

Allstate Insurance

A recruitment and selection process that leverages the Internet, internal database technology, and work analysis tools

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Introduction

Background

Recruiting and selection is at the core of any organization's competitive advantage. The ability to attract, select, and retain highly skilled and motivated people is key to survival in today's constantly changing marketplace. Many companies are vying to attract the top echelon of the labor pool. Where these individuals seek employment cannot be left to chance. Corporations must aggressively market themselves and actively seek out the people who best match the organization's needs. Allstate is no exception.

Allstate is the second-largest personal lines insurance company in the United States, as well as a major life insurer. It insures 1 of every 8 homes and automobiles in the country, and provides insurance for more than 20 million consumers in the United States and Canada. Its parent company, the Allstate Corporation, is the nation's largest publicly held personal lines insurance company. Based in Northbrook, Illinois, Allstate has over 15,000 agents and 39,000 nonagent employees.

The recruitment and selection process at Allstate is one of the most critical of human resources processes. While other HR processes are important, a well-executed recruitment and selection process ensures that the right people are selected for the right jobs. Companies that fail to recruit and retain the best individuals for the job and the organization end up with only the "best of the rest." These organizations ultimately pay more for training, performance management, and additional recruitment to replace poor performers.

Allstate has always been committed to recruiting people who will best match the needs of the company. From hiring agents to claims adjusters to underwriters, to hiring home office, life, or sales personnel, the Allstate Insurance Company has consistently sought the most qualified individuals to fill its openings. However, simply matching Allstate's past recruiting successes will not be enough to maintain its rapid business growth requirements. To add the value the organization requires, recruiters must be competitive with professionals in other organizations looking for similar individuals. It is critical that Allstate's HR personnel have the training, processes, and leadership needed to meet the challenges of the twenty-first century. In order to ensure that the people selected will be the best match for the organization, HR professionals must work closely with their business partners as collaborators to fully understand the organization's needs.

The *Allstate Recruitment & Selection Process* is the company's process for attracting and hiring qualified employees and agents. This process enables HR selection professionals and line managers to consistently attract job applicants with the necessary skills, abilities, and other characteristics needed to fill openings identified during staffing planning and/or throughout the year. How?

- Ensuring that the approach is linked to strategic business plans
- Ensuring that the approach is proactive and responsive
- Providing a logical, systematic approach that integrates all critical recruitment activities
- Leveraging technology

The overall goals of the process are to help recruiters:

- Link department staffing plans more closely to business plans
- Conduct recruiting efforts more efficiently
- Leverage prospect and applicant pools to reduce recruiting cycle times
- Increase applicant and new hire quality

The phases of the Allstate Recruitment & Selection Process is depicted in Figure 1:

Note that "Measure" is not considered to be a distinct phase of the process. Because it is so critical to the success of the overall process, measurement has been highlighted, and a section of this case is dedicated to it specifically.

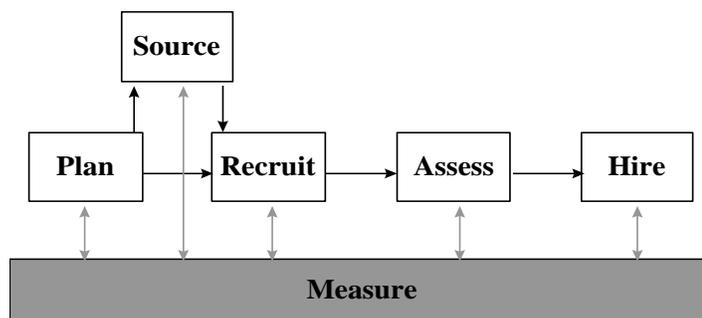


Figure 1: Recruitment & Selection Process

The purpose of each phase is listed below:

- *Plan*—To create strategies/plans to meet business staffing needs
- *Source*—To implement proactive sourcing plans to create a pool of prospects
- *Recruit*—To develop a strategy to fill an open position and to prescreen prospects
- *Assess*—To identify qualified applicants for an open position and to select the best qualified applicant
- *Hire*—To verify the best qualified applicant's background information and to hire a new employee or agent

To successfully execute the process in today's market, Allstate has embraced the use of technology. Technology can improve the company's selection processes as well as increase efficiencies.

