



# President's Management Advisory Board

Meeting Materials

*November 4, 2011*



# Today's Agenda

## **Open Session – 11:00 a.m. to 12:10 p.m., EEOB Room 428**

IT Management Initiatives – Progress Updates and Implementation Discussion

- Vendor Management Offices
- Portfolio Management and Investment Review Boards

## **Lunch – 12:15 p.m. to 1:30 p.m.**

## **Open Session – 1:30 p.m. to 3:00 p.m., EEOB Room 428**

SES Initiatives – Progress Updates and Implementation Discussion

- Training Pilot for New SES Members
- Government-wide Performance Appraisal System



# Goals for the Meeting

## **1) Review progress on PMAB's recommendations**

*Agencies provide updates on pilot initiatives*

## **2) Address key implementation issues**

*PMAB CEOs problem-solve for execution challenges the agencies may face*

## **3) Define success for rollout of initiatives**

*Set key goals and targets for each project*



# Overview of IT Initiatives

PMAB decided earlier this year to recommend two types of IT initiatives: Vendor Management Office pilots and reforms to the Investment Review Boards within agencies.

These are well aligned with the federal government's current priorities to strengthen accountability for IT vendors and increase ROI on technology spending.

- **IT Vendor Management Offices (VMOs)**

- Department of Veterans Affairs and the U.S. Patent and Trademark Office (among others) are establishing dedicated VMOs to drive cost savings and improve IT project outcomes
- Recent site visits at Aetna and Symantec informed agencies on leading vendor management practices

- **IT Portfolio Management and Investment Review Board (IRB) Reforms**

- Departments of Education and Interior are implementing new governance processes and tools to increase return on IT investments
- Adobe, OSI Restaurants and Symantec are providing best practice guidance



# IT Vendor Management Office (VMO) Update

## *Department of Veterans Affairs*

Although VA currently has a VMO, its responsibilities are limited. We are seeking to expand its mission and achieve the industry standard:

- Consolidate vendors and contracts where possible
- Centralize contract oversight and vendor performance management
- Serve as an “end to end” operation: a front-door concept reaching back to Business Owners, Procurement, Architecture, Budget

The most important lesson emerging from the PMAB visits is the importance of linking vendor management to portfolio management, the budgeting process, and strategic planning.

We anticipate challenges in educating stakeholders, adopting a mindset of “vendors as strategic partners,” and finding the specific skill sets needed for the VMO.

Our priorities during the next 3-12 months will include:

- Creating a database of vendors, projects, costs and their alignment to VA’s strategic priorities
- Selecting and instituting standard vendor performance metrics
- Linking the IT budget to vendor deliverables and to VA strategic priorities



## IT Vendor Management Office Update *U.S. Patent and Trademark Office (USPTO)*

USPTO decided to establish a vendor management office (VMO) to better manage vendor resources, implement best practices, and leverage PMAB recommendations.

We are already making strong progress on a number of fronts, including:

- Staffing the VMO
- Centralizing all IT purchasing
- Establishing a standardized process for managing vendor relationships
- Developing a robust cost estimation process

We learned a number of valuable lessons from recent PMAB site visits:

- Effective vendor management relies on timely oversight and feedback
- Customer visibility into vendor management is critical
- IT portfolio management can be a valuable tool for future vendor planning

Over the next 6-12 months, our priorities include:

- Enhancing vendor oversight by conducting dashboard-driven performance reviews and managing vendor capabilities more intensively
- Providing internal business customers with better visibility into IT contracts/activities
- Conducting rigorous planning of vendor skills/resources during IT portfolio management



# IT Investment Review Board (IRB) Reform Update

## *Department of Education*

### Reform Objectives:

- Better assess investment performance
- Improve investment guidance
- Better optimize IT portfolio to foster innovation

### Accomplishments:

- Designated a segment owner to ensure IT “line of business” investments map to the Department’s goals
- Instituted TechStats reviews chaired by the CIO and attended by the Deputy Secretary to better monitor performance

### Learned Lessons from the Site visits:

- Importance of articulating IT investments in terms of business need and value
- Importance of co-ownership of the IT portfolio between Sr. Business and Sr. IT executives
- Importance of reviewing and “gating” investments throughout project lifecycle

### Key FY12 Priorities:

#### 3-6 months:

- Define, socialize and implement a business value framework to calibrate IT investments in the portfolio

#### 6-12 months:

- Pilot alignment of senior operating executives against major IT investments (based on business value/needs)
- Implement investment reviews to re-assess value throughout the investment lifecycle



# IT Investment Review Board (IRB) Reform Update

## *Department of the Interior*

Interior has two main goals in undertaking IRB reforms:

