



STRATEGIC
HUMAN RESOURCE ISSUES
IN HIGHER EDUCATION

HORIZONS

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Resource

Deepening Our Business Acumen

By John Walda

Welcome to NACUBO's HR Horizons.

As higher education chief business officers confront increasingly complex strategic planning challenges, it is more important than ever to consider the implications of human resource options we face. From recruitment strategies to retiree health benefits, chief business officers should be armed with the most innovative policies and processes of direct consequence to our institutions' most important asset—our people.

NACUBO's development of this new quarterly electronic publication is in direct response to member feedback. Its content will serve as a tool to help you understand and incorporate human resource strategy in institutional planning, financial management, and campus operations and will equip you to make tactical human resource decisions that affect the financial success of your institution.

HR Horizons will provide diverse insight into emerging issues and trends that affect institutions in strategic ways. Our distinguished advisory panel of institutional, corporate, and industry experts will guide this publication as we discuss such issues as succession planning, metrics and assessments, compensation and performance management, retiree health care benefits, and much more.

We hope you find this new publication valuable. As always, we encourage your comments and input for future issues.

John Walda
NACUBO President and Chief Executive Officer



Big Picture

The Strategic Importance of Human Resources

By Karla Hignite

In the time it takes to read this sentence aloud, someone in the United States will turn 60 years old—and that baby boomer could be a faculty member or administrator at your institution. Are colleges and universities prepared to lose these longtime service employees? Are these employees financially and psychologically prepared to retire?

According to The Conference Board ("Managing the Mature Workforce," 2005; www.conference-board.org), approximately 64 million baby boomers—more than 40 percent of the labor force—may retire by the end of the decade. That statistic bears out at Montgomery College, Rockville, Maryland, where up to 40 percent of the community college's 500 full-time faculty and 1,500 staff will become eligible to retire during the next five years, says Vivian Moore Lawyer, chief human resources officer. In conjunction with the college's center for professional development, her office has launched an institution-wide initiative to determine how to move forward in a manner that will achieve demanding hiring goals but also maintain the institution's commitment to affirmative action and other employment policies.

Faculty transition. Understanding and managing the bulge of an aging faculty is among the biggest human resource challenges facing higher education, says Madeleine d'Ambrosio, vice president and executive director, TIAA-CREF Institute, New York City. "For some institutions, retiring baby boomer faculty will free space for institutions to meet new demands for increasing faculty diversity. In other instances, the abrupt loss of faculty may deplete core strengths in key disciplines." In both cases, institutions must be careful to develop appropriate and cost-effective incentives for faculty to stay or leave, says d'Ambrosio. One way to achieve an orderly transition is with practices such as phased retirement, with faculty members voluntarily waiving tenure to work on a part-time basis. "Strategies for gradual retirement can provide institutions an upper hand in their succession planning," says d'Ambrosio.

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Retirement readiness. High-level focus on human resource practices and policies is not only about managing program costs but also about optimizing workforce goals. While retiree health and pension benefits represent significant costs, they also influence employee decision making, says d'Ambrosio. "Without what is considered adequate retiree health coverage, for example, many faculty may be unwilling to retire. And with tenure, you have a labor force that doesn't have to retire." The same is true for retirement saving. If employees are not encouraged to save, then they may not feel ready to retire—either financially or psychologically," says d'Ambrosio. "Retirement readiness presents a big issue for chief financial officers who must grapple with how to manage and communicate benefits costs."

Faculty pay. Until three years ago, Karen Hutcheson rarely got requests to examine faculty compensation. While faculty hiring and salary concerns were once the domain of academic affairs or the faculty senate, an institution's human resource function is increasingly involved in faculty search and compensation discussions, says Hutcheson, senior higher education consultant for Sibson Consulting, a division of Segal, Boston. "Because faculty are key to institutional success, managing faculty compensation is critically important—from identifying guiding principles and the benchmark group; to developing guidelines around specific pay actions such as promotion, tenure, and scholarship; to evaluating internal and external pay equity."

Top leader turnover. With increased focus on fundraising, national rankings, and operational efficiency, the requirements for experience and talent place even greater strain on institutions looking for their next president. To fill these high-level requirements amid a competitive labor market, the reality is that more institutions face recruitment of top administrative and presidential leaders from outside higher education, says Elizabeth Adkins Neumann, principal, Brill Neumann Associates Inc., Boston. "That sets the stage for a potential culture clash as new leaders bring their corporate ideals and expectations." In addition to creating programs that develop leaders from within, effective succession planning must include concerted efforts to welcome those from outside higher education and to help them succeed in the unique mission-driven culture of colleges and universities, says Neumann.

Workforce development. Barbara Beck is associate vice president for finance and administration and director of human resources, Skidmore College, Saratoga Springs, New York. As a former corporate "outsider," she agrees that new leaders too frequently aren't given the tool sets they need and believes that commitment to employee development should extend to all levels within an institution. "Demographic shifts spell challenges for recruiting line workers as well as top-level talent. Some institutions are struggling to bring in grounds crews," says Beck, part of an ad hoc gathering of human resource professionals from 25 small liberal arts colleges who meet twice annually and regularly exchange best practices and data. Given workforce realities that spell stiff competition for a shrinking pool of applicants, Beck believes some institutions may face changes such as outsourcing of bookstore operations based on an inability to staff those units on their own. "In the same way that institutions track prospective student populations, more may need to consider creating outreach training programs to develop a pool of employee recruits."

Competition. Ample professional development leave and a growing menu of on-campus programs and training seminars are two ways Montgomery College is setting itself apart from other community colleges in the state and at the same time honing the skills of faculty and staff at all levels, says Lawyer. Intentional workforce development efforts are something more institutions must engage in to successfully compete not only with peer institutions across the country but with other higher education institutions across town, says Peter Martel, former associate vice president of human resources, Bridgewater State College, Massachusetts. As competition heats up with for-profit employers for local workers, Martel believes more institutions will face a tough fight to maintain or reposition themselves as employers of choice in their communities. Impending recruitment challenges alone should convince more leaders of the need to include a place for human resource officers in key institutional decision making, says Martel.

