East Tennessee State University HR Review: Process Overview

East Tennessee State University has undertaken a review of its Human Resources function. The goals of the review are to:

- Gather feedback from members of University leadership and its employee population regarding the effectiveness of HR and their understanding of its role at ETSU
- Gather benchmark data from comparator organizations about the scale and scope of their HR functions
- Provide best practice data regarding structure, expense and staffing of HR organizations
- Develop recommendations and a potential roadmap for change in HR at ETSU

Data Gathering Methodology

The goal of the internal data gathering process was to gather the broadest possible representation of ETSU's employee and leadership teams regarding their views of the HR department and its level of effectiveness, efficiency and added value in addressing the human capital needs and requirements of the University. The two methods used were an employee survey and individual interviews with members of ETSU's leadership team.

Employee Survey:

- A 22 item survey asking respondents to respond to a series of scaled items regarding their views of HR's value as a strategic partner, steward of talent and advisor to managers and supervisors
- Comments sections added to each question to allow respondents to provide detailed comments.

Leadership Interviews

- Individual conversations with ETSU executive leadership, Faculty and Staff Senate regarding their views of HR

External Benchmarking

- External data from peer organizations and industry comparators regarding HR structure and investment
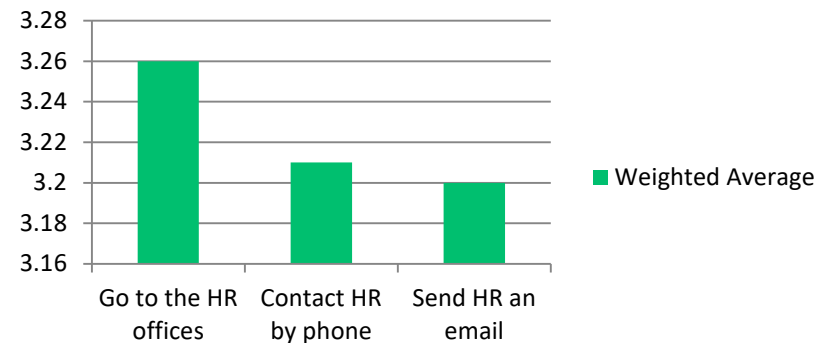
Employee Survey Data Summary: Responses = 1063

HR received its highest ratings as a provider of benefits information and is viewed as a welcoming place to receive assistance.

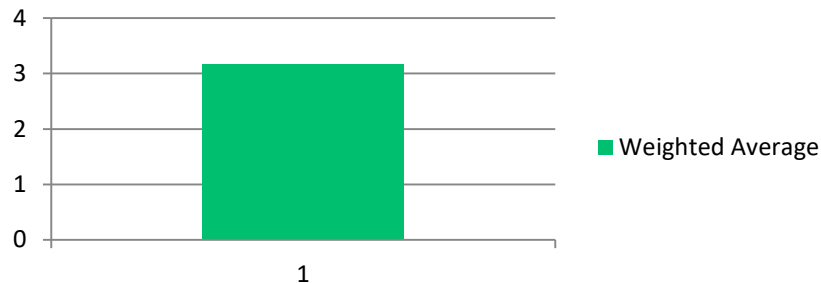## HR provides accurate and reliable information regarding my benefits.
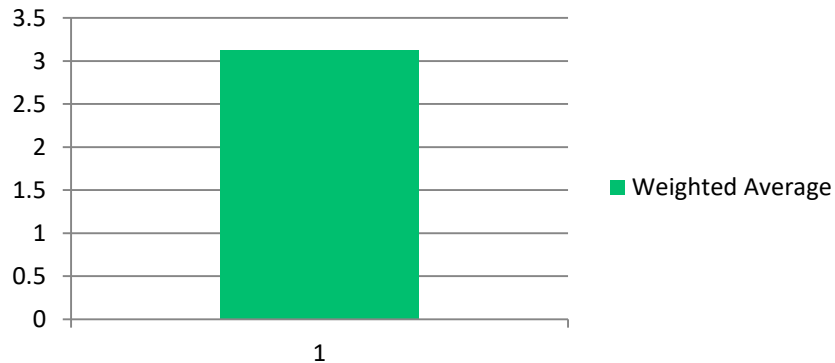
## When I ... my questions are addressed in a helpful and efficient manner.

