



The Journey to World-Class

Redacted Version

Achieving World-Class Performance HR Redacted Presentation

Presented to:



Presented by:

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March 5, 2009

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Benchmark Background and Objectives



Objectives in completing the benchmark

- Establish a baseline of NNSA - Y12's Human Resource (HR) organization
 - Identify staff mix and resource allocation
 - Identify key cost drivers
- Compare Y12's Human Resources to a Minimum and Maximum Site Performer, Site Median, Peer Group Median (cross-industry), and World-Class Human Resources organizations in order to identify performance gaps and quantify those gaps
- Provide a balanced, qualitative perspective through Executive interviews and comprehensive stakeholder surveys
- Learn how the Sites together compare to an appropriate Peer group of companies from a cost and FTE standpoint

Y12's HR benchmark scope and timeline

NNSA - Y12's Benchmark Scope

- Benchmark covered NNSA - Y12's HR investment across 11 processes as defined by Hackett
- Information was collected globally
 - FTE data and best practice questions were collected across all the locations
- The benchmark period for which costs, full-time equivalents ("FTEs"), practice related and volume data were collected was fiscal year 2008 (Ending September 30, 2008)

NNSA - Y12's Benchmark Timeline

- Planning:
 - December 2008
- Kick-off:
 - December 16, 2008
- Data Collection/Executive Interviews:
 - December 17 through February 13, 2009
- Site Review:
 - March 5, 2009
- Final Presentation:
 - March 17, 2009

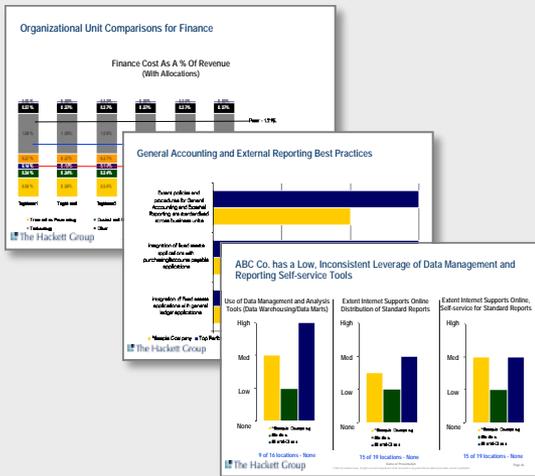
Data was collected in accordance with Hackett's HR taxonomy

Transactional	Employee Life Cycle	Planning and Strategy	Management and Administration
<ul style="list-style-type: none"> ■ Total Rewards Administration <ul style="list-style-type: none"> – Health & Welfare Administration – Pension & Savings Administration – Compensation Administration ■ Payroll Services <ul style="list-style-type: none"> – Payroll Administration – Time & Attendance ■ Data Management, Reporting & Compliance <ul style="list-style-type: none"> – Employee Data Management and HR Reporting – Compliance Management 	<ul style="list-style-type: none"> ■ Staffing Services <ul style="list-style-type: none"> – Recruiting and Staffing – Exit Process ■ Workforce Development Services <ul style="list-style-type: none"> – Transferable Skills ■ Organizational Effectiveness Services <ul style="list-style-type: none"> – Organization Design and Development – Employee Relations – Labor Relations 	<ul style="list-style-type: none"> ■ Total Rewards Planning ■ Strategic Workforce Planning 	<ul style="list-style-type: none"> ■ Function Management



Our analyses and recommendations were based on three separate inputs

Benchmark Questionnaire



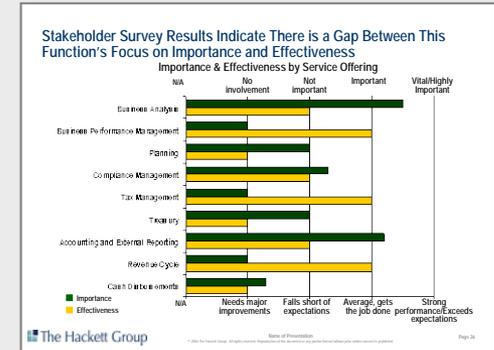
- Completed by HR staff

Executive Interviews

- Gather management's perspective on:
 - Overall functional efficiency and effectiveness
 - The strategic connection between HR and specific business objectives
 - How recent, related initiatives effect business objectives
 - Opportunities for further improvement concerning HR
 - Expectations from the benchmark process

- 3 phone interviews

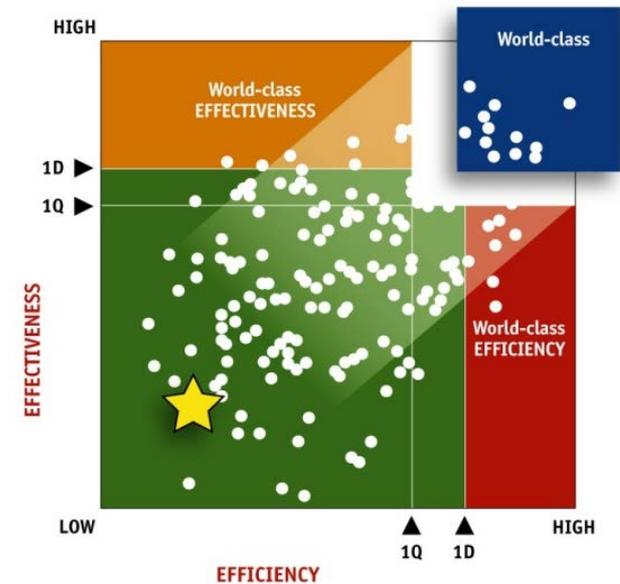
Stakeholder Survey



- 101 responses to the HR Stakeholder Survey

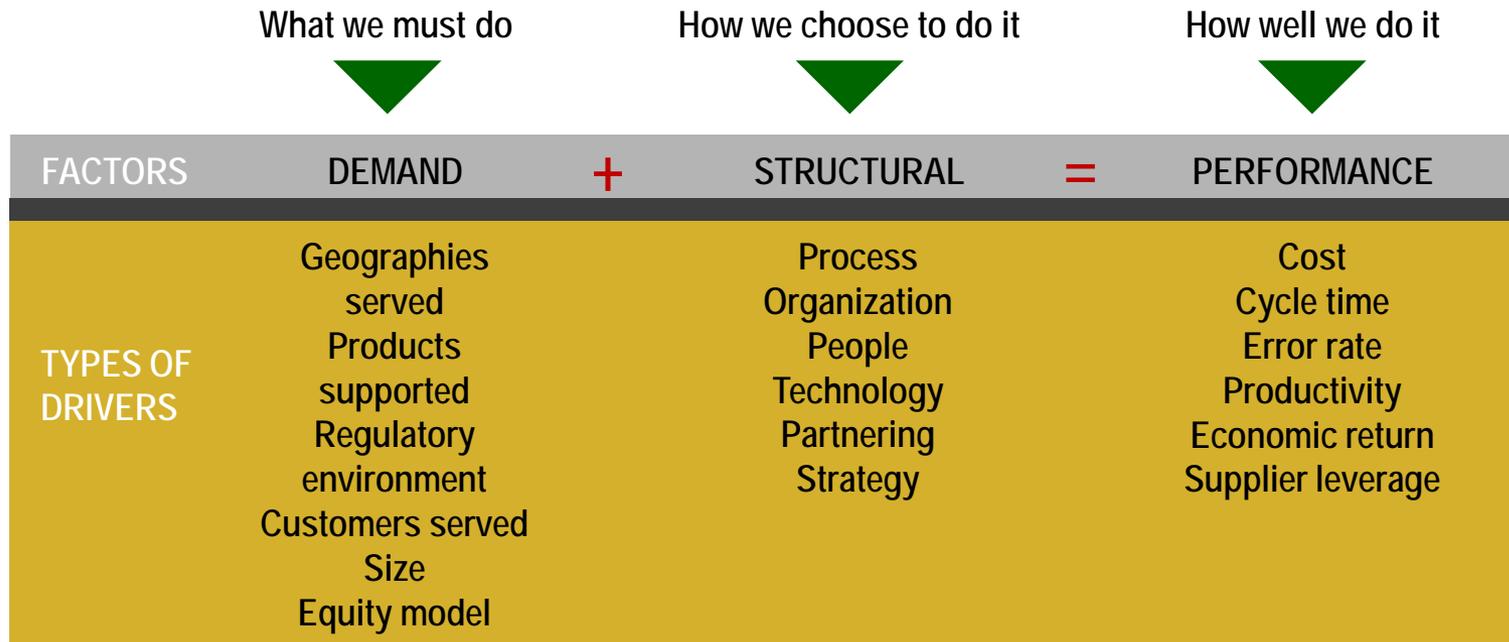
We compared Y12 to several key comparisons

- NNSA Site-specific:
 - **Site Min:** the lowest value across the Sites
 - **Site Median:** the Median value across the Sites
 - **Site Max:** the highest value across the Sites



Hackett's HR benchmark addresses the important drivers of effectiveness and efficiency

Results identify, quantify and prioritize improvement opportunities offering the greatest potential return



Benchmark results should be evaluated in conjunction with the specific requirements of Y12's industry

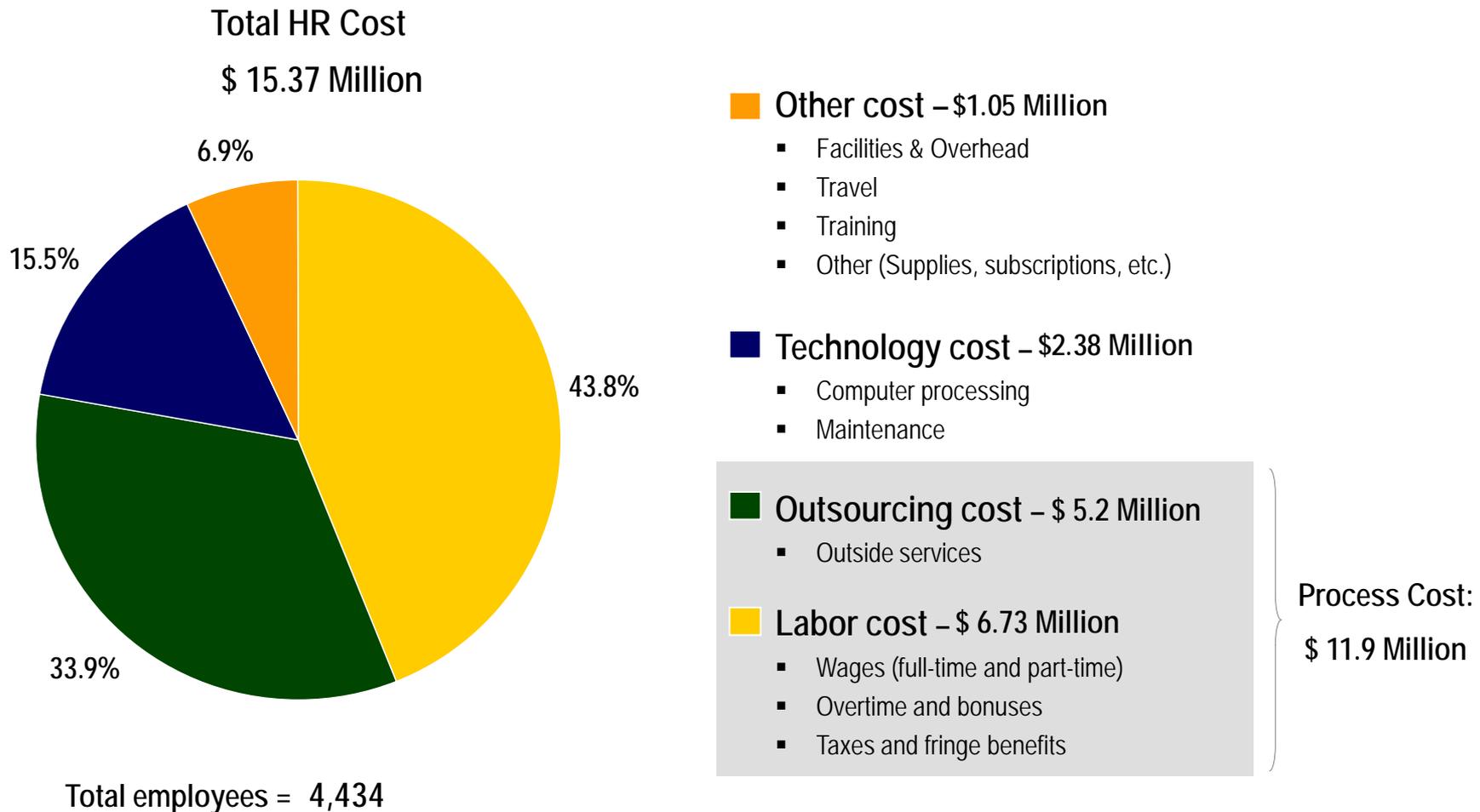
What this benchmark is . . .	What this benchmark is not . . .
A starting point	Not the end answer
Tells us where to focus	Not a detailed analysis of <i>how</i> to redesign our processes
Process based comparison data was scrubbed internally and externally by Hackett	Not an exact match to our departments . . . no benchmarking is
One input to setting targets	Not the only input
A broad look at Human Resources as defined by Hackett	Does not cover all aspects of your company's operations



