

University of Maine System

**HUMAN RESOURCE REVIEW
AND ORGANIZATIONAL CHANGE**

April 2013

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 **SIBSON CONSULTING**
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Human Resource Review and Organizational Design

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I. Executive Summary

The higher education environment is undergoing substantial and permanent change. The old recipe to restore fiscal health to colleges and universities, tuition hikes and short term cost reductions, are no longer viable options. Universities require lasting change in the efficiency and quality with which they operate. As a part of its initiative to promote operational excellence throughout the University, the Chancellor of the Maine System has called upon University functions to find creative and effective ways to promote the academic mission of the organization at reduced costs. Sibson Consulting, with experiences with 150 recent academic clients, was brought in to assist Human Resources with their administrative review process. Working with a group of Human Resource, finance, and IT professionals representing all campuses, the working group (Review Team) achieved consensus on several restructuring initiatives over a course of several weeks. These recommended changes were designed to improve consistency in operations, accountability for decision-making and end-results, and responsiveness to the varied constituencies of educational institutions. By conceiving of a design that introduces productivity-enhancing process and technological improvements, greater centralization of common activities, creation of single point reservoirs of knowledge and standards, and sound methods of systemic integration, the proposed approach would enhance service, while reducing HR operating costs. In turn, net savings could be reinvested in strategic human resource functions.

II. Overview of Changes in Higher Education and Presenting Issues for UM System

A. Trends in Higher Education

Higher education has been undergoing pressures for change for some time. Recently, however, the public, legislators, special interest groups, and government agencies have formed a consensus: higher education has not done enough to contain costs and increase efficiency, productivity and, arguably, quality.

The Higher Education Price Index (an inflationary standard tied to costs in higher education) has outpaced the Consumer Price Index in 37 of the 48 years in which it has been computed. These prices have been passed off to consumers in the form of escalating tuition. Consumers, however, have become increasingly resistant to the costs of a degree and have joined the chorus of those who want institutions held accountable for the value of an education: for both the expense incurred and the results produced. As a result, many institutions have slowed or frozen tuitions at a time when endowment income is down and, in the slow-growth economy, states have scaled back support for their public institutions.

Institutions have limited options for economic stability. Significant tuition increases are likely to cut enrollments and, therefore, no longer appear to be an attractive path to sustainability. Many colleges and universities are loaded with debt with little room on their balance sheets to borrow their way out of trouble. That leaves cost cutting as the most feasible alternative. While seldom a favorite, many both inside and outside of higher education would argue that it is about time that colleges and universities controlled costs. Many institutions have chosen to target high administrative costs in efforts to reign in their budgets. Progressive institutions recognize, however, that the competitive landscape in higher education has changed and mending costs in the short-term will not solve the long-term problem. Instead, the fundamentals of the business must change. The goal cannot only be to cut costs, but to cut costs by transforming the way work is organized and performed: an argument we recently made in conjunction with the University of Minnesota before State Senate of Minnesota (a copy of the report is located at: https://excellence.umn.edu/Spans_&_Layers_Final.pdf).

The Chancellor of the University of Maine System has requested this administrative review with the goal of lasting transformation in mind. Maintaining the health of the organization requires systemic process improvements and technological advances to support more efficient methods of completing work. Higher productivity and greater efficiency are crucial to restoring colleges' and universities' fiscal health and, consequently, the gains associated with process improvements and technological enhancements are fundamental to the solution identified in this document.

B. Presenting Issue for the University of Maine System

Like other large state university systems, the University of Maine System is faced with significant challenges that have forced the institution to reconsider all aspects of the administrative delivery model. Factors instigating this review include:

- Flat to declining revenues from tuition, State appropriations, and investment income
- Increasing scarcity of money from State and Federal grants
- Rising labor costs, especially due to increases in benefits costs (e.g., healthcare)
- More demanding public expectations regarding the accountability of the University of Maine System, e.g., persistent demand for the best faculty, ongoing capital improvements, excellent research facilities
- A focus on cost reductions/efficiency while sustaining quality of service
- Changing demographics of students, declining enrollments, greater competition from both in-State and out-of-State colleges and universities

Because of these increased demands, the University of Maine System embarked on an initiative to review and refine its service delivery model in all core administrative areas. IT and Procurement have recently completed detailed reviews and have presented timelines for implementation of their service models that include significant reductions in cost. Human Resources was given a similar charge and a committee was put in place in the summer of 2012 to begin that review.

III. Assessment of Current State and Recommendations on Future State

After commencing the review of the HR function, the Review Team completed a detailed inventory of current services, described the perceived state and quality of those services at the system level and at all campuses, and broadly defined a desired future state. Research involved comprehensive interviews with leaders on all campuses and brainstorming sessions with key HR leaders across the system. In addition, Sibson Consulting was brought in to advise the Review Team on trends in higher education (and, as appropriate, general industry) and to provide guidance in the re-design process and implementation planning. The review covered three key categories:

1. Core HR Services
2. Technology and Automation
3. FTE and Organizational Template (as a foundation for change)

A summary of findings is provided below. For each topic, we provide an overview of the UM System self-diagnosis, industry trends, and Sibson's recommendations.

