

UNITED STATES OF AMERICA

THE PRESIDENT'S MANAGEMENT ADVISORY BOARD

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MINUTES OF THE PUBLIC MEETING

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FRIDAY
NOVEMBER 4, 2011

The Board met in Room 428 in the Eisenhower Executive Office Building at 1650 Pennsylvania Avenue, Northwest, Washington, D.C., at 11:00 a.m., Jeff Zients, Chairman, presiding.

PRESENT:

JEFF ZIENTS, Chairman

GREG BROWN, President and CEO, Motorola
Solutions

SAM GILLILAND, Chairman and CEO, Sabre
Holdings

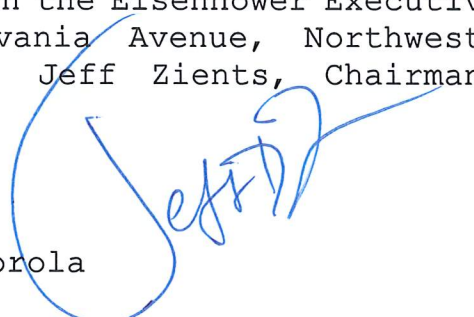
DEBRA LEE, Chairman and CEO, BET Networks

GAIL McGOVERN, President and CEO, American
Red Cross

ENRIQUE SALEM, President and CEO, Symantec

TIM SOLSO, Chairman and CEO, Cummins Inc.

RON WILLIAMS, Former Chairman, Aetna Inc.



ALSO PRESENT:

STEVE BROCKELMAN, Executive Director of the
President's Management Advisory Board
ROGER BAKER, Chief Information Officer
of the Department of Veterans Affairs
JOHN BERRY, Director of the Office of
Personnel Management
DENISE CARTER, Deputy Assistant Secretary for
Human Resources and Chief Human Capital
Officer of the Department of Health and
Human Services
W. SCOTT GOULD, Deputy Secretary of the
Department of Veterans Affairs
NED HOLLAND, JR., Assistant Secretary for
Administration of the Department of
Health and Human Services
DAVID HAYES, Deputy Secretary of the
Department of the Interior
DANNY HARRIS, Chief Information Officer of
the Department of Education
SETH HARRIS, Deputy Secretary of the
Department of Labor
MICHAEL KANE, Chief Human Capital Officer of
the Department of Energy
DAVID KAPPOS, Under Secretary of Commerce for
Intellectual Property; Director, U.S.
Patent and Trademark Office
KATIE MALAGUE, Performance Manager of the
Office of Management and Budget
BERNIE MAZER, Chief Information Officer of
the Department of the Interior
TONY MILLER, Deputy Secretary of the
Department of Education
DAN PONEMAN, Deputy Secretary of the
Department of Energy
GENE SEXTON, Chief Human Capital Officer of
the Department of Labor
STEVEN SHIH, Deputy Associate Director for
Executive Resources and Employee
Development of the Office of Personnel
Management
STEVE VANROEKEL, Chief Information Officer
of the Office of Management and Budget

Welcome and Introductions: Chairman Zients called the November 4, 2011 public meeting of the President's Management Advisory Board to order at 11:06 a.m.

He introduced Steve VanRoekel, the new chief information officer at the Office of Management and Budget (OMB). Mr. VanRoekel comes to OMB from Microsoft and was previously the chief operating officer at the Federal Communications Commission (FCC).

The meeting had three objectives:

1. Review progress to date on the information technology (IT) and senior executive service (SES) projects.
2. Discuss key implementation issues for the next phase of work.
3. Set key goals and targets on each project for the March meeting.

Board members and other attendees introduced themselves.

IT Management Initiatives-Progress Updates: Mr. VanRoekel invited agency representatives to discuss their work with vendor management organizations (VMOs) and investment review boards (IRBs).

Roger Baker and W. Scott Gould, Department of Veterans Affairs (VA): The VA has hired a senior executive for acquisition strategy. A plan is in place for the next six months to improve interaction with contractors. A VA acquisition academy has trained and certified 500 program managers on private sector partnership over the last two years. A supplier relationship transformation initiative surveys 20,000 commercial providers each year. For every contract over \$1 million, representatives of the agency and vendors are required to go through training together.

David Kappos, U.S. Patent and Trademark Office (USPTO): USPTO is using the Board's initiatives to expand the role of its VMO office in its IT projects. The agency is working to improve cost estimation processes. It has learned the importance of continuous communication with the vendor. USPTO is putting in place a transparent, metrics-driven approach to vendor performance reviews. It is making an effort to understand who has the skills the agency will need in the future, and helping them develop those skills.

