President's Management Advisory Board

Meeting Materials

June 17, 2011

Today's Agenda

Open Session – 9:00 a.m. to 11:15 a.m. (EEOB Room 428)

- Welcome and Introductions
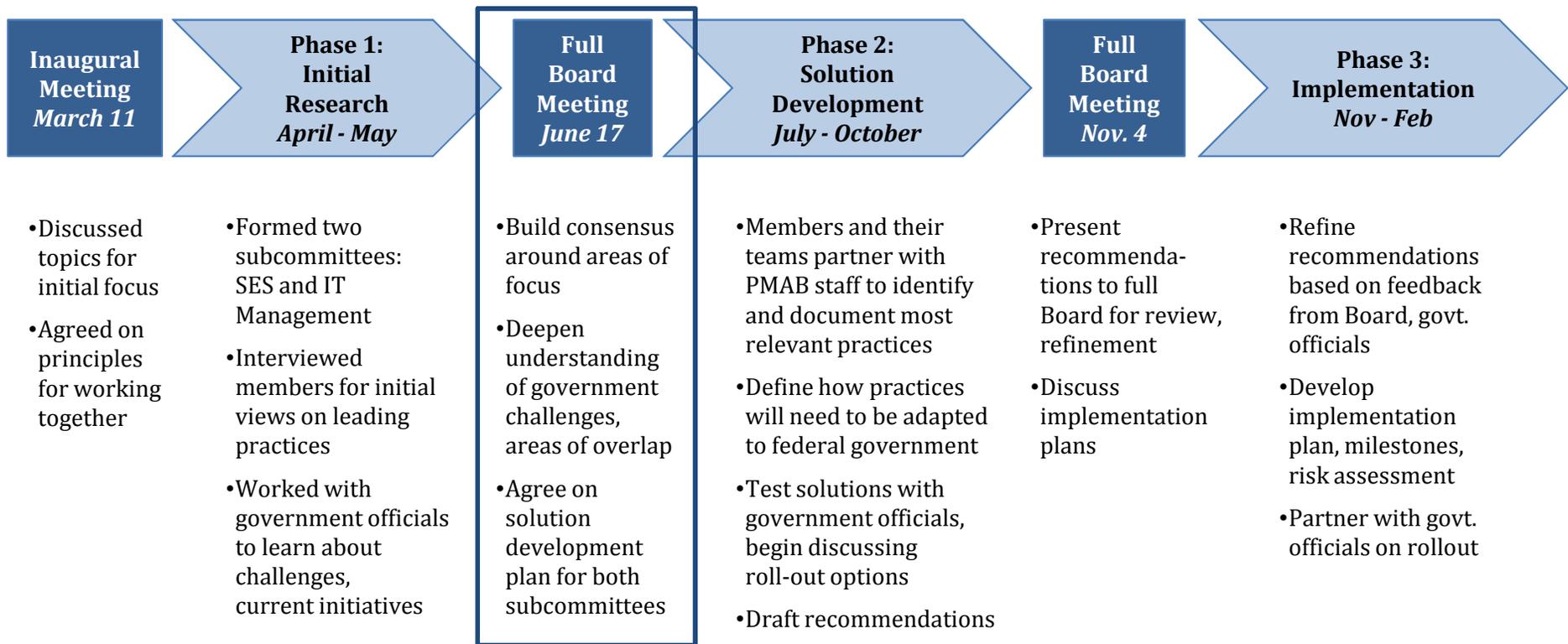- IT Management Subcommittee Briefing and Discussion