1. Core HR Services

University of Maine System Self-Assessment

In interviews with campus leaders, nearly all current HR services were viewed as essential, therefore, opportunities to eliminate functions did not emerge as a viable option. With that said, the committee did examine and prioritize functions that it perceived as high-value added, or regarded as core to the identity of a vital HR. The review group agreed that investments in both technology and people should focus on those areas that were seen as central to the strategic purposes of Human Resources. The Review Team's evaluation of critical Human Resource functions converged on five priority areas, in the order listed below:

- **Talent Management:** Recruitment, Hiring, Onboarding, Employee Development
- **Labor/Employee Relations:** Collective Bargaining, Contract Administration, Consultation
- **Human Resource Information Systems (HRIS):** Software System, Electronic Records, Reporting
- **Institutional Leadership and Planning:** Strategic Planning, Executive Advisory Services/Facilitation, Policy Development, Compliance Oversight, Goal Setting
- **Organizational Development:** Employee/Leadership Development, Succession Planning, Workforce Planning/Management, Change Management, Metrics, Management Consultation, Conflict Resolution

Collectively, these areas were ones the Team believed would have significant, positive impact on the operations of the University and productivity if executed well.

Industry Trends

Industry trends in both Higher Education HR and, in fact, in general industry, confirm the focal areas identified by the HR Review Team. Over the past few years, Sibson has observed the increased prominence of more complex, strategic areas of HR, including:

- **Talent Management and Development**, as many institutions have increasingly looked for a competitive edge through ongoing learning and innovative thinking
- **Staffing, and Workforce and Succession Planning**, particularly in light of the aging workforce and limited pipeline of talent in key administrative areas at many institutions
- **Human Resource Information Systems (HRIS)**, for automation of record-keeping, tactical and strategic use of metrics and reporting in support of decision-making, and as a tool to increase the efficiencies of HR operations
- **Organizational Development**, particularly leadership development as effective leadership/management has been identified as the best predictor of employee satisfaction, motivation, and productivity; organizations additionally realize that strong leadership is essential to affecting change

Sibson's Recommendations

Sibson recommends the following actions regarding core functions:

1. The University should concentrate headcount on those areas identified as highly critical and that require a high degree of specialization for superior service delivery. We noted that some areas of Human Resources were thin in important areas, such as organizational learning and development, and we suggest future plans include building these capabilities up. The list of core functions identified by the Review Team serves as a starting guide regarding where to focus efforts.
2. Consideration should be given to grouping highly specialized talent into Centers of Excellence (COEs). There are multiple advantages to this structure. The obvious benefit is that it prevents fragmentation of systemic expertise (i.e., avoids duplication and the potential for conflicting opinions) and, conversely, fosters uniform guidelines and consistent services across the University. Since COEs also have partially overlapping content domains that require coordination, proximal seating makes collaboration easier and reaction times to urgent requests faster. We recommend COEs in Communications/ OD/ Training, Labor Relations, Compensation and Benefits Design and AA/EEO Reporting, consistent with the Review Team's conclusions.
3. A campus presence should be maintained for core areas that require a high degree of personal interaction and expertise (e.g., Labor and Employee Relations), and where an awareness of the local culture is imperative.

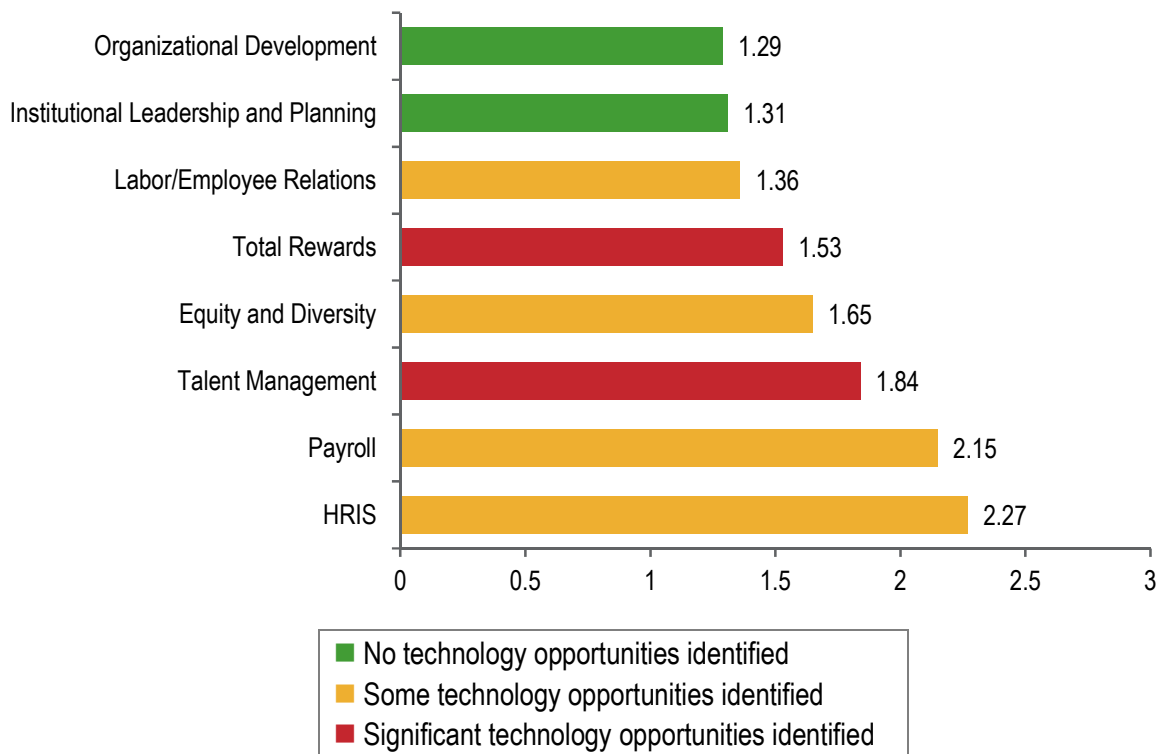
4. Non-core areas, or areas requiring lower levels of expertise and performance of routine procedures, should be examined for possible automation/outsourcing/centralization. We recommend automation/outsourcing/centralization of payroll and benefits administration: a suggestion that the Review Team unanimously supported. Indeed, Human Resources has already begun to centralize and automate benefits, but full implementation remains incomplete.

