UNITED STATES OF AMERICA
THE PRESIDENT'S MANAGEMENT ADVISORY BOARD
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PUBLIC MEETING

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FRIDAY
SEPTEMBER 23, 2011

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The Board met via teleconference at 10:30 a.m. Jeff Zients, Chairman, presiding.
PMAB MEMBERS PRESENT:

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, Chairman
STEVE BROCKELMAN, Designated Federal Officer
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

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(10:34 a.m.)

CHAIRMAN ZIENTS: Hi, everybody. This is Jeff Zients. We're going to start the meeting. I think we have everybody on now. And I'm going to start just by thanking everybody for joining.

The purpose of today is to pull everybody together for an update, and also to make some formal recommendations as to how we move forward. So, we're going to spend the bulk of our time listening to the Subcommittee's report on what they found, and their recommended paths going forward. And then we'll just make sure that on each one we formally decide whether or not to move forward with that recommendation to a vote.

I'm on Slide 2 of the deck. I think we have everybody on the call at this point.

I want to introduce a new member of our team, Steve VanRoekel, who joined us

about a month ago. He was 15 years at Microsoft, including a period of time where he was Bill Gates' right-hand person, had a great career at Microsoft and joined the federal government at the beginning of the Administration working as the COO at the FCC under Chairman Genachowski. And we're lucky to have him as Vivek's replacement as our new Federal Chief Information Officer. Given that a fair amount of PMAB's focus is on IT, Steve will be a very active participant.

Steve, do you want to say a word?

MR. VanROEKEL: Thank you, Jeff. I look forward to working with all of you. And I think the perspective that you can bring, much like my private sector experience, has lent itself well to the model that is government, and I'm excited to partner on kind of bridging that gap and taking your recommendations forward. So, thanks for all your help.

CHAIRMAN ZIENTS: Quickly, on Slide

3, I think I've largely covered the purpose, but just to remind folks that this is also open to the public in a listen-only mode.

The purpose is for the Subcommittees to provide a progress update on their work and present recommendations, and that the recommendations are intended to support government initiatives and reforms going forward.

As to the agenda, we're going to start with our SES Subcommittee recommendations and discussion, which falls under two areas, the performance appraisal process, and executive development. Then we'll switch over to IT, again two areas; IT Vendor Management and IT Portfolio Management. And then we'll close with some next steps.

So, with that why don't I hand it over to Steve to just quickly navigate the SES terrain.

MR. VanROEKEL: Actually, I'm going to turn it directly to Sam to take us through

the Performance Appraisal recommendations.

MEMBER GILLILAND: All right. Well, thanks everybody, and good morning, everyone.

I'm going to move us to page 4 here. Our Subcommittee focused on two areas, Executive Performance Appraisal and Executive Development. And I'm just going to cover the first one here.

I thought the first thing I should do is certainly express the appreciation of our Subcommittee to John Berry and his team in the Office of Personnel Management. Very helpful in gathering information around this particular initiative.

As you'll see here on page 4 in the top section, we did identify several major opportunities for improving the SES Performance Appraisal process. You'll note there the inventory of 40 plus SES Performance Appraisals across government, certainly with different standards and definitions.

That's obviously led to an inconsistent approach to performance ratings, accountability, and even a perception around issues of fairness.

And as you'll see there on the third sub-bullet, about 49 percent of SES personnel receive the top performance rating, so a Level 5 rating in 2009, 41 percent in the next highest rating. So almost 90 percent, if you do the quick math, in the top two boxes.

And, certainly, as we've been thinking about this, we're not debating the fact that we have very good people in SES, and certainly we do. We've met a number of them.

As you'll see, we think there's an opportunity to redefine the rating system to more closely reflect what we found to be successful in the private sector, and allow for some better differentiation of performance.

There is an initiative underway to establish a single performance appraisal

system for all of SES and the federal government, as you see there. So, what we did as a Subcommittee, and working with OMB, and again with John Berry's team, gathered leading practices from private sectors. So, time spent with both the CEOs that are represented on this Committee, and also our HR executives again from the companies and organizations that we represent.

