

EQUATERRA



State of Alaska - Department of Administration Division of Personnel & Labor Relations (DOPLR) HR Structure Study Executive Summary

September 24, 2009

Research » Strategy » Transformation » Governance

Project Objectives

- » Document the DOPLR current organizational structure, HR services delivery model and processes, including its capabilities, effectiveness and an indicative view of its costs;
- » Compare the current DOPLR organizational structure and delivery model to best practices;
- » Recommend an optimum organizational model, and service delivery model for DOPLR, reflective of its unique mission and scope;
- » Assess the gaps between the current state and ideal future state model; and
- » Recommend a plan for implementing the optimum HR delivery model, taking into consideration both internal and external influences that may affect its transformation.

Data Collection

» Process

- 65 hours of one-on-one interviews with a broad range of stakeholders (administrative service directors, DOPLR program managers, a sampling of DOPLR and departmental staff and several commissioners and deputy commissioners)
- Review of material related to the initial implementation of the centralized structure for DOPLR (memos and work plans)
- Review of a recently completed survey around employee satisfaction provided by the Department of Transportation and Public Facilities
- Collection of organizational, financial and process performance data from DOPLR
- Review of the work done by The Hackett company around current levels of administrative workloads within the DOPLR
- Review of EquaTerra maintained data related to organizational effectiveness and best practices

» Results

- In general agencies rate current service delivery as mediocre with a typical overall score of 3-7 on a scale of 1-10 – most feel that the decentralized model delivered a higher level of service
- Some specific comments follow:
 - “Original implementation of the centralized model was flawed - from an agency perspective – it wasn’t about saving money it was about control – perception of service delivery improvement in recent months”
 - “Current structure has resulted in a greater level of conformity to standards and to policies & procedures”
 - “Cost of personnel services may have gone down – but hidden costs have been added in the agencies”
 - “Good people in DOPLR but they are bogged down in transactional work and don’t understand my business – focus is more around control than service”

EquaTerra assessment of DOPLR versus “best practice”

- » Approximately 70% of the work being done in DOPLR is administrative or transactional in nature - **best practice would have 70-80 % of staff performing strategic and consultative work.**
- » The high level of administrative/transactional work is driven by the absence of current and integrated technology - **best practice organizations are achieving 90%+ levels of transactional self service.**
- » There is very little self service available to employees and managers and no single point of contact to resolve HR, pay and benefit issues - **best practice would be a deployed employee portal which would provide a single point of access to HR, benefit and pay related information backed up by an HR service center.**
- » While some centers of expertise exist today (EEO,T&D, Labor Relations, Classification etc...) -**they are not as tightly linked to the delivery of services as they could be and do not include some best practice areas like workforce planning, strategic recruitment, and performance management.**
- » The Service Centers are not delivering a complete set of services to the agencies. - **best practices indicates that a delivery model should be organized around processes and “streams” of work. (e.g. common transactions for employees and agencies; services to support management; and overall strategy and policy)**
- » There is not a strong connection to the agencies and their strategic and business needs - **best practices would have a tight link to the agency so that their needs and requirements could be identified and solutions developed and provided to meet their needs.**

EquaTerra assessment re: staffing levels, current budget and HR servicing ratios

- » The average number of filled positions over the past year in DOPLR has been approximately 170 and FY 2009 total expenditures were approximately \$15.5 million
- » Two standard measures that have been utilized to compare HR functions are: the HR ratio (number of employees in an organization divided by the number of employees in the HR function) and the HR cost (the total cost of the HR function divided by the number of employees in the organization)
- » The following chart compares Alaska's current HR ratio and cost against a broad range of organizations

HR Metrics and Measures	State of Alaska	Top	Median	Bottom
HR Ratio (excludes payroll)	97	95	63	33
HR Cost	\$936	\$697	\$2,608	\$6,172

- » This data would indicate that the DOPLR function is in a “best practice” range when it comes to servicing ratios and to overall expense levels. It is EquaTerra’s observation however, that this data may well be an indication that the state of Alaska may be underinvested in the DOPLR function resulting in costs being shifted into the agencies since ratios are in a “best practices” range but service delivery satisfaction is at a “mediocre” level. It may also be reflective of an underinvestment in enabling technology that would automate many manual processes.