2. Technology and Automation

University of Maine System Self-Assessment

As part of the assessment, the HR Review Team evaluated current HR technology: areas in which enhancements would be of value in ensuring quality and/or increasing efficiency. Specifically, the group ranked the current level of use of technology and, subsequently, pinpointed areas where additional technology/automation would improve the operational efficiencies of the System. Results are summarized in the chart below.

RANKED RATINGS ON CURRENT TECHNOLOGY



After some discussion, the group prioritized a number of areas for increased technology usage in HR, including:

Total Rewards

- **The Employee Benefits Center (EBC):** There have been significant improvements in benefits administration; however, the Team recognized that with further technological upgrades, benefits administrators could accommodate higher volumes at a lower cost per transaction. In other words, it was agreed that in order to be optimally effective, increased spend would be required on benefits automation.
- **Wellness:** Human Resources is unique in that it not only is accountable for its own cost-benefit as an operating entity, but also has tremendous influence on the expenses of the University. Nowhere is this more pronounced than in healthcare. To that end, one opportune area for the greater use of automation concerned health promotion and wellness in the form of information exchange, interventions, and training, for example.
- **Leave Tracking:** The Team expressed mixed thoughts on automated leave tracking. Although there was some perceived need, the topic never generated much excitement or gained much traction as an area in want of technological overhaul.

Talent Management

- **E-Recruitment:** One campus has implemented recruitment technology and it has helped with the front-to-back recruiting process but the Team concluded that a ubiquitous system-wide solution is required. Recruitment, and related functions, were seen as urgent needs but it does not appear that the technology now in place will easily fulfill them.
- **Employee Orientation:** Online employee orientation and online training were flagged as opportunities, but individuals urged that in-person training be retained as a key element as well.
- **Payroll and HRIS:** Both are currently automated, but investments are needed to bring systems up to date and increase efficiency.
- **Employee Records:** Technology exists for scanning/electronic records but usage needs to be increased. In fact, records management was identified by Team members as one area that could be improved upon.

The bulk of efficiencies to be gained broadly fall into the payroll/benefits administration and recruitment processes. These areas tend to involve routine, repeatable processes and, thus, are strong candidates for increased automation. Currently, these areas account for a large proportion of FTE time, are services valued by the workforce, and hold promise for cost savings. The group's impression was that automation / technology implementation in these areas, in all likelihood, would heighten the quality and responsiveness of services and lower costs.

The group unanimously acknowledged that any technology expense would have to be balanced with increased efficiency (likely in the form of headcount reduction) and enhanced HR-effectiveness to be approved.

Industry Trends

Although many elements of Human Resources require a personal touch, the function has become increasingly dependent on technology to operate efficiently. Nevertheless, adoption of leading technologies in Human Resources has been slow. First, enhancements and upgrades to enterprise systems are prohibitively expensive for many institutions. Second, as non-profits, limited funds have historically been used to support academic services and capital improvements in order to gain competitive advantage. Third, many large systems are highly decentralized which has made it difficult for widely dispersed functions to build a cost-benefit case for major installations.

Fortunately, circumstances are changing. Lower cost cloud and subscription services are now available. Cost containment versus expansion has moved to the strategic forefront in higher education. And, many institutions are actively searching for commonalities among their diverse operations, for ways to reduce unwanted redundancies, and for methods to harness the productive capacity of organizational overlaps. There is no reason today that Human Resources cannot be in equal parts a people- and technology-function.

