral Tool, ensued with a depiction of the IBM Company and the Employee Referral Bonus Program as a consequence thereof the Social Referral Tool of the IBM. The first part completed with the theoretical framework, state of the art analysis and derivation of the special reference framework.

The second part represents the quantitative and the qualitative survey of the thesis. First of all the quantitative survey is implemented, to capture possible reasons for the comparatively low use of the tool. Here, it is insignificant if the attendees of the survey already have experience with the tool. With the outcome of the survey, the qualitative interviews are prepared. The interviews are conducted with experts of the direct and indirect connection to the Social Referral Tool. Following the findings of the empiricism are discussed and analyzed relating to the constructed hypotheses and research questions. Finally by the means of the results of the quantitative and qualitative research recommendations for the critical points will be generated. With a precise conclusion of important results the Master's Thesis ends.

## 7 Conclusion

All highlights of the thesis will be summarized and illustrated. Although this thesis presents different relevant findings, an improvement is always possible. Subsequently limitations and implications for research and practice will be given.

### 7.1 Summarizing of the Research Results

In the theoretical part, the importance of the referral tools and alternative programs have been shown. It has been noted companies profit with the implementation of these programs. More qualified candidates and cost savings are some advantages that can be achieved with the use of ERP's. With the adoption of the Social Referral Tool, the usage should be simplified. Use Reference through Social Media networks, to reach more applicants and deskill the reference process.

Despite the benefits, the biggest challenge can be seen with the actual use of the tool. To examine possible causes and implement suggestions for the improvement a quantitative and qualitative survey with the GBS sector of the IBM was performed. Even the outcomes of the quantitative survey show that one leading cause is the lack of awareness of the tool. Likewise, the bad visibility and placement of the tool strengthen the poor awareness. Moreover aspects like the perception of no need to refer or availability of time influence use indirectly. Employees do not see the added value, the profit for themselves and the company, which summarizes the no need factor. They are unaware that they can help friends, acquaintances and family member to start a carrier with there recommendation. With the realization of the SRT, the time-consuming referring should stop. Just with few clicks, they can share job positions in their whole Social Media network, a few clicks to make the circle of friends attentive of potential job advertisements. Within the existing workload, most of the employees engaged to simultaneously refer candidates for the company is a huge effort.

The empirical findings shown diverse reason which influence directly and indirectly the usage and at the same time the awareness of the tool. For the optimal efficiency the SRT needs to be constantly improved. There have already been suggestions mentioned in the quantitative survey. Several points listed for a better usage and awareness. The results of the thesis demonstrate that the persons responsible for the Social Referral Tool can improve the usage and awareness. With the support of the Human Resource Management and the areas, which a hiring the usage can be improved, too.

## 7.2 Limitations

On the basis of the workload of this thesis, the results obtained were only with the user behavior of the employees of the IBM Germany GmbH. So other companies cannot be considered during this master thesis. To generalize the causes, research in other companies have to be conducted as well.

Because of the necessary approvals to perform a survey with the employees, only one business sector has been considered. Moreover in the sector considered here the research was conducted in the last two years. It has to be noted, that around 160 out of office emails arrived, after request to do the survey. Already here the sample field has been reduced. Based on this fact the survey has to be conducted during a period of time where the employees can be better accessed. Because of the workload and the email flood, approximate 20 % contributed to the survey. For more significant empirical results, more employees have to be surveyed.

Even the benefits for the employees have to be highlighted. The results of the quantitative survey exemplify, that employees are not aware the advantages they can receive. The impact of their referrals has to be illustrated on different cases or success stories for positive referrals.

Furthermore the experts of the qualitative interviews only originate from the European area. Because of the workload it was not possible to contact successful persons of the Social Referral Tool from countries like the United States or India, which have different referral culture when compared to Europe.

## 7.3 Implications for Research and Practice

Also there exist some limitations of the results, which simultaneously implicate options for further research and recommendations for action.

The empirical results support only the GBS sector of the IBM. For further research and meaningful empirical evidence more of the whole business units of the company have to be inspected. Moreover different companies should be examined. Grouping the industries and the company size could be useful here. Classified according the company size and the various sections more powerful recommendations can be given and implement. Correlations between the various branches can be made and can be compared. To examine the influence of culture,



research in the international context has been made. The cultural impacts can be compared and diverse causes compiled. This would help to build a referral culture within the company. The implications of the research also influence the practice through which gains can be made. The findings demonstrate, that not only the lack of awareness, but also dissatisfaction can lead to the low usage. The needs of the employees have to be regarded, so employers can expect that their employees refer candidates for open vacancies. With a good working atmosphere and satisfaction of the needs, employees will be more prepared to refer their personal environment. The sense of belonging and community encouraged and various business units profit. A high sense of belonging and community can lead to a stronger commitment. If the commitment of the employee is high, then attitude towards the referring is much higher. Optimizing these aspects have to be considered and still improved.

#### **7.4 Outlook**

In conclusion, the thesis dealt with the reasons for the Social Referral Tool and suggestions to improve the awareness and the utilization. The finding of this thesis suggest that the Social Media networks, is currently a fixed component in the Employee Referral Programs. An abandonment of the Social Media networks in the ERP programs is not conceivable. With the implementation of the web 2.0 and today's generation Y, Social Media networks build up a significant component in the working and private life. In the marketing section or in the commercialization of the products, Social media networks can be found in different business sections in various compounds. The advantages can be seen in diverse situations and so it cannot move away from the ERPs.

So regular use and constant awareness is necessary. Especially if a referral culture is needed, and there is none present. For the implementation of Social Referral Tools it is important to research the attitude of the employees with respect to referring programs. The needs and wishes of the employees have to be regard; a good usability and prominent placement in the intranet of the company can be the first steps for heightened awareness. The advantages for the both sides should be highlighted. Often the employees are not aware, that they can help their friends, acquaintances and family member to build up a carrier, and this with only a few clicks.

Furthermore the mutual support among various business sections should be given. This can begin with the Human Resource Management merging with the hiring department, including

the international locations of the company. Different cultures can contain different procedures to persuade an employee to refer possible candidates for the company. The exchange with the international colleagues can bring up new ideas to increase the awareness and usage of the tool. To increase interest by the employees, not only monetary incentives should be paid. For instance wellness weekend, products like an iPhone or tablet can be potential incentives. For instance wellness weekend, products like an iPhone or tablet can be potential alternatives, too.

To sum up, the persons responsible in the hiring areas and the employer dispel the fear of their employees to refer candidates from their personal network for open vacancies.

Generally, this master thesis can be seen as one of the first steps to close the research gap, but nevertheless more research has to be done to give further recommendations for theory and practice.