The first section of this case reviews Allstate's approach to leveraging technology to recruit and select high performing agents. This study will explain how technology was used to develop both a recruiting strategy and customized selection process for those agents. More general approaches for using technology at Allstate for recruitment and selection will be described later.

The design team for the agent selection effort consisted of:

- HR professionals within the Home Office Selection Team (including the HR director and two HR staff)
- One HR professional from the field who was assigned to this project full-time on a temporary basis
- Industrial/Organizational psychologists from the Allstate Research and Planning Center

Other people within Allstate also supported this effort at different times in the process (e.g., Sales and Legal professionals). Financial support and resources for the effort were provided by the Sales organization for whom this work was completed.

The Business Issues for Agent Selection

Why are recruiting and selection for agents so important? Allstate agents interact every day with customers and potential customers. Their role in delivering value is critical. Having the best people will lead to a competitive advantage.

[Type text]

For many years, a variety of approaches was used to recruit agents at Allstate such as job fairs, ads in local and national newspapers, and referrals from managers, employees, and agents. In the past 2 years, Allstate has also been using the Internet as a recruiting tool. That process will be described in more detail later in this chapter.

The selection process Allstate used in the past for selecting agents included a proprietary preemployment selection test. That test served the organization well and was utilized in the hiring process of agents for close to 10 years. It was designed to predict success in new business acquisition for employee agents. Because Allstate started hiring a different type of agent called exclusive agents (independent contractors) and job requirements changed, an updated selection process was needed. Also, with aggressive business growth goals for the organization, predicting performance for this new type of agent was critical to the organization's growth strategy as well as long-term strength and competitiveness.

A 2-phase approach was used to update the selection process being used for agent selection. In the first phase, in-depth analyses were conducted to update the scoring system of the current test. Specifically, relationships were examined between how agents answered the different questions on the test and performance on the job. Job performance in these analyses was measured by actual business results—new business acquired. Updates were made to the scoring system to ensure its maximum ability to predict performance on the job. The second phase of the process was to develop additional components for a new selection system that would predict other business outcomes (e.g., customer relationships/customer retention) as well as new business acquired.

Job Analysis

The process used to develop the new selection process was based on both a job analysis and other research of what defines a “star” performer. Data were collected from the following methods:

- Work/job analysis interviews with current agents at different performance levels
- Interviews with agency managers
- Benchmarking
- Analyses of longitudinal data files of test responses and business results
- Analyses of data from application forms

Based on these detailed analyses, the dimensions were identified that were critical for success and that distinguished “stars” from lower performers. There were a number of key features that distinguished star agents and low-performing agents. For example, star agents function more as managers and/or owners of their own businesses rather than as

sales people. Similarly, star agents focused on financial results and understood in detail how processes and policies would affect them financially.

It became evident that star agents use very innovative and creative processes to profitably build their businesses. For example, in several of the interviews conducted with this group, they indicated that certain markets were not being tapped. The star agent looked upon this as an opportunity to provide insurance products and services to these emerging markets. (See Exhibit 1 for the basic work analysis approach.)

The future selection of agents is based on the dimensions required for success as an agent. To ensure the best selection system, the design team determined how to improve the recruitment of star agents. The next steps related to the selection process included investigating selection tools already available that could help measure the dimensions identified as critical for success. Along with researching products, the design team interviewed various vendors and consultants to determine the fit between Allstate's needs and their products. After an extensive search it was determined that the best competitive advantage would be gained by custom building a selection process for future agent selection.

Design and Structure

After the job analysis work was completed, the team designed a technology-based selection system to increase chances of selecting high performers. There are several approaches to building such a system. The first is a common selection process for all positions in the company based on core competencies. Another is a customized process for each position. Finally, there can be a combination of the 2 approaches focusing on core skills but still allowing for customized tools for technical or other unique areas. There are advantages and disadvantages of each approach as shown in Table 1.

