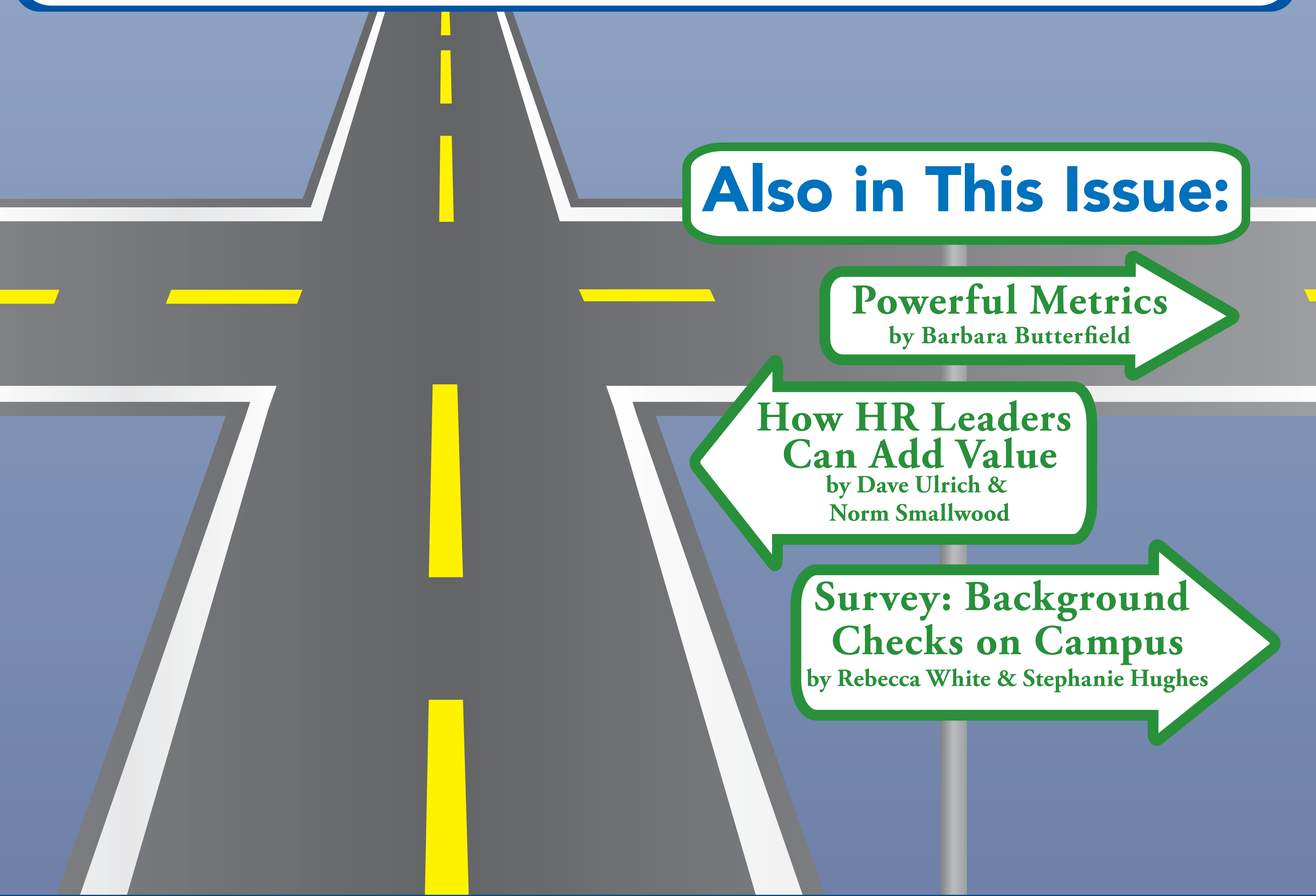
cupa-hr journal

Fall/Winter 2006 | Vol. 57 | No. 2

Health Care Crossroads:

Putting Consumer-Driven Ideas to Work at Louisiana State University



Also in This Issue:

Powerful Metrics
by Barbara Butterfield

How HR Leaders Can Add Value
by Dave Ulrich & Norm Smallwood

Survey: Background Checks on Campus
by Rebecca White & Stephanie Hughes

College and University Professional Association for Human Resources

Table of Contents

Page 4 (FEATURE ARTICLE)

Powerful Metrics: Strategic and Transformative
By Barbara Butterfield
To be a valuable partner at the strategic level, human resources can and should contribute to both institutional effectiveness measurement and workforce metrics. In this article, the author examines how to link HR initiatives with key institutional strategies, clarifies essential HR responsibilities for workforce results, explores return on human capital investments, and outlines some requirements for launching a sound HR metrics practice.

Page 12 (FEATURE ARTICLE)

How HR Leaders Can Add Value to an Organization
By Norm Smallwood and Dave Ulrich
Generally speaking, it is safe to say that human resource leaders whole-heartedly believe that the HR function should add value to an organization. However, many wonder where to start. In this article, the authors outline three ways in which the HR function, and the HR leader, can create sustained value for an organization and its stakeholders.

Page 16

Health Care Crossroads: What's the Right Solution?
Putting Consumer-Driven Ideas to Work at Louisiana State University
By Forest Benedict and Shayla Guinn
Idling at the crossroads and faced with ever-increasing health care costs, the Louisiana State University System chose the road less traveled and instituted a consumer-driven benefits plan. In this article, the authors provide an overview of the consumer-driven programs LSU has adopted and how these programs have helped curb costs and improve the health status of its employees.

Page 23

Risk Mitigation in Higher Education:
An Overview of the Use of Background Checks on Campus
By Stephanie Hughes and Rebecca White
Background checks of new hires and incoming students are becoming more common on college and university campuses across the country, as institutions seek ways to mitigate risks and institutional liability in cases of student and employee misconduct. In this article, the authors present the findings of a survey they conducted regarding the use of background checks on campus.

From the Editor

The role human resources plays within an organization has been evolving for quite some time now. Although HR continues to be responsible for some of its more traditional functions — creating and maintaining policies and procedures; recruiting, hiring and training; motivating, mentoring and counseling — it is increasingly taking on a more strategic role within the organization. The HR function today is expected to add value to the organization, to be more focus-driven and intentional.

This issue of the *Journal* features two articles examining different aspects of this strategic role. "How HR Leaders Can Add Value to an Organization," by leadership authorities Dave Ulrich and Norm Smallwood, explores the ways in which HR can add value not only to the organization itself, but also to that organization's many stakeholders. "Powerful Metrics: Strategic and Transformative," by HR consultant Barbara Butterfield, examines how to measure this value added, thus binding HR's work to key institutional strategies.

Changing direction a bit, in a third article entitled "Health Care Crossroads: What's the Right Solution? Putting Consumer-Driven Ideas to Work at Louisiana State University," Forest Benedict, vice president for Human Resources and Risk Management at LSU, and Ameritas Group's Shayla Guinn relate how the LSU System, fed up with skyrocketing health care costs, took a gamble and initiated a consumer-driven health plan. Thanks to its somewhat unorthodox approach to health benefits (at the time it instituted the consumer-driven plan, it was only the second university in the country to have done so), LSU has enjoyed a reduction in cost expenditures for prescription drugs, emergency care facilities and other discretionary health care purchases.

Finally, in "Risk Mitigation in Higher Education: An Overview of the Use of Background Checks on Campus," Stephanie Hughes and Rebecca White, both professors in the Department of Management at Northern Kentucky University, examine the utilization of background checks as a risk management tool on college campuses. In light of recent legislation in many states and some high-profile scandals at colleges and universities involving employees and/or students, many institutions have begun conducting background checks on newly hired staff, faculty, contractors and even incoming students. However, as you might imagine, these background check policies are not without controversy. In this article, the authors share the results of a survey they conducted to examine the extent of the utilization of background checks in higher education institutions across the country and to identify limitations encountered when trying to implement such policies.

Missy Kline | CUPA-HR Editor

***CUPA-HR JOURNAL* STAFF**

Chief Executive Officer: Andy Brantley

Director of Communications: Gayle Kiser

Editor: Missy Kline

Graphic Designer: Jeremy Longmire

ADVERTISING INQUIRIES
Tel: 865-637-7673 • Fax: 865-637-7674
E-mail: advertising@cupahr.org

The *CUPA-HR Journal* is published by the College and University Professional Association for Human Resources, Tyson Place, 2607 Kingston Pike, Suite 250, Knoxville, TN 37919. Association dues paid by member institutions cover the annual cost of $40 for the *CUPA-HR Journal*; subscriptions for nonmembers and libraries are $75 per year. All changes in address should be sent to the CUPA-HR National Office at Tyson Place, 2607 Kingston Pike, Suite 250, Knoxville, TN 37919. Writer's guidelines may be found at www.cupahr.org under the *Publications* section.

Printed on 50% recycled paper | 20% post-consumer fiber

Powerful Metrics: Strategic and Transformative

BY BARBARA BUTTERFIELD

It is becoming more and more critical for the human resource function to be aligned with organizational strategy, and the only way HR can be sure that the activities it is undertaking are contributing in the right ways to an organization's strategic plan is by utilizing metrics. This article will examine how to link HR initiatives with key institutional strategies, clarify essential HR responsibilities for workforce results, explore return on human capital investments, and outline some requirements for launching a sound HR metrics practice.

Introduction

This article serves as a follow-up to an article entitled "Measuring Human Resource Contributions in Higher Education is Crucial for Organizational Success," which appeared in the November 2, 2005, issue of the *CUPA-HR eNews*. That article addressed HR and organizational metrics by identifying six potential levels of measurement; defining and providing examples of lagging indicators (reporting past and current data) and leading indicators (predicting the future by investing in the present); and identifying some sample key indicators for a desktop dashboard. Use this link, http://www.cupahr.org/newsroom/news_template.asp?id=634, to review these basics as a starting point, especially if you are just beginning your HR and workforce metrics practice.

The article that follows will expand upon the above-mentioned article by examining how to link HR initiatives with key institutional strategies; clarifying essential HR responsibilities for workforce results; exploring return on human capital investments; and outlining the requirements for launching a sound HR metrics practice.