You'll see there the four trends that emerge from that. Certainly, one is that it's important within an organization, and we think broadly across federal government, to have a single performance appraisal system; that there be a standard set of competencies that all executives are assessed against, and an expectation of a result achievement, and demonstration of leadership behaviors. Last is strong involvement of senior leadership in performance management and executive appraisal.

And, particularly, I think as each

of us in the private sector think about succession management, we find it really important to be very much involved in the performance management process, matching skills to the initiatives and objectives of our respective companies and organizations.

So that leads us fairly nicely, then, into the next page, page 5, which is the recommendations of our Subcommittee. And you'll see the three major recommendations. And I'll touch lightly on a few of the sub-bullets, as well.

But that we develop -- the recommendations are, obviously, that we develop a new Executive Performance Appraisal system with clearly defined competencies, again balancing achievement of results and leadership behavior. So how you get it done matters, as well. So it's important that as we redefine this that we emphasize that point.

And then the last point, an intent to 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.

So, I guess the point here is to strengthen, to clarify, to enforce performance ratings across SES. And I think underpinning this is the requirement to redefine and very clearly communicate. And I think many of us have been through this in the private sector where you do have this grade inflation that occurs.

It takes an awful lot of work to redefine the ratings. And what I mean by that is the Level 3 rating really should reflect very solid performance, while a Level 5 is reserved for truly extraordinary results. So, again, back to my earlier comment, providing more differentiation across the rating system.

The second recommendation is to do this through a phased implementation. And I won't get into a lot of specifics here. You can read what we've set forth, but I think the

idea is that we would pilot this new performance appraisal system with a few agencies first, and then roll it out across all agencies over a two-year period.

And there are various logistical reasons and approvals that we have to go through that really drive us to that. But I do think it makes a lot of sense; even in private sector oftentimes we'll pilot with certain parts of the organization, then move forward more broadly once we feel good about the results.

The last point, and I touched on this as I talked about our findings, as well. And that is that there is, certainly, a really important role for agency leadership to play here. I think in every case, the CEOs that are part of this Committee are heavily involved in the Executive Performance Appraisal process, so we really need the support of the Deputy Secretaries. And I think we have it, as we spent time with them, to be sponsors of the

new system in partnership with their heads of human resources.

You'll see the last bullet here, this requirement that Deputy Secretaries review and approve all SES performance appraisals for their agency annually. And we had some debate about this one. In fact, I might even ask the Deputy Secretaries on the call to weigh in a bit.

I think the importance of this point is simply that the SES managers know that the Deputy Secretaries place huge emphasis on quality performance -- on a quality performance review process. How to do that? One way is by reviewing all the performance appraisals. Another might be a random sampling. But, certainly, in any case strong communications and emphasis with managers within SES that the new performance appraisal system and performance appraisals themselves are really important and need to be high quality.

So, those are the recommendations that we're setting forth. I'd certainly be interested in any feedback from the Deputy Secretaries. I know we spent some time with you already. If you have comments or other insights that you'd like to share.

CHAIRMAN ZIENTS: John Berry, do you want to respond, and then if any other Dep Secs or any members of PMAB want to jump in?

DIRECTOR BERRY: Thanks, Jeff, and thank you, Sam. It's been a wonderful partnership, and we appreciate so much not only your, but all of the members of the PMAB making your professional staff available to work with us on this issue. It's made a huge difference.

The only caution, and I suspect you'll hear more from the Dep Secs, especially for our larger agencies, and that's why on the last point that we were talking about of having the Dep Secs review and approve all of them. Some of our larger departments that

would involve, you know, over 500 people, so we'll just have to be aware of the constraints at some point, and refine that as we go. But I think broadly the point is well taken of having senior engagement.

CHAIRMAN ZIENTS: Anyone else? Comments, questions here?

