2012 Higher Education Survey
The State of HR Effectiveness

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Cover Image: Cornell University’s iconic McGraw Tower. Read the Cornell University case study on page 19 to learn how one university is applying technology to improve HR service delivery.
About this Survey

The Challenge

For HR leaders in higher education, the challenge—increasingly—is how to do more with less. Higher education is all about people. To that end, the success of higher educational institutions largely revolves around the quality of their senior leaders, faculty, and staff. The ability of leaders to raise funds for their institutions, the innovativeness of faculty research, and the quality of education delivered to students largely drives the success of these organizations. While HR is being asked to do more to improve talent, the impact of state budget shortfalls on public universities, resistance to tuition increases at private universities, and increasing health care costs puts downward pressure on HR budgets that are already significantly below general industry. Given today’s pressures, how does HR deliver value and contribute to institutional success? What is it that distinguishes HR functions at leading academic institutions?

Our Approach

To answer these questions, Aon Hewitt conducted a study consisting of an online survey and supplemental interviews. The purpose was to gauge the extent to which higher education institutional HR practices are progressive, practical, well executed, and effective. The study explored a variety of HR functions and practices in the areas of program management, service delivery, talent and workforce management, and HR function management.

More than 80 higher learning institutions nationwide completed the survey. In addition, through supplemental in-depth interviews, Aon Hewitt captured and documented innovative practices at select institutions with more developed HR practices. This combination of quantitative survey data and qualitative interviews helped shape a better understanding of the complex issues surrounding HR effectiveness in higher education and enabled us to identify current strengths and opportunities for improvement in key HR areas of focus for the future.
Institution Type

- Four-Year University, College, or Institution: 81%
- Two-Year College or Institution: 12%
- Other: 6%

Carnegie Classification of Institutions of Higher Education™

- Doctorate-granting University: 39%
- Master’s College and University: 14%
- Baccalaureate College: 7%
- Associate's College: 32%
- Special Focus Institution: 5%

Institution Ownership Status

- Public: 53%
- Private: 46%
- Other: 1%
Executive Summary

Higher education is about people. Therefore, the success of higher educational institutions revolves largely around the quality of the research, faculty, and staff at these organizations, as well as their ability to raise funds for the institution and deliver a quality education to students. The demands placed on HR organizations to source, develop, and retain quality talent are greater than ever before. Our survey shows that all of the strategic priorities for HR leaders are related to people. Improving succession planning and leadership development, attracting and retaining skilled professional talent, developing capabilities, improving engagement, and controlling benefit costs are all key priorities.

HR is central to achieving institutional people goals and objectives. It is the engine that helps drive the talent agenda and shapes the culture to achieve the organization’s vision and mission. Yet historically, HR has been viewed more as an administrative or personnel function charged with sourcing and paying people, providing benefits, and handling employee relations.

Shifting to more of a business partner role to address critical talent challenges is a tall order. It requires human resources expertise and skills to develop and change the social infrastructure, accomplish goals, and engage faculty and staff in new strategic directions and processes. It also requires senior management sponsorship and involvement to transform the way HR delivers services and engages with senior leaders to drive the talent agenda. To shift focus, HR needs significant commitment and support from university executive management, academic personnel, and other key stakeholders to both support changes in the way HR delivers services and partner with HR to drive new talent management initiatives.

While HR is under increasing pressure to take a more active role in driving the people agenda, it is also faced with significant budget challenges. HR budgets in higher education are historically about 50–75% lower than HR budgets in general industry. In addition, ongoing budget pressures are forcing HR leaders to do more with less. These challenges foreshadow the results of our study. Overall, this survey shows that HR functions in higher education continue to lag general industry practices and more than 40% of university HR functions do not have a clearly defined HR strategy. However, there are many bright spots. This suggests that some HR leaders are making significant strides in improving business partnership and in driving better people outcomes for the organization.
Top strategic HR priorities for 2012 in higher education

When asked to select their top strategic HR priorities for 2012, survey respondents chose these three as most important:

1. Controlling benefits/health care expenses;
2. Improving leadership development and succession planning; and
3. Attracting and retaining key talent.

![Bar chart showing the priority areas and their percentages]
Highlights of key findings

The survey results show that higher education HR is strongest at core HR service delivery management (hiring, paying, managing, and terminating). When compared to general industry, HR in higher education is strongest in workforce administration, benefits administration, and employee relations. However, due to lower budgets and a more historically viewed role as a personnel administrator, HR is significantly behind when it comes to its talent and organizational practices.

HR Service Delivery Management

- The successes higher education HR has seen in health and retirement benefits delivery can serve as a model for effectiveness in other areas.

- Effective HR service delivery practices can propel higher education to better integrate and maximize core HR systems and human capital analytics.

- There are opportunities in higher education HR to more fully leverage technology.

Talent Management

- Higher education—like general industry—is shifting focus to leadership development and succession planning to ensure future organization success.

- There is a greater commitment and recognition within higher education concerning the importance of monitoring engagement.

- Higher education could benefit from a stronger connection between performance and reward programs.

- Universities are recognizing the need for more progressive sourcing and workforce planning methods.

HR Function Management

- HR remains most effective in traditional roles as it continues to face tight budgets and lean staffs.

- HR functions within higher education can be more effectively aligned with institutional objectives.

- As the expectations of HR functions shift, there will be opportunities for professionals in higher education HR to develop new skills, capabilities, and competencies.

- HR can more effectively demonstrate value in higher education by focusing more on measurement and analysis.
Moving from transactional to business partnership roles

Some HR leaders in higher education are shifting the balance from purely administrative or transactional roles. Why? Because a blend of administrative and business partnership roles can better drive the organizational and workforce requirements needed to support their respective organizational people strategies and objectives.

To strike a better balance between routine and value-added service delivery, HR leaders are finding creative ways to more efficiently deliver core services. This practice frees resources to invest in new capabilities. In addition to the survey data, this report includes case studies to illustrate how some higher education institutions are incorporating innovative practices and systems to automate manual processing and improve the user experience, extend HR capacity through shared services, improve talent management, and provide truly value-added service delivery.

Many progressive HR leaders in higher education are finding ways to build new capabilities in HR. These changes enable HR teams to focus on what matters most and improve their business partnerships. HR leaders today are focusing on:

- Identifying ways to streamline, automate, and redesign routine HR service delivery;
- Leveraging HR technology to drive more automation, reduce manual work, and improve the customer experience;
- Evaluating alternative sourcing options for HR services that require expertise that does not exist in the function;
- Improving talent management systems and process to build management capabilities; and
- Building the capabilities of HR staff.

The complete report of Aon Hewitt’s key survey findings follows. In the report, we elaborate on the findings in the areas of HR Service Delivery Management, Talent Management, and HR Function Management. We also include case studies that describe what higher education organizations are doing now to enhance their HR effectiveness.
General industry focuses significantly on HR service delivery. This is key because of the impact on the bottomline and the realization that unless the basics are done right, HR will fail to gain the credibility it needs to establish itself as a strategic partner to the organization. The question is this: How well is the higher education sector embracing the opportunity to improve HR service delivery? In addition, does higher education have the right balance of investments to enable HR to deliver value?

