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Human Resource Management

Making the Most of On-Line Recruiting

by Peter Cappelli

With a search engine and a couple of simple queries, Ed Melia can find 567 pages of résumés for software engineers with C++ or Java programming skills. That may not sound so remarkable until you consider this: all those engineers are currently employed by IBM, and they're not looking for new jobs. Their résumés just happen to be available on the Internet—if you know where to look for them. Melia, a Boston-based consultant who teaches on-line recruiting techniques, can locate such "passive" candidates at practically any company. With his help, recruiters can find thousands of résumés by visiting chat rooms, Usenet groups, and other cybercommunities. They can even learn to "flip the URL," following links in résumés back into company intranets, where there are troves of corporate directories and other information about employees.

Melia's searches provide a striking example of how the Internet is bringing radical change to corporate recruiting. In the past, the pools of candidates from which companies could choose were limited. You could hire the active job seekers, many of whom might have been unhappy or incompetent at their old jobs, or you could compete for entry-level workers on college campuses. To fill high-level posts, you often had to bring in expensive headhunters. Now, simply by logging

onto the Internet, company recruiters can find vast numbers of qualified candidates for jobs at every level, screen them in just minutes, and contact the most promising ones immediately.

The payoffs of Internet recruiting can be enormous. Estimates suggest that it costs only about one-twentieth as much to hire someone on-line as to hire that same person through want ads and other traditional means. And the time savings are equally great. A study by Recruitsoft/iLogos Research of 50 *Fortune* 500 companies revealed that the average company cut about six days off its hiring cycle of 43 days by posting jobs on-line instead of in newspapers, another four days by taking on-line applications instead of paper ones, and more than a week by screening and processing applications electronically. With efficiency gains like these, it's no wonder that 90% of large U.S. companies are already recruiting via the Internet. Indeed, the only surprise may be that 10% aren't.
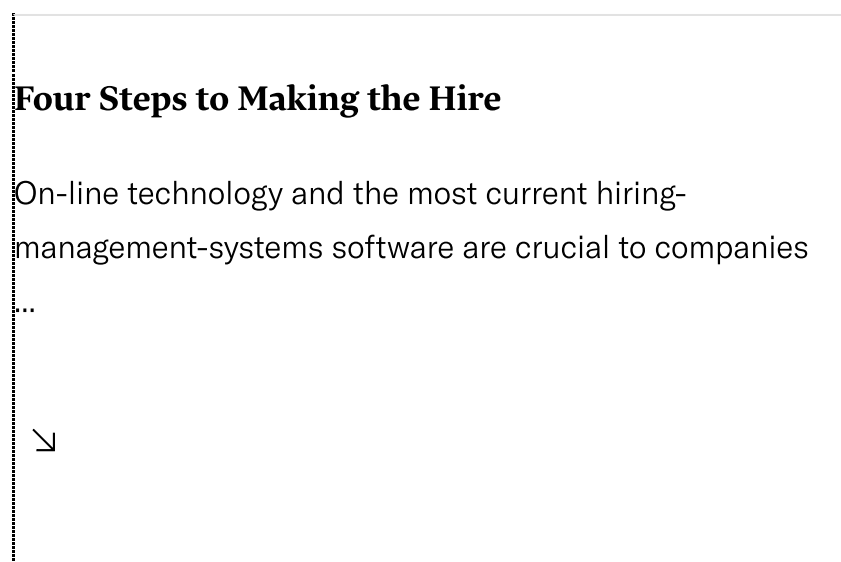
Over the past year, I have been studying the booming Internet recruiting business and examining different kinds of service providers that have been emerging, the new technologies being used, and the strategies companies are adopting as they enter on-line labor markets. I've found that it's no simple matter to use the Internet successfully as a recruiting tool. The changes taking place in recruitment are deep and far-reaching, and to be successful, managers will have to rethink the way they go about hiring—and retaining—talent.

Recruiting as Marketing

For most job seekers, the Internet is where the action is. On a typical Monday, the peak day for job hunts, about 4 million people search for work on the job board at Monster.com, the leading on-line talent site. At the same time, thousands of corporate recruiters are scouring Monster's database of more than 18 million employee profiles and résumés, most for people who aren't actively seeking new jobs. Millions more profiles and résumés are posted on 5,000 or so smaller job boards.

The labor market, in other words, has at last become a true market: wide open, uncontrolled by individual companies, and unconstrained by geography. And executives need to start treating it like a market. No longer can recruiting be viewed as a reactive, largely clerical function buried in the human resources department. It needs to be refashioned to look much more like the marketing function itself. The hiring process, after all, has become nearly indistinguishable from the marketing process. 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. In an environment with fierce competition for talent, companies that master the art and science of on-line recruiting will attract and keep the best people.

