UNITED STATES OF AMERICA

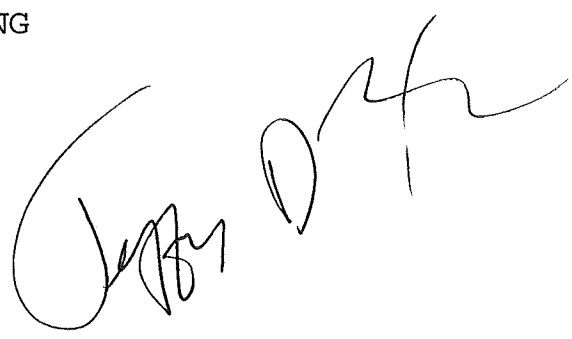THE PRESIDENT'S MANAGEMENT ADVISORY BOARD

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MINUTES OF THE PUBLIC MEETING

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FRIDAY
MARCH 11, 2011

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       The Board met in Room 230 in the Eisenhower Executive Office Building, 1650 Pennsylvania Avenue, N.W., Washington, D.C., at 10:20 a.m., Jeff Zients, Chairman, presiding.

PRESENT
JEFF ZIENTS, Chairman
GREG BROWN, President and CEO, Motorola
     Solutions
SAM GILLILAND, Chairman and CEO, Sabre
     Holdings
JEFF KINDLER, Former Chairman and CEO,
     Pfizer
DEBRA LEE, Chairman and CEO, BET Networks
GAIL McGOVERN, President and CEO, American
     Red Cross
SHANTANU NARAYEN, President and CEO, Adobe
     Systems
ENRIQUE SALEM, President and CEO, Symantec
LIZ SMITH, CEO, OSI Restaurant Partners,
     LLC
TIM SOLSO, Chairman and CEO, Cummins Inc.
RON WILLIAMS, Chairman, AETNA Inc.

ALSO PRESENT
STEVE BROCKELMAN, Executive Director, President's
Management Advisory Board
ADAM NEUFELD, Designated Federal Official
JOHN GALLOWAY
JOHN BERRY, Director of the Office of
     Personnel Management
DAN GORDON, Administrator of the Office of
     Federal Procurement Policy
SCOTT GOULD, Deputy Secretary of the
     Department of Veterans Affairs
DAVID HAYES, Deputy Secretary of the
     Department of the Interior
MARTHA JOHNSON, Administrator of the
     General Services Administration
TONY MILLER, Deputy Secretary of the
     Department of Education
VIVEK KUNDRA, U.S. Chief Information Officer

Call to Order and Introductions: Chairman Zients called the first public meeting of the President's Management Advisory Board to order at 10:20 a.m. The President had established the Board to examine best practices in an effort to close the productivity gap between the government and private sector.

     The Board members introduced themselves.

     At this meeting, the Board would hear four presentations from representatives of the President's Management Council, which is comprised of deputy secretaries from various agencies. The presentations would cover these topics: leadership development; customer service; contracting and the supply chain; and information technology.

     Over the next few weeks, the Board would decide which of these issues, or any others, it would cover in its first round of work.

Leadership Development, Scott Gould and John Berry: Deputy Secretary Gould said he and Director Berry would discuss the problems in the federal working environment and the efforts to find solutions. Finally, they would invite Board members to identify potential areas of interest.

     The problems include:
--Almost 80 percent of federal employees receive a

performance rating of Outstanding.

--It can be very difficult to attain the same level of accountability in the government that exists in the private sector.

--Development opportunities for executives are very limited.

--There is limited flexibility with respect to executive compensation.

--Under the current system, half of all senior executives are in a position where they could retire.

The President and Director Berry are attempting to systematically strengthen the linkage between strategic plans and individual performance. The goal is to do more training, provide rotational opportunities for executives and develop a government-wide capability to get more talent.

Deputy Secretary Gould reported that the Department of Veterans Affairs (VA) has halved the number of Outstanding performance appraisals, now requires developmental plans for all executives and has invested heavily in training.

Deputy Secretary Gould and Director Berry presented the Board with the following topics that the Board might wish to focus on:

1. How should the government develop its Senior Executive Service (SES) training?
2. What systems should be put in place to identify high potential employees in the system?
3. How can the case be made for investing in the people element of government?
4. How can the government attract top leaders and make them effective?