Employee Survey Data Summary

Additionally, HR is viewed as skilled at protecting confidentiality and providing accurate benefits information.

I am confident the questions, issues, and information I share with HR are treated confidentially.

HR provides accurate and reliable information regarding my benefits.
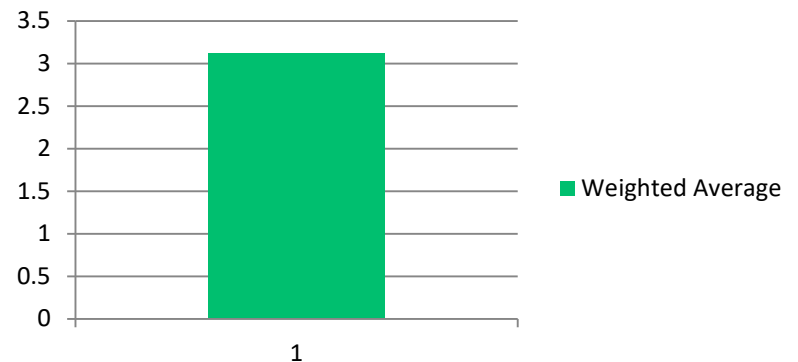
Employee Survey Data Summary:

However, when asked to evaluate HR in terms of its effectiveness in terms of managing and acquiring talent, responses were more mixed. Hiring emerged as a particular pain point.

Related to hiring...
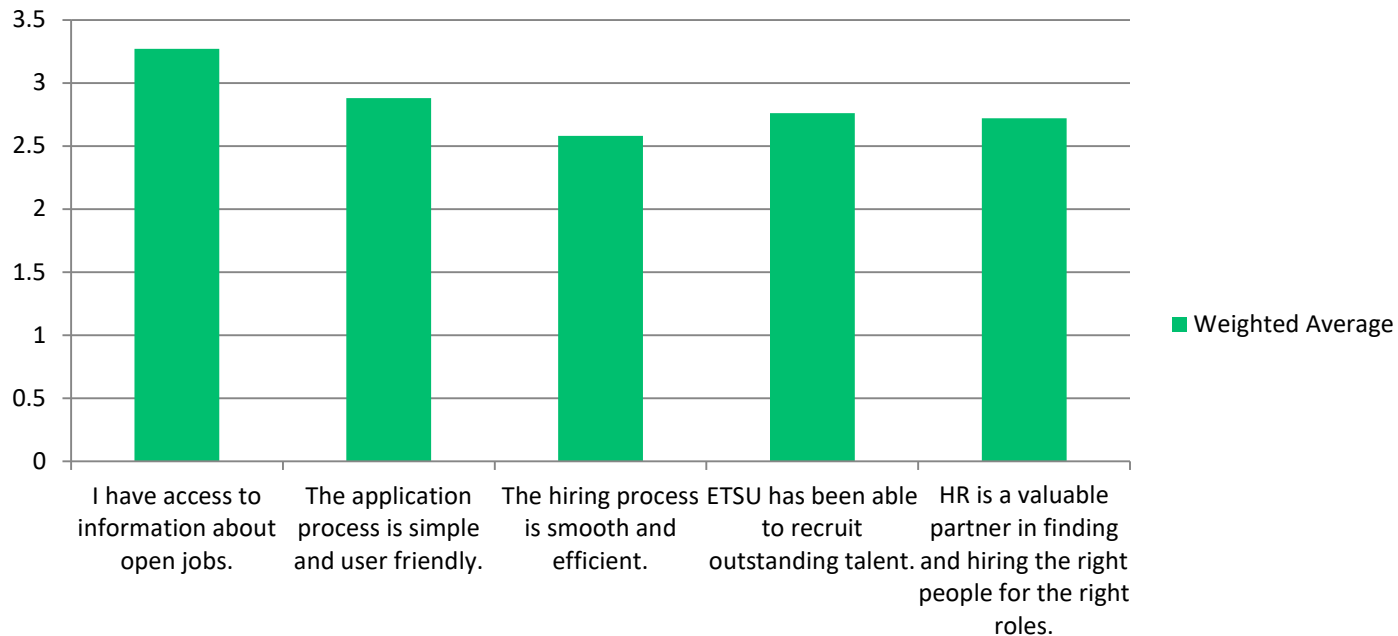
Employee Survey Data Summary