Company Baseline



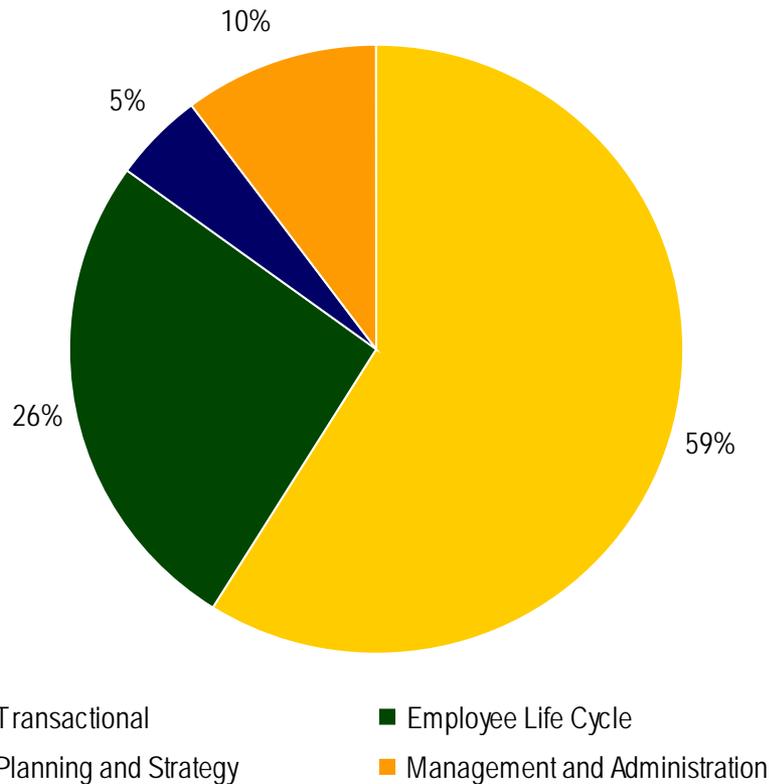
Y12's baseline HR cost is \$15.37 million, or \$3,467 per employee



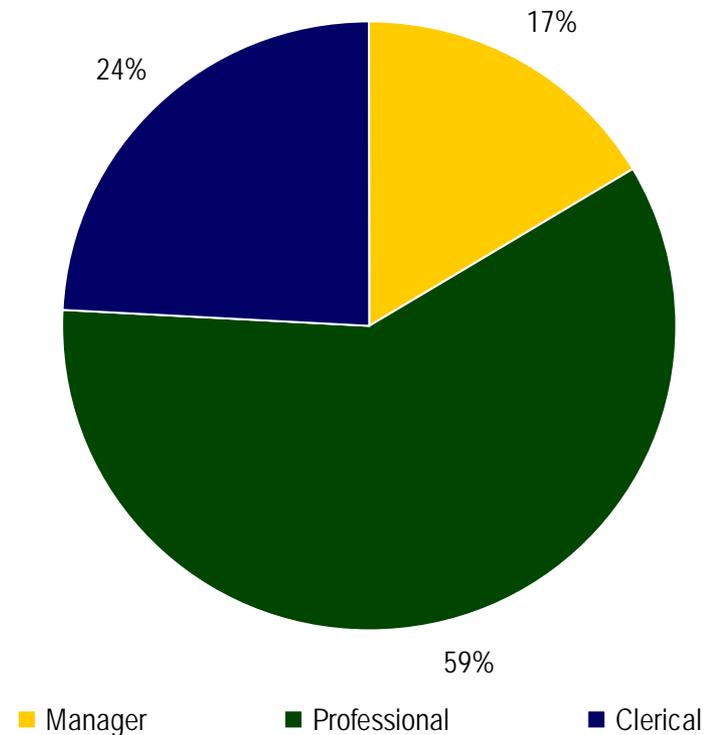
The majority of HR FTEs are allocated to the transactional processes

59% professionals; Only 24% of the HR staff are clerical.

Resource Allocation



Staff Mix



Executive Summary

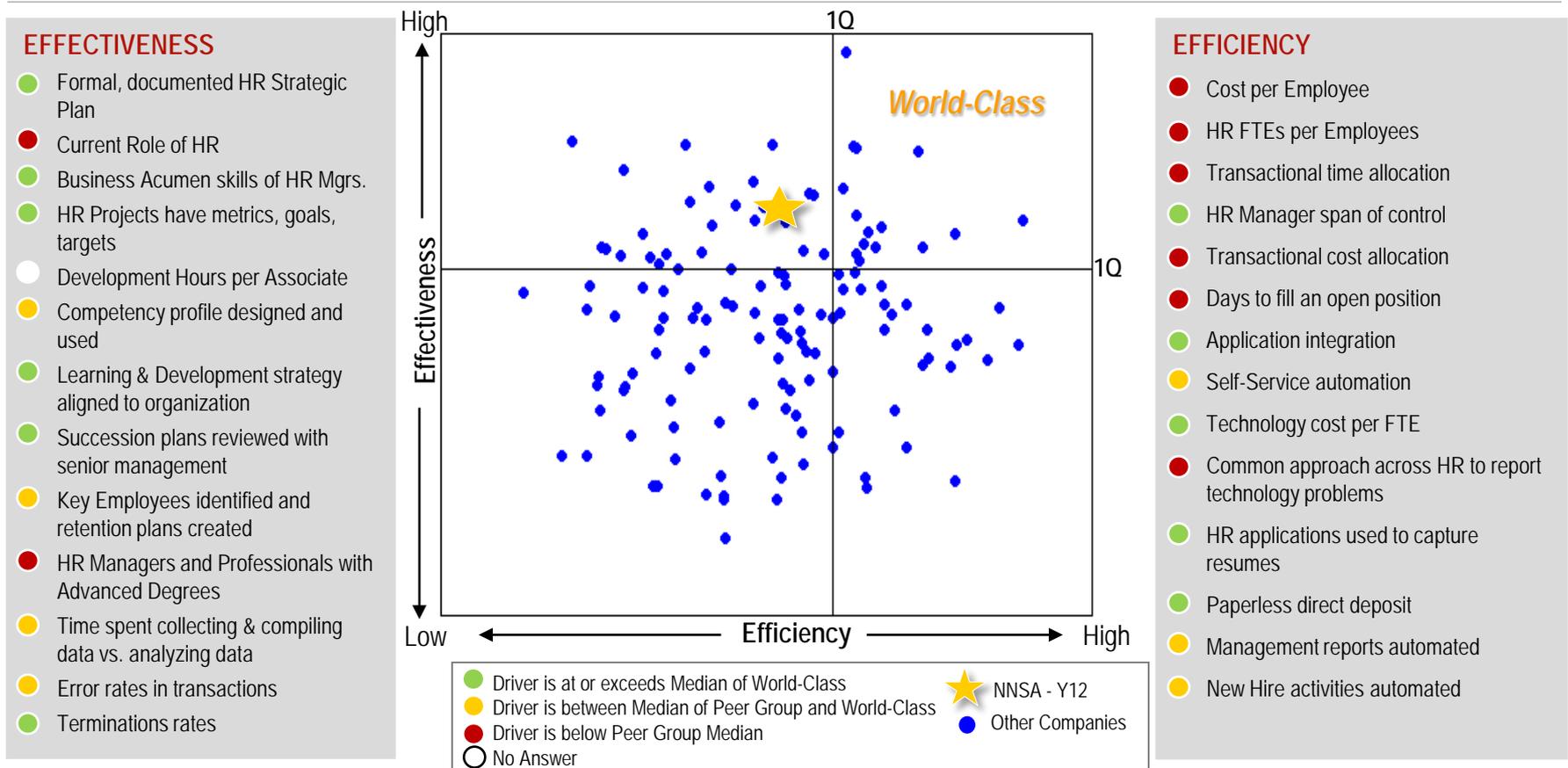


Key findings and observations

- Y12's overall Human Resource performance has opportunities to improve efficiency.
 - Efficiency scores are held back due to overall cost per employee, higher number of HR FTEs supporting the processes, greater FTE and cost allocation to the transactional processes, inconsistent automation / self-service and longer days to fill open positions.
 - Effectiveness scores are 1st quartile because Y12 has a formal, documented HR strategic plan in place, HR projects have metrics, goals and targets clearly defined for them, there is a learning and development strategy that is clearly aligned to the organization, and succession plans are reviewed with senior management on a semi annual basis.
- Y12's Human Resource cost per employee is \$3,467 which is 28% higher than the Site Median.
 - The costs are primarily being driven by labor costs, outsourcing costs and technology costs. The majority of the process costs reside in the Transactional activities.
 - Y12's overall resource allocation is 76% higher than the Site Minimum. The largest gap of FTEs can be found in Total Rewards Administration and Function Management.
- Y12 has made a considerable investment in technology, but is not necessarily seeing the full benefit of this investment.
 - Y12 reported inconsistent automation throughout HR. Pension & Savings, Time & Attendance, Payroll Administration, and Staffing reported over 94% automation, but limited to no automation was reported in Health & Welfare, Compensation Administration, and Employee Data Management, HR Reporting, and Compliance.
- Stakeholder survey feedback indicates HR as an Administrator with limited or reactive involvement in key activities.
 - HR views itself as a Valued Business Partner.

HR has opportunities to reach higher levels of efficiency

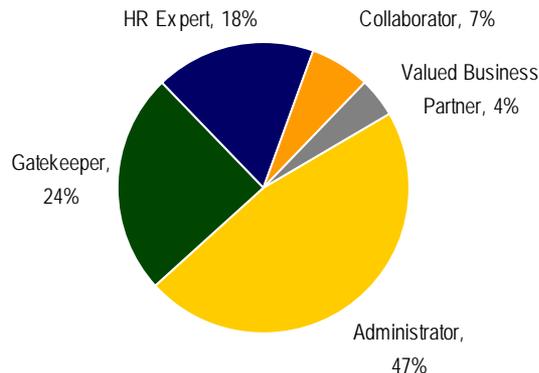
Hackett Value Grid™



Note: The ranking of the drivers are a representation of gaps to world-class and are not a direct indicator of where to focus/ launch initiatives. Specific action plans should not be developed until after the benchmark results are assessed within the context of the functional and business strategies.

Stakeholders view HR as an “Administrator” while HR views itself as a “Valued Business Partner”

Stakeholder's Perception of HR's Role

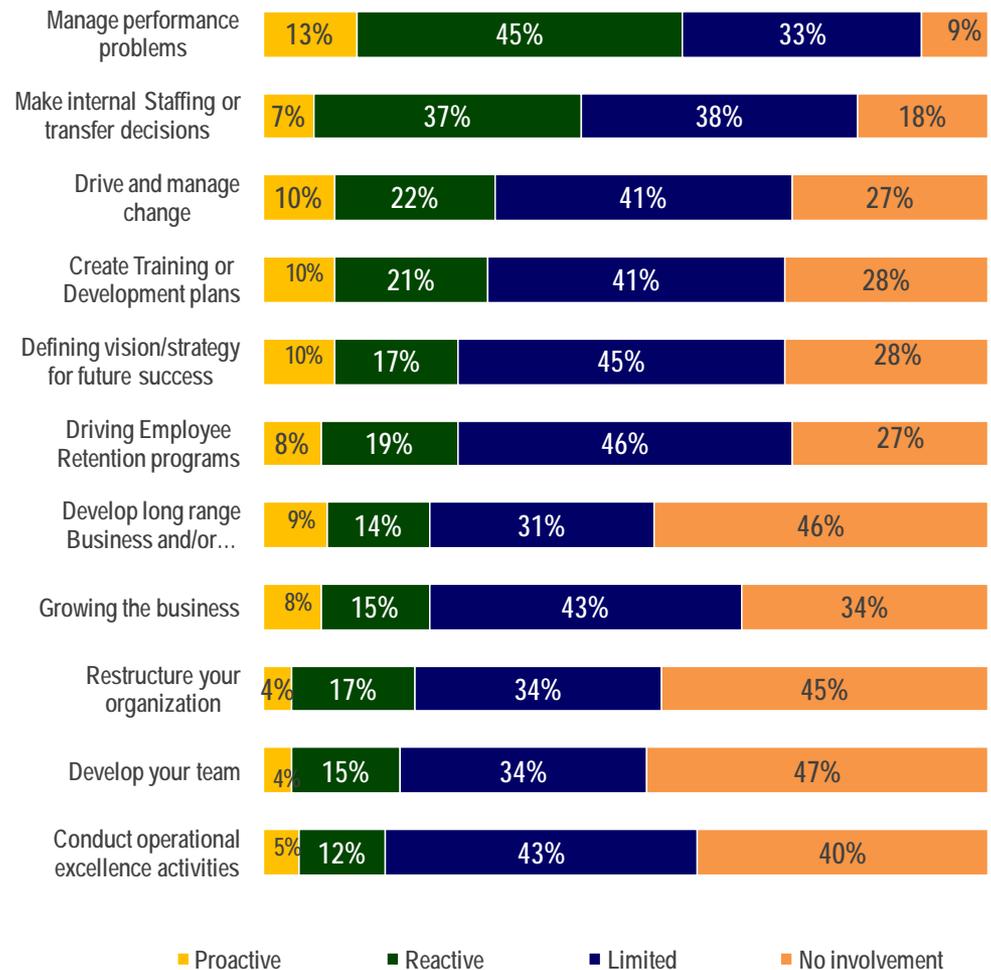


HR's Perception of Its Role

HR Views Itself as a Valued Business Partner

Valued Business Partner - Spends time with other business/functional heads. Interested in improving my business metrics rather than HR's agenda