Linking HR Initiatives With Key Institutional Strategies

Recent research conducted by the Corporate Leadership Council indicates that executives want human resource measurement initiatives to align with organization strategy and facilitate decision making; yet, these aspirations often are not being met within the higher education environment. The approach to accomplishing this expectation, however, is quite straightforward. You most likely already have the start-up material, assuming that (1) your institution has a strategic plan, and/or (2) you can correctly identify institutional challenges by studious observation. You should begin by thoroughly examining the outcomes the campus wants to elicit, and then identifying the human capital issues associated with each particular strategy or challenge.

What factors are driving the institution to name this strategy as important to its future? What can HR do that will directly or indirectly influence the intended outcome? Once these questions are answered, it is up to the HR organization to develop a written set of deliverables or tactics that can demonstrably contribute to addressing the challenge(s) and to build in measures for each tactic. These measures will become your strategic contribution metrics. For each strategy or challenge, there must be the same rigorous consideration. Following is an example using an institutional challenge or strategy found at many colleges and universities:

BARBARA BUTTERFIELD is a CUPA-HR past president and honorary life member of the association. She is retired from her position as associate vice president at the University of Michigan but still serves as an executive consultant to the university and also as a senior consultant for The Segal Company/Sibson Consulting. She can be reached at **bbutter@Segalco.com.**

What is the organizational strategic challenge? To attract and retain key faculty.

What are the human capital issues? To understand targeted disciplines; to examine current recruitment processes; to understand retention challenges; and to evaluate environmental success factors.

What are the HR tactics? Interview deans, provosts, vice presidents for research, hiring officers, faculty and supporting process experts; redesign process for simplicity, quality, quantity, cost, time and satisfaction factors; develop and coach retention interview skills; assist in climate assessment research and contribute to environmental remedy strategies through organizational development and support tactics; and align total rewards strategy with desired outcomes.

What are the HR metrics? First-choice candidate acceptance rate; increase in retention data (segmented); faculty engagement and commitment scores; hiring officer satisfaction with process; search committee process expertise; and executive confidence in results.

What are the institutional effectiveness metrics? Academic rank by discipline; institutional overall rank; student attractiveness and yield; volume and value of grants and contracts; national faculty honors and recognition; and members of the academy.

Clarifying Essential HR Responsibilities for Workforce Results and Resulting Key Performance Indicators

Strategic planning in higher education should be supported by workforce data or key performance indicators (KPIs) that link to both institutional direction and to fundamental HR value-driven contribution. For instance, in the example above, the attraction and retention of key faculty is the organizational strategy. The strategy must be supported by a workforce plan that identifies forecasted needs by discipline compared to current faculty staffing and attrition. This comparison identifies the resulting disciplinary gaps and therefore the resulting targeted need. KPIs would be progress toward closing the gap or the new faculty staffing compliment compared to need.

Key performance indicators can be developed for several levels of HR contribution. In the book *The HR Scorecard,* the authors suggest several measurements, including: (1) strategic (progress on challenges and initiatives), (2) customer-centered (satisfaction by users); and (3) operational (process effectiveness — touch and lag time, through-put analysis and error or success rate) levels (Becker, Huselid & Ulrich 2001).

Once your HR organization has identified some KPIs, to what should this data be compared? Many institutions are interested in external comparison or best practices data, but there also are internal comparisons to consider; in other words, what is the very best you can do within your organization? You should discuss with institutional leaders the performance level to which your organization aspires. Each institution is different and in some ways unique, and these characteristics make some best practice data non-comparable. If your HR organization chooses to use external benchmarking, be sure that what you are looking at is “apples-to-apples” data, data that is core to HR responsibilities and workforce results or KPIs.

You may be wondering what the current view is of HR strategic value responsibilities or contributions. Table 1 lists five such responsibilities/contributions identified by the Corporate Leadership Council, along with examples of KPI metrics for each.

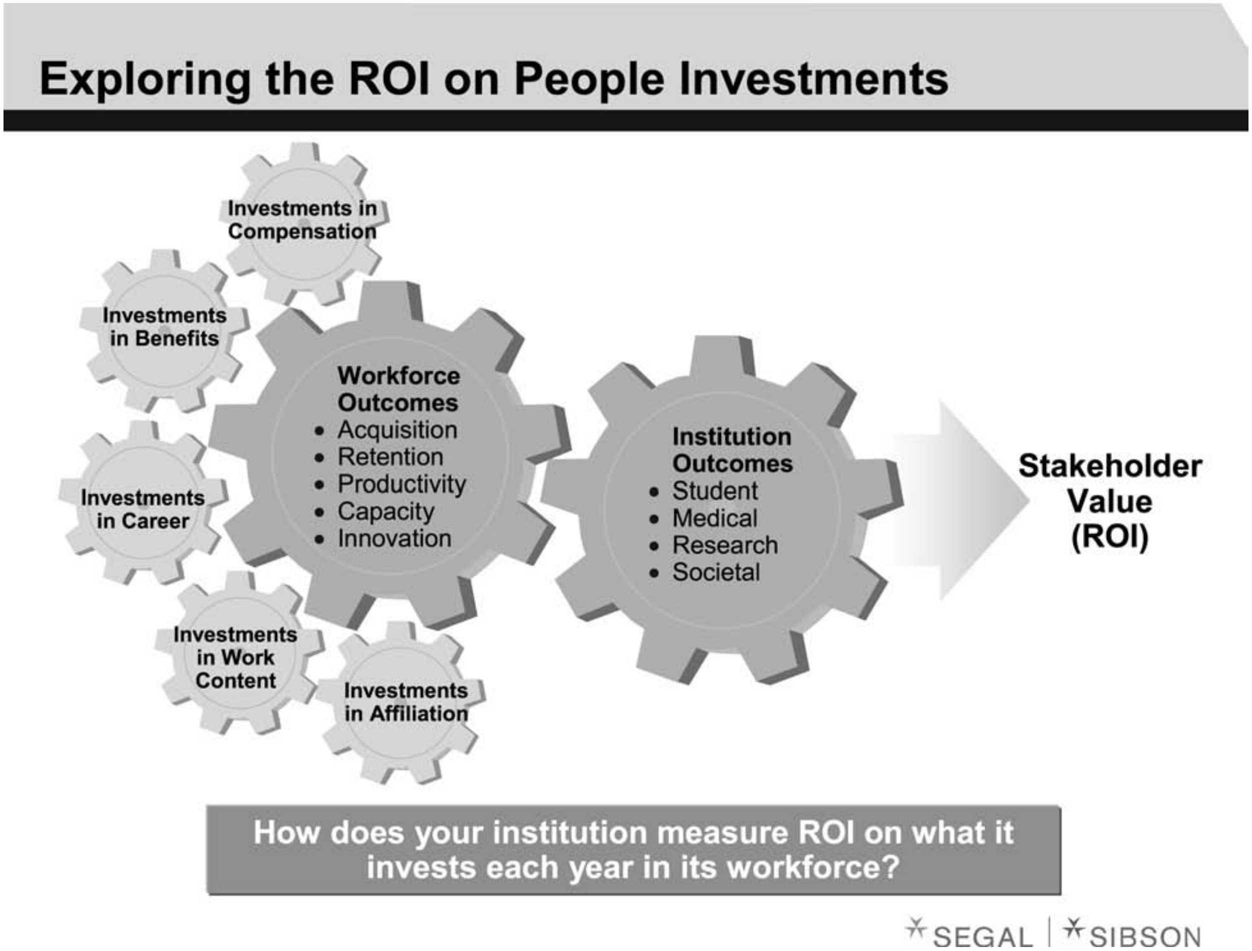
Table 1

HR Strategic Value Responsibilities/Contributions	Examples of KPI Metrics
Workforce attraction/retention	First choice candidate acceptance rate; years of service by core competency
Workforce productivity	Presence rate by core competency; performance evaluation indicators; performance within core competency
Workforce capability	Workforce plan identified needs/ gaps; investment in development; investment in enabling tools/processes
Workforce leadership	Investment in leadership development; performance evaluation of leadership; investment in succession
Culture management and change	Climate survey results and response; investment in change management

Exploring Return on Human Capital Investments: Demonstrating HR Value Added Through Investments in People

A popular consulting company has developed a model for examining workforce outcomes based on core HR responsibilities (see Figure 1). This model describes HR's contributions as "workforce outcomes" yielding "institutional outcomes" or results, such as acquisition, retention, productivity, capacity and innovation. These outcomes, for which HR holds shared responsibility, yield college-wide or university-wide results in the areas of student, medical, research and societal contribution. HR's value contribution can be described as effective investments in compensation, benefits, career, work content and affiliation strategies and tactics.

Figure 1



Suppose your HR organization decides that an important tactic in support of the institutional strategy of attracting and retaining key faculty is to invest substantially in the benefits program. Having done so, you notice little or no change in resulting attraction and retention data for targeted disciplines. Then, let's say that you use retention interviews to discover why this investment has not yielded the results you predicted. In retention interviews, you discover that the faculty believes that investments in areas other than the benefits program (like investments in faculty development, a level playing field for success and quality of department chair and dean leadership) would contribute more substantially to attracting and retaining faculty and to the institution's ultimate goal of increased programmatic quality and rank. Note that investments in faculty and academic leadership and rank are all measurable, with investment being an input measure and rank an output or outcome measure.

