Human Resources & Labor Relations Committee

Present by phone: Committee Members: Marjorie Medd, Chair; and Samuel Collins.

Present by Polycom: Committee Members: Norman Fournier, James Erwin, and Gregory Johnson.

Present at UMS: Staff: Tracy Bigney, Martha Freeman – USM, Tamara Mitchell, David Stevens and Kelley Wiltbank.

Committee Members Absent: Michelle Hood.

Trustee Medd called the meeting to order.

Review and Discussion of the Recommendations for the Human Resources Administrative Review. Ms. Tracy Bigney, Chief Human Resources and Organization Development Officer explained that in January, 2012, the University of Maine System Board of Trustees adopted a statement of Goals and Actions, comprising a plan to make UMS financially sustainable, accessible, and affordable to students, and poised to meet the needs of Maine citizens for higher education, research, economic development, and community service. Among the actions were a series of administrative reviews intended to improve the effectiveness and efficiency of administrative functions by removing barriers and creating functions that are interoperable.

The Human Resources Administrative Review covers the Human Resources (HR) Analysis and Design steps of the process culminating in nine recommendations, one of which is an umbrella or overarching recommendation: transition the Human Resources (HR) organization to a new paradigm that incorporates three major components:

1. A collaborative **HR governance** structure that improves the investigation, problem solving, and resourcing of the unique needs of large and small campuses and the System Office.
2. HR leadership delivering strategic and tactical consultation and partnership that maximize the effectiveness of our faculty and staff (a move to **strategic HR**). As an operating paradigm it recommends HR leading, modeling, and suggesting systems that enhance the **engagement** and empowerment of the workforce, and drive decision making authority to the lowest competent level.
3. HR modeling "**optimum service delivery**" of strategic, tactical, and transactional HR services.

**Strategic Human Resource (SHR) Management** is the term most often used to denote the shift of the human resource function from a reactive and transactional entity to one that assists leadership in the proactive engagement of employees. Strategic Human Resource Management defines employees as a resource, an asset, that provides competitive advantage to an organization, and on whom organizational success is leveraged. This view of employees, as the prime drivers or one of the prime movers of organizational success denotes that people are in the special position of best helping the organization attain its objectives.

The SHR approach requires proactive planning for an organization to better meet the needs of its employees, and for the employees to better meet the needs of the organization. This approach affects
the way things are accomplished, improving everything from hiring practices and employee training programs to assessment techniques and strategic planning.

Organizations dependent on human capital for a large portion of their innovation, productivity, or service delivery must cultivate a work environment conducive to engagement and productivity. In an environment of engagement and productivity, all faculty and staff can flourish and excel whether their work be teaching, scholarly activity, and service; providing essential supports to students and faculty; or maintaining the physical campus. The beneficiaries of this environment are our students and the citizens of Maine.

**Employee Engagement**
An engaged employee is defined as one who is fully involved in, and enthusiastic about their work, and thus will act in a way that furthers their organization's interests. The Scarlett Surveys, a global provider of Associate Engagement Research, through its Employee Engagement Surveys state that employee engagement is a measurable degree of an employee’s positive or negative emotional attachment to their job, colleagues and organization that profoundly influences their willingness to learn and perform at work. According to a white paper by DecisionWise, engagement has components influenced by employee satisfaction, motivation, effectiveness and organizational culture.

The Gallup Organization, a leading international expert on the topic of engagement (or lack thereof) stated that engaged employees are clearly more valuable to your organization than disenchanted ones and great managers and leaders know this instinctively. This is confirmed by the Gallup Organization’s latest research into employee engagement levels among the U.S. workforce. Over $300 billion per year is lost in productivity in the American economy because of disengaged employees, according to Gallup.

**Optimum Service Delivery**
The Review Team reviewed all HR services and divided them into three groups:
- Services to be delivered locally (high-touch, high immediate value)
- Services to be consolidated, but not centralized (named shared expertise teams in the report)
- Services that were System-wide, transactional and could be automated and centralized (named shared services)

The Report recommendations are aimed at finding the optimum balance of centralization, consolidation, and/or local delivery based on weighing the type of service expectation with available delivery mechanisms. Another portion of optimum delivery is process improvement. Many organizational consultants are comfortable claiming 20% inefficiency in unexamined systems, of which 50-80% can be cost-effectively recovered. Obviously, not all of this is direct cost, but includes opportunity costs, avoided costs, and better service delivery as well. Lastly, any truly customer-focused service organization has to get feedback from the customers. The Review Team recommends the adoption of regular 360-feedback surveys, complete with prioritization and action planning for improvement.

