

How Does the Power Dynamic Between Referrers and Hiring Managers Affect Employees' Support for New Hires?

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» Research Questions Addressed

When an organization's hiring practices are referral based, how does a referrer's power (relative to the hiring manager) influence other employees' support (or lack thereof) for the hiring decision?

How does a referrer's power (relative to the hiring manager) influence other employees' perceptions of the hiring manager's motives and morality?

» Primary Findings

The results of this study shed light on the unintended consequences of referral-based hiring practices. The hiring process itself can erode employees' views of hiring managers depending on the power of a referrer in relation to that of the hiring manager. Job seekers will often solicit references from people in high positions of power, believing that these referrals will have more legitimacy. However, when hiring managers act on referrals from individuals in positions of power (in relation to their own positions), other employees in the organization may view these decisions as self-interested. Employees may believe that the hiring managers are trying to indebted the referrers to them—and thus, that they are acting out of self-interest. Ultimately, a hiring decision based on a referral from a person in a position of power can be viewed negatively by current employees and cause them to be less likely to support the decision. Therefore, referrals from people in positions of power should be used cautiously and sparingly.

» Keywords

Employee hiring
Ethics
Power dynamics
Referral practices





» Topic Overview

Employees recommending friends and associates for open job positions is not only popular in many firms but also encouraged. This common and incentivized referral-based hiring practice consists of a hiring manager making selection decisions on the basis of recommendations.

Referral practices present a fundamental dilemma. On the one hand, they can be viewed as a source of efficiency in hiring. Indeed, most past research focuses on how and when organizations can benefit from using referral practices in hiring. On the other hand, referral practices can be seen as morally murky territory in which special interests and the exchange of favors dominate above and beyond merit.

» Highlights

Prior research has shown that a number of efficiencies can come out of referral-based hiring practices. For example, they are cost effective and have been shown to have positive consequences for both the new recruit and the hiring organization. However, current employees are sensitive to the process itself. If a hiring manager is perceived to be acting out of self-interest when making a hiring decision, benefits associated with this increasingly common practice can be eroded and diminished.

» Implications for Sustainable Business

An organization's hiring practices contribute greatly to the overall sustainability of a company. For new employees, hiring practices signal the culture, climate, and norms for an organization. For existing employees, who a company hires and how the hiring process is conducted communicates a company's values.

Organizational decisions viewed as immoral likely will not be supported by employees, potentially ushering in discord and harming the fabric of the company. Therefore, business leaders should question whether their organization's hiring decisions based on referral practices are perceived to be ethically questionable or not. Companies should be aware of the cascading effects of employees' potentially negative reactions to referral-based hiring practices. Employees' disapproval of a hiring manager's decision can lead to a lack of support for the new hire.

» Link to Academic Paper

Derfler-Rozin, R., Baker, B., & Gino, F. (2018). Compromised ethics in hiring processes? How referrers' power affects employees' reactions to referral practices. *Academy of Management Journal*, 61(2), 615-636. doi.org/10.5465/amj.2015.1355

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