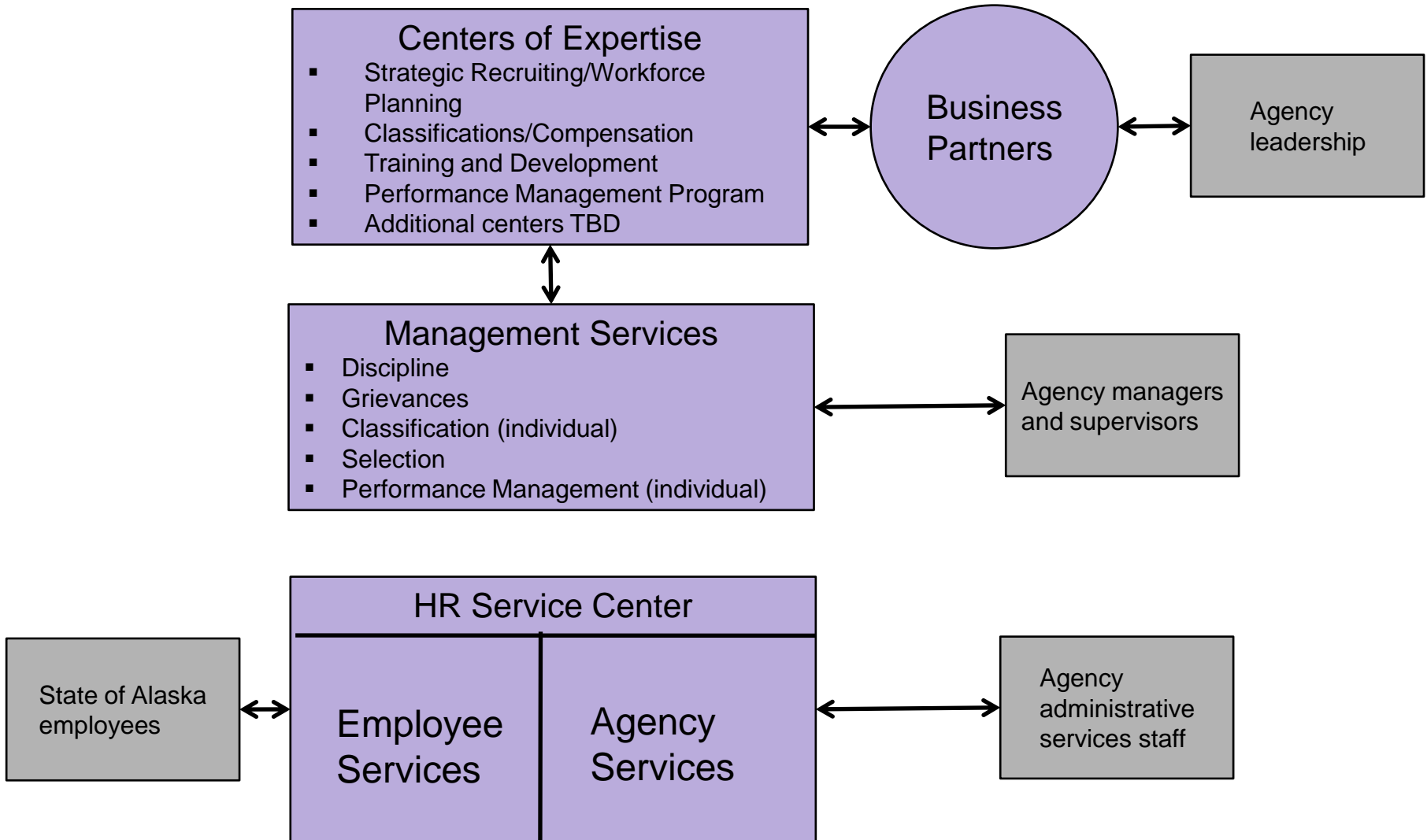
EquaTerra Assessment – in summary:

- » Far too many resources are absorbed by administrative tasks
- » The current organizational structure creates too many “points of contact” in terms of the ways employees and managers access needed services and information
- » The current model is both centralized and decentralized and some of the best talent in DOPLR is being “bogged down” by administrative work
- » There does not appear to be a focus around process and quality within DOPLR today and this has led to an absence of a strong integrated process framework around which work is done and around which performance is measured
- » There is an absence of supporting technology – DOPLR is trying to work with several technology solutions that are not integrated and that limit process efficiency - foundational service delivery tools around areas such as call tracking, case management and knowledge management do not exist
- » Many issues today have their root cause in the existing and outdated job classification system
- » The manner in which the centralization of DOPLR was done in 2003 continues to impact the degree to which some people have accepted the centralized model.

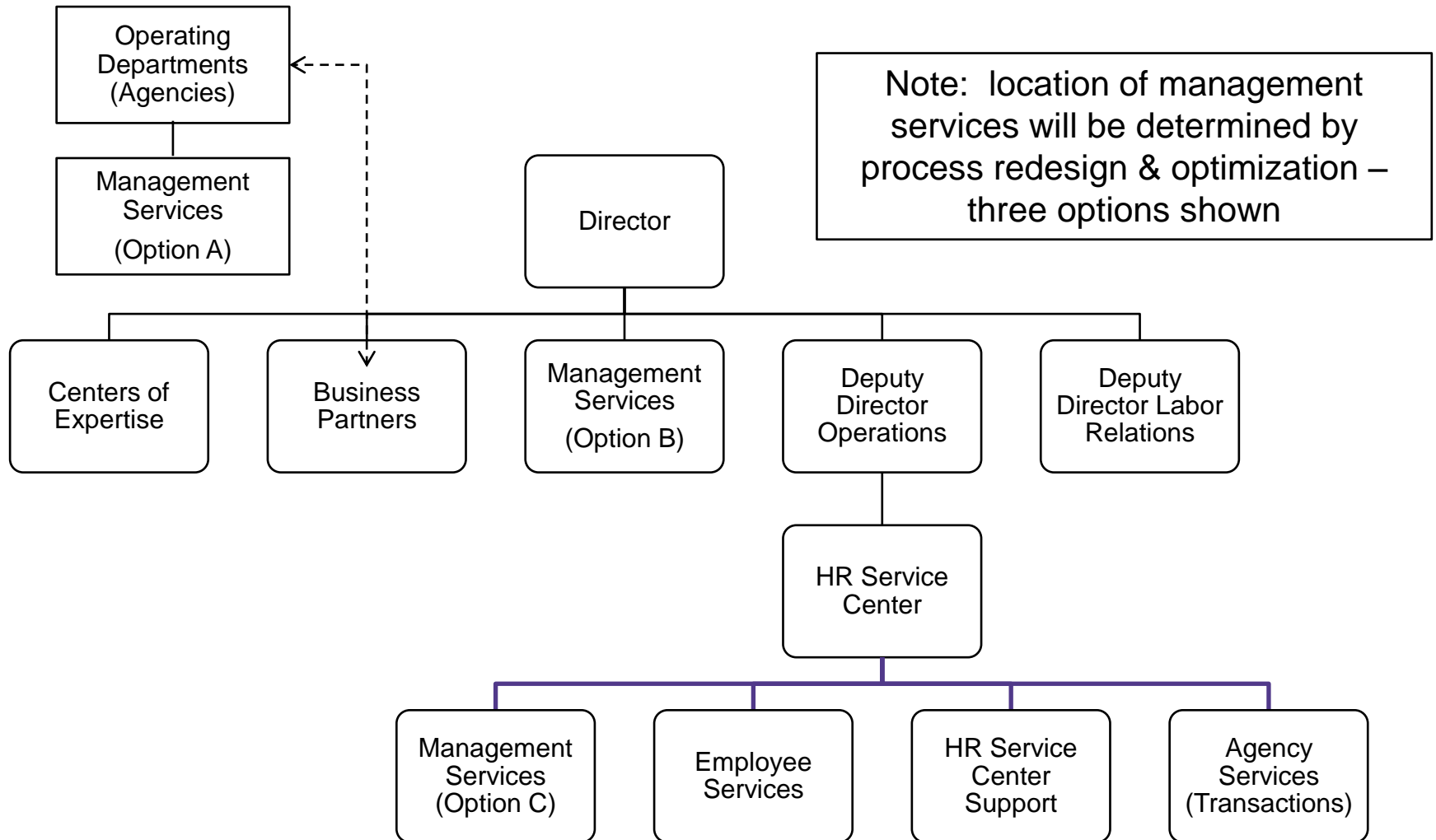
Re-structure DOPLR:

- » **Create a single point of contact for employees to receive HR, benefit and payroll information supported by an employee HR Portal, and a dedicated and well trained call center staff to assist them. This would require a modest investment in call center technology to track calls, manage escalated cases, and to provide an employee knowledgebase (portal) that could be accessed for HR, benefit and payroll information and that would enable self service.**
- » **Restructure the organization into four major functional areas that are integrated from a service delivery standpoint:**
 1. **A strong, lightly staffed “centers of expertise” (COE) group, that establishes policy, sets overall strategy, and provides expert support to the HR delivery teams**
 2. **A cadre of business partners that are DOPLR employees, but that are housed in the agency to provide agency leadership with strategic HR assistance and to work with DOPLR staff to develop and implement solutions.**
 3. **A delivery group (Management Services) that implements the professional programs developed by the COE within each of the agencies (more than labor relations and employee relations)**
 4. **An HR service center which performs the administrative/transactional work related to employees, and agency transactions**

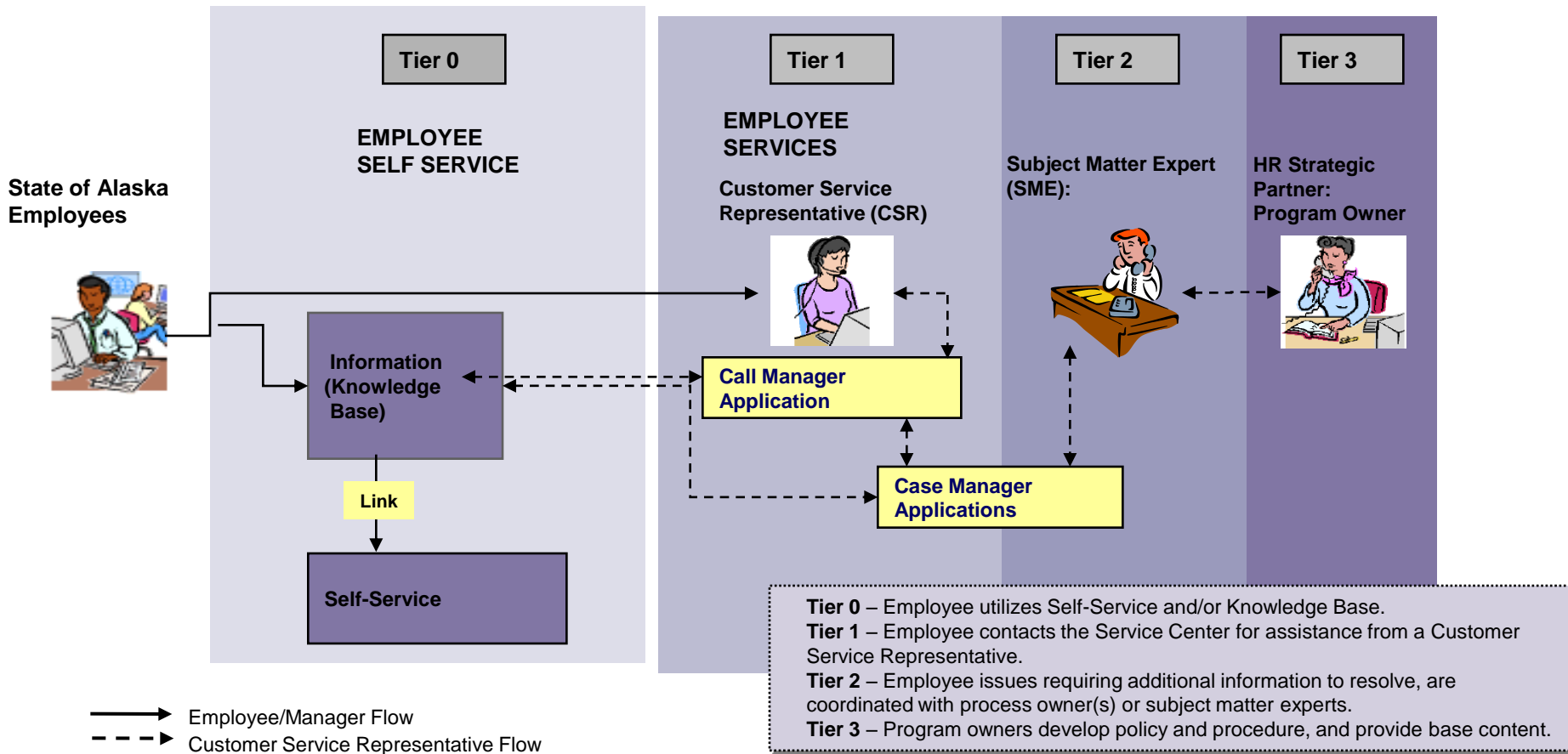
Customer flowchart for proposed HR service delivery model



Proposed DOPLR Organizational Structure



This New Employee Service delivery model is a 4-tiered structure which optimizes the efficiency and effectiveness of HR, Benefit and Payroll information and transactional operations for the State of Alaska and its employees



Implementation Steps

- » Obtain senior leadership approval & support of the new service delivery model
 - The recommended DOPLR organizational model (and service delivery model) requires an “employee as the customer” view around delivered services. A critical area that will need to be addressed is around the willingness of the state of Alaska to create a single point of contact model across personnel services delivery, pay delivery and the administration of employee benefit programs.
 - **While these fall into different departments and organizations today within the state of Alaska, they need to be viewed as a core set of administrative services delivered through a common delivery model.**
 - It should be noted that, while the service center would be responsible for the common administrative and transactional activities related to HR, payroll and benefits, that the process owners for HR, Finance and Benefits would maintain the strategic and policy responsibilities and serve as subject matter experts to the center.
- » Conduct a series of implementation planning workshops that focus on determining what major processes will be delivered through the new DOPLR service delivery model. These workshops will determine:
 - What processes/services will be delivered through the new organizational model e.g. broad employee services across pay, benefits, etc.
 - Where the services can best be delivered within the model e.g. in the service center, through the centers of expertise, etc.
- » Develop a detailed implementation plan for initial roll out of the new service delivery model that will include:
 - Detailed process redesign for in-scope phase one processes – our detailed report recommends a three phase rollout over a 36 month period of time with phase one implementation in six to nine months
 - Technology required to optimize service delivery for phase one processes – primarily service center tools
 - Staffing requirements for each organizational component of the new service delivery model e.g. call center reps, centers of expertise, management services, business partners, etc. (skills and numbers)
 - A change management plan (communication & governance components)
 - A budget plan that details projected costs (and savings) anticipated through the deployment of this new organizational model