President's Management Advisory Board

Meeting Materials

September 23, 2011
10:30–11:30am EDT

Today's Participants

PMAB Members

- Sam Gilliland, Sabre Holdings
- Jeff Kindler, Pfizer
- Debra Lee, BET Networks
- Shantanu Narayen, Adobe
- Enrique Salem, Symantec
- Tim Solso, Cummins
- Ron Williams, Aetna

Administration Members

- Jeff Zients
- Steve Brockelman
- Steve VanRoekel, Federal Chief Information Officer
- John Berry, Director, Office of Personnel Management
- Seth Harris, Deputy Secretary, Department of Labor
- David Hayes, Deputy Secretary, Department of Interior
- Tony Miller, Deputy Secretary, Department of Education

Purpose and Agenda for the Meeting

Purpose

- Today's call is a meeting of the full President's Management Advisory Board (PMAB). It is open to the public, in listen-only mode.
- The purpose is for the subcommittees to provide a progress update on their work and present recommendations to the full board for discussion and approval
- The recommendations are intended to support government initiatives and reforms moving forward

Agenda

- SES Subcommittee Recommendations and Discussion
  - Executive Performance Appraisal
  - Executive Development
- IT Subcommittee Recommendations and Discussion
  - IT Vendor Management
  - IT Portfolio Management
- Next Steps

SES Subcommittee
Executive Performance Appraisal – What We Learned

- Through conversations with Deputy Secretaries, SES members and other agency leaders, the subcommittee identified several major opportunities for improvement with the government's approach to SES performance appraisal, including:
  - 40+ SES performance appraisal systems across government, with different standards and definitions
  - Inconsistent approach to performance ratings, communication and accountability from agency to agency, leading to a perception of unfairness
  - Across government, 49% of SES received the top performance rating in 2009 and 41% received the next-highest rating, on a 5-point scale

- However, an initiative is underway to establish a single performance appraisal system for all SES in the federal government.

- To inform the initiative, the subcommittee gathered leading practices from the private sector through interviews with CEOs and HR executives. Several private sector trends emerged:
  - Emphasis on having a single performance appraisal system for executives organization-wide
  - Standard set of competencies that all executives are assessed against
  - Expectation of results achievement <u>and</u> demonstration of leadership behaviors
  - Strong involvement of senior leadership in performance management and executive appraisal

SES Subcommittee Recommendations
Executive Performance Appraisal

1. Ensure that the new executive performance appraisal system has the following key attributes:

- Anchor the system in a set of clearly defined competencies that all executives are evaluated against.
- Balance achievement of results <u>and</u> leadership behaviors; executives should not be able to achieve high overall performance ratings on results alone.
- Prevent “grade inflation” through strongly written and enforced performance criteria that set mid-level ratings as the norm and top-level ratings as truly exceptional.

2. Structure a phased implementation

Implementation of a new performance appraisal system is a major change management effort and will not succeed if it is done too quickly:

- Implement the new system in a phased manner, such as across different agencies and multiple review cycles
- Provide communication and extensive training to SES members at each stage to allow them to get accustomed to changes

3. Insist on a central role for agency leadership

PMAB company CEOs are heavily involved in executive performance appraisal. Successful adoption of a new SES performance management system depends on a similar commitment from Deputy Secretaries:

- Position Deputy Secretaries as sponsors of the new system, in partnership with agency CHCOs
- Require that Deputy Secretaries review and approve all SES performance appraisals for their agency annually

SES Subcommittee
Executive Development – What We Learned

- The SES subcommittee conducted a review of development opportunities for SES, finding that:
  - With up to half of the SES eligible to retire in the next five years, the greatest need for development is among the large number of new executives entering the SES
  - New SES receive limited development; in a 2008 survey, 37% of all SES reported not having engaged in any type of development activity across their tenure
  - There is no government-wide onboarding training for SES, beyond a two-day introductory session focused on orientation rather than in-depth skills development
  - New SES members lack opportunities for networking and collaboration with peers in other agencies

- Based on these findings, the subcommittee decided to focus its efforts on filling a gap in SES development by:
  - Helping to onboard new SES members (bolstering OPM's new onboarding framework)
  - Providing skill-based classroom training that encourages networking across the SES corps
  - Making the training available to all agencies
  - Addressing the most urgent skill needs for new SES, including strategic thinking, managing staff, and change management

SES Subcommittee Recommendations
Executive Development

1. Pilot an onboarding training program for new SES members across agencies

Address the absence of centralized onboarding training for SES members by establishing a training program designed to have an immediate, cross-agency impact.

2. Use a public-private partnership that leverages PMAB company training resources

PMAB companies will contribute their existing training curriculum and expertise to serve as the basis for the SES onboarding modules. We recommend establishing a working group of federal training experts to partner with PMAB companies to adapt the curriculum and supplement with existing agency content.