The results of the Aon Hewitt study indicate that higher education has established a sound foundation in the area of benefits, retirement, and core data management. However, there are significant opportunities to improve service delivery and shift investments to the areas that improve effectiveness. Many best practices, such as employee and manager self-service, workflow, and centralized customer support, are not consistently utilized in higher education. While core technology solutions are in place for most institutions, many organizations underutilize their systems. In addition, although talent management is a strategic priority for many institutions, most continue to under-invest in technology to support these programs and practices.

**Key survey findings**

- **Health benefits and retirement delivery set the bar for effectiveness and serve as a foundation upon which to build.**

- **The key components of HR service delivery lag behind best practices.**

- **Core HR systems and human capital analytics fall short.**

- **There are opportunities to more fully leverage technology.**

Higher education has a tradition of focusing on the health and retirement benefit aspects of the employment deal. Not surprisingly, the areas of health and welfare, retirement benefits, and payroll are reported as well executed and most effective across the organization. Recruiting, broad-based compensation, HR metrics, and reporting are among the areas least consistently executed and least effective across the organization. Consistency, one indicator of effectiveness, suggests not only that a more systematic approach is taken—but also that a higher degree of effectiveness is achieved.
Execution and Effectiveness of HR Practices

Consistently/Somewhat Consistently Executed
Very/Somewhat Effective

- Health and Welfare Benefits
  - Consistently Executed: 94%
  - Somewhat Executed: 99%
- Retirement Benefits (e.g., 403(b), defined benefit)
  - Consistently Executed: 93%
  - Somewhat Executed: 96%
- Payroll
  - Consistently Executed: 89%
  - Somewhat Executed: 95%
- HR Systems
  - Consistently Executed: 79%
  - Somewhat Executed: 74%
- HR Budget
  - Consistently Executed: 79%
  - Somewhat Executed: 84%
- Recruiting
  - Consistently Executed: 67%
  - Somewhat Executed: 76%
- Broad-Based Compensation
  - Consistently Executed: 65%
  - Somewhat Executed: 74%
- HR Metrics and Reporting
  - Consistently Executed: 44%
  - Somewhat Executed: 56%
A key strategy employed by HR today is to have direct contact with employees and managers on matters of importance and to provide alternative delivery channels for less important or routine interactions. This presupposes a value judgment regarding “importance.” Direct interaction is essential for complex, sensitive, or highly strategic issues where employees or managers need counseling and guidance. For more routine, predictable issues or transactions—or to simply convey information—other channels can be used to deliver the service effectively and cost-efficiently.

There are areas of HR service delivery that universities consistently address. These include consolidating core HR services and continuously assessing/monitoring HR processes to improve value and reduce cost. Only 8% of universities report not having these practices in place.

However, as described by survey participants, there are other key areas that are not as consistently executed—which are considered best practices in other industries. For example, although higher education has made progress in making manager and employee self-service options available, execution rates still fall short at 59% at least somewhat consistently executed. This indicates that two out of five universities inconsistently (or don’t at all) leverage self-service to handle employee and manager transactions (e.g., life event changes, new hires, promotions, transfers, terminations, pay increases). General industry studies—such as CedarCrestone’s HR Systems Survey 2011–20121—indicate that top-performing companies have adoption rates as high as 88%.

Nearly half (47%) of the universities don’t utilize event-driven workflow to facilitate transactions. Typically, organizations without workflow tend to be mired in paper-based processes that are time-consuming, not only because of the manual key entry, but because the data entry is often incorrect and requires manual follow-up and resolution. In addition, workflow-supported events tend to be more streamlined since the process is often redefined during the workflow implementation.

One-third of higher education participants do not utilize HR service centers to provide a single point of contact to provide answers to faculty/staff inquiries and support employee transactions. According to prior research2, having a dedicated customer support staff is a proven model for organizations that reach a certain size (typically around 5,000–8,000 employees). These types of models can improve the consistency and overall quality of HR service delivery. In addition, it is cost-effective since more highly priced specialists and/or HR generalists are not inundated with routine inquiries and administrative tasks.

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1 CedarCrestone’s 2011–2012 HR Systems Survey compared the use of shared services by top-performing companies versus the rest. 42% of top-performing companies utilized shared services, versus 7% of the rest of companies. Top-performance was defined by operating income, profit per employee, sales per employee, and number of employees served by one HR resource.

2 Aon Hewitt’s 2005 HR Stuck in the Middle research cites cost and efficiency gains when comparing HR functions with and without shared services, based on overall cost, head count ratios, and time spent on administration and customer service.
One university that has a focused strategy for introducing HR service delivery best practices is the University of California System. The university is blazing new trails by implementing a system-wide HR/payroll and benefits technology and rethinking the core administration service model for their ten universities and five medical centers. Although some of the entities use employee and manager self-service methods today, the processes and systems vary. A key part of their Working Smart Initiative is to standardize both systems and processes across the system, with the aim of improving services and reducing costs.

### HR Service Delivery Practices

<table>
<thead>
<tr>
<th>Activity</th>
<th>Yes (%)</th>
<th>Neutral (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>We consolidate core HR service delivery</td>
<td>87%</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>We assess and continuously monitor HR processes to improve value to the customer and to reduce costs</td>
<td>71%</td>
<td>20%</td>
<td>9%</td>
</tr>
<tr>
<td>We utilize an integrated HR portal that employees can use to access information about HR and the employment relationship</td>
<td>67%</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>We consolidate talent management service delivery</td>
<td>66%</td>
<td>22%</td>
<td>13%</td>
</tr>
<tr>
<td>We leverage self-service to handle employee and manager transactions</td>
<td>59%</td>
<td>17%</td>
<td>24%</td>
</tr>
<tr>
<td>We utilize HR service centers to provide a single point of contact to answer and resolve faculty/staff questions and to support employee transactions</td>
<td>55%</td>
<td>12%</td>
<td>33%</td>
</tr>
<tr>
<td>We utilize event-driven workflow in service centers rather than transaction-driven workflow</td>
<td>28%</td>
<td>14%</td>
<td>57%</td>
</tr>
</tbody>
</table>
In terms of staff employee self-service (SESS) and manager self-service (MSS) penetration, only 37% of survey participants make SESS and only 28% make MSS available to the majority of their population. When higher education institutions offer self-service to the larger population, utilization rates tend to lag behind availability rates, which can undermine the return on the institutions’ investment dollars and puts a strain on HR staff resources.

### Faculty Self-Service (FSS)

<table>
<thead>
<tr>
<th>Percent of Total Population</th>
<th>Percent of Respondents</th>
<th>Percent of Total Population</th>
<th>Percent of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%–25%</td>
<td>14%</td>
<td>26%–50%</td>
<td>19%</td>
</tr>
<tr>
<td>26%–50%</td>
<td>11%</td>
<td>51%–75%</td>
<td>10%</td>
</tr>
<tr>
<td>51%–75%</td>
<td>11%</td>
<td>76%–100%</td>
<td>37%</td>
</tr>
<tr>
<td>Not at All</td>
<td>11%</td>
<td>Unable to Rate</td>
<td>9%</td>
</tr>
</tbody>
</table>

### Staff Employee Self-Service (SESS)

<table>
<thead>
<tr>
<th>Percent of Total Population</th>
<th>Percent of Respondents</th>
<th>Percent of Total Population</th>
<th>Percent of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%–25%</td>
<td>14%</td>
<td>26%–50%</td>
<td>14%</td>
</tr>
<tr>
<td>26%–50%</td>
<td>15%</td>
<td>51%–75%</td>
<td>17%</td>
</tr>
<tr>
<td>51%–75%</td>
<td>15%</td>
<td>76%–100%</td>
<td>27%</td>
</tr>
<tr>
<td>Not at All</td>
<td>11%</td>
<td>Unable to Rate</td>
<td>10%</td>
</tr>
</tbody>
</table>