MEMBER WILLIAMS: Yes, this is Ron Williams speaking. A couple of quick questions. One is, in the performance management approach was there thought given to rating people on their leadership skills as well as rating them on their results as two separate vectors, if you will, that come together in the overall rating?

MEMBER GILLILAND: Yes, and I can jump in on that, Ron. This is Sam, again. Certainly, there was specific emphasis placed on the fact that the new rating system had to balance both results with the leadership behavior, so as I mentioned a little bit earlier, how you get it done really does

matter. And I think we've all found that in the private sector, I'm sure it's true in government, as well, but we wanted to make sure that the rating system emphasized both.

DEPUTY SECRETARY HARRIS: It's Seth Harris. I thought I would jump in on that point and one or two others.

Leadership is an element of the SES review for us, and I suspect for the other agencies, as well. I think that's a very important point. And the more we can add clarity to what we mean by leadership, I think the better off we're going to be. So, I want to -- I agree with the previous two comments.

With respect to the Deputy Secretary review, there is a slight technical complexity with that. And that is, I am the appeal official for a number of my SESs when their agency had -- rates them in a way that they find objectionable. I question what effect it would have if I were involved in the decision with respect to their rating and

still preserve a genuine appeal process for those SES.

The final point I would make, though, is I am now involved with my agency heads in a pre-review process where I'm talking with each of them about every SES in the organization, because we have a smaller SES core than say the Department of Defense, or the Department of Veterans Affairs. So, I'm involved in that process, so it may be better to structure it as a pre-review discussion, rather than a review of -- an analysis and assessment of the reviews after they're already made.

So, I think it's a great idea. It's just a question of how do we -- where do we position the Deputy Secretary in the discussion?

MEMBER GILLILAND: Okay. That's helpful, Seth. I appreciate the feedback.

DIRECTOR BERRY: I think we -- this is Steve. I think we can probably reword that

recommendation to broaden it a little bit to take into account some of this input, so that the Dep Secs are involved, and there's a message sent to the reviewing managers that they're accountable for those reviews, but we don't do it in a way that's too burdensome.

CHAIRMAN ZIENTS: So, with the assumption that that last bullet point is broadened and maybe made a little more flexible, if you will, is everybody -- just given that we're not in person, let's do the votes. Is anyone not in favor of moving forward on this set of recommendations as to SES Executive Performance Appraisal?

(No response.)

CHAIRMAN ZIENTS: Good. All right. Let's consider that done.

Debra, Slide 6?

MEMBER LEE: All right. I will move on to Slide 6, which is the second part on the performance overview.

As Sam said, we had extensive

conversations with the CEOs on the Subcommittee, and our HR folks, and the government officials. So, when we looked at Executive Development in general for the SES, we learned several things.

One, that there is a big hole coming up because in the next five years half of the SES are eligible to retire. So, there's going to be a great need for development among the new executives coming into the SES. So, that was one concern.

Second, we discovered that SES members in general receive limited development. According to a survey done in 2008, 37 percent of all SES reported they had not really had any development activity during their entire tenure, so that was of concern to us.

Then we found that there was no government-wide on-boarding training for the SES, that there existed a two-day introductory session, but that was primarily orientation

for the members and not really in-depth skills development.

And we found that the SES members as a whole had few opportunities to network with each other, among -- in different agencies, and there was no opportunity or limited opportunity for collaboration.

None of these items are really surprising because I think it's fair to say that some of these issues exist in the private sector, that a lot of companies mistake orientation for development. And one thing I know we've learned at Viacom and at BET is that you really do have to develop executives over the years. You can't wait until there's a problem and then try to exit people out of the company, that development is really important.

So, as we discovered these issues, the Subcommittee decided to focus on several areas in the development area. One, we wanted to help on-board new SES members, so that was

the first priority. Really, supplementing OPM's existing on-boarding process.