3. Create a dynamic learning environment by using public and private sector trainers

To provide participants with a variety of executive viewpoints, the training facilitators and presenters should be diverse teams consisting of private sector executives (including PMAB CEOs where possible), federal agency leaders, experienced facilitators, and SES members.

4. Focus training modules on topics that address key skill gaps for new executives

Select topics such as strategic thinking, coaching/managing talent, and change leadership. Aim for a manageable but robust number of topics – such as three – to comprise the series.

5. Maximize the impact on SES while enabling small-group learning

Structure the training so that several cohorts of 50-100 SES members each can participate in all three training sessions across a 3-4 month period. Design the training courses to incorporate small-group learning opportunities using breakout discussions and multiple facilitators per session.

IT Subcommittee
IT Vendor Management – What We Learned

- In conversations with agency CIOs and Deputy Secretaries, the IT Subcommittee learned of several critical vendor management challenges faced by agencies:
  - Vendors take advantage of a siloed environment that enables redundant technologies to “sprout like weeds”: there are over 500 HR systems, 500 financial management systems, 260 project management systems, and 200 identity management systems in operation across Federal agencies.
  - IT project managers and contracting officers often lack the IT expertise to effectively manage vendors, sometimes deferring to vendors on technical issues that effect performance.
  - Project managers typically focus on keeping projects “on budget and on schedule,” but struggle to evaluate the quality of the vendor’s outputs and whether they are meeting business needs.

- The subcommittee examined private sector vendor management practices, and determined that a vendor management office (VMO) was a potentially effective model to address these issues.

IT Subcommittee Recommendations
IT Vendor Management

1. Pilot IT vendor management offices (VMOs) within several agencies

A dedicated VMO within an agency should improve the quality, consistency and objectivity of IT vendor performance management and contract compliance. The VMO pilots should:

- Report into the agency's central IT function, with a "dotted line" to Acquisitions
- Define roles and responsibilities that complement – not interfere with – the IT function and the Contracting Officer
- Implement a consistent, agency-wide approach to vendor management, including:
  - Standardized metrics and methodologies for IT contract monitoring and proactive identification of underperforming vendors
  - Templates for SOWs, service-level agreements, and risk management plans
- Hire staff with expertise in specific technology areas to provide reliable oversight of complex projects and vendors
- Set aggressive cost savings goals to be achieved through strategic sourcing and improved contract compliance; the VMO should partner with the Acquisitions function, IT project management, and business partners for this purpose

2. Agencies should conduct site visits to private-sector organizations with successful VMOs and/or effective vendor management practices, to learn about best practices and implementation guidelines

Note: if budget or organizational constraints prevent an agency from formally establishing a VMO, they should still try to implement as many of these practices as possible in their current IT environment.

IT Subcommittee
IT Portfolio Management – What We Learned

- Of the 800 major IT investments in federal government in 2011, nearly 30% (worth $16 billion) are flagged as needing further oversight
- 33 projects totaling $1.8 billion have "significant concerns"

- Many of the IT problems can be traced back to ineffectiveness of agency Investment Review Boards (IRBs). The IT subcommittee identified a set of common problems with IRBs:
  - Agency leaders (internal business partners) either do not attend IRB meetings regularly or the IRBs simply "rubber stamp" decisions made by lower-level groups
    - 2009 GAO report found that more than half of IT projects did not get an IRB review, either before selection or during the project
    - Some agencies' IRBs did not even include business unit representatives, according to the GAO
  - CIOs often have little authority vis-à-vis internal business partners to stop off-track projects
  - Even the most active IRBs struggle to quantify the business benefits of proposed IT projects (cost savings, risk reduction, customer satisfaction) and to compare projects on an apples-to-apples basis

- Subcommittee members are focusing their efforts on IRB reforms to address these problems, drawing on leading practices from their own portfolio/project management processes.

IT Subcommittee Recommendations
IT Portfolio Management

1. Reform agency-level IT investment review boards (IRBs)

- Agency business unit heads must participate in all IRB meetings
- IRBs must thoroughly review and approve all new IT projects above a certain dollar threshold
- Major IT projects cannot be started without satisfying the following requirements:
  - A senior business unit sponsor who is accountable for project success
  - A project value estimate based on a credible valuation model that allows for comparison to other investments
  - A resource plan to ensure availability of qualified personnel
  - An assessment against existing projects and technologies to ensure compatibility and prevent redundancy
- IRBs must review in-progress projects (not just select new ones), and only IRBs have the authority to re-scope or terminate projects
- Deputy Secretaries receive a quarterly report identifying major IT projects that are off-track

2. Conduct site visits to private-sector organizations with robust IT portfolio management practices, to inform IRB reform efforts

Next Steps

- President's Management Council and agencies to consider PMAB recommendations and solicit details as necessary
- Agencies to pursue initiatives in SES and IT topic areas as interested
  - Site visits, conference calls to share best practices
- Next PMAB meeting: November 4