



CUPA-HR
Annual Conference and Expo

Making Strategic Decisions Related to Decentralized HR on Your Campus

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Your hosts for this session



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Overview

Making Strategic Decisions Related to Decentralized HR on Your Campus

SITUATION

HR is Important



- Human capital investment is significant
- HR functions are critical
- HR spending can be linked to outcomes

COMPLICATION

Decentral HR is Hard



- Majority of HR spending occurs in the units
- Difficult to track and manage decentralized HR
- HR activity spending varies significantly

RESOLUTION

Tie HR to Strategy



- Start with overall university strategy
- Assess spending and FTE investment
- Connect spending to HR strategic objectives (quality and efficiency)



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Let's start with a question...



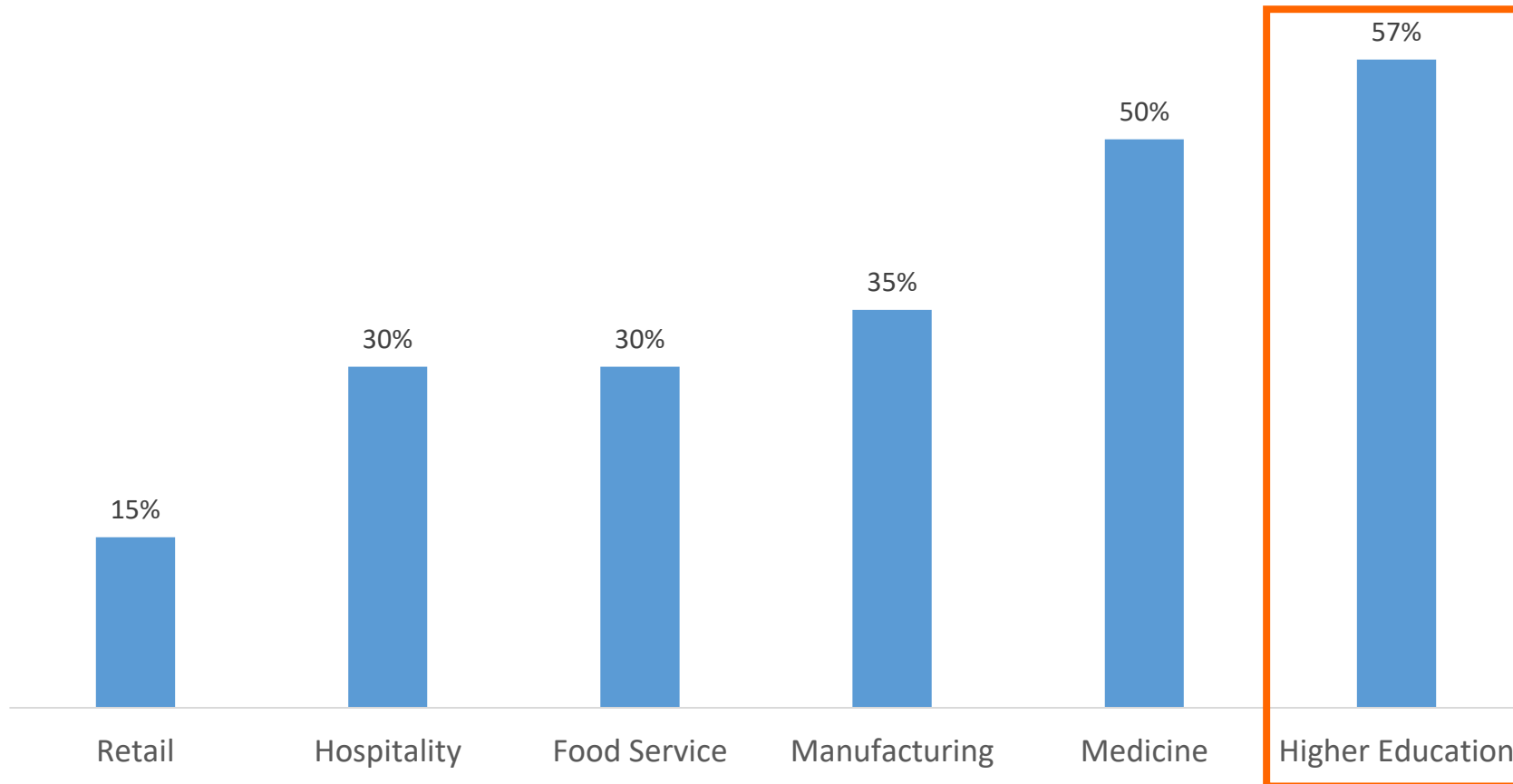
At my university...