Following is a brief case scenario that worked for one institution:

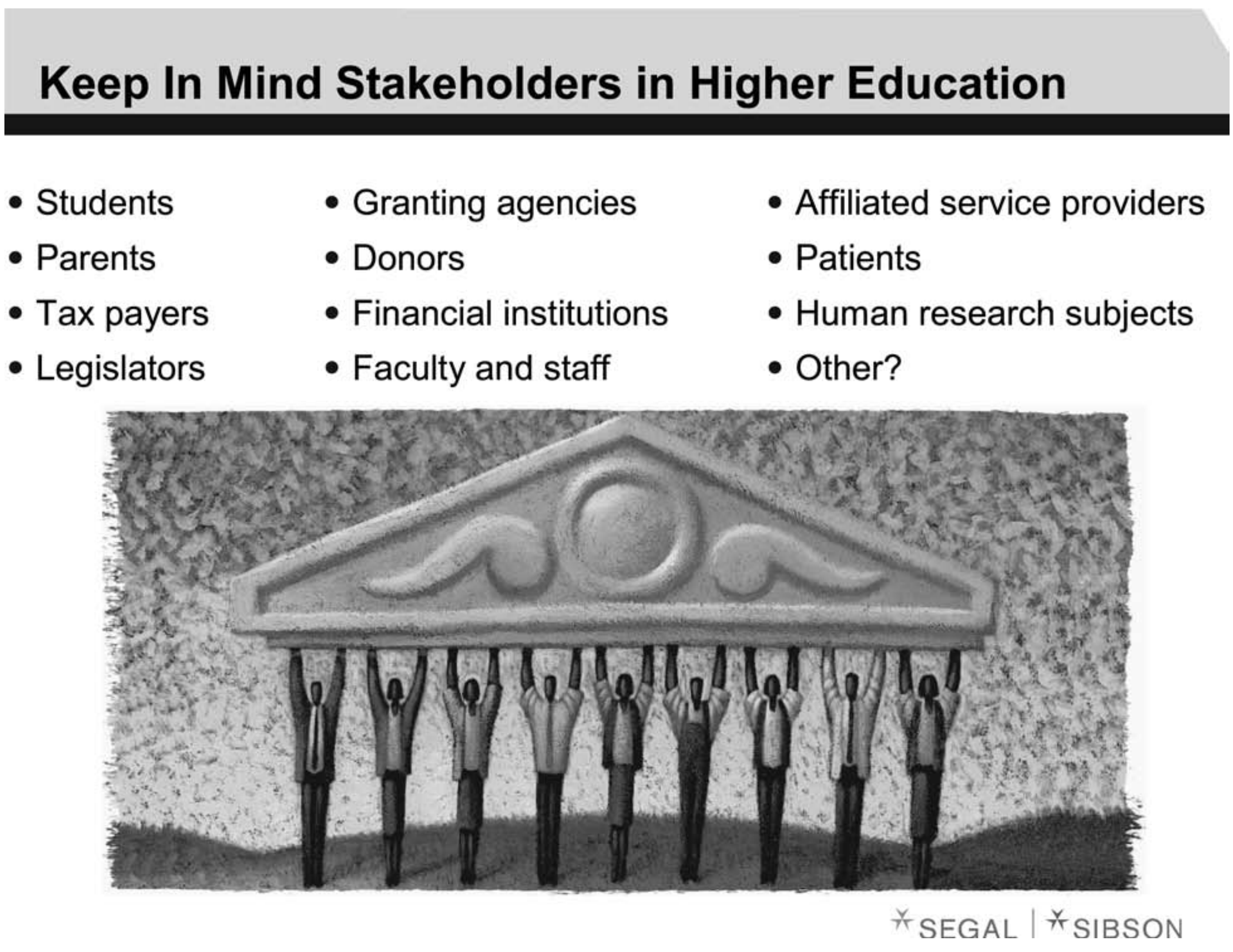
The Situation
A West Coast university found itself less competitive than desired in the areas of grants and contracts. At the same time, faculty and research scientists were dissatisfied with the pre-award process.

The Approach
HR, working with research administrators, assisted in a process redesign that not only met, but in fact exceeded, the expectations of grant seekers and grant awarding agencies.

The Results
Quality of proposals increased, time requirements of the granting agencies were met well in advance, faculty productivity in the grant writing arena increased, and the research administrators felt valued and were seen as high contributors. The return on investment (ROI) in process redesign as measured by volume and value of grants increased substantially from that experienced prior to the process redesign.

There is a complex set of ROI measures in higher education. While the corporate world has simple "share value" as a measure of return to investors, higher education investors are quite varied, thus requiring vast and varied ROI measures. Higher education investors are students, parents, the local community, taxpayers, legislators, granting agencies, donors, faculty, staff, sports fans, media and financial institutions, to name a few *(see Figure 2).*

Figure 2



These investors provide income in the form of tuition, fees, state operating funds, endowments, grants, contracts, scholarships, medical practice income and proceeds from debt. And, when we deliver outcomes, they are not looking for share value, but instead are looking at "what's in it for me?" So, what can we measure that is responsive to their interests? Look at the list of investors above, think about the income they provide, and then imagine their interests in outcome. More importantly, HR must design its value contribution to support these outcomes. The apparent ROI for each of these groups must include, at least:

- Disciplinary and institutional rank resulting in value of degree;
- Student accessibility and success or diversity, matriculation and career success;
- Student affordability or tuition rate and financial assistance;
- Faculty to student ratio or quality of instruction and years required to graduate;
- Faculty to staff ratio or instructional support vs. cost of administration (according to an article in a recent issue of *The Regional Economist,* instructional expenditures per student increased by just 17 percent between 1990 and 2001, while administrative expenditures per student jumped 54 percent during that same time period (Poole 2006));
- Growth of sponsored research and endowment performance;
- Patient outcomes;
- National awards and membership in the academy;
- Value of patents and intellectual property;
- Value of media contracts for sporting and other major events;
- Bond ratings.

Maybe it is not readily apparent to you where HR will make its value contribution given this list of investors and their interest in returns on their investments. HR can provide business intelligence and decision-support data resulting from investment in workforce planning; contribution to quality hiring and retention in targeted disciplines, competency, skills and leadership capacity; tracking important faculty, staff and student ratios and costs demonstrating investment in instructional and administrative support over time; assisting grant administrators and fundraisers in refining or redesigning their processes; and more, thus resulting in more rewarding work and greater faculty and investor satisfaction.

Requirements for Launching a Sound HR Metrics Practice

How will your HR organization begin or enhance its metrics practice? Start with an evaluation of where you are today. Phil Smith, senior director for HR Strategy and Planning at the University of Michigan, created the following analytical categories:

Support. Do you have executive understanding of the possibilities and support for strategic metrics design? How will your HR efforts support your institution's metrics foundation? If there is no institutional scheme, will you enact HR metrics on your own?

Investment. Have you engaged your HR staff in seeing metrics as mission-critical?

Knowledge. Are your HR staff and university colleagues (institutional research, finance, IT, budget, athletics, etc.) collaborative and metrics savvy?

Credibility. Do you and your HR colleagues deeply understand the university and the standards to which it aspires?

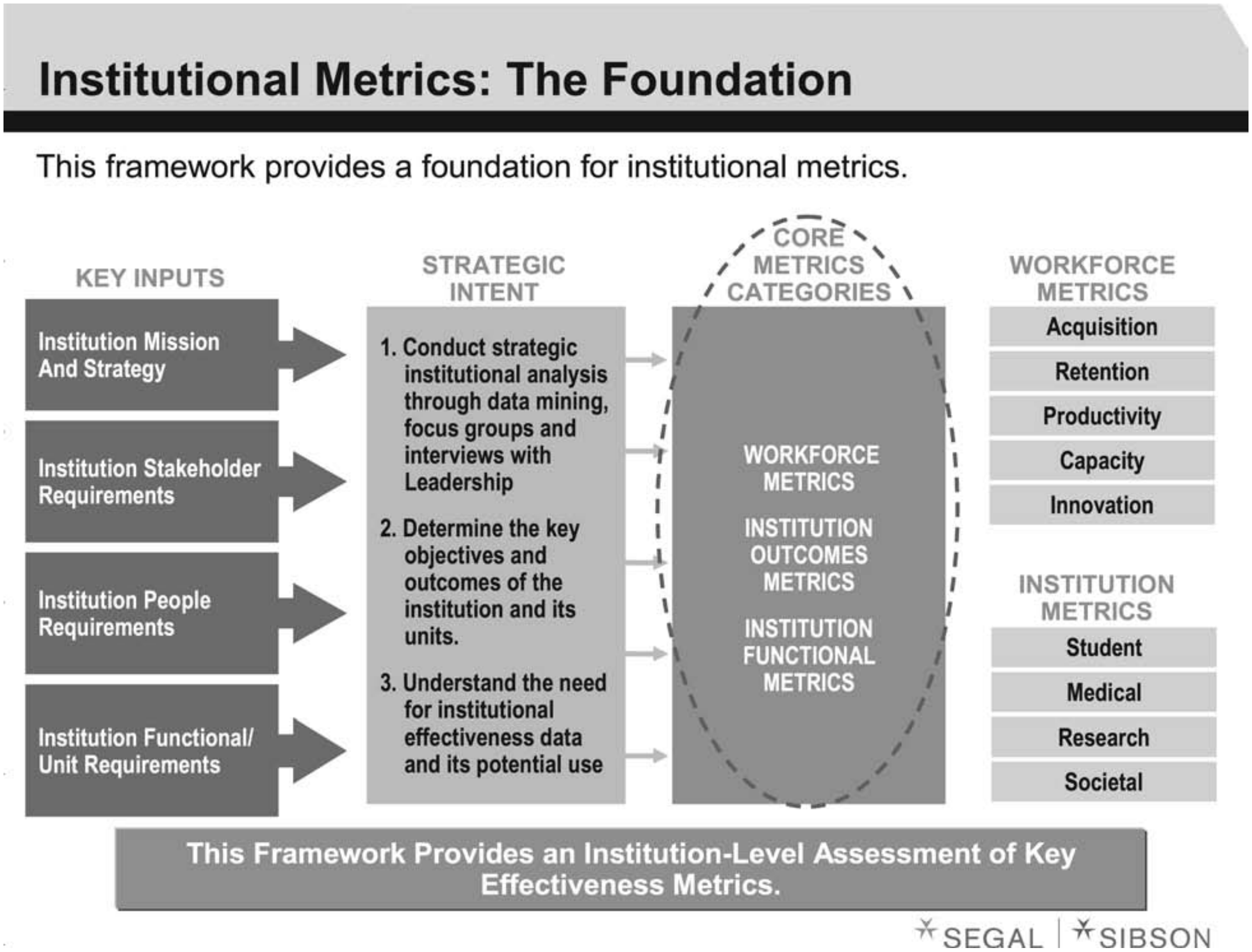
Capability. Can you form the metrics that tell a story and extract appropriate data from your enterprise system?

Capacity. Do you have the staff and infrastructure to deliver on a continuous basis? Are you able to deliver the story (interpretation of meaningful data) with high impact?

Execution. Have you developed a communication and interaction plan that will orient users to your metrics practice and maximize utility of your investment in measurement?

Figure 3 offers a framework for thinking about institutional metrics and how workforce inputs, strategy and measurement contribute to outcome.