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Strategy

Where is HR?

By Karla Hignite

For many higher education institutions, the percentage of budget allocated to employee compensation and benefits can be upwards of 70 to 80 percent of an institution's entire budget, says Andy Brantley, chief executive officer, College and University Professional Association for Human Resources (CUPA-HR), Knoxville, Tennessee. "If leaders are not focusing on workforce issues as key to their success, they are missing critical opportunities for ensuring institutional and financial health. Especially as colleges and universities continue feeling the pinch of cost pressures and increased regulations leveled from federal and state governments along with increased scrutiny from the public and media, a true key to long-term institutional success will be better alignment of people assets with the business of the institution," says Brantley.

The strategic role of human resources is well understood at some institutions. Mary George Opperman, vice president for human resources, Cornell University, Ithaca, New York, has served as a key organizational strategist and policy maker for the university for the past decade. She reports directly to the president and works with the president, provost, and board of trustees on developing compensation strategies and defining how those fit with the broader strategic goals of the institution.

Peter Martel, former associate vice president of human resources, Bridgewater State College, Massachusetts, and immediate past president of CUPA-HR, calls the closer working relationship between human resource and chief academic officers that has emerged in recent years nothing short of a breakthrough. When he first arrived three years ago there was little expectation that his office could serve as more than a clearinghouse for faculty resumes and applications. Since then the college's human resource function has developed a reputation as key consultant in the search and hiring process, says Martel. "We have a clear understanding about how to build

better searches and where to focus spending for specific positions to achieve a better applicant pool.” He believes providing viable data and metrics help instill an understanding of the value of a human resource perspective in institutional decision making.

That has proven true for Barbara Beck, associate vice president for finance and administration and director of human resources at Skidmore College, Saratoga Springs, New York. One of the first actions she proposed when she arrived at Skidmore 10 years ago was to revise benefits and compensation packages. Whereas employees were largely underpaid according to marketplace averages, the institution offered an overly rich benefits plan, says Beck. Reams of spreadsheets later, the numbers she produced convinced leaders that by increasing compensation and realigning benefits to better match employee needs, the institution could avoid implementing across-the-board cuts. “What you don’t want is to implement a quick fix that results in your best faculty and staff jumping ship. In a small institution, that could decimate an entire academic department and cause your institution to plummet in the very rankings it has worked so hard to achieve over the years,” says Beck.

While human resources staff are less likely these days to be viewed purely as resume and application processors, the strategic importance of human resources still eludes some institutional leaders, believes Beck. “I think some institutions are still unsure about when to bring HR into decision making, since historically human resources hasn’t been viewed as critical to strategic planning,” she says. “By bringing HR professionals into strategic planning discussions early and often, business officers and college leaders will learn that they can save their institutions time and valuable resources.”

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Perspective

Does Higher Education Need Retirement Plan Overhaul?

By Dallas Salisbury

Today’s college and university chief financial officers have a central role to play in human resources strategy and implementation. That wasn’t always the case. From 1950 to 1975, U.S. demographics, laws, and regulations allowed employers to primarily think about benefit program design as opposed to financing.

That began to change in 1975 as the Employee Retirement Income Security Act (ERISA) set new standards that made investment and funding issues more central. State legislatures likewise put new laws in place to mimic aspects of ERISA for public plans to discourage Congress from enacting a public ERISA. And both the Financial Accounting Standards Board and the Government Accounting Standards Board adopted standards that require calculation and disclosure of the liabilities attributable to pensions, retiree health, and other post-employment benefits.



Since then, Congress, the states, FASB, and GASB have continued a juggernaut of legislation and regulation, with standards going into effect, or expected to go into effect, during the next two years that promise to have a major effect on financial statements. Chief financial officers have seen their involvement in these various issues grow during this period, and the legal and accounting changes now in play will create many new challenges ahead. At the same time, CEOs and boards have become more involved.

The Evolving Emphasis of Benefit Plans

Higher education institutions have generally had an objective of providing longtime service workers the opportunity to retire with adequate retirement income. For decades, this entailed payment of life income annuities, regardless of whether the institution sponsored a defined benefit (DB) or a defined contribution (DC) plan. And for decades, the private sector’s largest employers followed a similar approach.

Things began to change in the private sector in the late 1970s with the arrival of DB plan options for single-sum distributions. Higher education programs also changed in the 1980s as TIAA-CREF began to allow withdrawals and transfers to other providers in a non-annuity form. In the early 1980s, more private employers adopted “hybrid” DB plans that accumulated benefits using a career average instead of a final-pay approach. These new plans distributed more of the contributed dollars to shorter-term employees and less to longtime service employees. Employers also added or expanded supplemental DC plans to which workers could contribute on a tax-advantaged basis. Many small and midsize employers terminated DB plans and moved to low-cost DC designs that would provide less retirement income to longtime service workers unless they saved a great deal themselves.

By the 1990s, large private employers began to exclude new hires from DB plans and freeze accruals for current workers in DB plans. The new century has seen even large profitable organizations making these changes and knowingly and purposely moving to DC plans that will provide much lower levels of retirement income and lower employer costs. Increasingly these employers are using savings plans to attract workers and reduce turnover at the same time they are increasing dependence on performance management and cash payments to sever or retire workers whom they want to leave.

Government employers in general and colleges and universities in particular are now taking or considering similar actions. Because the evolving emphasis of benefit plans has human resource and financial implications, both functions must become involved in strategic reviews and policy making.

Will Colleges Follow Course?

The fact that higher education institutions have tenure as a consideration makes managing workforce exit an even greater challenge. Adequate retirement income and retiree health care will be central factors in whether older and longtime service workers choose to retire “on time” or will want or need to continue working into their 70s and 80s. For CFOs who seek the lowest long-term cost to their institutions for any given benefit objective, advance funding and a DB design will generally be the least expensive approach, but it can also be more volatile.