Break

- Panel Discussion on Senior Executive Service (SES) Topics

The Big Picture

PMAB's Annual Calendar

Inaugural Meeting *March 11*	Phase 1: Initial Research *April - May*	Full Board Meeting *June 17*	Phase 2: Solution Development *July - October*	Full Board Meeting *Nov. 4*	Phase 3: Implementation *Nov - Feb*
•Discussed topics for initial focus •Agreed on principles for working together	•Formed two subcommittees: SES and IT Management •Interviewed members for initial views on leading practices •Worked with government officials to learn about challenges, current initiatives	•Build consensus around areas of focus •Deepen understanding of government challenges, areas of overlap •Agree on solution development plan for both subcommittees	•Members and their teams partner with PMAB staff to identify and document most relevant practices •Define how practices will need to be adapted to federal government •Test solutions with government officials, begin discussing roll-out options •Draft recommendations	•Present recommendations to full Board for review, refinement •Discuss implementation plans	•Refine recommendations based on feedback from Board, govt. officials •Develop implementation plan, milestones, risk assessment •Partner with govt. officials on rollout

IT Subcommittee – Goals for Today

1. Report to full Board and government participants on IT areas of focus, common private sector approaches identified in the research

2. Review representative practices at subcommittee member companies

3. Identify best opportunities for application of private sector practices to federal government challenges

IT Management – Selection of Focus Areas

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Criteria for Selection of Focus Areas
- Persistent challenge in the federal government
- Robust and proven private sector practices
- Potential for high impact
- "Transferability" from private to public sector

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As part of the research process, we met with federal government stakeholders to better understand challenges and opportunities:
- Office of the federal CIO
- One-on-ones with agency CIOs, and with the CIO Council

We conducted interviews with PMAB CEOs and CIOs on the IT subcommittee:
- Adobe
- Aetna
- OSI Restaurants
- Symantec

Based on our selection criteria, we identified the two most promising IT focus areas:

1) Aligning IT with Business Needs
2) IT Vendor Performance Management

Focus Area #1:
Aligning IT with Business Needs

Challenges in the Federal Government

Agency IT departments and their internal business partners struggle to coordinate IT projects throughout the planning and execution phases, with project functionality often diverging from business needs:

- Many agency CIOs have limited control and budget authority over IT projects within their agency
- Unclear project benefits/value restrict ability to prioritize projects and establish shared goals
- Frequent changes in senior leadership and regulatory/legal frameworks place IT and its business partners in reactive mode

Private Sector Approach

Leading companies use a series of mechanisms to align IT with business needs across the project lifecycle, including:

- Integration of strategic planning and IT planning, with deep involvement of business partners
- Governance systems designed for business units to take the lead on deciding which projects to fund, subject to guidelines set by the CIO and CFO
- Project valuation methods that enable rigorous comparisons of IT projects and generate shared support for expected benefits
- Senior-level IT advisory boards – composed primarily of IT's key business partners – to review IT projects and proposals

Key Elements of Adobe's IT-Business Partner Strategy

Partnership

Become a trusted partner by aligning to business goals.

- ❑ Deliver **effective solutions**
- ❑ Prioritize investments by **strategic business goals**
- ❑ Focus conversation on **business needs and value**, not technology

Shared Responsibility

1 + 2 = 5

Create skin in the game. All players, all levels.

- ❑ **"Value Model"** required for each investment
- ❑ Post-implementation evaluation of value realization
- ❑ Alignment of employees to strategic business objectives via **"IT Blue Doc"**

Transparency

Be open – with every $, every labor hour, every issue.

- ❑ Real time, dynamic **Portfolio Management Dashboard**
- ❑ Jointly staffed business/IT project teams

IT Value Model = **Business case required to articulate ROI**

Increase Revenue? Reduce Cost? Improve Productivity, Effectiveness, Efficiency?