Figure 3



If your HR metrics practice is still developing, consider a couple of good starting points while you work on the requirements above. Develop a position to head your metrics practice. You may choose to recruit someone from the research side of your institution to fill that position, or you may want to expand your search to outside of your institution. Whatever the case, the person who takes on the metrics consultant role would be responsible for developing and implementing tactics associated with college and university strategies that yield opportunities for the creation and application of HR and institutional effectiveness data; integrating HR data with other institutional data in order to support executive decision making; and identifying workforce trends and issues and conducting research to determine high-impact areas of interventions.

The person in this metrics role would partner with HR generalists and campus relationship managers to assist local units in determining human capital investments that drive the results they wish to see in their workforce and thereby drive performance outcomes designed in their own plans. The person in this role also would provide input for each major HR initiative to ensure that the metrics that are developed link to institutional outcomes and help demonstrate success, including ROI, to respective stakeholders or investors.

Another beginning point is simply to identify, with institutional input, the 10 to 15 critical or key performance indicators that will let the institution know how it is doing in terms of institutional effectiveness and human capital performance. To make these data tell a story, be sure to segment your findings in regard to employee titles and demographics, major administrative or academic units, performance groupings, tenure or service, and compensation levels. This will enable you to draw conclusions that capture curiosity and attention.

Conclusion

All of us in HR have talked about strategic contribution for years. In looking at the opportunities for value impact in our organizations, a strong metrics practice seems to be a particularly strong approach. As we have presented it here, metrics binds HR's work to institutionally critical direction. It provides business intelligence that tells stories that drive investment and action. It supports executive decision making and measures HR value contribution against institutional effectiveness outcomes. Those institutions focusing attention on transformative investment and action are measuring current aspects of climate, engagement and commitment, and are setting their goals for future attraction, retention and success accordingly. I don't know who said it first but … "What gets measured, gets done."

References:

Becker, Brian, M. Huselid and D. Ulrich. 2001. *The HR scorecard.* Boston, MA: Harvard Business School Press.

Corporate Leadership Council, *http://www.corporateleadershipcouncil.com.*

Poole, William. 2006. Colleges need to learn about productivity. *The Regional Economist*, January. *(retrieved from http://www.stlouisfed.org/publications/re/2006/a/pages/pres_message.html).*

How HR Leaders Can Add Value to an Organization

BY NORM SMALLWOOD AND DAVE ULRICH

In order to be a valued part of the business function, HR itself must be able to add value. HR leaders must align human resource policies and practices with the strategic goals of the organization as a whole. This article will examine some different types of value, how this value is defined and how HR can create value by establishing organization capabilities, nurturing individual abilities and investing in sound HR practices.

Introduction

"Value" has become a much-used term in business. It can refer to: 1) the moral code of individuals and the organization as a whole that guides executive decisions; 2) customer value as defined by the customer experience with products or services; 3) market value as defined by investors through intangibles; 4) employees who have a value proposition; and 5) economic value added as it relates to value created from use of capital assets.

In every case, value is defined by the receiver more than the giver. Customers define value when their experience with services meets or exceeds expectations. Investor value occurs when tangible results and intangible capabilities give investors confidence in the future. Employee value develops when an employee enjoys personal benefits from what he or she gives to the organization. Leaders create economic value when they make wise capital investments. Moral values arise when the community respects the organization for its transparency, integrity and principle-driven behavior.

Three Ways to Create Value

Here we will examine how HR leaders can ensure that they add value to their organization, thus enabling the organization to add value to its multiple stakeholders: employees, customers, investors and the community. We have found that leaders create value in three ways: (1) through organization capabilities, (2) through individual abilities and (3) through human resource practices.

Creating Value Through Organization Capabilities

Organization capabilities represent the ways in which people and resources are brought together to accomplish work. They form the identity and personality of the organization by defining what it is good at doing, and in the end, what it is. Organization capabilities are stable over time and more difficult for competitors to copy than access to capital markets, service strategy or technology. Organization capabilities are not easy to measure, and managers often pay far less attention to them than to tangible investments like plant and equipment. But organization capabilities are important in that they have the potential to boost the confidence of your investors.

NORM SMALLWOOD is a recognized authority in developing leaders who create more value for their organizations and in building organization capabilities that measurably impact market value. He is cofounder of the RBL Group, a collective of highly respected management educators and consultants, and he also serves as a faculty member at the Executive Education Center at the University of Michigan's Ross School of Business. Smallwood can be reached at **(801) 373-4238.**

DAVE ULRICH studies how organizations build capabilities of speed, learning, collaboration, accountability, talent and leadership through leveraging human capital. He is a best-selling author, has been a consultant to or done research for more than half of the Fortune 200 companies and is cofounder of the RBL Group. He also teaches at the University of Michigan as a professor of Business Administration and is a key player in several HR executive programs at the institution. Ulrich can be reached at **(801) 373-4238.**

Following are some critical capabilities that HR leaders should work to create:

Talent: attracting competent and committed people.

Shared mindset: creating unity and aligning customer expectations and employee actions.

Accountability: delivering on promises.

Speed: making smart changes quickly.

Collaboration: working together across boundaries.

Learning: generating ideas with impact.

Leadership: building a leadership brand within an organization.

Customer connectivity: building relationships of trust with customers.

Strategic unity: articulating a clear, strategic point of view.

Efficiency: increasing productivity.

Innovation: doing new things in both content and process.

When these organization capabilities are aligned with customers, investors and employees, they create value for each stakeholder, thus creating value for the business as a whole. These capabilities may be audited through an intangibles audit that assesses the extent to which the capabilities should and do exist. HR leaders who build capabilities are on the fast track to ensuring that they add value to their organizations and shift from organization events (such as restructuring or making one-time investments) to new patterns of behavior.

Creating Value Through Individual Abilities

While people often use the words "competence" and "capability" interchangeably, the two are different. Table 1 shows the difference between organization capability and individual ability.

Table 1. Organization Capability vs. Individual Ability

	Individual Ability	Organization Capability
Technical	Workforce productivity	An organization's collective technical capabilities
Social	An individual's leadership ability	An organization's collective social capabilities

The individual ability-technical cell represents a person's functional competence, such as technical expertise. The individual ability-social cell represents a person's leadership ability — for instance, to set direction, communicate a vision and motivate people. The organization capability-technical cell represents an organization's core technical capabilities. The organization capability-social cell represents an organization's DNA, culture and personality.

Each organization capability has a parallel in individual ability. For example, in the area of leadership, an organization might excel at developing leaders who deliver the right results in the right way to build that organization's leadership brand. Individually, people in that organization have a personal leadership agenda and style consistent with that leadership brand. HR leaders build value when they ensure that employees develop their individual abilities through training, development and personal learning.

Creating Value Through Human Resource Practices

To create sustainable value through organization capability and individual abilities, an HR leader may rely on specific human resource practices. We suggest four groupings of HR practices that follow the flows or processes central to success:

Flow of people. How do people move in, through, up and out of the organization? Proper attention to people flow ensures the availability of the talent the organization needs to accomplish its work.

Flow of performance management. What links people to work (the standards and measures, financial and non-financial rewards, and feedback that reflect stakeholder interests)? Proper attention to this flow promotes accountability for performance by defining, noting and rewarding it, and by penalizing its absence.

Flow of information. What keeps people aware of the organization and its collective knowledge resources? Proper attention to information flow ensures that people know what is happening and why and enables them to apply themselves to what needs to be done to create value.

Flow of work. Who does what work, how that work is done, and where that work is done combine individual efforts into organizational outputs. Proper attention to work flow provides the governance processes, accountability and physical setting that ensure quality results.

Leaders who are aware of these four domains and understand how each relates to the other will create HR practices that deliver organization capabilities and individual abilities, thus creating value.

Conclusion

A human resource professional may assess the extent to which he or she delivers value through HR strategy, practices, organization, role and competencies. When HR professionals deliver value, they replace rhetoric about being business partners with actual contributions to the business. Value becomes more real when the specific stakeholders of the value (customers, investors, leaders and employees) are identified, and it becomes more useful when leadership choices create value for these stakeholders. Leaders can ensure sustained value by establishing organization capabilities, nurturing individual abilities and investing in sound HR practices.

Health Care Crossroads: What's the Right Solution? Putting Consumer-Driven Ideas to Work at Louisiana State University

BY FOREST BENEDICT AND SHAYLA GUINN

Every organization, whether in the corporate sector, the private sector, the nonprofit arena or the higher education community, is looking for ways to cut health care costs while keeping employees happy and healthy. For the Louisiana State University System, initiating a consumer-driven health plan proved to be the best option for helping to curb out-of-control health care costs and encouraging employees to make long-term changes to improve their health and wellness. This article will review current trends and issues in health care benefits and will detail the experiences of the LSU System in its effort to control its benefits costs.

Introduction

American businesses are at a crossroads with health care benefits. Faced with health care costs that continue to spiral out of control, many organizations would like to find a silver-bullet plan that would offer the perfect solution to their woes. Consumer-driven health care has become an intriguing option for employers, with such plans having been designed with the goal of encouraging Americans to become active participants in their health care decisions. In the early years, the consumer-driven concept was broadly defined to apply to defined-contribution plans. Employers offered several plan choices, some with a fixed contribution from the company, with employees expected to pay the balance. Employees who selected plans with more extensive features (considered richer plans) often had to pay an increased amount beyond the employer's basic contribution. Other employees who chose basic coverage paid a smaller amount.

In 2002, Health Reimbursement Accounts (HRAs) were created to give individuals personal savings accounts from which they could pay health care costs, and a year later Health Savings Accounts (HSAs) were created. However for many organizations, consumer-driven plans have not provided the cost savings expected, and health care costs have continued to rise nationally. Here are some of the ways organizations are responding to their benefits choices:

FOREST BENEDICT is vice president of Human Resources and Risk Management for the Louisiana State University System. He has authored numerous articles on human resource management, does consulting work in the areas of compensation and benefits administration and HR planning, and frequently speaks at professional and business events on the topics of health care benefits design, pricing strategies, management consumerism and workforce productivity. He can be reached at **fbened1@lsu.edu.**

SHAYLA GUINN is a senior group representative for Ameritas Group, a division of Ameritas Life Insurance Corp., headquartered in Lincoln, Nebraska. She has been with Ameritas for five years and oversees the Louisiana sales area. She also is active in the New Orleans Health Underwriters organization. She can be reached at **sguinn@ameritas.com.**

Are the savings worth the cost?
Some organizations are uncertain about changing their traditional benefits plans. They may have read about and listened to presentations on consumer-driven plan options, but are not sure if they are ready to require employees to be more responsible for their health care decisions and costs. They are uncertain if the cost savings is worth the additional work and communication challenges. They are sitting at the crossroads with a wait-and-see approach, carefully observing decisions made by competitors and waiting for the federal government to refine regulations on newer benefits options, including HRAs and HSAs.

