

UNITED STATES OF AMERICA

THE PRESIDENT'S MANAGEMENT ADVISORY BOARD

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PUBLIC MEETING

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FRIDAY
NOVEMBER 4, 2011

The Board met in Room 428 in the Eisenhower Executive Office Building at 1650 Pennsylvania Avenue, Northwest, Washington, DC, at 11:00 a.m., Jeff Zients, Chairman, presiding.

PRESENT:

JEFF ZIENTS, Chairman
GREG BROWN, President and CEO, Motorola Solutions
SAM GILLILAND, Chairman and CEO, Sabre Holdings
DEBRA LEE, Chairman and CEO, BET Networks
GAIL McGOVERN, President and CEO, American Red Cross
ENRIQUE SALEM, President and CEO, Symantec
TIM SOLSO, Chairman and CEO, Cummins Inc.
RON WILLIAMS, Former Chairman, Aetna Inc.

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ALSO PRESENT:

ROGER BAKER, Chief Information Officer
of the Department of Veterans Affairs

JOHN BERRY, Director of the Office of
Personnel Management

STEVE BROCKELMAN, Executive Director,
President's Management Advisory Board

DENISE CARTER, Deputy Assistant Secretary for
Human Resources and Chief Human Capital
Officer of the Department of Health and
Human Services

W. SCOTT GOULD, Deputy Secretary of the
Department of Veterans Affairs

NED HOLLAND, JR., Assistant Secretary for
Administration of the Department of
Health and Human Services

MICHAEL KANE, Chief Human Capital Officer of
the Department of Energy

DAVID HAYES, Deputy Secretary of the
Department of the Interior

DANNY HARRIS, Chief Information Officer of
the Department of Education

SETH HARRIS, Deputy Secretary of the
Department of Labor

KATIE MALAGUE, Performance Manager,
Office of Management and Budget

BERNIE MAZER, Chief Information Officer of
the Department of the Interior

TONY MILLER, Deputy Secretary of the
Department of Education

DAN PONEMAN, Deputy Secretary of the
Department of Energy

GENE SEXTON, Chief Human Capital Officer of
the Department of Labor

STEVEN SHIH, Deputy Associate Director for
Executive Resources and Employee
Development of the Office of Personnel
Management

STEVE VANROEKEL, U.S. Chief Information
Officer

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1 P-R-O-C-E-E-D-I-N-G-S

2 11:06 a.m.

3
4 CHAIRMAN ZIENTS: Let's begin. So,
5 on Slide 3, I think three main goals that will
6 go throughout the day as we go from IT to SES
7 in the afternoon, first is to review progress
8 to date. And I think for the most part, we're
9 at least where we had hoped to be. So, we're
10 meeting or exceeding expectations.

11 At the same time, we want to make
12 sure that the key implementation issues which
13 will be front and center for this next phase
14 of work, that we're identifying those and
15 getting your feedback on how we navigate those
16 issues and make sure that we have good
17 execution.

18 And then third, we're going to be
19 sort of looking forward to where do we want to
20 be in March, which is our next meeting, in
21 terms of going beyond the pilots, the pilots
22 being in good shape so we can start

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1 government-wide rollout. And so, setting key
2 goals and targets for each project as to where
3 we want to be in March so that we can continue
4 the momentum into 2012 as we also begin to
5 take on new topics like in the next meeting.

6 So with that, let me hand it to
7 Steven. The other Steve. All right. Steve
8 is going to navigate the next hour or so.

9 Do you want to run the intros of
10 everybody at the table, just sort of name and
11 serial number?

12 MR. BROCKELMAN: Yes, Bernie, do you
13 want to start in the back? And then we'll
14 jump up -

15 MR. MAZER: Bernie Mazer, CIO for
16 Department of Interior.

17 MR. KAPPOS: Dave Kappos, Patent and
18 Trademark Office.

19 MR. OWENS: John Owens, CIO. I work
20 for David in the US PTO.

21 MR. HAYES: I'm David Hayes, the
22 Deputy Secretary of Interior.

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1 MR. MILLER: Tony Miller, Deputy
2 Secretary of Education.

3 MR. HARRIS: Dan Harris, CIO with
4 Education.

5 MR. GOULD: Scott Gould, Deputy at
6 VA.

7 MR. BAKER: Roger Baker, Assistant
8 Secretary at VA.

9 CHAIRMAN ZIENTS: Let me just do one
10 second on Dave in the Patent Office.
11 Obviously, a very important part of government
12 for creating jobs and maintaining our
13 competitive global advantage.

14 Dave came from IBM where he was for
15 about seven or eight years. It's another
16 story of someone who we're really lucky to
17 have leading the Agency.

18 And the Patent Office has been
19 plagued by backlogs. Dave has more than begun
20 a turnaround. And it's seen in the data, in
21 the operations, and the Patent Bill which
22 recently passed only enhances his efforts.

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1 So, I think this is the first time,
2 Dave, you've been at the table with this team.
3 I wanted to introduce you as just the type of
4 person we want in government and the kind of
5 results we're looking for government-wide.

6 All right. Sorry. Okay.

7 MR. VANROEKEL: Great. Thank you.
8 We're going to talk a little bit about the IT
9 initiatives and things. I'll start the slide
10 really by first thanking you for hosting us at
11 many of your companies.

12 I personally was out at the Adobe
13 and Symantec visits in the Valley last week.
14 And it was really refreshing to sit and not
15 only hear about the great efforts going on in
16 the private sector, but also the visibility
17 we're able to shine into the overlap and how
18 the applicability of what's going on in your
19 excellent organizations can be applied to the
20 model that is government. So, thank you for
21 that.

22 The efforts around vendor

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1 management organizations and investment review
2 boards as all of you have suggested to us,
3 very much align with our priorities to do more
4 with less.

5 We have an imperative to really
6 drive a lot of value for the American people
7 by doing that on a flat or declining budget,
8 and I think these are great mechanisms to
9 really cull savings across the government to
10 reinvest into IT and other strategic
11 priorities.

12 I'm not going to spend a lot of
13 time here. I want to quickly jump over to the
14 agencies we're going to hear from about their
15 efforts to pilot VMOs and IRBs in government.

16 And after we hear from the
17 agencies, we'll loop back. We've come up with
18 a few follow-up questions for all of you to
19 kind of lead the discussion around things that
20 we sort of saw and heard on our site visits.

21 And then we'll close with next
22 steps. So, I'll talk a little bit about what

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1 we're going to do after that.

2 So with that, I'll hand it off to
3 our friends at VA.

4 MR. BAKER: Great. So, covering
5 this fairly quickly, the VA IT organization is
6 about three billion dollars annual budget.
7 About two-thirds of that is spent with the
8 private sector. More than 2,000 contract
9 actions every year.

10 We've had our Vendor Management
11 Office not doing what you'd consider from a
12 private sector standpoint to be vendor
13 management.

14 We had hired a senior executive for
15 acquisition strategy. Exactly the same
16 philosophy. How do we get more out of doing a
17 better job with the way we partner with our
18 private sector folks?

19 The PMAB work, the VMO work has
20 been very informative and very useful for head
21 of acquisition strategy in looking at how do
22 we move this ahead.

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1 We've got a plan for the next six
2 months, and it really involves better linking
3 what we're doing with the folks we're
4 contracting with and how they're tying into
5 what we're spending and the results we're
6 getting from that spend inside of our
7 organization and better understand that, tying
8 in with our acquisitions folks to do that.

9 I think if you look here at the
10 bottom of this slide, you'll see that there
11 are databases that exist, but they're kind of
12 separate.

13 Who we contract with and how we
14 contract with them has been different from
15 what are we getting out of that and what are
16 we spending. We really have to marry that up
17 and view the private sector as more of an
18 asset, a managed asset, in the way we're
19 delivering things.

20 So, probably a quick summary. Let
21 me, Scott, with that, turn it back to you.

22 MR. GOULD: Great. So, IT vendor

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1 management obviously in a broader context, we
2 also created a BAAA, an acquisition academy
3 that we use to train our folks to be more
4 effective in that partnership with the private
5 sector.

6 We trained and certified 500
7 program managers in the last two years.
8 Another 700 come online fully certified in
9 fiscal year `12.

10 We also run a supplier relationship
11 transformation initiative that involves 20,000
12 of our commercial providers in a survey every
13 year. So, we're listening. How can we work
14 this relationship more effectively?

15 We now require for every job over a
16 million dollars, our government and vendor
17 team to sit down together and go through
18 training. Do we understand the requirements?
19 What are the rules of the road? Meet
20 everybody and kind of do that team building
21 that's so critical.

22 And then finally, Roger and I work

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1 an operations review process designed to drive
2 a two in a box philosophy, our IT lead, the
3 internal program manager and all of the
4 support functions around him to make sure that
5 we're achieving our milestones using agile
6 development approach. So, just very quickly I
7 kind of -- it's definitely a team.

8 I would tell any person around this
9 table the story of how we recruited what I
10 think is the best CIO in government.

11 Jeff, if you'd give me a minute,
12 I'll describe how we did it.

13 CHAIRMAN ZIENTS: Please.

14 MR. GOULD: The first time Roger and
15 I ever worked together was at Commerce. We
16 decided we needed skills like you all have at
17 that time in the mid '90s, and we went out and
18 hired a headhunter.

19 Went out and got 80 plus
20 applicants, screened the 12 in an interview,
21 and sat down and this guy popped to the top.

22 So, I go to my boss, who was then

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1 Bill Daley, now currently White House Chief of
2 Staff, and I go, sir, this guy is a leader,
3 he's going to be able to make change happen,
4 I'm not sure we can get him.

5 He goes, I have an idea.

6 Two days later on Saturday, Roger
7 is out in his back yard grilling. His wife
8 leans out the back door and says, Air Force
9 One is calling, Secretary Daley is on the
10 line, will you take the call?

11 (Laughter.)

12 MR. GOULD: And the answer is, yes.

13 MR. BAKER: He was on his way to
14 China with the President at the time. I
15 thought if you want your name discussed,
16 that's probably a good area and place to have
17 your name discussed.

18 (Laughter.)

19 MR. GOULD: I thought you'd
20 appreciate the story. It's just really hard
21 to get great people. Roger is one of them.
22 He's back in now for a second tour.

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1 CHAIRMAN ZIENTS: Thank you, Scott.

2 MR. GOULD: You bet.

3 MR. VANROEKEL: Okay. Our friends
4 at PTO.

5 MR. KAPPOS: Okay. Well, Steve,
6 thanks. I don't have as fun a story as Scott,
7 but I'll start off by saying that my CIO,
8 John, himself has a long career in the private
9 sector. So, it's sort of a similar -- or
10 possibly someone has gone in there and talked
11 about from time to time the need to get the
12 private sector sinking into the government
13 relative especially to IT-related decisions.

14 So, relative to the VMO project
15 like VA, US PTO had a VMO before this project
16 came along, but we saw the project as an
17 opportunity to turn it up many notches.
18 Indeed the project has turned out to be
19 exactly that.

20 So, we participated in site visits.
21 And I think it's fair to say we've learned a
22 lot. And we're turning our VMO office into a

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1 much more central focal point of our IT
2 transformation efforts and management of our
3 business of IT services.

4 We are making some progress right
5 now with the staffing, learning from the site
6 visits and best practices that you've been
7 exposed to as part of this effort centralizing
8 some of our purchasing -- actually, all of our
9 IT purchasing dealing with much more robust
10 cost estimation processes that are so central
11 to getting it right costwise on IT.

12 We've learned some valuable
13 lessons, including some really important ones
14 from this project. The criticality of
15 oversight and feedback of vendors on
16 essentially like a day-by-day kind of basis,
17 like a continuous realtime basis, this goes to
18 Scott's point also.

19 So, you have to treat vendors more
20 like a team. More like a team effort, but
21 other approaches that we're using that are
22 creating much more of a collaborative

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1 environment around the new relationships.
2 Something that doesn't come that easily to the
3 government, but this project is giving us, in
4 my view, a lot of cover, frankly, a lot of
5 impetus to do that. So, we're getting much
6 better visibility into the vendor management
7 process.

8 We are viewing our portfolio now in
9 a much more holistic way using the VMO process
10 and looking at it as a tool for future
11 development of our IT initiatives. Something
12 that, frankly, I don't think was in our DNA
13 before this project came along. And this is
14 one of the things that we've learned.

15 So, we're working on a number of
16 projects. You're looking at a six to 12-month
17 timeline working on currently putting in place
18 a dashboard-driven, so a very metrics-driven
19 approach to vendor performance reviews so they
20 can see what we're measuring. We can talk to
21 them about what we're measuring.

22 There's no hidden agendas. We're

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1 all on the same page. And we all know that
2 things are going well.

3 And if they're not going well,
4 we're using the agile methodology quite
5 centrally at PTO all across the board now.
6 It's working really well.

7 Every time I go into a meeting,
8 everyone is there. If something is going
9 wrong, it's going wrong early. We all know
10 about it. We fix it before we spend a lot of
11 money. It all becomes an equal part of this
12 process.