Consider This: Matching Strategy to Benefit Plan

Does your institution want a program that provides longtime service workers with 60 percent income replacement at age 65 at minimum cost to the employer? You may want a defined benefit (DB) plan that pays only annuities. Another option: If your institution seeks to budget between 4 percent and 6 percent of pay on a stable basis that allows workers to build assets but without a goal related to adequate income in retirement, then a defined contribution (DC) plan may be the better choice. If managing workforce exit is a goal, a DB plan is far more effective than a DC plan. Financially, the employer gets far more retirement income bang for each dollar spent on a DB plan than is possible to achieve with a DC plan of the same contribution cost.

Health insurance for active workers and retirees raises other issues of strategy for the chief financial executive and for forward-thinking institutions that recognize the need to integrate health care strategy with retirement plan strategy. For instance, a DB plan allows the employer to use higher health plan co-payments by workers without competing with retirement savings. A DC plan that depends on substantial employee contributions to achieve adequacy could be hurt by every dollar of required employee spending on health care. Finding ways to pre-fund retiree health benefits will help an organization protect itself from extraordinary future costs while making it possible for workers to retire and helping with FASB and GASB balance.

How does your institution match benefit plan design to long-term strategic and financial goals?

—Dallas Salisbury

Advocates of DC plans point out that a DC approach provides greater individual choice and control. From the point of hire until tenure is achieved, workers may prefer the DC approach even if the contribution level is insufficient to match the DB benefit. Were the DC contribution sufficient to match the DB benefit, the DC approach might still be preferred by the worker but it would be much more expensive over time for the employer to achieve equal benefits for longtime service workers as more funds would leave the plan with workers who opted for shorter-term employment.

One central question is this: Are higher education institutions (public and private) willing to follow the private sector trend of knowingly sponsoring DC plans to which 50 percent of workers make no contributions and fewer than 20 percent contribute enough to produce an adequate retirement income, given normal job turnover? Dealing with dynamic change requires effective strategy if an organization wants to avoid getting trapped with program approaches that offer a temporary advantage but may bring long-term disaster. Traditional benefit structures with a clear adequacy objective may be most appropriate for the future of higher education from a financial and human resources perspective—or not.

The bottom line on benefit plans is that institution leaders must take particular care in clearly setting forth the goals and philosophies behind their programs. Whereas many private employers may not survive to worry about the consequences to employees of today's benefit trends, most public and private institutions of higher education are likely to endure decades into the future and will have to deal with the outcomes of plan design decisions. Following a strategic process that begins with clear articulation of objectives is essential, and an institution's human resource and finance executives must both play central roles in this process.

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Snapshot

Feed the Source

By Raymond Arroyo

Hispanics represent the youngest, fastest-growing population group in the United States, but they still lag significantly in degree completion. In 2004, of those individuals 25 years or older, only 58.4 percent of Hispanics graduated from high school versus 85.8 percent for whites, and 12.1 percent of Hispanics had completed a college education compared with 28.2 percent for whites (Statistical Abstract of the United States: 2006, U.S. Census Bureau). In this interview, Aetna Chief Diversity Officer Raymond Arroyo discusses Hispanic higher education progress with Antonio Flores, president and chief executive officer of the Hispanic Association of Colleges and Universities.

Arroyo: What is the single biggest obstacle facing Hispanic higher education today?

Flores: When you consider our country's demographic trends and projections, if we don't dramatically reverse years of neglect in educating Hispanics, we will be in trouble as a nation. A growing proportion of the U.S. labor force is represented by Hispanics. That is a well-accepted fact by demographers, politicians, and corporate leaders. Yet, the educational investments are not forthcoming to provide resources to schools and teachers to prepare students for long-term success. We need a policy breakthrough that will translate into those necessary investments because, from a global standpoint, we can't afford to fail in this area. Ultimately, it's not about our nation's Hispanic community getting further behind, but about our nation falling behind.

Arroyo: What is the first step toward increasing student success?

Flores: The first step is to ensure that students make it through K-12. About half of Latinos in this country never graduate from high school. So one of the best ways higher education institutions can make sure they have a pool of Hispanic students and employees from which to recruit is to invest in this human capital where it originates. That could mean partnering with existing K-12 programs to foster student success and teacher excellence, especially in underserved and under-resourced schools.



Another key step is providing Hispanic students and parents with early awareness of educational opportunities available beyond high school and how to access those opportunities. That means providing more guidance about how students can position themselves while in high school to succeed in getting accepted into college and pursuing a career of their choice. That guidance may include helping students and parents understand what choices are best in terms of coursework to pursue.

Arroyo: What poses the biggest challenge to students once they enroll?

Flores: One cultural difference distinguishes many Hispanics in America. Whereas Caucasian parents are often characterized as eager to have children become self-sufficient and move out of the house and even across the country to attend the school of their choice, many Latino parents and children have a harder time with that geographic distance and separation. And it isn't only the parents. Hispanic students often have a difficult time dealing with family separation. Many of those who do move away to attend college can be prone to leave or transfer closer to home, so retention becomes an issue.

Arroyo: Is there a good solution to ensure degree completion?

Flores: As we look at the higher education landscape, we can see peaks and valleys in terms of available student populations from which to recruit based on where institutions are located geographically. It would make sense for those institutions that have the greatest decline in student enrollments to create alliances and partnerships with those that have the opposite problem. Some institutions—including many Hispanic-Serving Institutions—are bursting at the seams. Capacity issues could be addressed to some extent through creative reciprocity agreements. For instance, institutions that are heavily endowed but are in areas with shrinking pools of prospective students might create extension campuses in regions where overcapacity is an issue or form transfer agreements with those that have greater enrollment demands.

Arroyo: As institutions of higher education seek to increase faculty diversity, what is the opportunity outlook for Hispanics?