### Manager Self-Service (MSS)

<table>
<thead>
<tr>
<th>Percent of Total Population</th>
<th>Percent of Respondents</th>
<th>Percent of Total Population</th>
<th>Percent of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%–25%</td>
<td>12%</td>
<td>26%–50%</td>
<td>17%</td>
</tr>
<tr>
<td>26%–50%</td>
<td>16%</td>
<td>51%–75%</td>
<td>10%</td>
</tr>
<tr>
<td>51%–75%</td>
<td>19%</td>
<td>76%–100%</td>
<td>19%</td>
</tr>
<tr>
<td>Not at All</td>
<td>19%</td>
<td>Unable to Rate</td>
<td>14%</td>
</tr>
</tbody>
</table>
Core HR systems and human capital analytics fall short

According to the study, the majority (83%) of universities are at least somewhat consistent in their execution of an HRIS system or data warehouse that houses workforce data across their organization. However, these systems are not consistently integrated with other HR systems (e.g., core HRIS system integrated with performance management, recruiting system, learning system, learning administration system, etc.). Also, less than one-third consistently have access to a robust data warehouse to conduct analysis on human capital data across systems and colleges, departments, or campuses, while 47% do not have access at all or are unaware if access exists.

Higher education is only scratching the surface when it comes to human capital analytics. While the data exists, gaining access and using the data in a systematic way to add value to the organization is not often done. More than one-half of universities report not having a centralized or coordinated team that is focused on providing human capital analytics and insights to the university or system leadership. Similarly, more than one-half do not have a clearly defined set of human capital reports and dashboards that are consistently used throughout the institution.

Core HR Systems and Analytics

<table>
<thead>
<tr>
<th>consistently/somewhat consistently executed</th>
<th>somewhat inconsistently/not consistently executed</th>
<th>do not have this practice/don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have an HRIS system or data warehouse that houses workforce data system-wide or within regions</td>
<td>83%</td>
<td>8%</td>
</tr>
<tr>
<td>We integrate HR systems so that faculty and staff records and data changes are automatically fed to and update other systems</td>
<td>58%</td>
<td>24%</td>
</tr>
<tr>
<td>We have integrated HR systems (e.g., core HRIS system integrated with performance management, recruiting system, learning)</td>
<td>44%</td>
<td>16%</td>
</tr>
<tr>
<td>We have a centralized or coordinated team that is focused on providing human capital analytics and insights to university or system leadership</td>
<td>35%</td>
<td>12%</td>
</tr>
<tr>
<td>We have access to a robust data warehouse to conduct analysis on human capital data across systems and colleges, departments, or campuses</td>
<td>32%</td>
<td>22%</td>
</tr>
<tr>
<td>We have a clearly defined set of human capital reports and dashboards that are consistently used throughout our institution</td>
<td>29%</td>
<td>15%</td>
</tr>
</tbody>
</table>
There are opportunities to more fully leverage technology

As is common with general industry, higher education is increasingly focused on talent management to provide strategic value to the organization. However, less than one-third reported having technology in place to support core talent processes. Institutions most frequently use systems to support benefits administration, time and attendance, and recruiting/talent acquisition, but much less frequently use other systems to support many key talent programs and practices (compensation, performance, learning management, and succession planning).

<table>
<thead>
<tr>
<th>Systems Used to Support HR Programs and Processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits Administration</td>
</tr>
<tr>
<td>Time and Attendance</td>
</tr>
<tr>
<td>Recruiting/Talent Acquisition</td>
</tr>
<tr>
<td>Compensation Management</td>
</tr>
<tr>
<td>Absence Management</td>
</tr>
<tr>
<td>Performance Management</td>
</tr>
<tr>
<td>Learning Management</td>
</tr>
<tr>
<td>Succession Planning</td>
</tr>
</tbody>
</table>
In most cases, when systems are used they are generally deployed system-wide, with the exception of succession planning. Of the organizations that have talent technology in place, over one-half leverage the core HRMS system for talent management support (except for learning management, where only 46% of the time the HRMS is utilized, and only 38% of the time a point solution is used).

In terms of investment for the future, 48% reported consistently or somewhat consistently investing in HR systems (HRIS, performance management, training programs) to manage talent effectively, leaving the majority (52%) indicating that this investment is made inconsistently or not made at all. More surprising is that 70% of responding universities have no plans (immediate or over the next three to five years) to invest in succession planning software. In addition, more than one-half (53%) have no plans to use learning management software.
While HR in higher education has made progress in key areas such as benefits consolidation and administration, and has introduced enabling technologies for core HR and payroll administration, there are key areas that higher education can target to make significant improvements in HR service delivery. These include:

**Action #1—Standardize and introduce centralized support.**
Leveraging the progress achieved in benefits and retirement service delivery, HR leaders in higher education can apply these practices to further consolidate and standardize other key areas of administration. This includes workforce data, compensation, leave of absence, time and attendance, recruiting, and learning/development. These areas have highly repetitive transactions that can be executed more efficiently and effectively by dedicating resources in a specialized, centralized unit. This type of consolidation and standardization can enable HR to reduce the overall cost of core service delivery models and shift savings gained to other strategic, value-added initiatives.

**Action #2—Shift to HR services that use alternative channels.**
By rethinking how current channels are employed to provide HR services, it may be possible to identify ways to reduce expenses while improving access and service. HR portals and employee and manager self-service are essential to meeting the needs of today’s and tomorrow’s workforce. In addition to online access to information and transactions, alternative means to submit requests such as online issue requests or chat should be considered to improve the flow of workforce issue management.

As the next generation of 20- to 30-year-olds enters and progresses through the organizational ranks, their expectation is that they can have access anytime, anywhere to their personal, job, or career information. For many, going online to do a search or using a chat capability to ask a question is not only their first inclination, but is also their preferred approach. Shifting to lower-cost channels not only allows HR to redirect resources to areas that align with HR’s strategic talent agenda, it positions HR to better meet the younger generation’s needs.

**Action #3—Build the case for human capital analytics.**
Similar to other industries, higher education institutions can take action by defining the value of human capital analytics to their organizations. Start by identifying what information and analysis would be valuable to HR’s customers. Then, work toward developing a systematic approach to accessing, reporting, and analyzing relevant workforce data to provide insights and proactive solutions to help solve managers’ and leaders’ most pressing workforce issues. By identifying the investments required to make it happen, a business case can be built to gain support for improving human capital analytics capability.
Action #4—Increase technology use to support the execution and integration of talent programs.

Given that talent management is one of higher education’s top three strategic priorities, there is significant opportunity to explore how technology can be utilized to help support these valued programs and practices. By enabling and integrating talent practices such as recruiting, performance management, learning, and succession planning with technology, HR can help managers make more informed decisions about their employees. From identifying and managing talent gaps, to enhancing engagement of the most critical talent, managers are starved for holistic insights about their workforces. HR’s challenge will be to build the case for why this investment should be made. Often, the most compelling case is describing the alternative (e.g., “What will happen if we don’t invest in our talent management? How will this inhibit our ability to attract, retain, develop, and manage performance of critical talent?”).