The on-line hiring process can be broken down into three steps: attracting, sorting, and contacting candidates. A company seeking to improve its hiring capability should take a close look at each step, with its evolving techniques and technologies, as well as at a final step that doesn't require the Internet at all: closing the deal. (See the exhibit "Four Steps to Making the Hire.")

Four Steps to Making the Hire

On-line technology and the most current hiring-management-systems software are crucial to companies …

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Attracting Candidates.

In large, open, competitive markets, brands and reputations are crucial. That's always been true for product markets, and now it's true for labor markets, too. All of a company's promotions, advertising, and other marketing efforts influence prospective employees and

consumers. A recent survey by WetFeet.com, which provides applicants with information about employers, showed that product ads are surprisingly important in reaching candidates. In that survey, fully 20% of job seekers had applied to companies as a result of having seen product ads.

Integrating recruiting efforts with overall marketing campaigns is thus the most important thing companies can do to ensure their success in on-line hiring. Sophisticated companies build immediately recognizable human-resources brands by tying product ads to recruiting ads through the use of similar formats, colors, and styles. Promotions such as company hats and T-shirts printed with a URL can drive many people to an organization's Web site, where on-line recruiting systems operate and the HR brands are reinforced.

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Corporate home pages should be designed with potential recruits in mind, as they're frequently the first place job seekers look when they begin evaluating companies. Workplace awards, such as inclusion among *Working Mother* magazine's list of the 100 best places for working mothers, should be mentioned prominently. On its home page, GE Power Systems highlights links to information about diversity, employee benefits, and balancing work and family. Booz-Allen & Hamilton lets applicants see what a consulting engagement is like: it reproduces a pro bono engagement to help the Special Olympics, simultaneously demonstrating the company's community-oriented values. Accenture (formerly Andersen Consulting) and Enterprise Rent-a-Car are only two of the many companies providing compelling materials on their Web sites about why people should work there.

Just as product marketing has moved toward relational marketing, so too has the marketing of jobs on-line. By capitalizing on the Internet's enormous power to spread information through informal networking, companies can promote themselves cheaply and effectively. Perhaps the most common technique is that of encouraging employees to e-mail job ads to friends. One Web company, SelectMinds, helps companies create on-line alumni networks that are also used to find and rehire former employees as well as distribute marketing information. Some 8,000 former employees signed onto New York Life Insurance's alumni network in the first month of its existence. Other service providers can also help with referral recruiting. Sites like Referrals.com pay participants for confidential leads such as tips on colleagues who might be interested in moving to new jobs. Under subscription arrangements like the My Monster service of Monster.com, individuals build profiles of themselves for recruiting purposes and, in return, receive periodic information about career development.
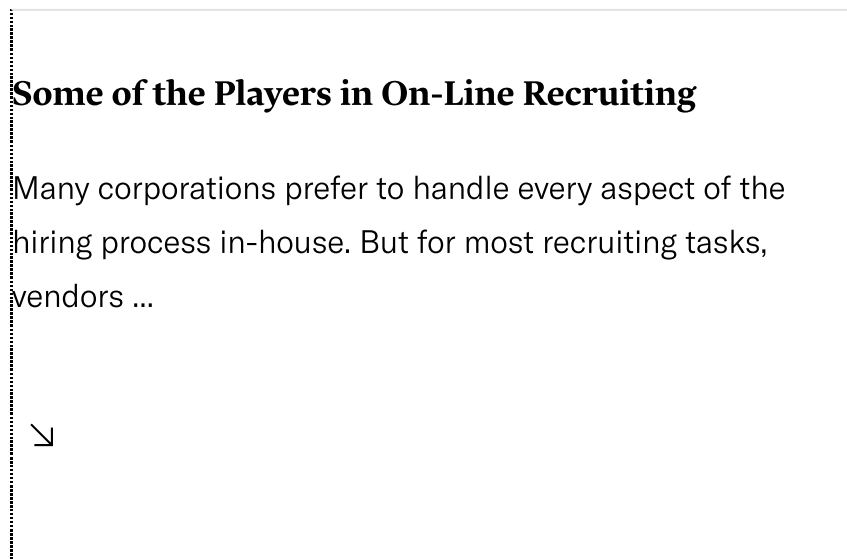
By providing content of value to key groups of professionals, companies can promote themselves while collecting information on potential recruits. Cisco Systems, for example, offers sophisticated on-line libraries to help engineers solve technical problems. By carefully tracking the use of the libraries, it can identify job candidates with high potential (as well as collect important information for marketing and product development). On-line recruiting can also help with product marketing, as Fidelity Investments and other companies have realized. The applicant databases that they maintain contain a wealth of high-quality information useful for marketing research. And if companies maintain relationships with applicants whom they do not hire, perhaps they can sell products to them as well.

