

UNITED STATES OF AMERICA

THE PRESIDENT'S MANAGEMENT ADVISORY BOARD

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MINUTES OF THE PUBLIC MEETING

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FRIDAY
SEPTEMBER 23, 2011

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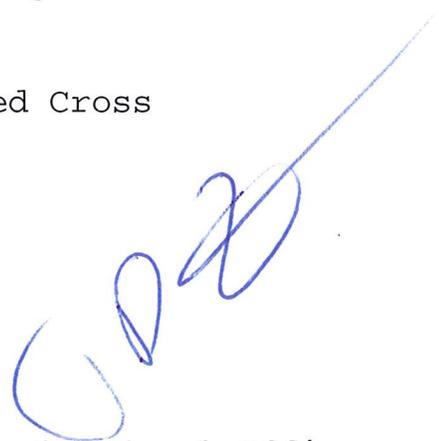
The Board met via teleconference at 10:30 a.m.,
Jeff Zients, Chairman, presiding.

PMAB MEMBERS PRESENT:

SAM GILLILAND, Sabre Holdings
JEFF KINDLER, Pfizer
DEBRA LEE, BET Networks
GAIL MCGOVERN, American Red Cross
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



Welcome and Introduction: Chairman Zients called the September 23, 2011 public meeting of the President's Management Advisory Board to order at 10:34 a.m.

The purpose of the meeting was for the subcommittees to provide a progress update on their work and present recommendations to the full board for discussion and approval on two topics: the Senior Executive Service (SES) and Information Technology (IT). He introduced Steve VanRoekel, the new Federal Chief Information Officer.

Senior Executive Service (SES) Subcommittee Recommendations and Discussion, Executive Performance Appraisal: Sam Gilliland reported from the subcommittee on executive performance appraisal. The subcommittee focused on two areas: Executive performance appraisal and executive development. On performance appraisal, the subcommittee identified several major opportunities for improvement with the government's approach to SES performance appraisal, including:

- Over 40 SES performance appraisal systems across government, with different standards and definitions;
- Inconsistent approach to performance ratings, communication and accountability from agency to agency;
- Across government, 49 percent of SES received the top performance rating in 2009 and 41 percent received the next highest rating on a five-point scale.

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. Four 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 and demonstration of leadership behaviors;
- Strong involvement of senior leadership in performance management and executive appraisal.

The subcommittee recommended the development of a new executive performance appraisal system and developed three recommendations for the system:

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 and 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
 - 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
 - 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.

Sam Gilliland invited comments from the Board and from the deputy secretaries.

John Berry, Office of Personnel Management: Requiring that the deputy secretaries review all SES performance appraisals may be burdensome. In some departments, that would be over 500 people. However, the overall point of senior involvement is well-taken.

Ron Williams: Asked if the idea of rating people on results and leadership skills as two separate vectors that combine for an overall rating had been considered. Mr. Gilliland

said emphasis was placed on having the new system balance results and leadership behaviour.

Seth Harris, Department of Labor: Leadership is an element of the SES review in many agencies. Because the deputy secretaries are the appeal officials for many SES members, making them part of the rating approval process could harm the appeal process. It may be better to have a pre-review discussion rather than an analysis of the reviews after the fact.

John Berry, Office of Personnel Management: The recommendation can be reworded to broaden the deputy secretaries' involvement without making the recommendation too burdensome.

Chairman Zients called for a vote with the understanding that the last bullet point will be made more flexible. The recommendations carried unanimously.

Senior Executive Service (SES) Subcommittee Recommendations and Discussion, Executive Development: Debra Lee reported from the subcommittee on executive development. The SES subcommittee conducted a review of development opportunities for SES, finding that:

- With over 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 percent of all SES reported not having engaged in any type of development activity across their tenure.
- There is no government-wide onboard training program 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.

The subcommittee developed five recommendations:

1. Pilot an onboarding training program for new SES members across the agencies.
2. Use a public-private partnership that leverages PMAB company training resources.
3. Create a dynamic learning environment by using public and private sector trainers.
4. Focus on training modules with topics that address key skill gaps for new executives.
5. Maximize the impact on SES while enabling small-group learning.

This approach should help develop the SES members and make a difference in how they manage and deal with issues in a changing environment. She opened the floor to questions.

John Berry, Office of Personnel Management: The curriculum will be a great asset, and the recommendations are on the right focal areas. The private sector commitment to help with CEO engagement is especially generous.

