



Building Talent Scout Networks

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Successful recruiters build relationships with people who know a lot of other people. Which begs the question:

“ What’s more valuable, a talent pool or a network of talent scouts? ”



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Executive Summary

Great recruiting organizations go far beyond routine employee referral programs. Just like professional recruiters, the most effective corporate recruiters and hiring managers build upon their personal connections to create a talent scout network – a web of motivated people who know potential candidates and can bring those candidates into the hiring organization.

- ❑ To locate and recruit talented employees, top recruiters focus on developing a talent scout network rather than a talent pool.
- ❑ Talent scouts have unique knowledge, e.g. they know when a passive candidate is about to become an active jobseeker or reverse.
- ❑ The key to building a talent scout network is motivating them to make quality referrals, both in a reactive and pro-active manner.
- ❑ Employee referral programs can be a good starting point, but structural flaws hamper their effectiveness.

Find the “Connectors” and the Candidates Will Follow

Finding great candidates has always been hard, and now, the tightening labor market is making it harder.¹ With the advent of Internet advertising and resume databases, Human Resource (HR) professionals, hiring managers and professional / third party recruiters (collectively called “recruiters” below) live with the paradox of having too many resumes and not enough good candidates. The same can be argued from an active job-seeker’s point of view too (“4.2 million jobs posted online, but where’s my dream job?”).

Professional recruiters, whose business is predicated on locating hard-to-find candidates, mostly don’t advertise positions. They build longstanding relationships with well-connected individuals, who function as their candidate sourcing network. Professional recruiters don’t ask for resumes they ask for referrals.

These “connectors,” famously described by Malcolm Gladwell in *The Tipping Point*, might not recruit for a living, but they have long been treasured assets to professional recruiters. They know a lot of people. They are helpful and are loyal to both sides — recruiter and candidate. I call them **“talent scouts.”**

Talent scouts enjoy bringing people together and derive personal satisfaction out of connecting candidate and opportunity, and they're flattered when recruiters or job-seekers contact them for advice.

Talent scouts are not common – only 12 people in Gladwell's survey of 400 were exceptional connectors – but you know some of them because they seem to know everyone, including you. Connectors are a rich resource, with four or five times as many acquaintances as the average person.

Sociologist Mark Granovetter's foundational work on how people get jobs through personal connections reveals another quality of these individuals: their power to connect people does not come from having an unusual number of close friends, but on their large number of acquaintances – what he called "weak ties." Gladwell's comment on this quality indicates their relevance to recruiters:

“There is also power in relationships that are not close at all.”²

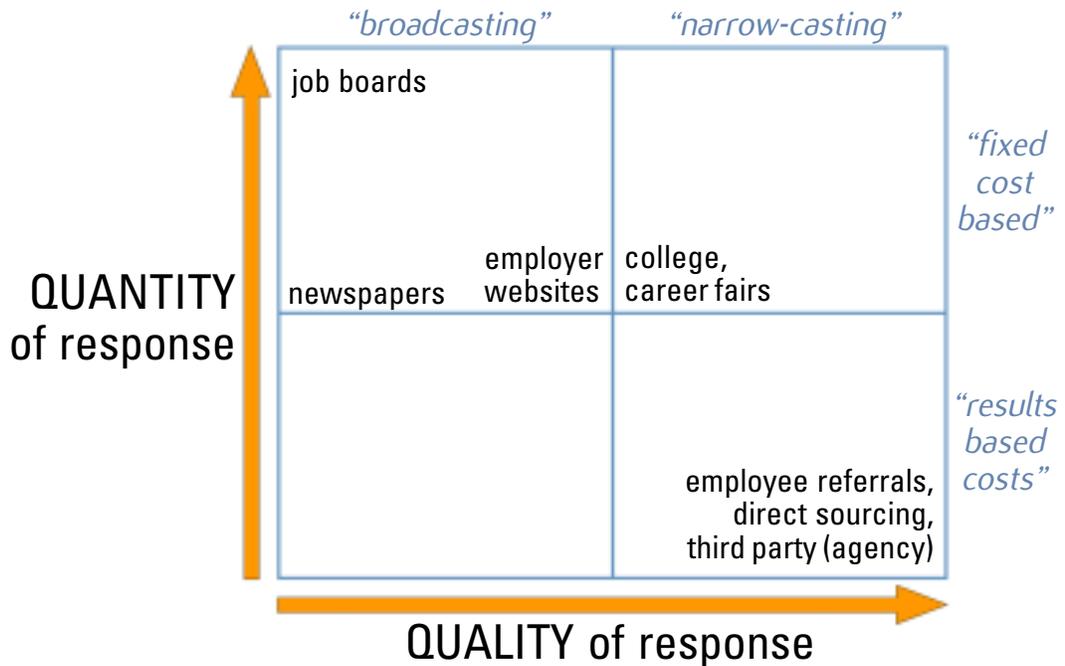
Talent scouts, in other words, know a huge number of potential candidates just well enough to call them on your behalf, which is exactly what you want them to do. It is important to note, that because talent scouts make no promise of allegiance to any one recruiter, they are free to work with whomever they choose.