- A) HR is not at the “strategic table” for major decisions
- B) HR is starting to get to the “strategic table” for major decisions
- C) HR is fully at the “strategic table” for major decisions

Spending on human capital is often the most significant investment in an organization



Percent of Total Revenue Spent on People



The Academic Benchmarking Consortium (ABC) is providing data and insights for administrative spend



Standard Activity-Based Cost Categories Model ("SAM™")



FINANCE

- Accounts Payable
- Budget and Financial Planning
- Financial Reporting
- General Accounting
- Payroll Processing
- Procurement
- Student Accounts



HUMAN RESOURCES

- Benefits
- Classification and Compensation
- Employee and Labor Relations
- Hiring
- Training



INFORMATION TECHNOLOGY

- Application Development
- Education Technologies
- Infrastructure and Operations
- Security and Privacy
- User Support



FACILITIES

- Capital Planning and Management
- Construction Services, Building Maintenance and Repair
- Dining Services
- Energy and Utilities
- Environmental Health and Safety
- Grounds
- Housekeeping
- Public Safety
- Transportation



RESEARCH ADMINISTRATION

- Pre-Award
- Post-Award
- Research Compliance



COMMUNICATIONS

- Marketing and Communication
- Media Relations



DEVELOPMENT

- Alumni Relations
- Fund Raising
- Prospect Management, Research and Analytics



STUDENT SERVICES

- Academic Advising
- Admissions
- Career Services
- Diversity
- Financial Aid
- International Programs
- Recreational Services
- Registration
- Residential Services

Mission:

Improve decision-making in higher education by providing reliable benchmarking data

Members:

UNC Chapel Hill
 UT Austin
 University of Florida
 Florida State University
 NC State University
 University of Delaware
 University of Colorado-Boulder
 Rutgers University
 University of Oregon
 UT Dallas
 University of Wisconsin-Madison
 Oregon State University
 San Francisco State University
 Auburn University
 University of Houston
 University of Alabama
 University of Utah
 Miami University of Ohio
 Temple University
 Virginia Tech University
 Loyola University Maryland
 Tennessee Tech University
 Kent State University
 Florida Atlantic University
 Arizona State University
 University of Mass. - Amherst
 Washington University
 University at Buffalo (SUNY)

The ABC data are visualized by activity, location, and normalized against selected peers



To whom should we compare?

What level of analysis?