13 The last thing I'll say is that in
14 terms of what we're working on now, having
15 more rigorous management of vendor skills and
16 resources is another thing, but we just didn't
17 have -- before John came to PTO, we really
18 didn't have a good understanding of what our
19 vendor skills were. We sort of assumed that
20 they had the skills to do things, and we
21 didn't really know.

22 We're now managing those skills and

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1 resources way out over the horizon trying to
2 understand who's got the skills we need, how
3 do we help them encourage them to develop the
4 skills that we need so that when we need a
5 service, they're able to provide them to us.

6 So, we've learned a lot, we've got
7 a lot of work to do, but we're actually very
8 pleased to be part of this project.

9 CHAIRMAN ZIENTS: I just wanted to
10 say we're doing four different pilots, a quick
11 update, and then two, and each team is going
12 to take us now to the review boards.

13 MR. VANROEKEL: That's right.

14 CHAIRMAN ZIENTS: And then we'll
15 open this up for discussion, because we found
16 common implementation challenges across all
17 four pilots.

18 MR. VANROEKEL: That's right. And
19 part of our next steps discussion is going to
20 be how to scale this across government. And
21 so, we'll get to that as well.

22 Education.

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1 MR. HARRIS: Sure. Tony is going to
2 talk more about lessons learned. I'll give
3 you kind of a 30,000-foot view of the
4 Department of Education.

5 The annual budget, a little over
6 \$65 billion. 500 million of that IT spend.
7 But I think what's relevant about that 500
8 million is that we are probably at a 17
9 percent D&E as opposed to having 34, which we
10 saw at some of the other private sector
11 organizations, and that's what we're trying to
12 get at.

13 CHAIRMAN ZIENTS: What's D&E?

14 MR. HARRIS: It's our new spend.
15 Our new IT spend versus O&M.

16 CHAIRMAN ZIENTS: So, delivering new
17 capabilities as opposed to --

18 MR. HARRIS: Exactly. So, as we
19 talk about IT investment and you look at the
20 fact that a very tiny portion of our IT spend
21 is actually in innovation, it makes you wonder
22 is it really IT? Is it really investment?

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1 And so, that's something you can
2 try to --

3 CHAIRMAN ZIENTS: And it begs the
4 question of whether, I mean, clearly there's
5 tight budgets. Does it beg the question of
6 whether you can squeeze more money out of the
7 O&M?

8 MR. MILLER: That's been our focus
9 of the IRB. That's what we're trying to
10 accomplish.

11 MR. HARRIS: Exactly. So, I'll
12 turn it over to Tony.

13 MR. MILLER: Well, I think
14 specifically some of the things we learned in
15 doing that; one is setting the goal of the
16 real explicit objective to shift more to
17 innovation of new projects and to be -- and
18 that's related to the strategic decision made
19 top-down.

20 Two, I think it was very
21 interesting is that the description of IT
22 projects in terms of business value, right,

1 which I think is very interesting, how we do
2 that in education, I think, is our challenge
3 and that's going to be one of our next steps.

4 But you could say, okay, does it --
5 to what degree does this link to increased
6 price capture, increased customer retention,
7 increased new customer acquisition?

8 Like, we're looking into the
9 economic business drivers is what we saw in
10 some of our lessons learned, which really
11 helps you then identify and prioritize the
12 value.

13 And importantly with that was they
14 actually linked it back into budgeting and
15 made it a closed loop.

16 So, to the degree that this was
17 really supposed to increase customer
18 retention, then that moved to the sales and
19 marketing groups. And so, then it got raked
20 into their budget, improved productivity got
21 raked into the operating components budget.

22 So, they really created a

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1 partnership between your IT portfolio
2 management and your line operations. And it
3 was that kind of discipline with strategic
4 direction at the top combined with linking
5 real business values to help prioritize within
6 a closed loop accountability system that I
7 thought was pretty compelling, significant
8 implications for changes we could make.

9 MR. VANROEKEL: Interior.

10 MR. HAYES: Thanks. As you know,
11 Interior is an interesting agency. We're more
12 of a people agency than a grant agency. We
13 have 70,000 employees, and only a \$10 billion
14 budget, because we're out there servicing the
15 400 million visits to our public lands that we
16 manage over 500 million acres, including all
17 the parks, etcetera.

18 We also service the energy
19 industry. A third of our domestic oil and
20 gas. So, we have customers in industry as
21 well, as well as the wildlife community,
22 etcetera.

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1 We have been spending a billion of
2 our \$11 billion on IT. So, we had work to do.
3 And --

4 CHAIRMAN ZIENTS: Would you define
5 your server ratio?

6 MR. HAYES: Yes. One server for
7 every seven employees. Pretty good, huh?
8 Interestingly, it's interesting to hear the
9 stories about the CIOs, we had a CIO when we
10 came in that was well regarded. And he had a
11 plan. And his plan was to revamp everything.

12 Of course it was going to cost
13 another half a billion dollars. And when the
14 T-shirts came out and the half a billion
15 dollars came out, we made a change. We got
16 Bernie Mazer over here who we pulled from our
17 culture. He was the CIO for the Fish and
18 Wildlife Service, which is a 10,000-employee
19 unit of our agency. So, we -- but he's
20 outstanding.

21 That is a terrible thing to say,
22 but, I mean, he's part of our culture. And

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1 that's been an enormous help, to be honest, to
2 have somebody who understands our culture.

3 Let me just say of our piece here,
4 our pilot has been focusing on how we do
5 reviews of our major projects. And I want to
6 thank you all for the site visits we have
7 done, because they have helped to give us
8 confidence that we're doing the right thing.
9 They've reinforced the thinking that we have,
10 and has provided a real ability for us to do
11 some benchmarking.

12 We have created a shadow to what
13 OMB started with, with their review projects.
14 The iStat project is our version of it.

15 As you noted in the slides, we've
16 already cancelled a couple of very large
17 projects. And over the next 12 months, we are
18 so excited about this that we're going to take
19 all 48 of our major IT projects, including the
20 ones that have just green lights on them, and
21 run through the process. Because we're
22 finding that through this process not only do

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1 we find problems in terms of administration of
2 the contracts, but probably more importantly,
3 and this is something that's really come
4 through from our discussions with you all,
5 we're finding projects that don't really line
6 up with our priorities.

7 Now, you guys have your business
8 priorities, and there's a little bit of a
9 difference for us. We've got -- but we have
10 our business priorities too. It's a little
11 bit more of a social ROI, if you will.

12 But with the Secretary's
13 priorities, the President's priorities, we're
14 finding many of our projects are just sort of
15 legacy. And we're running fine, but clearly
16 we still need them. So, we're excited about
17 that.

18 We also, I would say, we went to
19 Adobe/Symantec. Thank you, Enrique, for your
20 hospitality. We also went to Aetna. We're
21 going next week down to Tampa to OSI
22 Restaurants.

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1 We got very good insights. It's
2 just a couple of quick insights in terms of
3 Symantec. And the vendor management side has
4 been a big problem for us because we are so
5 decentralized.

6 And there is a tendency to sort of
7 bureaucratize the discipline that you want to
8 get in vendor management. And we got the
9 insight, don't confuse discipline with
10 bureaucracy. Keep it simple and informal,
11 which is really kind of the Interior way.

12 And that's working very well, we're
13 having a lot of conversations as opposed to
14 creating new structures and that sort of
15 thing.

16 So, you can see what our plan is
17 over the next year. We are organizing our
18 portfolio by business lines per what we're
19 learning from you. We're putting in charge
20 the business managers.

21 For example, we have a big law
22 enforcement section both for our Indian lands

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1 and for our park lands, and we've got a lot of
2 IT under that.

3 We're going to put our head law
4 enforcement person in front in charge of that
5 of looking to see how our IT is matching up
6 with her needs as overseeing all of our law
7 enforcement activities.

8 And then we're doing dashboarding
9 big time. We're going to create a new
10 contracting Center of Excellence and build up
11 the vendor management as the other departments
12 have talked about.

13 And as I mentioned at the end,
14 we're going to do these iStat performance
15 reviews on all of our major projects. So,
16 thank you very much. This has been
17 extraordinarily helpful for us at Interior.

18 MR. VANROEKEL: Thank you, everyone,
19 for your discussion there. And after the site
20 visits and after sort of examining those in
21 government who have done little to nothing on
22 IRBs and VMOs, to some of the agencies that

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1 had a bit of forward momentum and were seizing
2 on the site visits to make those even better,
3 we huddled and came up with a few questions to
4 sort of lead off a discussion with all of you.

5 I'm happy to depart from these as
6 well if there's an area you want to dive into
7 from what you heard, but one of the big things
8 we sort of struggled with in, I think, in sort
9 of analyzing what we were doing and looking at
10 what you all were doing, was really around
11 risk-taking and how do we sort of foster that
12 environment of risk-taking since so much of
13 what I think we learned about sort of big
14 investments versus small investments, what we
15 learned about the ability for people to kind
16 of raise things up to a review board and pull
17 those in, was a lot about risk, fostering an
18 environment where federal employees feel good
19 about sort of sticking their neck out, not
20 afraid of failure.

21 We'd love to get some perspectives
22 on risk management and how do you foster risk-

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1 taking in your organizations. I don't know if
2 you want to talk about that now or you can go
3 through all the questions, too, and kind of
4 wrap them all up into a set of discussions.

5 CHAIRMAN ZIENTS: Why don't we race
6 through them, and then we can just let the
7 conversation --

8 MR. VANROEKEL: Great. So, the
9 second one was about functional -- cooperation
10 between functions.

11 What we noticed in our site visits
12 were there was a lot of coordination across
13 different disciplines. The IRB was well
14 represented across the organization. For
15 example, vendor management kind of bridged
16 between business strategy and technical
17 implementation and all of that.

18 So, we'd love some pointers and
19 advice on effective IT management and
20 fostering that cooperation to get that
21 management.

22 The third was around trade-offs.

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1 Making trade-offs we sort of bridged the
2 discussion with Education around how much of
3 our investments are new investments for new
4 functionality, how much is for maintaining
5 old.

6 We in government don't track
7 depreciation as part of that pie. And so I'd
8 love some, maybe, perspective on that since
9 maybe we should given the legacy
10 infrastructure we have and inspiring to clean
11 out that legacy infrastructure in the pursuit
12 of forward progress, but would love to get
13 perspective on that.

14 I know you've been involved in PMAB
15 for a while. So, through the lens of the
16 government where we don't have necessarily
17 shareholders, in the same sense we don't have
18 a stock price to look after or a profit
19 margin, how do you translate those trade-offs
20 in a way that you've maybe thought applicable
21 to government.

22 And then the last part of this,

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1 we'd love to know your involvement in these
2 processes. How often are you involved as the
3 senior leader? Is it often? Is it not very
4 often? If not very often, what mandate and
5 resources do you typically put forward to help
6 engage on this?

7 MR. WILLIAMS: That's a lot of good
8 questions.

9 (Laughter.)

10 MR. WILLIAMS: I think let me start
11 out with this whole question of reporting
12 problems and challenges.

13 I think at the root of all of this
14 is really the establishment of a set of
15 leadership expectations for the organization.

16 For example, we have a norm that
17 says that the fastest way to get into trouble
18 in the organization, is a failure to report
19 bad news early and personally.

20 So, any executive who has a series
21 of direct reports, that direct report's
22 failure to report bad news and having that bad

1 news come from someone else, some other part
2 of the organization, is viewed as a major
3 infraction and failure in that executive
4 fulfilling their obligation to the
5 organization.

6 That's a norm. Fits the behavior.
7 And over time, what you find is people begin
8 to service what's called early alerts. This
9 hasn't gone bad yet, but it might. And I want
10 to make certain I give the bad news to you.

11 So, you really go from chasing
12 problems, to being in a position to scan
13 potential problems.

14 I think a lot of the issues that
15 you're raising are really going to center
16 around norms. I think you have to think about
17 what does the organization recognize and
18 celebrate in clarity of thought around good
19 ideas that don't work, versus poor execution
20 and omission of rigor of clarity of thought,
21 that the big challenge is risk-taking isn't a
22 blank check to execute things that are poorly

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1 thought out, poorly conceived and poorly
2 executed.

3 So, what you have to do is give
4 people a minimum model of what represents good
5 risk-taking. And then as you find and
6 identify people who are willing to do that,
7 you have to celebrate and recognize the fact
8 that we tried, we all thought it would work,
9 it didn't work, that's a good thing.

10 Success is often the progressive
11 elimination of failure.

12 MR. BROWN: I think just to add to
13 Ron's point of view, we're doing a better job
14 of that. And maybe in the broader context of
15 IT in terms of risk-taking, I think that we've
16 gone through some things a month ago where we
17 were in trouble, had a major omission.

18 So, I said let's everybody get
19 together, and I had three direct reports that
20 were responsible.

21 So, I said I'd like your teams to
22 come in. You can't say anything. You're not

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1 allowed to talk.