How to Spot a Connector / Talent Scout

- They have four-to-five times as many acquaintances as the rest of us.
- They systematically collect and store people's contact data.
- They frequently disseminate news pertaining to people's careers.

Referrals Rule

The grid below organizes recruiting outreach methods according to quality and quantity of response.



The recruiter's ideal response is in the lower right quadrant – a small quantity of vetted, highly qualified candidates for a position. In this study, these candidates are delivered by employee referrals, direct sourcing and third-party recruiters.

In the lower right quadrant, cost also comes into play. Third party recruiters and sourcing staff are expensive. Employee referral programs are relatively cheap. Are more employees hired by referrals because it's an inexpensive way to hire?

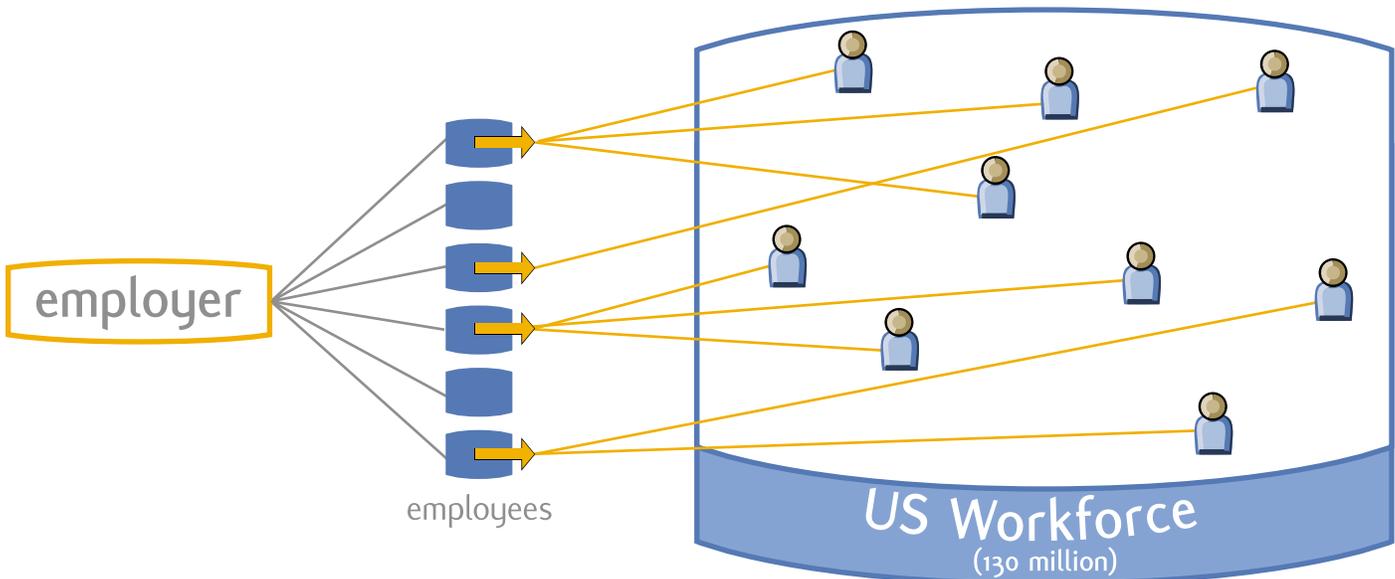
Not necessarily. When the costs of hiring a mediocre candidate are added up (including direct costs, lost time and opportunity loss) they are just too great to make price the sole decision criterion. Employee referral programs are preferred because they deliver quality candidates.