We wanted to provide skill-based classroom training as opposed to just orientation. And we wanted to encourage networking across the SES members and across agencies. We also wanted to make training -- the training available to all agencies. And we wanted to focus on three skill areas; one, strategic thinking; two, managing staff; and three, change management. So, we thought those were the most important areas to focus on.

So, coming out of that finding these particular issues, we came up with several recommendations by the Subcommittee that I want to walk you through right now.

The first is that we wanted to pilot an on-boarding training program for new SES members across agencies. We wanted it to be more centralized, and we wanted it to have an immediate cross-agency impact. So, that's

the first area we wanted to look at.

Second, we wanted to make sure it was a public-private partnership. We wanted to take advantage of the training resources at the companies that are part of PMAB. We have great CEOs from great companies that have dealt with these issues already, so we thought that we could have the PMAB companies contribute their existing training curriculum and expertise to really serve as a basis for the new training program. But also have these experts work with the federal training experts to make sure the curriculum works with the agency content. I mean, we didn't want to develop a program that didn't have application to what the SES members were dealing with on a day-to-day basis.

So, the third recommendation is that we create a dynamic learning environment between the public and private sector trainers to give the participants a variety of viewpoints. And there's no one way to manage,

there's no one way to develop leaders, or teach strategic thinking. So, we wanted to take the best practices of the companies and the existing federal trainers and come up with a group of, one, federal agency leaders; two, facilitators with applicable experience; and three, SES members.

And, four, the fourth recommendation is that we develop training modules that particularly address the skill gaps for new executives. And, again, those were -- we wanted to focus on strategic thinking, managing, talent, and changed leadership. So, we thought that was a good number to start with, and those were issues that we knew the SES members would face. So, those are the three that we want to start with.

And, finally, we wanted to have as much impact as possible across the SES, but we wanted to also have opportunities for small group learning. So, if there are close to 100

SES members, they can participate in the three training sessions over a three to four month period, but also within those training sessions you can incorporate small group learning opportunities, and have various facilitators participate in each session.

So, we're very excited about this approach, especially about using the PMAB CEOs and expertise to supplement what the government is doing already. And we think this is an approach that would really help develop the SES members and really make a difference in how they manage from day-to-day, and how they deal with issues, and how they deal particularly with a changing environment. As we know, things change in the government quite often, so we wanted this to be an ongoing program that would provide expertise to the members of the SES.

So, with that I'll stop and open it up, if there are any Subcommittee members that want to add anything, or if there are

questions from PMAB or from the Deputy Secretaries.

CHAIRMAN ZIENTS: Thanks, Debra. Questions?

DIRECTOR BERRY: I'm sorry. John Berry. I just wanted to thank you again, one, for the generosity of sharing the curriculum. I think that's going to be a phenomenal asset for us in this regard. And two, I think you've really nailed the right focal areas. And I think together that's going to allow us to really get moving quickly.

MEMBER LEE: Terrific. I mean, we've -- you know, this is not something that private companies have nailed down perfectly, so I don't want to give that impression, but I think a lot of us have been through it recently. And as we try to develop our own executives as leaders and as managers, I think it's exciting that we'll be able to share that with the SES. So, thank you.

DIRECTOR BERRY: Yes. And then

personally committing to help us with the CEO engagement and involvement, I think is going to really lift the focal area of our senior executives to the right plane, and that's an amazingly generous offer, as well.

MEMBER LEE: Oh, great.

MEMBER WILLIAMS: Can I ask just a question for me. How do we propose figuring out the group that will get this leadership development, the talent development? Because one of the things that we found -- we've got about just under 200 Vice Presidents, and then you go down to the Senior Directors. It's a fairly large number, so we had to over time, because we can't spend the same amount of time and effort with everybody, so even inside of our senior leaders that we want to continue to develop, we try to have some process for figuring out where are we going to put more attention and focus, potentially more coaching, mentoring, external resources, small group meetings.

So, is there any thought to how do, you inside of the bigger group, a selection process to say who do we focus on inside of the greater SES?