Case Study: Cornell University

Background
- Private university and land-grant institution of New York State
- About 1,600 faculty, 8,000 staff and 22,000 students on the Ithaca campus
- Main campus located in Ithaca, New York

Situation
The main campus of Cornell has used an HR/payroll ERP system since 1999. They customized the system, making the installation and subsequent upgrades difficult, and as a result, it has been difficult for them to use the system to its full potential. The university needed a full-service system that would efficiently handle transactions and provide needed HR data to decision makers, so leaders began to consider ways to improve upon their existing application. In 2009, after the economic downturn, there was a lot of pressure to find operational efficiencies. External consultants were brought in, and an internal task force was assembled to review administrative processes and develop a strategy to promote operational efficiency. Both the consultants and the task force unanimously determined that operational inefficiencies would continue to exist within HR until the current system was improved or replaced. A more robust system was needed to reduce the cost of transaction processing and to bring needed HR data to decision makers.

Summary of Program
A thorough review of options has convinced the HR leadership that Workday is the right system for Cornell University. This system is slated to be implemented in 2013 and is expected to include the HR and payroll modules of the software—benefits, HR processing, manager and employee self-service, performance management, talent management, succession planning, competency modeling, etc.
The head of HR at Cornell shared that the Software as a Service (SaaS) platform is a very compelling option. It is user-friendly and intuitive, and has been very well received within the university. Upgrades are much simpler and because all clients are kept on the same release, the application is well supported and the company is responsive to requests for new functionality. Several aspects of the HR function at Cornell are decentralized and the utilization of this application will provide needed flexibility to address different business practices while ensuring efficiency of overall process.

It will also free up HR staff to focus more of their time on higher-value consulting and advising services. Managers will have desktop access to reports and data, and individuals will have access to self-service applications.

**Keys to Success**

The decision to switch to Workday was not an easy one for Cornell, since significant time and resources had been put into the ERP system, but the HR team has worked all along with the campus-wide team to make key decisions, including whether or not to make this change. While they don’t have feedback on the implementation process as yet, they do know that taking a “high touch” approach toward deciding to make the change worked well and they have carried that approach over to manage the project. The project is being led by campus leaders and managers, as well as HR professionals, who are making key decisions about procedures and processes. Early concerns about security “in the cloud” were addressed, and continue to be addressed in campus meetings. While the organization does foresee some challenges—inevitable in any system change—as they implement their new SaaS software, they are confident that the advantages of moving to it far outweigh the issues they will face. This has been a message to key stakeholders during the implementation process.
Talent Management

Talent management is a complex discipline, which encompasses a wide array of programs and processes. For such initiatives to be successful, a concrete talent strategy must serve as a constant guide, providing direction for how the organization will acquire, develop, and retain faculty and staff, while reflecting key institutional goals of the organization. Talent management is uniquely challenging in higher education because there are at least two very different groups of talent that institutions must recruit, engage, and retain. Faculty and staff often join institutions through very different recruitment processes—and with vastly different expectations. Managing this in collaboration with the various schools, departments, academic committees, and other important stakeholders can be a complex, time-consuming process. Yet, this talent is one of the primary factors that affect the current and future reputation and success of institutions during times of change.

Key survey findings

- Focus on leadership development and succession planning is increasing but lags behind other best-in-class organizations.
- The commitment to monitor engagement is beginning to take hold in higher education.
- Performance and reward programs in higher education are often disconnected.
- Universities utilize less progressive sourcing and do not have as much need for workforce planning methods as other industries.

Focus on leadership development and succession planning is increasing

HR is playing a stronger role working as partner to the business to support organizational development and annual business planning. Forty-seven percent of university HR leaders surveyed reported (consistently or somewhat consistently) working with leaders and managers to support key institutional initiatives. While HR is playing a stronger role, it still has significant challenges. More than two-thirds (69%) report that they lack resources with the required skills and capabilities to plan and lead organization development initiatives. Survey results also indicate that 70% of HR organizations participate in annual business planning processes either inconsistently or not at all. This has an impact on the organization’s ability to identify and develop human capital plans to effectively implement strategic goals.
Given the strategic importance of leadership development and succession planning, we see more HR leaders putting leadership development and succession planning programs in place. The survey shows that nearly 30% of organizations have talent capability assessment programs in place and also have instituted planning processes to identify future leadership needs. While HR is making strides in this area, there is still a long way to go. Less than 10% report having succession plans that go two to three people deep for leadership roles. Only 11% report consistently using succession plans to fill senior leadership positions.
Overall bench strength, effectiveness of succession planning, and depth of development plans among higher learning institutions are much less developed than among leading organizations in the corporate sector. According to Aon Hewitt’s 2011 Top Companies for Leaders© research, 100% of the North American companies ranked among the top 25 report conducting succession planning for top leadership, and 92% conduct succession planning for middle management positions. These organizations also invest in developing these leaders. For instance, 84% are providing customized leadership training all the way down to front-line managers in the organization. Furthermore, 100% are providing customized training to middle management, and 96% are providing it to senior leadership.

### Institutional Bench Strength Practices

<table>
<thead>
<tr>
<th>Practice</th>
<th>Consistently/Somewhat Consistently Executed</th>
<th>Somewhat Inconsistently/Not Consistently Executed</th>
<th>Do Not Have This Practice/Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong leadership bench with succession plans extending at least 2–3 people down across most leadership roles</td>
<td>8%</td>
<td>28%</td>
<td>65%</td>
</tr>
<tr>
<td>Include critical manager and director as part of the succession planning process</td>
<td>15%</td>
<td>26%</td>
<td>59%</td>
</tr>
<tr>
<td>Formal succession management to fill senior leadership positions</td>
<td>11%</td>
<td>32%</td>
<td>58%</td>
</tr>
<tr>
<td>Rotational assignments to effectively grow leaders and key talent</td>
<td>8%</td>
<td>42%</td>
<td>50%</td>
</tr>
<tr>
<td>Assessment tools to identify capability strengths and gaps for critical talent</td>
<td>18%</td>
<td>37%</td>
<td>45%</td>
</tr>
<tr>
<td>Senior leader talent reviews at least once a year</td>
<td>30%</td>
<td>34%</td>
<td>36%</td>
</tr>
<tr>
<td>Strategic planning process to assess future leadership needs</td>
<td>29%</td>
<td>43%</td>
<td>26%</td>
</tr>
</tbody>
</table>
The commitment to monitor engagement is beginning to take hold in higher education

Survey results indicate that engagement best practices are beginning to gain momentum in higher education. More than one-third (36%) of institutional HR organizations identified engagement as one of their top five strategic priorities for the coming year. Also, more than one-third (37%) are at least somewhat consistent at gathering and analyzing engagement data for faculty, and 42% are doing so for staff. Furthermore, almost one-half (42%) of those gathering and analyzing data use it somewhat consistently to take action to resolve issues raised.

Engagement results can be dramatically improved if organizations hold managers accountable for improving results. Yet, only 25% of institutions report consistently reinforcing manager responsibility for the engagement results of their teams. The remaining 75% either perform this activity inconsistently or not at all.

As a result of fewer talent management resources, succession planning and leadership development in higher education is often rated as either somewhat ineffective or not effective at all (61% and 48%, respectively).
Performance and reward programs in higher education are disconnected

While engagement monitoring is gaining momentum, there is opportunity for higher education to enhance its effectiveness in this area by holding managers accountable for improving engagement results. Currently, one-quarter (25%) of respondents consistently or somewhat consistently hold managers accountable for engagement results.