Sorting Applicants.

By making it easy for people to submit applications, job boards tend to inundate companies with large volumes of résumés, many from

unqualified applicants. Sorting these applications quickly, without screening out good candidates, becomes a crucial skill.

Some simple sorting is done automatically by most job boards. Basic questions such as "Are you willing to move?" and "When are you prepared to start work?" screen out obvious mismatches. But many companies find they need to go further. Fortunately, there are many vendors offering help. Brain-bench provides a wide range of tests to certify applicant's skills. CIC Applicant Background Checks has developed HireCheck, a software for performing background verification. Kforce.com, a job board, allows applicants to submit audio/video clips of themselves for recruiters to use as screening tools. (See the exhibit "Some of the Players in On-Line Recruiting.")

Some of the Players in On-Line Recruiting

Many corporations prefer to handle every aspect of the hiring process in-house. But for most recruiting tasks, vendors ...

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Some companies are setting up their own electronic screening processes. A Recruitsoft/iLogos survey of employers found that 12% now test applicants online. The firm PricewaterhouseCoopers uses on-line applications containing sophisticated psychometric instruments to help human resources staff assess applicants' suitability for particular jobs. The Web site for J. P. Morgan Chase contains a clever on-line application for college students: a game based on job-hunting and investment decisions elicits information about applicants' interests, attitudes, and abilities.

Allstate Insurance has developed a stepwise screening program. An individual who wants to be an independent agent for Allstate first fills out an on-line application that the company scores against a profile of

the model successful agent. The candidate finds out immediately whether the score meets a certain threshold; if it does, there's a second, more detailed, questionnaire to fill out. Once again, the applicant learns right away whether the score is high enough. If it is, a face-to-face interview is scheduled.

Companies that administer on-line tests should be careful, though, because hiring criteria that weed out disproportionate percentages of women, disabled people, workers over 40, or members of minority groups may violate antidiscrimination laws. Screening and testing must be valid in the context of particular positions and their requirements. (See the sidebar "Discrimination: A Serious Risk in On-Line Recruitment.")

Discrimination: A Serious Risk in On-Line Recruitment

Of all the risks raised by the surge in on-line recruitment, perhaps the biggest—and certainly the one employers ...

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Making Contact Quickly.

Once a good candidate is identified, speed is essential. With so many companies competing for candidates, the first company to make contact often gains a huge advantage. Jeremy Bono, director of worldwide staffing at GlobalNetwork Technology Services, the network services company created from Cabletron Systems, says companies should put desirable applicants in touch with a live person as soon as possible. Shannon Wong, the on-line recruiting specialist at PNC Bank, puts it this way: "Now we have to get to good candidates within 24 hours, or we lose them."

Traditionally, human resources functions have tended to reside within bureaucratic cultures—slow and methodical—which won't be effective enough in today's hiring climate. Lou Adler, CEO of PowerHiring.com, a consulting company for recruiting, says that unlike other HR functions, the fast pace of on-line recruiting requires a personality suited to tasks where quick results are critical, outcomes are easily and constantly measured, and failures are common. Recruiters, in other words, have to act with the speed, flexibility, and creativity of marketers.

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Recognizing the new importance of recruiting, some companies have moved the function out of the human resources department altogether. At GlobalNetwork, for example, recruiting now reports to business development, where the culture and pace of work are more entrepreneurial. The status of recruiting is now equal to that of the human resources department.

Other companies are giving line managers much more leeway in hiring candidates, enabling them to bypass corporate HR staff. On-line recruiting facilitates the decentralization of the hiring function: once line managers get the authorization to hire, they can easily go to job boards or other vendors to find their own candidates. There's always the risk that managers won't choose the best vendors, but the upside is that in the long term, internal human-resources departments will be forced to improve to compete. They'll have to further develop their own capabilities or, more likely, institutionalize relationships with outside vendors.

New, Internet-based technologies can also help speed the process of tracking and contacting applicants. Application service providers like BrassRing Systems, Icarian, and Recruitsoft enable companies to tap into sophisticated hiring management systems (HMS) over the Net. These systems automate the entire hiring process: they collect applications in a standardized format, screen them, determine where they came from (such as through job boards or classified ads), monitor the progress of applications, and calculate how long it takes to fill various jobs (in BrassRing's case) or to get a new employee working productively (in Recruitsoft's case). All the application data remain in electronic form, so the systems allow employers to act very quickly on the applications—checking references, getting comments from hiring managers, and making e-mail contact with applicants. Only about 10% of large companies today use the latest-generation HMS arrangements, but the number is growing rapidly.