Additionally, respondents did not favorably view HR as being an effective business partner/advisor either in handling employee disputes or addressing performance issues.

If I have a problem or dispute with a colleague or my manager...
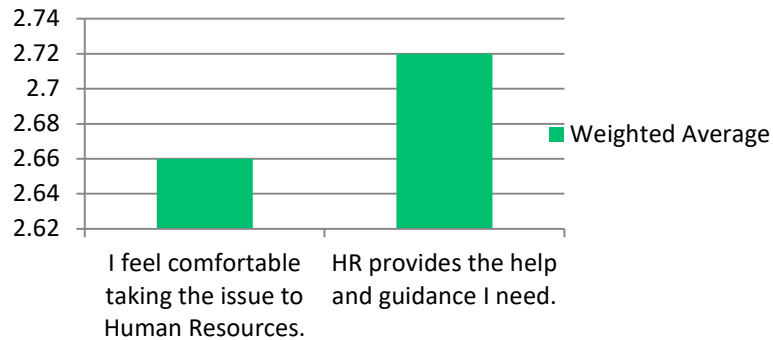
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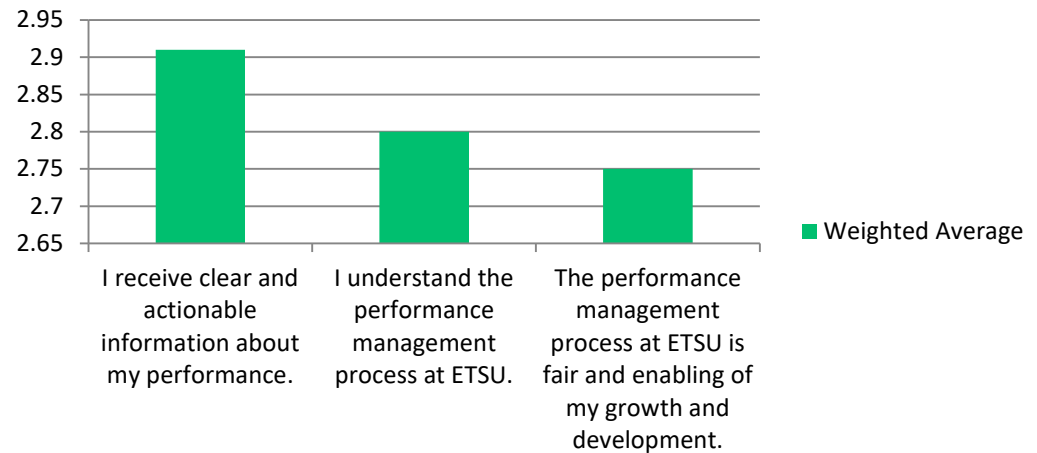
Employee Survey Data Summary

Finally, the amount of paperwork and manual processing involved in completing HR transactions received the lowest scores on the survey.