2 And so, we had a room about this
3 size people. And I said there's just three
4 things. What happened? What did we learn?
5 And what are we going to do differently to get
6 better?

7 And I think when they realize and
8 see that it's not a butt-kicking or a punitive
9 thing, that we really organizationally,
10 institutionally just want to identify and do a
11 diagnostic of what happened, saying it's one
12 thing and doing it, but you've got to always
13 reinforce it until people feel a little bit
14 more comfortable. And it's always a journey.

15 So, in terms of risk-taking -- and
16 I also like to whenever possible point out
17 personally without embarrassing anybody other
18 than myself, the mistakes that I've made and
19 what I've learned and how do we mediate.

20 Because I think if you do that and
21 you show a level of vulnerability and
22 authenticity, it's easier to follow.

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1 MS. LEE: I would just add onto
2 that, I think, and Greg made several important
3 points, as did Ron, but in terms of risk-
4 taking, in addition to rewarding people when
5 they do well, and in my business, technology,
6 not just IT technology, but technology in
7 general, changes so quickly that you have to
8 stay current and you have to understand what's
9 going on in that area, especially in the
10 digital area.

11 But I think as a leader, to make it
12 a point to the executives that you lead, that
13 when something does go wrong, you're not going
14 to play the blame game.

15 We know that when you do sit down
16 and try to analyze what went wrong, you don't
17 want people pointing the fingers at each other
18 because I think that reduces the risk-taking.
19 Because people are concerned that if something
20 goes wrong, they're going to be hung out to
21 dry.

22 So, it's very important to create a

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1 team atmosphere where you can talk about
2 problems and talk about what went wrong
3 without people feeling like someone has to
4 take the blame.

5 It's important to talk about how
6 you do it better, but it's important to let
7 executives feel they have the freedom to try.

8 And unless they did something like
9 not face up to a problem when it happened or
10 not tell you about something or do something
11 ethically wrong, that as the leader you will
12 support them.

13 MR. VANROEKEL: So, I heard the no-
14 surprises policy. That's great. I heard the
15 sort of celebrate smart risk-taking and all
16 that.

17 Do you have procedures to scale
18 across a larger organization besides just
19 getting your senior leaders in a room? Do you
20 scale learning from risk-taking? Is there a
21 best practices portal in your organizations?
22 Are there other things like that?

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1 Thinking from my perspective, 2.65
2 million civilian employees in the federal
3 government, you know, staring across that sort
4 of landscape and getting best practices out
5 there would be an interesting thing to hear in
6 your size organization.

7 MS. McGOVERN: I was just going to
8 make the observation that you're talking about
9 scaling a culture change. So, it isn't the
10 same as let's share best practices and what
11 works and what didn't work. You're trying to
12 foster a culture change of risk-taking.

13 And there's a lot that you can do
14 at an executive table. But at the end of the
15 day, it's whether it cascades down.

16 And my guess is, and I'm making all
17 kinds of presumptions about the culture here,
18 but my guess is that there's probably a lot of
19 passive-resistance in the grass roots. And a
20 lot of the senior people may be appointed, and
21 they just sort of hunker down and wait until
22 the next person comes in and violently

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1 agreeing around the table. And then trying to
2 say, okay, we've all decided we're going to be
3 a risk-taking culture, so everybody go do it.
4 I think it's got to start from the bottom up,
5 actually.

6 So, I don't know if it's about
7 creating a portal or creating environment
8 around the senior team. It's also inspection.
9 Is it cascading down? Do people know it's
10 okay to do this? And sending some of the
11 senior leaders out into the lower levels of
12 the organization and see what's going on,
13 because this is like major surgery, trying to
14 change a culture.

15 And just yelling, okay, everybody,
16 take risks, there could be a lot of unintended
17 consequences if you do that too.

18 So, in terms of sharing a best
19 practice, it's a tricky thing. It's like I
20 made this spectacular mistake and no one
21 yelled at me. I mean, that's kind of a hard
22 thing to scale up.

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1 MR. VANROEKEL: Are there tactics
2 that you employ to lower risk surface?

3 In the federal government, for
4 example, IT traditionally has been these big
5 monolithic systems that the risk surface is
6 tremendous.

7 I mean, hundreds of millions of
8 dollars spent on projects that fail. And you
9 just have to walk away from the sunk costs.

10 Are there things you do to kind of
11 scope that in?

12 MR. SALEM: Well, you mentioned a
13 number of things. I heard people talking
14 about agile process. I mean, at the end of
15 the day it's having the right scope, short
16 enough time frame with measurable results.

17 And the question, and Gail used the
18 word "inspection," is did we have real
19 inspection of each of those milestones.

20 See, I think what happens is people
21 get to the milestone, they're about 98 percent
22 successful or 90 percent successful and they

1 get the check mark. Okay, that's good enough.

2 That's not good enough. I think
3 that you have to inspect it to short enough
4 scope, short enough time frame and you hit a
5 hundred percent. Because what happens is if
6 you don't hit a hundred percent, you let it
7 through. Now, you're always catching up.

8 And so, the inspection at that
9 milestone, we think, is critical. And that's
10 one risk reduction approach that we take.

11 MR. WILLIAMS: I think a couple of
12 other points, I couldn't agree more, would be
13 the notion of this being a milestone. First
14 you round from 98 to a hundred. Then you
15 round from 95 to a hundred. Pretty soon 90
16 percent is --

17 MR. SALEM: Exactly.

18 MR. WILLIAMS: And so, that level of
19 real rigor and adherence, partly because
20 acknowledging the miss is fundamentally
21 alarming, because only then do you ask
22 yourself what should we have done to get the

1 other ten percent. So, that is fundamental.

2 I think the other thing, and this
3 has been applied in not so much the IT domain,
4 but establishing what are the innovative
5 projects that represent this cycle of
6 innovation, if you will, and then publicizing
7 the teams associated with that and the outcome
8 of those projects.

9 People will often judge much more
10 of what happens to the individuals involved in
11 all the things we tell them. And so, the
12 people who have huge successes, very good
13 things happen to them. And to people whose
14 projects weren't successful, nothing bad
15 happens to them. That's probably one of the
16 most important, powerful signals that you can
17 give to the organization, again assuming that
18 you have the execution.

19 MR. SALEM: Can I make just one more
20 comment about these projects?

21 I think you got to know what are
22 the critical, few projects that really make

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1 the difference to the business and that
2 somebody used the word "prioritization."

3 And then the question is, do you
4 put your best talent on those projects? Do
5 you go out and say if this is the most
6 critical project, did I find the right people
7 to put on that project, because it is the most
8 critical? And sometimes we find that that
9 doesn't happen.

10 First, you got to be clear on which
11 are the most critical. And, second, you don't
12 put your best talent.

13 CHAIRMAN ZIENTS: So to that point I
14 was struck by that, Dave, I think you
15 mentioned 48.

16 MR. SALEM: 48?

17 CHAIRMAN ZIENTS: Yes, that's a lot.

18 MR. SALEM: That's a lot.

19 CHAIRMAN ZIENTS: I mean, you're a
20 \$10 billion enterprise spending a billion
21 dollars, right, on IT? Who's roughly that
22 size?

1 MR. SALEM: We're smaller.

2 CHAIRMAN ZIENTS: But you're in the
3 zone. How many projects would you think of as
4 your key projects?

5 Now, you've got a big, sprawling
6 enterprise, but --

7 MR. BROWN: Three or less.

8 MR. WILLIAMS: I was going to say
9 three.

10 MR. BROCKELMAN: So, those are the
11 projects where you want people to red flag
12 you, but there's probably a threshold where
13 you probably need to leave it to the CIO in
14 your organization to worry about it, because
15 your time is constrained, right?

16 MR. WILLIAMS: Well, the business
17 executives and the CIO. Because even though
18 they don't arise to being an enterprise-wide
19 initiative and critical, some business
20 somewhere is depending on that functionality
21 to meet the business objectives.

22 MR. VANROEKEL: Scott, how many do

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1 you think of as key?

2 MR. GOULD: Total number of
3 projects, been through that list a hundred
4 times.

5 Roger, what would you say it is?

6 MR. BAKER: Well, I said high
7 priority --

8 MR. GOULD: We focus on 16 major
9 initiatives. IT is a companion in --

10 MR. BAKER: About 130 ongoing IT
11 projects as part of the 16 major initiatives.

12 MR. SALEM: Let me just make a
13 slight comment. 16 projects sounds reasonable
14 for the amount of work you're doing.

15 I'm saying what's critical for your
16 success? 16 sounds very reasonable. But
17 probably if one of those doesn't go well, the
18 VA still functions, but what's that project
19 that is going to make VA that much more
20 effective and efficient and if it doesn't
21 happen, it's going to be harder to run the
22 day-to-day operations?

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1 How do you get that 16 to be --
2 like, I'll give you an example for us. We're
3 going to convert our RP system. We're going
4 from one version of the RP system to another.
5 It will touch everything in the company.

6 Getting the right people and the
7 focus across the business is critical. If
8 that goes badly, customers will have a
9 problem, our employees will have a problem,
10 and so that is critical.

11 And so the question is, what are
12 those smaller number projects?

13 MR. BAKER: It's interesting because
14 I think smaller number, but much larger
15 things.

16 So, at the Secretary's level, I
17 think that you'd say there are three from a VA
18 perspective. And that's what does he expect
19 the organization spending its entire time on
20 making sure are successful?

21 That then translates into, if you
22 will, 16 at Scott's level, 130 at my level,

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1 but there are three things.

2 CHAIRMAN ZIENTS: The second thing
3 he said, I think, was the moving of the
4 talent.

5 Do we, in government, move talent
6 to less important projects?

7 MR. VANROEKEL: Here. I'm not sure
8 that is applicable everywhere.

9 CHAIRMAN ZIENTS: Well, everyone at
10 the table is leading edge on this definition.

11 MR. BAKER: Certainly at VA, I mean,
12 Scott and I have had this discussion before.
13 We have projects that we have to talk about
14 not having the right staff on.

15 And as I pointed out to him, you
16 notice that's never our fix-the-benefits-
17 backlog project. That always has adequate
18 staffing and the best staffing. So, there's a
19 prioritization or a pecking order that goes on
20 in those things.

21 And, frankly, and I'm sure you guys
22 all know this, if I'm going to get -- if the

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1 benefits project were to not succeed for some
2 reason, I would --

3 CHAIRMAN ZIENTS: Describe what it
4 is.

5 MR. BAKER: Oh, I'm sorry. So, we
6 are completely automating the process of
7 adjudicating veterans benefits. We have a
8 tremendous backlog in that area right now
9 because it's very paper-bound.

10 CHAIRMAN ZIENTS: 160, 170 days
11 backlog?

12 MR. BAKER: That would be very kind
13 right now, yes.

14 CHAIRMAN ZIENTS: Worse?

15 MR. BAKER: Yes. 800,000 in queue
16 to process. And from my standpoint, the one
17 that will have me sitting in front of the
18 Secretary explaining why something went wrong
19 is something at that level. There are others
20 that we pay attention to. I think to the
21 point you've got, we pay attention to them,
22 but you have those that you just know the

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1 whole organization has to be focused on.

2 MR. HAYES: Can I throw in a thought
3 here? I think we're talking about the scale-
4 up problem, right? And I think the fact that
5 we have such a large number of projects we
6 want to put through the iStat program tells
7 us, and it's true, that we at the top don't
8 have good visibility into what all of our
9 critical systems are.

10 Now, we know there are -- we know
11 about some of the critical systems. There are
12 trust fund management programs, there are
13 financial system programs that we're working
14 on, but I'm sure there are others in these 48
15 that we don't know.

16 And I think that's part of the
17 scale-up challenge that we have, which is to
18 create the discipline so that all the
19 departments undertake this exercise. Because
20 otherwise, IT is not in the federal
21 government, at least, I think, in many
22 departments, seen as such a core business

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1 practice as you all have understood it to be.

2 And it's been seen more as a
3 service function as opposed to an enabler to
4 push your initiatives forward. And this
5 exercise, I think, is changing that dynamics.

6 MS. McGOVERN: But the irony is
7 that, given that, you're probably spending
8 more on it than less.

9 MR. HAYES: Yes.

10 MS. McGOVERN: Because since it's
11 not getting inspection, since there's a huge
12 amount of legacy systems here that just
13 require an army to keep running, your balance
14 of innovation gets smaller and smaller.

15 And if you just said, okay, these
16 are the five projects that really matter, that
17 really matter, and anyone else that's working
18 on the rest of this stuff, we need to start
19 redeploying you.

20 I mean, part of this is tiny,
21 incremental mission creep on each of your
22 legacy systems that has just become the price

1 of running your IT shops.

2 And to just say, okay, freeze,
3 freeze, we're not buying any more servers,
4 we're just freezing and then we're going to
5 take these top projects, we're going to get
6 senior leadership to focus on it, it seems
7 like you've actually reduced your budgets at
8 the same time.

9 MR. SALEM: Two comments to follow
10 up on what Gail just said in this notion of
11 where you are on net new versus existing.