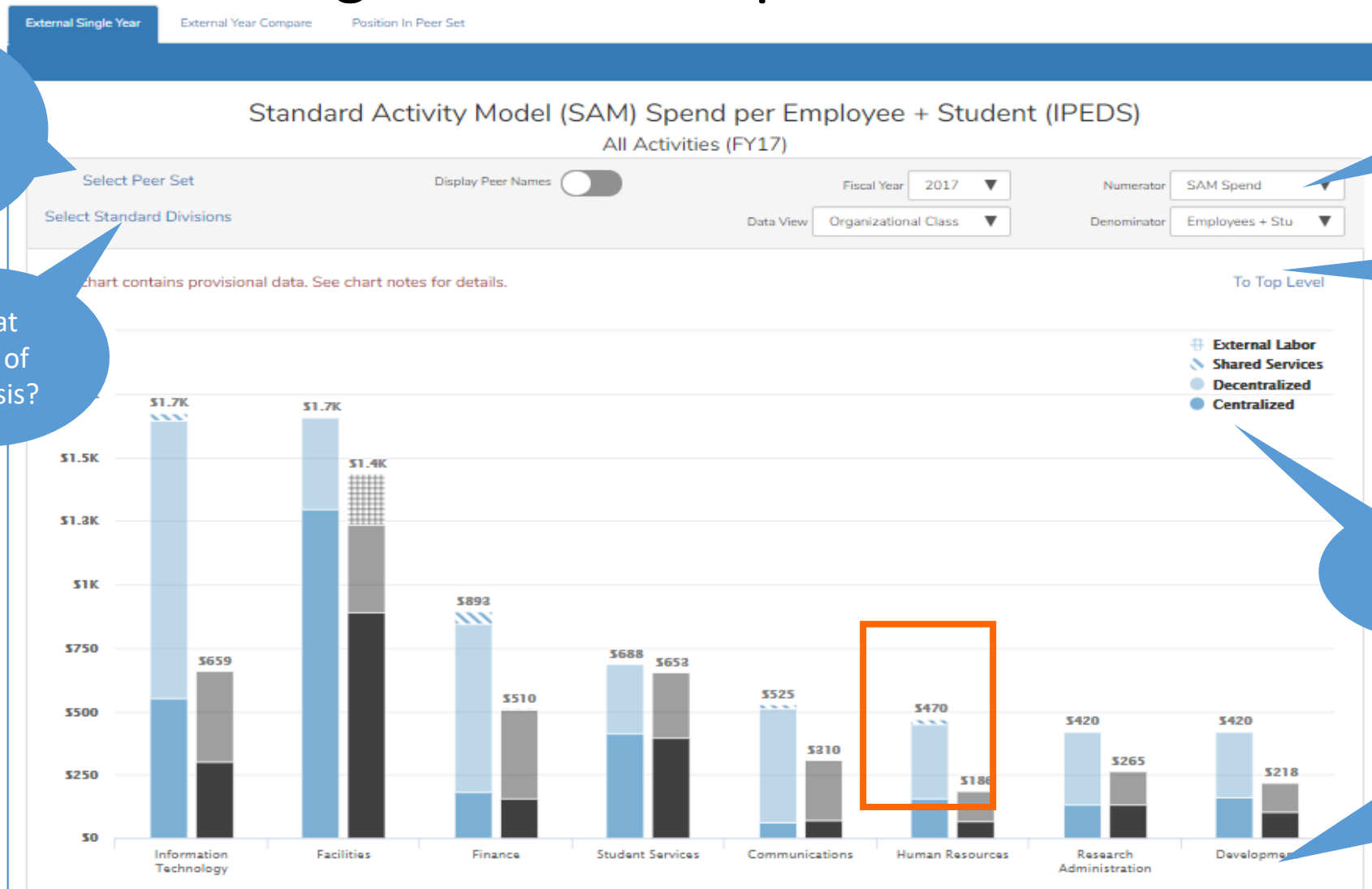
Adjustment for local labor rates?

How do we normalize?

Where costs are located?

Which activities to analyze?