HR procedures and processes necessary to do my work...
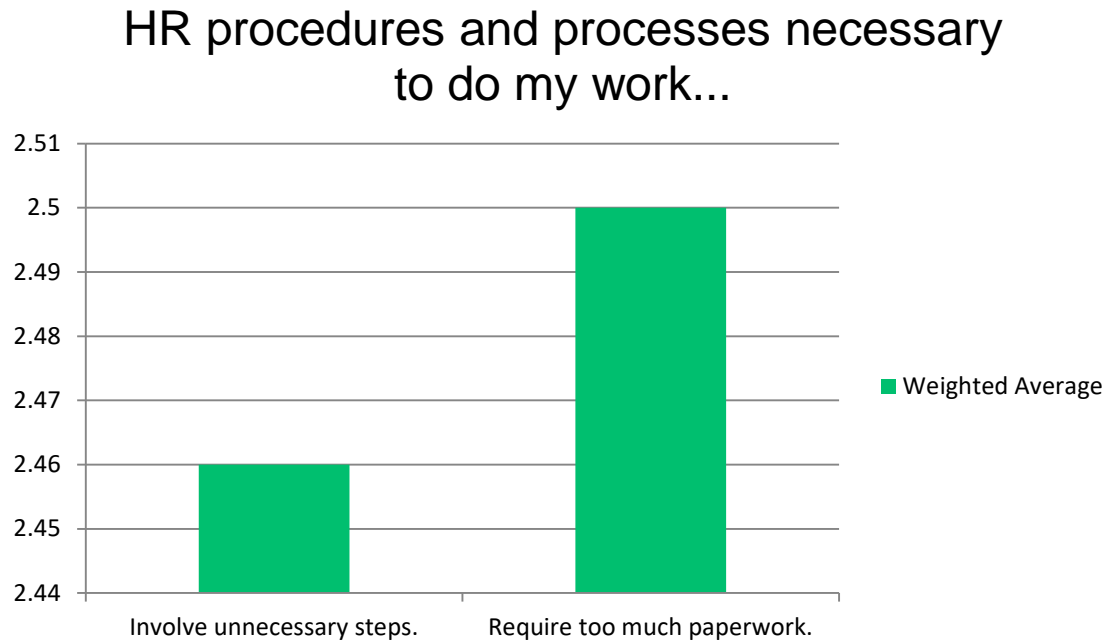
Executive Interviews

There were more than 30 executive interviews, individual conversations with members of the University leadership team, as well as members of the HR department and representatives of the Staff and Faculty Senates.

Six themes emerged from the interviews:

- *HR Leadership*
- *HR Process*
- *HR Structure*
- *HR Investment*
- *SPOFS*
- *HR Culture*

The results of the individual interviews were consistent with the survey results, providing a more detailed picture of the operational strengths and gaps in the HR organization.

Summary of Key Themes : HR Leadership and Process

HR Leadership

All interview respondents commented on the division within the HR team, discussing the lack of communication between the two areas and the impression that there are really two HRs, with differing policies, procedures and service levels. In addition, interviewees commented on the lack of a single HR leader with the experience and expertise to manage the team, establish a mission and vision and execute on a unified plan.

HR Process:

Interviewees and survey respondents commented on the confusion, lack of efficiency and onerousness of HR processes. The largely paper-driven manual processes were cited as pain points, receiving the lowest ratings on the survey. Hiring - particularly adjunct hiring -was viewed as particularly protracted and painful.

Summary of Key Themes : HR Structure

HR process issues are driven in large part by the current HR structure. The benchmarks research with both ETSU's peer group schools and industry best practices suggest that ETSU is missing several key HR functional areas: a Hiring Function, a Compensation Function, a Generalist function and an HRIS area. Blending HRIS with Benefits, and Compensation with Employee Relations, stresses existing resources and deprives those areas of dedicated subject matter expertise.

- Of the 19 universities in ETSU's comparator group all of them had a single HR leader. In 15 of the 19 universities in the comparator group, the HR leader was at an AVP/VP/CHRO level.

- Comparator organizations tended to have expanded organizational structures with separate Compensation, Staffing and HRIS functions directly reporting to the head of HR.

- ETSU had the lowest staffing levels among its comparators with the average staff size in comparator organizations being 23 HR team members.