In the preferred employee referral program method, the recruiter is creating (and rewarding) a cadre of talent scouts out of the company's workforce. Referrals hold the obvious combination of cost efficiency and quality.

Employee Referral Programs

According to a study³ by recruitment research firm CareerXRoads, actual sources for hiring external candidates at leading companies in 2004 spread across these methods:

Employee referrals	32%	Newspapers	6%
Employer Websites	30%	Career Fairs	3%
Job Boards	12%	Third party (agency)	3%
Direct Sourcing	6%	Other	2% ⁴
College	6%		



The CareerXRoads 2004 study emphasized the positive qualities of employee referral programs (ERPs), which are not only cost-effective but promote long-term quality and quantity, and motivate existing employees. Simply defined, ERPs are a reward system for employees who bring people into the company.

Those who implement strong ERPs, especially in large enterprises, swear by them for the following reasons:

- + ERPs turn non-engaged employees into engaged recruiters with organizational knowledge and screening power.
- + Employees are motivated to make high-quality referrals.
- + ERPs can approach hard to reach candidate pools, for example, in diversity recruiting efforts.⁵
- + ERPs can locate the elusive “passive candidate” because friends tell each other they’re open to new opportunities.
- + ERPs locate longer-lasting employees.⁶

In practice, however, ERPs often create significant roadblocks to success. Employee participation is typically low,⁷ hampered by structural speed bumps:

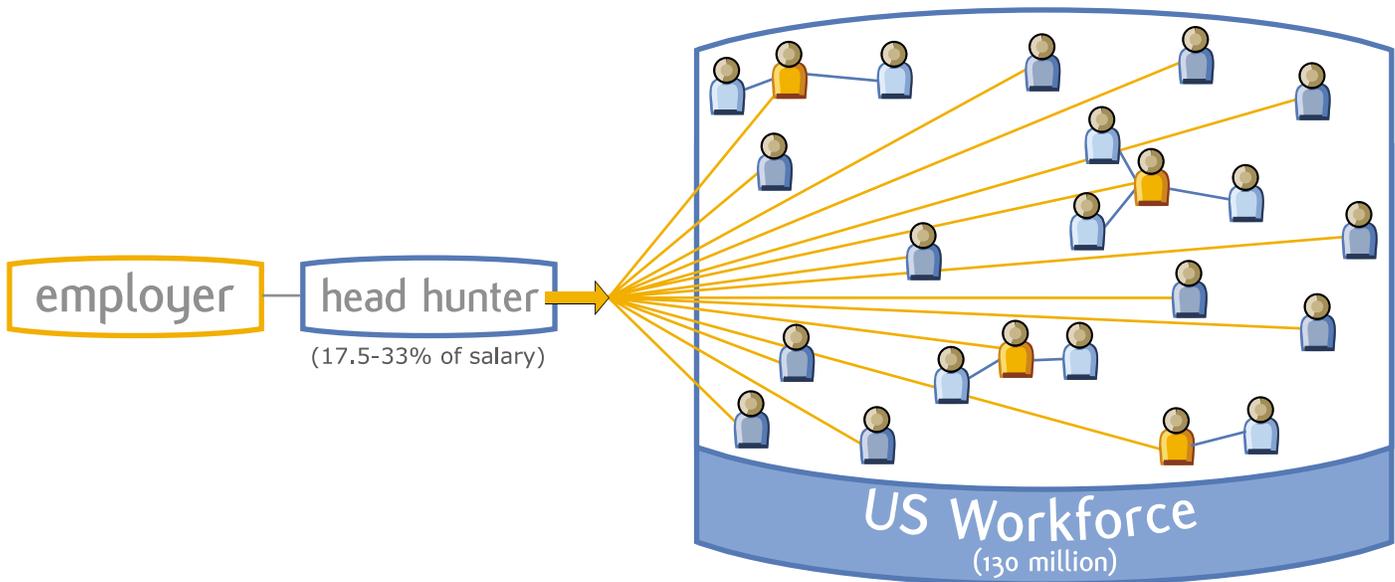
- Eligibility is limited, often whole classes of employees such as executives, contract workers, vendors, temps, former employees, etc. are barred from participation in the rewards program.
- Employees are asked to think linearly in terms of “exact candidate matches” instead of who do they know that may know potential candidates.
- Employees are a restricted population: Although employees are good judges of what it takes to succeed in the job or the company, their networks overlap and are over-weighted with relationships in the industry, geographical area, and job discipline.⁸