There is a significant opportunity for HR organizations in higher learning to expand their role in aligning performance and rewards. Almost one-half (48%) of institutions report using a systematic performance management process to assess faculty and staff across the organization. However, approximately 20% consistently ensure that rewards and recognition link to the attainment of institutional, departmental, and individual performance goals, differentiate pay significantly between high-potential and non-high potential staff, or align rewards within the context of a total rewards strategy (includes compensation, benefits, and development opportunities). Furthermore, 77% of institutions either inconsistently or do not at all hold managers accountable for differentiating pay based on performance.
Performance and Reward Practices

Even without alignment to pay programs, performance management is not used as a way to manage performance and development effectively. Only one-third consistently ensure that all faculty and staff understand institutional priorities and align individual performance goals with institutional priorities. In addition, almost two-thirds (65%) of institutions inconsistently ensure that managers have the skills and capabilities needed to provide effective performance feedback. Fortunately for managers, they aren’t held accountable for any of these managerial responsibilities. In fact, only 9% of respondents consistently reward faculty and staff for the strength of their talent in their department, college, or school.
Performance Management Practices

Consistently/Somewhat Consistently Executed
Somewhat Inconsistently/Not Consistently Executed
Do Not Have This Practice/Don’t Know

We use a consistent and systematic performance management process to assess all faculty and staff across the entire university or system

- Consistently/Somewhat Consistently Executed: 48%
- Somewhat Inconsistently/Not Consistently Executed: 42%
- Do Not Have This Practice/Don’t Know: 10%

We ensure that managers have the skills and capabilities needed to provide effective performance feedback and coaching, set aligned goals, and develop their teams

- Consistently/Somewhat Consistently Executed: 35%
- Somewhat Inconsistently/Not Consistently Executed: 58%
- Do Not Have This Practice/Don’t Know: 8%

We ensure that all faculty and staff understand institutional priorities and align their individual performance goals with our institutional priorities

- Consistently/Somewhat Consistently Executed: 33%
- Somewhat Inconsistently/Not Consistently Executed: 60%
- Do Not Have This Practice/Don’t Know: 6%

We hold managers accountable for effectively differentiating pay based on performance

- Consistently/Somewhat Consistently Executed: 38%
- Somewhat Inconsistently/Not Consistently Executed: 42%
- Do Not Have This Practice/Don’t Know: 22%

We reward college, department, and other leaders (e.g., promotions, compensation, formal recognition) for the strength of the talent pipeline in their department, college, school, etc.

- Consistently/Somewhat Consistently Executed: 65%
- Somewhat Inconsistently/Not Consistently Executed: 25%
- Do Not Have This Practice/Don’t Know: 9%
Universities utilize less progressive sourcing and workforce planning methods than other industries

Nearly half of the institutions (42%) ranked “attracting and retaining skilled, professional, and academic talent” as the third most strategically important HR priority for 2012. However, based on Aon Hewitt’s experience, the higher education sector utilizes less progressive sourcing and workforce planning methods than other industries. It’s also important to note that universities face a unique recruiting environment, since faculty and staff are typically recruited through very different recruitment processes, with different stakeholders and different expectations. Regardless of these differences, universities can still apply best practices from their corporate counterparts to improve how they attract and recruit talent into their institutions.

Currently, nearly half (42%) of responding universities do not consistently leverage workforce modeling tools to support their internal and external workforce planning and forecasting analysis (e.g., model scenarios based on different workforce demographic and organizational trends), over one-half (51%) of which don’t have this practice at all. About three-quarters (74%) inconsistently (or do not at all) employ new and progressive techniques to source candidates (e.g., blogs, social networking sites, talent scout programs), and more than one-half (57%) do not or inconsistently manage recruiting processes through external vendors (e.g., professional search firms, online networking sites, universities, web-based candidate management systems). This implies that recruiting in higher education is primarily performed through referrals and walk-ins.
Recommended Actions: How to improve talent management practices

Action #1—Secure senior leadership commitment to develop talent and begin succession planning.

For more than a decade, the Top Companies for Leaders Study (conducted by Aon Hewitt from 2001 through 2011) uncovered what makes companies the best at developing their organizations’ current and future leaders. Over the years, the same truth arises: Leadership development is led from the top of the organization, and without the solid commitment, effort and accountability championed by the senior leadership team, efforts to focus on talent fail. Once organizations secure leadership commitment, efforts to identify and develop future institutional leaders begin by identifying:

- Critical positions in the institution that require succession management
- Competencies and experiences required to be successful in those positions
- Potential successors
- Strengths and gaps that require development
- Metrics to evaluate program effectiveness and fuel process improvements

Institutions such as Emory University have been successful in securing leadership commitment to develop talent. At Emory, the focus has been to build off some early wins to develop leadership programs that are comprehensive and sustainable. See the full Emory case study on the next page.

Success story

The University of Texas System has also made great strides with its multi-tiered leadership development program, called the Management Leadership Development Program (MLDP). It is designed for three levels—Managing for Excellence designed for upper leadership (i.e., highest-level leaders), Advancement in Professionalism designed for mid-management (i.e., professional level groups like CPAs, attorneys, etc.), and Leading Through Collaboration and Teamwork designed for support management. This tiered arrangement enables the organization to best address the specific development and learning needs within each group. Established in the fall of 2002, the MLDP was developed to support one specific element of the university’s overall strategic plan—to drive diversity efforts and promote succession planning. Faced with having to diversify talent through expensive external recruitment or through developing key talent from within their ranks, the university chose the latter. Ultimately, the program has been a success. While providing the diverse talent needed, the MLDP also has reduced costs and increased morale.
Situation
Emory University’s multi-layered leadership development program is rarely found in higher education. Several years ago, Emory reached out to its peer higher education community for inspiration and best practices on how to create high-quality leadership development programs. They quickly learned there was nothing available to leverage that would meet Emory’s needs and expectations. Undaunted, Emory established its own program to support its overall strategic plan. The program has evolved and continues to evolve with the intent of enabling Emory’s faculty and staff to lead successfully by equipping leadership with the right skills to enable success.

Summary of Program
The leadership development programs at Emory have something for everyone—faculty, staff, and all leaders—regardless of experience level. The programs focus on developing good leaders and strengthening capabilities. Programs include:

Supervisor Development Program (SDP): This program targets non-faculty supervisory roles. It includes a nine-month curriculum structured around basic fundamentals of supervising people, communication, people skills, ethical behavior, gathering feedback, providing feedback, and other HR policy focus areas.

Manager Development Program (MDP): This program focuses on developing managers who demonstrate the capacity to manage large departments or groups. The program consists of 12 classes, 150 hours contact time, and a 360-degree feedback assessment. A capstone project is a component of this program.

Excellence Through Leadership (ETL): This program concentrates exclusively on senior leaders reporting to VPs, EVPs, Deans, etc. Each session accommodates 15 people and is administered by faculty from the Business School with particular focus on business acumen for a university setting. The curriculum includes a three- to four-month team project, with each team being assigned an executive coach, and a 360-degree feedback assessment.

Academic Leadership Program (ALP): Sponsored by the Provost’s office and coordinated through Human Resources, this program is specifically designed for senior faculty positions such as Department Chair, Associate Dean, or Dean, as well as faculty with high leadership potential. The curriculum is developed by the Business School faculty and accommodates up to a dozen faculty members per session.