Flores: Encouraging Hispanic students not only to graduate from high school or complete an associate's degree, but also to continue through the education cycle to become the top-notch scientists, professors, and professional leaders we need to lead this nation is an even bigger issue. The talent pipeline becomes drier as you move higher. Currently in the United States only about 3 percent of new doctorate degree recipients annually are Hispanic, so there is a definite and huge gap between demand and supply. And this greater demand for Hispanic faculty exists in conjunction with a growing demand for top talent within the business community, which is competing with higher education for Hispanic talent. So while the career prospects for Hispanics are good, for higher education it's a critical pipeline issue. That's why institution leaders—and our nation's leaders—must be active in helping to feed this shortage on the front end.

Arroyo: What emphasis should language skills play in faculty hiring?

Flores: Internally, some Hispanic-Serving Institutions have begun to discuss whether language should be integrated into their curriculum to the point of requiring that graduates be proficient in Spanish. That

would allow their students to really stand out when they graduate, fully bilingual, with a degree in hand. And the reality of the marketplace is that language provides an edge to any professional seeking a job. This is an issue of language in general, not only Spanish. Wouldn't it benefit a student today to learn Chinese?

As the U.S. population grows more ethnically diverse, I believe the need for language skills will continue to increase. In certain employment sectors such as health care and K-12 education, a high value is already placed on bilingual and bicultural talents because those proficiencies are needed to communicate with individuals within local communities. One question for higher education as an employer is to what extent institutions value hiring bilingual and bicultural candidates as a way to recruit and retain student populations that may be underserved. Are institutions willing to pay more for those skills and to provide incentives to faculty and staff for becoming bilingual or multilingual? This becomes a matter of recognizing the value of language as a skill set and acknowledging its importance in a global society and economy.

Founded in 1986, the Hispanic Association of Colleges and Universities (www.hacu.net) represents more than 450 colleges and universities committed to Hispanic higher education success in the United States (including Puerto Rico), Latin America, and Spain. HACU has 200 member Hispanic-Serving Institutions located in 14 U.S. states and Puerto Rico. To be considered an HSI, Hispanic enrollment at a college or university must be at least 25 percent of total student enrollment.

Numbers Crunch

Change Happens

As one of the nation's leading providers of health, dental, group, life, disability, and long-term care benefits, Aetna routinely monitors population changes. According to U.S. Census Bureau data the company compiled for its "2007-2009 Strategic Planning Environmental Scan," the country is in the midst of three big demographic shifts during the next several decades.

AGE: The age cohort of 65 and above will grow from 13 percent to more than 20 percent of the population, while cohorts less than 45 years old will decline from 66 percent to 57 percent.

PLACE: Between 1995 and 2025, the net population gain will be most evident in seven states—in order) California, Texas, Florida, Georgia, Washington, Arizona, and North Carolina—accounting for 58 percent of the net population change in the United States. As a whole, the western region of the United States is projected to grow at nearly twice the national average, while the Northeast and Midwest will grow at half the U.S. total rate.

RACE: Diversity within the United States continues to expand, with minorities currently comprising about 35 percent of the total population and projected to comprise 50 percent by 2050. Hispanics are the fastest-growing ethnic group in the United States, projected to account for nearly 45 percent of the population growth during the next two decades to represent nearly 20 percent of the total U.S. population.



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Big Picture

HR as a Change Enabler

By John Walda

We've all read the research: studies that foreshadow an aging population in which workers 55 and older will grow at approximately four times the pace of the overall workforce during the next 10 years; labor shortages of as many as 30 million workers by 2030 to replace retiring baby boomers; and Bureau of Labor Statistics data indicating that today's graduates will likely have between 10 and 14 careers in their lifetimes. All these predictions seem to signal the grave potential for a weakened institutional memory following the retirement of longtime faculty and staff, increased competition not only for leaders but for employees of all categories, and a much more frequent turnover of workers than higher education has experienced in the past.

So why is it that in a recent study of the Council of Higher Education Management Associations, few survey respondents (12.6 percent) named workforce demographics as a top-three driver of change, and concerns about a lack of skilled workers ranked lowest (1.6 percent) among 14 potential threats to higher education's success? Is the message of impending workforce challenges simply not getting across to higher education leaders?

A Significant Concern

According to the CHEMA report—for which NACUBO was one of 22 association sponsors—workforce-related challenges likely are of significant concern and deemed an important driver of change by institution leaders. One reason the survey's rankings may not reflect this sentiment is that certain other factors may overshadow these concerns. Those factors include insufficient financial resources (60.5 percent), technological change (32.6 percent), and changing student demographics (23.7 percent)—the top three drivers of change identified by respondents.

Then, too, perhaps specific HR-related concerns are accounted for in other responses. For instance, changing student demographics carries definite HR implications. As the report notes, success in attracting and retaining students from diverse backgrounds will require campuses to create climates that welcome diversity. A diversity-friendly environment is certainly needed by employees as well as students. Other findings from the study likewise point to the fact that higher education is well aware of human resource challenges. Nearly 35 percent of respondents flagged personnel management as one of the three biggest issues commanding their time and attention.

More specific nuances regarding HR concerns came through anecdotally in the individual interviews with association representatives. While combined survey responses may not have flagged the lack of a skilled workforce as a major threat, interview participants did note challenges of recruiting and retaining skilled workers. They also voiced concerns about a graying leadership and competition with the private sector to hire skilled workers. A key challenge echoed by several was the issue of compensation and the struggle higher education will face if it cannot compete in the areas of salary and benefits. Interview participants also

acknowledged that demographic changes will require additional hiring from the corporate sector to ensure strong leadership, not only with regard to institution presidents but also leaders of functional areas.