12 One of the questions there is
13 always every year our CIO gets asked - he
14 comes in the room and we talk about next year,
15 and it's always ten to 15 percent efficiency
16 on the core. I mean, he's got to produce ten
17 to 15 percent, and it's not a surprise.

18 CHAIRMAN ZIENTS: Ten to 15 percent
19 being what?

20 MR. SALEM: In dollars. Ten to 15
21 percent less.

22 MR. BAKER: For the same service

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1 level.

2 MR. SALEM: For the same service
3 level and in the core.

4 CHAIRMAN ZIENTS: Including these
5 legacy operations and --

6 MR. SALEM: So, he's got to do that
7 and that's not a surprise. He knows he's
8 going to have to do that. And so, he's
9 thinking about it all year long and so we're
10 actually compounding the other way is where -
11 I guess as we're not reducing, we're adding.

12 MR. VANROEKEL: The core gets bigger
13 and new development gets --

14 MR. MILLER: And if you have
15 contracted services, the contracts don't
16 extract that. For ever contract that doesn't
17 make 15 percent year-over-year reduction. And
18 so, then you get locked in.

19 MR. SALEM: And so, what happens
20 then is some of that money will go back to IT
21 for what are the new innovations and some of
22 it may get redistributed. So, that's one

1 concept.

2 The second concept that came up in
3 the discussions was the notion of dashboarding
4 and some of the process.

5 The next question I would ask you
6 is, what actions are you going to take based
7 on what you see on that dashboard? Because
8 what we see often times is, and this happens
9 at our own company, that's where it gets put
10 up. People look at the red, yellow, greens
11 and see what's going on. And then they don't
12 know what action to take.

13 And I think the next thing you want
14 to think about with the dashboarding process
15 we're putting in place is, so once you see --
16 how will you take action, what are the changes
17 you will make, and that has to become a
18 discipline that has to be learned in the
19 organization because it's almost -- it's too
20 easy to say, okay, you decide if it's a
21 yellow, it's okay.

22 And, by the way, the other thing, I

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1 mean, Ron started with it and Greg continued,
2 the accuracy of what that dashboard really
3 says is critical.

4 So, the two things. Accuracy in
5 reporting, and what you do.

6 MR. GILLILAND: I'd just add to that
7 the ten to 15 percent efficiency is, I guess,
8 what I kind of view as a blunt instrument they
9 use during the budgeting process, but a very
10 effective one.

11 And as I'm thinking about how much
12 - you said 17 percent is on new, and the rest
13 for operations. Well, I don't know what you
14 characterize as operations. I presume that's
15 technical -

16 (Simultaneous speaking.)

17 MR. SALEM: No, 60, 70 is running
18 existing. The 30 to 40 -- that would be 2X
19 what you owe.

20 MR. GILLILAND: Yes, that's right.

21 So, we just simply when we come to
22 the budget season, the blunt instrument is we

1 constrain spending on the maintenance and
2 operation duties. Constrain it and say you're
3 not going to spend over this amount.

4 And you're going to - you're going
5 to come in to us on maintenance items, as an
6 example, you're going to come in and describe
7 to us what it is beyond break-fix, beyond
8 break-fix types of issues that you are working
9 on that we really need to be spending this
10 money on, and what you find is there's a lot
11 of things that fall off the list as it relates
12 to maintenance when you really dig into it.

13 So, there's kind of a precision in
14 understanding what you're spending it on and
15 they're always big numbers, I mean, these are
16 huge numbers you're talking about, but
17 decision and understanding what you're
18 spending it on, because you typically will put
19 that stuff off to the side and say, well,
20 let's talk about the five really important
21 projects, and you really do need to do the
22 legwork on the stuff that's not as exciting,

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1 generally, to talk about.

2 MR. WILLIAMS: Yes, I agree with
3 that. I think you may find some of your
4 biggest productivity gains can come from
5 focusing on the maintenance end of the
6 development spectrum, because that's where the
7 systems are broken where they generally need
8 to work and that they may be generating
9 dysfunctional activity.

10 So, I think that's - the other
11 thing that's going to drive your maintenance
12 costs strategically is lack of architecture.
13 So, the development creates new environments
14 and creates inefficiencies.

15 And so, the question that I haven't
16 heard talked about is how do you think about
17 the architecture of the systems and so that
18 the development is supporting a simplified
19 architectural environment as opposed to
20 creating much more complexity.

21 MR. MAZER: In the Department of
22 Interior, what we are doing as David noted in

1 his -- we don't use the term architecture of
2 the department because that scares our
3 stakeholders, but we do use a term about
4 business maintenance.

5 And what we are doing, as he noted,
6 is our Deputy Assistant Secretary of business
7 domains is in charge of human resources,
8 financial management, procurement on all of
9 those activities, applications as well as
10 business processes.

11 We've got 38 major applications,
12 but we also have about 150 others. We will
13 never be able to truncate it down to 15 based
14 on what our mission is. We cover the American
15 landscape so that we won't have a need for
16 application for law enforcement, for logging
17 and fire, for energy and oil extraction, for
18 volcanic sensor and monitoring.

19 We run a lot of dams west of the
20 Mississippi. So, we have a system in all of
21 that.

22 What we're arguing is for an

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1 application rationalization in those areas.

2 MR. SALEM: I would tell you back to
3 the comment about the numbers of projects,
4 thought of something from Department of the
5 Interior, for example, since we're talking
6 about it, you've got different areas that have
7 their own IT functions.

8 So, I'm saying inside if you go to
9 wildlife, that's one of the areas, that's got
10 some small number of projects. That's not
11 what we're saying across all of the Department
12 of the Interior.

13 CHAIRMAN ZIENTS: They're a holding
14 company.

15 MR. SALEM: Yes, they're a holding
16 company in effect in some ways.

17 MR. MILLER: To what degree do you -
18 or do you - does your IT shops use ongoing
19 competitive benchmarking to ensure that you're
20 keeping track and how much is that embedded in
21 terms of the culture in your performance
22 capability assessment?

1 MR. SALEM: Absolutely. So, Gartner
2 has a lot of data and we tend to use them as -
3 - we just go to them. We get data from them
4 and every year we're benchmarking ourselves
5 against what they're saying are the best
6 practices.

7 The other thing is we look at it in
8 every aspect of our enterprise, not just IT.
9 And what we do is we don't try to think about
10 the - we don't pick it, let's say we want to
11 be like this company.

12 We want to be best in class in
13 every line item. So, we say who's the best in
14 R&D? How do we be as good as they are, or
15 better? And so, we kind of go through it.
16 So, benchmarking is pretty core.

17 The other thing I find where you're
18 really going to get the biggest savings is,
19 are we really clear what we're trying to get
20 done?

21 And then there's a comment here
22 about getting cross-function alignment. That

1 was one of the questions you asked. How do
2 you get cross-function alignment?

3 Ultimately, and I do think this
4 starts at the top, which is there's got to be
5 clarity on what the enterprise is trying to
6 do.

7 And what you can't tolerate is that
8 when you go into each function, they come up
9 with their own different set of what's
10 important to the enterprise.

11 And I see that over and over again
12 in our own company. I mean, we say this is
13 what we're going to go do, everybody is clear
14 that's where we're going. And then you go
15 inspect inside of one of the functional areas,
16 and they got their own set of things that are
17 suddenly important.

18 And you've got to root that out,
19 because that will cause the problem. And
20 everybody is going to be aligned on what the
21 top priorities are. And you can't tolerate
22 deviation. Zero tolerance.

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1 CHAIRMAN ZIENTS: Steven, we've got
2 about ten minutes. Then we'll leave a couple
3 minutes for you to wrap up and talk about
4 where we're heading.

5 Any questions that you want to
6 pivot toward for the final few minutes for
7 anyone at the table?

8 MR. VANROEKEL: I do want to talk
9 about sort of our next steps, too. So, maybe
10 we can jump to that.

11 CHAIRMAN ZIENTS: Why don't we -

12 MR. WILLIAMS: The same topic that
13 we have when we talked about before, and
14 that's the question of CEO involvement. I
15 think the leadership or the tone of leadership
16 says this is probably important. And I think
17 everyone is in a slightly different business.

18 In our business, I actually chair
19 an IT Steering Committee. And so, it was very
20 clear that we view this as a part of our
21 competitive strategy. This was not viewed as
22 an overhead or expense or cost center. This

1 was essential to achieving our business
2 mission.

3 And we had different levels in the
4 organization that met before it got to the
5 Steering Committee. But how the CEO signals
6 the importance and the discipline and the
7 rigor and the kind of adherence to cultural
8 norms is as extremely important -

9 CHAIRMAN ZIENTS: Is timeliness
10 taken into account?

11 MR. WILLIAMS: Well, the CIO is a
12 direct report to me. So, I met with her
13 regularly on a routine basis.

14 And then the Steering Committee met
15 about once a month. Sometimes every five
16 weeks or so. The meeting might be an hour and
17 a half. Two hours tops. And it was focused
18 on variances and the really critical issues -

19 CHAIRMAN ZIENTS: Enterprise
20 projects.

21 MR. WILLIAMS: Yes, what we call the
22 enterprise initiatives.

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1 The other thing that I think
2 Enrique is really referencing is that in
3 business, for a lot of businesses, and ours in
4 particular, the planning process was the
5 resource rationalization and aligning purpose.

6 If it wasn't sanctioned in that
7 process, it didn't happen. And so, that was
8 where you got that kind of alignment that was
9 talked about.

10 I don't know if you had corollary
11 processes in what you do, but it is exactly
12 important to get that level of clarity and
13 alignment against which the senior executives
14 can then hold the organization accountable.

15 MR. BROWN: Just to add to that, and
16 it's with Ron and Enrique what they just said.
17 In IT, I find it so -- because IT can be this
18 mythical, complex, black box of software
19 releases and next intergalactic servers.

20 MR. SALEM: We like it when you
21 believe that, by the way.

22 (Laughter.)

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1 MR. BROWN: And I would say that we
2 really try in Motorola for translation, common
3 language, business impact. Translation of the
4 project, common language and business impact.

5 When you get that kind of clarity,
6 that should produce X priorities for each of
7 our companies. Top three or five priorities.
8 It is very important then to have the
9 interconnectedness of the priorities, in this
10 case, of our direct reports.

11 So, the business top five
12 priorities may be A, B, C, D. HR's that are
13 connected to that are Z, Q and so on. And you
14 see that interconnectedness.

15 The other thing I'm getting
16 functions and cross-functions to work is more
17 productively is from an IT standpoint, we
18 really focus on the business process which
19 transcends functions, and less about HR
20 finance supply chain.

21 So, as we're going through, we're
22 also going through a very complex BRB upgrade.

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1 And our biggest vulnerability at the moment is
2 order management. And it's a legacy system
3 that's been in Motorola for 30 years.

4 Order management is the Achilles
5 heel nerve center of our business if we get it
6 wrong. So, we focus on the deliverables
7 around the order management system.

8 And when you focus on the
9 deliverables of the process, by definition you
10 engage and interconnect the individual
11 functions.

12 The last thing we do and what Ron
13 described on these updates, it's a small
14 thing, but I find it helpful, instead of going
15 to a steering committee meeting or we sit
16 around and say, okay, Tony, get us the update,
17 and he does 40 slides, the rule is everybody
18 gets soft copy two business days in advance to
19 review it. And when we come in, there's no
20 presentation of it. There's a discussion of
21 it.

22 You got to get it out in advance.

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1 And everybody has to take the time to read it.
2 So, we're not being educated at the meeting.
3 We're spending the meeting on doing a
4 diagnostic where we are against it.

5 It's a small thing, but really
6 powerful.

7 MR. SOLSO: In our case, the CIO
8 reports to the President/Chief Operating
9 Officer. So, I'm only involved once a
10 quarter, but it's on those three systems that
11 we do.

12 But what I do differently is that I
13 go sit in, go visit the CIO in his office and
14 say, what the hell is going on, off the
15 record. And you don't shoot the messenger,
16 going back to the first discussion we had, but
17 then that tells me - and I say, well, how can
18 I help? And he'll say, well, I really need
19 you to go over here and at least be aware of
20 what's going on.

21 And I may do it, or I may have the
22 Chief Operating Officer, but we'll bring

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1 people in when we're having problems just to
2 give support to that group.

3 So, I would say that I'm pretty
4 aware, intimately aware of the really big
5 stuff. Ours is a supply chain management,
6 which order entry is part of that, too.

7 And these are huge projects that
8 last over a long period of time. So, you do
9 have to break them into pieces.

10 The other thing, and I'm just going
11 back to the first question you had, is that
12 what we have in terms of risk, we just say
13 that you can't solve a problem if you don't
14 make it visible. And that's just the code
15 inside the - around the world in our company.

16 So, if anybody is shooting
17 messengers or either publicly or privately
18 abusing somebody for failing, that's not a
19 good thing.

20 Now, if they're not performing,
21 that's a different thing to your point. And
22 the thing is that if you have anybody that

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1 violates that, it can destroy trust
2 immediately. So, you really have to watch it.