Maximize the reach and ROI on Employee Referral Programs by removing their complexity and rules.

Recruiters need a wider, more flexible web of relationships than ERPs provide. A hybrid model that operates like an ERP with the enhanced scope of a professional recruiter’s network will deliver high-quality candidates.

At H3.com, we use the term **Talent Scout Network** for this hybrid model.

Professional Recruiters / Head Hunters



Anyone can cold-call a candidate with an opening; but this is not recruiting – it's telemarketing. What sets top-level professional executive recruiters aside are the bonds of trust they have set up over the years with people who know candidates. At the highest level of recruiting, no call is a cold call. Every high-level candidate either knows the recruiter or is brought to the recruiter by a trusted acquaintance. Recruiters at this level don't just build databases of resumes; they carefully establish relationships with well-connected people. Another important distinction between professional recruiters and ERPs is the volume of people contacted per search. Professional recruiters will reach out to as many as 250-300 people per search, while ERP numbers are quite small in comparison.

Talent Scout Network: A Better Employee Referral Program

A well executed talent scout network offers distinct advantages over traditional Employee Referral programs (ERP) while incorporating the strengths of professional recruiters.

	Employee Referral Programs	Professional Recruiters	Talent Scout Network
Quality referrals by employees	✓		✓
Quality referrals by non-employees		✓	✓
Performance-based reward	✓	✓	✓
Employer sets reward	✓		✓
Systematic approach to building network		✓	✓

At H3.com we believe there is a way to achieve the success rate of professional recruiters along with the attractive cost level of an ERP. To obtain this success, organizations must:

1. Outsource all tracking, monitoring and disbursement.
2. Allow employees and non-employees to share rewards with other referrers.
3. Keep records on successful referrers so you can go back to them when similar positions need to be filled.