Summary of Key Themes: HR Investment

HR Level of Investment:

While Education and Healthcare have traditionally under-invested in Human Resources, ETSU is significantly below both general industry benchmarks and non-profit benchmarks in terms of staffing levels, investment and HR staff to employee ratios.

	HR Expenditure/Employee	HR Staff:Employee Ratio
ETSU	$442.82/$222.41*	1:156/1:312*
Society for Human Resources Management*	$659 (25th percentile)	1.1:100
Xpert HR Non-Profit**	$547 (25th percentile)	1:107
Bloomberg***	$594	1.4:100

*Calculated on both 2500 employee base and 5000 employee base

**Society for Human Resources Management "2016 Human Capital Report"
 ***Xpert "HR Roles and Responsibilities" January 13, 2017
Bloomberg Report "2017 HR Benchmarks"

Summary of Key Themes: SPOFS and HR Culture

SPOFS:

There are a number of single points of failure within HR, with HRIS being most at risk, although single points of failure also exist in Employee Onboarding and Benefits. These single points of failure inhibit service delivery and make operational issues and problem solving dependent on the availability and knowledge of a single individual.

Additionally, the lack of system documentation and the degree of HRIS system customization and manual work-arounds make responding to audits, making data driven decisions and applying any HR analytics, e.g. position time to fill, cost per hire, challenging.

HR Culture:

All members of the HR Staff expressed deep commitment to ETSU and to delivering outstanding service. However, their view of HR is largely transactional, focused primarily on completing manual tasks and answering inquiries. Business Partnering, providing advice and guidance on the acquisition and development of talent are poorly understood, both by the client base and within HR itself.

Diversity and Inclusion

While interviewees and survey participants did not directly address diversity and inclusion as themes it is worth including them in the Human Resources review.

ETSU's recent state EEO audit was a difficult and time-consuming process. The process was complicated by the fact that HR had not been correctly capturing the appropriate data, Banner and People Admin have differing data and the systems don't talk to each other.

What was most notable in the interviews was that while participants demonstrated support and understanding of the EEO goals at ETSU, they did not refer to any vision, strategy or plan of execution around creating a more diverse environment.

HR can play a leading role in building and operating a diversity and inclusion strategy. In a number of the peer group organizations the diversity function was a part of the Human Resources organization, aligning the key levers of achieving diversity, particularly hiring, with the overall human capital and diversity strategies.
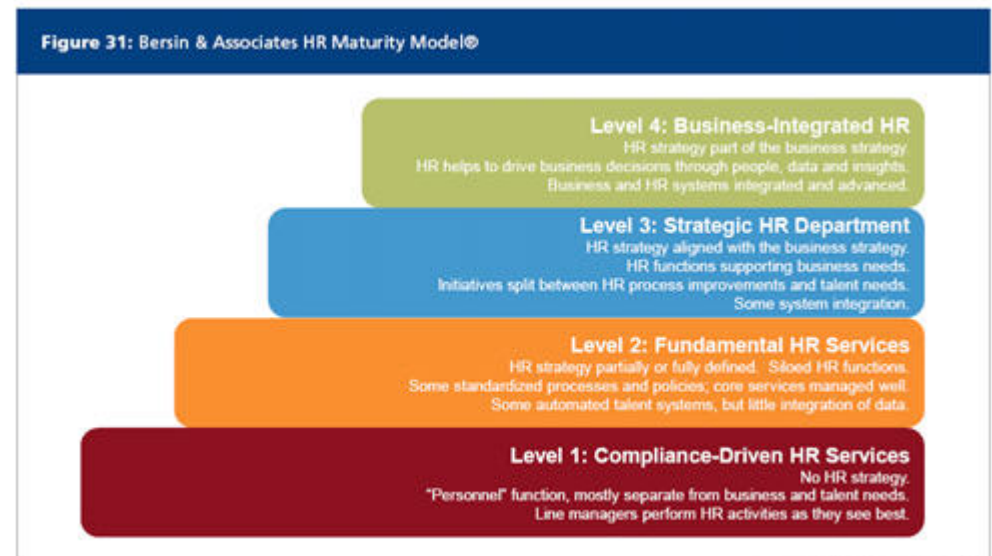
ETSU's Strategic Options