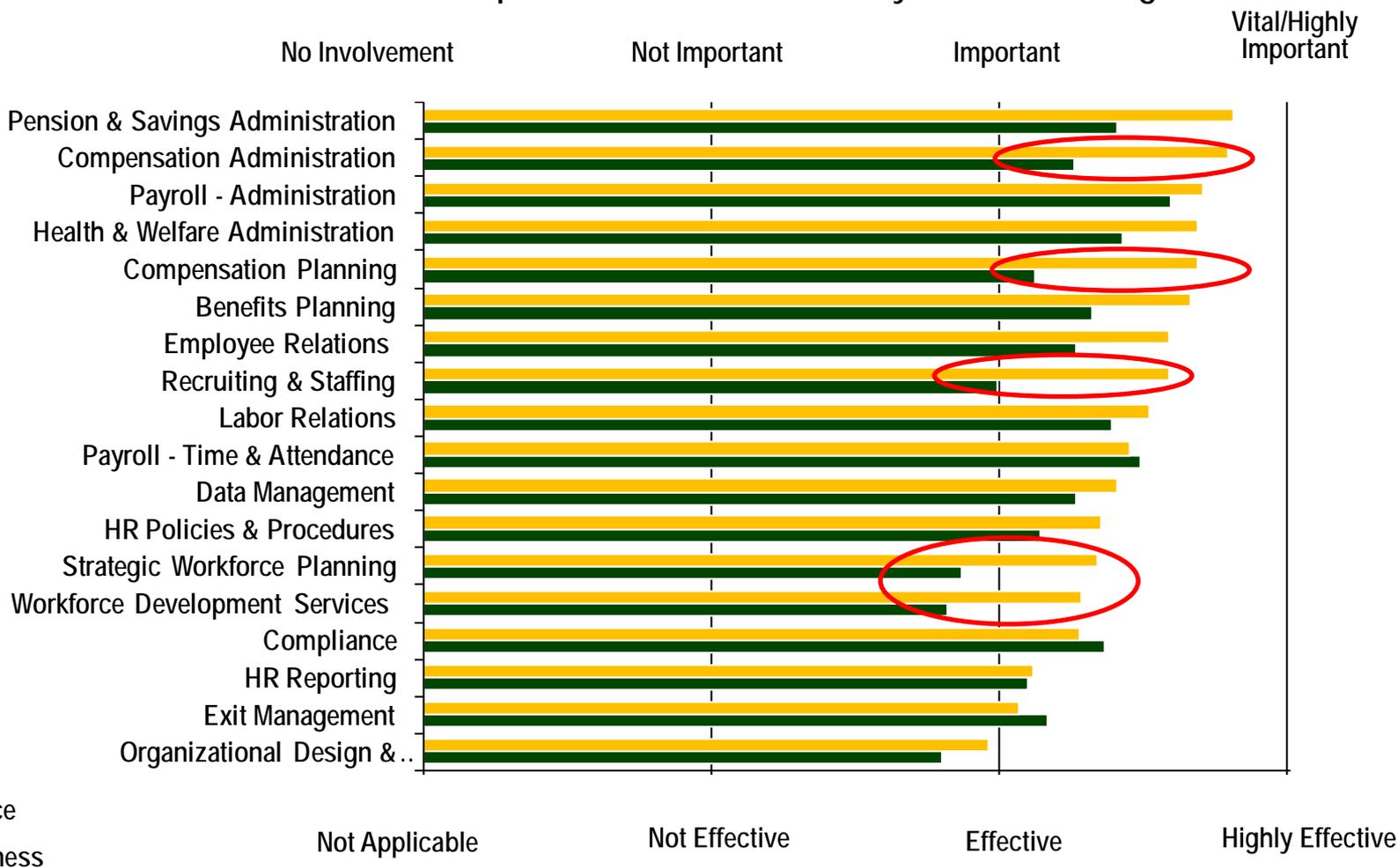
Stakeholder's Perception of HR Involvement



■ Proactive ■ Reactive ■ Limited ■ No involvement

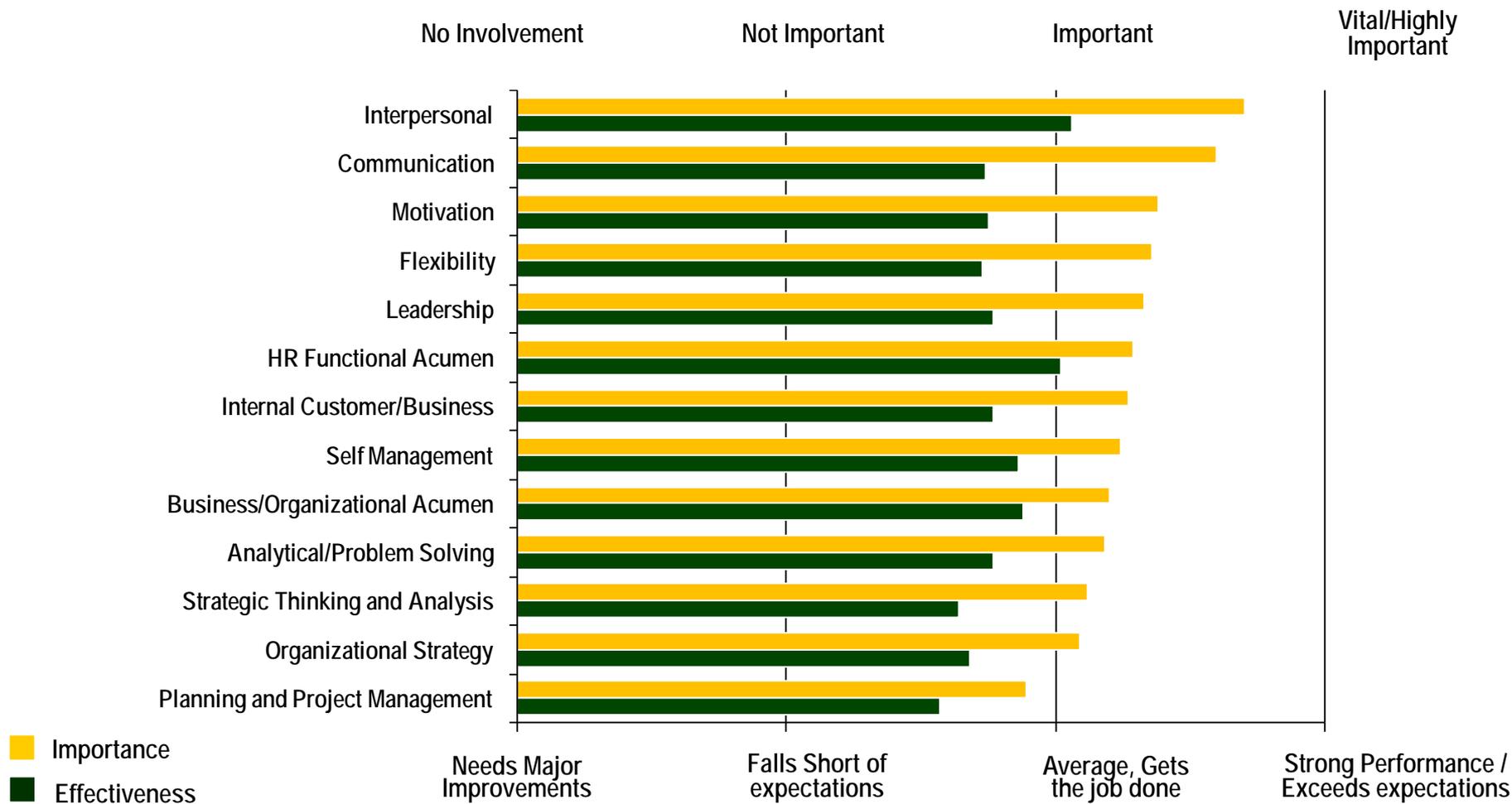
Stakeholders see a gap in effectiveness in Recruiting, Compensation, Workforce Development, and Strategic Workforce Planning

Importance & Effectiveness by Service Offering



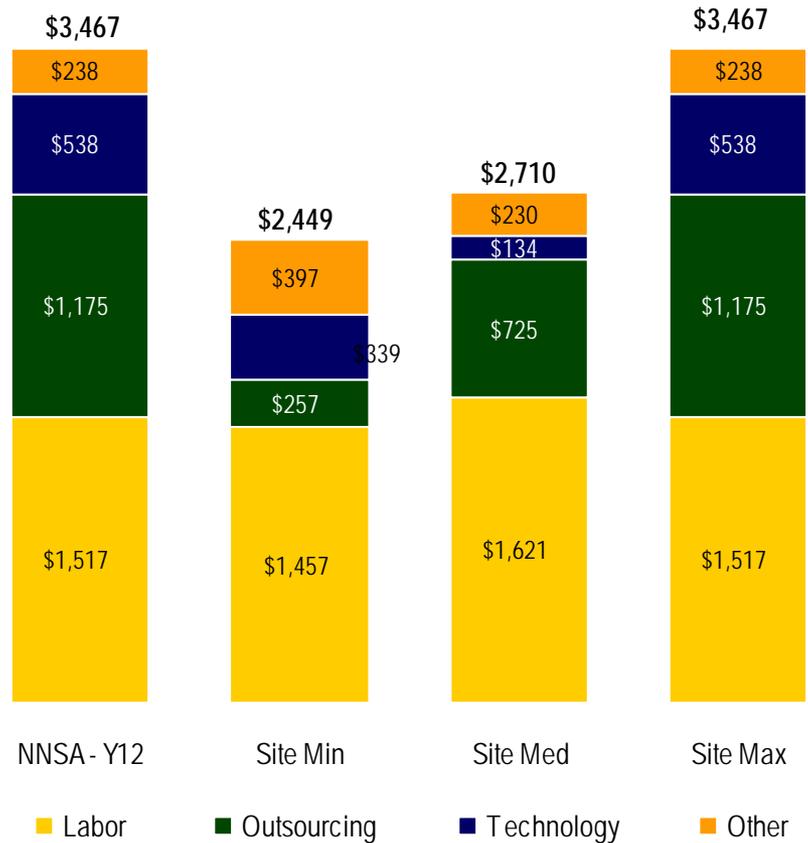
Stakeholders would like HR to increase their skill set in several key areas

Skill Set Importance & Effectiveness



Y12's HR cost per employee is 28% higher than the Site Median

HR Cost (\$) per Employee



Y12's HR cost differences to the Site Top Performer

HR Processes	NNSA - Y12's Costs (in Millions)	NNSA - Y12's Gap to Least Cost Site (in Millions)
Total Rewards Administration	7.14	5.07
Payroll Administration	0.19	0.00
Time and Attendance	0.26	0.22
Data Management, Reporting and Compliance	1.09	0.78
Staffing Services	0.52	0.00
Workforce Development	0.10	0.00
Labor Relations	0.48	0.39
Organizational Effectiveness	0.78	0.00
Total Rewards Planning	0.19	0.07
Strategic Workforce Planning	0.19	0.14
Function Management	1.01	0.83
Total Process Costs	11.95	7.50
Technology Cost	2.38	1.79
Other Cost	1.05	0.35
Total HR Cost	15.38	9.64

Note: Values are in (\$).

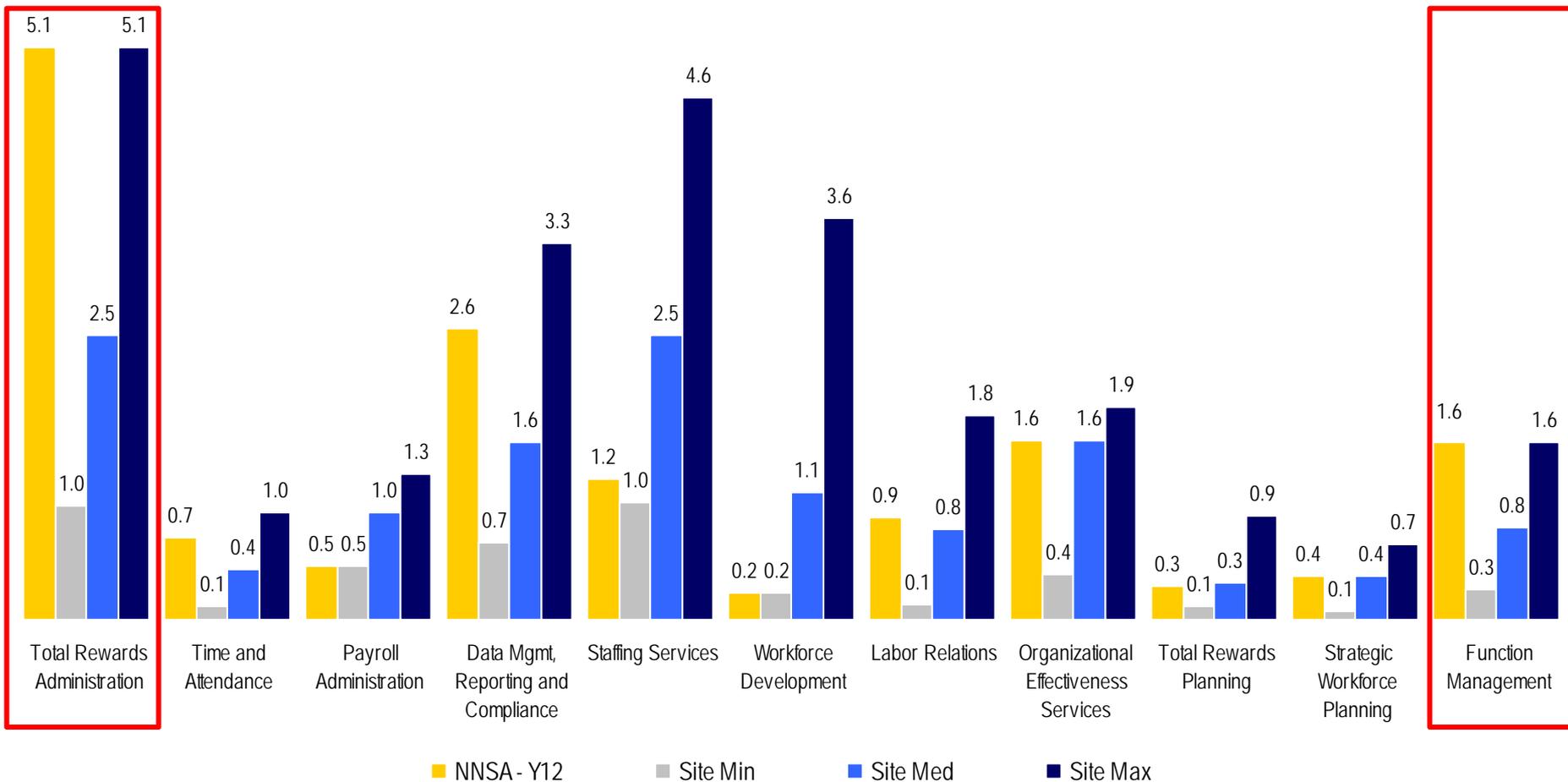
Performance Driver Analysis

- Process
- People/Organization
- Technology/Other



Y12's staffing levels are highest in Total Rewards Administration and Function Management