The new options are worth a try.
Other organizations are more optimistic about the transformation taking place in health care benefits. They acknowledge that something has to be done to ebb the growing tide of out-of-control health care costs. They have studied high-deductible plans, HRAs and HSAs, and believe that these plans could not be any worse than the tough financial road already traveled over the past decade. These organizations recognize that the newer benefits options require a significant investment in time, but consider it a cost of doing business and attracting and retaining quality employees.

Consumer-driven is the way to go. We'll offer incentives for employees to make healthier choices.
Some organizations have taken an aggressive approach to pulling the plug on higher benefits costs. They have switched completely to a consumer-driven plan model with HRAs or HSAs, and are linking employees' health issues to benefits. They are providing more information about costs and quality, increasing choices and strongly encouraging employees to take greater responsibility for their health care decisions.

Consumer-Driven Health Care: After a Slow Start, It's Catching On
One in five businesses offers consumer-driven health benefits to employees (Employee Benefit News). As of first-quarter 2006, 62 percent of companies with consumer-driven plans provided an HSA, and 38 percent offered an HRA plan option to employees (Kaiser Family Foundation). Approximately 75 percent of Fortune 500 companies expect to offer a consumer-driven plan with an HSA or HRA option in 2007 (Employee Benefit News).

Many employers offering HSA/HRA plans have noticed an interesting trend: while enrollments the first year tended to be low, participation levels significantly increased in subsequent enrollment periods, mainly due to word-of-mouth endorsements for the plans by other employees (Watson Wyatt Worldwide). As employees gain experience with these plans, more often than not they find they like the idea of having more responsibility for their health care choices.

Success Hinges on Communication
When consumer-driven plans were first introduced, many employers viewed them as an opportunity to reduce the work and time human resource associates spent on benefits. Employers expected to give employees information to make decisions, and then the employees would be on their own. Employers did not anticipate the volume of employee questions and confusion with their options, or the commitment required to educate employees on plan options and healthy living choices.

Taking charge of their health care decisions and having several benefits choices are relatively new concepts for employees to grasp. Surveys indicate that most employees are unaware of their options and the tools available to them (Employee Benefit News). Some do not know how to access the information, many are uncertain how to evaluate their options, and others cite insufficient data for evaluating costs, savings opportunities and the quality of providers (Watson Wyatt Worldwide). This lack of familiarity with how consumer-driven plans work contributes to employee frustration when the cost savings are lower than expected. Many are spending a larger percentage of their income than anticipated on out-of-pocket health care expenses, causing some to delay or avoid accessing treatment or preventive care (MacDonald 2006).

Employers have discovered that extensive communication is required to enable employees to be informed participants in their health care decisions. Many recommend initiating communication programs six months in advance of the enrollment period and targeting messages to reach different groups of employees. Employers need to provide information on a regular basis, in different formats and locations, in order to break through the communication clutter and reach employees with their key messages. This includes providing employees with lists of resources to enable them to research information online, outlining details on how to effectively use their HRA and HSA programs, and offering examples of how they can more effectively seek the most cost-effective, high-quality care.

Do-It-Yourself Health Care

Today's employees have many more options for managing their health care than in the past. They can limit doctor visits by buying over-the-counter kits to diagnose or treat common ailments and by getting routine screenings done at health fairs or commercial testing centers. The Internet can provide consumers with a wealth of health care information, as well as access to their own doctors or Web physicians and discount pharmacies.

An estimated 133 million Americans — nearly half of the population — live with one or more chronic diseases, such as heart disease, cancer, lung disease, diabetes, asthma or hypertension. Of that group, more than one-third has two or more long-term conditions (Lavey 2005). Many can now monitor and treat their conditions in ways unheard of only a few decades ago. Preventive care has become the trend as employees have become more active in controlling risk factors and behavioral causes of disease, realizing that their daily lifestyle and decisions may impact their costs and health status. Employers across the country are strongly encouraging employees to invest in their health care by linking completion of health risk assessments or participation in wellness lifestyle programs to different contribution levels for benefits premiums. Employees who decline to participate in these programs pay a higher price.

Consider the decisions of several companies to take a bolder, more direct approach in curbing health care costs:

- Scotts Miracle-Gro, headquartered in Marysville, Ohio, wanted employees to stop smoking (both on and off the job) in an attempt to control escalating health care costs and improve the health of its workers. Scotts provided counseling and smoking cessation programs to employees, stocked healthier food in its cafeteria and opened a $5 million fitness gym, complete with a health clinic staffed with a physician, nurse practitioners and diet and fitness experts. After a specific grace period, employees who chose to not stop smoking were dismissed (Deardorff 2006). *Note: Studies show that healthy workers not only are more productive, but also cheaper. According to the National Business Group on Health, employees who smoke cost the average company an extra $3,856 per year.*
- Destiny Health in Chicago established a Vitality Bucks program for employees, awarding points to those participating in fitness assessments, exercise programs, preventive care exams, charity walks and educational programs such as CPR or online health tips. Employees can redeem points for music, airline miles, movie tickets or hotel packages (Deardorff 2006).
- Dow Chemical Company, based in Midland, Michigan, aligned the annual bonuses of its health services staff to the successes of specific wellness programs in improving employee health (Chang 2006).

Putting Consumer-Driven Ideas to Work at Louisiana State University System

Like many in the corporate sector, some higher education institutions also have adopted consumer-driven health plans. The Louisiana State University (LSU) System was the second university in the country to adopt consumer-driven health care benefits, launching the program in July 2002 (the University of Minnesota introduced its plan in January 2002). At LSU, health care costs were increasing at a rate of 10 to 15 percent per year, and the administration was concerned about what the future would hold if the double-digit trend increased, especially with the aging baby-boomer generation on the horizon. The system administration realized that a fundamentally different approach to health care was needed.

The LSU System recognized early on that simply offering a high-deductible health plan was not the total solution. Rather, the HRA or HSA feature was an important first step to encourage employees to be wise consumers and build assets within the plan so they can directly benefit, financially, from their choices. This decision proved to be the right one for LSU, as evidenced by changes in cost expenditures for prescription drugs. Initially, about 26 percent of its health care spending was for pharmacy costs. Nationally, most plans average less than 20 percent, but in Louisiana prescription costs tend to run higher. Today, LSU System prescription costs are 19 to 20 percent. LSU also has noted a decrease in expenditures for emergency care facilities and other discretionary health care purchases.

Focusing on Major Costs and Wellness Initiatives

While the LSU System was encouraged by the reduction in prescription costs, the administration recognized that ultimately it had two challenges to address in order to make a significant difference in bottom-line benefits costs: (1) find ways to reduce the major cost drivers of its health plans, engaging employees to prevent or manage chronic conditions and realize more extensive savings (the focus must be on the 20 percent of patients who are consuming 80 percent of the health care dollars), and (2) strengthen communication with employees, helping them access quality information about health care options, and providing incentives to encourage and reward employees who make long-term changes that positively impact their health.

As the LSU System administration searched for the best strategy for reducing costs and improving health care outcomes, a plan was developed to replace the traditional approach to provider network contracting with a system that allows employees to choose any provider based on known price and quality information. Under the plan, providers agree to set fees on a fixed-price basis, at a lower rate than the exiting network contract reimbursement. The LSU System agreed to expedite and greatly simplify the claims payment process and pay providers in advance based on anticipated utilization, resulting in lower administrative costs and positive cash flow for providers. The LSU System monitors its advance payments throughout the year and settles accounts with providers on a regular basis.

Breaking the Cycle

This partnership with providers has proved to be a viable solution for the LSU System and for its provider partners, as concerns and expectations of both parties have been regularly reviewed and amended. Although this solution has required a significant amount of effort on the part of LSU's human resource team, the administration believes the additional work is an investment in changing the course, if not breaking the cycle, of double-digit health care costs. LSU operates its consumer-driven plan at approximately 10 percent below the cost of operating a basic Participating Provider Organization (PPO) plan.

First Choice Program

In 2006, the LSU System launched its First Choice program, which is designed to provide "best-in-class" care management resources and financial incentives for employees selecting top-performing providers, especially those who best manage chronic disease. The administration realizes that employees have limited access to quality health care providers and information to help them evaluate their options and make the best decisions. Thus, the LSU System contracted with best-practice providers at competitive reimbursement rates for specific health care services to assist employees with key chronic health concerns, such as diabetes, cardiology, cancer and premature births, thereby providing a source for employees to ask questions, evaluate care options and develop a plan for improvement. The goal is to ensure that employees with chronic health concerns receive appropriate, quality care. LSU pays 100 percent of the cost of care to First Choice providers.

Consumer-Driven Dental

As LSU employees became more engaged in their health care choices and decisions, they requested a consumer-driven plan for dental insurance, too. LSU's employees pay 100 percent of their dental benefit costs, and they wanted some type of reward for their financial investment. After much research and comparison, the LSU System found the dental reward program that proved to be the best fit for what it was trying to accomplish.

In keeping with the consumer-driven model and philosophy, employees and dependents who have at least one preventive care checkup during the plan year earn additional money (roll-over) toward their annual benefit maximum for the next plan year. This type of rewards program is an incentive for members to take advantage of the preventive care benefit which, in turn, can lead to healthier teeth and lower costs for both the plan and the member. In addition, the LSU System offers both a Basic Plan of Benefits and an Enhanced Plan of Benefits, with the Enhanced Plan offering a richer schedule of benefits at a higher cost than the Basic Plan.

Part of the consumer-driven philosophy is to give members a choice, and offering two levels of dental coverage does just that. The dental plan was introduced during the spring 2004 benefit fairs on 22 different campuses throughout the LSU System. In 2005, 4,900 employees qualified for the Dental Rewards program. The following year, 6,100 employees were eligible to participate.

