



**State of Alaska  
Department of Administration  
Division of Personnel and Labor  
Relations (DOPLR)**

HR Structure Study  
Contract Number: 2009-0200-8355  
Final Report

September 24, 2009  
EquaTerra Public Sector  
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Washington, DC 20005

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## A. Project background information

Prior to 2003, The State of Alaska had a decentralized HR service delivery model with overall policy and procedures for HR programs and services created and administered by the Department of Administration, Division of Personnel. The implementation of those HR programs/services and day-to-day operations were delivered by HR offices which were part of the department they provided services for. As such, they were part of that department and reported up through that departments' chain of command.

In 2003, the decision was made to centralize all HR Operations for the state to: standardize HR policies and practices within the executive branch; increase operational efficiency and reduce administration costs. HR staff was then grouped into program areas (classifications, employee services, etc.). Technical and management services were further divided into five service center groups that provided those services to "communities of interest."

In 2007, a review of the centralized model showed that there were some issues around communication and integration of services which manifested themselves as increased frustration of internal and external stakeholders, errors in information dissemination, and tasks "falling between the cracks." As a result, the state has implemented some adjustments to the centralized delivery model which are still in effect today. It is also understood that the centralization effort was done without much input from stakeholders and, as such, many still harbor bad feelings about the move from decentralization to a more centralized HR delivery model.

On March 13, 2009, the State of Alaska issued RFP Number 2009-0200-8355 seeking proposals from qualified firms to perform a comprehensive study of the current statewide human resources structure. In that RFP, the State of Alaska indicated that you wanted to:

- Assess the efficiency and effectiveness of the current statewide human resource structure
- Gain a better understanding of the perspectives that leadership in the agencies and in the Division of Personnel and Labor Relations can provide to this evaluation
- Gather data from the "front line" around how they perceive the current quality of services delivered and the relevancy of those services
- Have an external perspective that can help you evaluate viable options that will improve service delivery efficiency and effectiveness while maintaining current staffing levels
- Ensure that any recommended organizational changes are based upon a sound analysis and backed up by appropriate best practice and benchmark data
- Develop a recommended "future state" optimized organizational structure that will have measureable (positive) impact on the quality of delivered services and will include specific recommendations related to what services are delivered centrally and what services are best delivered at the local level.

In early June of 2009, EquaTerra was selected by the State of Alaska to conduct this comprehensive study of your current human resources structure. We began work in June and made trips to both Juneau and Anchorage Alaska to conduct initial stakeholder interviews (on-site for one week in Juneau and for three days in Anchorage). We made a second trip to Anchorage in mid-August to discuss our preliminary findings and will make a second trip to Juneau (currently scheduled for September 24<sup>th</sup>) to deliver this final report and to make on-site presentations of our findings to key stakeholders.

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## B. Review of the project objectives, methodology, and timeline

As a part of our proposal response and during our initial meetings with the key stakeholders for this project, we agreed upon a set of high level project objectives. In the following paragraphs, we will outline each of the project objectives and also give some background information around why we believe these objectives were critical to the overall success of this HR structure study:

### **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.

We believed that a thorough understanding of your current organizational structure is foundational to making any recommendations around potential changes to this structure. We also believed that our review of the current structure needed to be based around how core HR/personnel services are delivered to the organization. Therefore we spent some time in reviewing process maturity, enabling technology and an assessment of process efficiency and effectiveness. Finally we also believed that it is essential to understand your current costs for delivering all services.

Compare the current DOPLR organizational structure and delivery model to best practices.

One of the key reasons that the State of Alaska desired an “external” review of the current DOPLR structure was around the desire to learn how other organizations are addressing the efficient and effective delivery of personnel and labor relations services through “best practice” service delivery models. As we will detail later in this report, there has been an evolutionary movement to an HR organizational structure in both the private and public sector that begins with a “service delivery” view of the organization and then moves to an analysis of around how core services (and associated business processes) can drive an optimal location for delivery of those core services.

Recommend an optimum organizational model, and service delivery model for DOPLR, reflective of its unique mission and scope

This objective is reflective of the fact that the State of Alaska did not want “just another study” but as stated by Commissioner Kreitzer during our interview with her “wants a set of actionable recommendations that can move DOPLR in a positive direction”. In this report, we will recommend what we believe is an optimum organizational model for DOPLR that is based upon all of the data we collected over the past two months combined with our knowledge gained in working with state governments and with organizations of all sizes in the both the private and public sector. We also believe that our recommendations around an optimum organizational model reflect the unique mission and scope of the government of the State of Alaska and recognize the journey you’ve been on in terms of finding the best structure to deliver critical HR services.

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

In line with the desire to deliver “actionable recommendations”, this final report concludes with our perspectives around how you can best move from the current state (and associated DOPLR delivery model) to the desired future state model. Our implementation roadmap outlines the specific “next steps” that we would recommend and also gives a high level timeline for moving to the recommended optimal HR structure. We also take into consideration both internal and external influences (an example would be your plans for a new time reporting system) as we developed the implementation roadmap.

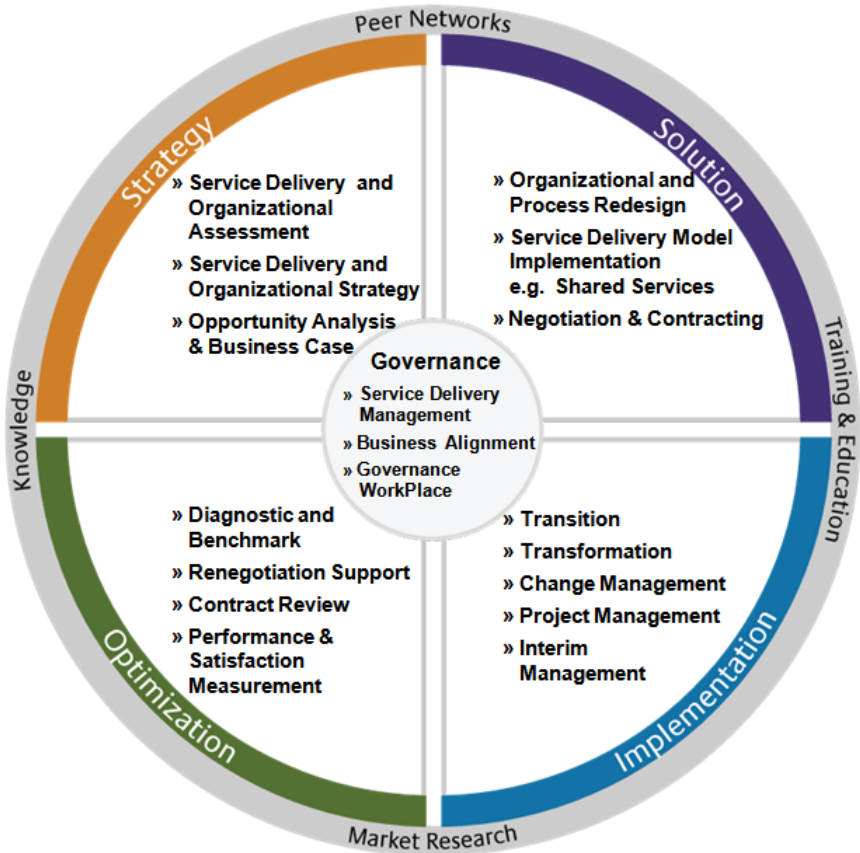
### **EquaTerra Project Methodology**

# EQUATERRA

EquaTerra's proven approach and robust methodology aligns with the four primary phases that organizations typically navigate when transforming business support services such as those delivered by the state of Alaska's Division of Personnel and Labor Relations: *Strategy and Assessment, Solution, Implementation, and Optimization.*