HMS programs are the hiring equivalent of enterprise resource planning (ERP) systems, and like those systems, they can enable users to do things they were never able to do. Union Pacific's HMS allows applicants to check the status of their applications, letting candidates feel more involved in the process and spurring the organization to move things along quickly. The HMS of the health care organization Humana automatically asks applicants in its database to update their résumés every six months. But even the best companies are not using HMS programs and the databases they contain to their full potential. Companies could, for example, use them to validate selection tests, track the effectiveness of a company's recruiting and marketing efforts, and discover bottlenecks in the human-resources supply chain.

In some cases, a company may find that the best way to improve the responsiveness of its recruiting function is to outsource that function, partially or wholly. On-line recruitment lends itself to outsourcing, especially in companies where HMS arrangements make each step in the hiring process a discrete event that can be turned over to a vendor. HMS programs also make it relatively easy to integrate the functions of various vendors. Outsourcing makes it possible for

companies to gain immediate access to the best systems. And good HMS arrangements make it easy to switch vendors, so the technology doesn't lock employers into unproductive long-term deals. IBM and Kellogg have outsourced their recruitment to Manpower and Bernard Hodes Group, respectively. Vendors like Kforce.com will take on any parts of the process, from identifying new candidates to making offers. Boston Scientific uses RecruitUSA specifically to help it assign postings to job boards that appeal to and reach the most appropriate candidates.

Closing the Deal.

This is the one phase of recruiting where employers shouldn't rely too much on the Internet. Making the hire requires a human touch because good applicants have lots of opportunities and need to be sold on why one job is superior to others. Applicants need to feel that the people they will be working with want them in the organization.

One of the biggest complaints about on-line recruiting is that recruiters spend too much time finding potential candidates and not enough time developing relationships with candidates and persuading them to take jobs. The result is that too many good applicants slip away. Although he teaches on-line recruiting skills, Ed Melia recommends that recruiters spend only about an hour each day working on-line; they should use the rest of their time to contact applicants, build personal relationships with them, and close deals. At some companies, recruiters are sent to sales training programs to learn how to close a deal. At other companies, one group finds applicants on-line and another handles recruiting. Alternatively, executives can turn to sites like BrilliantPeople.com, which assigns recruiters to mediate between applicants and employers, performing some of the face-to-face work that ultimately brings a candidate on board.

A Solid Defense

Internet recruiting is, of course, a two-edged sword. If it's much easier for you to hire experienced workers, it's also much easier for your competitors to hire away your own people. Employees can forget the advice that they need to market themselves, to develop their own "brands" in order to advance their careers. If they are good at what they do, recruiters will find them. Many employers are out there ready to snap up your workers, and everything moves quickly in the on-line world.

As if that weren't enough of a problem, the proliferation of on-line information about pay and benefits is making retention even more difficult, since compensation is a key reason that employees leave their jobs. Using resources like the salary surveys by Robert Half International posted on Monster.com, people can quickly compare their own salaries against those offered elsewhere. On-line job services give workers unprecedented access to free information, and that information has shifted some of the power to employees in the employee-employer relationship.

Company loyalty can also suffer because of the sheer number of choices available through the Internet. Psychologist Charles O'Reilly at Stanford University and his colleagues have demonstrated that having more job choices decreases employees' commitment to their current jobs. With so many organizations recruiting on-line, employees can receive numerous job offers.

But companies can reverse the destabilizing effects of on-line recruitment. First, managers must be more careful than ever to avoid situations that might make employees think about leaving. With the Internet only a click away, there's no longer any time for an irate employee to cool off. A worker can post a résumé on a job board in minutes and be contacted by potential employers within a day. And once an employee starts looking, it's often too late to patch things up.

At the same time, companies should help employees make sense of on-line salary information, especially its limitations. Such data typically ignore stock options, for instance, and can't help an

applicant measure which jobs have the best advancement prospects. Sometimes employees are wooed away to new jobs because they don't see how good their existing situations are. A strong employee communications program that emphasizes the economic and social advantages of working at the company is essential.

Should you prevent your employees from being contacted by on-line recruiters? Some employers try. Cigna has changed the e-mail addresses of its IT employees to make it harder for recruiters to get to them. Other companies use software to make sure there are no links from employee home pages to a company intranet through the firewall. Still others set up software that alerts human resources if employees receive e-mail from on-line recruiters. Hewett Associates is one of many employers that check to see whether employees have résumés posted on job boards. Once you've determined which employees have been contacted or are actively looking, you can make efforts to retain them.