Ron Williams: How is PMAB to determine what group will get leadership development and what group will get talent development? There must be a process to determine where there will be more attention and focus, more coaching, mentoring, external resources, and small group meetings.

Chairman Zients answered that the program will start with the pilot, which focuses on onboarding new SES members. There will still be the question of how to triage the development training after the pilot is successful and is ramped up.

Ron Williams suggested that, in addition to the incoming members, the program should find a small group to focus on that will make a large impact with further development.

Chairman Zients called for a vote on the recommendations

and they passed unanimously.

IT Subcommittee Recommendations and Discussion, IT Vendor

Management: Enrique Salem reported on vendor management from the subcommittee. The federal government spends approximately \$80 billion per year on IT. Less than five percent of projects are completed on time and on budget. The subcommittee's focus became looking at doing better at vendor management. In conversations with agency CIOs and deputy secretaries, the subcommittee learned of several critical vendor management challenges faced by agencies:

- Vendors take advantage of a siloed environment that enables redundant technologies. 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 affect 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 management practices and determined that a vendor management office (VMO) was a potentially effective model to address these issues. The subcommittee developed two recommendations:

1. Pilot IT VMOs within several agencies to improve the quality, consistency, and objectivity of IT vendor performance management and contract compliance. The pilots should:
 - Report into the agency's central IT function, with a dotted line to the acquisitions function
 - Define roles and responsibilities that complement and do 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

- o 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.
- If budget or organizational constraints prevent an agency from establishing a VMO, it should still try to implement as many of these practices as possible to its current IT environment.

Ron Williams: This is a large opportunity to identify systemic problems in how a vendor is performing. It is also a strong link to the architecture of the enterprise so solutions do not deviate from the statement of work.

Steve VanRoekel, Federal CIO: Some agencies do parts of this and show results. Senior leadership should support this effort. Using central bodies with this expertise that can be shared across agencies would make this project scale up more quickly. Savings from better oversight can be directed into this program for long-term benefits.

David Hayes, Department of Interior: The Department of the Interior is working on an IT transformation effort in which they are seeing the advantages of a centralized VMO, so DOI is willing to pilot this project.

Chairman Zients called a vote on the recommendations and they carried unanimously.

IT Subcommittee Recommendations and Discussion, IT Portfolio Management: Shantanu Narayen reported from the subcommittee. In looking at this issue, the subcommittee learned that of the 800 major IT investments in federal

government, in 2011, nearly 30 percent (\$16 billion) are flagged as needing further oversight, and 33 projects (\$1.8 billion) have significant concerns. Many of the IT problems can be traced back to the ineffectiveness of agency Investment Review Boards (IRBs). The subcommittee identified three common problems with IRBs:

1. Agency leaders either do not attend IRB meetings regularly or IRBs simply rubber stamp decisions made by lower-level groups.
2. CIOs often have little authority to stop off-track projects.
3. Even active IRBs struggle to quantify the business benefits of proposed IT projects and to compare projects.

The subcommittee developed two recommendations:

1. Reform agency-level IRBs
 - Agency business unit heads must participate in all IRB meetings
 - 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.

Shantanu Nayaren emphasized the need for an architecture review board throughout the process to ensure a common target architecture and to avoid overlap. Chairman Zielts

opened the floor to questions.

Enrique Salem: A major part of this effort is getting executive sponsorship.

Ron Williams: For executives who have are not accustomed to actively engaging in this, what kind of support, orientation, and role modeling would help them commit to the role?

Shantanu Narayen responded that some of the SES recommendations being made, learning best practices, sharing the private sector experience, and enabling networking will be crucial to business unit leaders learning to provide oversight.

Ron Williams: Developing competence in this domain and participation in projects of this sort should be a requirement for promotion.

Steven VanRoekel, Federal Chief Information Officer: The emphasis in the last few years has been to carefully review IT investments at the project level, and that experience can be used at the portfolio level. Shared centers of excellence across government can be used to track these things. The IT recommendations and the SES performance metrics dovetail into a package to transform the way government thinks about IT.

Chairman Zients called a vote on the recommendations and they passed unanimously.

Next Steps and Adjournment: Going forward, the President's Management Council and agencies will consider the PMAB recommendations and solicit details if needed. Interested agencies will pursue initiatives in the SES and IT topic areas. PMAB will continue to ensure that deputy secretaries and other government leaders are involved and ready for implementation.

The next PMAB meeting is November 4 in Washington, DC. Chairman Zients adjourned the meeting at 11:20 a.m.