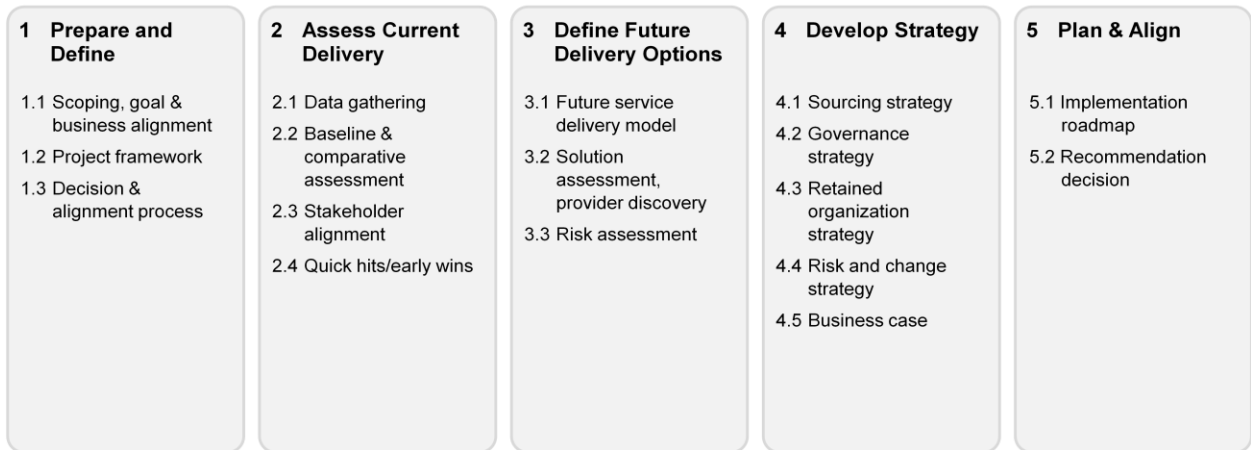
The following chart illustrates our methodology at a high level:

- » The Service Delivery Lifecycle is a complex journey that requires meticulous planning, solution definition and rigorous implementation control and optimization to enable full value from the arrangements. EquaTerra's methodology operates across the lifecycle.
- » We apply our knowledge and experience to your unique situation to define an approach that works for your organization, focused on delivering against your desired business outcomes.



While our methodology covers a broad range of tasks across the complete spectrum of business support functions, our response for this project was confined to the use of our Phase I methodology which focuses around the critical areas of strategy and assessment.

## EquaTerra Standard Methodology Strategy Work Modules



For this particular assignment our focus was primarily around assessment of the current DOPLR organizational structure and our recommendations for what we believe to be an optimal organizational model for DOPLR.

### Project Timeline

The following table outlines the timeline that we followed as we executed our project plan.

Project Stage	6/22/09	6/29/09	7/6/09	7/13/09	7/20/09	7/27/09	8/3/09	8/10/09	8/17/09	8/24/09	8/31/09	9/7/09	9/14/09	9/21/09	9/28/09
1. Prepare and Define															
2. Assess Current Delivery															
3. Define Future Delivery Options															
4. Develop Strategy															
5. Plan & Align															
Major Milestones / Project Deliverables	Approved Project Plan		Preliminary Report - August 28, 2009								Final Report & Presentations - September 30, 2009				

The Preliminary Report (a copy of the report is included in the appendix of this final report) was delivered on August 28<sup>th</sup> 2009. Final report presentations are now scheduled for September 24<sup>th</sup>, 2009.

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## C. Data collection approach

Our data collection approach utilized a broad range of tools to ensure that we developed a comprehensive view of the efficiency and effectiveness of the current DOPLR organizational structure and service delivery model. Our approach included:

- Stakeholder Interviews
- Review of documentation related to the original implementation of a centralized organizational model for DOP as well as material related to the changes made over time that created the current DOPLR organizational model
- Collection of organizational, financial and process performance data from DOPLR
- Collection of core technology support systems and platforms that exist within DOPLR today (including any “in flight” systems)
- Review of EquaTerra maintained data related to organizational effectiveness and best practices
- Other miscellaneous background material supplied to us by the state including work done by The Hackett company around current levels of administrative workloads within DOPLR and an employee satisfaction survey conducted by the Department of Transportation and Public Facilities

### Stakeholder Interviews

We completed over 65 hours of one-on-one interviews with a broad range of stakeholders that included administrative service directors, DOPLR program managers, a sampling of DOPLR and departmental staff and several commissioners/deputy commissioners.

We utilized a structured interview guide for these sessions (see appendix for a copy of the interview guide) that ensured that we covered the following broad areas with each interviewee:

- Current job responsibilities and interaction with DOPLR, prior experiences with the state of Alaska – if applicable view on services before and after the centralization
- Overall assessment of DOPLR service delivery efficiency and effectiveness – we usually asked interviewees to rate their current service delivery satisfaction on a numerical scale from 1 (being the lowest) to 10 (the highest)
- We then drilled into individual components or services of the current delivery model – and specifically asked our interviewees to indicate (from their experience) what was working well and what was not working well. (We also asked them to provide specific examples and not just broad anecdotal comments)
- We asked each interviewee about their key business priorities and what impact future agency strategies might have on their personnel service delivery requirements.
- We closed most interviews with a general question around what outcomes that they would like to see from this HR structure assessment

## High Level Process Analysis

In order to better understand how work is getting done today, we reviewed a number of the major personnel processes that take place today within DOPLR and within the supported agencies. Processes that we reviewed included the:

- Personnel Action Request Form (PARF) process
- Time collection process
- Hiring process including the following sub-processes:
  - ✓ creation of the position description utilizing the on-line position description tool (the OPD)
  - ✓ individual classifications
  - ✓ posting of a new opening onto Workplace Alaska
  - ✓ building an applicant pool or list
  - ✓ selection (with specific focus around the meeting of minimum qualifications)
  - ✓ on-boarding
- Payroll process in terms of AKPAY and how indicative data , time data and compensation data is entered into the system
- Classification study process
- Grievance process
- Training process
- Reporting process utilizing EPIC

As we reviewed these processes we were interested in learning:

- ✓ how well the processes are integrated across major sub-process activities
- ✓ the degree to which there is clarity around process ownership
- ✓ about any measures that exist around process maturity (accuracy and efficiency)
- ✓ the degree to which automation or technology is imbedded into major process areas.



