

University of Kansas
Changing for Excellence

Phase II Business Case Executive Summary
Human Resources - All Campuses

November 4, 2011

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Human resources – Phase I findings

Huron identified opportunities across campuses related to Human Resources of at least \$2.25M.

Current Challenges and Opportunities		
<ul style="list-style-type: none"> Historically, HR has not been viewed as a strategic partner; instead, its been viewed as a transactional function While overall central staffing at the Lawrence/Edwards campus is on par with peers, HR staff positions are distributed differently; HR is missing key areas of expertise (e.g. compensation planning/management, and talent management) KU campus staff report challenges with recruitment and on-boarding, citing process bottlenecks in central HR and in the departments Manual and paper-based processes contribute to inefficient processes (e.g. on-boarding, FMLA, benefits enrollment, payroll) The lack of robust performance management has made it difficult to counsel better performance or manage underperforming employees 		
Goals		
<ul style="list-style-type: none"> Create a strategic role for HR Redesign the organizational chart to include all critical HR functions Streamline processes and increase workflow implementation across HR Implement employee self-service options to reduce the workload of central HR staff and provide them with more time to focus on mission/strategy-enabling initiatives Implement a performance management process for unclassified staff and enhance existing performance management capabilities to assist KU in better managing and rewarding staff Establish operational and strategic performance metrics to assist the HR department in measuring improvements and contributions to institution strategy Standardize job descriptions and create salary bands across the Lawrence/Edwards campus 		
Annual Financial Opportunity (KU-Lawrence only)		
Cost Savings ¹	Resource Reallocation	New Revenue
\$2.1M - \$4.2M	\$160K - 320K	N/A

¹ opportunities identified in this area may overlap with recommendations identified under Facilities and Service Centers

Phase II findings updates – cross-campus

Huron refined and modified the Phase I findings related to HR based on additional analysis and discussions with the KU and KUMC HR workgroups.

Opportunity updates

- Several key processes – recruiting/hiring, performance management, etc. – were thoroughly reviewed with workgroups on both campuses
- Representatives from both workgroups came together to discuss common issues and begin developing common policies and procedures
- Throughout the course of these reviews, it became clear that KU and KUMC shared a wealth of common issues and could benefit from jointly addressing these issues
 - Unnecessarily complex and paper-based processes
 - Different policies for different employee categories
 - Varied and oftentimes ineffective performance management practices
 - Insufficient training materials
 - Perceived lack of support from campus leadership
- Certain opportunities, such as process re-design , must be approached in tandem; other opportunities, such as the development of training materials, would benefit from a joint approach but could be completed independently on both campuses



Impact on identified phase I opportunities

- Several campus-specific recommendations from Phase I converged into shared opportunities
 - PeopleSoft 9.1 implementation (both campuses), HR process redesign (KU-L), process redesign, self-service, metrics (KUMC) → process transformation
 - Enforce performance standards (KU-L) and performance management implementation (KUMC) → professional development and performance management
- An additional recommendation to establish a strategic role for HR was developed through the course of Phase II

Phase II findings updates – KU-Lawrence

Huron refined and modified the Phase I findings related to HR based on additional analysis and discussions with the KU and KUMC HR workgroups.

Opportunity updates

- The preliminary Phase I plan to re-allocate HR staff among functional areas has been developed in more detail in the context of the refined Phase II opportunities
 - KU will likely need to hire a compensation expert: expertise does not exist within current HR staff and the role should be filled before a compensation analysis project begins
 - KU would benefit from adding training experts in the short-term, likely through hiring temporary resources
 - Longer-term staffing needs and resource allocation should be assessed after processes are re-designed, PeopleSoft HR 9.1 is implemented, and HR transactional staffing needs are clear
- The recommendations to assess position descriptions and develop salary bands were developed in more detail through additional discussions with HR leadership and review by Huron subject matter experts



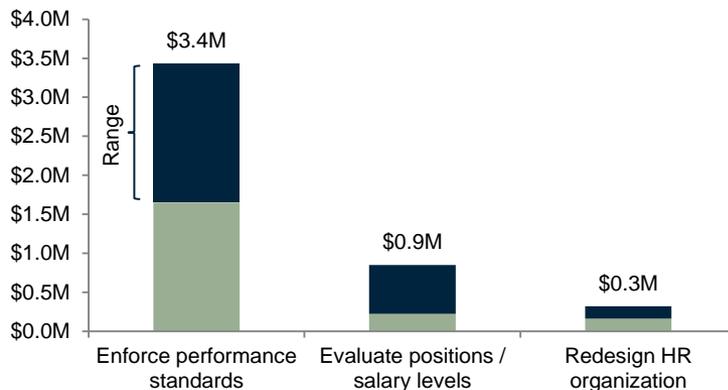
Impact on identified phase I opportunities