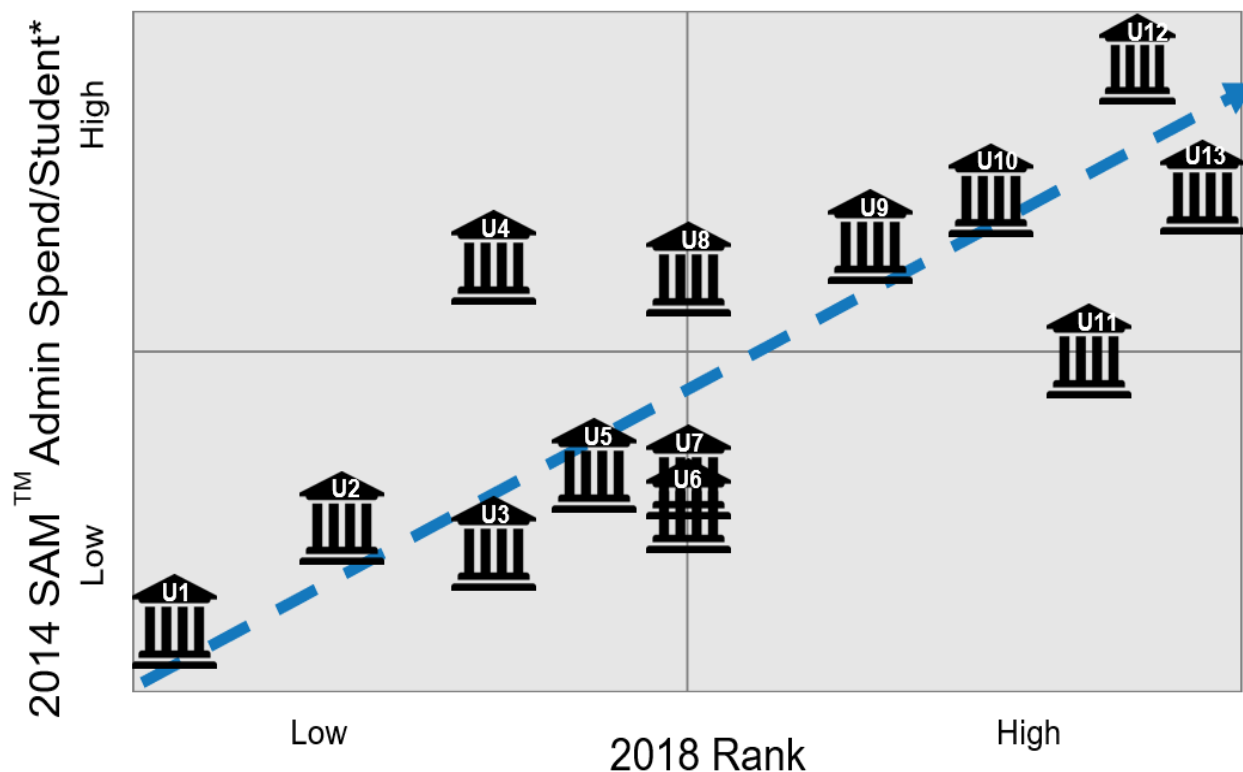
of students, # of faculty, # of acres/ft. sq, % OpEx, research \$, development \$, etc.





Spending on the HR function can be linked to outcomes in universities (featured in the Chronicle of Higher Education)

Spending per student is correlated to ranking



- **HR spending per student is correlated with outcomes** (i.e.: higher ranked universities spend significantly more per student than lower ranked universities)
- **HR spending as a percentage of administrative spending is also correlated with outcomes** (i.e. universities of higher rank spend more on HR as a percentage of total administrative spend than lower ranked universities)

* Adjusted for Area Wage Index (AWI)

University number indicates relative rank: Higher number = higher rank; U3 & U4 tied for the same rank; U6, U7, & U8 tied for same rank

Source: **ABC Insights**® FY14 data, n=13 universities (Benchmarkable: N=7; Provisional: N=2; In Progress [over 70% of \$ mapped]: N=4)