Regular Communication Is Critical to Success

Throughout the implementation of its new approach to health care benefits, LSU recognized the need for regular, but uncomplicated, information on a variety of topics, from benefits choices and costs, to details on how to work effectively with providers and other health care practitioners, to the university's incentives for encouraging employees to become advocates for their health care.

During the 2005-06 academic year, approximately 60 percent of LSU employees — more than 10,000 individuals system-wide — enrolled in the consumer-driven benefits plan. More than 90 percent of new hires elected LSU's consumer-driven health plan, which is an extremely high rate of penetration, especially considering the national average of less than 20 percent.

Words of Wisdom

Since the LSU System has "been there, done that" with regards to consumer-driven plans, system administrators have a few suggestions for colleges and universities considering such programs. First and foremost, communication is key. Invest the time to plan the timing and content of a communication strategy, targeting messages to different employee groups, starting as early as six months prior to enrollment. Understand that information will need to be provided on a regular basis, in different formats.

Do your homework on the amount of materials needing to be developed in order to educate employees on taking charge of their health care and benefits options. Employees will need to know how to access information, evaluate their options, budget costs, choose providers and realize savings through better choices. Be prepared to handle a large number of employee questions in the initial stages of the plan. Also, be creative in finding ways to cut benefits costs, such as promoting employee health through subsidized gym memberships or smoking cessation programs. In addition, you'll need to develop an incentive program to reward employees for making healthy lifestyle choices.

The Debate at the Crossroads Continues

There is no silver-bullet plan that will address all of the problems with today's health care system. Experts in the field continuously debate whether consumer-driven plans are a passing fad or a trend that will become part of the fabric of health care benefits. We'll find out as the dust at the crossroads settles in the next few years. But one thing is clear: costs will not decelerate unless dramatic changes are taken to redesign the road ahead — changes like the LSU System has embraced.

References:
Chang, Julia. 2006. Motivation hit. *Incentive*, 1 January.

Deardorff, Julie. 2006. Health insurance should reward clean living. *Chicago Tribune*, 15 January, sec. Q, p. 7.

Lavey, Kathleen. 2005. The cost of chronic disease. *Lansing State Journal*, 9 October, p. 1A.

MacDonald, John A. 2006. Employee Benefits Research Institute. *EBRI Notes 27(2): 6. www.ebri.org.*

Other Sources:
Employee Benefit News, *www.benefitnews.com.*

Kaiser Family Foundation, *www.kff.org*

Managing Benefits Plans. 2005. How to empower employees' decisions about health care, 1 September, p. 1.

National Business Group on Health, *http://www.wbgh.com/.*

National Center for Policy Analysis, *www.ncpa.org/pub/st/st276/st276a.html.*

Obesity, Fitness & Wellness Week. 2005. Healthcare coverage: Data shows that millions of adults forgo treatment for chronic health conditions, 4 June, p. 939.

United Benefit Advisors, *http://benefits.com.*

Watson Wyatt Worldwide, *www.watsonwyatt.com.*

Risk Mitigation in Higher Education: An Overview of the Use of Background Checks on Campus

BY STEPHANIE HUGHES AND REBECCA J. WHITE

While most would agree that people are often the most valuable asset of an educational institution, recent high-profile scandals at a number of prestigious universities have highlighted the impact that individuals pose to the reputation of the institutions at which they are employed or enrolled as a student. Today, many states are passing legislation requiring the use of background checks in order to help mitigate these risks. This article will provide an overview of why and how risk mitigation policies, in particular background checks, are being utilized in higher education and will examine the use of background check policies (and the limitations encountered in trying to implement such policies) at top Division I and II schools in the U.S.

Introduction

In today's increasingly litigious world, universities are being forced to deal with the risks their existing and potential employees and students may pose to their reputation. Indeed, liability can be imposed on a university both for what they knew and what they should have known, even in the absence of performing background checks (Lipka 2005).

Consider the case of three women who allege that they were raped by members of the University of Colorado football team during several parties that were thrown to encourage potential recruits to sign with the university during football's early signing period. Two of the three women have filed suit against the university alleging that misconduct in its football recruiting program was both known and tolerated, and that this tacit approval was a contributing factor in the alleged sexual assaults against the women (Case No. 02-RB-2390).

While this suit currently is under appeal, the fallout from these circumstances has already been enormous for the university. The recruiting scandal dominated national headlines and ultimately resulted in the resignations of the president, chancellor, athletic director and the football coach. The cost to the university due to its diminished reputation has been substantial, with current conservative estimates exceeding $10 million (Hughes and Shank 2006).

Today, many states are beginning to pass legislation mandating the use of background checks in order to mitigate the risks posed by employee and high-profile student misconduct. For example, as of July 12, 2006, all public universities in the state of Kentucky are required to conduct background checks on all newly hired staff and faculty (House Bill 3 2006). Legislative-mandated background check initiatives for state university employees and students are pending in North Carolina (Senate Bill 2002 2005) and have recently passed in the state of Wisconsin (Assembly Bill 383 2005).

STEPHANIE HUGHES is an assistant professor of management at Northern Kentucky University. She received a bachelor's degree in marketing and a master's degree in international business from St. Joseph's University and a doctorate in international business/strategic management from Temple University. She can be reached at **hughesst@nku.edu.**

REBECCA J. WHITE is an associate professor of entrepreneurship and founding director of the Fifth Third Bank Entrepreneurship Institute at Northern Kentucky University. She received both her master's degree and her doctorate from Virginia Tech University. She can be reached at **whiter@nku.edu.**

Institutional Liability and Risk Mitigation

Background checks are typically used by organizations to address the issue of liability that is imposed upon them by the doctrine of negligent hiring. Under the doctrine of negligent hiring, an employer is subject to liability for the risk that is created when potentially dangerous people are hired into positions that interface with the public and other internal personnel (Camacho 1993). The law has previously determined that liability exists for employers for both actions taken by employees during the course of their work, as well as for actions taken by employees who are off-duty (Extejt & Bockanic 1991). Additionally, liability can increase for employers if there is evidence of prior acts of inappropriate behavior on the employee's part regardless of whether or not the employer knew about these acts (Connerley et al. 2001).

The assumption of liability associated with negligent hiring has led to an overall increase in the use of background checks as organizations attempt to mitigate the threat posed to their financial operations and their business and community reputation. In fact, according to a 2004 survey by the Society for Human Resource Management, the number of background checks performed on potential employees has increased substantially since 1996, with more than 80 percent of responding participants indicating that they now perform criminal checks on potential employees (SHRM 2004).

According to the Association for Certified Fraud Examiners, occupational fraud and abuses cost organizations more than $600 billion annually (ACFE 2004). Some industries are more voracious consumers of background checks than others, given the nature of what they do. For example, hospitals are one of the most at-risk industries because of the nature of what they do in providing care to a vulnerable patient base. In cases of abuse against patients by employees, in order to be held not liable, a hospital must prove that it could not have known of the person's propensity to commit such acts (Fiesta 1999). Additionally, hospitals that receive federal monies for services performed must demonstrate that their environment does not employ anyone on recently adopted sanction lists maintained by the federal government (Kieke 2001).

Industries that rely on in-home service contractors represent another group that is especially at risk given the nature of the work performed. As an example, in 1996, a Comcast Corporation installer entered a house in Little Rock, Arkansas, under a false pretense, and returned later in the day and raped and attempted to murder the woman who lived in the house, then set fire to the house to try and cover up the crime. The man was sentenced to 72 years in prison and Comcast later settled with the woman for an unknown amount (Haugsted 2005).

Risk Mitigation and Higher Education

According to a white paper published by EthicsPoint, a provider of risk compliance services, personnel risk in higher education can manifest itself in a variety of different ways and can include financial risks, research risks, human resource risks, athletic risks and safety-related risks (Rekow 2004) (see Table 1). Financial risks can result from employees mishandling the responsibilities accorded to them with their position, as well as theft or embezzlement of funds under their control. Research risks arise from inappropriate employee behavior related to the conduct of research associated with their university position. Human resource risks arise from general inappropriate employee behavior that may also be criminal in nature. Athletic risks may arise from behavior that violates rules governing an institution's affiliation with an athletic association. Finally, safety-related risks arise from public safety concerns and the presence of unsafe working conditions.

Table 1. Types of Personnel Risks in Higher Education

Financial	Research	Human Resource	Athletics	Safety
Accounting & Auditing Matters	Conflict of Interest	Discrimination or Harassment	Fraudulent Activities	Confidentiality
Falsification of Contracts, Reports or Records	Data Privacy	EEOC or ADA Matters	Improper Giving or Gifts	Data Privacy
Fraud	Environmental & Safety Matters	Employee Misconduct	Inappropriate Activities	Disclosure of Confidential Info
Improper Giving or Receiving of Gifts	Falsification of Contracts, Reports or Records	Offensive or Inappropriate Communication	Misuse of Assets, Players or Endorsements	Environmental & Safety Matters
Improper Supplier or Contractor Activity	Fraud	Sexual Harassment	Recruiting Misconduct	Improper Supplier or Contractor Activity
Misuse of Donor Funds	Intellectual Property Infringement, Misappropriation or Disclosure	Threat or Inappropriate Supervisor Directive	Scholarship or Financial Aid Misconduct	Improper Use of Intellectual Property, Copyright Violations or Software Piracy
Theft or Embezzlement	Human or Animal Research	Unsafe Working Conditions	Sexual Misconduct	Public Safety
Waste, Abuse or Misuse of Institute Resources	Research Grant Misconduct/ Misappropriation of Costs	Violence/Threat	Substance Abuse	Sabotage or Vandalism
	Scientific Misconduct			Unsafe Working Conditions
	Theft or Embezzlement			Waste, Abuse or Misuse of Institute Resources
	Waste, Abuse or Misuse of Institute Resources			

Source: EthicsPoint White Paper: Higher Education Risk Factor and Definitions (2004). Authored by Sharene Rekow.

In recent years, university consortiums such as United Educators, a higher education risk management group, has focused on encouraging educational institutions to proactively adopt standard risk management practices. The Association of American Medical Colleges (AAMC) has recommended background checks on all applications for medical programs (AAMC 2006), and the National Association of Collegiate Directors of Athletics is currently reviewing a planned adoption of background checks for all athletes in its member schools (Gardiner 2005).