- Align IT investments tightly with business and mission outcomes
- Create a collaborative and transparent portfolio management process that drives stakeholder accountability

We recently launched the “iStat” project review process, which terminated two projects (yielding \$50.5m in cost avoidance) and structurally reformed other investments

Valuable lessons from PMAB site visits included:

- The “secret formula” is Transparency, Partnership and Prioritization, in that order
- Vendor management success hinges upon strong standards and governance, but be careful not to confuse discipline with bureaucracy

Our action plan over the next year focuses on:

- 3 months: Organize IT portfolio by business lines and engage business leaders to evaluate IT investments by measuring business value delivered against expected outcomes
- 6 months: Implement robust dashboarding to improve transparency
- 9 months: Create new IT contracting Center of Excellence and build vendor management into IT acquisition processes
- 12 months (ongoing): Conduct iStat performance reviews on all major investments





# Implementing IT Management Initiatives

## *Discussion*

- How do you create a culture where it's OK to report problems or challenges? How do you reward risk taking?
- Effective IT management requires cooperation among different functions (including IT, Procurement, and Finance); how do you foster this or create incentives for this on an ongoing basis?
- How do you make trade-offs when it comes to IT investments (for example, ensuring there's enough budget to pursue delivery of new capabilities versus funding operations & maintenance) or know when to halt, re-scope or terminate a project?
- As the CEO, how are you involved in IT portfolio management and vendor management? Does it raise to your level? What level of executive mandate and resources do you allocate to drive excellence in these areas?



# Implementing IT Management Initiatives *Expectations for March 2012*

## **Vendor Management Offices**

- *Create VMO maturity model to enable agencies to benchmark progress and identify gaps, incorporating PMAB best practices*
- *Establish VMOs in pilot agencies, including governance model to ensure strong partnership between the IT, procurement and financial communities using PMAB's recommended VMO organizational structure*

## **IT Portfolio Management and Investment Review Boards**

- *Develop a consistent model in our pilot agencies around IRBs*
- *Launch "PortfolioStat" – a new tool to assess agency-wide portfolio view, dovetailing into IRB work*
  - *Conduct IRB meetings to evaluate agencies' entire IT portfolio by measuring expected outcomes vs. actual business value delivered, adapting PMAB methodologies for costing and valuing IT investments*
  - *Organize IT portfolio to align with business lines and agency mission, leveraging PMAB lessons in IT portfolio management and governance*
- *Establish new ROI models, integrating PMAB metrics, tools and valuation principles*



# Executive Development

## *Training Pilot for New SES Members*

### **Summary**

- PMAB is partnering with OPM and agency Chief Learning Officers to develop and deliver series of competency-based training modules to new SES members across agencies

### **Purpose**

- Ensure that new SES members establish a baseline of key executive leadership skills and behaviors
- Address the reality that many new SES members demonstrate strong technical performance but would benefit from enhanced managerial/leadership training and experience

### **Benefits**

- Cost-efficient – leverages existing private- and public-sector content
- Training will be available to senior executives across agencies, regardless of agency resources
- Encourages networking and knowledge-sharing among SES members government-wide

### **Recent Progress**

- Topics finalized: 1) Strategic Visioning and Leading Change; 2) Managing Political Dynamics and Conflict Resolution; and 3) Coaching and Developing Talent
- PMAB members (Sabre and Cummins in particular) contributed substantial content
- Existing agency content is being assembled and evaluated
- Module workgroups are identifying gaps and designing training formats



# Executive Performance Management

## *New Government-wide SES Appraisal System*

### ***Recap of Leading Practices Identified by PMAB***

- Consistent, corporate performance management approach for all executives
- Competency-based standards, assessing both key leadership behaviors and alignment to organizational goals
- Meaningful distinctions in performance levels, reserving top-level ratings for truly exceptional performance
- Visible senior leader commitment to performance management and development
- Proactive communication with stakeholders and strategically phased implementation

### ***Key Elements of New Government-wide SES Appraisal System***

- Promotes consistency and fairness through a standardized approach across the Federal Government
- Evaluates all senior executives on both leadership behaviors and operational results, with a focus on the sustained health of the organization and the workforce
- Includes standard performance levels to drive consistency and to enable meaningful differentiation in performance levels, defining the top rating level to apply only to truly exceptional performance
- Requires senior leadership engagement and commitment, ensuring alignment between individual performance management and organizational performance
- Phases implementation over two years, as agencies' respective appraisal system certifications expire



## Executive Appraisal Implementation – Challenges & Lessons Learned *Motorola Solutions Experience*

Historical appraisal and talent review system at Motorola was a traditional, process-heavy exercise which reinforced a legacy culture of entitlement