3 CHAIRMAN ZIENTS: Okay, Steven, do
4 you want to talk about where we're headed?

5 MR. VANROEKEL: Great. So, we are
6 focusing on both areas, vendor management
7 offices and IT portfolio management investment
8 review boards.

9 Vendor management offices except
10 for a few sort of shining-star agencies, is
11 relatively a new concept and something we are
12 going to have some time to spin up.

13 IT portfolio management investment
14 review boards, IRBs have been around the
15 federal government for probably about 15
16 years, but is largely a mechanism that you
17 budget scrub, not do strategy.

18 And so, I think the big pivot we
19 learned in the site visits and the things
20 we're willing to drive across the government
21 in both of these, is really the strategic
22 nature of these.

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1 The first step I think we're going
2 to take, and this is after meeting with a lot
3 of agencies and following the onsite visits a
4 couple weeks ago, was to create a maturity
5 model.

6 And I can use your organizations as
7 the far right, use a lot of the government as
8 the far left, and talk about the prescriptive
9 steps we're going to take to get between them
10 and how agencies can kind of work their way up
11 the model to do all that.

12 We're going to do VMOs in these
13 pilot agencies and start to drive this
14 behavior and try to template the maturity
15 model based on what we learned in the model of
16 government. So, expect more there. Got a few
17 agencies that are doing it now.

18 IRS actually who is not at the
19 table, is also doing great work in vendor
20 management. It's a self-funded organization.
21 Very aggressive. No vendor can walk in the
22 building without going through VMO before they

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1 interact with anyone inside. So, they've got
2 real clarity across the board.

3 That sort of dovetailed into what
4 we're doing in IRB. Beyond maturity model,
5 beyond starting to really look at the pie
6 chart of new development and ongoing, we're
7 launching a new effort to look at agency-wide
8 portfolios. And this effort will be one that
9 really kind of gets to your point on mission
10 creep. Different missions and different
11 bureaus.

12 What we tend to see is that the
13 core infrastructure group that does all the
14 commodity stuff, the bureaus and the offices
15 and the missions out there all have separate
16 objectives at the top. And we need to build a
17 consistency across that and start looking at
18 how do we boil or funnel or sort the funnel to
19 the top three type things.

20 And so, building a mechanism by
21 which we start to look at that portfolio left
22 to right, what is the mission, objectives,

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1 goals, how are we rolling that in is an effort
2 we're going to do.

3 And then build the maturity model
4 and some ROI models based on the feedback we
5 heard from all of you to kind of get it out of
6 the budget scrub and into more of a strategic
7 where are we spending that's going to get us
8 the highest ROI for the long term.

9 That's an interesting notion in
10 government given the one-year budget cycles
11 and the variability of that. We can't always
12 launch a project for the three-year window.
13 We have to kind of do things in this very
14 agile mode. And so, we'll pull that in as
15 well.

16 And so, expect more on these kind
17 of coming out of the pilot. Expect us to come
18 back and probably vet our maturity models with
19 your teams to help us fill in the blanks,
20 because I think there will be some blanks. We
21 didn't get everything there. And then we're
22 going to aggressively scale this across

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1 government.

2 MR. SALEM: I was going to say as
3 you look at - when you look at the VMOs, you
4 really want to have some clear, visible wins.
5 Because if not, what will happen is to the
6 point about discipline versus bureaucracy, if
7 you don't get a couple of wins where people
8 can say this is running better as a result of
9 the work done in the VMO, people will quickly
10 start saying this isn't doing what we want.
11 And they'll start fighting.

12 So, you've got to get wins. And
13 you've got to say we're negotiating a new
14 telecom contract. And we used to spend X, and
15 now we're spending Y, and Y is less than X,
16 and that was as a result of this work.

17 And you've got to celebrate that
18 success to the point that was made earlier,
19 but it's got to be really clear, or people
20 would say more bureaucracy, what are we doing,
21 it's not helping.

22 MR. VANROEKEL: That's a great

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1 point. We see a little bit of that in
2 government like the Department of Agriculture
3 moved from 21 email systems across the
4 infrastructure to one. A third of the costs
5 per mailbox per month.

6 And it wasn't really a VMO motion,
7 but we'll find those.

8 MS. McGOVERN: Yes, I was going to
9 just ask the question of the organizing
10 principle around the VMOs.

11 So, is it each agency has one? How
12 do they interact with GSA?

13 It seems like each agency is big
14 enough to leverage maximum buying power, but
15 is that the case across the board?

16 If I'm going to sell to government,
17 do I go through many front doors? How does it
18 work? What's the smartest thing to do?

19 MR. VANROEKEL: Today, it's many.
20 It's sort of an infinite number of front doors
21 depending on -

22 MS. McGOVERN: Is that a good end-

1 state?

2 MR. VANROEKEL: I don't think so.
3 And so, I think there's multiple things we do.
4 One is just look at least at the agency level,
5 having a single door, I think is a good thing
6 with incentives around small business and
7 other things, but I think they're smart for
8 the country. And so, looking at that I think
9 there's a strategic sourcing motion that we
10 need to do across the agencies as well,
11 especially on commodity-type things.

12 I launched last week, I kicked off
13 with something called shared-first, a shared-
14 first policy. It will start to look at
15 sharing procurement across agencies, getting
16 good prices and driving that.

17 And I think that's not necessarily
18 just a cost saving mechanism. It's also a
19 time to deploy-type mechanism as well. And
20 so, we're going to start to look at
21 opportunities to drive those.

22 But if we just solved it at the

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1 agency level and start to get a single VMO for
2 each agency or at least major agency
3 components, I think that will be a greatly
4 reduced complexity of interacting and
5 streamlining and produce a buying-power
6 phenomenon that we don't see today per my 21
7 email systems at US Department of Agriculture.

8 CHAIRMAN ZIENTS: We should break.
9 I think we made good progress. We have a lot
10 to do to keep up this momentum.

11 (Whereupon, the
12 proceedings went off the record at 12:10 p.m.
13 and resumed at 1:30 p.m.)
14
15

1 now?

2 CHAIRMAN ZIENTS: Sounds good.

3 MR. BROCKELMAN: Start with you,
4 Mike.

5 MR. KANE: I'm Mike Kane, I'm Chief
6 Human Capital Officer, Department of Energy.

7 MS. CARTER: Hello. Denise Carter,
8 Chief Human Capital Officer for Health and
9 Human Services.

10 MR. HOLLAND: I'm Ned Holland. I'm
11 assistant secretary for administration at
12 Department of Health and Human Services. And
13 my colleague Bill Corr couldn't be here today,
14 and asked me to come represent him.

15 CHAIRMAN ZIENTS: Ned, too, has
16 extensive private sector experience. Want to
17 give a minute on that?

18 MR. HOLLAND: 41 years. I've had 27
19 months and 15 days here.

20 (Laughter.)

21 MR. HOLLAND: I've worked at Sprint
22 and represented actually some companies in New

1 Orleans for a time or two. So, I mostly have
2 done private sector work.

3 CHAIRMAN ZIENTS: Seth, I
4 introduced.

5 MR. SEXTON: Hi. I'm Gene Sexton.
6 I'm the Deputy Chief Human Capital Officer at
7 Department of Labor where we protect American
8 workers.

9 CHAIRMAN ZIENTS: John, I introduced
10 you in your absence. Or reintroduced you,
11 because you've been with this team before.

12 MR. BERRY: Thank you. Thank you.
13 Good to see everybody.

14 MR. SHIH: Good afternoon. I'm
15 Steve Shih, I run the SES Office at Office of
16 Personnel Management.

17 MS. MALAGUE: I'm Katie Malague with
18 OMB. Good to see everyone.

19 CHAIRMAN ZIENTS: Thanks. And so,
20 we invited all of our colleagues in the
21 administration to come help us have a
22 conversation around the new SES performance

1 appraisal system.

2 MR. BROCKELMAN: Okay. Before we
3 get into that discussion, you'll probably
4 recall that there are two initiatives that
5 PMAB is working on around SES. And so, we're
6 going to spend the bulk of our time on the new
7 performance appraisal system.

8 But before we get there, I wanted
9 to update you on the other SES initiative.
10 So, when PMAB decided to take a look at SES,
11 we kind of broke it out into two areas,
12 executive development and performance
13 appraisal.

14 And so in the past few months in
15 examining the executive development side of
16 things, they reached two interesting
17 conclusions.

18 The first is that in looking at
19 available training programs, certainly some
20 agencies have their own training programs for
21 the SES -- we need to make a little bit more
22 room at the table for Deputy Secretary

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1 Poneman.

2 So while some agencies offer their
3 own training programs, there really was no
4 standardized offering for the SES across
5 government despite the fact that we have
6 common expectations for them government-wide.

7 And the second interesting finding
8 was that there wasn't a lot available
9 specifically for SES members who were new to
10 the role or new to the job. And so from that,
11 PMAB decided to collaborate with the Office of
12 Personnel Management and chief learning
13 officers from several agencies to pilot a
14 series of training sessions aimed at federal
15 executives in their first one or two years on
16 the job.

17 So, the goal here is to establish a
18 baseline of executive level leadership
19 competencies for these new SES. And this is
20 especially important when you realize that
21 many new SES have very strong technical
22 skills. And that has really helped them

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1 achieve that level, but in some cases have not
2 had as much of the managerial and leadership
3 experience.

4 So, what we're doing here is going
5 to have some benefit. The clearest benefit,
6 we're hoping, is cost efficiency. Because
7 we're leveraging existing content from the
8 PMAB companies and from agencies, we're going
9 to be able to do this fairly cost-effectively,
10 and we're going to be able to make it
11 available to executives across agencies even
12 where training budgets might be under duress.

13 And I want to call out in
14 particular as we have been working with PMAB
15 companies, Tim's group at Cummins and Sam's
16 group at Sabre have been especially helpful in
17 terms of the content that they are sharing and
18 that we're going to be working with.

19 So, the effort has just gotten
20 underway in terms of progress. The group has
21 chosen its three training topics. We were
22 able to survey about 200 new SES members on

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1 what types of issues would you most benefit
2 from.

3 And so, the topics are strategic
4 visioning and leading change, managing
5 political dynamics and conflict resolution,
6 and then coaching and developing talent.

7 We set up workgroups. They're
8 pulling together existing content. Kind of
9 assessing where the gaps are and figuring out
10 what we think might be the best training
11 format for that.

12 So, that's where we are right now.
13 We're going to deal with kind of the next
14 steps at the end of the session, but any --

15 CHAIRMAN ZIENTS: I know it probably
16 comes up again, but we intend on delivering
17 our first modules when?

18 MR. BROCKELMAN: Roughly February,
19 March, April of next year.

20 CHAIRMAN ZIENTS: So, soon.

21 MR. BROCKELMAN: Yes.

22 CHAIRMAN ZIENTS: So, we have timed

1 it perfectly with Tim's retirement. Full-time
2 faculty.

3 (Laughter.)

4 MR. BROCKELMAN: So, before we move
5 to the other topic area, I just wanted to
6 provide that update. Any questions or
7 thoughts from the group?

8 (No response.)

9 MR. BROCKELMAN: Okay. So, let's
10 pivot now to the new SES performance appraisal
11 system on Page 12. Very excited about this
12 effort. I'm going to turn it over to John
13 Berry to kind of describe the system itself
14 and how PMAB has influenced it.

15 MR. BERRY: Well, we are grateful.
16 I think you can see in the recap in the
17 beginning, your input has been wonderful in
18 this.

19 The feedback we got from the last
20 working group was don't let everybody go their
21 own way. Keep consistency to this. You've
22 got to drive some consistency of standard.

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1 And I would say we probably have so
2 far, about 85 percent consensus with us. We
3 have about three or four outliers that are
4 like, no, we like our old way of --

5 CHAIRMAN ZIENTS: Outlier agencies?

6 MR. BERRY: Outlier agencies that
7 are just like, you know, don't want to make
8 the investment, why are you forcing this on
9 me.

10 We're wrestling with that. But we
11 have made significant progress in our core
12 agencies. Some of the big ones, DoD,
13 Homeland, VA, between them there's about 75
14 percent of the game. They're on board.

15 So, I think that was my focus, was
16 drive the big guns and then hopefully we can
17 build uniformity throughout.

18 That input was just critical to us
19 and it really helped steer us, because there's
20 a tendency for us to devolve and not to force
21 consistency issues. And that really helped us
22 on that first point.

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1 The second was defining more
2 carefully and evaluating the behaviors,
3 operational results, looking at tying these in
4 with overall organizational goals and the
5 health of the workforce and the organizations.

6 And the team around the table here,
7 we've got some of our best and brightest
8 agencies, have really been helping us on this.
9 And the Chief Human Capital Officer's Council
10 has been taking that input and driving sort of
11 the categories they've -- the critical
12 elements they've defined are leading people,
13 leading change, results driven, business
14 acumen and building coalitions. They're kind
15 of the five. And then tailoring off of those
16 sort of pillars, if you will, for the
17 approach.