CHAIRMAN ZIENTS: Well, the thought here is that we start by piloting, and the pilot is focused on new members as part of their on-boarding. I think that's a really important question that you're raising, as we begin this pilot and plan for success, because I think this will be quite successful. How can we triage? I mean, do we continue to focus primarily on those first couple of years for, as Debra pointed out, there will be many new members of the SES. Do we do some basic triaging based on those who are in larger management positions who need help?

It's a good question. I don't think - Steven and others jump in here - I don't think we've really tackled that yet, but we should begin to do that because this is going to be a successful pilot, and we're

going to want to ramp this up.

MEMBER WILLIAMS: Yes, I think I agree with you. I think you will be successful. It sounds like a -- any time you focus on leadership development you get a group focused like Debra has outlined, I think you will make progress.

So, if I can suggest, though, you really -- even beyond the folks that are coming in, you should try to find those two, or three, or four folks that you can spend a little more time with, because I guarantee you there's a set of people who will make the biggest impact if we can develop them a little further.

CHAIRMAN ZIENTS: I think you're raising a good question. I think it's work that we should begin to tackle.

MEMBER WILLIAMS: Okay.

MEMBER LEE: Yes, I agree.

CHAIRMAN ZIENTS: Any other questions before we vote on this set of

recommendations?

(No response.)

CHAIRMAN ZIENTS: Okay, same technique here. Anyone have any -- anyone against this set of recommendations, having reservations?

(No response.)

CHAIRMAN ZIENTS: Okay, hearing none we'll assume that these are done.

Let's now switch gears to IT, page 8. Enrique.

MEMBER SALEM: Great. So, our Subcommittee focused on the area of IT Vendor Management. And let me give you some background.

We in the federal government spend about $80 billion a year, and historically what's happened -- and this is an industry-wide statistic. What you've got is less than 5 percent of projects are done on-budget on time, and on-functionality. So, when you think about that what happens inside of every

discipline that runs projects or IT projects, is you focus on the side of project management. How do we get this project to be done on time, or on budget, or with the right functionality? And what gets ignored, or not ignored -- is you don't spend as much time on is this notion of how do you manage the people providing some of the key services to make those projects successful? So, our focus really became looking at how do we do a better job on the Vendor Management side?

What's happened inside of the government that we've noticed is that there's a very -- because of the siloed nature of a lot of the structure, you've got lots of different systems. So, you get lots of redundant technologies, and the numbers that we've quoted here, obviously, you've got over 500 HR systems, 500 financial management systems, 260 project management systems, and on, and on, and on.

So, the point being that this

isn't about the project management side. This is something that we feel is important to manage the vendors, to make sure that they are delivering what is initially contracted with them.

And so this separates, in some ways, project management from vendor management, because a lot of times the issues are not necessarily just related to the project. It's how do we get the best value for the money we're putting into the vendor side?

With that said, what we then did is we looked at a number of best practices that are being used in the private sector, specifically around this whole notion of creating a vendor management office, and what were some of the effective models. So, we obviously worked with companies like Aetna, and Ron and Meg McCarthy with Adobe, with Symantec, with a number of other companies to study what are they doing in this area of vendor management.

So, what we found and what we think is the appropriate recommendation for PMAB and this Subcommittee to make is, let's go ahead and pilot an IT Vendor Management Office within several agencies. So, what that means is that we want to dedicate a VMO function to drive real improvements in quality, consistency, and the objectivity of managing those vendors to make sure that they're ultimately complying with the contracts that have been put in place.

What we think is important is that this function work in conjunction with procurement. So, it's not to replace the acquisition or procurement function, it's more about the ongoing management of that vendor. So, what we want to do is define the rules, make it very clear that it's complementary to both the project function and the acquisition function. It's not about interfering with either of those, it's about really managing the vendor.

What we think needs to happen is implement a consistent agency-wide approach that will drive a standard set of metrics, methodologies, process, and make sure that, more importantly, beyond the initial contract being signed, that we're ongoing monitoring and proactively identifying what are the key issues where vendors are potentially underperforming. And I guarantee you what we've learned in the private sector is that oftentimes you get under-performance, and you are not holding that vendor accountable. So, we think the VMO is pretty critical to doing that.