## Technology/Systems

Throughout our data gathering activities we also gathered information related to the enabling technology that exists today with DOPLR. We also explored any plans for new systems or platforms that might have an impact on our analysis and/or our recommendations. We reviewed the following systems and/or platforms:

- The OPD – On-line position descriptions supported through ColdFusion technology
- Workplace Alaska – Web-based job posting and applicant tracking system supported through Lotus Notes technology
- AKPAY – the core HR and payroll system (Tesseract technology base)
- In-flight or planned systems:
  - ✓ New timekeeping system (Timelink) – planned implementation in approximately 18 to 24 months
  - ✓ Plans to deliver pay information electronically – online pay stubs are currently available
  - ✓ ERP implementation plans (timekeeping, finance, procurement and then HR)
  - ✓ ALDER – data warehouse system

As we reviewed these supporting systems, we were interested in learning the degree of integration that exists between each system (process integration, data integration, etc.), ease of use, access points and degree of self service offered by the various system components.

## D. Data Collection Results

In the following paragraphs, the results of our data collection efforts are summarized over the following broad categories:

- Information collected through the structured interviews:
  - ✓ overall responsibilities, services received and background data
  - ✓ overall assessment of service delivery efficiency and effectiveness
  - ✓ assessment of service delivery efficiency and effectiveness in terms of individual service areas or processes e.g. management services, classifications, etc.
  - ✓ key business priorities and impact on personnel service delivery
  - ✓ outcome interviewees would they like to see from this assessment?
- Current DOPLR staffing analysis
- DOPLR budget and headcount analysis/ratios

## Information collected through the structured interviews

### ✓ overall responsibilities, services received and background data

As was expected, the discussions around this interview topic varied widely depending upon the person or group we were interviewing. It was helpful that many of our interviewees had been in relevant positions prior to the original decision to centralize DOP and could comment on their views regarding what structure was optimal. Many of the interviewees acknowledged that there were issues around control prior to the centralization and that the current structure did provide more consistency.

We did have some people that came armed with data and opinions and others that were fairly low key in their approach. Many of our interviewees did have a great deal of perspective related to when and how the centralization took place and several expressed concerns related to rumors of an IT consolidation and also displeasure with the new centralized travel system/process.

It should be noted that we did not have a single person that failed to show up for an interview and that was not eager to give us their perspectives. Many of the interviewees also credited DOA for undertaking this exercise and for seeking their perspectives. It was clear that there is broad interest in the issue of how DOPLR can best be organized to serve its employee customers.

### ✓ overall assessment of service delivery efficiency and effectiveness

There was a great deal of consistency in the responses we received around assessment of current service delivery with an average score of 5 (mediocre) on a scale of 1 (lowest) to 10 (highest) with almost all of the assessments falling into a range between 3 and 7. There was also a fairly consistent response related to the belief that the decentralized model delivered a higher level of service than the centralized model. Finally, it is interesting to note, that assessments from the agencies or departments were similar to assessments from individuals within the DOPLR organization. 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”***

***“Very high turnover in DOPLR creating problems in many areas”***

- ✓ **assessment of service delivery efficiency and effectiveness in terms of individual service areas or processes e.g. management services, classifications, etc.**

In each interview we attempted to discuss the major service areas in order to get some sense of how the interviewees overall assessment of service delivery was being impacted by specific issues within a particular process or department. The following list of service areas are ordered from high to low in terms of individual assessments – 1 being the highest. Again, there was a high level of consistency in the responses received and the responses quoted were heard numerous times.

1. Payroll services – getting people paid accurately and on time (frequently the agency takes credit for this result)
2. Management services – **“strong on effort, good people but availability a problem – issues around being proactive and understanding our business”**
3. Recruiting services – **“the transactional part in terms of the OPD and Workplace Alaska working okay – issues around meeting minimum qualifications”**
4. Labor relations – **“sometimes seems that they are more aligned with the unions than with the agencies, not closely engaged with daily issues”**
5. Classifications – **“no accountability, don’t understand our business, hampering our ability to hire good people”**
6. Business partnership – **“non-existent”**

- ✓ **key business priorities and impact on personnel service delivery**

In asking this question in each interview, we wanted to try and ensure that any recommendations that might come out of this study around a future organizational structure would consider key business priorities and strategies and their impact on needed services from DOPLR. As might be expected, there were a series of key themes that emerged from this topic that centered on workforce development and knowledge transfer. The following quotes from interviewees highlight some of their concerns and services that they’d like to see delivered by DOPLR:

**“we need to address how the state is going to attract and retain needed talent in the face of changing skill requirements and retirement crises”** (some see this as fundamentally a problem with the pay and classification processes)

**“we need to focus on speed of hire and analysis around effectiveness of recruiting sources”**

**“we need formal programs around knowledge transfer and succession planning”**

**“we desperately need a leadership development program”**

**“we need to improve current employee orientation program”**

**“DOPLR produces a report each year on the workforce characteristics but there needs to be more time spent around the implications of that report including succession planning”**

**“We need more flexibility around bringing back people that retire from the State”**

✓ **outcome interviewees would they like to see from this assessment?**

While we received a variety of responses to this question, there was also a common theme related to the belief that DOPLR needs to get closer to the department or agency they serve so that they can better understand their business requirements and help senior management translate business requirements into people strategies. Clearly, there is a shared belief today within the departments, that DOPLR has become insulated from the “real world”. The following quotations taken from the interviews are representative of the types of responses we got to this question:

***“Management Services needs to be closer to the customer”***

***“Would like to see DOPLR upgrade their positions (and pay) and give them more latitude to make decisions (and make mistakes).”***

***“Would support having a generalist assigned to each agency”***

***“Management training that is mandatory”***

***“Each department should have at least one advocate”***

***“If we just had one person that served 500 people that sat in the offices of the agency”***

***“We need HR integrated into our operation”***

***“Management Services should be in each department. They should still be DOPLR employees but would assist the department in terms of being more proactive”***

***“An agency-based HR consultant that would help me recruit and retain people within the department that could get guidance from a higher source in DOPLR”***

***“Would like to see some representation within the department – have a single point of contact to work through within my department.”***