18 Looking at -- and this is something
19 we're very interested, even that we're
20 continuing to learn on this, is what are the
21 categories?

22 And I loved Motorola's rating

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1 names. I mean, vocabulary really does matter.
2 And why do we tell people you're fully
3 successful?

4 I love your notion of valued
5 performer. I mean, it sounds so much better
6 than fully successful. Excellent and
7 outstanding, they have sort of that gradation
8 as opposed to exceeds fully successful. It
9 just doesn't have the warmth and the ring.

10 So, we're still wrestling with what
11 are the right labels for our categories and
12 how many there should be, but your input on
13 that continues to be and we'll be looking to
14 even benefit from today's discussion even
15 more.

16 And then we're looking at -- we're
17 getting good leadership buy-in. The
18 secretaries, Jeff through the President's
19 Management Council and the Deputy Secretaries,
20 the CLOs, really good reaction and thoughtful
21 buy-in on this.

22 So, we're getting the good top-down

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1 buy-in, and ultimately we'll have, when we
2 roll this out, the game would be to have the
3 President drive this. And then have the buy-
4 in down through the cabinet levels, down
5 through the CLOs, etcetera. So, we'll be
6 working to build that rollout with you as we
7 go forward.

8 And then finally, agencies have a
9 program that they've -- that runs kind of on a
10 two-year cycle. And it's kind of like not
11 every -- it's like the Senate. There's a
12 third, a third and a third sort of thing, but
13 we're going to -- the goal would be to have
14 everybody on board with the new program,
15 consistent standards, etcetera, over that two-
16 year cycle over one two-year period.

17 So, that's what we're driving
18 towards just to give you based on the initial
19 feedback that the workgroup has been giving
20 us. And then taking that back and working it
21 through the bodies, through the government and
22 look forward to the discussion today.

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1 MR. BROCKELMAN: So, clearly we're
2 at a great moment to now talk about, now that
3 the system has been designed, what are the
4 best practices and things to avoid as you're
5 trying to implement this, communicate it,
6 provide training, etcetera.

7 So, we have at least a couple of
8 our CEOs who are on this journey themselves.
9 And so, we thought it would be instructive to
10 have them share a little bit of what they're
11 learning.

12 Greg, did you want to start us off?

13 MR. BROWN: Sure. So, on Page 13 we
14 -- at Motorola, it's been more of a --
15 historically we were very, very process-
16 intensive. And we have the ratings and the
17 labels that I think we did a good job and
18 relatively effectively linking performance to
19 pay, but it's that little point of 85 percent
20 of the executives were inordinately heavily
21 weighted, were outstanding and excellent. And
22 just intuitively and relatively speaking, that

1 just doesn't hunt. It doesn't pass the smell
2 test.

3 Now, what was missing was
4 historically we didn't have a behaviors
5 component. There was also no discussion about
6 relative performance.

7 So, it was a discussion if I had
8 these four goals and I met these four goals,
9 so I've done everything that was expected of
10 me, and there was a missing dimension about
11 relative contribution, what was missing was
12 visibility was limited and siloed.

13 So, finance knew how they were
14 rating people and HR knew and supply chain and
15 sales. And I say this with -- there was a
16 little bit too much form over substance. And
17 it wasn't as clear and simple. And it also
18 didn't -- and this was tied into the IT
19 discussion this morning, goals for individuals
20 largely were not prioritized.

21 So, it was a checklist. Delivered
22 X, sold Y, reduced expenses to Z, and there

1 was a missing prioritization.

2 Now, we had a big benefit,
3 actually. Because I think as many of you
4 know, we broke Motorola into two in January
5 and we spun off our consumer business.

6 So, about two years ago we decided
7 to use this separation as an event to redefine
8 and reinvent RemainCo, us, the less known
9 Motorola, not the sexy cell phone, smartphone,
10 Droid set top box, and we started by saying
11 what businesses are we going to be in and what
12 is our grand purpose and what are the values
13 that support that purpose?

14 And as much as that may sound kind
15 of esoteric and marketing hype, it was
16 fundamentally really, really well done by my
17 chief marketing officer and HR. And they
18 literally worked it together and it helped
19 roll it out and message it globally,
20 localizing what those values meant
21 individually and indigenously by region. So,
22 that created kind of the fabric for the new

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1 Motorola.

2 We defined and embedded the
3 leadership behaviors. We then said -- and you
4 talked about performance management and
5 executive development. We said these two are
6 interlinked. So, one process has to
7 complement the other.

8 If you flip to Page 14, so we set
9 on the leadership behaviors and values
10 combined with the results, and we launched
11 that new performance rating system in January.

12 On the executive development side,
13 we really -- we used to have -- we're
14 transitioning performance management and
15 executive development from events and things
16 on the calendar, to more operational day-to-
17 day how we run the firm.

18 And that's a big -- because we used
19 to prepare it and say we're going to have a
20 people review. And it was always February or
21 March. And Steve would come in and he'd look
22 through your people. And Deb would come in

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1 and review your people. And it was a dog and
2 pony, and there wasn't visibility or
3 integration.

4 This year, we have each leader come
5 in and we ask them -- it's confidential -- to
6 rank their people. So, every direct report
7 that I have must rank them.

8 You don't have to describe a
9 number, a color, no words. Just top to
10 bottom, highest impact, lowest impact. That
11 helps because it immediately has the leader
12 accountable for how he or she sees that group.

13 We then have visibility of how each
14 leader sees the relative ranking of everyone
15 and we comment on them in a confidential way.
16 We ascribe a color, green, orange -- green,
17 red or black. Green, high potential, lot of
18 runway, could do more. Red, either a
19 performance problem or concern. Black, we
20 don't know enough about the individual.

21 Now, as we went through this
22 significant reorganization, we found that we,

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1 the Executive Committee, we said we're going
2 to own the top 100 executives in the firm. We
3 didn't know the sum of these people as well as
4 we should.

5 So, the first identification was
6 how come we don't know Enrique? Why is
7 Enrique not well known to 60 percent of the
8 firm?

9 So, that helps. We go through
10 relative ranking, collaboration, transparency,
11 and it was a process, a light process. No
12 paper, no PowerPoint. Literally, one chart
13 per function taped on a wall, green, red,
14 black, and it was all discussion.

15 I think that we then go through and
16 say we should be doing one of four things with
17 each name. Develop, promote, move or exit.
18 Develop, promote, move or exit.

19 And so, it was -- I cannot tell you
20 -- this is my ninth year at Motorola. And the
21 value of this discussion was so strong because
22 it focused on what do we need to do.

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1 By the way, if someone was
2 challenged in the job or not performing, maybe
3 it's our fault that we didn't equip them,
4 train them. Maybe they're a fish out of
5 water, they don't have the right skills.

6 So, it was really designed to have
7 the Executive Committee own the talent, the
8 top 100 executives out of 23,000 we have in
9 the firm, and link also and launch in January
10 results in behavior.

11 So, we have performance management
12 and executive development, and it's more fluid
13 and iterative as opposed to event driven.

14 In every -- we do meetings every
15 other week. 90-minute meetings. Again, no
16 paper, no PowerPoint, nothing. We go around
17 the room and we talk. There's five
18 categories. Financials -- six, actually --
19 customers, competition, people, issues,
20 announcements and events.

21 Financials, how we doing on the
22 quarter, bup, bup, bup, bup, bup. Customers,

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1 customer service, customer sat, a big sale,
2 competition, are we seeing anything in the
3 field.

4 People, issues, announcements, but
5 people is in every single discussion. Does
6 anybody have a person that's at risk of
7 retention? Is someone being head-hunted that
8 we need to show some love? Do we need an
9 incremental share grant?

10 And it's actually gone very well.
11 And it's a discussion only. And of those six
12 categories, Ron may have two things to say in
13 one or two categories, Deb may have nothing,
14 Sam may have two.

15 It's de-emphasizing process, and
16 emphasizing communications, impact, priorities
17 and alignment. And we have a long way to go.

18 By the way, the other thing is our
19 IT systems around HR were monolithic. They
20 were not friendly. People hated using them.
21 So, we are in the process of -- and by next
22 year we'll shift out of SAP entirely and move

1 to other systems. They're not announced yet.
2 So, I won't say it because it's a live
3 meeting.

4 But it's designed to be inviting,
5 intuitive, simple and easy. And the person
6 loads their goals, their boss sees it and
7 shares it, there's collaborative commentary
8 and content, it's not as sequential and event-
9 driven.

10 So, I'm pleased with what we've
11 done, but we got a long way to go. And now
12 it's all a question of really putting it in
13 the DNA of the firm.

14 So, we have it, we like it, but do
15 we repeat it? Do we reaffirm it? Do we
16 strengthen it? And so far so good, but
17 there's a lot more work to do.

18 MR. BERRY: That's great.

19 MR. BROCKELMAN: And just size here,
20 how many executives do you have visibility
21 into in this company?

22 MR. BROWN: A hundred. Top 100.

1 MR. BROCKELMAN: Okay.

2 MR. BROWN: And I know their
3 backgrounds. I know where they are, their
4 families, where they've been. And that's
5 because we spend literally a couple of days
6 only talking about that top 100.

7 And the way I learn about them is
8 because the individual executives come in and
9 they're obligated to go through each one.
10 School, family, background, training,
11 development, aspirations.

12 It just is very helpful. And it's
13 very process-light and more content and
14 discussion.

15 MR. BROCKELMAN: Before we open it
16 up then, let's hear from Gail at the Red
17 Cross.

18 And, Gail, what was the number of -
19 - or maybe is the number of separate
20 performance appraisal systems that you have
21 across the organization?

22 This is going to make the

1 government side of things sound like --

2 MS. McGOVERN: Yes, I probably want
3 to start up by saying I feel your pain.

4 (Laughter.)

5 MS. McGOVERN: I feel your pain,
6 too, Greg. So, that's an important question
7 that you just asked, because it sort of sets
8 the tone for what I'm about to take you
9 through.

10 We have 650 different chapters at
11 the American Red Cross. And each one was
12 operating completely autonomously. They had
13 local boards. They reported into their local
14 boards. And it was kind of every chapter on
15 their own.

16 And as a result, we had 650 HR
17 systems and policies, we had 650 financial
18 systems, homegrown financial systems. We had
19 650 IT groups, 650 websites.

20 Only 200 online stores, but --

21 (Laughter.)

22 MS. McGOVERN: -- but 199 too many

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1 and decentralized procurement. So, you're
2 kind of getting the sense.

3 So, when I arrived, we also had a
4 \$209 million operating deficit. And we had
5 about \$612 million of debt.

6 So, we laid this out to the
7 organization and we said banks aren't lending
8 money anymore. In fact, they're calling in a
9 lot of these notes. And this is tantamount to
10 saving the American Red Cross. So, we've got
11 to do something.

12 So, the first phase of this, we
13 basically just gave everybody budget cuts.
14 And important to this conversation, we
15 withheld all of merit increase. And we froze
16 the 401(k) match.

17 And we operated for three years in
18 a row with freezing the merit and hoping that
19 eventually we'd be able to give merit out
20 again, and it became clear that we had to make
21 fundamental changes to everything we were
22 doing in order to become more cost-conscious,

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1 to be able to deliver a surplus every year.
2 And probably the most important thing, to be
3 better stewards of our donors' dollars,
4 because I was profoundly uncomfortable knowing
5 we were wasting money 650 different ways and
6 asking people for money.

7 So, fast-forward to where we are
8 right now. We have consolidated all of HR.
9 We have consolidated all of IT. We have --
10 first quarter of next calendar year we'll have
11 one website with drop-down capability for
12 chapters. We have one treasury account now,
13 one set of financial systems.

14 And what I learned from a culture
15 shift perspective, is that people sign up to
16 be in this place because of the mission. I
17 mean, they really care deeply about the
18 mission. And they don't care deeply about
19 performance systems and back office
20 operations. They want to do good works.

21 So, I was amazed at how quickly
22 people were able to cede all of this. And

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1 what I learned from an HR and appraisal
2 perspective is as soon as we stopped giving
3 out merit, they stopped bothering to write
4 performance appraisals. Why bother? It was
5 only a tool to figure out how he was giving
6 out merit increase.

7 So, that gives you a sense of where
8 our starting point was. We also found out
9 that there were very inconsistent behavioral
10 evaluation tools as well.

11 Because when you're working for a
12 humanitarian organization, there's a lot of
13 emphasis on are they nice, are they good, are
14 they decent? And not a lot of emphasis on are
15 they getting results? So, this part was a big
16 culture shift as well.

17 So, we are on a march to have one
18 performance appraisal system. And the way we
19 were able to get this over the transom, quite
20 frankly, is we basically said it's going to be
21 so much easier than what you're doing today.

22 And the whole buy-in was it's

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1 simpler, it's more streamlined, you're going
2 to have less work, not more. And that became
3 a huge part of the buy-in.

4 We also wanted to make sure we were
5 linking business objectives to all of the way
6 we were doing the appraisal. And we wanted to
7 make sure we didn't lose the behavioral piece
8 of it as well.