In "Staffing the Human Resources Function" the Society for Human Resources Management points out that today's typical HR department performs duties in 3 main areas*

- **Transactional:** Work that is administrative and primarily for the benefit of individuals
- **Tactical:** Work that is solution-focused and primarily for the support of employee workgroups
- **Strategic**: Work that is long-term, links to one or more business goals, involves multiple solutions and benefits specific units or the organization

The Bersin HR Maturity Model corresponds to the SHRM research, illustrating the potential for HR organizations to become strategic partners to their Organizations as they develop

Society for Human Resources Management "Staffing the Human Resources Function" October 13, 2016"

Figure 31: Bersin & Associates HR Maturity Model®

Level 4: Business-Integrated HR
HR strategy part of the business strategy.
HR helps to drive business decisions through people, data and insights.
Business and HR systems integrated and advanced.

Level 3: Strategic HR Department
HR strategy aligned with the business strategy.
HR functions supporting business needs.
Initiatives split between HR process improvements and talent needs.
Some system integration.

Level 2: Fundamental HR Services
HR strategy partially or fully defined. Siloed HR functions.
Some standardized processes and policies; core services managed well.
Some automated talent systems, but little integration of data.

Level 1: Compliance-Driven HR Services
No HR strategy.
"Personnel" function, mostly separate from business and talent needs.
Line managers perform HR activities as they see best.

Source: Bersin & Associates, 2011.

Recommended Actions

HR Leadership

An experienced HR leader with the vision, functional expertise and management experience to integrate the department is critical. The factions in HR, which are visible to everyone both inside and outside the department are an obstacle to efficiency, policy coherence and service delivery. In addition, to transform the HR team from a transactional "order fulfillment function" to a true partner in helping ETSU advance its strategic goals, an HR leader is key.

HR Process

HR's commitment to personalized individualized service relies on processes that are heavily manual and paper-driven. While individual clients may feel well served, the overall effect is to delay and bog down what should be simple items to execute. Key processes need to be prioritized, starting with Hiring, and need to be redesigned and automated where possible. Outsourcing, particularly in some areas of Benefits administration should be considered as a longer term option.

HR Structure

HR at ETSU is over-weighted with administrative staff and is lacking expertise in key functional areas notably Staffing and Compensation. In addition, the most strategic element of the HR function, HR Business Partnering and Advising is very under-resourced leaving managers and supervisors with little support, relying on their own knowledge and intuition in managing complex issues. The HR structure needs to be expanded to include Staffing and Compensation professionals as well as additional resources in the Business Partner role. The HRIS resources should be combined into a single team reporting to the HR leader. Finally, Diversity and Inclusion should be integrated into HR.

Recommended Actions

SPOFS

Single points of failure represent a critical risk not only for HR but for ETSU. The difficulty in generating data, the lack of system documentation and delays in accessing data are barriers to effective workforce management and Board accountability. The fact that data is managed in two different areas of HR further complicates data management. Creating a single HRIS team, reporting directly to the leader of HR will provide focus to developing HR metrics and accountability. Additionally, a strong partnership and shared accountability with the IT organization at ETSU should enable system documentation and provide back-ups to eliminate this single point of failure.

HR Investment

ETSU's investment in the HR organization is poorly positioned in relation to its comparators within and outside higher education. A staged investment process, focused on filling critical gaps is the first step. As an HR leadership team is established, the team can and should work on assessing HR needs, evaluating the current organization and prioritizing investments. As process redesign efforts are completed it is possible to retrain and repurpose staff as a career development option.