HR FTEs per 1,000 Employees



Y12 has higher process cost than the Site Median in 5 of the 11 processes

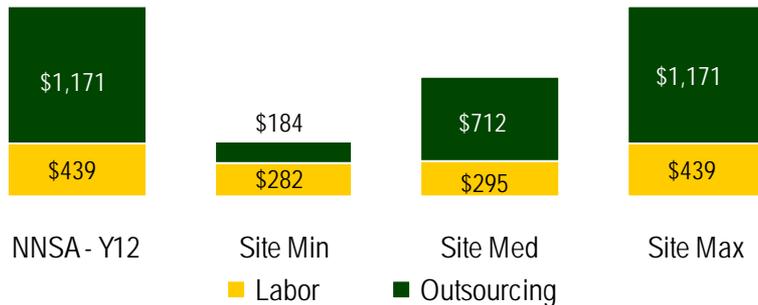
Process Cost (\$) per Employee



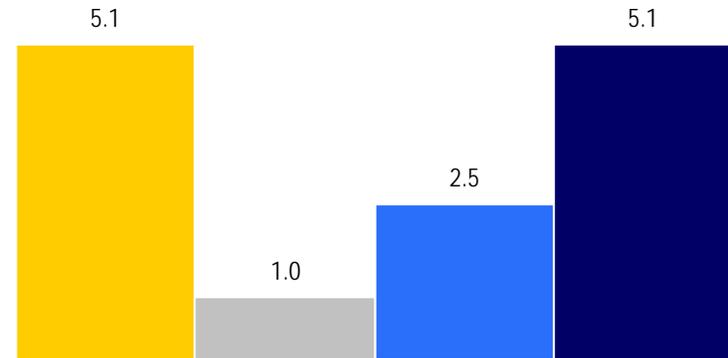
■ NNSA - Y12 ■ Site Min ■ Site Med ■ Site Max

Y12 supports over 10,000 retirees which is driving up cost in Total Rewards Administration; Y12's cost per served is below the Site Median

Total Rewards Administration Process Cost (\$) per Employee

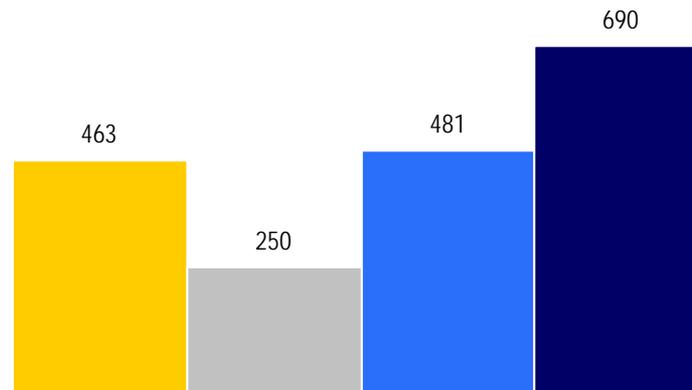


Total Rewards Administration FTEs per 1,000 Employees



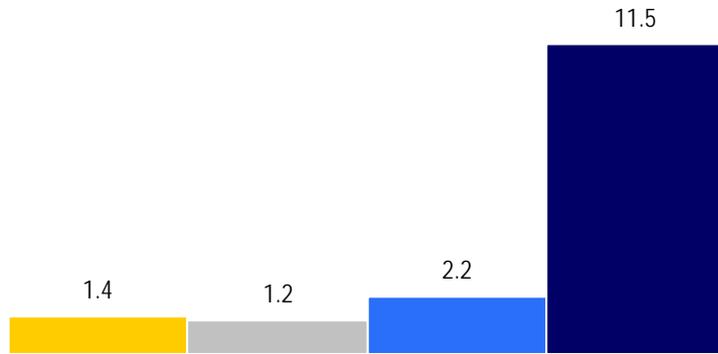
■ NNSA - Y12
 ■ Site Min
 ■ Site Med
 ■ Site Max

Total Rewards Administration Cost per Served

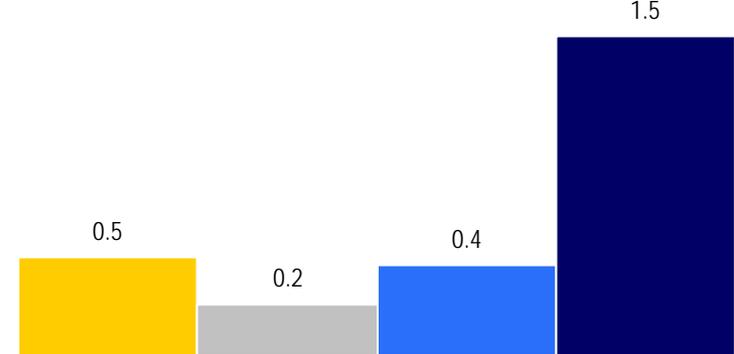


Y12 has a limited number of Health & Welfare plans and Pension & Savings plans

Number of Health & Welfare Plans per 1,000 Employees and Retirees Served

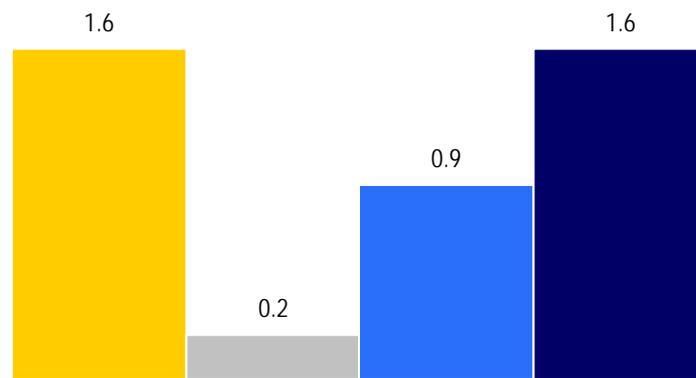


Number of Pension & Savings Plans per 1,000 Employees and Retirees Served



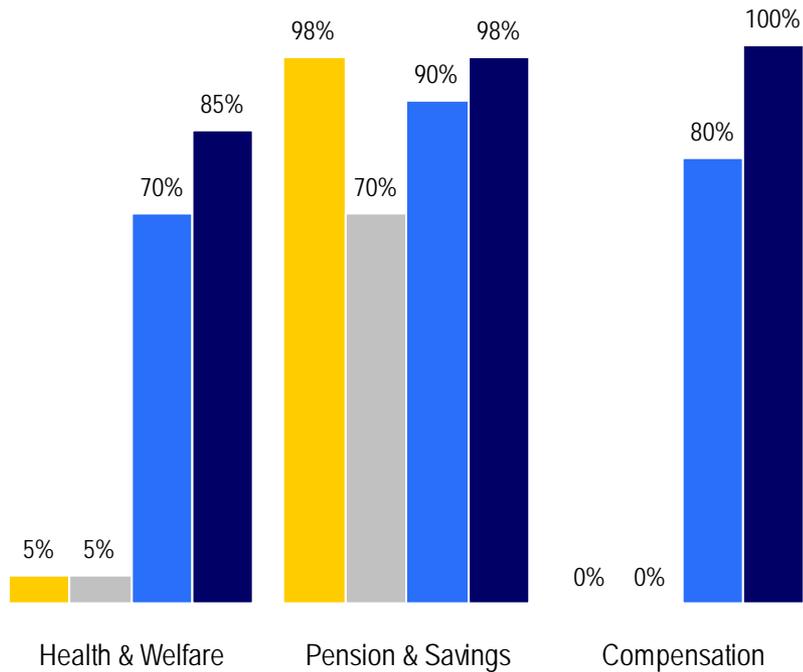
■ NNSA - Y12
 ■ Site Min
 ■ Site Med
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Number of Compensation Plans per 1,000 Employees

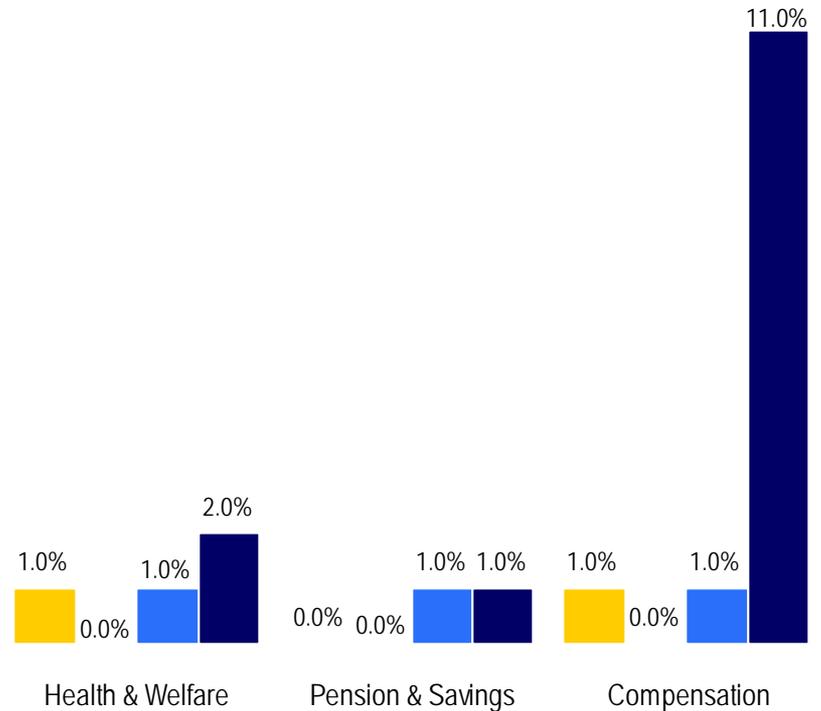


Y12 has limited to no automation in Health & Welfare and Compensation Administration

Process Automation



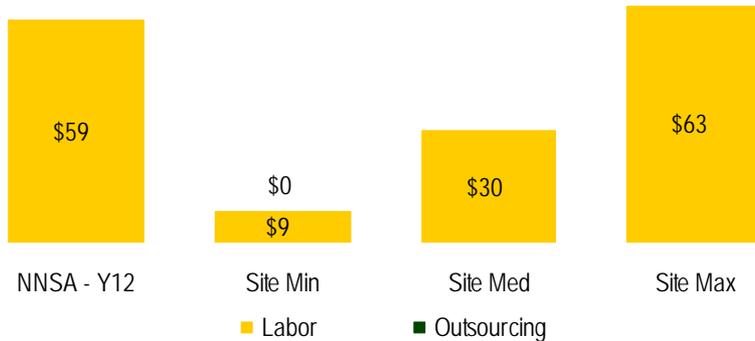
Error Rates for Transactions



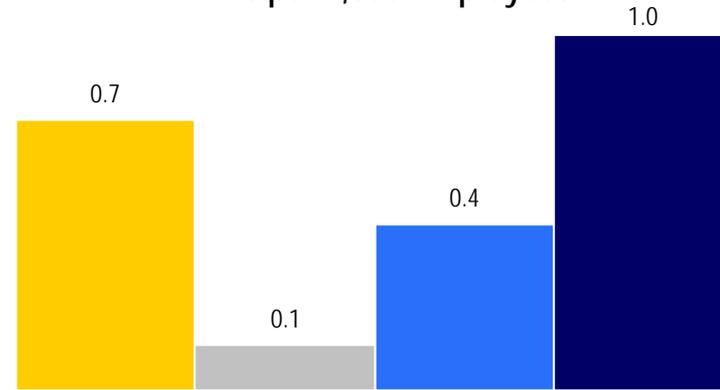
■ NNSA - Y12
 ■ Site Min
 ■ Site Med
 ■ Site Max

Despite automation, Y12's Time & Attendance process uses 97% more costs and 75% more resources than the Site Median