**Scope**
It is the above considerations that convinced the HR Review Team to expand the scope of the HR charter and recommend a set of strategies that would position HR to assist UMS leadership in capturing the larger value represented by the overall cost of human resources and not just the administrative cost of HR administration.
Recommendations (that form the plan)
To accomplish this very large and significant culture change, the Team is making the following additional tangible supporting recommendations:

1. Form, train, and team-build a high-performing Human Resources leadership team (HR LT) consisting of four leaders representing the HR function of all universities and the System office. Fill leadership positions in a manner to ensure that team members possess appropriate competencies. This team would become the policy, program and budget team for UMS HR and EO, subject to appropriate approval.

2. Transition our current HR to strategic HR management, utilizing the engagement operating model:
   a. For optimal organizational performance, HR leaders will be fully integrated business partners with direct lines of communication to the President/Chancellor and other members of the President's/Chancellor's cabinet/executive staff. While recognizing that it is an executive decision, strongly encourage the use of strategic HR consulting when making strategic decisions and making the lead HR officers direct reports to the Chancellor/President.
   b. Educate HR staff and UMS administration and leadership on strategic HR, engagement, service delivery, and transactional efficiencies so that they understand the vision for HR as an efficient, effective, service-oriented strategic partner and they are aligned with these goals.

3. Optimize the service delivery model:
   a. Create a "shared service" unit for all transactional HR business - such as benefits, payroll, e-recruiting, document management, and data entry.
   b. Pilot and learn from creating a Shared Expertise Team (SET) to share specialized knowledge and expertise across the System. Expand as the model proves to be more efficient and effective.
   c. Reinforce and support the need for appropriate HR services to remain locally at the campus level.
   d. Ensure requisite investment in technology and information technology support services to better support current and expanded shared services and self-service.
   e. Employ LEAN Higher Education process improvement techniques. The LEAN Process means creating more value for customers with fewer resources. This will be followed by building capacity to expand LEAN Higher Education to other functional units across the organization.
   f. Utilize 360-degree feedback tools to receive formative "service delivery" feedback at both the work group and leadership levels. This includes formulating action plans to address any areas for improvement.

Financials
UMS HR needs to become more efficient and effective if it is going to be able to become more strategic without adding cost burden. Savings for implementing the full conceptual plan were quantified both in terms of overall FTE headcount and administrative costs, with a headcount reduction from 83 to 74, while adding capacity to deliver SHR services.

It is the express recommendation of the HR Review Team that savings in HR be reinvested in technology, automation, and strategic HR services to allow for the building of capabilities that will allow resourcing of similar improvements in all human dependent functional areas. It is the intent of
this reinvestment to build and embed the SHR and process improvement training capacity into the HR function to be able to resource all campuses and the System Office in their change efforts. It is not, however, the recommendation of the HR Review Team to frontload all investment, as this strategy would accumulate net investment to approximately $1 million in year three; however, if this were done the return calculations still show a net present value of over $1.3 million and an Internal Rate of Return (IRR) of over 25% (6% on a 10-year planning horizon).

Recognizing that capital for investment is tight, the Team is requesting approval for the following:

1. Approval of the full conceptual plan.
2. Authorization to form and populate the new HR leadership team.
3. Several pilots as proof of concept. The pilots are as follows:
   a. Continue the "LEAN" pilot within HR, and focus first on recruiting and benefits (readiness for technology investments).
   b. Develop out the business case for phase II of the Employee Benefits Center (EBC), including the addition of case management software.

Ms. Martha Freeman, Chief Human Resources Officer at USM, spoke in support of the HR Administrative Review report. In responding to questions from Trustees Medd and Fournier, Ms. Bigney explained that the new funding investment for the project would first be in technology (case management, document management and workflow) and the second would in for positions, i.e. the multi campus HR Director, and additional information technology positions. Trustee Johnson suggested that funding for the project be approved prior to the implementation to ensure success of the plan. Ms. Bigney commented that Vice Chancellor Wyke will be working with a subcommittee to develop the financial aspects of the report. Trustee Erwin asked if any benchmarks have been developed for FTEs and cost comparisons with other university systems. Ms. Bigney responded by stating that the headcount reduction from 83 to 74 is based on benchmarking. In addition, Sibson Consulting who worked with the HR Review Team indicates benchmarking examples in their report.

Ms. Bigney stated the campus Presidents are enthused and support the concepts of the report but requested more broad-based feedback from the campuses. Therefore, for the next couple of months the Review Team will be compiling feedback from the report and recommendations and the final report will be presented to the Trustees at the July Board meeting. Trustee Collins commented that it would be beneficial for the Vision or Mission Statement to reflect a System-wide shared responsibility. Chancellor Page commented that Strategic Human Resource Management fits into the UMS larger picture for the next five to ten years.

Adjournment

Ellen Doughty for
J. Kelley Wiltbank, Clerk of the Board