Mr. Kindler asked what mechanisms are in place to reward good performance and move poor performers out. Deputy Secretary Gould replied that VA tries to focus on three things: recognition, promotion opportunities and identifying those who want the challenge. In the last two years, VA has removed 20 senior executives.

Mr. Gilliland inquired as to the average tenure of an SES member. Deputy Secretary Gould estimated that one tends to attain SES after 25 years of federal service and remains at that level for about 10 years.

Ms. Smith asked if issues like pay range and percentage of fixed pay versus variable were in the Board's purview. Director Berry answered that pay range was set in

law, but there was wider latitude in terms of variable pay for SES.

Ms. Smith followed up by asking what in the performance management system requires managers to develop their people. Deputy Secretary Gould replied that SES managers are required in their performance appraisals to develop direct reports.

Mr. Williams asked who is in charge of succession and talent assignment. Director Berry answered that the Office of Personnel Management (OPM) sets the general policy structure. Within that structure, agencies have broad latitude.

Mr. Williams then asked what weight is given to results and leadership skills in each performance appraisal. Director Berry replied that leadership represents about 40 percent of the average performance plan.

Ms. McGovern asked if the system of compensation, hiring and firing could be changed. Director Berry answered that the scope in terms of hiring and firing for SES was actually very broad relative to employees on the GS schedule.

Customer Service, Tony Miller and Vivek Kundra: Deputy Secretary Miller told the Board that the government has a tremendous amount of interaction with customers. Unfortunately, it does not always handle that interaction in a high quality, low cost manner. However, there are some examples of effective customer interaction to build upon.

Benchmark surveys reveal a real dissatisfaction with the level of service people receive from government. Privacy and security concerns often hinder the development of new channels of communication. Customers are not able to provide feedback on a consistent basis. There is not always a strong incentive to provide superior customer service.

Deputy Secretary Miller said the Department of Education is working to move more services online. It has also been making the application for federal student aid more accessible and user-friendly. Customer service is a part of the performance management process, creating an incentive for effective customer interaction.

The challenges in improving customer service include providing an economic incentive to develop new channels of communication in this fiscally constrained environment and fostering a culture where consistently good customer service is the norm.

Mr. Salem asked how far along the government is on

adopting self-service online technologies. Mr. Kundra said it varies among the agencies, but on average, if the private sector is at 100, the government lags far behind at around 20. Mr. Solso said he thought leaders of all agencies should make this a high priority.

Chairman Zients pointed out that there are leading edge agencies in all areas. The Board's goal is not to look for blinding new insights, but to examine what's worked and what hasn't and develop a set of best practices for other agencies to follow.

Mr. Gilliland asked what issues arise with the development of a new customer service model. Deputy Secretary Miller said that the type of interaction depends on the type of customer, so it is important to define the customer. Another big challenge is creating a culture that is more than just the latest initiative.

Mr. Salem said it is always helpful to quantify how much something costs.

Mr. Kindler commented that a big challenge is the frequent change in political leadership. It is incumbent on the SES to create a sense of continuity. Mr. Williams observed that part of the issue is defining the organization's mission.

Ms. Lee agreed that the rate of political changeover makes it difficult to find the right people to build a good team. She also questioned if the right people were available to develop online services.

Contracting and the Supply Chain, Martha Johnson and Dan Gordon: Administrator Johnson described the General Services Administration (GSA) as the membrane between industry and government. It has the responsibility of overseeing, writing policies around and executing government contracts.

Federal agencies used to have to come to GSA to buy things. In the mid 1990s, procurement law was changed. GSA issued credit cards to agencies so they could buy more conveniently and with a better trail of information. The goal was to create more competition and better prices. Recently, however, the government has been trying to encourage more cooperative buying so it can exercise more leverage.

As the government has outsourced more and more services, contracts have become bigger and bigger. GSA struggles with myriad issues, such as:
--results-based services
--qualifying contractors

--comparing hourly rates
--services innovation
--dealing with statutory requirements around competition

Administrator Johnson asked for the Board's help with these questions:
1. How can GSA assure that the government is getting the best value out of its services contracts?
2. How should GSA be making its make/buy decisions?
3. What lessons can GSA borrow from commodity buying?
4. What challenges does the Board see as GSA's focus moves from commodity buying into the whole services arena?

