

From the Basement to the Boardroom at Valero Energy

The Strategic Imperative in Talent Planning

Introduction:

Dan Hilbert, manager of employment services, joined Valero Energy in December 2002. He recently received recognition as a finalist in ERE's Recruiter of the Year award based on his transformation of Valero's talent acquisition program through strategic recruitment leadership, data analysis and workforce planning.

Valero Energy's ability to grow from a small company to a global mega-corporation over a six-year period is a tremendous story. The transformation of its staffing organization to go from the basement to the boardroom is a "next practices" talent management study to be emulated by every company's HR and staffing leaders. It transcends the evolution of HR going from "personnel administrators to human capital strategists."

Background:

Dan Hilbert has a history of driving innovation and change wherever he goes. In the past two years, Hilbert has transformed Valero's staffing function into a state-of-the-art, business-driven department, built upon technology, precision forecasting, metrics, indices and continually evolving best practices and processes.

Hilbert passionately comments, "When the war for talent is waged over the Internet, major corporations will be won and lost over staffing technology."

Overcoming the Obstacles:

Valero's expansion required fast and drastic action in the recruitment arena to keep pace with competition, growth and customer demand. When Hilbert joined Valero, the department was mired in the day-to-day administration and processing of applicants and requisitions. There was no plan or strategy, resulting in recruiting being reactionary and having to always play catch up.

The Plan:

"To start, we mapped every single component of the recruitment business so we could understand it inside and out," says Hilbert. This takes time and discipline to do correctly, but Hilbert was convinced that reforms could



not begin until he knew what needed to be changed. Over the course of three months, Hilbert and his team mapped the entire recruiting process.

Hilbert knew that the paper process had to end without delay. The organization, with almost 20,000 employees at the time, was far too large and growing much too quickly to function efficiently without recruiting technology. However, he did not immediately purchase a hiring management system.

“Once we were able to map all of the processes, I was able to see our processes—what worked and what didn’t—and then model what Valero needed in a system to support its new processes,” explained Hilbert. “When we chose an applicant tracking system (ATS), we were able to tell vendors exactly what we wanted. We invited vendors to Valero and then rated vendors based on our pre-defined criteria versus what they felt we needed. We had our needs fully defined before we invited any vendors to demonstrate products.” Time studies of recruiters performing tasks in each ATS were conducted, and recruiters ranked systems on ease-of-use.

“To our surprise, a mid-size vendor from Dallas scored high on every test,” Hilbert mused. “And, then they scared the heck out of us with their bid. It was too low!” Eighteen months later, Hilbert says with smile, “Signing the papers with HRsmart was a major cornerstone of the success and awards we have received in the Staffing Department at Valero.”

But the discussion of technology gets us ahead of ourselves. Hilbert’s goal was to elevate the profile of talent acquisition in Valero. Hilbert understood how critical a world-class staffing capability was to Valero’s success, growth plans and competitive position in its industry. In his words, he felt it necessary to move recruiting “from the basement to the boardroom” to accomplish this.

Time for Action

After only six months, the pieces were in place for the industry’s first fully functional Labor Supply Chain. “It was all built on business principles and aligned with the corporate and business unit plans. It was designed to make HR look like it was a business. The HR VP embraced it, as did his boss,” explained Hilbert.

Hilbert believes it is essential to map and model recruitment planning to the business objectives. The Holy Grail, according to Hilbert, that will help you move from the basement of staffing to a partner in the boardroom is a first rate Labor Impact and Needs Analysis system.

“Any staffing leader who hasn’t completed (and maintained) a labor gap and needs analysis will never get out of the basement. That’s the bridge to the senior executives. I’m watching it happen and it’s phenomenal. They’re skeptical at first, and then you show them the model, the formulas and the soundness of those the model and formulas. Once it’s solid, any questions about the calculations are dismissed. Then it’s about the data—how far back can you go to make it more valid, and how can we use regression analysis and other methods to project trends. It is fun to observe their buy-in. Sound data in decision-making is very important to good senior executives. It is their language,” explains Hilbert.

“Certain industries and skills will be extraordinarily affected by the demographics. If it applies to you, innovative systems and processes are needed. If your primary means of hiring is getting experienced people, you are in a position of crisis. The entire industry in some cases will lose 50 percent of its workers to retirement within a few

years. If your strategy is to poach, you're going to be in a tough spot. For some, when the crunch comes you'll go out of business. The planning and reform has to start now," advises Hilbert.

"In the Human Capital Institute's terms, we are having to go through a preservation of human capital while transferring intellectual capital in order to survive, let alone, compete. We also have to understand the nature of bringing in foreign talent. This is a proactive project, and you have to have next year's plans filed with immigration by the previous October. The college hire is up to five years out, and internal development needs planning also. Being reactive is no longer going to do it for Valero," says Hilbert. "In addition, this isn't just about a traditional company like Valero. It's about every small start-up to large 21st century company."

Whether or not your company is in a preservation of human capital mode or one with a predominantly young workforce, your workforce will either be a supplier of talent (depleting your human capital intelligence) or needing to be on the forefront of creative and strategic sourcing for labor supply chains.

Hilbert notes, "Valero sees this as an opportunity to dominate a labor force for years to come and increase shareholder value. We have superb leadership at the top that is committed to enduring success."

The Outcomes

This kind of thinking sounds like it might be music to senior executives' ears. So how has Hilbert fared since unveiling his new approach?

"No longer do they simply call me demanding 10 accountants. Now I'm sitting with the executives consulting on longer-term needs and strategies for talent. The ability to quantify and articulate value is made easier also. If you have a project that needs five mechanical engineers and is designed to earn \$200 million per year in revenue, the human capital value to the project is \$40 million per engineer, per year – that's what's at stake in finding the right people, quickly and efficiently. That's the value talent acquisition brings. They respect that," Hilbert elaborates.

The Bottom Line

In addition to gaining a place at the strategic level in the organization, Hilbert believes that Valero is now "world-class" when it comes to hiring and has caught up with his company's world-class status ranking as one of "Fortunes Top 100 Companies to Work For" over the past five consecutive years. He and his team have earned six awards already, and they continue to innovate. "It's all about the team and the talent you surround yourself with and about meeting the standards of Valero's world-class executive management," says Hilbert.

"The ability to build one of the best staffing groups in the country earned us respect, but that labor impact and needs analysis system is what gained us partnership with senior executives. The results, after you've done the gap analysis, are what are amazing. When you have a major new capital project with plans for hundreds of millions of dollars in revenue, you can see the value of a well-oiled labor supply chain. This model puts a quantifiable value to it."

Hilbert again speaks to the importance of technology, "You have to be aligned with the business and from there it's about planning and implementation on top of and surrounded by technology. The HRsmart technology suite provided the integral, flexible infrastructure to support our five-year staffing model and objectives."

What's Next?

Hilbert's next steps at Valero include a system to capture critical intellectual property and to propagate expert practices through a Knowledge Management System being developed by HRsmart. He believes this to be critical because when a high percentage of senior people are leaving, it is vital to capture, store and share their knowledge.

Just one more challenge in the "Talent Management Continuum" for Dan Hilbert, and anyone who knows Dan Hilbert and Valero would place a sizeable bet that they will be one of the big winners in the war for talent.