Time & Attendance Cost (\$) per Employee

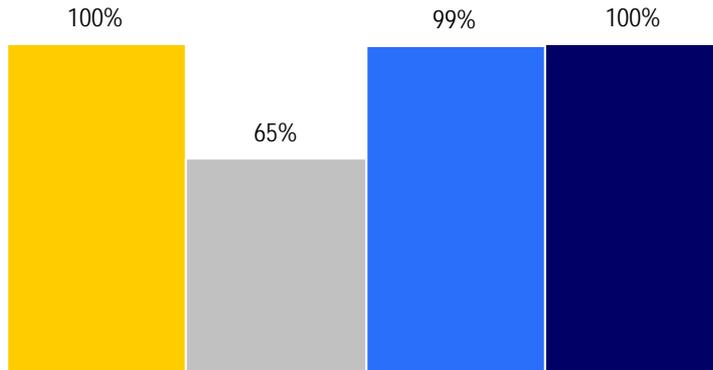


Time & Attendance FTEs per 1,000 Employees

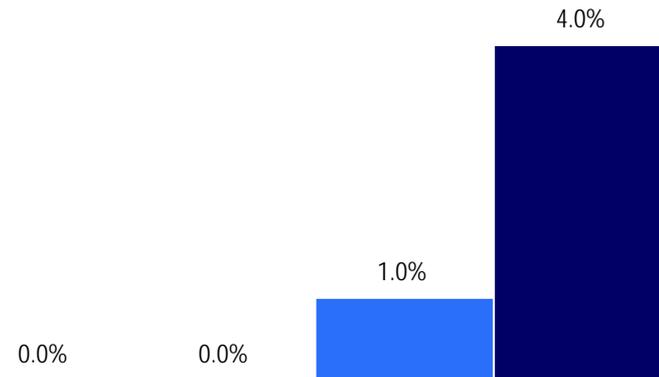


■ NNSA - Y12
 ■ Site Min
 ■ Site Med
 ■ Site Max

Time & Attendance Automation

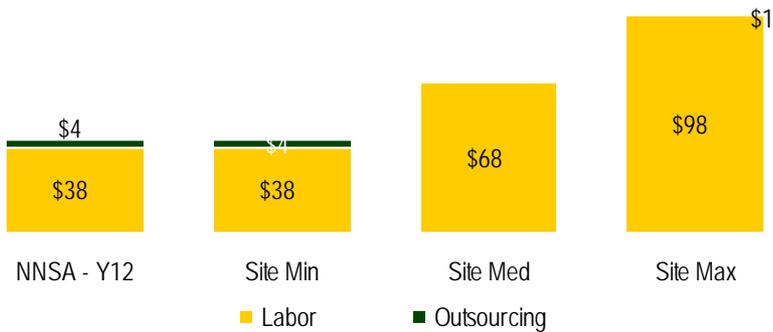


Time & Attendance Error Rate

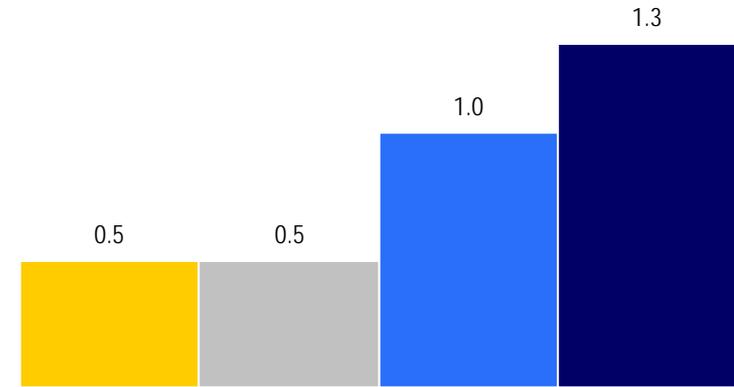


Y12's Payroll Administration process has less FTEs and Costs than the comparisons, high automation, and no errors

Payroll Administration Cost (\$) per Employee

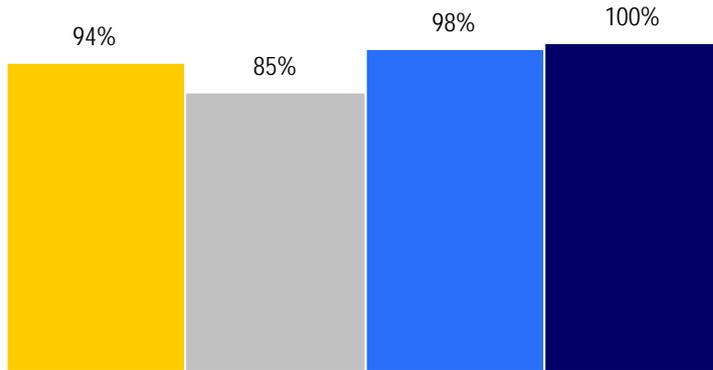


Payroll Administration FTEs per 1,000 Employees

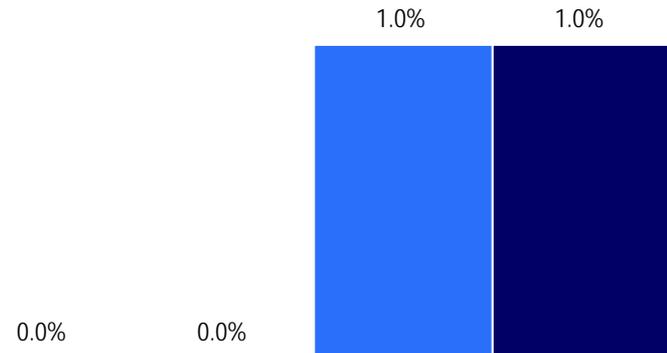


■ NNSA - Y12
 ■ Site Min
 ■ Site Med
 ■ Site Max

Payroll Administration Automation

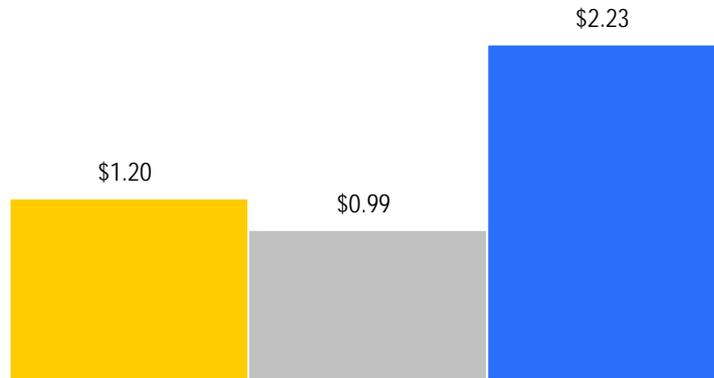


Payroll Administration Error Rate

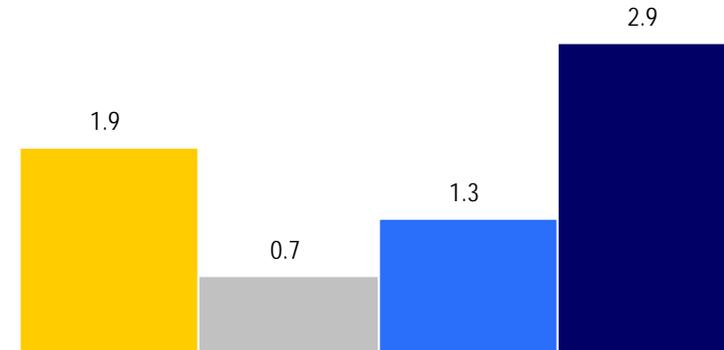


Y12 reported high utilization of Payroll best practices

Payroll Administration Cost (\$) per Paycheck



Pay Adjustments per Employee



■ NNSA - Y12
 ■ Site Min
 ■ Site Med
 ■ Site Max

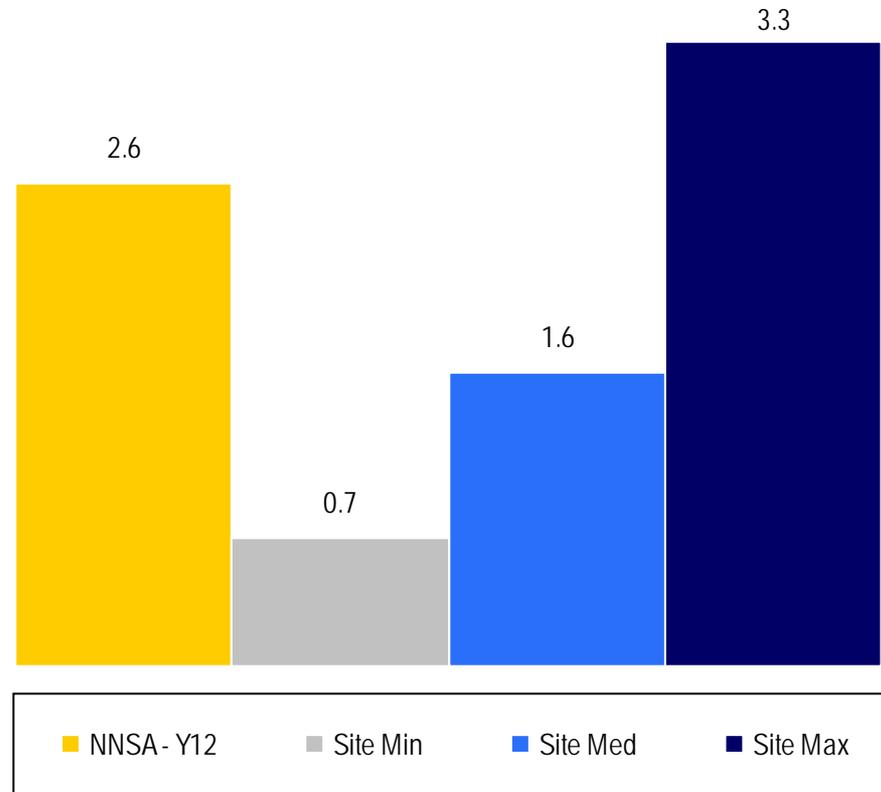
Payroll Administration Best Practices	NNSA - Y12	Site Top Performer
Extent standardized payroll cycles and calendars are utilized for similar job classifications	High	High
Extent distribution of direct deposit notifications is paperless	High	High
Extent a single common employee information database is shared between human resources and payroll	High	High

Y12 has 34% more process costs and 63% more FTEs than the Site Median

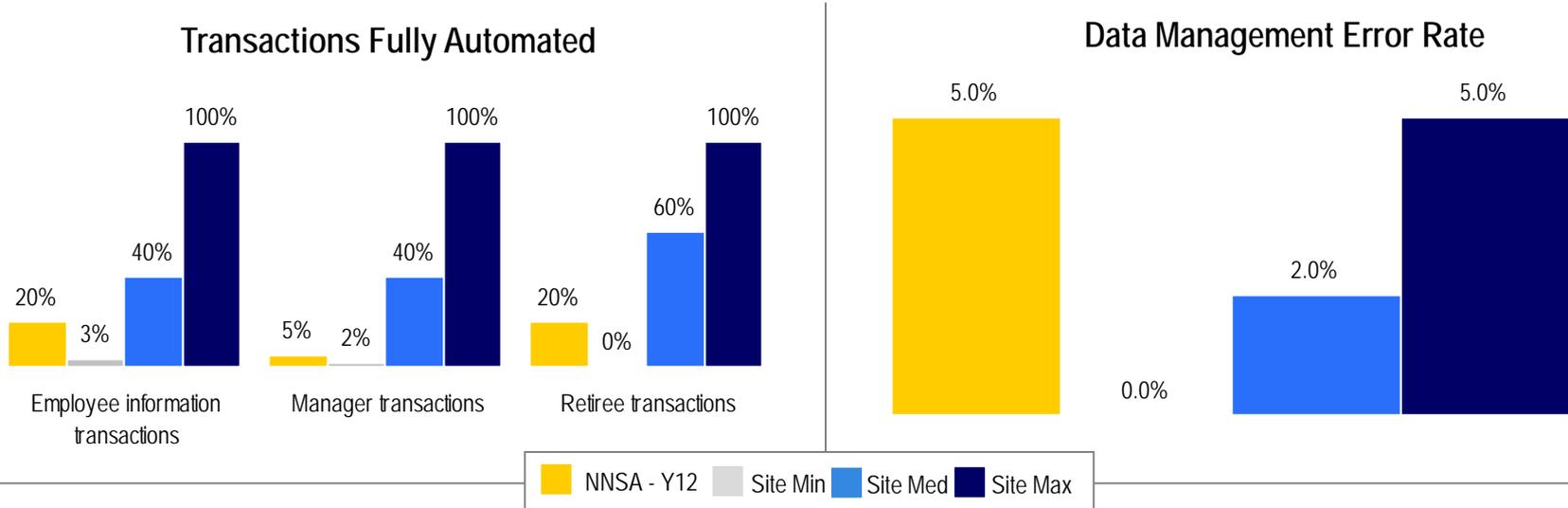
Data Management, Reporting and Compliance Process Cost (\$) per Employee



Data Management, Reporting and Compliance FTEs per 1,000 Employees



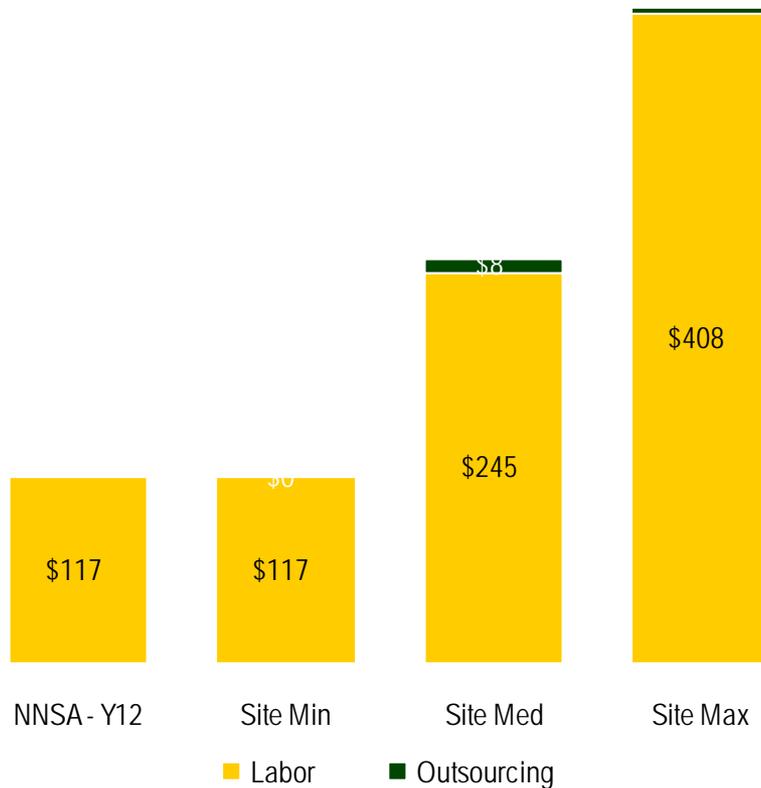
Y12 has limited automation, a high error rate, and lower adoption of best practice utilization in Data Management, Reporting and Compliance