9 And you can see on the bottom of
10 that page the schedule. It's pretty crazy.
11 And, in fact, you might argue that it was a
12 little bit aggressive, but what we did every
13 step of the way is we brought people in from
14 the field, we listened to what they said, we
15 course-corrected very quickly and we had
16 thrown so much change at people that they
17 basically said just finish off the job and get
18 it over with.

19 More change in a shorter period of
20 time is better than the water torture of
21 stringing it out.

22 So, if you look at the next page, I

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1 am, like I said, was all about highlighting
2 the simplicity and promising them that there
3 were going to be mistakes and that the key was
4 going to be we were going to course-correct.

5 We basically said we know no system
6 is perfect. We'll get your feedback. We'll
7 course-correct quickly. And that has kind of
8 become our mantra on all of this stuff.

9 Resetting expectations is a big
10 deal. We wanted to make sure that people
11 should - it was almost like starting with a
12 blank page because they had gone so many
13 cycles without doing the performance feedback.
14 And similar to Motorola, everybody was exceeds
15 performance. And so, we really needed to make
16 sure we had a contract that reset
17 expectations.

18 And the people at the Red Cross
19 again because they're humanitarians, it's not
20 a climate to have honest, direct, difficult
21 conversations. Everybody loves loving each
22 other. And it's pretty awesome on one level,

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1 but as a performance driver you have to have
2 these conversations.

3 And if you look at the buy-in
4 process, I also can tell you that the
5 employees are really hungry for these candid
6 conversations.

7 At the end of the day, they want to
8 know if they're doing a good job. They want
9 to know why they're doing a good job. And the
10 managers are actually hungry for increased
11 accountability and productivity.

12 When we did this last round of
13 layoffs because when we consolidated, we are
14 now ten percent smaller than we were when we
15 started on this journey, we now are proud of
16 the fact that 92 cents of every dollar that we
17 fund-raise goes to the people that we serve.
18 So, this is a massive, massive undertaking.

19 But having said that, we had
20 problems figuring out who to lay off, because
21 nobody was doing performance management
22 systems. So, the managers are very eager to

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1 be doing this as well.

2 And the last thing I'll tell you,
3 and I can almost assure you this is going to
4 happen, is every time you go to a new way of
5 measuring people, there are unintended
6 consequences.

7 So, you think you're measuring the
8 right things, and you think you're measuring
9 them right. I've never been able to live
10 through a change in one of these where you
11 don't have crazy behavior because people are
12 actually doing what you told them to do.

13 So, I have two examples of it. One
14 was from my former life, and one is today.
15 So, we actually brought in an executive for a
16 biomedical side of our house. And there, our
17 industry competitors are for-profit blood
18 collections companies. So, we have to pay a
19 decent salary to attract these folks.

20 So, we figured, all right. We're
21 bringing in this guy. Let's give him a bonus
22 component to his salary. So, one of the

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1 components was margin. Got to make margin.

2 So, it turns out that a smarter
3 thing to have done would have been to say,
4 here's your revenue target, here's your
5 expense target, because they were doing things
6 that, well, it's really expensive to acquire a
7 blood donor, so let's back out on some of our
8 expenses on blood acquisition. And then we
9 made margin, but we started seeing our
10 revenues dip.

11 So, there are unintended
12 consequences particularly when you're going
13 after hard, quantitative measures.

14 The other one, which is a classic
15 example, happened to me when I was at Fidelity
16 Investments. So, our customers were
17 complaining that the phones were ringing off
18 the hook during really heavy trading hours.
19 And we were not answering the phone quickly
20 enough.

21 So, we put in a metric there called
22 average speed of answer. So, I go out and I

1 visit the phone centers. And I visited them a
2 lot back then. And I sat down next to a rep,
3 and I'm going to double jack with the rep and
4 listen in on phone conversations.

5 And I'm watching him, and it's not
6 like he's hiding it, because there I am
7 sitting there. Fidelity Investments, please
8 hold. Fidelity Investments, please hold.

9 (Laughter.)

10 MS. McGOVERN: And all these lights
11 are blinking and I feel like I'm going to have
12 coronary arrest. And I said, why are you
13 doing that?

14 And he said, I don't know. It's
15 the procedure. We're supposed to do that.

16 And I'm sure they were on hold for
17 twenty minutes just like they were before, on
18 hold. And from headquarters's perspective, we
19 didn't see it.

20 So, there really are ways of
21 measuring the right things. I mean, that was
22 an important metric, but they were doing the

1 wrong thing.

2 So, I would just encourage you that
3 when you put these out, you watch and see if
4 people are doing what you want them to do, not
5 what they think you want them to do.

6 CHAIRMAN ZIENTS: So, Dan Poneman
7 joined, who I think all of you have met. He's
8 the Deputy of Energy. And then we've asked
9 Seth to sort of facilitate a 25-minute session
10 or so around some of the key implementation
11 challenges that are surfacing in the system.

12 So, I'll hand it to Professor
13 Harris.

14 MR. HARRIS: Thanks a lot. And,
15 Gail, I laughed when you said that you have
16 this staff that's so deeply mission-focused.
17 It's really their personal life mission.

18 We have the same experience, and
19 it's a wonderful tool. But, man, does it
20 complicate performance measurement because we
21 love you, they love us, we're all on the same
22 team, hey, we're in the - and then it doesn't

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1 quite work when you're trying to assess really
2 how much of a contribution they're making.

3 Greg, a lot of what you said also
4 resonated and it was really right at the core
5 of the problems that we're experiencing. When
6 we came in, 93 percent of the folks at the
7 Labor Department were either exemplary, not
8 really understanding the meaning of that word,
9 I guess, in those ratings, exemplary or highly
10 effective. Like you said, it couldn't
11 possibly be.

12 So, what I thought I would do is we
13 have a couple of questions that we wanted to
14 address. Maybe just start talking about -
15 and, Greg, you and Gail both addressed this a
16 little bit in your presentations in chief, but
17 let me ask you and the other executives to
18 respond to these questions. And then get a
19 little bit of dialogue going with the folks
20 from the agencies.

21 There are sets of pitfalls and
22 tricky issues that you talked about in the

1 process. So, you talked about some that we
2 should be looking out for, but I want to also
3 get you into a solution mode and tell us a
4 little bit about what did you find, what did
5 you stumble over and how did you find your way
6 around the obstacle as you went?

7 Gail, you start, and then we'll get
8 these folks involved in the discussion as
9 well.

10 MS. McGOVERN: Sure. Part of the
11 issue is - and you described it, John, people
12 say that I love my performance tool. I love
13 it. I've been doing it this way.

14 And so, there's a little bit of not
15 letting go, which is a bit of an obstacle and
16 it requires a sales job, honestly.

17 I think one of the other obstacles
18 is because we are so mission-driven and so
19 externally focused, that sometimes we forget
20 how important employee satisfaction is at the
21 Red Cross. So, we really look outwards a lot
22 and forget some of the blocking and tackling.

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1 So, we're starting to have people
2 conversations a lot more than we used to. We
3 did a day offsite talking about our top 100
4 people. And what I learned was, and my guess
5 is that you got the same thing, is so many of
6 us didn't know the names of those people on
7 that list. There just wasn't enough cross-
8 pollination. So, that's a bit of a pitfall.

9 Creating a culture where people
10 want to let go of good people because they
11 know they'll get good people, that horse-
12 trading which develops people and makes them
13 better, that can be a pitfall.

14 So, just having a daisy chain move
15 and a roadmap of what -- if this person were
16 to move using your green and red and black, so
17 you're now managing your greens because you
18 want them to really become stars.

19 There has to be this incredible
20 spirit of cooperation to move the greens and
21 orchestrate it so that everybody wins and you
22 get fresh eyes and they become better

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1 developed.

2 But a pitfall is if there's not
3 good teamwork, everybody is going to horde
4 their greens.

5 MR. BROWN: Well, just to add to
6 that, one of the ways you avoid that is when
7 you are transparent and everyone sees the same
8 information. And I know who Tim's stars are,
9 Katie's and Ron's, because you said they are,
10 but now you've shared them openly.

11 So, as soon as you share who the
12 stars are and there's visibility, now there's
13 collaboration and an understanding of they're
14 not your province, they're our province to
15 move and develop and promote.

16 Just that along is a huge point,
17 Gail, that you bring up.

18 MR. HARRIS: If you don't mind, I
19 want to - I think that's a very important
20 point. I come from a federated agency, and
21 Ned and Denise come from a huge organization
22 that, like your organizations, would be

1 introducing something of a cross-disciplinary
2 discussion when you do that.

3 Ned, I wanted to - you and Denise
4 maybe can jump in. I want to get your
5 reaction to that idea, because we - I can say
6 at the Labor Department, we don't have that
7 kind of transparency and we don't have that
8 kind of cross-disciplinary discussion.

9 Do you want to talk a little bit
10 about that? I'm sorry to put you on the spot,
11 but I wanted to get your input.

12 MR. HOLLAND: That's all right, Mr.
13 Deputy Secretary.

14 (Laughter.)

15 MR. HOLLAND: I know who ranks.
16 Seth and I work together a lot. So, just bear
17 with us.

18 For good or for ill, as John knows,
19 Steve knows, we're out in front of the rest of
20 the government. We're actually changing our
21 system this year.

22 I kind of think it's for ill,

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1 actually. I feel like a stalking horse and it
2 doesn't feel real comfortable. And I've done
3 four of these in three different Fortune 500
4 companies. So, I ought to be good at it. I'm
5 not. Every time, I learn something new.

6 We don't have the willingness to
7 move people around. And I, frankly, the only
8 way I've ever been able to get that to happen
9 is to go to the CEO and tell him he should
10 tell me that I had to do it. And then I went
11 to my colleagues and said, the CEO said you
12 got to do it. Dan Hesse, in this case, who
13 some of you know.

14 I went into Dan's office and said,
15 Dan, you got to tell me this isn't enough. He
16 said, fine, it's not enough. Get back to
17 work.

18 (Laughter.)

19 MR. HOLLAND: And I went back to
20 work and I got my colleagues to do it. The
21 interesting thing about it is every time I've
22 ever done it, a year later people said, when

1 are you going to do it again?

2 My view would be and John has heard
3 me say this, I wish we could do this across
4 the government. Denise, the most important
5 thing I have done at the Department of Health
6 and Human Services is I hired Denise 122 days
7 after I got there. There's rules about that
8 stuff, but she had classic examples.

9 She worked at DoD, she worked at
10 Commerce, she has been around the government.
11 We need more of that. And you're right on
12 target. I just wish she could help us figure
13 out how to do it.

14 I should send people to Seth, and
15 Seth should send people to -

16 CHAIRMAN ZIENTS: It's a
17 conversation we could spend the whole meeting
18 on. But when the SES was originally
19 established, the theory of it was that
20 everybody would rotate. Yet, there's very
21 little rotation.

22 MR. BROWN: But if you do two

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1 things, Ned, just two, identify the greens,
2 and then share them, just those two things
3 should provide some stimulated discussion of
4 what do we do to develop and promote and move
5 and so on.

6 Now, you might have a superstar in
7 Health and Human Services that shouldn't move,
8 but at least it's a discussion.

9 CHAIRMAN ZIENTS: Well, they can
10 move within HHS.

11 MR. BROWN: That's what I meant.

12 CHAIRMAN ZIENTS: HHS is big.

13 MR. BROWN: That's what I meant.
14 Sorry. I meant interagency.

15 But if you can identify them and
16 then share them, you've done an enormous first
17 two steps.

18 MS. McGOVERN: Can I add one thing
19 to that? The identification process itself
20 will highlight if you're an easy grader or if
21 you're a tough grader.

22 The conversations will become more

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1 uniform. It will help drive the performance
2 appraisal system in a way that's equitable.

3 If everybody is gushing about their
4 people and somebody else is a tough grader,
5 you come to a middle ground in just the people
6 conversations and we do it in front of each
7 other.

8 MR. BERRY: If I could, Seth, the
9 Clinton administration when I was at the
10 Department of Interior, we had these things in
11 government called Performance Review Boards.

12 And they can be a very powerful
13 tool for this. And we did just what you
14 describe where we had every - Interior was
15 pretty - we had no under secretaries. There
16 were only five assistant secretaries for a
17 66,000-person operation.

18 So, we would sit down and go
19 through and everybody got to bring in their
20 team ranked not with a score, but just rank
21 them and -- because we knew we had limited
22 dollars.

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1 And then we all had to - we didn't
2 even have enough to sort of go around to get
3 everybody's green in the pool. So, you had to
4 make those even more refining conversations as
5 to, okay, really who are our extra green. The
6 dark greens, as it were.