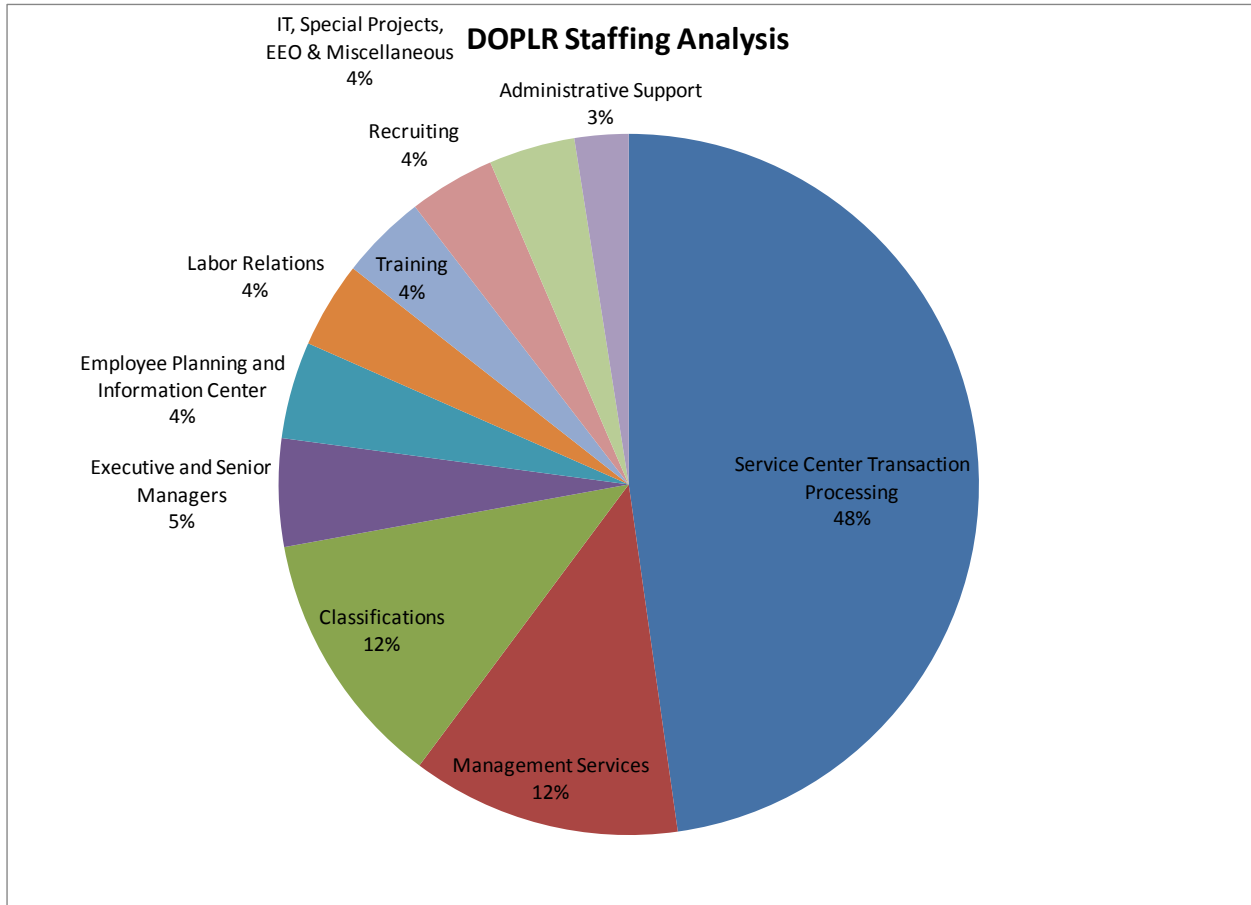
## **Current DOPLR staffing analysis**

We assessed the current staff of DOPLR with a focus around two areas:

- How is headcount allocated in terms of broad departmental activities or duties?
- Regardless of job assignment or department assignment, what percentage of a person’s time is spent doing transactional or administrative work?

Staffing analysis by functional area:

The following chart summarizes the percentage of total DOPLR headcount (FTE's) allocated to broad functional areas within the current organizational structure:



From our perspective, the above data illustrates the large allocation of FTE's to transaction processing with 50% of the total DOPLR staff engaged in service center transactional work. The chart also illustrates the relatively large number of staff assigned to classifications compared with rather low numbers of staff assigned to areas such as recruiting and training.

We also estimated the percentage of time spent by DOPLR personnel doing administrative or transactional work (regardless of job title or departmental assignment) and determined that approximately 76% of the time spent by DOPLR employees is administrative or transactional in nature. This number aligns well with the study done by Hackett.

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## DOPLR budget and headcount analysis/ratios

In order to assess the performance of DOPLR from a financial perspective, we also collected data around fiscal year 2009 total expenditures, total headcount data for the state of Alaska as well as headcount data for DOPLR. This data was then utilized to calculate standard ratios related to DOPLR cost per employee per year and the HR ratio for DOPLR. The data collected is summarized in the following table:

DOPLR fiscal year 2009 total expenditures	\$15,431,400
Total number of employees serviced	16,490
Total number of positions filled in DOPLR (FY09 average)	170
DOPLR cost on a per employee per year basis	\$936
HR ratio - number of employees serviced / number of DOPLR employees	97

## E. Assessment of the current HR service delivery model and organizational structure and comparison to “best practices”

Our assessment of DOPLR was conducted across the following four broad dimensions:

- administrative focus
- enabling technology
- service delivery model
- organizational alignment
- funding and staffing levels

### Administrative focus

As documented in earlier sections of this report (and also supported by external studies like the Hackett study), over 70% of the work being done in DOPLR is administrative or transactional (e.g. payroll, personnel actions, applicant processing, etc.). This leaves relatively few resources to handle the strategic and consultative work that agencies need and DOPLR would like to provide (e.g. strategic staffing, workforce planning, leadership development and performance management). Also the DOPLR resources with the most experience in doing strategy and consultative tasks are (for the most part) managing transactional work leaving them little time to function in a business partner role. **Best practice would have 70-80 % of an HR organization’s staff time spent on strategic and consultative work.**

### Enabling technology

The high level of administrative/transactional work is driven by the absence of enabling technology that would automate many high volume transactional processes. Most transactional processes have multiple handoffs and are still often paper based. Finally, data is seldom entered into core systems by employees and managers. **Best Practice technology would automate much of the administrative/transactional work and significantly reduce the number of people needed to perform that type of work. Many best practice organizations are achieving 90%+ levels of transactional self service. (The time collection project is a step in the right direction but only if implemented correctly).**

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## Service delivery model

As stated above, there is very little self service available to employees and managers and no single point of contact for asking questions, getting needed information, or to assist employees in completing transactions related to their personal data. Often employees are faced with going to several different parts of the organization for help depending upon the origin of a specific issue e.g. personal data changes, benefit changes, pay changes, etc. **Best Practice organizations have deployed an Employee Portal which would provides a single point of access to HR, benefit and pay related information. This allows employees to get information and perform self service transactions. The employee portal is often supported by a dedicated and highly trained call center staff to assist employees with issues and is equipped with appropriate technology to manage calls and cases. The employee service center utilizes these tools to ensure a high level of service delivery quality and customer satisfaction. This “one point of contact” approach to HR service deliver creates a more efficient and effective delivery of services and also drives service consistency. Finally, it would relieve the agency staff from having to handle employee related issues (addressing the issue raised by many agencies around HR work “left behind” in the agencies).**

## Organizational alignment

The current DOPLR organizational structure does include some “centers of expertise” (EEO,T&D, Labor Relations, Classification etc.), but 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 existing service centers are not delivering a complete set of services to the agencies. They are mixing transactional services with management services and are not delivering key services to agencies such as, staffing, classification, selection, performance management and workforce planning support. **Best practice 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 business needs. The strongest connection is with the service center managers, but they are either spread across multiple agencies or are often diverted to assist on more transactional and administrative issues. The management services group does provide support to management, but is limited to dealing with employee behavior and performance related issues. **Best practices would have a tight link to the agency so that unique agency requirements could be identified and solutions developed and provided to meet them.**

## Funding and staffing levels

As documented on an earlier slide, the average number of filled positions over the past year in DOPLR has been approximately 170 and the 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. This is reinforced by comments made in many of our agency interviews around the fact that agencies believe they have staff doing HR transactional work that they thought was moving to the service centers but that has remained in their organizations and that these costs are not being allocated to DOPLR. Finally, there is no question that many FLSA exempt DOPLR employees are putting in a significant amount of additional hours and many overtime eligible employees have elected to receive compensatory time opposed to monetary compensation for overtime worked. This is not being reflected in current budget dollars and is leading to employee burnout and turnover.