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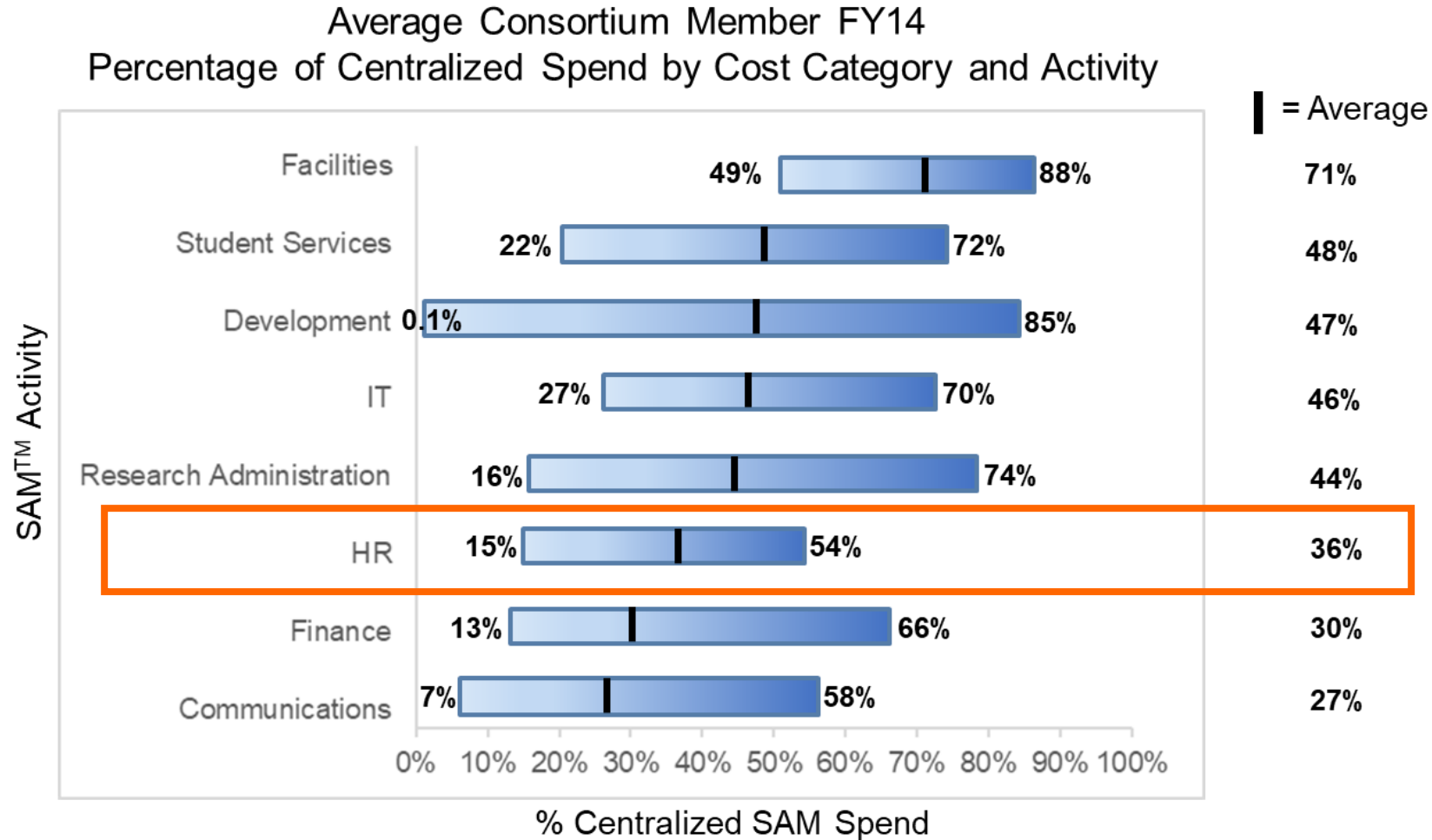
Let's hear from you again...



What percentage of HR labor spend is decentralized at your campus (defined as HR effort incurred at the unit/division level)

- A) Hmm... I really don't know
- B) 0-33%
- C) 34-66%
- D) 67%-100%

The level of centralization of HR is lower than other activities and varies significantly by university



What types of challenges do you face regarding HR at your campus?



Measurement: “Many people in units conduct HR activity without a formal HR title”

Recruiting: “Many units on campus create recruiting committees and conduct entire recruiting process without assistance or guidance from central HR”

