

STATEMENT OF ED FLYNN ON BEHALF OF HEWITT ASSOCIATES

SUBMITTED TO

**THE SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY REORGANIZATION
OF THE HOUSE COMMITTEE ON GOVERNMENT REFORM**

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Good morning Madam Chairwoman, Mr. Davis and members of the Subcommittee. I appreciate the opportunity to appear before you today to discuss how leading companies approach recruitment, and why those efforts are important components of their success.

My name is Ed Flynn and I am a managing consultant for federal sector programs with Hewitt Associates LLC (“Hewitt”) in Falls Church, Virginia. I appear before you today on behalf of Hewitt at the invitation of this Subcommittee to talk about how our experience, perspective and hands-on service delivery help private-sector employers design and execute their recruitment programs toward achieving their strategic mission. Prior to joining Hewitt, I was a senior executive with the U.S. Office of Personnel Management, the Government's HR agency. During 2002, I served as Senior Policy Advisor to OPM Director Kay Coles James, and was instrumental in the development of the HR program for the new Department of Homeland Security. Prior to that, I managed the Federal retirement systems, the Federal Employees Health Benefits Program, the Federal Employees Group Life Insurance Program,

and helped secure passage and implementation of the Federal Long Term Care Insurance Program.

Hewitt, which was founded in 1940, is a global human resources service delivery and consulting firm. Headquartered near Chicago, Illinois we employ more than 15,000 associates who work in 38 countries worldwide. Our clients include more than two-thirds of the *Fortune 500* and more than a third of the *Global 500*. As the largest multi-service human resources delivery provider in the world, we provide HR services to 18 million participants. We have been recognized by *Industry Week* magazine as one of the most innovative users of Information Technology in the U.S.

In my testimony today, I would like to begin with a description of the HR challenges employers face in today's recruitment environment. Then, my testimony summarizes some concrete strategies and actions used by leading-edge private-sector employers to manage these challenges.

The Challenges

Organizations in both the private and public sector face significant challenges in their ability to attract, assess, and hire top talent. Despite the soft job market in 1999-2003, the next 10 to 15 years will likely represent the most difficult recruiting environment in history.

Here is why we believe that to be true:

We are faced with an aging workforce and the impending retirement of baby boomers.

By the year 2010, the United States workforce will see a 29% increase in workers age 49-64.

Millions of workers will retire over the next 10 years, and fewer people will be available to take their place.

Increasingly, we see a lack of skilled workers in the United States. Recent estimates indicate that over the next 10 years, 32 million jobs will become vacant due to retirements, and 20 million new jobs will be created. However, the projected labor force will grow by only 29 million, leaving a 23 million worker job gap. Serious shortages are predicted in the areas of high tech professionals—including computer engineers, customer support specialists, and system analysts, as well as healthcare workers, ranging from personal care and home health aides to medical assistants.

A “free-agency” workforce will increasingly be the norm. It is unreasonable to expect employees to stay with an employer for more than a few years. This means that employers will be required to continually recruit aggressively, and create and maintain incentives to retain top performers.

Economic activity is increasingly global, producing keen global competition for talent.

Predictions indicate that over the next ten years, the United States and Europe will only account for 3% of the world's entering work force, while 75% of the new workers will come from Asia.

In the recruitment arena, there are unique and often conflicting stakeholder needs.

Business leadership desires a competitive workforce that is highly productive in a short amount of time in order to maximize their return on recruiting and training costs and minimize loss of productivity while the position is vacant.

Hiring Managers want the “perfect candidate” as quickly as possible.

Employees want access, consideration and equitable selection processes to positions for career development. If they don't find it at their current employer, they'll find it somewhere else.

External job seekers want a fast, efficient interview experience, access to opportunities and hiring decision makers, and timely feedback and communication regarding their status.

Recruiters want access to qualified candidates, minimal administration, and cost effective recruiting programs.