- KU-L Phase I recommendations for redesigning HR processes and enforcing performance standards are included as cross-campus opportunities
- The opportunity to update job descriptions has been expanded into two separate recommendations
 - Compensation analysis to establish competitive pay scales for non-faculty staff positions
 - Position description review to “clean up” existing descriptions and establish maintenance guidelines
- In order to align new HR staff roles and responsibilities identified as part of the cross-campus and KU-L recommendations, the Lawrence HR department should reorganize to include a compensation expert and expand training capabilities

Human resources analysis – opportunity

HR opportunities focus on redesigning processes and managing performance in order to identify and address underperforming staff.

Phase II Steady State Annual Impact



Phase II – Business Case Financial Summary

- Many outcomes of the defined opportunities cannot be reliably estimated at this stage
 - Unclear level of efficiency gains from process transformation and PeopleSoft implementation
 - Compensation study will likely identify need to increase some pay levels and decrease others
- Financial estimates based on two key factors
 - Estimated impact of identifying and removing underperformers
 - Cost estimates of additional personnel and third-party expertise required to implement recommendations

- Reduction of unproductive staff
 - Likely also an opportunity at KUMC, but financial impact only estimated for KU Lawrence
 - Savings identified here likely overlap with other business cases (service centers, facilities)
- Re-allocation of HR staff treated as a net-zero opportunity in integrated financial model: while staff is more efficiently allocated, total costs remain the same

Five Year Cumulative Impact¹ (Expected Case)

\$000s
(parentheses denote costs)

Reduced unproductive staff	\$5,080
Market-aligned salaries	\$440
Investment Requirement (total)	(\$1,450)
Net Benefit	\$4,070

²Year 1 is FY12, which is a partial year

Financial model – notes and assumptions

A series of assumptions were required to estimate the financial impact of implementing the HR business case.

Notes	Assumptions
<p>Many of the HR business case benefits are difficult to reliably quantify and are therefore excluded from the financial analysis</p> <ul style="list-style-type: none"> • Additional staff time required to complete performance reviews • Retraining costs for reallocated HR staff (KU-L) • Increased staff productivity due to enhanced professional development and performance management • Increased staff productivity due to streamlined HR processes • Future cost avoidance opportunities due to internal compensation expertise <p>Benefits in terms of reduction of under-performing staff are quantified for KU Lawrence but not KUMC</p> <p>Compensation study and technology costs are based on Huron estimates</p>	<p>HR staff reallocations across functional areas on the Lawrence campus “balance out”: staffing is more aligned with needs but the financial impact is negligible</p> <p>Estimates of benefits for reduction of under-performing staff are based on ranges developed in <i>Changing for Excellence</i> Phase I</p> <p>Estimates of expected and “high-case” benefits for aligning salaries with market costs based on ranges developed in <i>Changing for Excellence</i> Phase I; “low case” estimate set to zero to address possibility that compensation review creates no net financial savings</p> <p>Costs accrued based on proposed implementation timeline</p> <p>Due to delayed impact of enforcing performance standards and implementing salary ranges, benefits do not begin to accrue until FY2014 and do not achieve full steady-state levels until FY2016</p>

Most costs for the HR business case are predictable and included in the model, while many benefits cannot be reliably quantified and are excluded; the model therefore likely understates the impact of the HR business case.

Financial model – summary

The financial model estimates the measurable costs and benefits of the HR business case; these figures are for the KU-Lawrence campus only.

Expected Benefits Case (\$000's)

(assumes middle range of Phase I benefits estimates)

Benefits	2012	2013	2014	2015	2016
Reduce unproductive staff	\$0	\$0	\$847	\$1,693	\$2,540
Align salaries	\$0	\$0	\$73	\$147	\$220
Total	\$0	\$0	\$920	\$1,840	\$2,760
Costs					
New salaries	\$50	\$100	\$100	\$100	\$100
Comp. study	\$0	\$300	\$0	\$0	\$0
Systems costs	\$0	\$250	\$0	\$0	\$0
Total	\$50	\$650	\$100	\$100	\$100
Net	(\$50)	(\$650)	\$820	\$1,740	\$2,660

Net Present Value (Expected Benefits Case): \$4,322,000

Low Benefits Case
(assumes low range of unproductive staff reductions benefit, no benefit from compensation review)

Net Present Value **\$2.2M**

High Benefits Case
(assumes upper range of Phase I benefits estimates)

Net Present Value **\$6.5M**

Risk assessment summary – HR

The key risks associated with the HR opportunities are ensuring efforts align with the PS HR 9.1 implementation.