HR Culture

The HR culture is transactional with no coherent vision of what it can or should be. It is rooted in an outmoded "personnel" model. The division on the team and the lack of trust and respect affect every area and are impediments to individual and functional growth. Department leadership needs to immediately focus on a regular meeting schedule with the entire team, establishment of an HR leadership team with the expectation that they will function as a team and the expectation of full participation by every member of HR in the change effort.

Next Steps

Redesign Core HR Processes

Several core processes, e.g. hiring and onboarding staff, are characterized by duplicative data entry, paper-driven record keeping and manual workarounds. Using a LEAN Six Sigma approach, and Rapid Process Improvement methodology, partner with key stakeholders, e.g. IT, Finance, redesign selected processes, starting with hiring to integrate technology, eliminate waste and reduce processing time.

Fill-In Missing Functional Expertise

Establishing centers of expertise focused on acquiring talent and establishing a compensation strategy is key. ETSU's current time to fill is 146 days, largely due to a reactive, transactional approach to hiring. A Recruitment function will allow ETSU to develop relationships with pools of diverse talent, furthering its commitment to diversity and inclusion and shortening time to fill metrics. A Compensation function will provide a structured and strategic approach to compensation, as opposed to the current situational/transactional approach. By providing market data, University, academic leadership and Board leadership can assess ETSU's position within a talent market and decide where and when to make talent investments.

Align HR Technology

Some of the duplicative data entry and manual workarounds are the result of inefficient use of technology, notably Banner and PeopleAdmin. Additionally, technology is being underutilized in the conversion to electronic employee records. Improved use of existing technology should free up current resources to do more value-added work.

Appendix: Data Comparisons

HR Spend: ETSU vs Industry Benchmarks

HR's per capita expenditures in hospitals, schools and other non-business establishments continue to fall well short of annual outlays per worker in the business sector and that disparity has only widened in the past 10 years. *

ETSU HR Budget	Expense to FTE Ratio at 2500 EE	Expense to FTE Ratio at 5000 EE
$1,112,050	$442.82	$222.41

Society for Human Resources Management**	25%-ile	Median	75%-ile
	$659	$1667	$6,000

While the SHRM data reflects both for-profit non-profit organizations, the ETSU HR spend is well below the lowest percentile in the survey.

*Bloomberg HR Survey 2015-2016"
**Society for Human Resources Management "2016 Human Capital Report"

HR Spend: ETSU vs Industry Benchmarks

Additionally, when benchmarked against non-profit organizations ETSU remains in the lowest quartile in terms of HR investment.

ETSU HR Budget	Expense to FTE Ratio at 2500 EE	Expense to FTE Ratio at 5000 EE
$1,112,050	$442.82	$222.41

Xpert HR a division of Reed Elsevier cites the following in its "2014 HR Staffing, Costs and Structures in the Non-Profit Setting"

Xpert HR 2014 Benchmark	25%-ile	Median	75%-ile
	$547	$1099	$2579

HR Departmental Structure Comparisons: ETSU vs. Education Benchmarks

School	CHRO/VP HR	Staffing/ Talent Acquisition	Compensation	Benefits	HRIS	Generalist/ Employee Relations	Learning/Organization Development
ETSU				x *		x*	
Central Michigan U.	x	x		x	x	x	x
East Carolina U.	x	x	x	x	x	x	x
Georgia Southern U.	x	x	x	x	x	x	x
Indiana State U.	x		x	x	x	x	x
Old Dominion U.	x	x	x	x	x	x	x
Sam Houston State U.	x	x		x		x	

HR Departmental Structure Comparisons: ETSU vs. Education Benchmarks

School	CHRO/ VP HR	Staffing/ Talent Acquisition	Compensation	Benefits	HRIS	Generalist/ Employee Relations	Learning/Organization Development
University of Arkansas Little Rock	x	x		x	x	x	x
UNC Charlotte	x	x	x	x	x	x	x
UNC Greensboro	x	x		x	x	x	x
Wright State U.	x	x	x	x	x	x	x

*The two main HR departments at ETSU contain HRIS within Benefits and Compensation and Learning in Employee Relations