The other things we recommend is obviously creation of some standards and templates around Statements of Work, what are the corporate SLAs, how are we doing on the risk management side of dealing with the vendors.

What we also find to be important is that you've got to get people who are

managing these vendors to have specific subject matter expertise. So, if you're going to go and work in the telecommunication space, the person who is in the VMO needs to have some expertise in that area, because that's the way you're going to do a better job of managing the vendor that is providing the service.

So our recommendation is that, as we do this pilot, that we find a couple of areas or a couple of verticals where we will bring in that expertise and make sure that they are able to hold the vendor accountable.

Lastly, we think it's important that no matter what you do, given the scale of budget that we're dealing with, that we have very clear cost-saving goals that we are able to track and drive towards achieving, and ultimately we think that's possible.

What we've seen in the private sector repeatedly is that in many cases there's -- the goals that we set are actually

-- could be even higher, because once you get a focus on this area, it's amazing the -- how rapidly you are able to squeeze some savings out of the vendor side, once you drive this process effectively. So, ultimately, clear goals, clear accountability on the vendor side drives real cost-savings.

So, what we want to recommend is that we conduct a couple of site visits, have the agencies conduct a couple of site visits out to a number of private sector companies, look at how the process has worked, probably bring back some best practices and implementation guides, and then again pilot it inside a couple of agencies. And our goal would be that this is something that we could move on very quickly and get started, and drive some meaningful cost-savings during the next 12 to 24 months.

If an agency -- just a footnote that you see down at the bottom of the slide. The bottom line is, if somebody's constrained,

budget constrained, which you know is a real issue, that we still look at implementing the processes and leveraging the best practices. But, ultimately, we do believe that this will drive meaningful savings on the IT side. So, that's our recommendation.

CHAIRMAN ZIENTS: Thank you. Ron, I know you worked actively as part of this subgroup. Do you want to weigh in here?

MEMBER WILLIAMS: Yes. Well, I think it's an extremely important recommendation. And I think one of the things that this will do is it gives you a cross-project view of how the vendor is performing in the organization. So, systemic problems that manifest themselves can really get identified and addressed much, much sooner. So, I think it's a huge opportunity for the government.

I think it also is a strong link back to the architecture of the enterprise, so that the solutions that are being implemented

don't deviate from the Statement of Work in ways that cause trouble in terms of the architecture within the enterprise. So, I think it's a great recommendation that will pay big dividends.

CHAIRMAN ZIENTS: Steven, others?

MR. VanROEKEL: Yes, this Steve VanRoekel, Federal CIO. I'm really excited about this one, in particular, in thinking through the possibilities. There's a few agencies that do little pieces of this fairly well, and you can clearly see in their results and tracking the work that they do that they outperform other agencies. So, I think it's a nice thing to mention.

I think the other thing to think about is sort of two-fold. One is, senior leadership's role in this in kind of getting behind it. The second is starting to take this view and think about it in the context of shared services, as well. If we set up central bodies that have this expertise that we share

across agencies, I think the potential could scale more quickly, kind of on point that you made at the bottom there, thinking about what to do.

I also think this point relates very much so to the next set of things you're going to be talking about on kind of IT oversight, and that sort of stuff, I think it would be great to force savings from better oversight back into an effort like this to really yield great long-term benefits.

DEPUTY SECRETARY HAYES: This is David Hayes from Interior. I just wanted to jump in and thank you, Enrique, for your leadership on this. And we're very excited about this. And thank you for meeting with Rhea Suh and Andrew Jackson, when I got hurricaned out of visiting with you.

As you know, we are working to do an IT transformation effort here at Interior, and I think this is a brilliant way to help communicate to our siloed organizations about

some of the obvious advantages of having a centralized look-see at what's going on.