In the past few years, we have observed many of our clients making significant investments in automation- and technology-driven, centralized processes in the same areas targeted by the HR Review Team for technology enhancement. The table below (from a CUPA-HR study of 212 institutions in 2011 – 2012) shows the progress to date. The shaded areas represent the Review Team’s summary self-assessment of the University of Maine System’s standing in each area. As indicated, the System’s position is commensurate with the majority of other institutions in higher education. Like others, the Maine System has partially automated a wide array of Human Resource functions but has ample room for additional technological developments.

Which of the following processes are partially or fully automated? (n=212)	Fully	Partially	Not at All
Employee Self-Service	15%	61%	24%
Payroll Administration	30%	62%	9%
Benefits Administration	13%	77%	11%
Personal and Job Data Maintenance	16%	44%	40%
Time and Labor Management	22%	55%	23%
Learning/Training Management	6%	42%	52%
Recruitment Management	24%	45%	31%
Employee Onboarding Support	0%	37%	63%

Sibson's Observations and Recommendations

We recommend the following enhancements/additions to technology and automation in the University of Maine System:

1. Make significant investments in technology in the following areas as quickly as monies are available: Benefits Administration, Payroll, and E-Recruitment; we suggest adding E-Learning once these first three are in place and generating returns
2. Identify the operational benefit of enhancement/implementation of technology in the form of increased efficiency, performance improvement and FTE reduction across HR
3. Implement technology fully before headcount reduction is implemented in these areas as a successful transition will require significant learning time and people will be required to manage the workload during the systems' migration period
4. Focus on using existing technology (e.g., scanners, online documentation of job changes) more effectively and, where feasible, introduce more self-help options

3. FTE and Organizational Template

UM System Self Diagnosis

During the course of their work, the HR Review Team recognized the need to refine how the HR organization works as a whole. However, opinion varied regarding the organizational changes that would be required, from strong to weak agreement.

Key areas of **strong agreement** were:

- The need for subject matter experts in critical areas (identified earlier), some of which exist currently and some that would involve a new or stronger emphasis such as communications and organization development (the latter encompassing management consultation), career development, and training.
- The need for local resources where necessary for high-value, high touch HR functions where knowledge of the organization is essential for sound execution. Key examples cited were employee relations and recruitment. Even here, however, some individuals felt that some level of centralization (or a central, expert resource) would be necessary to increase consistency across campuses and provide resources for smaller campuses that could not afford an FTE with a high level of expertise in each area.

Areas of **moderate consensus** included:

- Development of Centers of Excellence (COEs) to lead key areas, which, due to law, policy, or regulations, must be managed consistently across the system. The group agreed these areas include compensation and benefits design, compliance, labor and employee relations, and organizational development. Whereas the group recognized the value of consolidating expert resources, they never settled on a location: whether the resources should be housed on one or more of the campuses or centralized in the System Office.

Areas of **limited consensus** included:

- **FTE Requirements:** Although the group understood that headcount reduction was necessary to achieve budget reductions requested by the Chancellor, the group labored to come to consensus on where / how headcount could be reduced, even with the addition of technology. During the term that Sibson worked with the group, the Team never reached consensus in headcount by function that would net significant savings. Nevertheless, the Team acknowledged the need for savings that could, in turn, be partially reinvested as a means of transforming UMS HR into a more client-focused and strategic partner.
- **Organizational Structure** (high-level design considerations), including:
 - Reporting structure (to Presidents of Universities, to a Central HR leader, or dual reporting)
 - Location of COEs and reporting model for COE employees (to a COE Director, to the Campus HR)
 - Number and type of talent needed (leadership, managerial, exempt, non-exempt).
 - Roles and titles

The information in the following section on industry trends focuses on the areas of moderate and limited consensus.

Industry Trends

FTE Requirements

In the past few years, austerity and scrutiny of FTE counts have become realities in higher education. Few organizations operate as leanly as they could, and higher education is no exception. In fact, many would argue that higher education has been administratively expansive.

To evaluate the current FTE staffing of UMS' HR department, it is helpful to compare industry standards in higher education to the current state at UMS (based on 5,700 staff and faculty, including 3,550 non-faculty). Table 1 presents standard (median) FTE ratios for Human Resource Departments based on a CUPA-HR survey of 214 universities and colleges in 2011 – 2012 and compares these results to UMS' current state. The shaded column provides a recommended ratio (at a 10% premium) for UMS. The premium addition to headcount is an estimated extra to account for the geographic dispersion of the system: only 25% of institutions reporting to the CUPA-HR survey had multiple campuses. This proportion may be representative of the population but would dilute the true needs of the Maine System.