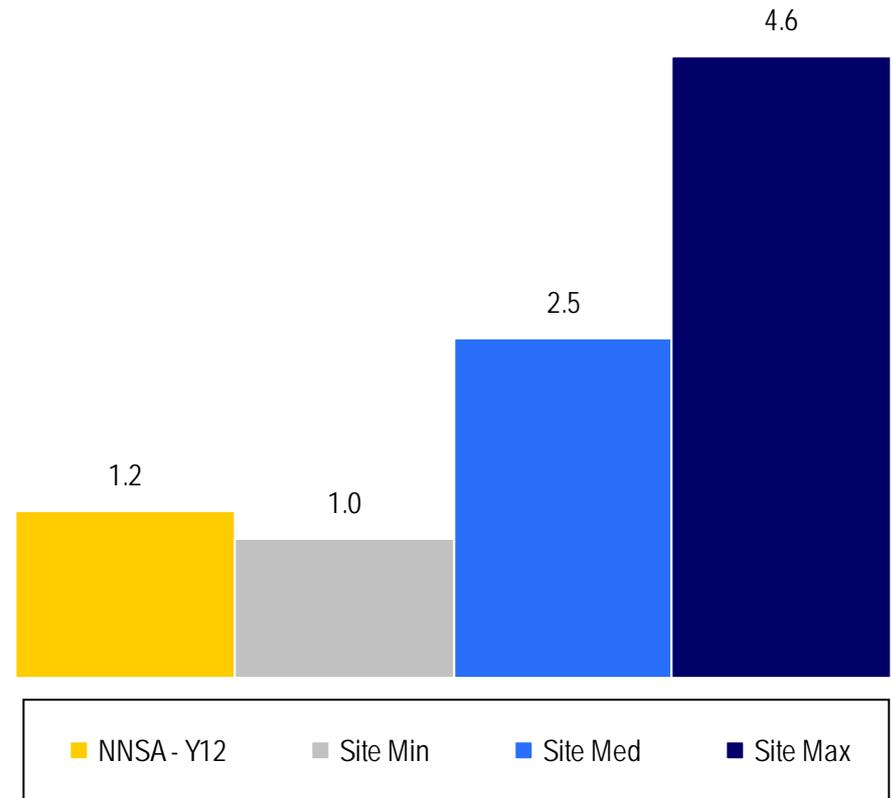
Employee Data Management, HR Reporting, and Compliance Best Practices	NNSA - Y12	Site Top Performer
The total cost of employee absence is measured and reported	Medium	High
Incentives for employee to return to work are in place and utilized	Low	High
Percent of time HR spends collecting and compiling information versus analyzing data for standard reports	Low	Low
Percent of time HR spends collecting and compiling information versus analyzing data for ad hoc reports	High	Low
Extent statutory reports are produced automatically	None	High
Extent random samplings of transactions are executed for compliance	None	High

Y12 has limited resources and costs allocated to Staffing Services

Staffing Services Process Cost (\$) per Employee



Staffing Services FTEs per 1,000 Employees

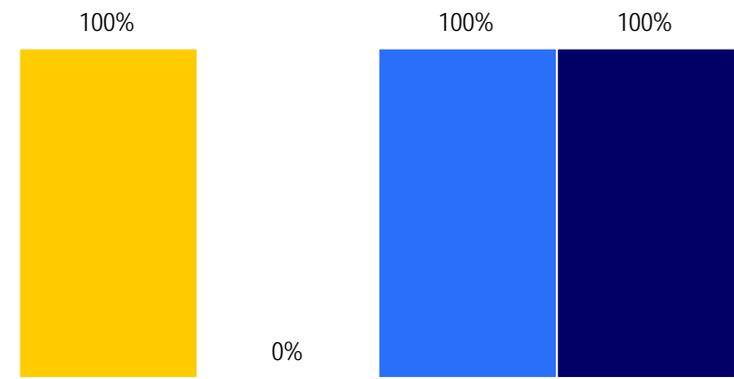


Y12's cost per hire and productivity are better than the Site Median, but opportunity exists to improve cycle time

Staffing Services Cost (\$) per Hire/Placement

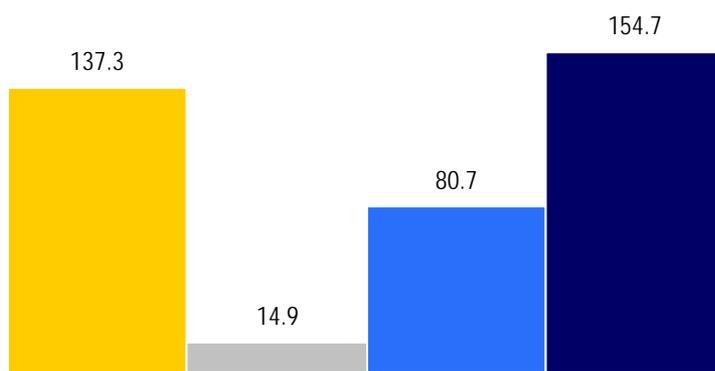


Staffing Transactions Fully Automated (e.g., Candidate Search, Resume Tracking, Job Posting)

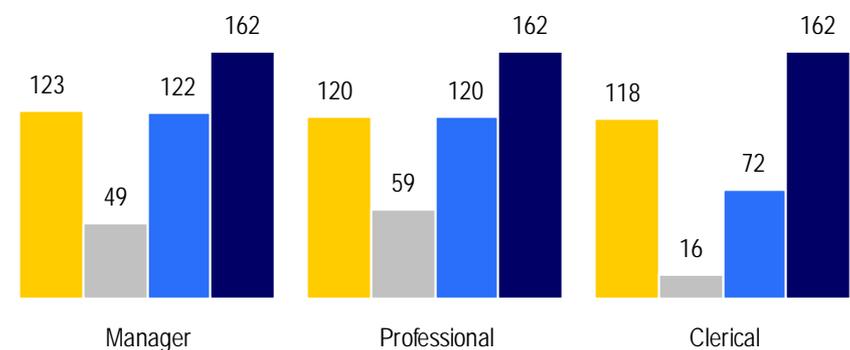


■ NNSA - Y12
 ■ Site Min
 ■ Site Med
 ■ Site Max

Total Placements/Hires per Staffing Services FTE

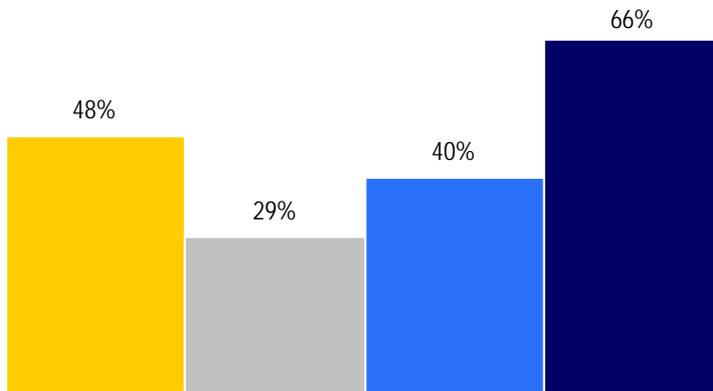


Days to Fill Open Positions (weighted by number of hires/placements)



Staffing Services (continued)

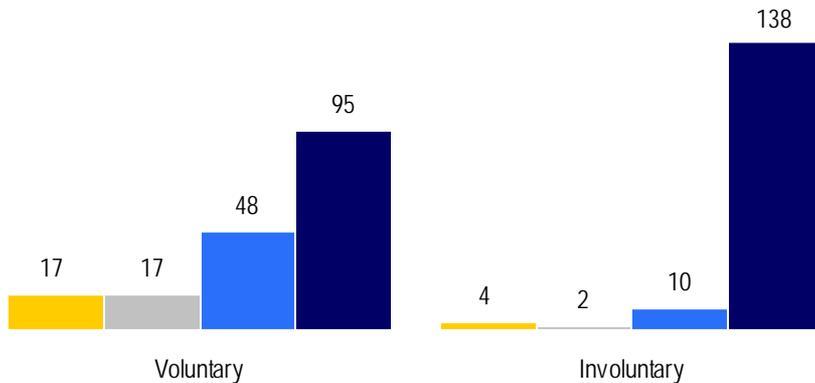
Internal Placements versus External Hires



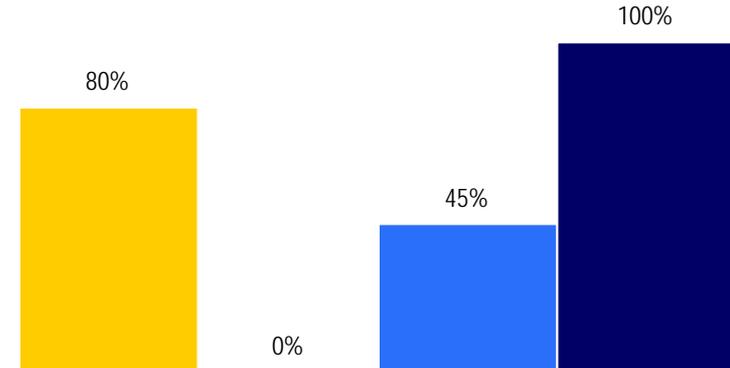
■ NNSA - Y12
 ■ Site Min
 ■ Site Med
 ■ Site Max

Recruiting and Staffing Best Practices	NNSA - Y12	Site Top Performer
Extent automated external candidate pools are on a searchable platform	High	High
Percent of time a competency profile is used in the selection process	High	High
Extent new hire activities are automated	Medium	High

Terminations per Thousand Employees

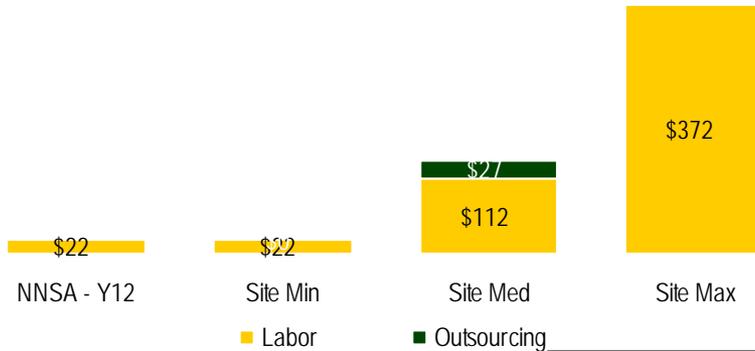


Manager and Employee Termination Transactions Fully Automated

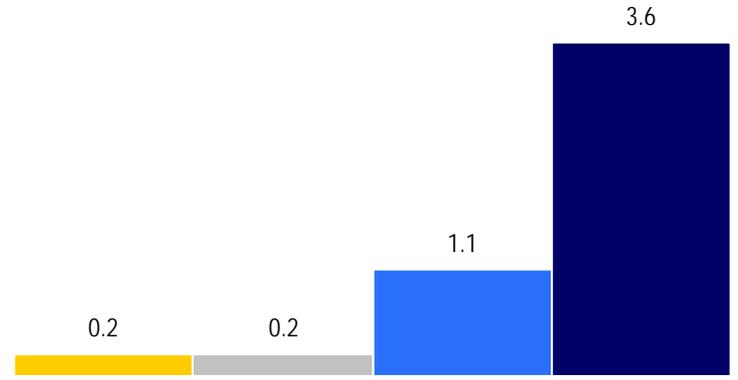


Y12 invests significantly less in Workforce Development than the comparisons, but best practice utilization is high

Workforce Development Cost (\$) per Employee



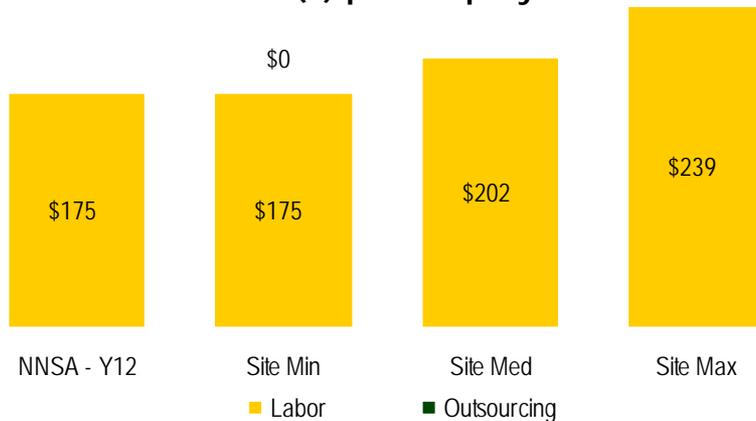
Workforce Development FTEs per 1,000 Employees