Over the past several years, EquaTerra has developed a set of characteristics that we believe are always in place when an HR organization has a well developed (and implemented) HR service delivery strategy. These characteristics are summarized in the following table along with our view of where DOPLR is today in terms of these “best practice” characteristics:

Characteristic	Evidenced By	DOPLR today
Ease of Use	<ul style="list-style-type: none"> <li>✓ Single integrated web site and service center model</li> <li>✓ Policy and procedures imbedded into the transactions</li> <li>✓ No training required to access the delivery model</li> </ul>	Some individual applications and/or tools have been well received (OPD & Workplace Alaska) but an overall service delivery strategy emphasizing ease of use does not exist
Standardized & Optimized Processes	<ul style="list-style-type: none"> <li>✓ Documented holistic processes with built in compliance and measurements</li> <li>✓ High level of process and policy standardization</li> </ul>	Progress has been made with the service centers but room for much improvement
Business Alignment	<ul style="list-style-type: none"> <li>✓ Personnel (people) strategies clearly linked to operational strategies</li> </ul>	Major issues today from the business perspective
Enabling Technology	<ul style="list-style-type: none"> <li>✓ High level of employee self service for all transactional activity</li> <li>✓ Service delivery toolset integrated with core data systems</li> </ul>	Limiting factor on achieving operational excellence – new time reporting system will help
Internal Resource Optimization	<ul style="list-style-type: none"> <li>✓ Personnel resources balanced across business partner, COE and service center roles</li> </ul>	70%+ of resources today are dedicated to transactional & administrative work
Operational Excellence	<ul style="list-style-type: none"> <li>✓ A balanced scorecard that tracks cost, effectiveness and customer satisfaction</li> </ul>	No evidence that it exists today

The following observations summarize our assessment of DOPLR particularly as it relates to opportunities to improve the organizational structure and its efficiency and effectiveness:

- Too many resources are absorbed by administrative tasks – the goal should be to move from 70% administrative work to 30% administrative work (as measured by headcount and work activity).
- The current organizational structure creates too many “points of contact” in terms of the ways employees and managers access needed services and information – the goal should be to develop a single point of contact for all HR transactional work.
- The current model is both centralized and decentralized and some of the best talent in DOPLR is being “bogged down” by administrative work – the goal should be to drive towards more clarity in the organizational model.
- There does not appear to be a focus around process and quality within DOPLR today and this has lead to an absence of a strong integrated process framework around which work is done and



around which performance is measured – the goal should be to create a process focus within the HR service center component of the service delivery model.

- 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 – the short term goal should be to focus on a successful implementation of the new time reporting system by aligning with a new DOPLR organizational structure and delivery model.
- Many issues faced today have their root cause in the existing (and outdated) job classification system – the goal should be create a strategy to replace the existing job classification system (over the next 3-5 years).
- 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 – the goal should be to utilize sound change management principles as you determine the most optimal future organizational model for DOPLR and execute the plan to move to a new delivery model.

## **F. Recommended plan of action**

### **Recommended organization model**

Based upon our analysis of all of the information gathered during our assessment of DOPLR we recommend that the state of Alaska consider restructuring the existing DOPLR organization into four major functional areas that are integrated from a service delivery standpoint:

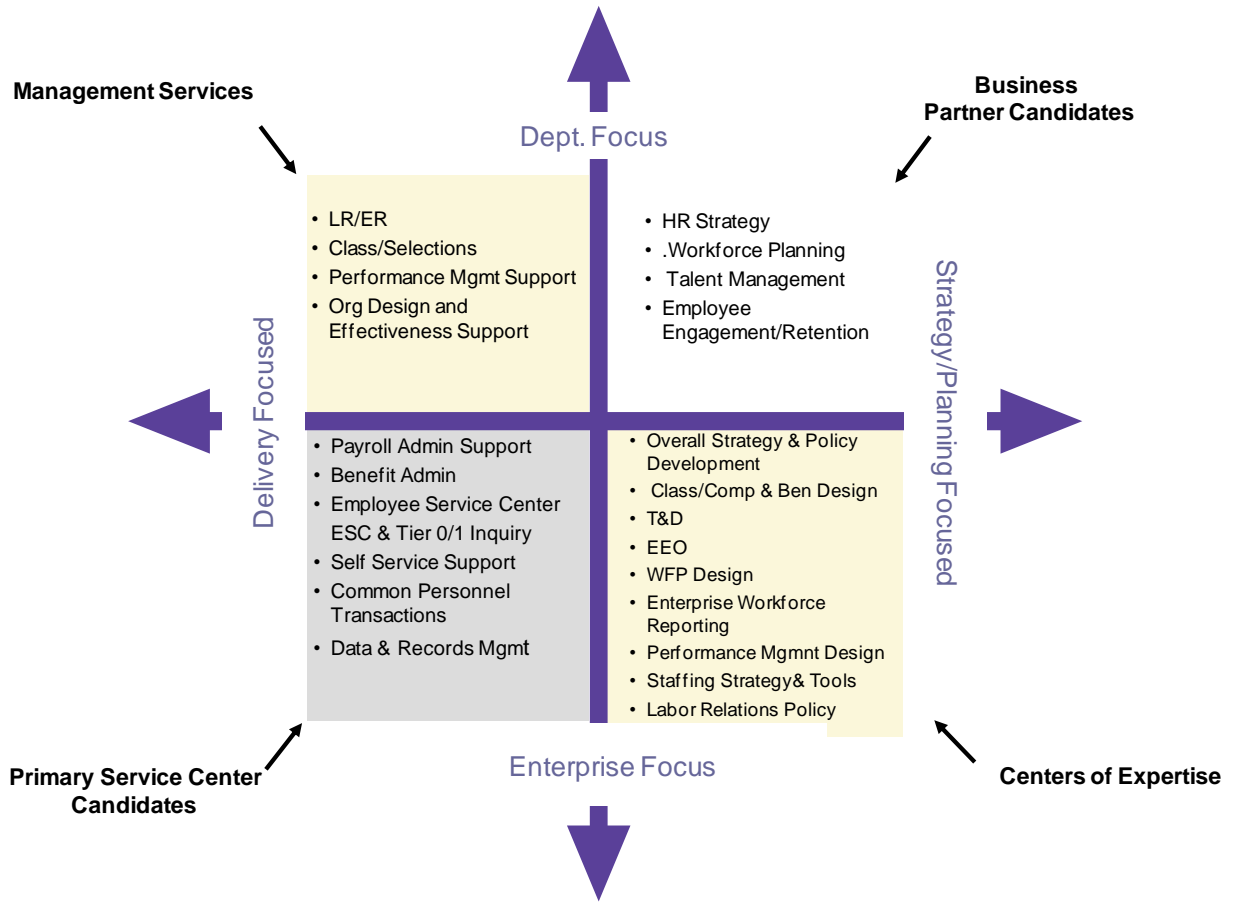
1. A strong, lightly staffed “centers of expertise” (COE) group that establishes policy, sets overall strategy, and provides expert support to the HR delivery teams.
2. A cadre of business partners that are DOPLR employees, but that are housed in the agency to provide agency leadership with strategic 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.