- **Four ratings:** Outstanding, Excellent, Valued Performer, Needs Improvement
- **85% of executives** were rated either Outstanding or Excellent
- **Pay actions** directly tied to performance rating

In January 2011, we began a transition / reinvention of our talent and performance system designed to create a culture that demands and differentiates high performance

- **Step One:** Integrate Leadership Behaviors
- **Step Two:** Create Senior-Level Ownership of Talent
- **Step Three:** Implement new HR IT tools to facilitate and reinforce



# Executive Appraisal Implementation – Challenges & Lessons Learned

## *Motorola Solutions Experience*

### ***Step One: Incorporate Leadership Behaviors as part of an executive's performance rating (implemented January 2011)***

- All executives will be measured on both results and leadership behaviors

### ***Step Two: Redefine executive talent and performance management (launched February 2011)***

- A continuous process, not an event
- Owned by the Executive Committee (direct reports to the CEO)
- A dialogue focused more on coaching and development, less on evaluating
- Clean and straight-forward

### ***Step Three: Implement new HR IT tools to facilitate and reinforce (expected 2012)***

- Timing coincides with replacement of technology: robust tools will enable cultural change and allow us to drive down further into the organization

#### ***Key Success Factors and Lessons Learned***

- Ownership starts at the top
- Manage performance as part of running the business
- Communicate expectations clearly – this change is not optional
- Continue to reinforce with pay actions



# Executive Appraisal Implementation – Challenges & Lessons Learned

## *American Red Cross Experience*

### **American Red Cross appraisal system reforms**

- **BEFORE**
  - Multiple systems and forms across lines of business
  - Inconsistent goal setting / feedback only done for merit award allocations
  - Inconsistent behavioral measures across lines of business
- **AFTER (desired state)**
  - One system and one form
  - Links between goals, performance, and employee development based on business objectives
  - Establishment of mission, vision, values; equal importance on results and demonstration of behaviors

### **Schedule**

- December 2011      Launch Cross-functional Task Force
- January 2012      Communication Launch
- February 2012      Focus and Test Groups
- March 2012      Train the Trainer Sessions
- April – June 2012      Employee and Manager Training
- July 2012      Launch



# Executive Appraisal Implementation – Challenges & Lessons Learned

## *American Red Cross Experience*

### **Implementation Challenges and Lessons**

- Enterprise-wide vs. staged launch
- Buy-in
  - Highlighting simplicity
  - Emphasizing the individuals' roles in performance management
  - Understanding no system is perfect; course correction is likely
- Resetting expectations
  - Providing education sessions for employees and managers
  - Creating a climate for honest and “difficult” conversations
- Linkage between merit and performance (revenue, expense management, mission and behaviors)

### **Progress**

- Buy-in
  - Employees are hungry for candid discussions about goal setting, performance deliverables, and dev't
  - Managers are hungry for increased accountability and productivity
  - Performance Management system facilitates discussions for career development and succession plans
  - Standardized process creates common language
- Unintended consequences
  - Measuring right things wrong; wrong things right
  - System needs to be flexible to resolve unknown obstacles
  - Employee and manager education – consistent, frequent, and easy to understand





# Implementing the New SES Performance Appraisal System

## *Discussion*

- What are common pitfalls and tricky issues during the early months of implementing a new executive performance appraisal system?
- How do you re-set expectations among executives that the approach to determining their performance ratings will change?
- How do you deal with resistance, both at the departmental and individual level?
- What is the most effective role for the CEO and senior leadership in communicating and driving implementation of the new system?  
How can agency leaders best support the effort?



# Implementing SES Initiatives

## *Next Steps and Expectations*

### **Training Pilot for New SES Members**

- *Design and develop onboarding training modules, utilizing PMAB content and expertise (November – January)*
- *Recruit participants, aiming to enroll a cohort of senior executives currently in their first year in the corps (November – December)*
- *Conduct pilot training sessions, featuring PMAB members and senior Federal Government leaders as co-presenters and facilitators (February – April)*

### **Implementation of New SES Performance Appraisal System**

- *Finalize system design, incorporating PMAB leading practices and comments from interagency review (November – December)*
- *Outline implementation and communication plans, integrating PMAB recommendations for addressing common pitfalls, dealing with potential resistance, and engaging senior leaders (December – January)*
- *Launch first phase of implementation, working with set of early adopter agencies and leveraging targeted PMAB guidance to address specific challenges (January – March)*



# Looking Ahead

## **Goals for PMAB's Next In-Person Meeting – March 23, 2012**

- Pilot agencies report on progress – milestones met, lessons learned, early impact
- Meet with full President's Management Council to plan for government-wide rollout
- Evaluate and select new focus areas for 2012