Danny Harris and Tony Miller, Department of Education: Education spends approximately 17 percent of its \$500 million annual IT budget on design and engineering (D&E), as opposed to 34 percent for some private sector companies. One challenge the department has faced with its IRB is shifting objectives toward innovation of new products. Another is describing IT projects in terms of business value. Studying economic business drivers has helped the agency identify and prioritize value. This has led to increased customer retention and

stronger partnerships between IT portfolio management and line operations.

David Hayes, Department of the Interior: Interior is conducting iStat reviews on all 48 of its IT projects. The reviews have been instrumental in highlighting projects that are not compatible with the agency's priorities. The department is learning the dangers of being overly bureaucratic in its relations with vendors. Over the next 12 months, Interior will organize its portfolio along business lines. It plans to create a contracting center of excellence to improve vendor management.

IT Management Initiatives-Implementation Discussion: Mr. VanRoekel presented the Board with a set of questions:

1. How do we foster an environment where federal employees feel good about taking risks?
2. How do we foster cooperation across different disciplines?
3. How should we handle tradeoffs between maintaining old investments and generating new ones?
4. How often are you involved in these processes as a senior leader? If not very often, what resources do you typically put forward to help engage on them?

--Mr. Williams felt it was important to establish a set of leadership expectations for the organization. He encouraged the government to give its employees a model of what constitutes good risk taking.

--Mr. Brown said that when things go wrong it is important to answer three questions: What happened? What did we learn? What are we going to do differently to get better?

--Ms. Lee added that pointing fingers makes people more reluctant to take risks. Instead, executives should create a team atmosphere where people are encouraged to talk about what went wrong.

--Ms. McGovern thought the goal here was to foster the creation of a culture of risk taking. Senior leaders should inspect the lower levels of an organization to ensure the culture change is taking hold.

--Mr. Salem recommended inspecting each project in a narrow enough scope so that the project can be as close to 100 percent successful as possible.

--Mr. Williams stressed the need to identify the particularly innovative projects and publicize the work of teams associated with them.

--Ms. McGovern pointed out that if an organization devotes more energy to keeping legacy systems running, it will ultimately spend more money and be less able to focus on innovation.

--Mr. Salem extolled the benefits of an accurate dashboarding process for each project. It should be clear from a project's dashboard classification what action management should take.

--Mr. Gilliland recommended putting a cap on operations and

maintenance spending. At Sabre Holdings, this practice has freed up money for innovation.

--Mr. Williams stated that a simplified architectural structure of IT systems helps reduce maintenance costs.

--Mr. Salem said it was important to have cross-functional alignment. Each functional area must be clear on what's important to the enterprise.

--Mr. Brown told the Board that Motorola strives for common language on each project. With that level of clarity, it is easy to create a core set of priorities for each of its companies.

--Mr. Solso regularly visits with his chief information officer to discuss projects and what he, as CEO, can do to help. He added that in order to solve a problem it must first be visible.

IT Management Initiatives-Next Steps: Mr. VanRoekel told the Board that the first step will be creating a maturity model. Pilot VMOs will work on adapting this model to their respective agencies. An effort is underway to examine agency-wide portfolios so as to avoid mission creep. Mr. VanRoekel and his team will create return on investment (ROI) models.

Lunch Recess: The Board recessed for lunch at 12:10 p.m.

SES Initiatives-Progress Updates: Chairman Zients reopened the meeting at 1:30 p.m. He introduced John Berry, director of the Office of Personnel Management, and Seth Harris, deputy secretary of the Department of Labor. Mr. Brockelman asked the other federal officials joining the meeting to introduce themselves.

The Board's two SES initiatives were:

1. Improved executive development training for new SES
2. A new performance appraisal system

Executive Development: Mr. Brockelman identified two main problems in this area:

1. There was no standardized training program across the federal government.
2. There were not many specific training opportunities for new SES members.

The Board is working with OPM and chief learning officers from various agencies to pilot a series of training sessions for federal executives in their first or second year. The training centers around three topics:

1. Strategic visioning and leading change
2. Managing political dynamics and conflict resolution
3. Coaching and developing talent

Performance Appraisal System: Mr. Berry estimated that 85

percent of federal agencies, including DOD, VA and Homeland Security supported the new performance appraisal system. He enumerated several key issues:

- consistency of standards
- carefully defining and evaluating behaviors
- wrestling with the best labels for different ratings
- determining how many rating gradations there should be
- getting good leadership buy-in
- synchronizing evaluation cycles across different agencies

Mr. Brockelman invited some of the Board members to share their experiences with performance appraisal systems.