Unfortunately, these challenges often result in a recruiting process that yields mediocre hires, an unsatisfactory customer experience for candidates and managers, long hiring cycles, higher-than-expected recruiting costs, a low return on the recruitment investment, low retention rates, and a negative impact on the organization's employment brand in the marketplace.

Practical Ways to Improve Recruiting Processes and Maximize Results

These challenges will not go away, and new ones will emerge. Fortunately, there are successful strategies and tools to overcome them. Hewitt has worked with hundreds of large, private sector organizations over the past several years to improve their talent acquisition and management processes.

In doing so, we have identified the following themes.

First, a sustained effort is needed from senior leadership to champion and support the notion that talent is the lifeblood of the organization. The notion that people are important has been around a long, long time. The great industrial leader of General Motors, Alfred Sloan, once said, "take my assets, leave my people, and in five years I'll have it all back." More recently, Bill Gates of Microsoft said, "Take our 20 best people and virtually overnight we become a mediocre company." A study just completed by Hewitt looked at the people

practices of companies that consistently experience double digit growth. One key finding was that these organizations view talent as their lifeblood. In these companies, leaders are always talking about the importance of talent and are heavily involved in the talent acquisition and development process.

The second theme that leading organizations embrace is a clearly articulated employment brand or employment value proposition. Branding is much more than a flashy ad or a cleverly worded job posting. It is a unique, clearly stated message from the employer to current and potential employees about the employment experience. I should note that this goes beyond a simple recruiting brand used to attract new talent. Rather, when done correctly, the employment brand can be used throughout the employment experience to reinforce the commitment that the employer makes to the employee, and in some ways the commitment the employee makes to the employer.

The employment brand is a narrative proclamation of how the employer will carry out its responsibilities to employees and uphold the values in the employment relationship. The statement is used to guide decisions on a day-by-day basis that impact the employment relationship. It ideally serves as the framework for all human capital programs such as talent acquisition, orientation, performance management, total rewards, and benefits.

The advantages of a well designed and executed employment brand are significant. In 2000, during a period when employers were engaged in what was then called “the war for talent”, Hewitt conducted a survey of more than 200 companies that had implemented an employment brand. The results were telling. Of the companies surveyed, over 90 percent reported an increase in employee retention and an increase in employee engagement or satisfaction. Ninety percent of respondents indicated they were better able to attract job candidates. The financial benefits were also impressive. Over 70 percent of the respondents experienced improved business results that could be attributed to the employment brand, and this is largely due to a more engaged workforce—that is, employees were apt to stay with the company, had positive things to say about the organization, and were productive in their roles.

While the benefits of implementing an employment brand are impressive, it is not something that can be put into place overnight or even in a matter of weeks. It affects every aspect of human capital management. It requires sponsorship and participation from senior leadership. It is unlikely to succeed if viewed solely as an HR initiative. It also must support strategic business intent and differentiate the organization in the market. It certainly cannot be a simple slogan or graphic without substance or commitment from leadership. Finally,

organizations that implement an employment brand must be willing to make certain commitments and balance aspirations with business realities.

3. The third aspect that leading organizations focus on is creating a talent acquisition and internal deployment process that meets the needs of business leadership, managers, recruiters, employees, and external job candidates. As I mentioned earlier, stakeholders often have conflicting needs in the recruitment process. Leading organizations have developed ways to overcome or mitigate these conflicts in such areas as identifying open positions, sourcing talent, assessing and selecting staff, and on-boarding new associates:

- **Identify open positions**—It has been our experience that the best employers take a very systemic and methodical approach to understanding the talent required to drive business results over a three- to five-year horizon. That is, they forecast hiring needs based on where the organization is heading strategically. They carefully identify roles, skills, and attributes needed to get future business results. They also forecast talent demand separately from identifying where the talent resides. These organizations provide managers tools that allow them to systematically predict and roll-up talent forecasts to the enterprise level. Often, these organizations have a developmental competency framework in place, which allows them to perform a skill

assessment and gap analysis to identify areas of concentration and development in order to meet longer-term business demands.