TABLE 1: RATIOS OF FTES TO HR STAFF

Ratios:	UMS (HR Staff to FTEs)	HE Industry (HR Staff to FTEs)	UMS Recommended (+10%)
N of FTE Employees (non-faculty) per			
FTE Exempt HR staff	1:58	1:86	1:78
FTE Exempt and Non-Exempt	1:42	1:57	1:51
N of FTE Employees (staff and faculty) per:			
FTE Exempt HR Staff	1:93	1:127	1:114
FTE Exempt and Non-Exempt HR Staff	1:68	1:85	1:77

Table 2 provides an overview of UMS’ current HR staffing and two alternative recommendations: one, based on the highlighted HR ratios in Table 1 for faculty and staff and the other on the ratios based on staff only. According to these standards, UMS should have a total of between 70 – 74 employees. Industry statistics indicate that, within the exempt staff population, 50% are generalists and 50% are specialists, therefore, those estimates are provided as well.

Benchmark data always should be approached with caution since inter-institutional comparisons are imperfect. However, the results described are well within normative ranges based on Sibson’s experiences and appear achievable.

TABLE 2: RECOMMENDED STAFFING FOR UMS

Category of Employee	UMS Current	UMS Recommended (based on Staff and Faculty)	UMS Recommended (based on Staff only)
<i>Exempt Specialist</i>	55.7	25	23
<i>Exempt Generalist</i>	5.7	25	23
HR Exempt Total	61.4	50	46
HR Non-Exempt Total	22.8	24	24
Total	84.2	74	70

Organizational Template

A move toward centralization and the use of COEs in institutions of higher education have become common in recent years, predominantly due to the need for increased operating efficiency and budget savings. “Shared services” is once again a fashionable topic of discussion on many campuses.

For clarity, when we reference “COEs,” we are denoting the policy-making and design elements of a function, as opposed to the tactical and operational aspects. Therefore, not all positions and people within a COE need to reside in a central location: at a minimum, only those positions that have system-wide responsibilities need to be centralized. Those individuals who are responsible for the interpretation and execution of policies and standard practices should remain in the field, close to the day-to-day work and their constituencies. In our experience, where practical, this division of labor is critical in order to balance the systemic interests of the institution with the decision-making discretion of people working on the ground. Based on our observations, we have found that centralized/COE models are most successful in geographically diverse institutions when:

- Functional roles and responsibilities within the COE are clear, with the centralized body accountable for setting common standards, policies, and practices for the organization – and is beholden to the institution as a whole versus to a segment of the institution
- The primary role of the centralized COE (in addition to establishing the guiding rules and regulations for the organization) is to facilitate sound judgments in the field by assuring that actors have the requisite knowledge and information required for execution
- There is local authority to act when issues are within the range of an individual’s abilities: otherwise, those in the field should look to the centralized COE to whom they have a dotted line relationship for expert guidance and opinion

In addition, systems with multiple institutions (and multiple Presidents) manage reporting relationships between local HR and their host campus/school and between local and central HR in different ways. We have seen all sorts of dotted and solid line combinations between local HR and their Presidents/Deans and local and central HR. In our experience, the most common reporting relationship is a solid line to the head of the campus/school and dotted line into central HR (although we suggest hardening the dotted line a bit).

Sibson's Recommendations

1. Phase-in reductions in headcount coincident with the introduction of new technology and the required learning curve; to offset the commonly experienced decrement in performance following the implementation of new processes and technologies, reductions in FTE should lag three to six months behind and then gradually be reduced further over the ensuing six months as circumstances warrant.
2. By the end of year three, FTE for essential HR programs and services should be below 74 and, ideally, closer to 70 if system improvements have the intended effects.
3. Strengthen the role of central HR by putting a dual-reporting structure in place for heads of HR on campuses: introduce a bolded dotted line to a Chief Human Resource Officer (CHRO) and maintain the direct line to the respective Presidents. This revised structure, while appearing minimalistic, will greatly bolster cross-campus consistency and the

management of risks, improve the allocation of scarce resources across Human Resources, and retain Human Resource's stature and leadership role on each campus.

4. COEs should report directly to a senior HR executive whose role is to ensure consistent, high quality service to all campuses. Although expertise is the defining attribute of COEs, it is by no means the sole indicator of success in this role: a word of caution, then. The COE positions will be difficult to fill in that the right employee must not only be technically informed but interpersonally effective (i.e., you do not want high-control gatekeepers but facilitators who help others perform their jobs well). For larger campuses with high-level experts on site, we propose providing a dotted line relationship into the appropriate COE.

IV. Recommended Solution

Organization Design Principles

Before Sibson joined the HR Review team, the group had developed a set of key organization design principles and vetted these principles thoroughly with leaders on all campuses. Sibson reviewed and endorsed these principles with minor edits based on discussions with the Chancellor and Vice-Chancellor. The principles require that the new design:

- Enhance interoperability: having systemic “depth” not “redundancy”
- Ensure competence/quality customer service and a high level of professionalism
- Ensure consistency and clarity-in data, decision making and policies
- Create cost savings and efficiencies

These criteria served as the touchstone for recommendations. Any suggestion made by the Team was tested against these principles and the draft, repurposed mission, below.