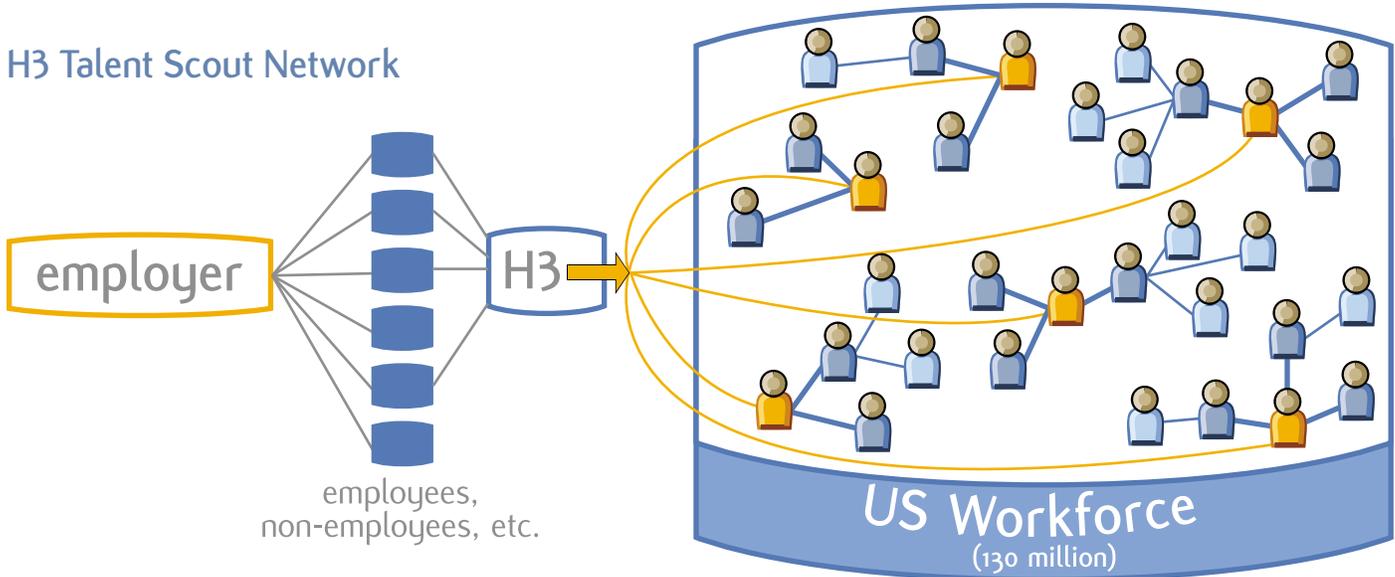
Talent scout networks offer clear distinct advantages over ERPs, and the principles have long been proven by professional recruiters. By building and operating a talent scout network, organizations will improve the yield and ROI of their recruiting budgets.

Active Job-seekers versus desirable passive candidates?"

Recently Monster.com published a survey indicating that 84% of workers feel they have been held back the last few years from pursuing better jobs because of the economy. 80% of them stated that at the same time they were not happy with their current jobs.

This would confirm that all of us are both active and passive at the same time, very much depending on circumstances, opportunities and even our moods. Talent Scouts will know about such changes in inclination, as they are connectors who frequently interact with lots of people. Personally I never understood why so many people want to focus on finding "passive candidates" rather than just finding great people...

H3 Talent Scout Network



A Talent Scout Network recruiter's activity looks like this web of relationships, in which the first person contacted is the first stage of a wider network. When a financial reward is introduced and made available not just to employees, but anyone who participates, the candidate search will immediately become broader in scale. In this way, a recruiter can quickly reach a large number of candidates, which traditional ERP's cannot do. Professional recruiters can not achieve this either because they do not offer cash rewards to their referrers.

Importantly for the recruiting process, every new connection in this drawing reaches back directly to the recruiter, no matter how far removed, in order to register as referrer or as candidate. Although the outreach is a chain reaction, growing exponentially, the reach back is a direct line – efficient from the candidate's point of view.

The sustainable advantage in the war for talent belongs to those who possess a large, motivated network of well connected people motivated to find additional candidates. As this network is grown and maintained, the recruiter creates a sub-network of paid "talent scouts." The ecosystem benefits all – recruiter, candidate and talent scout – and the talent scout, recommending quality candidates, drives the ecosystem's growth.

A typical recruiter does not have the time, however, to follow the professional recruiter's high-touch (and old-fashioned) techniques. You have to build a talent scout network with the right motivation for talent scouts, and the right technology to achieve efficiency of scale.

The Role of Rewards in Talent Scout Networks

Like the passive candidate, who is not actively searching for a job, the talent scout is not actively searching for candidates – but is open to participating in your search. The talent scout has none of the drawbacks of the passive candidate – they don't have to move, change jobs, negotiate, talk to their spouse, or consider risk. The talent scout's risk is minimal...but what is in it for them?

A professional recruiter gets rewarded handsomely when a candidate is found through a talent scout. The employee who makes a referral is rewarded as well, even if the candidate was found with help of somebody else, a talent scout perhaps. The successful candidate is paid when he takes a new job...and the talent scout is left without tangible reward.

Talent scouts are increasingly aware of how valuable their connections are and how much money recruiters make from their referrals.