TABLE 1 Advantages and Disadvantages of Selection System Approaches

Approach	Advantages	Disadvantages
Common Approach	<ul style="list-style-type: none">• Relatively low cost• Relatively easy to administer• Assesses core skills required throughout organization• Reinforces the importance of core skills and values of the organization	<ul style="list-style-type: none">• Does not assess unique skills of different positions
Customized Approach	<ul style="list-style-type: none">• Can focus on full range of skills required including the unique requirements for a particular position• Can provide realistic job previews of individual positions	<ul style="list-style-type: none">• Takes more time to develop than other approaches• Higher cost than other approaches• More difficult to administer than other approaches since each position has its own unique selection process
Blended Approach	<ul style="list-style-type: none">• Assesses core skills required throughout the organization• Can consider the full range of skills required including the unique requirements for a particular position• Can provide realistic job previews of individual positions• Cost effective for the value obtained	<ul style="list-style-type: none">• Takes more time to develop than common approach• Has higher cost than common approach

[Type text]

In addition to an overall strategy, there were other specific issues that needed to be considered:

- Technology capabilities to administer, score, and track a technology based test
- Skill levels of those administering the test
- Ability to meet legal requirements and demonstrate validity
- Maintenance issues around a database, technical problem resolutions, upgrades
- Ensuring that all data would be uploaded into a centralized database so ongoing analyses could be conducted
- Consistency in how the selection tools are utilized for internal and external candidates

The early design of the selection process included these types of issues and many more. However, the design team made basic decisions early into the process to:

- Utilize a technology driven system
- Consider cost-effectiveness of the final product
- Develop and communicate clearly the intent and business case for changing selection processes, and educate all users on the use of technology and how to use the newly created system to hire more high performers

With these decisions as the basis for building the system, it was agreed that the customized process should be built for selecting agents. A customized system was chosen for several reasons. One primary reason was that the requirements for agents, especially agents who are not employees of the organization, are unique from other positions at Allstate. In addition, a customized approach was expected to provide the most competitive advantage.

Continuing with an effort to use technology to support the process, an online selection test for agent positions was built. To ensure that ongoing analyses could easily be conducted, a decision was made that any new system for selecting agents must include centralized electronic storage of data.

The agent position is one of the hardest positions to fill. Allstate looks for specific skills, abilities, and other characteristics in order to be certain to serve its customers expertly and efficiently. For example, agents must be able to bring in new business and retain customers (i.e., have both sales skills and customer relationship skills) and have the ability to manage an agency (e.g., financial management skills). Over this past year, the

design team built a highly effective screening tool. The process has 3 main components: a scorable application form, a screening test, and a structured interview.

Agent Selection Process

The first component in the agent selection process is a scorable application form. It consists of many of the standard questions any company asks (e.g., name, work history, education, etc.). The design team added questions that have been shown in Allstate's research to be related to business acquisition skills. This application form is completed online and is scored as "proceed" or do not "proceed." This is the first step in the selection process for agents. To leverage technology further, the team will place the scorable application on Allstate's Internet site during the year 2000. (See Exhibit 2 for a sample view of Allstate's online application.)

The second component is the new screening test for Allstate's agent candidates. This test resides on agent hiring managers' laptops as well as those of HR professionals in the field. This is a fairly lengthy segment that consists of biodata (or biographical data) and situational questions. The biodata questions examine both past and current experiences and/or behaviors. For example, questions ask about prior experience selling insurance, prior experience dealing with customers, and a variety of other topics. The situational questions actually describe a situation, and the candidate is asked how he/she would handle this situation. Candidates will score as high, medium, low, or not qualified based on all their responses. Results to both the scorable application and screening test can be obtained in a matter of minutes.

The third component in the selection process is the structured interview. Based on the work analysis interviews of star agents and other research, structured, behavior-based interview guides were created. The questions focused on the skills and experiences of candidates on a number of dimensions related to success as an exclusive agent. The manager, trained in how to conduct interviews and evaluate candidates, then scores the answers to the questions based on the past behaviors and the relevant behavior being assessed.

Together, the scorable application form, screening test, and structured interview provide information to help the manager and/or HR professional determine which agent candidates are best matched to the opportunity.

Technology Support

Although not part of the formal process, reports are available that allow the field and Home Office to have immediate access to testing and hiring data on agent candidates company-wide through a database system.

[Type text]

The final design of the new system includes a total technology strategy for recruitment and selection. The master plan includes the ability to find candidates through the Internet, link candidates to a database management system for résumés, provide an online application through the Internet, and track candidates' flow as they move through the agent selection process. The strategy includes timelines for implementation and country-wide access.