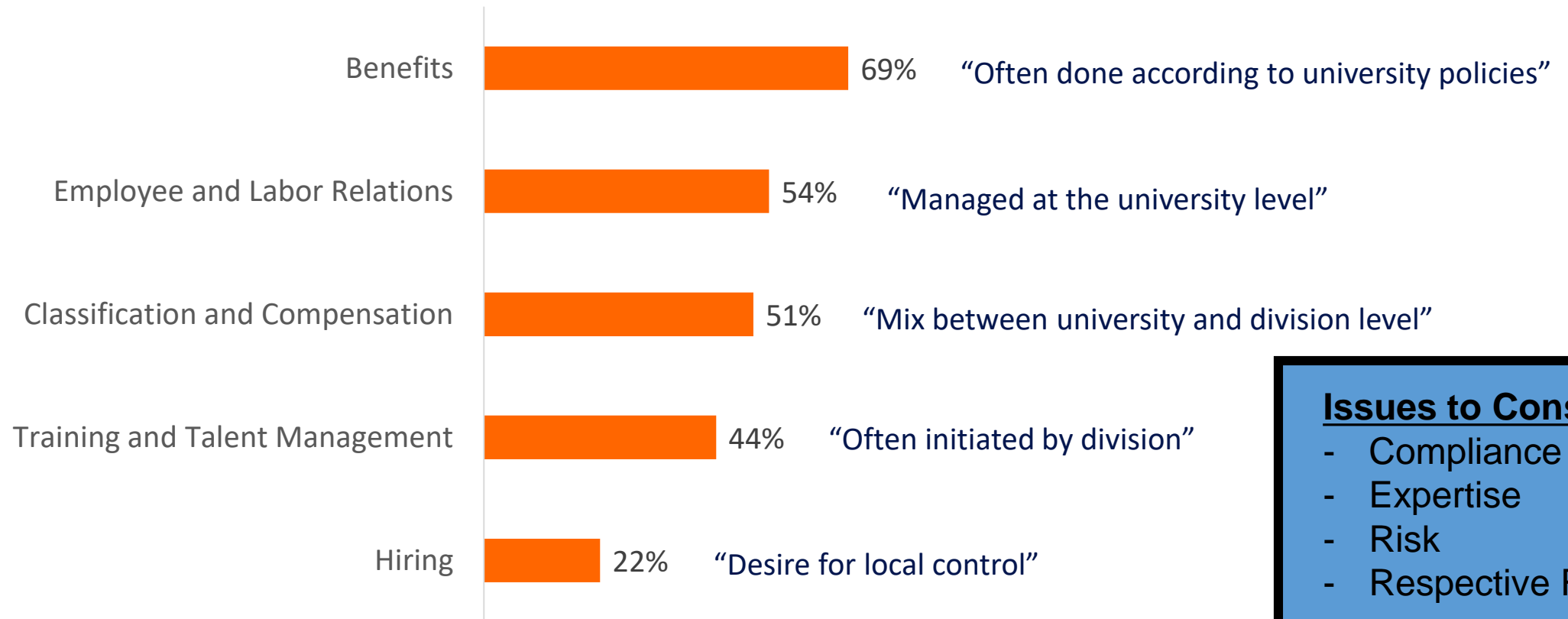
Training: “The school of social work decides to conduct training on sensitivity and implicit bias in decision-making for the entire school. The question is, why didn’t they contact central HR for expertise in this space?”

Titles: “Units across campus try to customize HR titles (and sometimes make more ambiguous on purpose) leading to over 8,000 unique titles on campus with 12,000 employees.”



HR activities spend varies significantly by activity

Centralization of HR Spend by Sub Activity



Issues to Consider:

- Compliance
- Expertise
- Risk
- Respective Roles



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One more engagement question...



Which of these strategic initiatives sound familiar to you?

- A) Increased centralization/shared services of HR
- B) Title classification projects
- C) Review of FTE levels for HR sub-activities



Three major strategic initiatives our members are discussing

- Restructure centralized HR around key strategic roles for the entire campus
- Increase centralization of specific sub-activities of HR to increase quality (such as recruiting and training)
- Share transparent data with units about HR activity with the goal of reducing redundancies and freeing up resources

Comparing and contrasting HR spending in two very different universities



- Fall students enrolled: 42,598 (FY15)
- Location: Madison, Wisconsin
- Area Wage Index (AWI*): 1.11 (FY 15)
- US News Ranking: 46 (FY18)



- Fall student enrolled: 30,256 (FY16)
- Location: San Francisco, CA
- Area Wage Index (AWI*): 1.70 (FY16)
- US News Ranking: 231-300 (FY18)

*Area Wage Index: CMS computes the wage index annually. In computing the wage index, they derive an average hourly wage for each labor market area (total wage costs divided by total hours for all hospitals in the geographic area) and a national average hourly wage (total wage costs divided by total hours for all hospitals in the nation). A labor market area's wage index (AWI) value is the ratio of the area's average hourly wage to the national average hourly wage. For universities who have an associated medical center, the AWI for that medical center is used. For those universities who do not have an associated medical center, the AWI associated with the closest zip code is used.