Administrative Professional Program (APP): The purpose of this program is to enhance the capabilities of all executive assistants and other administrative staff.
All the programs are nomination-based to ensure participants have leadership support for taking part in them. At the same time, it also ensures an appropriate balance of participants across various departments and schools.

**Keys to Success**
Comprehensive programs like these require a dedicated team to manage and implement them. The Learning Services team consists of professionals in the leadership development field, few of whom have prior higher education experience. In partnership with the Business School faculty, Learning Services ensures these programs are of the highest quality with appropriate experts leading them. Other key success factors include:

- The alignment of development programs with overall strategic objectives of the university.
- Commitment and endorsement from the President and his team. The President’s emphasis on teamwork and leadership plays a large role in disseminating these values throughout the university.
- Support from the Finance Department to fund the programs.

Over time, these programs have proved successful in developing a solid leadership pipeline that fuels the business case for continuing these programs. In fact, Emory currently has an 80% retention rate of leaders, which has been attributed to the success of these programs.

Despite the success of these programs so far, leadership is not resting on its laurels. The programs are assessed on an ongoing basis to ensure they remain relevant. This includes regularly interviewing program graduates to collect their feedback. Peter Barnes, Vice President of HR, says, “We still think we don’t do enough, so there is a drive to always do more.”

**Action #2—Improve employee engagement.**
First, it must be understood that there is a clear correlation between employee engagement and organization results. Aon Hewitt’s research demonstrates the relationship between private sector corporations’ total shareholder return (TSR) and employee engagement levels. For example, organizations with engagement scores above 65% have more than double the TSR of organizations with engagement scores below 65%. Also, employee productivity and retention are positively tied to higher engagement scores. To make gains in employee engagement, it must first be measured to effectively understand what drives it in your organization.
According to Aon Hewitt’s 2011 employee engagement database, the following are the top 10 drivers of employee engagement in the higher education sector:

- Managing performance
- Career opportunities
- Communication
- Brand alignment
- Recognition
- Organization reputation
- Work processes
- Benefits
- Pay
- Valuing people/people focus

Second, there must be commitment from senior leaders to discuss and act on engagement results in a transparent and expeditious way. Based on our experience working with institutions on engagement, we have learned that many institutions start their engagement efforts by measuring engagement first at a staff level, before adding faculty and other constituents to the survey mix. We suggest including all levels during the engagement measurement cycle in order to build buy-in throughout the organization.

Additionally, before moving to specific actions, action planning begins gaining leadership buy-in to the results and their relevance to the performance of the institution. Finally, with increased scrutiny on institutional budgets, it is important to choose a set of actions that are cost-effective and prioritized to address the most pressing engagement challenges.

**Action #3—Enhance performance and reward programs.**

Many institutions have some distance to go before they can establish a “pay-for-performance” culture. However, our research on Top Companies for Leaders (Aon Hewitt study, 2001–2011) shows companies that integrate their competency framework into key talent practices (such as compensation, performance management, analytics, and development) have stronger business results because they drive behaviors in meaningful and purposeful ways. In an environment of “doing more with less,” this has great value for private and public sector organizations, as it can reduce unsupported initiatives and increase coordination with other departments and schools.
Having solid performance data has become critically important. As budget crises continue to have an impact, the difficult decisions around staff cuts have come with additional stress, as inconsistent assessments and compliance have made data-driven decision making challenging. Building a goal-based performance management process includes:

- Calibrating and aligning goals from the top to bottom of the institution, making goals and goal-setting as transparent and accessible as possible;
- Developing a goal-setting template and guidelines to assist faculty and staff in writing outcome-based goals;
- Providing guidelines for people managers on how to discuss goals and provide feedback on goals and performance; and
- Creating the ability to track progress against institutional goals so that individuals can measure their contributions accordingly.

Meanwhile, to help drive a pay-for-performance culture, each institution needs to closely examine the mix of base pay and variable pay. Recently, this pay mix has shifted significantly in higher education. The percentage of the overall payroll budget allocated to base salary increases versus variable pay spending has radically changed in the past 20 years, with higher education allocating increasingly more dollars to variable pay. This shift to a greater percentage of variable pay means that the connection of performance to pay must be stronger.
The most prevalent actions we see organizations take are to increase pay for performance, train managers on making good pay decisions, and reduce or eliminate pay increases for poor performers. Others include:

<table>
<thead>
<tr>
<th>Actions</th>
<th>Percent of Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training managers on differentiating performance</td>
<td>75%</td>
</tr>
<tr>
<td>Reducing/eliminating increases for lesser performers</td>
<td>50%</td>
</tr>
<tr>
<td>Using a more aggressive, highly leveraged merit increase grid</td>
<td>25%</td>
</tr>
<tr>
<td>Setting more aggressive performance targets</td>
<td>18%</td>
</tr>
<tr>
<td>Reducing the size of top performer population</td>
<td>8%</td>
</tr>
<tr>
<td>Moving from ranking guidelines to forced rating distribution</td>
<td>6%</td>
</tr>
<tr>
<td>Moving from rating calibration to forced rating distribution</td>
<td>3%</td>
</tr>
<tr>
<td>Moving to variable timing from annual cycle</td>
<td>2%</td>
</tr>
<tr>
<td>Other (e.g., implementing new merit review system)</td>
<td>5%</td>
</tr>
</tbody>
</table>

Note: Percentages total more than 100% since more than one response was provided by some participants.

Source: Aon Hewitt Survey—U.S. Salary Increases 2011/2012
Action #4—Source and attract the best talent.
We continue to see the dual trends of high unemployment along with stiff competition for high-performing talent. Therefore, the need to source and attract the best talent continues to be an important area of focus for institutions. Facilitating the recruitment process so that the right talent is hired the first time reduces turnover costs, while boosting productivity and engagement in the institution. Some organizations take steps to improve the quality of the candidate pool for many staff jobs, including:

- Identifying the competencies required for the job—core, functional, and technical;

- Identifying sources of talent both inside and outside of higher education based on the skills required;

- Building social media campaigns to attract talent—particularly with geographically close locations and with alumni groups; and

- Developing and executing a structured behavioral interview process to improve the quality of the institution’s new hires.

Human resource groups are rarely involved when it comes to faculty recruiting in higher education institutions. However, Weill Cornell has made significant strides in recruiting. The organization has been able to leverage its skills to enhance the faculty recruitment process, which is typically left to academic departments. Refer to the following case study for more details.
Case Study: Weill Cornell Medical College

Situation
Historically, departments have handled faculty recruiting independently, without much help from the Department of Faculty Affairs or certainly Human Resources. The HR department at Weill Cornell Medical College of Cornell University has begun to change this mindset by demonstrating HR’s value as a strategic business partner in this process. As a result, they have been able to make modest inroads toward becoming an active stakeholder in the faculty recruiting process.

Summary of Program
HR partners with departments to understand their recruitment needs and processes. Based on this understanding, HR creates a search plan for departments that includes ways to publicize positions and create more effective outreach. Other value HR provides the program includes:

Collaborating with executive search firms for senior positions by helping create an understanding of the departments’ needs and finalizing position descriptions. An Associate Director of Recruiting in HR collaborates with departments to recruit junior positions and below, while a Senior HR Director does the same for senior positions.

