The Summer School Series

Strong Foundations: Structural Organization as a Critical Compenent of Solving University Human Resources Challenges

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A university and its culture reflect their most important asset – their people. Human Resources (HR) is a highly important function at any college or university, and is an area frequently cited by leadership as a key area for improvement. If you or your department are facing HR challenges, you may hear these recurring issues from faculty and staff: "We can't hire good people fast enough," "We can't retain top performers," "HR processes move too slowly". If this sounds familiar, improving HR functions may be the single most pressing administrative need across your university's campus.

The organizational challenges faced by HR at higher education institutions are driven by a number of factors:

- **Funding**. Universities are resource-constrained, and support functions such as HR have been hit hard by budget cuts throughout the years. This often means that HR departments do not receive the investments in people, training, and systems that are necessary for a best-in-class HR function.
- **Trust.** Other units outside of the core administration (schools, departments, etc.) often lose trust in central HR as a result of under-investment or perception of overly-restrictive policies. This can lead to individual units investing in their own local HR support with limited coordination and collaboration with central HR.
- **Control.** In some cases, academic or other support

units simply want better control over their HR support. By having an HR department within their own unit, faculty and staff increased control over desired outcomes, as well as the timeline of those actions.
- **Organizational Design.** HR is organized very differently across university departments and schools. This lack of overarching strategy around campus-wide HR structure can create inefficiency and performance issues.

This complex set of challenges can make HR revitalization daunting. In this article, we will discuss organizational approaches to address HR issues. While organizational structure alone might not solve all of your HR challenges, it can provide university leaders with the control they need to promote required HR policies. It can also be a critical first step in building trust, resolving funding issues, and reducing the need for local control over HR.

The remainder of this article outlines key challenges that arise when there is not a central HR organizational strategy, and describes considerations and an approach for determining what an optimal HR structure should look like.

Cracks in the Foundation: What Challenges Are Caused by Lack of HR Organizational Strategy?

Without a clearly defined HR organizational strategy, HR function can become inefficient. Inefficiencies can result from (1) limited training, (2) lack of expertise, and/or (3) duplication of work across the university. In addition, because of the legal and regulatory implications of HR, not defining an organizational strategy can create (4) compliance risk for the university.

- **"Jacks-of-all-Trades."** At universities without an HR organizational strategy, we often see small pockets of HR functions scattered across campus. In these cases, many HR services are often provided by general administrative staff who also split their time across other tasks such as finance, procurement, and facilities coordination. Because these general administrators are 'jacks-of-all-trades', they typically do not have a background in HR or formal HR training; HR is only part of their role. Even when these staff members are strong performers, which they often are, the lack of sufficient training and dedication can lead to lower service levels and customer frustration.

- **Limited Depth of Expertise.** Even when HR services are provided by dedicated HR staff with appropriate experience and training, distributed HR support can dilute resources and limit service levels. With small pockets of HR fragmented across campus, most HR staff are typically generalists, performing many different critical tasks. For example, an HR generalist in an individual academic college might spend time on payroll, hiring, employee relations, benefits, and even a variety of non-HR issues (e.g., finance, IT) for the college. An overly heavy generalist model often limits investment in specialists to complement and collaborate with the generalists, and boost overall depth of expertise.
- **Duplication of Work Across Campus.** Without a clearly defined HR strategy, leaders often build their own HR structure, sometimes unaware that other HR groups exist that perform similar functions. In some cases, a leader (e.g., a dean or provost) is aware that central HR is performing a particular task, but for the reasons outlined above, will invest in local HR support. At one university where we have worked, a dean commented, "I know I have [HR] staff that I'm paying for that are duplicating the work of central HR. But I need that work done and HR is not supporting me. As a result, I have to pay for additional headcount that I wish was going to financial aid or faculty salaries." Although duplication might address the needs of an individual school or department, the overall HR function costs more, particularly when this experience is replicated across multiple schools and departments.
- **Compliance Risk to the University.** Lack of training and expertise, fragmentation, and duplication of work can create compliance or legal risk to universities. Certain HR tasks, such as employee relations and performance management, should be supported by trained HR professionals. When general administrators perform these tasks, there is a greater risk of non-compliance with state or federal regulations. Similarly, when each college or department has their own, disconnected local support, HR service can be inconsistent, increasing risk of non-compliance with central university HR policy.