But a more promising approach, especially for large companies with many openings, is to preempt on-line hiring by building an internal on-line job network. Most companies, even if they make quick offers to outside candidates, still find it difficult to move internal candidates around or make timely counter-offers. As a result, many employees find it's easier to land a job with a different company than get a new job at the old one. To make matters worse, on-line recruiting, which makes it cheap and easy to hire experienced employees, encourages outside hiring at the expense of internal development and placement. An internal on-line system may be the best way to satisfy employees' desires for new challenges.

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Nortel Networks, for example, has contracted with Monster.com to create its own job board, Job Shop. "I want to make it drop-dead easy to find your next opportunity internally," says Brian Reilly, director of internal mobility. The goal is to provide an internal version of what's available in the outside market, thereby redistributing talent within Nortel's growing businesses and preventing employees from leaving for competitors. Any employee can post a résumé on Job Shop without alerting his or her superior, and any manager can post a job opening. The system automatically alerts managers' superiors after openings are posted.

The Future of On-Line Recruiting

The revolution in recruiting has only just begun. As vendors rush in, advancing technology will allow companies to further shorten the hiring cycle by becoming more efficient at hunting for new people and sorting applicants. The expected development of standards for describing applicant characteristics and job requirements will help companies get better at matching applicants to jobs. Important players in the recruiting industry—employers like Aetna and IBM, human resources firms like Towers Perrin and Watson Wyatt Worldwide, and most of the on-line recruiting companies (Monster.com, Hire.com, Career-Builder)—have already begun to establish standards through a group called the HR-XML Consortium, whose members voluntarily agree to use common definitions for listing job requirements and coding applicant experiences.

An increased use of skill certifications, typically administered by third parties, in education and training will make it much easier for employers to assess applicant abilities and may soon make it possible for some companies to use simple screening devices to hire candidates. Clifford Adelman, a senior research analyst at the U.S. Department of Education, estimates conservatively that more than 5,000 independent sites now assess skills and issue credentials. These organizations administered about 3 million skill assessments in 1999. He calculates that roughly one in eight IT jobs already requires one skill certification by an objective party.

The Internet will create a demand for other kinds of standardization, too. William Bridges suggests in his book *JobShift: How to Prosper in a Workplace Without Jobs* that project-based teams and more flexible assignments are eroding the tradition of clearly defined jobs with titles that convey meaning outside particular work groups and companies. But the on-line world is pushing in the other direction by standardizing descriptions of work and applicant credentials. And employees want to be able to find jobs through on-line communities, so they'll press for descriptions and titles of their work that will be understood by employers they're contacting.

As on-line recruiting expands, job boards will become larger and more influential—a mixed blessing for employers. Monster.com and others are already so big that they could sell information to employers about how many of their workers are looking for jobs and where they are looking; companies could use such data in targeted retention programs. In addition, as job seekers grow increasingly reliant on the Internet, they may develop strong attachments to particular job boards and other employment sites, especially those that have helped them find work. Employees may come to see career management information provided by job boards as more objective and trustworthy than that provided by their employers. Having lost their monopoly on information, and perhaps even having to share the allegiance of employees, employers will have to do better at convincing employees about the merits of job and advancement opportunities—and even company management practices.

Recruiting for top executives is expected to increasingly go on-line. The major corporate-recruiting companies have already moved portions of their executive-recruiting processes to the Internet. Typically, a recruiter creates a confidential site for each senior position so that the employer and potential candidates can communicate instantly through the recruiter. Both Korn/Ferry International (via its Futurestep site) and Heidrick & Struggles International (via LeadersOnline) now have on-line recruiting operations through which prescreened candidates can look for all but the most senior executive positions.

Companies will have to work even harder in the future to establish trusting relationships with an increasingly well-informed and restless applicant pool and workforce.

What this all means is that companies will have to work even harder in the future to establish trusting relationships with an increasingly well-informed and restless applicant pool and workforce. Today on-line recruiting is more than just a human resources tool; it's a whole culture. It already touches a vast number of workers—the 18 million employee profiles and résumés on Monster.com represent 13% of the U.S. labor force—and it's growing at a breakneck pace. Pretty soon, the culture will extend beyond the new economy into many sectors of the old, transforming the way everyone is hired. A new crop of workers will come to see the Internet as the only way to find a job. And companies that stay on top of these changes will get the cream of that crop.

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