This organizational framework was initially developed in the late 1990’s by David Ulrich, a professor of business at the Ross School of Business, University of Michigan and co-founder of The RBL Group. He has written 15 books covering topics in HR and Leadership; is a Fellow in the National Academy of Human Resources; and was named the most influential person in HR by HR Magazine for three years.

His original studies have evolved over the past ten years and variations of his recommended HR organizational model have now been implemented in hundreds of organizations in both the private and public sector. The following table summarizes each of the organizational components by their area of focus, typical program areas and primary customers.

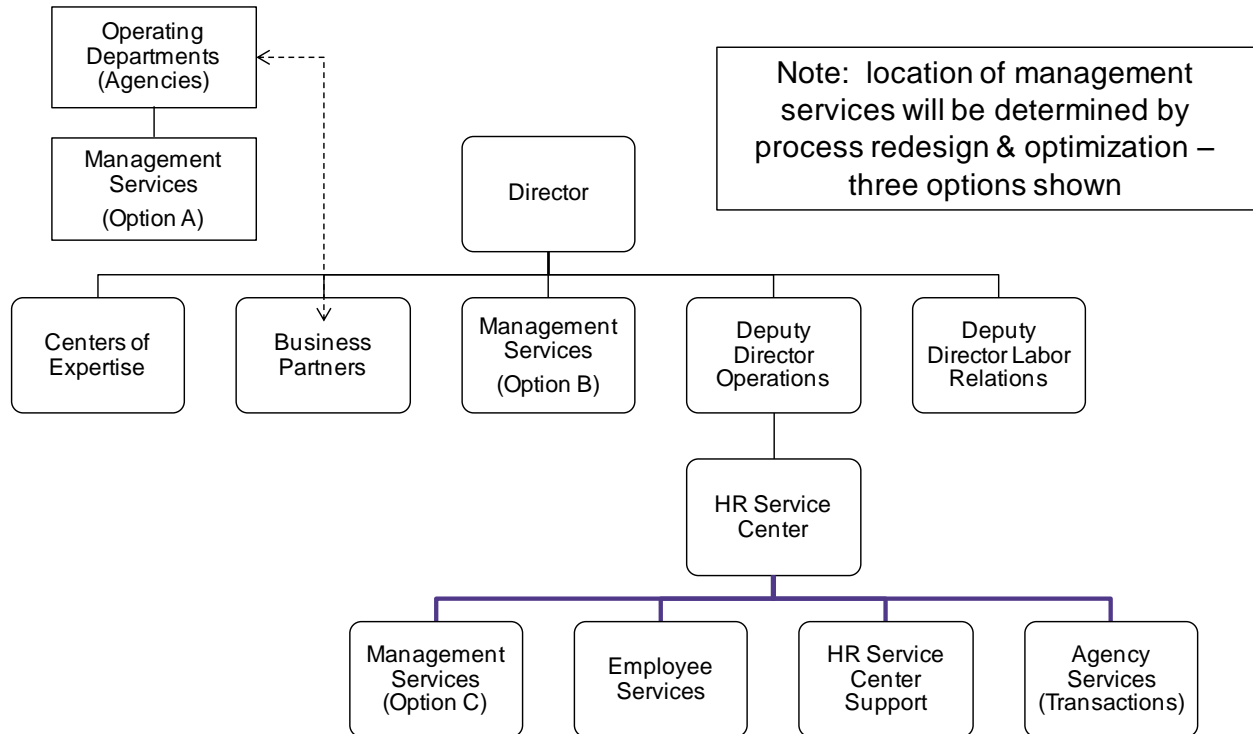
HR Area	Focus	Program Areas	Primary Customers
1. Centers of Expertise	<ul style="list-style-type: none"> <li>• Policy</li> <li>• Strategy</li> <li>• Program Development</li> <li>• Specialized Expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Classification/selections</li> <li>• EEO</li> <li>• Training &amp; development</li> <li>• Workforce planning programs</li> <li>• Strategic recruitment programs</li> <li>• Compensation programs</li> <li>• Performance management programs</li> </ul>	<ul style="list-style-type: none"> <li>• Agencies</li> <li>• All HR areas</li> <li>• Tier 3 support to HR Service Center</li> </ul>
2. Business Partners	<ul style="list-style-type: none"> <li>• Understanding agency business.</li> <li>• Assisting agency leadership in identifying and solving strategic HR issues</li> <li>• Working with other HR entities to develop and implement solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic recruitment</li> <li>• Organizational effectiveness</li> <li>• Workforce planning strategies</li> <li>• Retention &amp; employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Agency Executives and Administrators</li> </ul>
3. Management Services	<ul style="list-style-type: none"> <li>• Delivery of HR programs to the agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Discipline</li> <li>• Grievances</li> <li>• Classification (in individual)</li> <li>• Selection</li> <li>• Performance management</li> </ul>	<ul style="list-style-type: none"> <li>• Managers and Supervisors</li> <li>• Tier 2 support for HR service center</li> </ul>
4. HR Service Center	<ul style="list-style-type: none"> <li>• Employee point of contact for HR, Benefit and payroll</li> <li>• Transaction processing support to agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Benefits, personal data modifications, deductions and general information</li> <li>• Payroll processing</li> <li>• Personnel transaction processing</li> </ul>	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Agency administrative services staff</li> </ul>

Another useful way to look at the recommended organizational model for DOPLR would be to assess the current work being done by DOPLR and determine where it best fits in the recommended model based upon how the services can best be delivered e.g. items that can be delivered enterprise wide versus those that have a departmental/agency focus plotted against items that are primarily administrative or operationally focused versus services that are generally assessed as being more strategic. We've completed the following matrix with one possible way to align some or all of the current services delivered by DOPLR into a service delivery matrix based upon these characteristics.