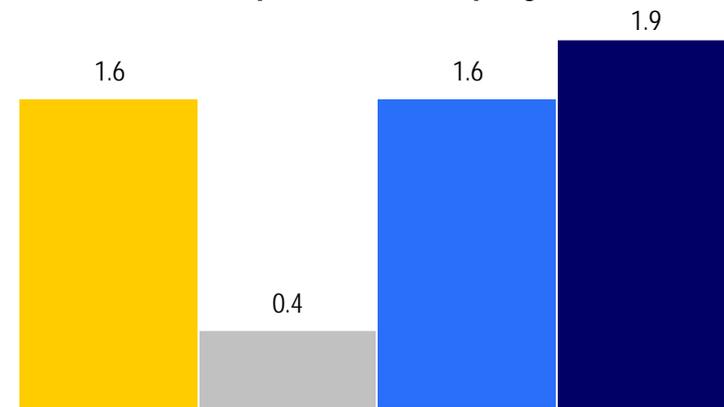
Workforce Development Best Practices	NNSA - Y12	Site Top Performer
Extent mentoring or coaching on new skills behaviors takes place	High	High
Extent training is offered on new tools, equipment, and technology	High	High
Extent job rotation outside current function is used to increase knowledge and understanding	High	High

Opportunity exists to increase best practice utilization in HR-managed change projects

Organizational Effectiveness
Cost (\$) per Employee



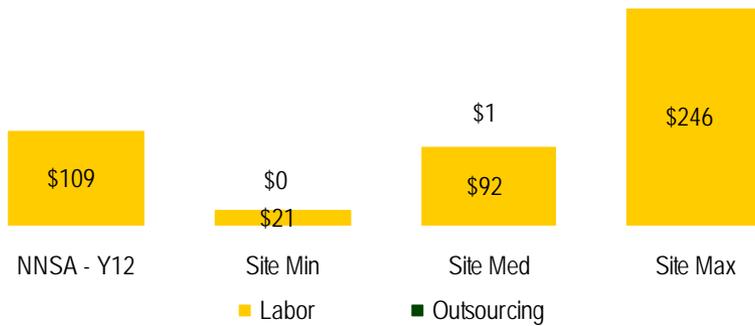
Organizational Effectiveness
FTEs per 1,000 Employees



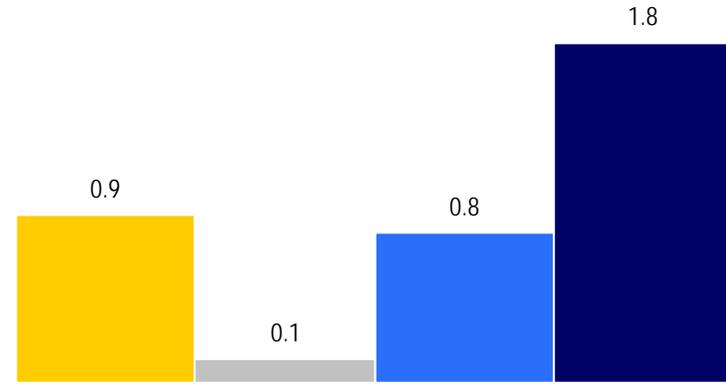
Extent the Following Best Practices are Included in HR-managed Change Projects	NNSA - Y12	Site Top Performer
A highly involved and active steering team	Medium	High
A plan to train project team members to function as a committee	Medium	High
Change to incentives or compensation	High	High
Changes to reward and recognition processes & procedures	Medium	High
Senior management education and involvement plans	Medium	High
Education and training plans	Medium	High
A communication plan	Medium	High

Y12's Labor Relations process has slightly higher costs, FTEs, and grievances compared to the Site Median

Labor Relations Cost (\$) per Employee

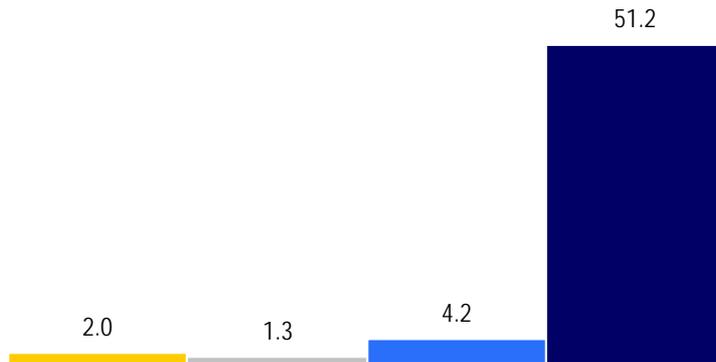


Labor Relations FTEs per 1,000 Employees

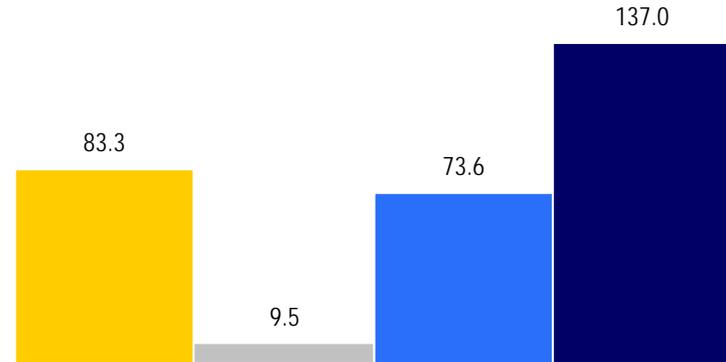


■ NNSA - Y12
 ■ Site Min
 ■ Site Med
 ■ Site Max

Unions per Thousand Unionized Employees

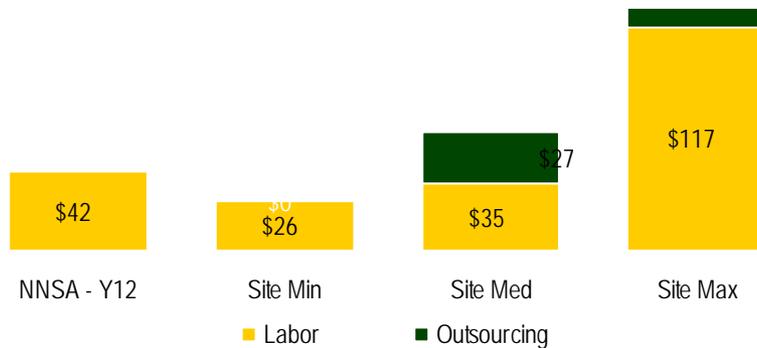


Grievances per Thousand Unionized Employees

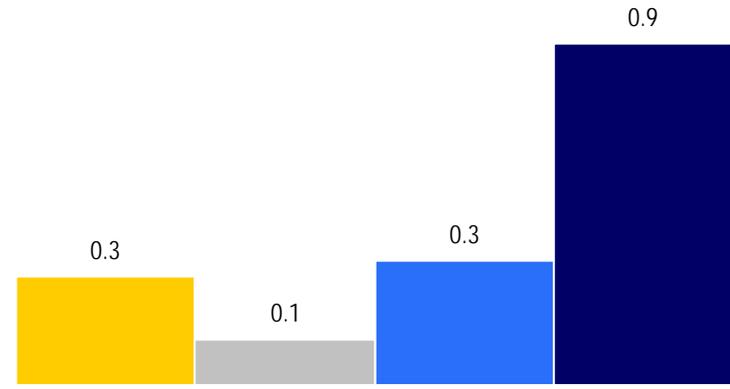


Y12 has 48% less costs in Total Rewards Planning than the Site Median

Total Rewards Planning Cost (\$) per Employee



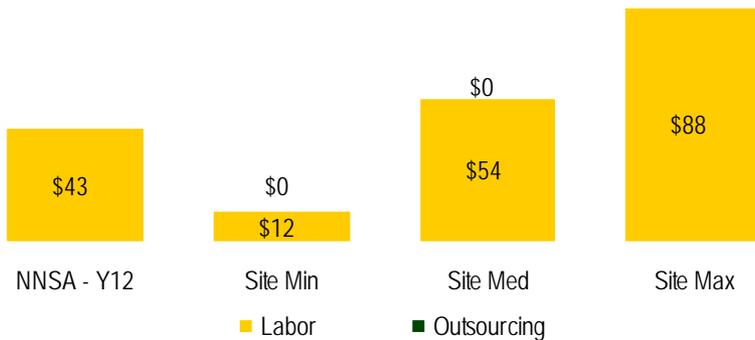
Total Rewards Planning FTEs per 1,000 Employees



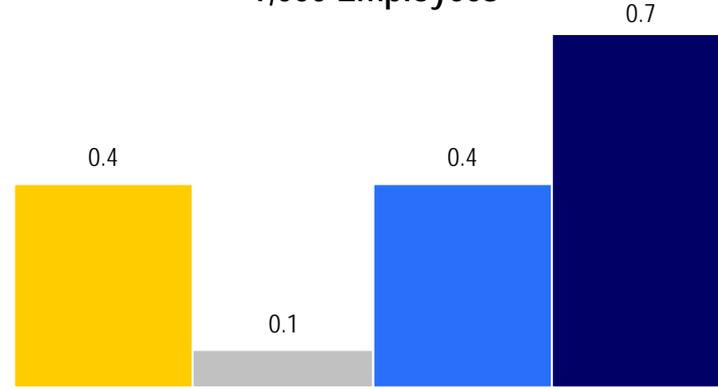
Total Rewards Planning Best Practices	NNSA - Y12	Site Top Performer
Extent you participate in industry or function surveys regarding benefit plan design	Medium	High
Extent there are explicit goals and targets set for benefit plans in terms of service levels, coverage or cost	High	High
Extent there are explicit goals and targets set for compensation plans in terms of service levels, coverage or cost	High	High

Y12's Strategic Workforce Planning process has similar FTEs compared to the Site Median, but less process costs

Strategic Workforce Planning Cost (\$) per Employee



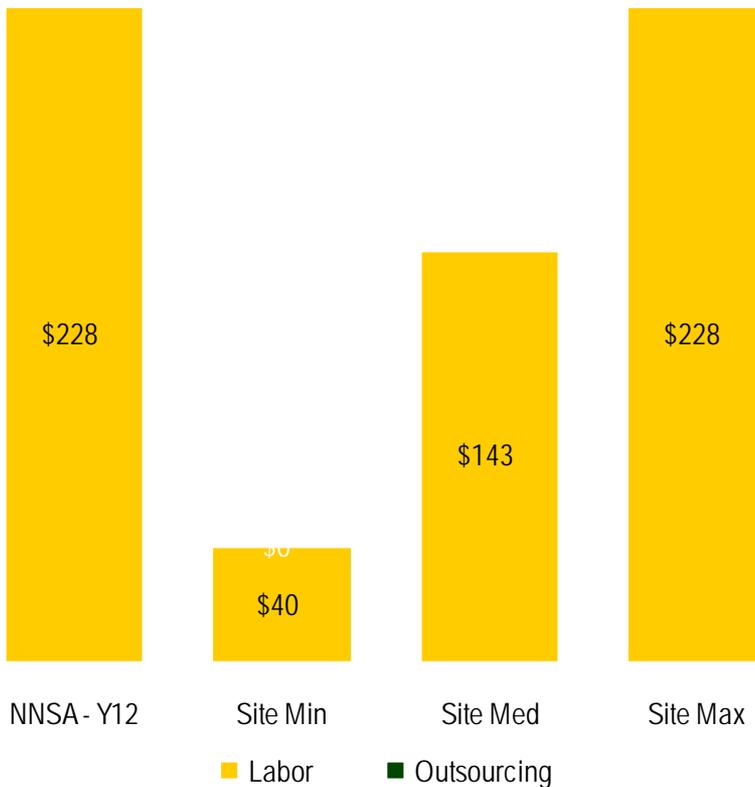
Strategic Workforce Planning FTEs per 1,000 Employees



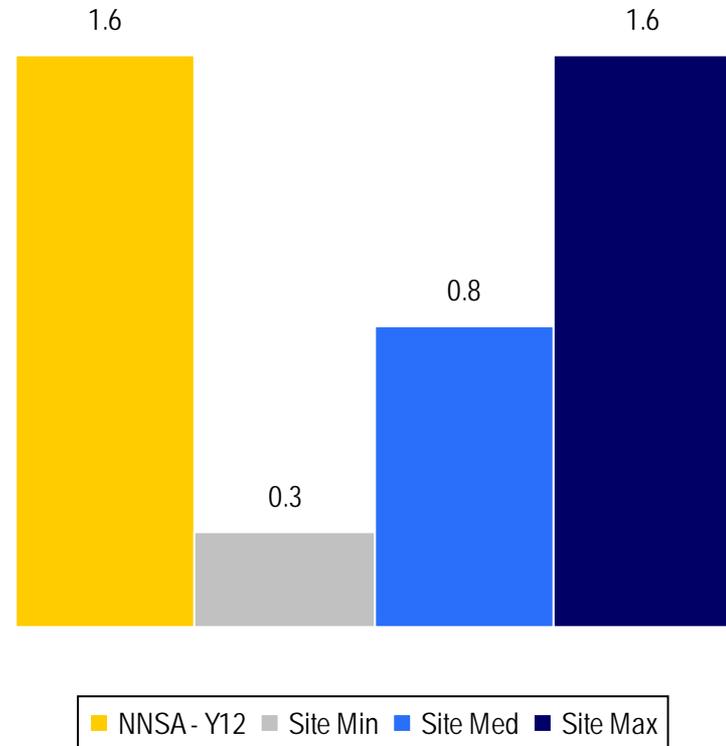
Strategic Workforce Planning Best Practices	NNSA - Y12	Site Top Performer
Extent an explicit workforce strategy has been articulated	High	High
Extent key employees have been identified and formal retention plans created for these employees	Medium	High
Extent strategic workforce plans identify scarce set of skills and set a strategy for acquiring those skills	High	High