Working closely with hiring managers in various departments, it is HR’s role to ensure searches and interviews are conducted in an unbiased manner by providing coaching on interviewing techniques, among other things. They also have a competency model in place—a “Shared Values” framework that is used especially for behavioral interviews. This is an emerging area for faculty interviews; however, it is used often in staff interviewing.

Conducting faculty orientation sessions, which cover organizational culture, expectations, career progression, and other relevant topics. In addition, HR conducts exit interviews with faculty to stay informed on their reasons for leaving. Through analysis, they learned that career opportunities were a key reason for departure, and this supported the creation of a mentor program for junior faculty to guide them on how to grow in the system.

Keys to Success
To establish credibility with the various stakeholders, sharing solid people data and trends is a good place to start. This provides insights to solve people challenges. At Weill Cornell, HR continues to evolve toward a model of “one-stop shopping” where people proactively come to HR for HR-related requests. Rather than mandating a recruiting approach, HR’s success at Weill Cornell has resulted from its ability to create an overall recruiting framework that guides departments through the process while giving them the flexibility to do things their own way.
HR Function Management

HR function management focuses on the alignment of the HR strategy with the broader organization’s mission and goals. This discipline ensures HR has the right programs, practices, skills, and capabilities to support the strategic goals of the organization.

By building a strong relationship with senior executives, management, and other stakeholders, HR can effectively communicate how it contributes to the accomplishment of management’s goals. This is especially important in the higher education sector, where increasingly there is a push to justify the investments in HR.

Survey results indicate the HR profession within higher education has significant room for improvement in this area. Within higher education, Human Resources is often viewed strictly as an administrative body due to its focus on traditional functions, such as benefits administration and employee relations. Before HR in higher education can be viewed as a strategic partner that can help the organization with its most pressing talent needs, HR needs to address its own talent challenges.

Key survey findings

- Faced with tight budgets and lean staff, HR remains most effective at traditional roles.
- HR strategies lack alignment with institutional objectives.
- The shifting expectations of HR functions will require new skills, capabilities, and competencies.
- HR’s ability to demonstrate value is compromised by ineffective measurement and analysis.

Faced with tight budgets and lean staff, HR remains most effective at traditional roles

As previously noted, HR in higher education has self-reported strengths in traditional roles such as records management, labor and employee relations, and regulatory compliance. However, the set of expectations for HR is evolving beyond traditional roles and toward strategic business partnering with broader scope and capability than in the past.
Despite a lack of investment and technology and demands for "higher touch" service, HR in higher education tends to be leaner than general industry. Specifically, according to Aon Hewitt’s HR Analyzer database, the median HR staff ratio across all industries is 1 HR employee to 74 workforce employees compared to 1 higher education HR employee to 111.5 workforce employees. This means a significantly leaner HR staff. Also, the HR function expense per workforce employee across other industries is $2,468, which is dramatically higher than higher education’s median expense ratio of $597. While some of these results are indicative of the more traditional role the higher education HR function is providing, there is no doubt that there remains less financial investment in higher education HR as compared to what is typically seen in other industries.

Areas of HR Executed Well

<table>
<thead>
<tr>
<th>Consistently/Somewhat Consistently Executed</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have clearly defined employee records management processes in place that are compliant with local laws and regulations</td>
</tr>
<tr>
<td>We ensure that HR programs, practices, and policies are compliant with local, state, and federal laws and regulations</td>
</tr>
<tr>
<td>The extent to which labor and employee relations are executed consistently across the organization</td>
</tr>
</tbody>
</table>

HR Staff and Expense Ratios

<table>
<thead>
<tr>
<th></th>
<th>25th Percentile</th>
<th>50th Percentile</th>
<th>75th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR Staff Ratio (all industry)</td>
<td>1:58</td>
<td>1:74</td>
<td>1:84</td>
</tr>
<tr>
<td>HR Staff Ratio (higher ed)</td>
<td>1:83</td>
<td>1:112</td>
<td>1:146</td>
</tr>
<tr>
<td>HR Cost by FTE (all industry)</td>
<td>$1,864</td>
<td>$2,468</td>
<td>$3,377</td>
</tr>
<tr>
<td>HR Cost by FTE (higher ed)</td>
<td>$474</td>
<td>$597</td>
<td>$948</td>
</tr>
</tbody>
</table>
The decentralized organizational characteristics common among many educational institutions create a challenging environment for Human Resources to drive strategic alignment. Nevertheless, some progress has been made. Just over half of respondents report seeking input from leaders to create the HR strategy (55%) or have a clearly defined strategy aligned with institutional objectives that is consistently executed institution- or system-wide (56%).

Those who report to a centralized HR function are almost twice as likely to have a clearly defined HR strategy aligned with institutional objectives (73%, versus 47% for all others) and have a slightly higher tendency to execute their strategy more consistently across the organization (58%, versus 48% for all others).

While many decentralized institutions struggle with effective governance, some, like the University of Illinois, are leading the way by balancing the need for strategic alignment at the university level with the unique needs of each campus.

Like many universities, the University of Illinois—a public, research-intensive university serving 71,000 students—has struggled with a complex governance structure. While a centralized HR function is in place, each of the university’s three campuses also maintains its own administrative units performing many HR functions. In early 2011, the President of the university elevated the...
centralized HR function by having it report directly to his cabinet. As a result, skeptical campus constituents feared losing their independence. The Associate VP of Human Resources recognized the need for more open and direct dialogue with campus leadership and has brought them together to talk about their common goals and a vision for HR. In addition, they have worked together to establish metrics to measure success against these shared goals. As a result of engaging campus stakeholders, all of HR is thinking more strategically now, leveraging resources at each campus and leveraging the successes of one school and replicating them at others. These early successes have garnered significant goodwill that will likely pave the way for future service delivery improvements in 2012.

Higher education HR functions express limited confidence in having sufficient talent to fill key HR roles. Less than one-half (48%) of respondents believe the internal pipeline of HR talent to fill the senior HR positions in the future is adequate. Still, HR is not addressing structural issues that limit growth within the HR ranks. In particular, HR has focused on building deep expertise by retaining individuals in their positions for long periods of time rather than fostering the breadth of experience needed to effectively lead the function. Career progression within HR is slow, with 82% indicating jobs change rarely and 81% reporting advancement is slow.

These results suggest HR in higher education places value on deep expertise versus broad HR knowledge. This translates into many HR professionals remaining in their chosen specialty and functional areas (e.g., compensation), rather than rotating between various specialties/functions (e.g., compensation, benefits, learning and development) and growing their capabilities. Such specialization may be undermining the ability of HR in higher education to produce strategic business partners.

The shifting expectations of the HR function will require new skills, capabilities, and competencies.
Despite wide agreement that the shifting expectations of HR require a new set of capabilities, HR has been neglecting its own bench. For example, while 40% of respondents believe the most important competencies for HR business partners (HRBP)/field HR is to drive capability growth within the institution, only 21% have implemented as much as a competency model for HR itself. This is not to say that the HR function within higher education has failed to develop HR professionals. However, the question remains as to whether or not the right skill sets have been in focus. The ability to build trust-based relationships is rated by respondents as the most important HRBP and COE (Center of Expertise) capability (53% and 50%, respectively). By this measure, the HR professionals appear to be succeeding since this is also the lowest reported skill gap.