We are finding, as you would expect, that the absence of consistent approaches on issues like data ownership and other implementation issues are hurting us, and no doubt we are being taken advantage of by vendors by virtue of the fact that we don't have that bird's eye view across our enterprise.

So, it fits -- the timing is fabulous for us, and we're really looking forward to continuing to work with the Committee on how to implement it. And you have a willing guinea pig in the Department of the Interior, Enrique.

MEMBER SALEM: Thank you very much. We look forward to working with you.

CHAIRMAN ZIENTS: Any other questions before we go to the recommendations in the Investment Review Boards?

(No response.)

CHAIRMAN ZIENTS: Okay. Hearing none, is anyone not in favor of the set of recommendations on IT Vendor Management?

(No response.)

CHAIRMAN ZIENTS: It sounds like everybody is on board.

Shantanu, on Slide 10.

MEMBER NARAYEN: Sure, great. And, in effect, the recommendations that I'll present that we worked on as a team with folks from your group, Jeff, really build on what Enrique and Debra have talked about, because once you have the right people and you have the right vendors, the issue that we tried to tackle was how to deal with IT Portfolio Management.

Enrique mentioned that we are spending $80 billion as a government, so the real issue here is to make sure that we focus our efforts on how we can get bang for the buck. And what happens once these projects are started.

A couple of things that we found as we focused our efforts on this issue, which is approximately 30 percent, and that's a large number, $16 billion of these projects were flagged as needing further oversight. And some of this is natural. And we find this in the private sector, as well, because these projects are long, these projects are complex.

But, also, a little bit more troublesome was that a number of these projects, as people reviewed them, had significant concerns once they were started. So, you know, what we really spent some time thinking about was as it related to the IRBs, what could we recommend to make sure that a project started off effectively, and then during the entire process that they ran effectively.

A couple of things that we found. First is, virtually everybody talked about the relationship between the business partners and the IT as being critical to successful

projects, because the more up front planning happens in terms of what the business benefits are of IT projects, whether they be cost-savings, whether they be risk reduction, whether it be customer satisfaction, and the clearer the metrics were up front, the more likely the projects were going to be in order to be successful down the line. But that relationship between the agency leaders, the internal business partners and the IT were going to be critical, but we found that once projects were started, that the agency leaders were not necessarily as involved as they needed to be.

The other issue that we found was that as these projects get off track, was there a process by which the clear authority was issued in terms of who could stop these, or redirect them, or say that they were out of bounds.

So, those were a couple of the things that we found. And we really focused

a lot on what could we learn from some of the successful projects that were being undertaken within the government, as well as from the private sector.

So, moving to the recommendations based on some of these learnings, I think the biggest thing that we learned was to recommend that when you start an IT project you really need both the relationship between the senior business unit sponsor, as well as the IT, in order to build a successful project. What the key business -- KPIs were, how we were going to ongoing track the project. And the valuation model that allows for, you know, as you do IT investments, which were the IT investments that provided the best return, whether that be customer satisfaction, whether that be updating architecture. And what were the resource plans that were required, because I think in a number of projects otherwise you have to add resource projects along the way.

So, the up front planning and

getting that right was one of the recommendations from us, as we looked at how we reform IRBs to make sure that that happened.

The second thing that we talked about was that the agency business unit heads at the IT really need to work hand in hand through the entire process. That's in, you know, reviewing process, in rescoping and terminating. It was the relationship between the business unit heads and the IT that was going to be absolutely critical. And we also recommended that you have a dashboard, a quarterly report to really identify IT projects that were off track along the way.

And, you know, frankly, any IT project above a certain dollar threshold, any IT project that needed to be rescoped, that you have a real thorough review associated with it to understand root causes so that you can both prevent them from happening in the future, and adjust accordingly.

And the last recommendation we also made as to just make sure that, I think, both private sector and public sector could learn from each other. So, much like Enrique said, how can we conduct site visits so that we present some IT portfolio management practices. These exist in a number of places, but having a common methodology, having a common vocabulary I think across government would also help review projects across boards.