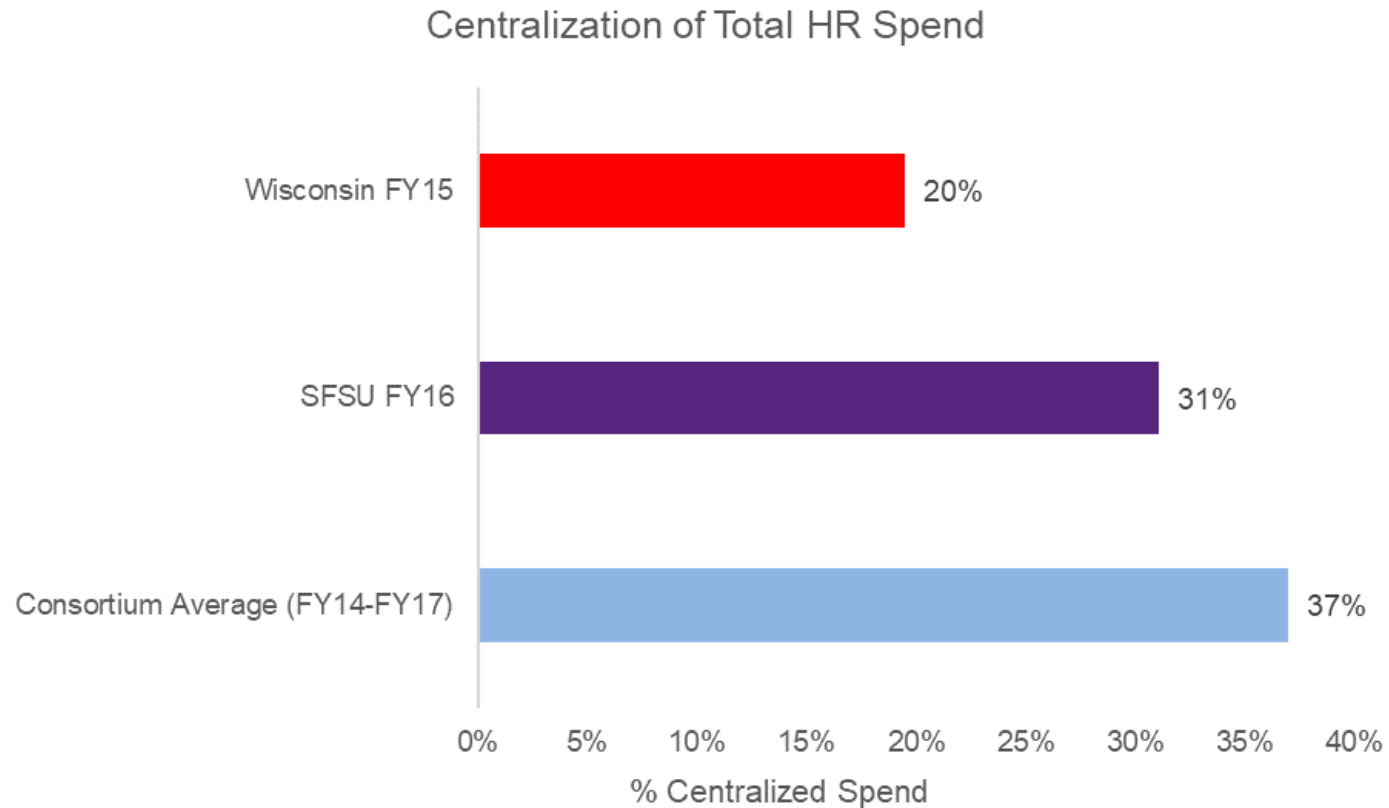
The first step is measuring the HR spend on campus

Total HR Labor Spend/Employee*



*ABC Employee Headcount

Measuring the level of centralization is helpful



Note: Consortium average refers to the average across 27 ABC members that are provisional or finalized for FY14-FY17.



Key strategic questions to address moving forward



- Are our salaries competitive with the market?
- What is the quality of service provided in HR, and are we adequately staffed to maintain that? (right-sizing)
- Are there opportunities to work with units to increase efficiencies in HR functions?



- What is our strategy to refill existing vacancies effectively?
- As we grow, do we need to change our FTE levels in particular areas?
- How to effectively implement HR practices if we are not going to have enough in those areas?



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