There is an intrinsic reward, certainly, but this scenario still seems out of balance professionally. Can you build an entire recruiting network relying on the kindness of friends? Any talent scout knows exactly how valuable her connections are to the paid recruiter, the employer and the candidate. How does an employer express gratitude and show good will in exchange for this value?

Building on the employee referral model, we recommend compensating the talent scout directly with money, or indirectly with a charitable contribution. Direct reward for results makes the business proposition clear: connectors are paid for successful referrals, and thus favorably inclined to entertain future requests for help. But, it's not about money – most important is to build good personal relations with talent scouts based upon respect, courtesy and discretion.

Finally, while scale is necessary to reach out into your personal and employee networks in order to swiftly identify candidates, be considerate about whom you contact when initiating a search; don't broadcast requests.

Remember, an email from a recruiter will never have the emotional impact of a recommendation from a friend or even from a mere acquaintance, i.e. a talent scout. A talent scout network preserves the power of relationships in both directions.



Five Steps to Building a Talent Scout Network

1. Encourage HR professionals, hiring managers and all employees to build their own talent scout networks.
2. Identify the talent scouts who consistently deliver high-quality candidates (even if they are not right for the immediate position). These become your priority connectors.
3. Touch base with these talent scouts on a regular basis through email and calls.
4. Reward talent scouts who reach back periodically:
 - Give feedback that reinforces long-term understanding of your company's "ideal candidate."
 - Reiterate offers of tangible rewards for bringing you successful candidates.
5. Show special consideration to your best talent scouts:
 - Write a personal note when you start a search.
 - Offer to help them in any way you can.
 - At least twice a year, call them (or meet in person).

Conclusion

It's time for anyone who hires to build and maintain a talent scout network. Eliminate restrictions on ERPs, and encourage all employees, not just HR, to build strong relationships with widely connected people. The employees who build these extensive talent scout networks should be rewarded and provided with incentives to forward to their networks.

As predictable changes tighten the labor market in the coming years, the successful recruiter will build a talent scout network as a continuous source of high-quality candidates. A network of talent scouts, motivated to respond, is a tool for tomorrow's needs as well as today's. It is an active and ever-growing source of candidates, not a database of aging contacts. A scalable network with clear rewards adapts the secret weapon of professional recruiters to the HR professional and hiring manager.

What about online networking?

Online networking experienced enormous publicity and investor interest in 2003-2005. With several strong players and a whiff of 1990s dotcom glamour, the "social networking" phenomenon grew past friends-and-dating services to promise good business networking.

However, as more people turn online to network for jobs, searching became a race to the bottom. Unsolicited requests to network become the equivalent to unsolicited resumes, and a corrosive dynamic begins: If the high-value person is reached by too many searchers, the perceived value of being reached diminishes, and she drops out.

As members, recruiters are also open to too many approaches. Predictably, unsolicited emails arrived from jobseekers.⁸

The challenge of networking technology is to *facilitate a genuine interaction*, not substitute it with numerous meaningless connections.

¹The 1990s “War for Talent” seems more a warning than a momentary tightening in the job market. In August 2005, the unemployment rate fell to a number not seen since the eve of the 2001 terrorist attacks,² and serious researchers from the U.S. Department of Labor to top HR consulting firms predict relentless tightening of the labor market.

³“Six Degrees of Lois Weisberg” The New Yorker, January 11, 1999.

⁴CareerXRoads 2004 Source of Hiring Study – data collected from 40 Fortune 500 companies selected for excellence in recruiting.

⁵In the CareerXRoads study, employee referrals were rated as very productive or productive for diversity hiring by 50% of companies in the survey – by far the most productive channel for diversity hiring.

⁶Research has demonstrated that employee retention rates for employees found through employee referrals have a 25% higher retention rate: Employees Recruited From ‘Inside’ Sources More Likely to Stay, Ohio State University, 1999.

⁷“Social Network Recruiting” HR Magazine April 2005.

⁸In his seminal study on “The Strength of Weak Ties”, Professor Mark Granovetter observed that the “weak ties” of acquaintance in social networks reach a much larger number of contacts than the “strong ties” of close friendships, not only because most people have many more acquaintances than close friends, but because a person’s close friends tend to know each other.