However, most university- and state-mandated risk mitigation activities have typically been a reaction to situations that have escalated out of control. For example, at the University of North Carolina-Wilmington, the death of two students at the hands of fellow students prompted UNCW officials to institute a screening of applicants against a state and nationwide database for previous campus discipline, as well as background checks for all enrolling students (Black 2005). Baylor University began conducting background checks on incoming transfer student athletes after the shooting death of basketball player Patrick Dennehy by a fellow student athlete in 2003 (Datz 2005).

Decisions to institute risk management techniques on university campuses are typically met with objection. For example, national faculty groups, such as the American Association of University Professors, strongly disagree with a general policy of conducting criminal background checks on faculty personnel. Instead, they suggest a principle of conditional restraint be adopted advocating that:

> A principle of proportionality prohibits the adoption of a general policy of searching the criminal records, if any, of all applicants for all faculty positions. The mere fact of an applicant having been swept up into the criminal justice system is not, by itself, relevant to his or her suitability for a faculty position. For example, many faculty members, as students, were convicted of civil disobedience during the civil rights struggle, and others were later arrested in protest of the Vietnam War (Finklin et al. 2004).

Moreover, experts agree that there are some legal risks to which institutions may expose themselves, such as claims of employment discrimination, if checks are either disproportionately conducted against one type of employee or student and not another, or if the checks screen out applicants of one race, religion or national origin more than another (Steinbach 2005).

Risk Mitigation Survey

With the increasing need for risk mitigation and the resulting controversy arising from attempts to institute risk mitigation programs, there is a need for university administrators to better understand the current state of such policies and programs on campuses. The research outlined in this article is intended to examine the extent of the utilization of background check policies among Division I and II higher education institutions in the United States, and to identify limitations encountered when trying to implement such policies.

Survey Methodology

The authors of this article conducted a Web-based survey in November 2005 to assess the risk mitigation behavior of participating schools. Participating schools were chosen by identifying the top 27 institutions by athletic polls for Division II football programs, as well as the top Division I programs by football or basketball affiliation. By choosing the top institutions based on athletic polls, the research would attempt not to underestimate the use of risk mitigation processes. In other words, the chosen schools likely would have higher profiles, correspondingly higher budgets and, therefore, greater incentive to engage in risk management activities than their less high-profile colleagues. E-mail addresses of those who were sent the survey were obtained through a combination of secondary searching using Web sites and Web directories of individuals by position. In many instances, follow-up phone calls were used to verify the accuracy of the individuals and their e-mail addresses.

The researchers in this study employed a qualitative analysis to identify the types of risk management activities currently being utilized by higher education. As stated above, the respondents were contacted by e-mail and were provided an embedded link to an online survey. The survey consisted of 15 questions, including two open-ended questions intended to provide additional contextual information regarding their current risk management activities. A total of 376 e-mails were sent inviting 321 Division I administrators and 55 Division II administrators to participate in the exploratory study. A total of 109 responses was collected for a response rate of 28.98 percent, which is consistent with or better than other Web-based survey return rates (Bean & Roszkowski 1995; Bickart & Schmittlein 1999; Groves, Cialdini & Couper 1992).

Demographics

As noted above, a total of 109 administrators responded to the e-mail survey. Respondents described their positions within their universities as officers and administrators in human resources (29%), athletics (28%), senior management (25%) and academic departments (12%). The majority (73%) of the responding schools compete in NCAA Division I. Sixty-six percent of the respondents had served in their current role with the institution for more than three years (43% for more than five years and another 23% for three to five years). Only 7% had been in their positions for less than one year.

The student population of the responding schools was predominately large. Thirty-three percent reported student populations of more than 25,000, and another 12% have 20,001-25,000 students. Fifteen percent reported student populations of more than 15,000 but less than 20,000, 16% reported having more than 10,000 but less than 15,000 students, and 14% reported student populations of 5,001-10,000. Only about 10% of the participants reported 5,000 or less students.

Planning and Risk Mitigation

Nearly all (107) of the 109 respondents indicated that their institutions engage in strategic planning and 74% of the respondents engage in risk management planning. Currently, 82% employ background checks on their employees and of the 18% who do not currently use background checks, only 5% plan to use them in the future. More than 50% reported outsourcing the background check process (about 60% of the Division I schools outsource background checks and 26% of the Division II schools do so). School size did not seem to affect the decision to outsource background checks since the percentages were consistent across all school sizes. However, tenure of the respondent did seem to have a relationship with outsourcing. The longer the tenure of a respondent, the less likely their institution engaged in outsourcing.

In general, survey respondents who reported using background checks indicated that their use has been valuable to their institutions. According to one respondent, "… we know from past experience, from discoveries after the fact, that we place ourselves at risk as a university if we do not carry out our due diligence … and we place ourselves at political disadvantage with regard to our Board of Regents." However, some show concern about measuring the value of these practices. According to one respondent, "… we expect background checks to be helpful in managing operational risk over time but have not had enough experience to provide definitive answers …"

Staff

Our findings indicate that it is common to do background, employment and educational checks on staff. Seventy-four percent of the institutions surveyed check criminal records, 73% verify employment and 67% verify education when hiring new staff members. However, it is not common to employ these risk mitigation techniques across campus. New hires in three areas are most commonly screened and most of these are legally required. These three areas include: (1) individuals who have fiscal responsibility for the institution, (2) those who work with children and (3) staff employed in the medical schools and hospitals associated with participating institutions. Only 23% of the study respondents consider credit history when hiring staff members. These numbers were consistent among institutions regardless of whether or not they outsourced these processes.

Faculty
When hiring faculty, the risk mitigation efforts seem to be significantly reduced. Reasons cited for this include objections by faculty unions, general faculty resistance and a decentralized hiring process. Faculty members are typically hired on a departmental basis and university policies often are not thoroughly followed. Among the responding institutions, 47% verify educational claims, 43% verify previous employment, 26% check for criminal records and 7% perform a credit check. Respondents that outsourced background checks were only slightly more likely than those that did not outsource to check educational claims, verify employment, check criminal records and perform credit checks on faculty.

Students
Student information is reviewed even less frequently than staff or faculty information. Previous educational claims are verified by 21% of the responding institutions, criminal records are checked by 14% of the respondents and 4% verify previous employment. None of the responding schools reported processes that included credit checks on students.

Management Implications
The results of this study suggest that university environments underutilize background checks as a risk mitigation tool in comparison to their corporate counterparts. Moreover, the study revealed that many institutions that do use background check processes do so in a less than comprehensive manner across campus. For example, one respondent indicated that "we do a few checks now but not universally." Another indicated that the use of background checks "depends upon the position." Indeed, there seems to be an understanding that higher education administrators are concerned about risk, but still are not engaging in robust processes that will be more likely to significantly reduce risk. The following quote from another respondent illustrated this point:

> … there is some uncertainty [about the need for these checks to be performed] at this time. There has been a variety of questions asked at the Board of Regents level regarding background checks. We do require that applicants complete prior to a job offer a document that asks about their criminal activity as well as if they have been terminated or resigned in lieu of termination. We include the statement that if we find that they have falsified this document, they will be terminated.

An additional issue facing university administrators as they try to address the issue of better risk management is the general resistance of faculty groups to the application of uniform background checks. As one respondent indicated:

> The university does background checks on staff employees. The faculty, however, have resisted to date any efforts of the university to introduce faculty background checks. The HR department strongly believes that background checks should be done on faculty.

This lack of uniformity in the application of the background check process should be of great concern to institution administrators, as it is likely to put the institution at even higher operational risk by increasing the likelihood of future discrimination suits by groups without the power to resist such policies. Assuming that university environments are subject to the same standards applied to corporate environments under the doctrine of negligent hiring, these responses suggest that universities engage in less than satisfactory risk management practices as it relates to personnel risk. In the future, universities could face substantial liability risks if their employees engage in inappropriate or criminal behavior.

Web-Based Workforce Management Solution

Supports Complex Time & Attendance Requirements

Multiple Time Collection Options

Online Time Sheets *are the most common and efficient methods of collecting time. Employees can enter time themselves.*

Badge Readers *offer comprehensive time and attendance software and sophisticated data collection. We offer magnetic stripe, bar code, and HID and Wiegand Proximity readers.*

Biometric *readers eliminate the problem of buddy-punching with a time clock that measures fingerprint ridges to authenticate an employee.*

Kiosks *provide a simple, convenient touch screen method of time entry.*

Touch Tone Telephone *interfaces allow employees to punch in and out, and report absences. Interactive Voice Recognition (IVR) turns any phone into a data collection device.*

For the first time, the needs of higher education institutions with complex time and attendance requirements can be fully met out of the box. Our solution uniquely addresses the timekeeping challenges of students holding multiple positions. The web pages, messages, workflows, calculations, and interfaces adapt to meet your requirements. The result is a system that automates your labor rules, reduces paper, collects critical labor information, and enhances productivity.

Visit *www.workforcesoftware.com* for free white papers on best practices in labor law compliance.

No other time and attendance system handles the most demanding requirements of large colleges and universities with the ease and flexibility of WorkForce Software.

Designed for the Unique Needs of Higher Education

- Employee Self-Service
- Manager Self-Service
- FMLA Tracking
- Grant Tracking
- Labor Distribution
- Accruals & Leave Tracking
- Email Notification & Workflow
- HR/Payroll Calculations
- Interfaces to HR & Payroll
- Multiple Job Positions

WORKFORCE SOFTWARE

Enterprise Time and Attendance Systems

www.workforcesoftware.com 877.493.6723

Efforts to create a more consistent risk management policy utilizing background checks are negated to some extent by the existence of a unionized workforce on campus. According to one survey respondent, "union objections are one reason why the university has not adopted and implemented a background check policy." By comparison, those that are not unionized, such as students and some staff groups, may be unfairly singled out for review. This could lead to lawsuits alleging discrimination by one group versus another due to the disproportionate application of this process. Going forward, university administrators have to make instituting background checks a priority in their future union negotiations if they have any hope of instituting a uniform and balanced approach to managing their personnel risk.

The decentralized nature of the university environment also has been identified as a limitation with regard to the lack of uniformity in the application of background check processes. Given that many departments are responsible for their own hiring processes, it is likely that the use of background checks is actually underreported in these environments. Several respondents made it clear that they felt that the human resource department could and should play a bigger role in these hiring decisions. As one respondent indicated, "[Background checks] are left to each department. Some do [them] and some don't. The human resource department needs to establish guidelines to assist other departments in doing so."