In terms of sourcing candidates through the Internet, the design team analyzed the various search engines that are now available for the purpose of recruiting. They became experts in their use, both in posting a position as well as reviewing and categorizing résumés already provided by the site. Once they thoroughly understood this new process of finding candidates, they developed a training course to pass on their expertise to HR professionals in the field offices.

Internet sourcing strategies, the agent selection process, and the résumé tracking system have been implemented. The next phase includes having the online application on the Internet and linking that system to the résumé tracking system. One pilot test of the Internet-based, online application has been completed. That pilot test allowed centralized recruiters to screen candidates for a few individual regions. Although the technology was effective, the regions wanted more direct involvement in the recruiting and selection of candidates for their areas. Future pilot tests of the Internet, therefore, will be conducted with hiring managers and HR professionals within the regions.

Implementation

After the design of the technology processes, the next steps of agent selection implementation included:

- Testing the new tools and platform
- Reviewing current cutoff scores for the new tool
- Designing the rollout for the new online system country-wide
- Rolling out the online Internet system for the scorable application form

As the new agent selection process was implemented, a decision regarding the focus of scoring was needed. Specifically, a final determination needed to be made if the agent selection process was going to focus only on new business production (as in the prior test) or combine new business with a customer relationship element. A validation study provided evidence that both dimensions could be utilized with positive business results.

Some additional items that were considered included:

- If the focus for agents was exclusively on new business during the first 12 or 18 months, the new business option was the strongest.
- Using a combined key would help identify candidates who could both produce new business and develop strong customer relationships.
- The scoring system could be adjusted in the future as organizational needs and requirements change.

Implementation Issues

In implementing a new recruiting and selection system, there were a variety of other issues that needed to be considered. These issues were raised both in conjunction with agent recruiting and selection as well as recruiting and selection in general. These issues and questions are outlined below.

[Type text]

Knowledge/Skills of HR

- What are the challenges in placing staff into recruiting and selection positions?
- What training is in place to ensure consistent standards of excellence for recruiters and selection consultants?
- How is intellectual capital built in this area?
- Are there key resources to respond to specific topic areas? For what specific areas are those experts needed?
- How should technology or other tools be used to provide ongoing training and support?

Consistency

- What policies and guidelines are in place related to selection (e.g., retesting policies, handling of internal transfers)?
- How is adherence to internal policies and procedures assured?
- How will policies, guidelines, etc., be communicated?

Legal Requirements

- What current processes are in place to ensure that all legal requirements are met in the development and implementation of all selection policies and procedures?
- How are those processes communicated?

Involvement of Key Business Units

- Are partnerships in place with each client group to ensure involvement and buy-in in the development and implementation of new processes?

Communication Issues

- Are the processes in place to ensure that all the necessary groups understand selection strategies as well as policies and guidelines?

Home Office

Field Human Resources

Client groups

Organizational leaders

Transfer of Knowledge

- What processes are in place to ensure knowledge is transferred when people change positions (e.g., test administration, security, specific knowledge areas, etc.)?

Database Issues

- Who has (or will have) responsibility for maintaining the centralized database(s)?
- What processes have been established to define who will have access to information and what specific information each group will be able to access?
- How will privacy of information be protected?
- What security procedures will be developed to ensure that only those needing access to specific information for a legitimate business reason have access?

Ongoing Reviews

- Are processes in place to address compliance issues to ensure that policies and guidelines are being followed?
- Are processes in place to conduct ongoing reviews and analyses to monitor effectiveness, examine EEO related issues, conduct analyses for different strategic purposes (e.g., HR planning), etc.?

Specific Implementation Plan

Specifically, the basic elements of the implementation plan for the agent selection process included:

- Developing the online selection system
- Conducting a usability test of the online selection system to determine aspects such as user-friendliness as well as image of the company
- Making revisions to the online system based on the usability test
- Making a decision on scoring options and scoring key
- Programming the selection test with the scoring key
- Testing and proofing the scoring system

- Designing training for test administrators
- Designing training for Field and Home Office users
- Writing job aids for future reference and training of new users
- Training in-house PC support to field questions and system problems
- Developing a process to monitor the system and continue to gather data

The new selection system was implemented in early 1999. The data are being tracked and monitored. A release of the system has just been rolled out that includes enhancements such as increased speed of the system. To date, the feedback has been very positive by system users. Early results are summarized in the next section.