Administrator Gordon added that it was crucial that the government clearly define requirements on contracts. Otherwise, it would run into performance problems. There is also the danger of government becoming overly dependent on contractors.

Mr. Kindler asked if there was any interest in reverting procurement law back to the way it was before the mid 1990s. Administrator Johnson replied that she would not favor that as she did not feel it engendered the right sort of competition.

Mr. Kindler then asked Administrator Johnson if she was satisfied with the government's purchasing power. Administrator Johnson said that cooperative buying was very helpful in that respect. Mr. Gilliland asked what the motivation for cooperative buying was. Administrator Johnson responded that currently, it was clear savings.

Mr. Williams asked if an agency has the flexibility to spend more on one category if it spends less on another. Administrator Johnson said there is a fair amount of discretion, but each agency has its own constraints.

Mr. Solso asked if the Board's scope included issues of qualification. Administrator Johnson replied affirmatively.

Introduction of Valerie Jarrett: Chairman Zients introduced Valerie Jarrett, a senior advisor to the President. Ms. Jarrett conveyed the President's appreciation to the Board for its services.

Managing Information Technology, David Hayes and Vivek Kundra: Mr. Kundra reported that the President invited about 50 CEOs in January 2010 to discuss how the government could modernize information technology (IT). A big part of

the government's IT reform agenda stems from the input received at that meeting.

Deputy Secretary Hayes said the government spends $80 billion annually on IT systems. Approximately 40 percent of government contracts are not on track, primarily because:
--Many projects are not properly scoped.
--Deliverables are way in the future.
--Program managers often do not possess the technical knowledge to scope and track properly.
--The budget cycle often requires that decisions be made years in advance.

The President's Management Council has been working on the following solutions:
--An IT Dashboard that tracks investments and grades the government on major IT projects.
--Monthly sessions with IT representatives in various agencies.
--A 25 point reform plan to be implemented across all departments.

The reform plan includes these goals:
--Make sure the right people are in IT jobs.
--Integrate program teams.
--Share best practices.
--Support modular development.

Mr. Williams asked how much of the $80 billion spent on IT includes development costs and how much infrastructure. Mr. Kundra replied that $24 billion is spent on infrastructure. The rest is spent on development and maintenance.

Mr. Williams followed up with a question on how architectural roadmaps or blueprints factor into the modular solution. Mr. Kundra answered that the big problem was that architectural discussions often resulted in nothing more than a paper sitting in a file cabinet.

Mr. Narayen said he did not think it was possible to look more than 18 months ahead on an architectural project. Chairman Zients agreed that it was an ongoing concern.

Ms. Smith asked if there was one person who was the deciding vote on IT. Deputy Secretary Hayes said that in Interior, there were thirty chief information officers (CIOs) spread among various offices, and each of whom thought s/he had decision-making authority. Recently, the department appointed one CIO and reclassified the others implementers rather than decision makers.

Mr. Brown asked Deputy Secretary Hayes what percentage of his time is spent in the operations of his department. The deputy secretary answered that if one defines operations broadly in terms of implementing priorities, as he does, the vast majority of his time is spent that way.

Closing Discussion: Chairman Zients solicited Board members for their reactions to the topics presented at the meeting.

Mr. Solso commented that each of these issues seemed to revolve around change management. Chairman Zients agreed and added that prioritizing tools would also be important.

Mr. Kindler believed that everything centered around the SES cohort, energizing them to sustain the mission over an extended time period.

Ms. Smith felt that the IT component was critical. Mr. Williams agreed, saying that IT is a big part of what drives customer service.

Mr. Salem said the Board's goal was to determine how the government could get the most for its dollars. He added that he thought it was important to be clear about what the Board was trying to do with IT.

Mr. Brown said the Board should focus on best practices and leadership development.

Mr. Gilliland said one of the key elements of success on IT was getting the project started well, and he wasn't sure if the Board could be helpful in illuminating the obstacles faced by government.

Adjournment: Chairman Zients adjourned the public meeting at 12:07 p.m.