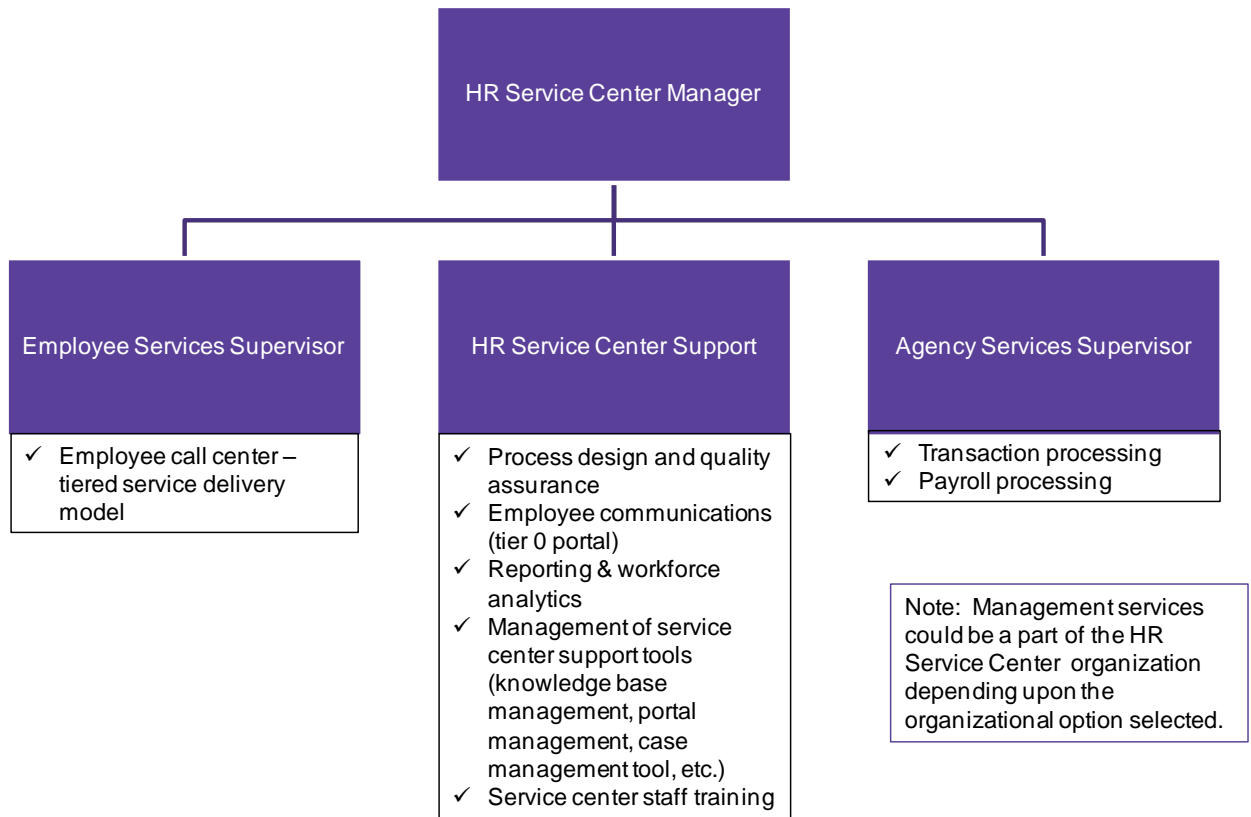
## Recommended organizational structure

Utilizing the above analysis, we are suggesting the following “future state” DOPLR organizational structure:



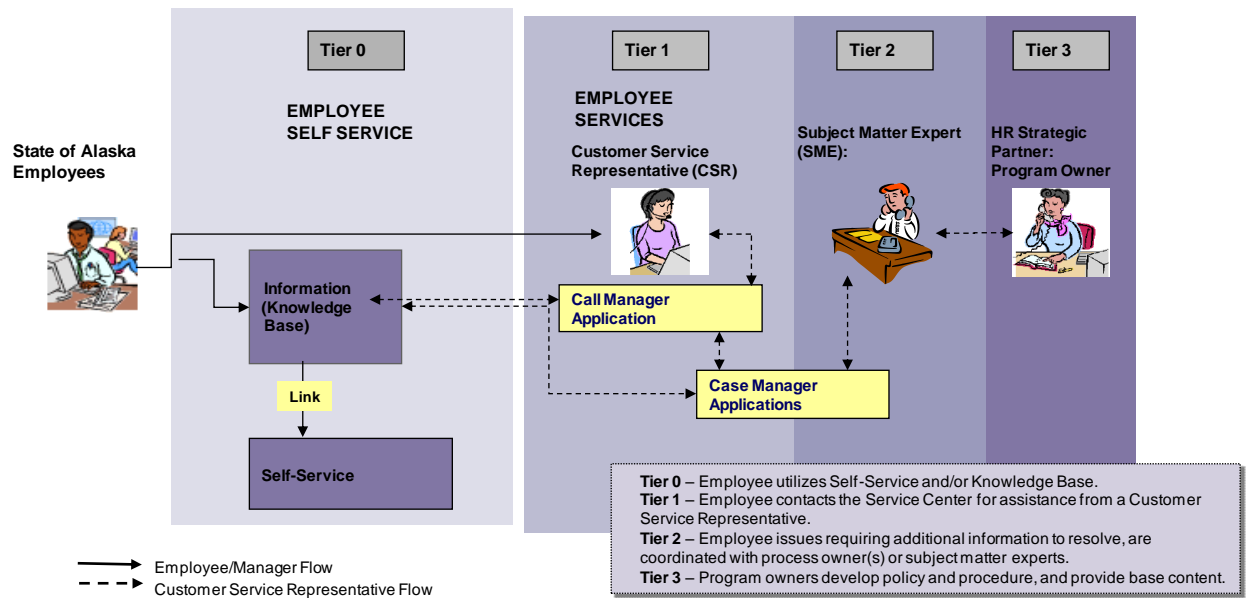
This “future state” organizational structure will result in the creation of:

- A strong, lightly staffed “centers of expertise” (COE) group, that establishes policy, sets overall strategy, and provides expert support to the HR delivery teams
- 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.
- 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). Note the above organizational model shows three options in terms of where management services is placed within the organization.
- An HR service center which performs the administrative/transactional work related to employees, and that delivers 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. The following chart provides some additional detail around the specific activities that would typically be completed within the departments in the HR service center:



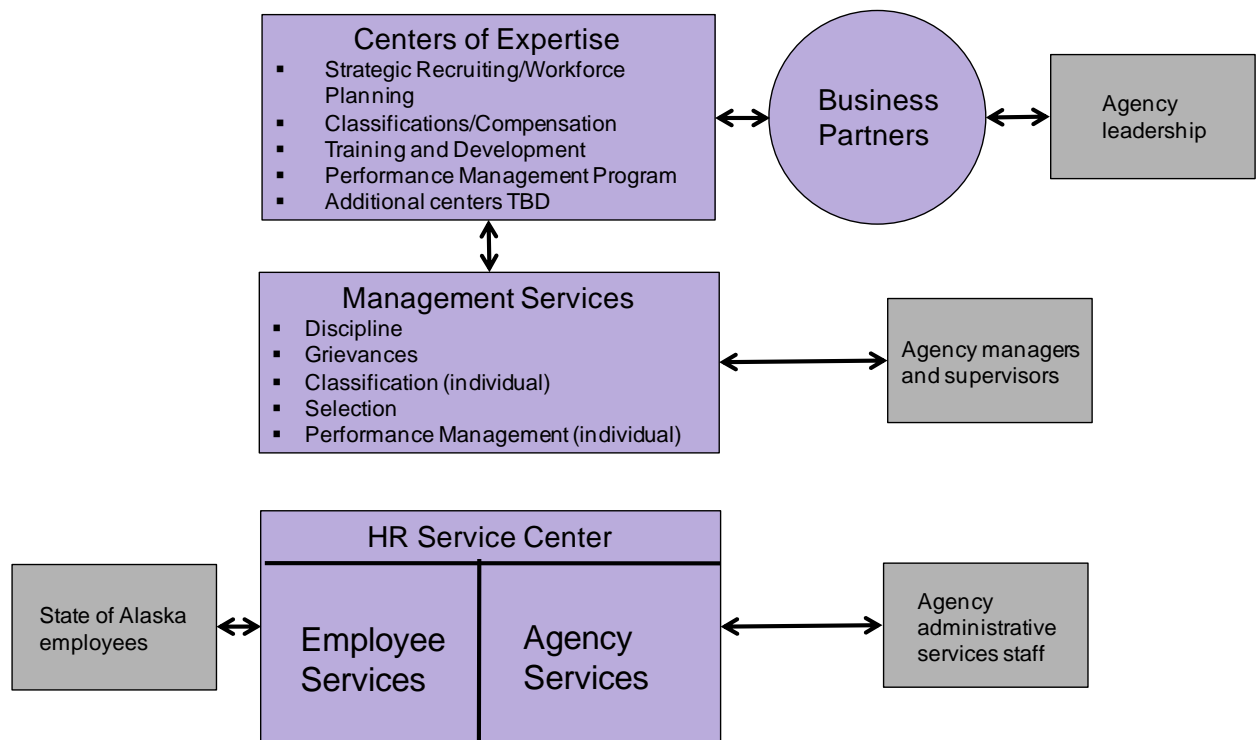
## Employee Service Center

The employee service center component of the recommended “future state” DOPLR organizational 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. The following figure shows how these four tiers interact with each other to provide a high level of customer service to the employees of the state of Alaska.



One final way to look at the recommended “future state” DOPLR organizational model would be in terms of a “customer” view of the model. As shown below:

- Agency leadership would have their primary contact with their dedicated DOPLR business partner
- Centers of expertise would have their primary customer contact with DOPLR business partners and with the DOPLR management services group as they develop and roll out new initiatives to the organization and as they provide Tier 3 and Tier 4 services to the HR service center.
- Agency managers and supervisors would have their primary point of contact be with the management services group
- State of Alaska employees and agency administrative staff would have their primary point of contact with the HR service center



## H. Implementation planning

Should the state of Alaska decide to move ahead with implementing the recommended DOPLR organizational model, EquaTerra would recommend completing the following tasks over the next 6-8 week timeframe:

### 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 (typically 3-5 separate sessions each being 2-3 days in length) will determine answers to the following critical issues surrounding adoption of a new optimal organizational structure and delivery model for DOPLR:

- ✓ What processes/services will be delivered through the new organizational model e.g. broad employee services across pay, benefits, etc. What services are the best candidates for Phase I implementation

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(usually within 6-9 months), Phase II implementation (12-18 months) and Phase III implementation (24-36 months)?

- ✓ Where the services can best be delivered within the model e.g. in the service center, through the centers of expertise, etc.? Workshop will focus on determining ownership for broad processes within the overall organizational model with an emphasis on reducing handoffs, utilization of enabling technology for self service, etc.
- ✓ What baseline technology will be required to support the new service delivery model? What technology will be essential for Phase I rollout e.g. interactive voice response, initial portal deployment, case management tool, knowledge base tool, etc.? What will be the costs for required technology? What is the overall technology strategy for the next 3-5 years aligned with the state of Alaska's technology plan?
- ✓ What will be the staffing requirements for the DOPLR organizational structure? What headcount allocation will be required within each tier in the call center? What headcount will be required for transactional processing? How many staff will be needed within the centers of expertise and in management services? What is the best approach around staffing the business partner function?
- ✓ What is the best way to transition from the current state organizational model to the recommended DOPLR model?

**Based upon the results of the planning workshops, develop a detailed implementation plan for initial roll out of the new service delivery model and DOPLR organizational structure that will include:**

- ✓ Detailed process redesign for in-scope phase one processes based upon the tiered delivery model and portal
- ✓ Finalize the technology required (and costs) to optimize service delivery for phase one processes and determine how this required technology will be acquired – determine a high level technology strategy for future phases
- ✓ Develop staffing plan for the phase I rollout of the new organizational model (skills required and staffing numbers) – and an overall strategy for subsequent phases
- ✓ Develop a comprehensive change management plan (communication & governance components) for the initial rollout of the new “future state” DOPLR organizational model and service delivery framework.
- ✓ Development of quality assurance and customer satisfaction measurements, service level agreements and Return on Investment etc..

## **Conclusion**

We feel confident that the recommendations we have made in this report can result in a new organizational framework and service delivery model for DOPLR that will deliver desired improvements in the efficiency and effectiveness of delivered services.

In 2004, the state of Michigan adopted a similar model for delivery of HR services and over a five year period of time reduced expenses by \$28 million dollars. They also achieved a:

- customer (employee) satisfaction rate of 96+%
- Transaction accuracy of 96+%
- 400% increase in the use of employee and manager self service



- Increased capability to perform strategic HR activities

A similar organizational model to the one we are recommending to the state of Alaska, is also currently being implemented in the Commonwealth of Pennsylvania where they are expecting similar savings in their cost of delivered services as well as an improved service delivery model for core HR, pay and benefit services. In their model they are establishing an HR shared service center to handle all employee inquiries and transactions around common HR, payroll and benefit issues and strengthening their Centers of Expertise. They will also be handling a number of common transactions currently being performed in the agencies. The professional HR work and staff will remain in the respective departments reporting through the departmental chain of command.

Over the last three years, the State of Utah has undergone a consolidation of their HR operations as well. In their model all HR now reports to the central HR agency. However, they have elected to leave the operational delivery of HR services on site with the agencies they serve. They have also created responsibilities for policy, strategy etc that serve as centers of expertise. They are currently reviewing the concept of an enhanced employee portal and employee call center.

As you can see each of the above-referenced state organizations has used the basic components of the model we have recommended to Alaska, but with their own individual adaptations. We are confident that the conceptual model we have recommended is the right direction for you to take. That said, there is a lot of work and policy decisions that will need to occur to make it come to fruition and it will not happen overnight. This HR transformation is in fact a journey - not a destination.