So those were our recommendations. And last but not least, we emphasize the need for an architecture review board during the entire process so that there's a common target architecture to avoid overlap, to avoid conflict as these large, complex systems were put together.

CHAIRMAN ZIENTS: Questions, reactions?

MEMBER SALEM: Just to follow-on Shantanu's comments. You know, one of the things I know Shantanu, you and the team, and

I think we all see is, is just getting the real buy-in on the importance of the IT function and technology, because for companies like Adobe and ours, obviously technology is such a central theme. And I know part of this is really getting that executive sponsorship that really says technology is a differentiator and can make a big impact. It's a mind-set change I know is going to be part of this -- for this effort.

MEMBER WILLIAMS: Yes, this is Ron Williams. I think this is an excellent set of recommendations here.

I guess the one question I have is for executives who have not been accustomed to actively engaging and participating in this, what kind of support, orientation, role-modeling would we envision to really help them step up to and commit to the role?

MEMBER NARAYEN: Ron, I think that's an excellent observation. And I think it actually is related to some of the SES

recommendations that were being made. But I think learning best practices, sharing what's happening in private sector, and enabling that networking that was also discussed I think is going to be crucial, because you're right. There's a learning curve associated with the business unit leaders understanding what the right questions are to ask, and how do you provide that oversight along the way.

MEMBER WILLIAMS: The second point I would add is that while we focus on the leadership at this point, one of the things we found was effective was that as a requirement for promotion that people develop a competency in this domain. And that they had to take a project and really participate in it, and guide it from beginning to end. And that that was one of the tickets that had to be punched in order to ascend to the next level.

CHAIRMAN ZIENTS: That's great. I like that a lot. Steven, do you want to say --

MR. VanROEKEL: Yes, I think this is great. And I think for the last couple of years the IT function in government has been increasingly more and more important with the connectivity of Americans and the cybersecurity pressures, and the demands -- the more recent demands to do more with less. And I think this methodology is a great way to think about the way we invest.

I think there's been a good emphasis the last couple of years kind of given all those pressures to kind of look at the project level, and to dive into some of the more troublesome multi-year projects, and all that. I think taking that to the portfolio level, putting good tools -- and I think I'll go back to my point on shared services. I think we can actually do shared centers of excellence across government to think about how to track this stuff. And to your architecture point, build common systems that can actually be utilized so we're actually

looking kind of at the portfolio level, but also realizing what stuff can we shift to commodity, what stuff can we think about from a shared level. I think that's all -- all this stuff and the SES performance metrics and all that all dovetail nicely into kind of a complete package to transform the way we think about government IT.

So, thank you for doing this work. Of all the points, I think this is one of the ones I'm most excited about jumping on board and helping shepherd along.

CHAIRMAN ZIENTS: Any other questions on IT Portfolio Management? Okay. Anyone have any reservations?

(No response.)

CHAIRMAN ZIENTS: Hearing none, we'll assume this set of recommendations is also complete and approved.

Quickly, just closing on next steps. We've been working hand-in-hand with the President's Management Council so there's

a lot of buy-in on pilots and taking these recommendations and implementing them. We'll continue to make sure Deputy Secretaries and other leaders across government are involved and ready to jump on implementation.

We are together next November 4th here in Washington, so we'll get all the logistics nailed down on that. We anticipate again a morning session and having you out of here just after lunchtime, but if we are not already, we'll be in touch with your offices just to finalize logistics.

Any questions or concerns before we break?

(No response.)

CHAIRMAN ZIENTS: Thank you everybody, great meeting.

(Whereupon, the above-entitled matter went off the record at 11:20 a.m.)

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C E R T I F I C A T E

This is to certify that the foregoing transcript

In the matter of: President's Management Advisory Board

Before:

Date: 09-23-11

Place: (telephone conference)

was duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate record of the proceedings.

Neal R. Gross

Court Reporter