

STATEMENT OF DONNA MATHEWS ON BEHALF OF HEWITT ASSOCIATES

SUBMITTED TO

**THE SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT,
THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA**

May 8, 2008

Good morning Chairman Akaka, Senator Voinovich, 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 Donna Mathews and I am a Principal and Account Executive 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. I have been with Hewitt for over nineteen years and prior to joining the Federal Sector within Hewitt, I worked and consulted with many of Hewitt’s large, private clients.

Hewitt, which was founded in 1940, is a global human resources service delivery and consulting firm. Headquartered near Chicago, Illinois we employ more than 20,000 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 over 19 million participants. We have been recognized by *Industry Week* magazine as one of the most innovative users of Information Technology to support HR programs 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. The next 5 to 10 years will likely represent the most difficult recruiting environment in history.

Here is why we believe that to be true:

We are faced with a shrinking workforce and the impending retirement of baby boomers. It has been estimated that by the year 2010, the United States will have 10 million more jobs than workers. There will be a 16% decrease in the number of middle-aged

workers and more workers will be retiring early. We will also see a less skilled, more youthful workforce.

A “virtual and empowered” workforce increasingly will be the norm. Technology is redefining the workplace and workday with 20+ million off-site and satellite offices. There has been an increase of 2 million teleworkers in the last 5 years and an increase of 10 million mobile workers in the last 5 years. It is unreasonable to expect employees to stay with an employer for more than a few years. 45% of workers want to change jobs at least every three to five years, up from 26% in 1999. And, 51% of U.S. workers are extremely likely or very likely to look for a new job or work situation. This means that employers will be required to recruit continually and aggressively, and create and maintain incentives to retain top performers.

The workforce will be much more diverse. There will be four generations in the workforce: Matures, Baby Boomers, Generation X, and Millennials. The workforce will be more gender balanced. By 2025, nearly 40% of workers will be Hispanic, African-American, or Asian. Predictions indicate that over the next 10 years, the United States and Europe will account only for 3% of the world’s entering work force, while 75% of the world’s new workers will come from Asia.

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

Global labor migration has already doubled in the past 40 years. Technology, low cost communication and rising education levels in emerging countries not only make it viable but a sound business decision to select locations globally. It is estimated that the number of U.S. jobs—that potentially could be affected by global site selection in the next 10 to 15 years—range from 3 to 14 million.

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 / efficient recruiting programs.

Unfortunately, an organization's inability to address 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. Finding, attracting, and assimilating talent has never been more important or challenging as the war for talent increasingly goes global. 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, high-performing organizations make talent acquisition the lifeblood of their success. The notion that people are important has been around a 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 completed by Hewitt several years ago 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 intends to 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 impacts 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, 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 % reported an increase in employee retention and an increase in employee engagement or satisfaction. 90 % of respondents indicated they were better able to attract job candidates. Over 70 % of the respondents experienced improved business results that could be attributed to the employment brand. Improved business results largely stemmed from a more engaged workforce—that is, employees were more apt to stay with the employer, 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.

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 forecasting talent needs, sourcing talent, assessing and selecting staff, and on-boarding new associates:

- **Workforce Planning**—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 3- to 5-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 to identify the quantity of critical roles required to support the business in 3 to 5 years, and conduct a gap analysis against internal talent supply and capabilities to predict challenges, impact, and risk to the business if not addressed. These

organizations develop early intervention strategies such as implementing new training programs to upskill talent to fill emerging needs, succession planning, and leadership development programs, and retention and external talent acquisition strategies to address the forecasted talent gaps. Often these organizations conduct multiple assessments based on varying scenarios and “plausible events” to provide insights and alternative plans based on probability analysis to meet longer-term business goals.

- **Sourcing 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 4 years, however a high quantity of resumes does not equate to a high quality of candidates. Often, the most qualified candidates are “passive job seekers” not currently seeking employment, and it takes creative sourcing techniques to attract and acquire this type of talent. 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 organizing their recruitment teams to allocate specific resources targeted on “hunting” for candidates, known as strategic sourcers, versus “farming” candidate and manager relationships to further extend the customer/candidate relationship—candidates may not be ready now to move to a new position, but through targeted and planful relationship-building, they may be ready to move in 6 to 12 months, and will think of those first who paid attention to them.

Employers are also establishing relationships with organizations to creatively develop pools of targeted job candidates. These organizations include diversity groups, university alumni, veterans returning to the workforce, and stay-at-home moms who are looking for part-time and flexible jobs. For example, a large consumer product company headquartered in Atlanta, GA formed an alliance with the United Negro College Fund to sponsor a summer internship program. A large home-improvement retailer based in the southeast created an alliance with AARP to source store

employees who are knowledgeable about home improvement, and can help customers in need of advice.

Today, 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.

- **Assessment and Selection**—Another finding of Hewitt’s research is that successful organizations all have rigorous talent assessment processes. Many of these successful organizations use cognitive or behavioral testing to make sure they are 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 out-work 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, 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 quickly narrow the large volume of resumes and applicants down to a manageable number of qualified candidates. For example, 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 integrate 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 / productivity in the first year.

Leading employers view orientation as a long-term process, not an event. Orientation may last three, six, nine, or twelve months. 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 integration, 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.

- **Measuring Performance.** Highly effective talent acquisition processes also involve clearly-defined performance goals and frequent assessments and performance feedback sessions during the first year. They not only are measuring performance as a way to confirm that the talent selected is having a positive impact on the bottom-line company performance, but they are also making sure that the new hire is engaged with the organization.
- **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 interviews business and HR leaders in successful organizations, we frequently see that most of these leaders have been in multiple areas of the company and most have spent time in functional areas outside of their area of formal training.

Finally, leading employers use technology to execute their recruiting flawlessly.

Over the past 10 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 applicants, as well as increasing process efficiencies, thereby improving the candidate experience due to greater visibility, a higher touch process, and more authentic communications.

Leading employers are also using recruiting management technology solutions such as Taleo, Vurv, Authoria, Peopleclick, and Virtual Edge 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 to make the process more efficient. 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, Mr.Chairman, 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.