❑ Developed jointly by the business and IT – accountability enforced by CFO / CEO

❑ Business accountable for KPIs (if revenue-related, quota goes up; if cost-related, budget goes down)

❑ IT accountable for delivery & cost
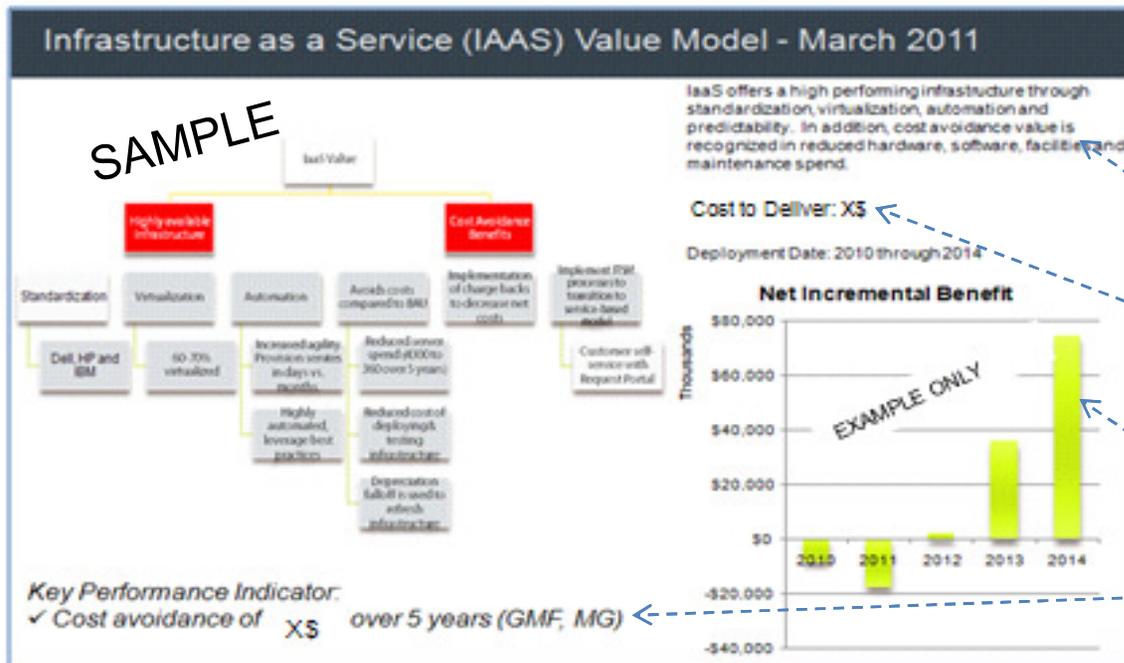
Value Model includes:

Business Value Statement

IT Cost to Deliver – including TCO

Investment break-even point

Business Value KPI

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OSI's Approach
Aligning IT with Business Needs

Background

- Prior to 2009, OSI operated very independently across 5 restaurant chains with a "patchwork" IT infrastructure
- Adopted "Fewer, Bigger, Better" approach to IT, cutting projects by 50% while increasing IT capital spend significantly
- Goal is system & process standardization, improved productivity and better data transparency

Governance Structure

- Start with <u>Business</u> long-range plan and 5 key company objectives to use as a prioritization screen for resulting IT investment
- Entire company aligned on single Business plan/IT plan
- <u>Joint</u> Business and IT <u>ownership</u> for each project at every level
- IT Advisory Council (ITAC), chaired by CIO and participation of <u>entire</u> Executive Leadership Team (including CEO)
    - Establishes annual IT priorities and multi-year projects
    - Meets Quarterly to prioritize and resource projects, monitor progress via dashboard
    - One in/one out philosophy to respond to changing business project needs
- Business case, time table and full resourcing plan required <u>before</u> a project can start (no planes in the air without full crew)
- Mandatory post project audits and benefits capture