- Coordinating multiple, concurrent cross-campus efforts will be critical for the success of the HR business case
 - Policy and process redesign
 - PS HR 9.1 implementation
 - Restructuring the role of EO and the level of departmental “ownership”
 - Development and rollout of integrated policy / process / systems training
 - On the KU Lawrence side, evaluating the impact these changes will have on staffing requirements and identifying opportunities to reallocate HR personnel among functional areas
- There is also a risk of professional development and performance management improvements being “lost” in the wave of changes
 - Above and beyond process improvements new systems, professional development and performance management require re-shaping attitudes on campus
 - It is critical to clearly communicate this shift in approach and emphasis to supervisors and staff and to stringently enforce these new standards
- On the KU Lawrence campus, it is difficult to predict the financial impact of the compensation study
 - Certain position types are likely overpaid at the current time, but there is also a strong likelihood that other positions groups are underpaid relative to the market
 - Adjusting compensation levels will help KU recruit and retain high-quality employees, but may not generate significant savings in the short-term

Approach – cross-campus

The table below depicts the high level tasks necessary to implement the cross-campus components of the Human Resources business case.

Mobilize	Design	Deploy	Optimize
Oct. – Nov. 2011	Nov. 2011 – Apr. 2012	Feb. 2011 – Jun. 2012	Jul. 2012 – ongoing
<p>Tasks</p> <ul style="list-style-type: none"> • Evaluate business case • Make move-forward decisions • Identify workgroup changes / additions 	<p>Tasks</p> <ul style="list-style-type: none"> • Clarify strategic role for HR • Redesign policies and processes • Identify performance metrics • Develop new policy / process training materials 	<p>Tasks</p> <ul style="list-style-type: none"> • Assist PS HR 9.1 implementation team with system testing • Rollout policy / process training materials to campus • Launch enhanced performance management 	<p>Tasks</p> <ul style="list-style-type: none"> • Evaluate HR KPI's • Analyze performance review results and adjust process as necessary • Identify chronically underperforming staff via subsequent performance reviews
<p>Deliverables</p> <ul style="list-style-type: none"> • Go / no-go decision on business case components • Confirmed changes / additions to workgroup 	<p>Deliverables</p> <ul style="list-style-type: none"> • Defined strategic role for HR • Standardized cross-campus policies & processes • Catalog of key performance metrics (KPI's) for HR • Policy / process training materials 	<p>Deliverables</p> <ul style="list-style-type: none"> • Policy / process training plan • Completed training by relevant staff (KU / KUMC internal deliverable) • Completed supervisor training and performance review cycle (KU / KUMC internal deliverable) 	<p>Deliverables</p> <ul style="list-style-type: none"> • Baseline functional performance assessment of HR • First year of performance review results under enhanced process

The detailed implementation plan is provided as an MS Project Plan, detailing the individuals responsible for each of the tasks involved in the next steps implementation plan.

Approach – KU Lawrence

The table below depicts the high level tasks necessary to implement the KU Lawrence components of the Human Resources business case.

Mobilize	Design	Deploy	Optimize
Oct. – Nov. 2011	Nov. 2011 – Jul. 2012	Aug. 2012 – Dec. 2012	Dec. 2012 - ongoing
<p>Tasks</p> <ul style="list-style-type: none"> Evaluate business case Make move-forward decisions Identify workgroup changes / additions 	<p>Tasks</p> <ul style="list-style-type: none"> Hire internal compensation specialist Evaluate external resources for compensation study and position description review 	<p>Tasks</p> <ul style="list-style-type: none"> Complete compensation study Complete position description review Assess post-PS HR 9.1 implementation staffing needs in HR 	<p>Tasks</p> <ul style="list-style-type: none"> Continue maintaining job description standards Periodically re-evaluate salary levels Continue to assess HR staff transaction needs post-go-live and reallocate as appropriate
<p>Deliverables</p> <ul style="list-style-type: none"> Go / no-go decision on business case components Confirmed changes / additions to workgroup 	<p>Deliverables</p> <ul style="list-style-type: none"> Compensation specialist on-board Contract with external resources 	<p>Deliverables</p> <ul style="list-style-type: none"> Position-specific salary ranges for new hires Updated position descriptions HR staff functional reallocation plan 	<p>Deliverables</p> <ul style="list-style-type: none"> Ongoing data-driven organizational enhancements

Assumes compensation study, position description review, and organizational assessment will take place after successful PeopleSoft HR 9.1 go-live

The detailed implementation plan is provided as an MS Project Plan, detailing the individuals responsible for each of the tasks involved in the next steps implementation plan.



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