New Mission

The following mission statement has been assembled from statements found on some of the campuses and should be regarded as a working versus final declaration:

“The role of Human Resources is to support the academic mission of the Maine System in strategic partnership with other staff and academic units of the University by recruiting, motivating, and retaining diverse faculty and staff in an open, fair, simple, responsive, and efficient manner by using the integrated system-wide talents and technologies of the Function.”

The following sections describe actions that we view as requisites for fulfilling this mission and satisfying the criteria necessary for success: fostering higher returns on the System’s significant labor costs.

Technology Enhancements Required

Efficiency, productivity, and quality are predicated on the effective use of technology. Human Resources will be able to go only so far in reducing costs and improving service in its absence. This section, then, focuses on technologies that are critical to Human Resource performance. The group identified four key technologies to enhance/add:

1. Benefits Administration,
1. Payroll,
2. E-Learning, and
3. E-Recruit.

Details on each recommended implementation and related estimated costs are provided below.

Benefits System

The University of Maine System recently partially automated Benefits Administration, but the group pointed out that the automated system needed further significant investment to realize the full efficiency potential of the area. Required add-ons include case and document management, improved workflows, and increased self-service options. The Team estimated that an additional investment of \$87,000 would be required for implementation, with recurring annual fees from year two on of approximately \$37,000 for upgrades and maintenance.

Payroll

Currently, Human Resources devotes substantial resources to payroll. It services students and employees, and transactions are expected to be handled expeditiously and at a high level of quality.

Our experience suggests that a significant system upgrade to payroll costs between \$60,000 and \$70,000, on average. Training adds another \$10,000 to upfront costs; ongoing maintenance and enhancements produce about another \$15,000 in expenses annually. These estimates may vary based on the University System's current configuration and the pricing of its current vendor. In general, trends in payroll technology in higher education include maximizing self-service tools, making the system easier to use, incorporating business intelligence and analytics for employer reporting, automating workflow processes, and conducting all transactions in electronic form.

The self-service options typically associated with payroll involve time and labor reporting, duplicate W-2s, maintaining/changing form W-4, setting up, modifying or cancelling direct deposits, providing pay statements, and verifying leave and benefits. In general, self-service is an excellent way to reduce the burden on Human Resources. Other common self-help options include:

- **HR:** maintenance of personal information, emergency contacts, dependent and beneficiary updates, job postings, employee development, training schedules
- **Institutional Administration:** organizational policies and procedures, newsletters, calendars, organizational charts

In many cases, benefits and payroll technologies are offered as a combined solution. This would be advantageous if HR's current technology supplier could seamlessly wed these functionalities, as a general trend in HR is to co-locate payroll, benefits, and call center operations.

Learning Management Systems (LMS)

Learning and development was recognized by Review Team members as key to the success of the Human Resource organization, and the group agreed that with the geographic dispersion of the campuses, a robust LMS system would be integral in providing strong service in this area. Indeed, several members of the review group thought that one of the great tactical quivers in the HR bow was to improve the institutional IQ through continuous learning and development.

The perceived need for the technology was great and several areas were mentioned where it might play some role. These were:

- On boarding
- Development/Career Advancement
- Training
- Payroll
- Wellness
- Hiring
- Benefits Administration
- Compliance
- Diversity
- Recruitment
- Employee/Labor Relations

We would not suggest complete replacement of place-based learning as, in some cases, it is the most effective method. Yet, even here, a LMS system would be of significant value to the institution for the management of person-centered classes.

An LMS is the infrastructure that delivers and manages instructional content, identifies and assesses individual and organizational learning or training goals, tracks progress toward completion of goals, and collects and presents data for supervising the learning process of the organization as a whole. An LMS delivers content but also handles registration for courses, course administration, skills gap analyses, tracking, and reporting. It is important to note that LMS is a learning as opposed to course management system and, therefore, they are distinct from applications such as Blackboard.

The American Society for Training & Development (“A field guide to learning management systems,” 2005), recommends the following functional requirements for a corporate LMS:

- Integration with the Human Resources system;
- Administration tools which enable the management of user registrations, profiles, roles, curricula, certification paths, tutor assignments, content, internal budgets, user payments and chargebacks, and scheduling for learners, instructors and classrooms;
- Providing access to content, involving the medium (classroom, online), method (instructor-led, self-paced), and learners (employees, customers);
- Developing content, including authoring, maintaining, and storing;
- Integrating content with third-party courseware;
- Assessing learners’ competency gaps and managing skills acquisition and status;
- Providing and supporting authoring of assessments;

- Adhering to standards such as SCORM and AICC which allow for importing content and courseware that complies with standards regardless of what authoring system it was created in;
- Supporting configuration of the LMS to function with existing systems and internal processes;
- Providing security such as passwords and encryption.

While this list of features can be helpful in understanding what LMS can do, as a systemic application it fundamentally provides the structure for the entire learning process within an organization.

A survey of 20 LMS companies (Association of Learning Management Systems, 2013) shows that the average first year cost for a minimum of 5,000 users is \$90,000 (for a hosted system). The average yearly cost after that is approximately \$50,000. A typical implementation takes approximately six months. Cornerstone and Saba are two frequently mentioned LMS providers in the academic space.