<table>
<thead>
<tr>
<th>Most Important Competencies by HR Function</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building trust-based relationships</strong></td>
</tr>
<tr>
<td><strong>Specific functional expertise (e.g., strategic staffing, compensation, benefits)</strong></td>
</tr>
<tr>
<td><strong>Partnering with the institution to drive capability growth</strong></td>
</tr>
<tr>
<td><strong>Project management</strong></td>
</tr>
<tr>
<td><strong>Data analytics/metrics orientation</strong></td>
</tr>
<tr>
<td><strong>Strategic thinking</strong></td>
</tr>
<tr>
<td><strong>Managing/facilitating change</strong></td>
</tr>
<tr>
<td><strong>Developing creative solutions to workforce issues</strong></td>
</tr>
<tr>
<td><strong>Operational or business acumen (how the HR function supports the mission)</strong></td>
</tr>
<tr>
<td><strong>Influencing and advising senior leaders</strong></td>
</tr>
</tbody>
</table>

![Bar chart showing the distribution of competencies among HR professionals](chart.png)
Survey results indicate that the largest skill gaps exist in strategic thinking, leveraging HR technology, and data analytics competencies. The latter two are not surprising given the fact that HR technology and data analytics are rated as the two least important HR competencies by higher education HR professionals. Strategic thinking, on the other hand, was rated as a high-priority competency across disciplines and will therefore present higher education HR functions with a much more troubling gap to fill.

Leveraging technology was rated as the highest priority for HRBPs by only 13%, yet it’s cited by 33% as being one of the largest skill gaps among HRBPs. Likewise, data analytics and metrics orientation was rated as a high priority for HRBPs by only 7% but is identified as a gap by 20%.
Survey results indicate HR functions in higher education often don’t track even the most basic HR measures used to assess their own efficiency and effectiveness. Strikingly, 37% of respondents do not track HR expenses at all. Among those that do track expenses, less than one-half (43%) track them at the staff function level. The fact that HR cost was rated as the most effective measure—despite being the least utilized—implies there is opportunity for those who are not reporting to achieve significant impact with even the most basic reporting capability.

Measurement of HR’s effectiveness in higher education is primarily limited to subjective measures such as customer satisfaction and program effectiveness, as opposed to outcomes such as the effectiveness of people managers. Such measurement can be counterproductive as it tends to drive time and resources to programs that managers and employees “like” as opposed to those that drive value for the institution.

Measures Most Frequently Used and Ranked Most Effective

Measures Least Often Used and Ranked Effective
Nearly two-thirds of HR functions spend a moderate to significant amount of time gathering data and preparing reports on the current workforce. However, the inverse is true for analysis and modeling—69% spend little to no time at all using historical data to conduct analysis and build projections, and 85% spend little to no time at all using advanced analytics to predict future behavior.

Improving the management of the HR function should be a key imperative for all HR leaders who want to drive a talent agenda aligned to an institution’s mission and objectives. This section explores a few options for HR to consider that can produce meaningful results.

**Action #1—Improve strategic alignment with organizational goals through a renewed HR vision.**

Increasingly, HR leaders are asked what value the HR function brings to the organization. This is a complex question for HR leaders in higher education to address, given that the organization’s key talent—the faculty—has a tendency to “manage itself.”

As we’ve seen, decentralized HR functions often struggle to maintain strategic alignment with the missions of their universities. Our experience indicates that quite frequently HR is not always aware of how the function is perceived or what the expectations from leadership are, now or for the future. Gaining clarity and agreement with leaders on these expectations is critical for gaining future support.
By introducing a governance model that includes a body of senior administrative executives, HR can ensure a better connection to institutional goals. An effective governance model provides a mechanism for gathering real-time strategic input, the opportunity to garner support for how HR invests its limited resources, and a forum to communicate the performance of the function. As a consequence, it ensures alignment across the institution and an opportunity to identify synergies for driving HR service delivery improvements.

Armed with a deeper understanding of the institution’s needs, HR leaders can establish a shared vision for HR that is grounded in what employees and managers need most. Communicating this vision for the future in a compelling way is a critical first step in moving the HR function forward. A well-defined communication plan that features newly defined core disciplines of HR, the rationale behind proposed changes, investments that are required, and the expected ROI are all fundamental to attaining organizational support and improved alignment.

**Action #2—Build HR talent for the future.**

To support a “new HR,” it is important to articulate the vision for Human Resources to ensure that HR leaders develop a plan that includes the right competencies to support the new direction. Simply rebranding HR is not enough. To achieve its vision, HR must first determine which skills and competencies are required and develop a plan to assess its own talent against these requirements. An honest evaluation of talent should include identifying capabilities needed in house versus those that can be bought—along with which skills can be developed systematically and which cannot. Best-in-class organizations often focus their efforts on building capability in the following areas:

**Business acumen:** Building the necessary business skills to allow HR practitioners to understand the organizational and human capital implications of programs/practices. Likewise, applying analytics to calculate returns on investments and support decisions through data analysis.

**Creating a high-performance workforce:** Developing the ability to identify the right interventions (e.g., performance targets, development opportunities) to drive organization performance, and holding oneself and others accountable for results.

**Analytics and measurement orientation:** Analyzing human resource data and metrics to inform organization decisions and influence the strategic planning process.

Sustaining such capabilities requires ongoing systemic evaluation, which often utilizes rotational programs, stretch roles, mentoring relationships, and the like. Perhaps most important is implementing career paths, which incorporate these experiences while continuing to hold people accountable; this is critical to preventing individuals from reverting to old behaviors.
**Action #3 – Measure the effectiveness of HR.**

Demonstrating the value of HR is critical to effective management of the HR function and in garnering support from business leaders for HR investments. Developing a dashboard that focuses on key metrics can provide insights as to how HR is progressing and allow the function to make course corrections. The following should be considered:

**Operational metrics:** These metrics focus on the operational efficiency and delivery effectiveness of HR services and should help assess how well HR is applying continuous improvement practices to HR service delivery. These metrics should focus on assessing how well processes are designed (e.g., elimination of unneeded steps, utilization of technology, reduction of duplication and fragmentation) along with the quality of service (e.g., ease of use, consistency, accuracy, and degree of personalization).

**Talent management metrics:** Meaningful measurement for talent management programs and practices is often challenging because the focus is on outcomes that are difficult to measure. However, progress can still be achieved by identifying measures that help inform the progress that is being achieved. In many cases, this requires relying on qualitative measures (e.g., a manager’s assessment of a program) versus quantifiable results (e.g., dollars saved).

**Financial metrics:** These metrics focus on the financial management of the HR function. HR cost per FTE, cost savings, and HR budget management tracking can provide insights into how well the HR function is managing dollars spent and saved. In addition, return on investment should be tracked for specific HR investments and programs to ensure that the intended benefits are achieved. Typically, a return on investment evaluation for HR will involve both a quantitative and qualitative evaluation, which gives critical feedback for future investment decisions.

Introducing measurement practices within HR is essential to managing the HR function and communicating the value delivered. Although often viewed as an imperfect practice, imperfect measurement is better than managing with no relevant information.
As higher education HR professionals look to shift the HR function from a transactional to transformational role, it’s essential to develop a roadmap outlining a methodical plan. By focusing on those areas within HR Service Delivery Management, Talent Management, and HR Function Management that align with the organization’s strategic objectives, while at the same time building internal capability, HR can charter a course that yields demonstrable value.

At Aon Hewitt, we are prepared to answer your questions about this study and offer any assistance to guide you in your HR effectiveness approach and activities. For more information, please contact:

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