Starting to Rebuild: How Can Universities Optimize Their HR Organizational Structures?

To address these inefficiencies, the answer is not necessarily to centralize HR. Instead of focusing on reporting relationships of HR employees, university employees should consider each individual HR task, and which unit would be best equipped to implement each task. We have found that, typically, a hybrid structure makes sense, but with a more deliberate strategy about roles and governance. In this hybrid structure, there are a variety of places an HR task could be performed:

- **Certain functions need to stay with schools or, in some cases, departments (e.g., faculty hiring).** Functions that are critical to the mission of a university, such as faculty hiring, need to remain with deans or department chairs. The types of HR tasks that should remain decentralized are those that are most critical to the mission of the institution and those that do not benefit from scale (i.e., the size of the group of people performing the function).
- **Certain functions are best centralized (e.g., employee relations).** These activities include tasks that have a legal or compliance impact, such as employee relations, or are highly scalable, such as payroll processing. There is benefit from having the same individuals handle all these tasks, regardless of the school or department from which they originate.
- **The majority of functions, however, can be performed wherever the university feels makes the most sense, assuming the functions can be performed with sufficient scale**. For most functions, scale is the critical factor. With scale, employees can be trained, dedicated HR staff, and HR staff can specialize to become more effective. At small universities, achieiving sufficient scale for certain HR activities unless these fucnctions are fully centralized across the university. At larger universities, there might sufficient scale in certain schools or departments to warrant a

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local HR group. There might also be a series of HR "centers" that support multiple schools or departments.

Once it is determined where a task should be performed, a critical next step is implementing a strong governance structure. When there is a significant amount of decentralized HR, it is even more important to have a clearly defined decision rights and governance structure which formalizes roles, responsibilities, and reporting structure of HR across the university. This will help start to address any trust and control issues and will help set clear expectations for HR across the university.

Assess for Success: How Can You Determine The Optimal HR Structure?

Adjusting organizational structure university-wide, particularly for a function as important as HR, can be challenging. In our experience, there are four critical success factors for designing and deploying a new HR organizational strategy.

- **Ground discussions in data.** Determining how much time is currently being spent, and by how many employees, on each HR task across the university is an important first step in determining how HR should be organized. It is important to gather information on all those supporting HR tasks (even if only on a part-time basis) to get a complete and accurate picture of who is performing what tasks and where. This will help inform discussions and decisions and prevent leadership from getting mired down in opinion and anecdote.
- **Create an inclusive process**. Organizational redesign efforts often fail because the right people are not involved in the process from the beginning, and communication is not transparent and consistent. For HR, it is critical that senior leaders, major HR customers, and current HR service providers are engaged from the beginning. In addition, make sure to take the time to outline a clear communications strategy to keep critical individuals informed of the process on an ongoing basis. Changes in HR functions affect a majority of stakeholders at the university, and implementing these changes requires high levels of communication and exclusivity.
- **Specify your goals up front**. At the very beginning of the effort, determine the ultimate end goal of your

project. Is it to save money? Provide top quality customer service? Many university leaders have died on their swords trying to generate savings of a few, fragmented FTEs. Many universities, and in particular smaller universities, are better off focusing on improving the effectiveness of HR and worrying about potential cost savings down the road once they have strengthened the HR function and can get a better sense of the cost savings opportunities.

- **Be wary of the latest trends and buzzwords.** The shared service model, in particular, is a hot topic in administrative service delivery within higher education. While there has been increased interest in shared services in higher education over the last few years, there are as many failed attempts as there are success stories. To improve HR's efficiency, the best place to start is addressing the duplication and fragmentation discussed above. It is possible that shared service centers ultimately make sense for your university, but is likely not the silver bullet that will solve all your budget challenges and customer service woes.

Creating a true organizational strategy for HR can go a long way toward improving the performance of the your university's HR departments. You can expect a range of benefits, from higher-quality customer service and consistency of execution across the university, to financial savings and reduced risk. All of these benefits will allow your university to focus more time, resources, and energy toward your central academic mission. While organizational structure will not fix all of your HR problems, addressing these issues is a critical step in making one of the most important functions at the university operate in a more efficient and effective manner.