Preparing for Future Challenges

Perhaps the most sobering indictment with regard to the current state of HR in higher education centers on a list of change enablers for which survey respondents were asked to note the extent to which they either agreed or disagreed that their institution was well positioned for the years ahead. The premise of the survey question was that to succeed in anticipating, planning, and implementing change, institutions would need to achieve high levels of capability in eight areas: leadership, decision making, governance, technology, student services, human resources practices, institutional culture, and knowledge of the external environment. While respondents indicated confidence overall in terms of leadership, student services, technology, and knowledge of the external environment, human resource practices ranked lowest on the confidence scale. Thirty-eight percent disagreed or strongly disagreed that the HR practices of their institutions were positioning them well for the future.

As the report notes, this rating of HR practices as a change enabler was perhaps the telling question where respondents voted their collective concern regarding their readiness to tackle human resource challenges that lie ahead. What does this mean in the context of all of higher education's many and complex future challenges? For starters, more work is needed by our industry to position higher education to recruit and retain the best and brightest of tomorrow's workers and to identify and cultivate the very strongest leaders for our institutions. We can begin by sharing strategies and solutions in the pages of HR Horizons and through NACUBO's many networking opportunities.

John Walda is president and chief executive officer of NACUBO.

Read the Full Report

"The Future of Higher Education: A View From CHEMA" (July 2006) was jointly sponsored by 22 member associations of the Council of Higher Education Management Associations to identify emerging drivers of change and their implications for higher education. Author Philip J. Goldstein is a research fellow at the EDUCAUSE Center for Applied Research (ECAR), which designed the study and analyzed the 190 quantitative surveys distributed to board members of each association and 58 qualitative interviews with association representatives. Though the study is available free of charge, you must go through the ordering process to gain access to the study. Once the process is complete, follow the instructions provided via email or on the NACUBO Online Publication page.



Strategy

Boosting Employee Excellence

By Karla Hignite

The best competitive advantage for institutions of higher education is a fully engaged and productive staff and faculty. That's according to members of a CUPA-HR think tank exploring the future of higher education and related implications for those who manage human capital at colleges and universities across the country. In August 2006, the group released its findings in a report that identifies key internal and external challenges facing higher education and success factors designed to bolster the capacity and competitiveness of institutions. (See sidebar.)

"Our goal at the outset was to make sure this was not simply a study of problems and challenges, but to focus on identifying what leaders can do that will impact the success of their institutions at their core," says Andy Brantley, CUPA-HR chief executive officer. Likewise, think-tank members intentionally chose not to rank challenges or success factors, since leaders must assess the strengths and weaknesses and most pressing challenges for their individual institutions, says Brantley. The group also kept its focus broad to encompass overarching, institutionwide concerns that affect faculty and staff at all levels. For instance, when evaluating an institution's strategic planning efforts, leaders should consider how the various components of the strategic plan are fully embodied in how human capital is managed throughout the organization, says Brantley.

Becoming Strategy Savvy

Allison Vaillancourt, associate vice president of human resources at the University of Arizona (UA) and current president-elect of CUPA-HR, was a think-tank member. Some of the group's initial discussions cen-

tered on naming specific frustrations stemming from what think-tank members identified is a certain lack of sophistication within higher education about human capital strategy. "Many of us see amazing potential in our institutions, but we don't always manage people as well as we might," says Vaillancourt. Among the pitfalls: the complex internal structure of institutions that makes building a common culture difficult and the length of time often required to build consensus about programs and policies.

One example is decision making about academic offerings. A proposal to eliminate or merge a program can take ample time to push through faculty senates, where there is often a desire for protracted debate, says Vaillancourt. Meanwhile, affected faculty and staff are left hanging, wondering about their future.

"Another internal challenge we discussed is that there isn't always a respect for what's required to be a good manager or for identifying and grooming leaders," says Vaillancourt. Especially on the academic side, institutions tend to advance people based on technical expertise rather than leadership. "Simply because someone is brilliant doesn't mean he or she should become a department head," says Vaillancourt. She believes part of the challenge is that there is often resistance within higher education to appearing too corporate by intentionally preparing people for leadership roles. However, think-tank members did note a greater awareness among younger department heads about the need to manage, coach, and prepare academic leaders so that the decisions they make, including hiring decisions, are good for the institution as a whole, says Vaillancourt.

A Better People Infrastructure

In providing an assessment model and a listing of strategic questions leaders must ask, a primary goal of the CUPA-HR think tank is to increase the level of sophistication by which institutions manage

HR Success Factors

CUPA-HR think-tank members identified a series of 21 critical success factors and corresponding questions that leaders can use to guide planning and assessment of the specific culture and challenges of their institutions. Here is a sampling of those success factors.

Institutional branding: Do we have a compelling institutional brand that sets us apart from similarly situated institutions and local employers?

Assessing engagement: Are our faculty and staff excited about their work? Do they regularly put forth exceptional effort? Do we ask faculty and staff what inspires them and what impacts morale?

Compensation planning and analysis: Are we regularly and systematically evaluating external market conditions and internal equity in order to make informed pay decisions? Do leaders understand the importance of competitive wages and benefits?

Clear expectations and honest conversations: Is performance planning an institutional norm? Do our institution's faculty and staff know what it takes to be successful? Are performance expectations established in a collaborative manner? Are individual plans aligned with institutional objectives? Are faculty and staff held accountable for achieving results, and are leaders willing to have difficult conversations when necessary?

Career ladders: Do our employees have a place to go? Have we established paths for advancement? Do our faculty and staff understand what it takes to advance?

Succession planning: Who is next? What plans are in place to ensure that emerging campus leaders are being trained and prepared? Are plans in place to retain institutional memory?