Greg Brown, Motorola Solutions: Historically, Motorola's performance appraisal system did not address behaviors or relative performance. 85 percent of its executives were rated outstanding or excellent. Motorola split off its consumer business in January; the remainder of the company seized the opportunity to examine its grand purpose and the values that support it. It launched a new performance rating system where leadership behaviors were defined and performance management and executive development were interlinked. Each leader ranks his/her people by color: green for high potential, red for performance concern and black if s/he does not know enough about the individual. Motorola's executive committee determines what it should do for each executive: develop, promote, move or exit. The goal is to identify the top 100 executives and retain them.

Gail McGovern, American Red Cross: When Ms. McGovern arrived at the American Red Cross, each of the 650 chapters operated completely autonomously. The organization was \$612 million in debt with a \$209 million operating deficit. She oversaw a series of budget cuts and froze merit increase. The American Red Cross has completely consolidated its HR and IT systems, has one treasury account and will soon have one website. It is also in the process of creating one performance appraisal system. Ms. McGovern was able to sell the organization on this change by pointing out that it would make things simpler and more streamlined. As a humanitarian organization, the American Red Cross has not always been accustomed to honest, direct and often difficult evaluations, but most employees have proven receptive to candid feedback. The American Red Cross now spends 92 cents of every dollar it raises on the people it serves. Ms. McGovern cautioned that it is important to watch for unintended consequences.

SES Initiatives-Implementation Discussion: Deputy Secretary Harris asked Ms. McGovern and Mr. Brown to discuss how they addressed the obstacles they faced in implementing the new appraisal systems. --Ms. McGovern said some people at the American Red Cross were reluctant to abandon existing performance tools. A little salesmanship was necessary. Because the Red Cross is so

mission-focused, it is sometimes easy to forget the importance of employee satisfaction.

--Ms. McGovern added that another challenge has been creating a culture where people are willing to let go of good people because they know they will get good people in return.

--Mr. Brown commented that transparency allows managers to know who the stars are in each department, which fosters collaboration and understanding.

--Assistant Secretary Holland said he did not think there was much willingness in HHS to move people around. In the companies where he worked in the past, he found the most effective strategy was to get the CEO to order him to transfer more people.

--Chairman Zients pointed out that SES was founded on the assumption that executives would rotate among different agencies. In practice, however, that has largely not been the case.

--Mr. Berry remarked that when he was at Interior, the department would have performance review boards. The boards would foster candid discussions to determine who would be rewarded, who would get more attention and development, and so on.

--Mr. Solso pointed out that there needs to be a clear and compelling reason to change the performance appraisal system. If management does not clearly communicate why it is making changes, there is going to be resistance.

--Ms. Lee commented that in her experience a CEO needs to take the lead whenever a company is implementing a change. It is necessary to hold everyone to higher standards so that people don't feel that moving from one department to another is a punishment or step back.

--Deputy Secretary Poneman observed that in the Department of Energy, there has been little movement of SES members among various parts of the agency. However, his chief human capital officer, Mike Kane, is working to change that. In addition, the department has adopted a much tougher grading system.

--Mr. Salem stressed the value of keeping the appraisal system simple. It should answer three questions: (1) where did the person do well; (2) where can s/he improve and (3) what's his/her development opportunity?

--Mr. Williams said people do not have to agree with every decision, but they do have to carry out the decision once it is made. Furthermore, it is important to establish and clearly communicate a set of expectations.

--Ms. Lee spoke of the need to convince senior leadership that executives should gain experience around the company.

--Mr. Brown recommended that government leadership (1) be consistent and disciplined in stating its case for changing the performance appraisal system; and (2) use the power of office to remind and inspire people why they do what they do.

--Mr. Sexton said the Department of Labor is linking its objectives

to results. Rather than grading on a curve or compression, it is trying to define what is truly exemplary. The agency has introduced a 12 month performance management training cycle for its managers. One challenge has been that managers often expect a top rating simply because they received one last year.

--Deputy Assistant Secretary Carter told the Board that HHS has just received the first round of ratings on its new system. The percentage of SES members garnering outstanding ratings is still very high. HHS senior leadership has made it a priority to get ratings inflation under control.

SES Initiatives-Next Steps: Mr. Brockelman said the training pilot will be stood up between February and April 2012. It will consist of a series of half day sessions. The performance appraisal system project will be rolled out shortly. Mr. Brockelman thanked the Board for its terrific feedback.

Adjournment: Chairman Zients adjourned the meeting at 2:37 p.m. The next Board meeting is scheduled for March 23.