- **Source talent**—Over the past several years, companies have been inundated with job seekers. It is not uncommon for hundreds of job seekers to apply for a single opening. There is no doubt that the volume of resumes received has steadily increased over the past four years. A major shift is underway around the manner in which employers find high quality talent.

Employers are conducting targeted, relationship-based candidate sourcing campaigns to find qualified job candidates. The concept behind this approach is to network with contacts who understand the organization and the positions available. Examples of this are employee referral programs, vendor relationships, and even referrals from existing job seekers. Increasingly, employers are becoming reluctant to attend open call job fairs because these events rarely yield the quantity of highly skilled, qualified candidates the employer is seeking.

Employers are also establishing relationships with organizations to creatively develop pools of targeted job candidates. These organizations include diversity groups, university alumni, and veterans returning to the workforce. A large consumer product

company headquartered in Atlanta, GA, for example, recently formed an alliance with the United Negro College Fund to sponsor a summer internship program. A large home-improvement retailer based in the southeast recently announced an alliance with AARP to source store employees who are knowledgeable about home improvement, and can help customers in need of advice.

Nearly 100% of *Fortune 500* companies have a career section on their corporate web site. An emerging trend is to build Candidate Relationship Management processes into the Careers section. Companies are increasingly using their Career Section to build virtual relationships with prospective job seekers. For example, on the USAJOBS web site (the Federal Government Career portal), job seekers can search for open positions, complete a career interest inventory to identify matching job profiles, and receive automated job alerts via email when a job matching their specifications becomes available.

- **Internal Deployment**—Hiring great talent only helps if the organization has the courage to move people and get the best person into the critical roles. Just as an organization needs to take some risks in order to grow the company, it also has to be willing to take some risks on people. When Hewitt interviewed Business and HR leaders during our recent double digit growth study, it was most interesting to see that

most of these leaders had been in multiple areas of the company and most had spent time in functional areas outside of their area of formal training.

- **Assessment and Selection**—Another finding of Hewitt’s double digit growth research was that these companies all have rigorous talent assessment processes. We observed that many of the double digit growth companies used cognitive or behavioral testing to make sure they were getting the best applicants. They look beyond the job requirements when hiring people. They consider not only current capability, but future potential and cultural fit. They look for that elusive “hungry” quality—people who are always unsatisfied with their achievements and willing to outwork and out hustle competitors. These are the kinds of people who are going to contribute to an organization’s success rather than maintain the status quo.

Specifically, these leading organizations do the following to assess job candidates:

- Identify developmental competencies and success factors in advance, and interview all job candidates against these characteristics. This approach helps to reduce the subjectivity of the assessment and the personal style of the interviewer.
- Use automated, web-based selection and screening to quickly qualify job candidates. This helps to narrow the large volume of resumes and applicants down to a manageable number of qualified candidates. A computer manufacturer located in the southwest uses an electronic self-selection tool for candidate assessment. Candidates perform a “fit

- check” by answering a series of questions to find out the degree of compatibility between the company and themselves.
- Understand the selection process is a two-way street, and provide opportunities for job applicants to interact with various levels of management and potential future peers. Best employers will provide opportunities for the applicant to experience the work environment, work team, and leadership.
 - Offer flexible interview schedules to accommodate job applicant’s needs. Increasingly, interviews are being conducted before and after standard work hours.
 - Communicate with job applicants frequently and consistently to keep them informed as to their progression in the recruitment process. Leading companies give as much information to candidates as they get from them.
 - Use validated behavioral-based assessments that require the applicant to describe a past situation, action and result they achieved. A large commercial airline company assesses job candidates on customer service, teamwork and attitude. Part of their assessment includes a panel interview to see how a candidate performs in front of a group, and behavioral questions are used to predict future success.
 - Make swift hiring decisions to avoid losing job candidates to competitors.
 - Develop training and coaching tools to develop managers’ assessment skills and assure legal compliance during interviews.