The full summary of the CUPA-HR "Think Tank Report on the Future of Higher Education 2006," including the full list of success factors, is available from the CUPA-HR Knowledge Center. The model is intended as a framework for encouraging and collecting innovative institutional strategies and best practices.



their people. “A great organization takes more than smart people. It requires structure and planning,” says Vaillancourt. Her institution has developed a list of 20 priorities leaders believe are required to build an organizational infrastructure that supports faculty and staff success. For example, UA leaders have come to understand the need to better prepare for retirement-related vacancies and to enact a plan to retain institutional memory. “We are currently conducting an age analysis by department to determine, for example, what percentage of a department is age 60 and older. In part, what that may tell us is where we need to invest in recruitment efforts during the next 5 to 10 years or where there are opportunities, through retirements, to merge or collapse programs in ways that are less painful,” says Vaillancourt.

UA is also in the process of implementing a universitywide engagement survey to find out what motivates faculty and staff, with plans to repeat the survey every 18 months. “From our studies of faculty and staff employed less than 18 months, we know this is a critical time period for individuals to decide whether to stay or leave the institution,” says Vaillancourt. “If we can determine what frustrates employees, and why they leave, that can help us go a long way in retaining good employees.”

One finding that has already surfaced is that those new to higher education often don’t understand the political landscape of higher education in terms of the shared governance structure and how decisions get made and, says Vaillancourt. In response, the institution is increasing efforts to boost employees’ understanding of how UA works so that people aren’t in the dark and don’t leave simply because they don’t get it. UA is also developing a series of human capital performance indicators—for instance, what percentage of women achieve tenure and length of service and absenteeism rates by department. “Tracking these kind of metrics will help us build a better infrastructure to manage our people and to make ongoing adjustments where needed,” says Vaillancourt.

Core Asset Accountability

According to Brantley, because higher education is under tremendous scrutiny these days, think-tank members also set out to explore ways in which leaders can hold their institutions more accountable before additional external guidelines are placed on the industry. In that spirit, the list of critical success factors is intended to help guide institutional assessment so that leaders can do an even better job of managing their core asset.

Key think-tank outcomes and issues raised by the report are also being incorporated into the CUPA-HR Knowledge Center to provide an ongoing framework for collecting innovative institutional strategies and best practices. As an assessment tool, the report can guide leaders in determining threats and challenges specific to their own institutions and recognizing areas of strength and opportunity.

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Snapshot

Taking Your Institution’s Pulse on HR

By Barbara E. Beck

Sometimes it helps to go outside. Getting out of your own head, your own department, and your own institution to test your thoughts and experiences against those of your peers can help you identify your top priorities so that you keep your institution’s leaders and your own staff focused on what matters most.



For the past three years, I have been part of a network of human resource professionals from 25 small, four-year liberal arts colleges located primarily in the Northeast. Some of our institutions are in direct competition for student admissions and faculty recruitment, but we also represent a fair amount of diversity in such areas as academic programming and endowment size. What we all share is the need for a sounding board to help our institutions better manage their human capital.

As members of the Colgate Group (named for where we held our initial meeting, at Colgate University), we gather twice each year to discuss macro issues and challenges and to exchange best practices. During the interim, we e-mail each other informally for advice or recommendations about routine projects or mini crises that emerge. At our semi-annual meeting last month, I polled the group’s members to get their insights on what their primary HR-related concerns are for the next year and the decade to follow. What I heard did not surprise me, but it did confirm several of my own conclusions:

- My colleagues are thinking as strategic partners. Campuswide drivers are now analyzed and solutions developed using innovative HR strategies. Human resource leaders are concerned about, planning for, and having an impact on many areas of their institutions, including technology shifts, institutional financial planning, and cost reduction.
- HR professionals at these institutions are seeking creative solutions for balancing the institution’s needs and shifting employee demographics through alternative recruiting strategies, technology training, leadership development, and by changing benefit delivery for employees and retirees.
- Business officers and presidents can benefit by asking their HR professionals for recommendations, proposals, and ideas in connection with key institutional challenges and priorities.

Read on for the full compilation of responses from my Colgate Group colleagues.

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More Heads are Better Than One

The following compilation is based on the collective brainstorming of a network of higher education human resource officers from 25 small, U.S. liberal arts colleges located primarily in the Northeast during the group's September 2006 meeting.

What external driving forces will most affect the human resources function at your institution during the next 10 years?

- Competition from other private liberal arts colleges.
- Changing student demographics, especially the projected decrease in college-bound students in 2010 and thereafter.
- Projected shortage of qualified faculty and staff to fill critical staffing needs due to an aging workforce and retirement of baby boomers.
- Competition for future financial resources to fund important programs and projects.
- Salary market competitiveness that requires increasing our pay levels.
- Government cutbacks in financial aid and other funding as well as pressure to slow tuition increases that will affect our ability to retain and recruit and may result in staff reductions.
- National/regional economy and their affect on our ability to keep up with rising health insurance costs.
- Exploding legal climate.
- Continued changes in technology that make it harder for older workers to adapt.
- Multi-generational workforce with differing needs and motivations.

Specifically, how will these forces affect your role and the human resources function at your institution?

- We must continue to foster innovation without significant expansion due to limited financial resources; therefore, the quality of services our faculty and staff provide is critical for future success.
- We must continue to recruit and retain the most qualified faculty and staff available in keeping with projected budget costs.
- We must increase resources to meet cost challenges for both benefits and supervisory and staff organizational development.

What do you consider the top concerns on your plate for this year?

- Technology training as we move toward having all staff with computer access and using our database for all business work needs.
- Work-life balance and family-friendly policies.
- Ensuring that all staff members feel that participation is central to the college's mission and that their work is recognized.
- Presidential transition.
- Updating policies and procedures.
- Redesigning wage and salary programs.
- Financial concerns while continuing to maintain internal equity.
- Recruitment, including diversity concerns.
- Union contract negotiations.
- Union avoidance.
- Redesigning retiree health care to make it portable and economical.
- Leadership development, specifically for our senior management group, and creating a managerial philosophy so that we can develop leadership programs and impact the culture in a positive way.
- Providing better training and development opportunities to staff.