Evaluation

Since late 1998, data have been gathered on the performance of the new agent selection system. There is evidence to support that the new selection process is highly effective. Analyses have shown showed that those who perform better during the selection process produce better business results.

Data will continue to be collected, and ongoing analyses will be conducted. The following areas will continue to be:

- Passing rates
- Passing rates for protected EEO groups
- Score distributions
- Relationship of test scores to business results

Managers making hiring decisions base their decisions on the information gathered as part of the selection process. Communications to the regions and agency managers have clearly articulated the relationship between test results and agent business results. The new reporting system is expected to improve business results since the data on hiring quality can be reviewed instantly by agency managers, regional managers, and Home Office directors. Managers and directors are already using information from these reports to drive recruiting efforts to increase the number of people tested per hire to get the best candidates possible. A higher percentage of high-scoring candidates are, in fact, being hired than before the new system was implemented.

Summary

Technology As a Strategy

Allstate's recruitment and selection process is heavily supported by technology (see Figure 2). The Human Resource team looks to the Internet for candidate leads, manages its candidate pool with a résumé software system, and screens for agents using an online test. The team will be using a scorable application for general employee selection by early 2000 and will have both the agent and employee applications available via the Internet early in the year 2000.

The résumé software system can manage the entire hiring process as it interfaces with other systems.

- A candidate can submit his or her résumé via the Internet, fax, or paper, which is then scanned into the résumé database by an Allstate recruiter. It is worth noting that a variety of methods are used to recruit employees and agents (e.g., Internet, newspapers, direct mailers, and other methods). Résumés obtained from each of these methods are entered into the database.

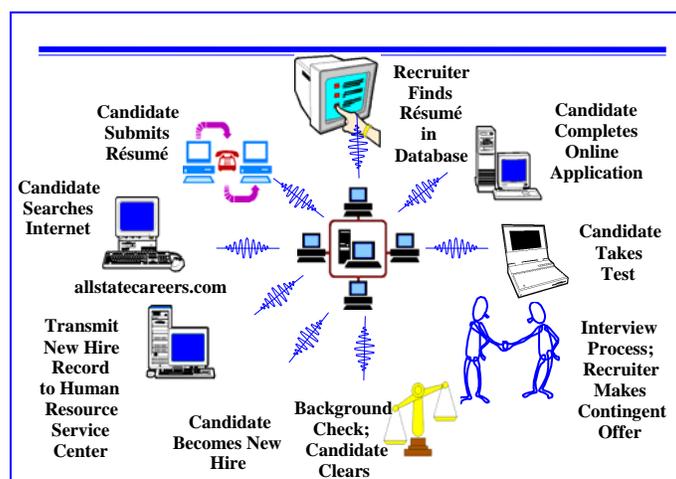


Figure 2: Recruitment and Technology-Based Selection

- A recruiter performing a match search for an opening will find those résumés in the database.
- The candidate will complete an application online (either via the Internet or Allstate laptop/desktops) which is automatically stored in the résumé database.
- Depending on the position for which the person applies, the candidate may take a screening test.
- If the candidate is qualified, the interview process will be initiated.
- If a contingent offer is made, the résumé system will send the information to the vendor who completes a background check which is required for many Allstate jobs.
- If the background check comes back clear, the candidate will officially become a hire, and the new hire's record will be transferred to Allstate's Human Resource Service Center.

With this system, the initial data remain intact eliminating much of the paperwork that was needed in the past. Once a candidate enters his or her information into the database via the application form, that information is transferred to all parts of the organization needing the information.

With the volume of résumés that come into Allstate, it is necessary to manage the data with a sophisticated system. A résumé system stores both résumés and job opening information and allows a user to search the database for résumés to match certain openings. The key piece in using this system is the description of openings. Skills are pulled off résumés and matched to openings that have a need for those skills. The opening must be written correctly in order for the system to find qualified matches.

Recruiters are dedicated to continually updating the résumé database with candidates. Currently it holds 140,000 résumés and is projected to store 300,000 by 2001. Allstate has filled over 6,000 openings using this system. The system goes beyond a matching system for candidates to openings. It allows the HR team to measure processes. For example, the system has the capability to identify which sources produce the best results. Specifically, it can determine how many résumés come from the Internet, which Internet sites result in the most candidates, the cost per hire, etc. In conjunction with other technology systems, the entire hiring process can be performed.