- **Onboarding and Orientation**—We have found that there is no one best way to onboard and orient new talent into the organization. However there are a few guiding principles we have observed that leading employers use to assimilate new employees. First, these companies ensure employees at all levels understand the importance of a seamless onboarding experience. They also appreciate the link between a strong orientation experience and performance.

Leading employers view orientation as a long-term process, not an event. Orientation may last nine months or more. These activities often start before the new employee arrives for the first day of work. Senior leadership is often highly visible in the orientation process. There is a focus on cultural assimilation, and ownership of the process is shared between HR, business leadership, managers, and the employee. A leading computer chip manufacturer headquartered in the Silicon Valley sends a welcome packet as soon as the job offer has been accepted. They also have a web site where the new employee can visit to learn more about the initial orientation, training, and submit employment forms online. New employees attend a session that includes a welcoming video from the CEO and a briefing from a senior manager regarding the company's business strategy, mission, and objectives. They also meet face to face with their manager to have a “no nonsense” discussion about what will be expected.

During the first month, every new hire attends a mandatory class that covers corporate values and governance. Over the next six months, new employees attend briefings with executives from various business departments where the new employees can ask questions and learn more about the business.

A strong orientation program increases the ability of new employees to become productive faster. The new employee gets a good grasp of organizational history, values, and goals. They better understand what the company expects in terms of work content, behavior, policies, and procedures. The new employee also knows the importance of their job and how it fits within the larger mission of the organization.

Finally, leading employers power their recruitment processes with effective technology.

Over the past ten years we have witnessed incredible advances in technology and its adaptation within the recruiting function. As mentioned earlier, nearly all large employers have a career section attached to their web site. Now, leading edge organizations are using web-based technology to conduct online screening of job candidates to aid in determining the best qualified.

Leading employers are also using recruiting management technology solutions such as Deploy Solutions, Hire.com, Peopleclick, and Taleo to manage all recruiting activities. These

solutions allow companies to build virtual relationships with job seekers and employees. They provide functionality for managers to review applicant information via email or even on a Blackberry without logging into a system. These solutions can send email correspondence to candidates with a click of a button, notifying them of their status in the process. These recruitment management systems can also interface with other third party providers such as relocation, background checking, drug screening and staffing agencies. These interfaces help speed up the process and maintain the security of candidate data. Finally, these solutions provide reporting capabilities that allow employers to measure the effectiveness of recruiting activities. Employers can also track progress related to diversity goals and monitor EEOC compliance.

When administered properly, these solutions make the process more user friendly for managers, candidates and employees. Recruiters also see significant benefits from the use of these solutions. Using technology to automate the process frees recruiters to spend more time meeting with qualified candidates to sell the job openings and consulting with hiring managers regarding recruiting activities. They waste less time on piles of resumes and paperwork.

One caveat: while technology can enable recruiting processes, it cannot fix flawed or broken processes. Careful attention must also be given to ensure the processes are aligned with organization needs and strategy.

Conclusion

Successful private-sector companies, because of their culture and business, often impose unique requirements that affect the development and successful deployment of their recruitment programs. So does the Federal Government; Veterans' Preference is an example of one of its unique recruitment requirements. While the requirements may be different from one setting to another, they can be honored without diminishing the effectiveness of the recruitment program. In other words, having unique requirements does not mean that an organization has to succumb to confusion, frustration and delay. There is ample evidence that organizational leadership, branding, process redesign and technology can be harnessed and synthesized in ways that make a marked contribution to an organization's strategic goals.

Whatever the setting, employees are the lifeblood of an organization. How an organization recruits, whom it recruits, the accountabilities in place and the process, all have a dramatic impact on private-sector business results—the same as they do for results in the public-sector.

Thank you, Madame Chairwoman and members of the subcommittee, for offering Hewitt the opportunity to share some of its views on this important topic. I would be pleased to answer any questions you may have for me.