We recommend that the introduction of the learning system occur after installations of other software have been completed and are yielding benefits. There are several reasons for waiting. First, and most obvious, the cumulative expenses involved with technology purchases and upgrades in general make it economically infeasible. Second, it is logistically impractical: the University System does not have the requisite talent in place to make the implementation of the system a success. The University of Maine System will initially have to incorporate organization development, knowledge management and training into its capabilities' repertoire. Third, as HR transforms itself, it will need an early success to prove that a system really is greater than the sum of its parts. Taking on too much at one time would be ill advised. Instead, we advocate finalizing the payroll/benefits upgrades and introducing a strategically critical and time- and cost-saving recruitment system, discussed below.

Recruiting Systems

It is nearly impossible to effectively manage the recruitment-hiring-onboarding-background checking-and reporting process without technological assistance. These are areas of high frustration in academia and rightly an area in which the Maine System has elected to concentrate efforts. Effective recruiting (by “recruiting” we mean the entire end-to-end process) is a primary way for Human Resources to boost the productivity of the enterprise by filling vacancies more quickly and onboarding new hires more efficiently—actions with real currency.

Recruiting systems typically perform the following activities:

- Create a library of posting templates and job descriptions
- Allow job hunters to search for jobs, manage application materials and monitor their application status on the ADA- and Section 508 applicant portals
- Offer applicant screening methods through intelligent selection tools

- Pre-qualify, assess, rank, and compare candidates using data from both assessment results and supplemental questions
- Maintain qualified pools of applicants for frequently filled or adjunct positions
- Customize workflows to match the organization's requirements and support multiple paths for different employment types

Software for higher education should include special functionality for faculty such as the creation of search committees, electronic document submission, and rating capabilities.

The onboarding component of recruitment software generally:

- Converts applicants to employees as part of the hiring proposal process
- Creates, sequences, and assigns onboarding tasks
- Includes document uploads, forms, document distribution and text instructions
- Creates unique onboarding events based on employee type

Most systems also have robust compliance reporting capabilities. Additionally, background checking and employment verification often are bundled with these products.

The major provider of recruiting software to the higher education community is the SaaS (Software-as-a-Service) company PeopleAdmin who generously provided estimates for the cost of implementation of their software. We are not, in this report, advocating the use of one product over another, but given the competitive nature of this business space, we use these estimates as a way to relate the general costs of the software. Software implementation for end-to-end recruitment software is approximately \$70,000 in year 1, and \$45,000 per year thereafter. Most recruitment software can be integrated with PeopleSoft.

Establishing an Organizational Template (a foundation for design)

This section summarizes design criteria based on the critical success factors such as interoperability mentioned earlier and ongoing discussions with the Review Team. The Team agreed that a final design, once implemented, would:

- Standardize processes as much as possible in order to reduce variance and ensure quality
- Enhance the overall level of positions across the board, allowing for deeper expertise and greater flexibility to respond to a wide range of issues
- Reduce duplication of effort by consolidating functionalities
- Distribute key capabilities to the campuses as required, allowing individuals the latitude to act based on local conditions and issues
- Provide clear career development and job progression opportunities for individuals within sub-functions and across HR

- Augment current service offerings of HR, including a communications function, enhanced technology, and a more robust OD function
- Rely heavily on up-to-date HRIS system capabilities on the campuses so information can flow to and be accessed where it is needed
- Minimize the number of hand-offs required to complete transactions to increase efficiency and define clear contacts for ownership of processes

Two areas of disagreement among Team Members will have to be reconciled before a new design can be put in place; one issue concerns reporting relationships and the other placement of COEs.

Reporting Relationships

The question of reporting relationships arises most strikingly when the interests of business and functional entities cross. “Who is the Head of HR on a campus ultimately beholden to: the President of that campus or the Chief Human Resource Officer who sits in another location?” Our opinion is that organizational designs should reflect reality, and the reality is that Presidents will want Human Resources to work in tandem with the interests of their campus. This implies a solid line reporting relationship to the President. Nevertheless, by definition alone a system requires connectivity. That suggests that a very heavy dotted line be traceable from the campuses to a centralized authority, else none of the benefits of a system will unfold. In other words, Human Resources must be responsive to the needs of the campuses, well integrated with the operations of their host organizations, and act in concert with the strategic directives of the function to which they belong.

Therefore, one important aim of an organizational structure would be to remove unwanted repercussions of intra-campus reporting relationships, namely, Human Resource isolationism. Exclusive adherence to the campuses presents two problems for Human Resources. First, it replicates Human Resources throughout the system and reduces opportunities for scale. Second, fiscal dependency on the individual campuses decreases the collective purchasing power of Human Resources and produces an environment in which each unit fends for itself. This creates problems for the smaller campuses that may not have sufficient financial/people resources to deliver services. For this reason, we feel strongly that a reporting relationship to a CHRO is essential to ensure “One HR” in the University of Maine System.