Alignment Process/Tools

- <u>Only</u> top Executive ITAC can reprioritize, cancel, delay or re-scope IT Project Plan
- Both business and IT leaders and team members have project and key milestones on their annual performance objectives
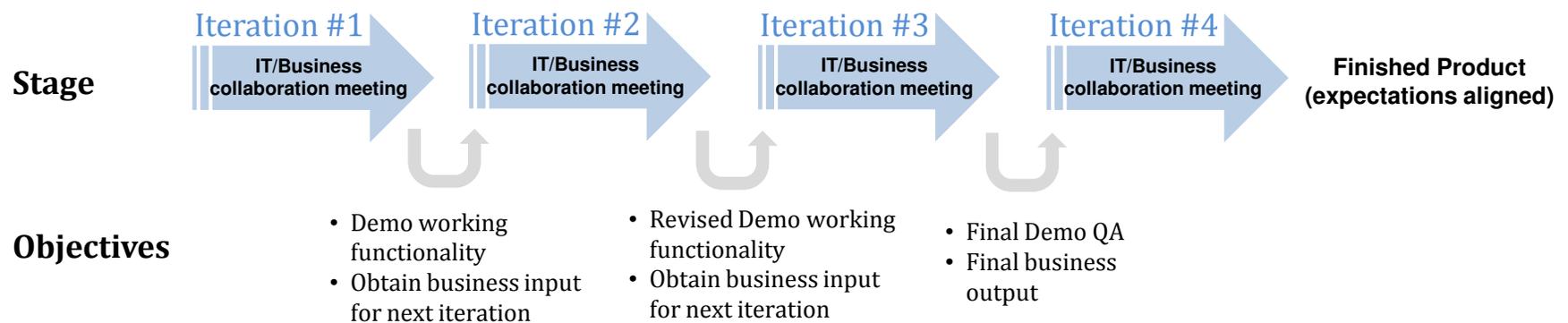- Agile Project Execution – project teams meet every 1-4 weeks as needed (see following page)

Practice "Snapshot"
OSI's Agile Project Execution

OSI's IT-Business Coordination through the Project Lifecycle

OSI's IT project teams use an iterative approach to manage project execution. There is a meeting cadence established to drive collaboration between developers and business end users with "just enough" ceremony to produce frequent and high-quality solutions.

Stage

Iteration #1	Iteration #2	Iteration #3	Iteration #4	
IT/Business collaboration meeting	IT/Business collaboration meeting	IT/Business collaboration meeting	IT/Business collaboration meeting	**Finished Product (expectations aligned)**

Objectives

- Demo working functionality
- Obtain business input for next iteration

- Revised Demo working functionality
- Obtain business input for next iteration

- Final Demo QA
- Final business output

Benefits

- Builds trust, collaboration and expectation setting between Business and IT
- Allows for changing requirements to be easily incorporated and reduces risk of developing something the business wasn't anticipating
- Improves accuracy of feedback to executives (at Quarterly IT Advisory Council) based on functionality review and changes identified
- Speeds up project execution by focusing on development, while minimizing documentation

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Focus Area #2
IT Vendor Performance Management

Challenges in the Federal Government

Agencies have difficulty establishing and enforcing meaningful performance goals for IT vendors:

- IT vendor performance is typically tracked and reviewed by project managers, which can create distractions to the project and disincentives to report poor performance
- Billing compliance is monitored by a contracting office, separating payment from performance
- IT services contracts are especially complex to monitor, and require specific expertise that is often lacking in government

Private Sector Approach

Leading companies apply the same (if not greater) level of rigor to vendor management as they do to in-house IT projects. Key success factors include:

- Robust processes and systems to monitor and review vendor performance
- Substantial time devoted upfront to define SOW's and set performance goals
- Involvement of business partners from the outset and periodically throughout the process

Symantec's Approach
Why the Need for Vendor Performance Management?

Sources of Value "Leakage" in Symantec's IT Vendor Management Value Chain

Spend Management	IT Category Strategy	Negotiation & Contracting	Procurement	Payment
Inadequate spend visibility makes it difficult to pursue actionable IT vendor strategy	Incomplete market assessment can lead to the wrong negotiation strategy	Failure to link performance to contracts can result in performance "leakage"	Delayed or inaccurate receipt transactions hinder IT asset tracking	

Symantec's total IT spend is $724m across 700 vendors, with a focus on 25 strategic vendors. Value leakage across the chain adversely impacts Total Cost of Ownership to IT