Technology provides a critical link that allows the organization to have both an efficient and effective recruiting and selection process.

What Happens Next?

Given the success of the new agent selection process, the new recruiting process, and the use of technology, these approaches are being expanded to other positions within the organization. Technology, for example, will be used extensively to support most recruiting and selection efforts in the future.

Although this case has focused on recruiting and selection, it is important to note that these processes are just two parts of the bigger picture and do not operate independently of other processes. Having a successful recruiting and selection strategy does not guarantee success. Success is also influenced by other factors such as orientation, training, management, work assignments, coworkers, rewards, recognition, development, and advancement.

EXHIBIT 1: Work Analysis Tool

Work Analysis Document

Title:
Brand:
Department:
Work Group:
Reports to:
Person Interviewed:
Interviewer:
Date:

1a. PURPOSE OF WORK GROUP:

1b. PURPOSE OF JOB:

2. TASKS/MAJOR RESPONSIBILITIES

3. SKILLS FOR EACH TASK/MAJOR RESPONSIBILITY

4. INPUTS:

People:

Information:

Technology:

Facilities/Equipment:

Materials:

5. COMPLIANCE/CONDITIONS:

External Factors:

Internal Factors:

Working Conditions:

[Type text]

EXHIBIT 1: Work Analysis Tool (*concluded*)

6. CONSEQUENCES:

7. STANDARDS/MEASUREMENT

8. CRITICAL SUCCESS FACTORS:

Knowledge:

Skills:

Abilities:

Other Characteristics:

Computer Proficiency Required for this job:

Experience:

Length of time required: 1–2 years 3–5 years 6–8 years 9+ years

Formal Education:

Formal degrees, designations, licenses required to do the job:

Language proficiency required for the job:

[Type text]

EXHIBIT 2: Online Scorable Application Form

The screenshot shows the first page of an online application form. At the top, there are three buttons: "Prior Page", "Next Page", and "Exit". Below these is a blue header bar with "tion 1" on the left and "Page 1 of 10" on the right. The main content area has the Allstate logo and the text "APPLICATION FOR EMPLOYMENT". Below the logo, it says "An Equal Opportunity Employer" and "Please complete all 4 sections of the application". A green bar highlights "SECTION 1 - IDENTIFICATION". The form fields include: "Social Security Number" (with a mask "- -"), "Today's Date" (03/15/1999), "Last Name", "First Name", "Middle Name", "Current Street Address" (with an "Apt. #" field), "City", "State" (a dropdown menu), "Zip Code", "Telephone Number" (with a mask "() -"), and "E-mail Address".

Above is the first page of the online scorable application form. It looks just like a regular application form. All the standard information is collected up front. The last section of the application contains a series of multiple choice questions.

[Type text]

About the Contributors

Alice A. Cochrane (ACOCHRAN@allstate.com) is a senior manager in the Human Resource Shared Services of the Allstate Insurance Company corporate headquarters in Northbrook, Illinois. She has an MBA from the University of Maryland, College Park. She currently manages the Center of Excellence for recruitment and selection at Allstate, researching and implementing best practices throughout the Allstate Insurance Company. Other work has included designing and implementing Allstate's recruitment and selection process, designing sourcing strategies, and the Internet site for candidates found at allstatecareers.com. Cochrane received certification as a senior professional in human resources by the Society for Human Resource Management.

Ellen M. Papper, Ph.D. (EPAPP@allstate.com) is a senior research manager in Workforce Research at the Allstate Research and Planning Center, Allstate Insurance Company. She conducts research on a variety of topics including personnel selection, employee attitude and behavioral measurement, program effectiveness evaluation, employee communications, and external stakeholders' perceptions of the organization. Prior to joining Allstate, she worked as a research psychologist and consultant in the areas of selection, plant start-ups, surveys, teambuilding, and developmental feedback and as manager of Human Resource Planning with responsibility for selection, surveys, and performance management. She is a member of the Society for Industrial and Organizational Psychology, and received her Ph.D. in Industrial and Organizational Psychology from Bowling Green State University.

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