Y12 has more FTEs supporting the HR Function Management process which drives process costs

HR Function Management Cost (\$) per Employee



HR Function Management FTEs per 1,000 Employees



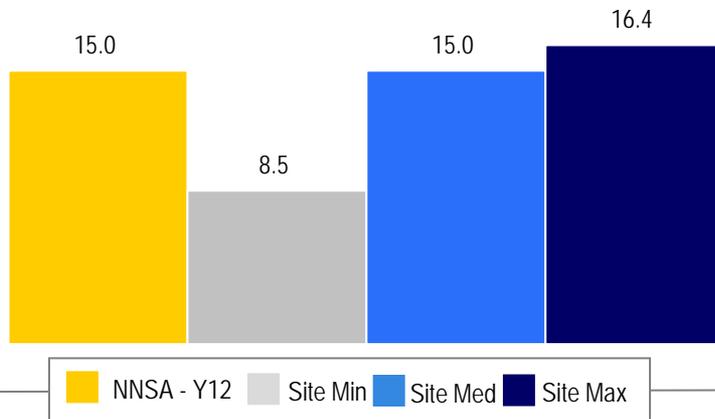
Performance Driver Analysis

- Process
- People/Organization
- Technology/Other

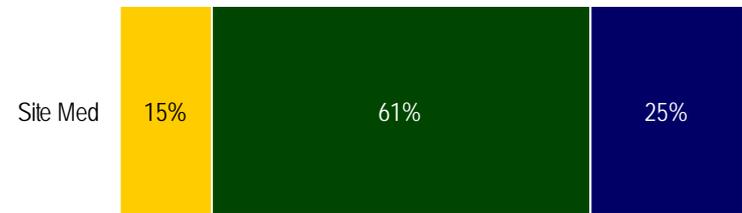


Y12's larger professional staff is one driver of a higher fully loaded labor rate

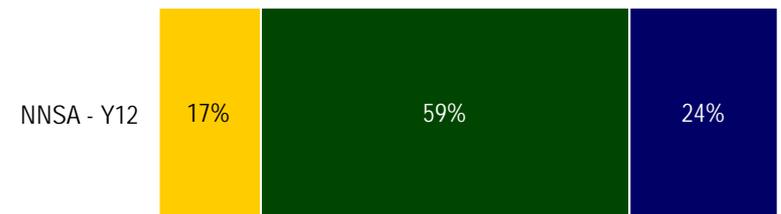
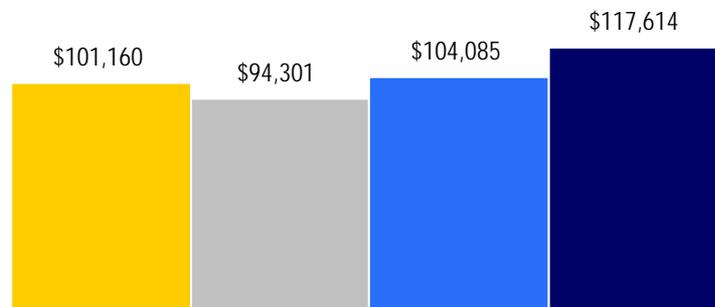
HR FTEs per 1,000 Employees



HR FTE Staff Mix



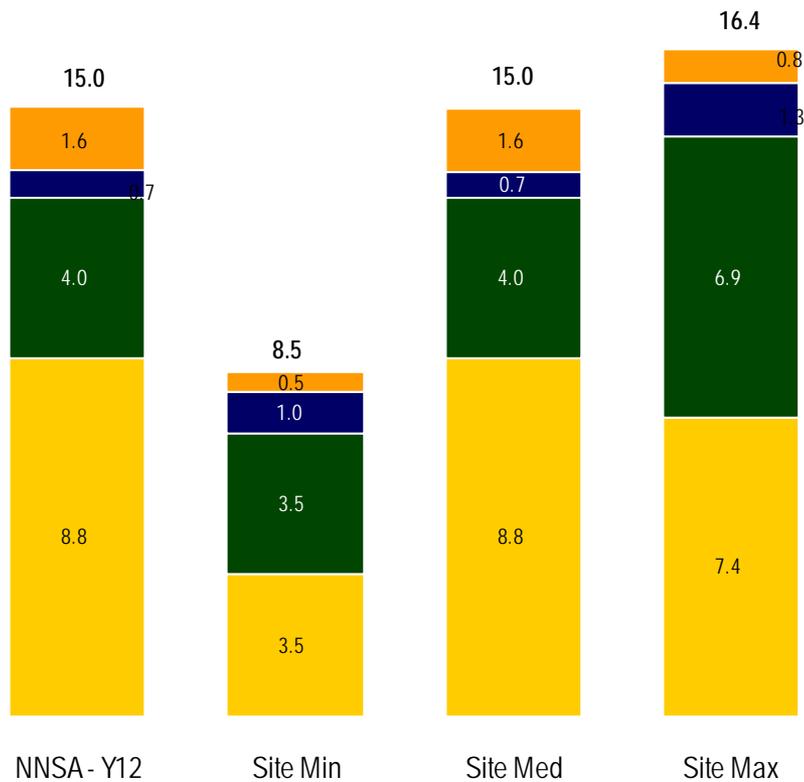
Average Fully Loaded Labor Cost (\$ per FTE per year)



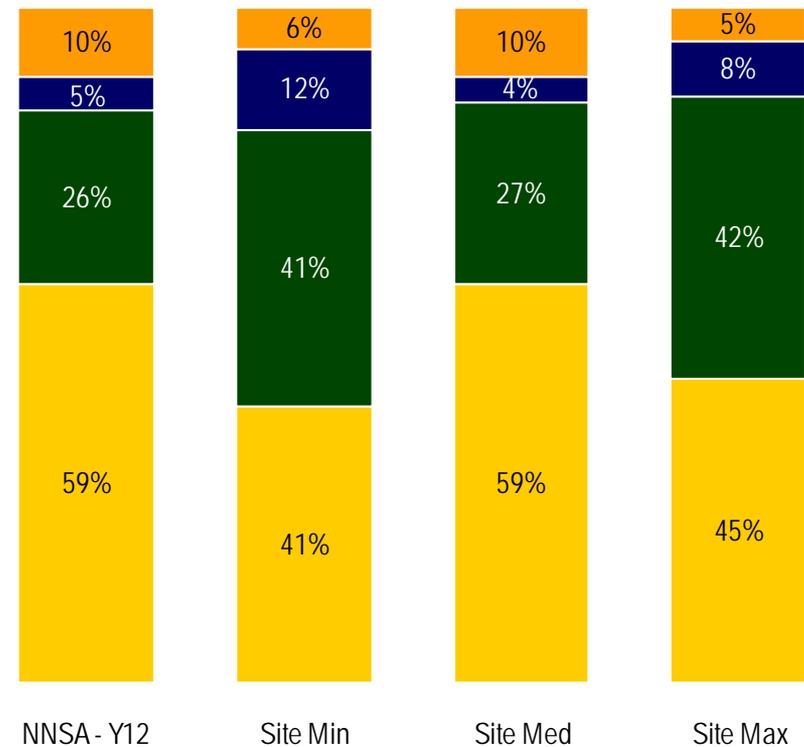
■ Manager ■ Professional ■ Clerical

Over half of Y12's resources are allocated to the transactional processes versus the more strategic processes

HR Staffing (FTEs)
Per 1,000 Employees



HR Resource Allocation



■ Transactional
 ■ Employee Life Cycle
 ■ Planning and Strategy
 ■ Management and Administration

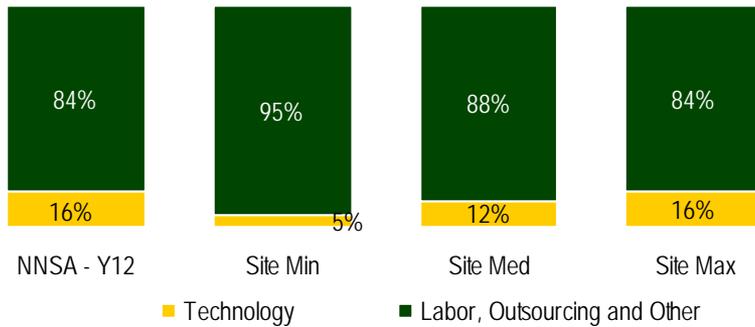
Performance Driver Analysis

- Process
- People/Organization
- Technology/Other

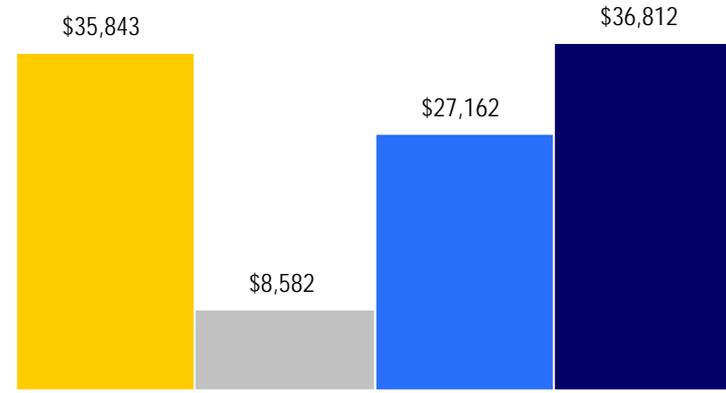


Y12 has made a considerable investment in technology, but is not necessarily seeing the full benefit of this investment

Technology Cost as a % of Total Cost

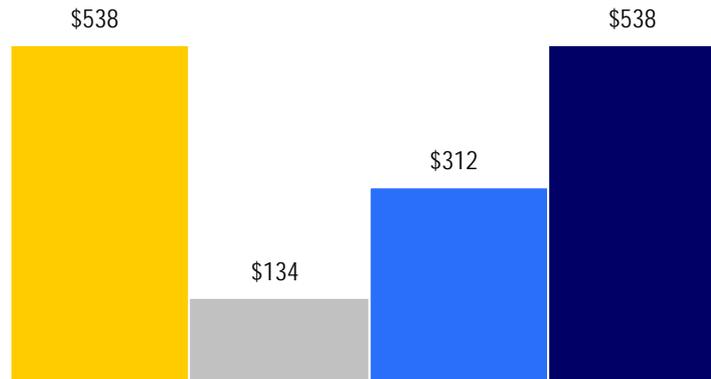


Technology Cost (\$) per HR FTE



Legend: NNSA - Y12 (Yellow), Site Min (Grey), Site Med (Blue), Site Max (Dark Blue)

Technology Cost (\$) per Employee



Application integration

Application Integration

	NNSA - Y12	Site Top Performer
Benefits Administration	On-line - Real Time	On-line - Real Time
Compensation Admin	On-line - Real Time	On-line - Real Time
Time & Attendance	On-line - Real Time	On-line - Real Time
Payroll Administration	On-line - Real Time	On-line - Real Time
Compliance / Health & Safety	Batch / Open interface	On-line - Real Time
Recruiting & Staffing	Batch / Open interface	On-line - Real Time
Learning & Development	Batch / Open interface	On-line - Real Time
Exit Management	On-line - Real Time	On-line - Real Time

Recommendations and Next Steps



HR Recommendations

- Simplify, standardize, and streamline higher cost and staffed processes (TRA, Time & Attendance, and Employee Data Management, HR Reporting & Compliance) while better leveraging technology and outsourced partners.
 - Total Rewards Administration
 - In TRA, understand the roles and responsibilities between the internal FTEs and the outsourced provider. Determine driver of higher outsourcing expenses and focus on reducing costs and increasing effectiveness.
 - Assess and expand utilization of existing technology and self-service to automate transactions. Y12 reported 5% automation in H&W, 98% in P&S, and 0% in Compensation Administration.
 - Time & Attendance
 - Y12 reported 100% automation in Time & Attendance, but uses 97% more costs and 75% more resources than the Site Median . Once you determine the driver, improve the processes or policies that cause additional resources to support Time & Attendance. This will allow Y12 to reduce FTE time spent in this process and allow more time to focus on the more strategic processes.
 - Employee Data Management, HR Reporting & Compliance
 - Increase automation and best practice utilization in Employee Data Management, HR Reporting and Compliance
 - Y12 has 34% more process costs and 63% more FTEs in Employee Data Management, HR Reporting, and Compliance with limited to no automation.
 - Encourage employees and managers to use self service instead of their HR contact for transactional activities.
 - HR is spending too much time collecting and compiling data for ad hoc reports. Increase manager access to information/data and automate reporting.
 - Statutory reports should be standardized, produced automatically from the system, and distributed electronically where possible.
- HR needs to transition from a transactional data shop to a strategic value add organization. Ensure the right investment and focus is being made in the Talent Management processes (Strategic Workforce Planning, Workforce Development, Staffing Services and Organizational Effectiveness).
 - 59% of Y12's HR FTEs are focused on the transactional activities and 59% of the HR FTEs are professionals.
 - Build a Workforce Planning process to identify key skills, competencies, and experiences needed to run the business for the next 3-5 years; start with senior leadership and critical positions.
 - Identify gaps in talent needs and identify risks and potential business impact.
 - Build learning & development and/or Recruiting plans to address the gaps
- Ensure that HR has proactive interaction and is aligned with the goals and requirements of the business to guarantee stakeholder alignment

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