Practice "Snapshot"
Symantec's IT Vendor Management Office

Challenge
- Inconsistent vendor performance management due to multiple IT project managers around the globe working with local suppliers
- Potential for erosion of the business case for IT projects

Solution
- IT implemented a centralized, dedicated Vendor Management Office (VMO) for management of Symantec's strategic IT vendors
- While IT project managers are responsible for day-to-day vendor management, the VMO ensures consistency in supplier reviews, performance management, and contractual compliance
- Recruitment of VMO staff with deep domain expertise in IT contracts and project management experience

Benefits
1) Consistent tracking of vendor financial and technical performance management globally – aligned with overall business case
2) Local IT project managers freed up to focus on delivering their area of responsibility
3) Serves as the contractual "glue" across all regions to ensure vendor compliance
4) Risk mitigation for critical vendor engagements such as web hosting services

SES Subcommittee – Goals for Today

1. Confirm that the subcommittee is focused on the right topics

2. Learn more about the challenges government faces to inform practice selection

3. Consider options for engaging with SES initiatives moving forward

SES Background and Subcommittee Focus Areas

- The Senior Executive Service (SES) comprises nearly 7,000 career executives and approximately 700 political appointees across federal government

- SES members typically have about 25 years of pre-SES government experience, and roughly 10 years of tenure in the SES

- Despite the original vision of the SES as a mobile workforce of senior federal managers, only 2% move to an SES job in a different agency each year

- Due to retirement eligibility and retention concerns, up to half of the SES could leave government service in the next five years

Based on interviews with federal government officials and PMAB member companies, the subcommittee proposes focusing on two areas for career SES:

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Performance Management of SES
➤ SES performance management is not applied consistently across federal agencies (80+ systems)
➤ No standardized set of leadership competencies/behaviors is used to evaluate SES
➤ High and low performers are not adequately distinguished

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Executive Development Programs
➤ Development programs for SES members are insufficiently prioritized in the federal government
➤ Programs provide limited or ad hoc opportunities for SES training, coaching, feedback, developmental assignments, and career planning.

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Panel Discussion
Performance Management and Executive Development for the SES

Christine Kluh

Deputy Assistant Secretary, Corporate Executive Management Office
Department of Veterans Affairs

David Lebryk

Commissioner of the Financial Management Service
Department of the Treasury

Catherine Murphy

Regional Solicitor, Philadelphia
Department of Labor

Denise Wells

Chief Human Capital Officer
Department of Health and Human Services

Options for SES Subcommittee Involvement

Moving forward, the SES subcommittee has several options for engaging with SES performance management and development initiatives:

1. **Performance Appraisal Initiative** – Contribute private sector best practices to an initiative to replace the current 80+ executive-level performance appraisal systems across the federal government with a single, common system. Effort aims to increase efficiency and consistency of accountability, ratings, and performance-based awards.

2. **Extended Executive Onboarding** – Provide corporate leading practices to inform the design and implementation of a comprehensive development program for executives in their first 18-24 months. Emphasis would be on identifying milestones and success factors for new executive training, mentoring, coaching, assignments, performance appraisals, networking, career planning, etc.

3. **Corporate Partnership Program** – Partner with a group of federal agencies to launch an SES development pilot program that could include seats at corporate universities, coaching from private sector thought leaders, and content for federal executive training. Members would leverage existing resources (curriculum, trainers, facilities, relationships) for a cohort of SES members over the next 6-9 months. Following the pilot phase, the program could potentially be expanded to include additional corporate partners.

4. **Other ideas?**

PMAB Next Steps and Looking Ahead

- Within two weeks:

  o Follow-up calls for SES and IT subcommittees to determine work plan for identification and development of best practices, involvement in initiatives

- July – September:

  o Identify and document best practices, provide input on current federal initiatives

  o Test emerging solutions with government stakeholders

  o Formulate recommendations

- Next PMAB in-person meeting on November 4 to present recommendations to full Board