This Chief Human Resource Officer would serve as the ultimate accountable position. The senior group would pool their intellects, interests and needs to set standards, policies, and annual budgets (subject to review and approval). The agendas of the smaller campuses might be advanced by a high-level sponsor such as a Vice-President resident in the central System Office. An individual in such a position would serve as a constant point of contact, source of support, and shaper and conveyor of collective interests.

Location of Centers of Excellence

The second item that has bred debate pertains to the eventual location of the Centers of Excellence. These Centers provide systemic expertise in a number of functional areas. These areas were identified and agreed upon by the internal review group. Therefore, the issue is not in

the “what” but in the “where.” The group was divided on this topic. Some felt the Centers of Excellence should all reside in one (non-campus) location reporting up to a Vice President of COEs while others felt COEs should be split and “reside” on one (or more) of the major campuses.

This dichotomy of opinion is understandable and, as it happens, we believe that both factions are correct. The success of a Center of Excellence requires both the determination of institution-wide standards and the advancement of those standards by supporting accurate interpretation and sound implementation. Therefore, where feasible, we suggest splitting the functionality of a COE between a centralized policy- and design-making branch and a decentralized staff who are charged with responsibly acting in a local environment in accordance with system-wide mandates. This is especially true for the larger campuses where standards will be recurrently tested, and the issues will be frequent and difficult such as those involving labor and employee relations.

We believe that this dual COE structure has several advantages:

- A centralized functionality provides the all-important cultural signaling of a unified versus fragmented Human Resources
- The co-location of high level expertise in a common location offers coordination across the experts and promotes consistent messaging throughout the organization
- With modest additions in personnel, the centralized COE capability can be extended to provide ongoing support to the smaller campuses
- The positioning of experienced COE personnel on the large campuses ensures uniform application of standards, effective execution, and operational excellence

Further Considerations for Implementation

Based on our assessment, we believe that the effects of improved processes, workflows, and technology will result in the reduced need for FTE. An FTE target in the low 70s (as discussed previously) is attainable after three years and would result in 10% – 15% of compensation savings, or close to \$600,000. At the same time, operating efficiency, quality and service delivery should improve. In addition, according to our estimates, we believe that these results can be achieved while elevating the overall talent base of Human Resources (and, indeed, we consider it mandatory to produce the changes desired). Most savings will accrue over time but once found they can be partly re-invested to nourish a cycle of continuous improvement.

There will be a period of transition as Human Resources phases in new technologies and operating procedures. In this regard, the department will need to consider how this will work. Our comments, below, offer a preliminary guide pertaining to the implementation of technology:

- We foresee placing oversight for the electronic, methodological, and process aspects of recruiting in a centralized System Office, but keeping hiring judgments and the high-touch elements of recruiting within the province of the campuses.

- Based on our experiences and data sources, the staffing of payroll requires .1 HR FTE for every 100 employees. That would suggest that the Maine System would require between 12 and 13 FTE to support payroll based on services for 5,700 employees and 7,000 students. This estimate is likely high since ostensibly students would not place too great a demand on the system. Nevertheless, it would be incorrect to assume that all of these FTE would be centralized. This is because some payroll functions such as data classification and entry are typically distributed in the field whereas tasks such as approvals, processing and reporting are easier to execute and more cost-effective when centrally located. This brings up a side issue but an important one nevertheless. Although we are recommending the centralization of many routine processes and the attendant technologies, it is clear that technology is never centralized in a strict sense. Information is distributed and, as such, the campuses should bear in mind that they would require technological capabilities and HRIS professionals on site.
- A temporary need for additional people will be required to manage the increased technology infrastructure, interact with vendors, and train employees and managers on usage—while HR continues to accommodate the regular, ongoing stream of work. This may be accomplished through redeployments, staff augmentation through independent contractors or part-time help, or the vendor’s personnel.
- As previously noted, in order to accommodate the e-learning systems, the requisite competencies for execution need to be brought into the institution first. Once implemented, LMS systems can have special advantages in addition to the ones their designers intended. It is possible for e-learning systems to pay for themselves through chargebacks to departments, especially for content that the departments would otherwise have to pay for. In addition, there is nothing prohibitive about using the technology for purposes outside of the University such as running certification programs.

Sibson believes that investment in technological infrastructure will be quickly recouped in the form of compensation savings and, less tangibly, through the benefits of more efficient payroll processing and benefits administration as well as a more responsive and expeditious front-to-back recruitment system.

In addition, Human Resources has a rare opportunity to re-imagine itself: to think anew about what it is and how it may best contribute to the academic mission of the University. We see in movement toward a true system the chance for Human Resources to leverage its collective intellect and abilities more thoroughly and thoughtfully. We see in in the Team’s reflections the opportunity to add new dimensions to its service bailiwick which it has, to date, gone without. The prospect of working as a cohesive, one HR unit has promise that staff, faculty, and students will recognize as progress. Traditions do not succumb easily, however, and the proof of the new system will have to come through demonstrated successes.