Another respondent remarked that "each hiring department is responsible for conducting its own background checks, therefore they are not done in a consistent manner across campus. Some areas take the issue very seriously, while others do not. Thus, our operational risk is not reduced by our current process." University administrators need to recognize and address the impact that a decentralized hiring process has in potentially increasing the overall operational risk in their environments and create processes that will ensure consistency across departments and levels of employees.

Finally, the survey results suggest that more tenured administrators tend to more frequently manage the background check process internally as opposed to outsourcing the function to a third party entity. Since administrators who perform background checks are likely to be responsible for numerous other administrative tasks at the same time, it is likely that internal background check processes may be less comprehensive and more prone to errors of omission due to a lack of time or attention on the part of the administrator. This raises the possibility for increased operational exposure and higher liability risk. University administrators may want to reconsider the in-sourcing of such a critical risk management function since the cost to outsource this process seems nominal compared to the potential increase in liability costs associated with keeping this function inside the organization.

Conclusion

Increasing media and public attention to and interest in the behavior of university employees and high-profile students leads to many challenges. University and college leaders are savvy to the power of reputation, and they are calling on their HR specialists to manage the risks associated with employee and high-profile student behavior. Whether those policies are being instituted because of recent legislation, scandal or a concern for managing reputation, the outcome is the same. Human resource directors are now being faced with an increasing need to understand and put in place risk mitigation procedures and policies like background checks.

Moreover, as universities are increasingly held accountable for their actions and their use of public and private funds, there is concern about how much to spend on risk management and whether it is effective in managing reputation. The intent of this study was to help address the information gap regarding risk mitigation practices that HR specialists are facing at colleges and universities. Background checks represent a very basic level of risk mitigation for organizations. This study was intended to set a baseline for future research by examining the current state of background check usage on university campuses.

References:

Assembly Bill 383. 2005. State of Wisconsin. *http://www.legis.state.wi.us/2005/data/AB-383.pdf*

Association of American Medical Colleges. 2006. *Report of the AAMC criminal background check advisory committee.* Washington, D.C.: AAMC.

Association of Certified Fraud Examiners. 2004. *2004 report to the nation on occupational fraud and abuse.* Austin, Texas: Association of Certified Fraud Examiners.

Bean, A.G. and M.J. Roszkowski. 1995. The long and short of it. *Marketing Research* 7(1): 20-26.

Bickart, B. and D. Schmittlein. 1999. The distribution of survey contact and participation in America: Constructing a survey-based estimate. *Journal of Marketing Research* 36(2): 286-294.

Black, D. 2005. Checking the past to make decisions in the present. *Perspective* 20(8): 1-7.

Camacho, R. 1993. How to avoid negligent hiring litigation. *Whittier Law Review* 14 (4): 787-807.

Connerley, M., R. Arvey and C. Bernardy. 2001. Criminal background checks for prospective and current employees: Current practices among municipal agencies. *Public Personnel Management* 30(2): 173-183.

Datz, T. 2005. Background checks on campus. Ed. K. Carr. *CSO Magazine* (July). Retrieved on November 20, 2006, from *http://www.csoonline.com/read/070105/briefing_background.html.*

Extejt, M.M. and W.N. Bockanic. 1991. Issues surrounding the theories of negligent hiring and failure to fire. *Business & Professional Ethics Journal,* 8(4): 21-33.

Fiesta, J. 1999. Know your boundaries in sexual assault litigation. *Nursing Managemen*t (October) p. 10.

Finklin, M., R. Post and J. Thomson. 2004. V*erification and trust: Background investigations preceding faculty appointment.* American Association of University Professors. Retrieved on November 20, 2006, from *http://www.aaup.org/AAUP/About/committees/committee+repts/CommA/verification.htm.*

Gardiner, A. 2005. Colleges weigh background checks for athletes. *USA Today,* 14 July, section C, p.1.

Groves, R.M., R.B. Cialdini and M.P. Couper. 1992. Understanding the decision to participate in a survey. *Public Opinion Quarterly* 56: 475-495.

Haugsted, Linda. 2005. Permitting the wrong installer into homes wrecks lives … and bottom lines. *Multichannel News,* 12 December: 18, 20.

House Bill 3. 2006. State of Kentucky. *http://www.lrc.state.ky.us/record/06RS/HB3/bill.doc*

Hughes, S. and M. Shank. 2006. Assessing the impact of NCAA scandals: An exploratory analysis. *The International Journal of Sport Management & Marketing,* Special Issue (December).

Kieke, R.L. 2001. Hospitals step up efforts to screen employees and vendors. *Journal of Healthcare Compliance* (May-June), p. 48-51.

Lipka, Sara. 2005. Background checks needed, expert says. *The Chronicle of Higher Education* 51(36): A25.

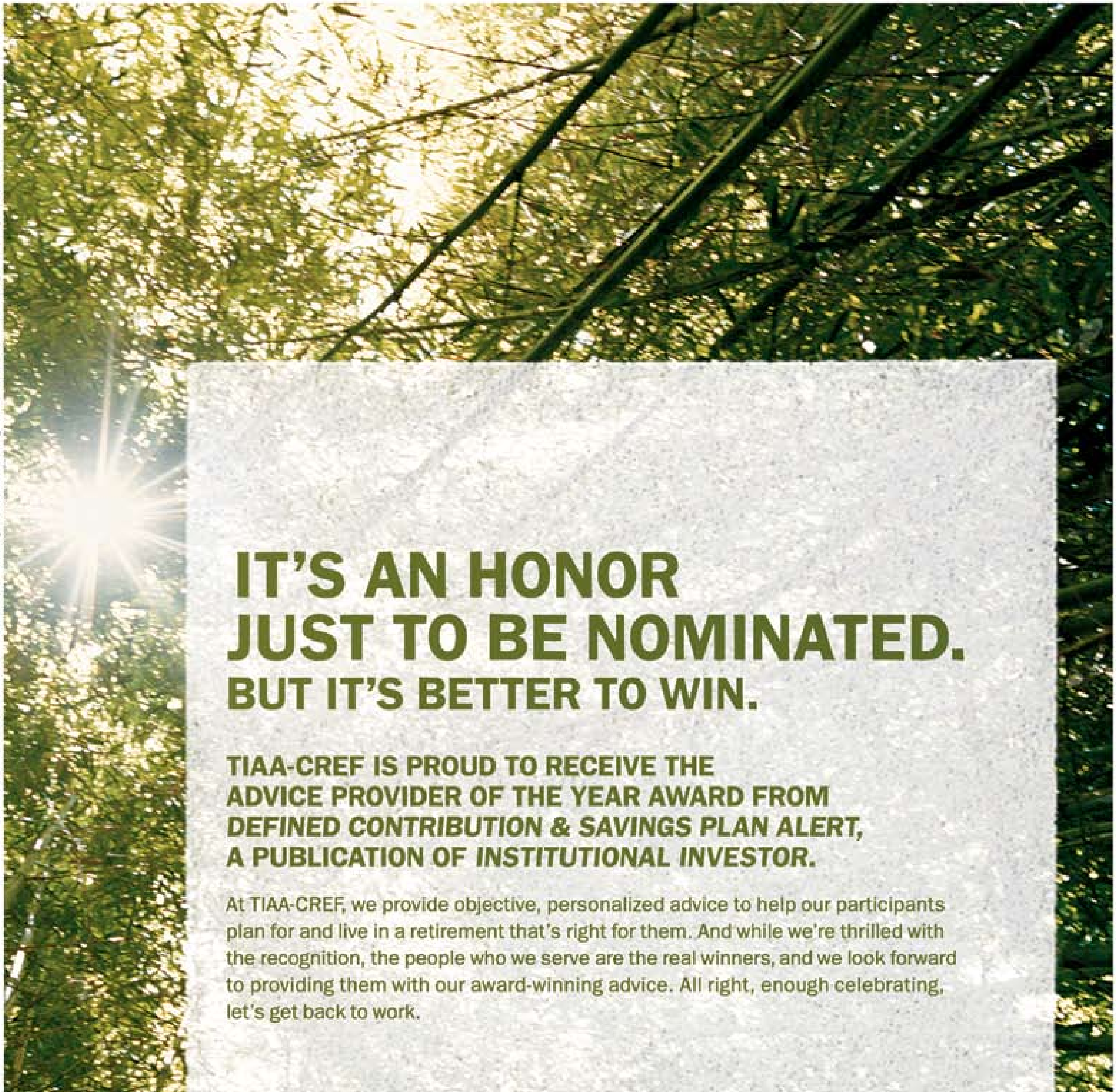
Rekow, Sharene. 2004. Higher education risk factors and definitions. *EhticsPoint White Paper.* Retrieved on May 19, 2006, from *http://www.txstate.edu/audit_compliance/files/HE_risk_factors.pdf.*

Senate Bill 2002. 2005. *UNC Students/Criminal Background Checks.* State of North Carolina. *http://www.ncga.state.nc.us/Sessions/2005/Bills/Senate/HTML/S2002v1.html*

Society for Human Resource Management. 2004. *SHRM finds employers are increasingly conducting background checks to ensure workplace safety.* Alexandria, Virginia: SHRM.

Steinbach, Sheldon. 2005. Background checks: A useful tool, to be used with care. *The Presidency* 8(3): 12.

United States District Court for the District of Colorado, Case No. 02-RB-2390. *http://www.nacua.org/documents/Gilmore.pdf*


IT'S AN HONOR
JUST TO BE NOMINATED.
BUT IT'S BETTER TO WIN.
TIAA-CREF IS PROUD TO RECEIVE THE ADVICE PROVIDER OF THE YEAR AWARD FROM *DEFINED CONTRIBUTION & SAVINGS PLAN ALERT*, A PUBLICATION OF *INSTITUTIONAL INVESTOR*.
At TIAA-CREF, we provide objective, personalized advice to help our participants plan for and live in a retirement that's right for them. And while we're thrilled with the recognition, the people who we serve are the real winners, and we look forward to providing them with our award-winning advice. All right, enough celebrating, let's get back to work.
TIAA CREF

cupa-hr journal

Communications
Tyson Place
2607 Kingston Pike, Suite 250
Knoxville, TN 37919

Nonprofit
U.S. Postage
PAID
Jefferson City, MO
PERMIT NO. 210