- Management of escalating health care costs.
- Employee wellness and consumer education to help change behaviors and impact health care costs.
- Ability to attract/retain staff in areas of stiff competition for talent, such as advancement.
- Resources needed to keep up with technology changes (e.g., online application process, upgrades to complex databases, system development, etc.).
- Energizing and motivating staff amid political and global unease.
- Employee retirement and financial planning and considering options for access to retiree medical insurance coverage since the lack of access and coverage has employees concerned about their ability to retire.
- Remaining an all-female institution, as this structure denies the college the economies of scale enjoyed by many of our peers. Additionally, our female-only applicant pool is smaller than our typical coeducational peer, making our recruitment efforts more challenging.
- Bringing in new talent.
- Retaining historical perspective in the midst of turnover.
- Improving organizational effectiveness.
- Refocusing energies on disease management, wellness, and consumer education to help modify spiraling health care costs.

What concerns are you monitoring for the years ahead?

- Continuing to promote the institution as an employer of choice within our local area labor market.
- Functioning as a catalyst for change in helping faculty and staff understand why change is needed.
- Managing total compensation costs at an appropriate level; maintaining competitive compensation and reward programs; wage and salary competitiveness; benefits costs; competitiveness of pay schedules; relationship of pay and benefits.
- Promoting human resources as a key resource in helping the board and senior administration attain institutional objectives.
- Investigating outsourcing options that will mesh with the college's mission and goals.
- Management and leadership training.
- Continue to develop HR as a strategic partner.
- Financial concerns (internal equity).
- Recruiting top talent and retention.
- Potential for more labor/faculty unionizing.
- Managerial sophistication.
- Departmental effectiveness.
- Appropriate staffing levels.
- Performance evaluation effectiveness.
- Legal issues and changes in the legal landscape.
- Growing reluctance of employees to retire due to perceived or real financial pressures; employees are staying longer, being paid more, and some are perceived as not as productive as peers earlier in their careers.

What is the biggest disconnect in how you perceive your role and how you think others at your institution perceive your role?

- Primary role of human resources is perceived as recruitment. We see our focus as being on employee and labor relations and as a strategic business partner.
- Others often do not see the contribution we can make to improve



departmental and institutional effectiveness, but instead tend to see us more in traditional terms (compensation, benefits, hiring).

- We are primarily seen as a benefits and policy-police office by our previous administration; our new administration seems more open to having HR involved in some planning initiatives, but we are not yet fully at the table.
- My role, in my view, is to make sure the college has staff that are ready, willing, and able to contribute in meaningful ways to the mission of the institution and to be a resource to the entire institution on the topic of organizational effectiveness, leadership, and culture.

In what areas do you think you and your human resources team could offer value to your business offices?

- Articulate a comprehensive management philosophy and work to enact its principles in the daily operations of the college.
- Be the voice of staff—a sounding board.
- Training and development, if appropriately staffed to do so.
- Cost-reduction strategies related to retention and efficiency.

What do you most wish that your chief business officer would ask of you and your human resources function but too often does not think to ask?

- How can we find better and more effective ways to encourage and reward teamwork, innovation, productivity, and excellent service?
- Can we as an institution do anything different in the areas of our diversity management and initiatives?
- How do we best integrate faculty and staff priorities?
- If we could invest money in staff and benefits, where would you recommend that be done?
- What is the likely nonfinancial effect of this decision? What is the impact of this idea on staff?
- What is the most effective way to make this change happen smoothly within our culture?
- How should this be communicated?
- Are there other ways to achieve this?
- What are our options?
- How can we engage staff in our vision/plan?

Perspective

The End of the Annual Appraisal?

By Christopher D. Lee



You can't manage the past. That's one reason performance appraisals don't fully engage and motivate employees. Whereas the goal of most appraisal systems is to document and evaluate events and behaviors of the previous year, ongoing feedback is geared to current and future performance and operations—what is taking place now and what is, or is not, working with regard to specific work processes and desired outcomes.

The concept of performance feedback is not new, but it also is not widespread in actual practice within higher education. The idea is simple—to manage and adjust work processes and employee behavior as they occur rather than casting an annual look back at what did

Conversation Models

A new book, *Performance Conversations: An Alternative to Appraisal* (Fenestra Books, 2006), offers one model for building partnerships for successful performance between managers and employees. Author Christopher D. Lee is associate vice chancellor for human resource services with the Virginia Community College System (VCCS), a system of 23 colleges serving nearly 400,000 credit and non-credit students.

Lee previously served as chief human resources officer at three higher education institutions, most recently at Bates College, Lewiston, Maine, where much of his thinking about a performance management process centered on structured feedback was borne. While at Bates, Lee and other institution leaders used a conversations approach developed by president emeritus Don Harward designed to provide for periodic feedback sessions between supervisors and employees.

At VCCS, Lee currently employs a structured feedback approach with his staff and hopes to eventually introduce a new individual and organizational performance model in cooperation with the HR directors at each of the system's campuses and in support of the chancellor's Dateline 2009 agenda.

Among Lee's picks for additional reading on this topic:

Abolishing Performance Appraisals: Why They Backfire and What to Do Instead, by Tom Coens and Mary Jenkins (Berrett-Koehler Publishers, 2002).

Catalytic Coaching: The End of the Performance Review, by Garold L. Markle (Quorum Books, 2000).

Punished By Rewards: The Trouble with Gold Stars, Incentive Plans, A's, Praise and Other Bribes, by Alfie Kohn (Replica Books, 2001).

Why Pride Matters More Than Money: The Power of the World's Greatest Motivational Force, by Jon R. Katzenbach (Crown Business, 2003).



happen or should have happened and then telling employees what they should do differently next year. Ongoing conversations about performance provide opportunities for supervisors and their employees to fine-tune outcomes along the way. Ultimately this puts an institution in a much better position to quickly replicate and enhance successes by encouraging interim corrections that eliminate ineffective behaviors and approaches.

Another key component of performance feedback is shared responsibility. Ongoing dialog helps employees and supervisors build a partnership around work that must be performed, and together they can more effectively identify and make appropriate corrections and adjustments. Periodic feedback, not an annual evaluation, is what motivates employees and improves performance.

The Arbitrary Nature of Appraisals

In addition to being a static measure of employee performance, appraisals often fall short because they are based on ratings. Ratings are often manipulated for a variety of practical and political reasons, especially if they are directly tied to compensation. For instance, some supervisors simply inflate scores across the board to obtain the highest possible pay increases for their staff. Ratings may also be skewed when supervisors are allowed to give only a certain number of employees the highest marks due to budget constraints. Mixed messages about performance are also sent to employees when there are variances in the financial award. Why, for instance, do efforts that yield an “excellent” rating receive only a 2 percent increase this year when they yielded a 4 percent increase last year?

The truth is that in good or bad times, organizations make decisions about pay based on a number of factors, and appraisals are only one of those factors. Money may motivate or influence behaviors in the short term, but sustained performance only occurs through ongoing coaching and support. Traditional appraisal systems create an annual report card but do not provide enough feedback or direction to give employees a road map to success.

Another reason that appraisals are ineffective is that most appraisal systems require supervisors to become judges. This sets up an adversarial climate, where employees are talked to, and discouraged from sharing information. For instance, if supervisors know that employees are going to react negatively to a rating, they may evaluate them less critically, thereby missing important opportunities of correcting substandard performance events.

More Than Talk

Moving from a practice of rating employees to a process of periodic dialog can happen any number of ways. What is most important is putting a system in place that motivates employees while still holding them accountable. The system I have developed includes documentation. I encourage supervisors and employees to keep performance logs to track good, neutral, and negative performance and processes. Employees can track activities, projects, and plans for what to accomplish during the next weeks and months and can likewise compile thank-you notes, reports, and other background documents to put in their portfolios as indicators of performance. Then at designated intervals, supervisor and employee can meet to discuss the content of their logs and what it means about performance. I recommend holding

a feedback session every 6 to 10 weeks to really take advantage of opportunities to make incremental adjustments.

Requiring employees to be accountable for documenting their own performance encourages engagement and makes employees responsible partners in tracking and assessing success. Allowing them to give input as well as receive feedback also encourages them to become active contributors of ideas and suggestions for continuous improvement—and that ultimately benefits the institution. The soft side of performance conversations, which carries a hard bottom-line impact, is that employees tend to stay with an organization longer when they are involved and when they believe they are being treated fairly and are experiencing genuine interest in their efforts and professional growth. Feedback is the mechanism for supporting and directing individual performance and development.

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How does your institution engage in performance feedback? E-mail michele.madia@nacubo.org .

Numbers Crunch

Hiring Trend: Mostly More

According to the National Center for Education Statistics (NCES), the total number of staff employed at postsecondary institutions in the United States grew by 22 percent between 1993 and 2003. That increase easily outpaced the 13 percent growth within the civilian labor force during the same time. The NCES report, “Changes in Staff Distribution and Salaries of Full-Time Employees in Postsecondary Institutions: Fall 1993–2003,” is based on census data provided by 3,186 degree-granting U.S. institutions surveyed in both 1993 and 2003. In examining the changes that occurred between fall 1993 and fall 2003, the NCES study identifies a number of key trends about higher education hiring practices.

More professionals: The growth in the total number of professional staff exceeded that of nonprofessional staff. While staff in all professional positions (professional support/service—45 percent; instruction/research assistant—45 percent; executive, administrative, and managerial—28 percent; and faculty—26 percent) increased at rates higher than the national average (22 percent) between 1993 and 2003, the total number of their nonprofessional counterparts as a whole showed little growth (1 percent). Staff in skilled crafts positions, as well as those in service/maintenance, actually decreased in number (2 percent for both). The report notes that the barely noticeable increase in nonprofessional staff and the decline in skilled crafts positions may reflect cost-control strategies adopted by colleges and universities in the 1990s to outsource the services of nonprofessional support personnel, while protecting the academic core (i.e., faculty, executive, administrative, and managerial, and instruction/research assistant positions).

More women in more places: The rate at which female staff outnumbered male staff increased only slightly, from 52 percent in 1993 to 53 percent in 2003, but during this time their distribution increased. The total number of states (including the District of Columbia) where



the proportion of female staff rounded to at least 50 percent increased from 38 states in 1993 to 49 states in 2003, with Utah and Idaho being the only two states where females made up less than half of the workforce on college and university campuses.

More diversity: Reflecting the growth of racial and ethnic minorities in the general U.S. population, the increase in the total numbers of Hispanic (61 percent), Asian (63 percent), and American Indian (45 percent) staff at postsecondary institutions all outpaced the increase of White (13 percent) and Black (14 percent) employees between 1993 and 2003—both of which were below the national average (22 percent). Despite the increases in staff from racial/ethnic minorities, compared with the U.S. population in general, Whites were still somewhat overrepresented on postsecondary campuses in 2003: 72 percent versus 68 percent in the U.S. resident population. In contrast, in both years, Hispanics were proportionally underrepresented in the postsecondary workforce compared with the U.S. resident population: 4 percent versus 10 percent in 1993, and 5 percent versus 12 percent in 2003.

More part-timers: The rate of growth of part-time employees was twice that of full-time employees (34 percent versus 17 percent), continuing a trend of increased use of part-time employees on postsecondary campuses that started in the 1970s. The shift toward the use of part-time employees held across all types of institutions and by gender and racial/ethnic groups (except for Asian staff and staff with unknown race/ethnicity).

Many more part-time faculty: The part-time trend was particularly evident among faculty whose part-time employment grew almost three times that of full-time faculty positions (44 percent versus 15 percent). The report concludes that because this part-time pattern will likely continue into the future, part-time faculty may eventually emerge as the majority among faculty on postsecondary campuses.

The full NCES report, released in August 2006, is available at no cost on the NCES Web site.

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