7 And so, we only had enough money
8 for like two, but it was - we do have those
9 abilities through Performance Review Boards.
10 And maybe one of the bridges we could use that
11 would help the dialog from what Greg was
12 saying that we could, as a team, figure out
13 how to better utilize, because it worked in
14 that setting where we developed enough trust,
15 it was all oral, just what you said, and the
16 candor of those discussions allowed us to
17 really identify, distinguish and - both who
18 was going to be rewarded, who was going to get
19 the extra attention and development, who could
20 we lean on more to take on more challenges and
21 then, quite frankly, who are people you want
22 to encourage to retire or consider other

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1 opportunity.

2 MR. HARRIS: I think that's a great
3 place to start for us, because it takes an
4 existing tool and uses it to try and go at the
5 idea. Okay, now, I'm going to play the dark
6 side. And you both talked about this and I
7 thought very effectively and it's something
8 that we've all experienced, because we're all
9 trying to change our systems.

10 There's a tremendous amount of
11 resistance. Not just the - what Gail
12 mentioned and John mentioned, but that I want
13 my - I like my tool. This is my tool, but
14 there's a real spirit of exceptionalism among
15 my staff.

16 Well, it's apples and oranges. You
17 can't compare a lawyer to a financial
18 operations person. You can't possibly do
19 that. So, let's use that as sort of the
20 leading edge of the - how do we deal with
21 resistance? How did you successfully deal
22 with resistance among your staff both to this

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1 transparency - because I don't want to give
2 you my green, Greg. I want to keep my green,
3 because my performance is great because I'm
4 surrounded by a bunch of greens. So, that's
5 one piece of the resistance.

6 The I'm used to doing it this way
7 resistance: how did you overcome it? How did
8 you break through it? How did you get folks
9 on board?

10 And let me just say was it a part
11 of the performance measurement system? Was it
12 - I'm sorry. Go ahead.

13 MR. SOLSO: I think that the first
14 thing, and you could see it in Gail's, is that
15 you have to have a reason, a credible reason
16 for making the change. And that you all have
17 to say exactly the same thing. It can't be
18 different in one, and I don't know whether
19 that work has been done yet.

20 But in your case, you were saving
21 the agency. We changed and when I took over
22 in 2000, and it was moving from a best efforts

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1 to a performance ethic. And the number one
2 thing in the company was we said we won't hold
3 people accountable. So, this was all about
4 accountability.

5 You can do it for different
6 reasons. But if you don't have a compelling
7 reason and then do a hell of a lot of
8 education around that, you'll have more
9 resistance.

10 And in our case at some point in
11 time, you got to say this is the way it's
12 going to be. And there's no excuses. There's
13 no exceptions, no -

14 CHAIRMAN ZIENTS: When you did it -

15 MR. SOLSO: That's the way it's
16 going to be.

17 CHAIRMAN ZIENTS: You were the
18 crisis, right? Was yours a crisis
19 environment?

20 MS. McGOVERN: Yes.

21 CHAIRMAN ZIENTS: Can you do it
22 absent a crisis?

1 MR. SOLSO: You can create a crisis.

2 MR. BROWN: By the way, my crisis
3 for that was the separation of Motorola.

4 MR. BERRY: Well, we're all facing
5 like crisis by 20 percent cuts in budgets for
6 the next five years.

7 (Laughter.)

8 (Simultaneous speaking.)

9 MS. LEE: I was going to say you
10 can't do it absent a crisis. But what I've
11 seen in our company is that it's very
12 important to have the CEO's involvement and
13 commitment.

14 Sometimes the CEO has to make it
15 happen. At Viacom, we have different
16 divisions and our CEO has said this person
17 from BET is moving over to Paramount. I don't
18 care what anybody says. I think they're a
19 high-potential performer, I want them to see
20 more of the company, and maybe another
21 division needs help.

22 But one of the things we've run

1 into is, and you probably have this in
2 government, I would assume, also, is when you
3 have one agency, or in our case one division,
4 that's seen as a better place to work.

5 And people are happy there. You
6 see a lot of people coming into that division
7 or department, and there's no one willing to
8 move out.

9 And I think that goes back to
10 making sure that you hold everyone to higher
11 standards and make sure that people treat
12 their people well and that people feel that
13 moving from one department or one agency to
14 another is not some sort of punishment or it's
15 not a step back.

16 MR. GILLILAND: And to that point,
17 you just need to recognize the people that are
18 feeding the rest of the - the leaders that are
19 feeding the rest of the organization as
20 opposed to being fed or hoarding.

21 MS. LEE: Right.

22 MR. GILLILAND: Those folks that are

1 developing the people, that are becoming the
2 leaders in the company, they need recognition
3 for that as well.

4 MR. BROCKELMAN: Let me get Dan.

5 MR. PONEMAN: Well, it's
6 interesting. What Jeff said a few minutes ago
7 is very true for our agency, which we have
8 gotten so far from the original concept of SES
9 and this mobility, and we do have very, very
10 distinct areas, we've got pure science, we've
11 got pure national security and we've got pure
12 energy. And what has happened is there has
13 been a sense of entitlement in position and
14 passion for that discipline.

15 And what we've been doing, and Mike
16 Kane's been terrific at this, we have had both
17 exogenous and endogenous crises. The
18 exogenous one was first we're trying to change
19 our world's energy economy, and then came the
20 budget. So, we had that as a driver.

21 But the thing is to go to the
22 leaders in our department, the under

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1 secretaries, and have them own this concept
2 that it's an enterprise-wide mission, I won't
3 bore you with how the - actually, all this
4 relates to one common theme. And then to have
5 particular leaders say, give up like their
6 right arm, and we have had this happen time
7 and again, to a different part of the
8 department and show the way.

9 And no one's better than Mike Kane,
10 not to brag, at knowing who these people are.
11 We aren't, Greg, where you want to be. We're
12 aspiring to the red, green, black. We've got
13 too many blacks in our system, too. But
14 through people like Mike, we're finding them,
15 but I cannot exaggerate the importance of two
16 things.

17 One is having that kind of
18 leadership buy-in, but two is they actually do
19 want the honest evaluations. We went to a
20 much, much tougher grading system. But if you
21 say if just the top few, and then you are
22 completely consistent in execution so people

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1 aren't looking over and seeing this not being
2 fairly applied, they will actually - I think
3 Mike will attest they will actually sit still
4 for it and take it even though it has real-
5 life consequences for their compensation.

6 MR. SALEM: One thing that I just
7 want to say if you're putting in a new system
8 when you think you've made it simple enough,
9 try to make it simpler. Because I think the
10 issue that we ran into was that we didn't put
11 a new system in and there wasn't a crisis.
12 The benefit was we weren't getting people to
13 do the performance appraisals and do them
14 well, because there were so many questions and
15 so many pages and so much complexity.

16 And we went through them and
17 there's three things you can answer. Where
18 did the person do well, where can they improve
19 and what's their development opportunity?

20 And those three things no one could
21 have an excuse for saying I can't take the
22 time to answer those three questions. So,

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1 think about simplicity. That does drive real
2 execution and consistency.

3 The other thing we did, which we
4 made as we went through the training, we said
5 when you ask them - when you tell them what
6 they can do better, ask them what they think
7 they can do better.

8 MR. SOLSO: That's also another form
9 of resistance. You mentioned form over
10 substance. In our case, the resistance came
11 with whoever was designing the device or the
12 system made it complex or would argue for
13 years about what does this mean versus what
14 something else means.

15 And so, if you start seeing as you
16 design the system it's slowing down or all
17 this other stuff, that's just because people
18 don't want to do it.

19 And I agree with you, you make it
20 simple. But when you say resistance and how
21 do you do it, it's not just somebody objecting
22 to it. There will be other behaviors you will

1 see that you need to recognize.

2 MR. WILLIAMS: Maybe a couple of
3 points I would just want to add. One is this
4 belief that people have to agree with
5 everything.

6 They don't have to agree. They're
7 perfectly entitled to disagree as long as they
8 commit to the action consistent with
9 agreement.

10 So, I think it's perfectly okay to
11 say you don't have to agree, but I expect as a
12 leader, I'm going to hold you accountable for
13 acting as if you agree. Because organizations
14 are smart. If it doesn't work, we'll do
15 something different.

16 The worst place to be is stuck
17 constantly debating should you do A or B,
18 because the organization can't coalesce around
19 the force of action. So, I think that's
20 critical.

21 I think the other thing, and I
22 think Tim stated this, this notion that you in

1 the culture create again this set of
2 expectations.

3 For example, we appreciate effort.
4 We recognize and reward those folks. So, if
5 you've got effort, we love you, we think
6 you're great, you're a wonderful human being,
7 but the reality is we're going to recognize
8 and reward the results that you produce.

9 And so, I think you have to create,
10 again, this cultural norm and the leadership
11 has to articulate that in a variety of ways
12 that indicates you're respectful of people,
13 but they just didn't hit the mark. And
14 unfortunately they made some nice effort, but
15 - so, I think those are important things.

16 One thing we haven't talked about
17 is what I call the blockers where someone is
18 doing an adequate job, but the position
19 they're in is really critical to the future
20 development of executives in the organization.
21 Then what do you do?

22 And how do you make certain that

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1 that person isn't unduly penalized because
2 they are doing a good job. But on the other
3 hand, and I'll just use a simple example, if
4 you're running a sales organization or even a
5 service organization and you've got five
6 service center managers and there are only
7 five slots, all five of them are doing an okay
8 job.

9 You can't learn to run the national
10 service organization, in this case, if you
11 don't do the region. So, what do you do? And
12 I think organizations don't really think
13 adequately enough about this blocking issue
14 because it's fundamental to task development.

15 The final point I would make comes
16 back to I think a point that was said earlier,
17 which is the senior executive has to really
18 own - the senior executive of the group has to
19 own the process.

20 If you're a finance manager, you
21 want nothing better than someone who's a good
22 finance manager in a department slightly

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1 smaller than the one you have who could help
2 you run your department.

3 Unfortunately, for that person's
4 further development, they may need exposure in
5 contracting, procurement or some other area.
6 So, this overall concept of owning talent
7 really is an obligation to senior leadership
8 who, consistent with that person's
9 developmental preference, looking at how the
10 human resources, how often the company in the
11 organization is developed for the long haul,
12 not necessarily for the convenience of the
13 individual who may be doing a completely
14 adequate job. So, just a few points.

15 MS. LEE: And I just want to add to
16 that. The last point was the point I was
17 going to make, is that you have to convince
18 the executive and the senior leadership group
19 that it's important to the development of that
20 executive to get experience around the
21 company.

22 And no one wants to give up good

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1 people. But if you care about your people and
2 you want them to be developed, one of the few
3 ways you would - one of the ways you advance
4 at a company is to get experience in different
5 areas.

6 And it may be painful at first
7 because there's always the time it takes to
8 make changes in executives for them to get up
9 to speed. But in the long term, it's for the
10 betterment of their career and their
11 development as a potential leader of a
12 company.

13 When you look at CEO tracks, people
14 that usually rise up to the ranks of CEOs are
15 executives that have had experience in
16 different areas.

17 That's the only way you can learn
18 to run the company. You're never going to
19 have experience in every area. You have to be
20 a quick learner and learn how to manage people
21 in areas that you may not have expertise in,
22 but you have to have a feel for the company as

1 broadly as possible.

2 And the only way you get that is by
3 moving into different areas and taking on more
4 responsibility.

5 MR. HARRIS: I want to pick up on
6 exactly that point, because part of what
7 you're talking about is expectations regarding
8 advancement.

9 And Greg and Gail again also
10 mentioned expectations in their process.
11 That's something - Gene is my Chief Human
12 Capital Officer. And I wanted to ask you, and
13 then I also want Gene to comment on this and
14 some of the other government folks to talk a
15 little bit about expectations.

16 Greg, as I said, we came into a
17 situation much like you came into. Everybody,
18 I mean, it was Lake Woebegone. Everybody was
19 above average. And I want to say everybody
20 was pretty convinced that they were above
21 average.

22 And we are now introducing a system

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1 where the consequence will be that a very
2 large number of our senior executives are
3 going to be adjudged something other than
4 exemplary or highly effective.

5 And let me just say I note Dan's
6 experience, a lot of us are experiencing this,
7 and Gene will talk a little bit more about it,
8 too, but I wanted to first ask you, you're
9 talking about, Debra, changing expectations
10 about career path. We also have the challenge
11 of changing expectations with respect to
12 performance management.

13 One of the discussions was - one of
14 the answers to this question was offered
15 before I even asked it, which is getting folks
16 focused on what it is we're really measuring.
17 It's not a measure of effort. It's a measure
18 of outcomes and performance.

19 Talk a little bit for us, because
20 this will be a tremendous help, I know, to me.
21 This is a selfish one. How do we change
22 expectations among our - particularly our

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1 senior executives? Because that's where the
2 biggest issue, frankly, is at least for us.
3 At least the Labor Department.

4 How do we change their
5 expectations? How do we get them - we don't
6 have to get them to buy in, but to understand
7 and accept what it is we're asking them to do
8 in this new performance measurement system.

9 MR. BERRY: And let me just
10 complicate the question just slightly.

11 MR. HARRIS: Oh, thanks.

12 MR. BERRY: By adding if one agency
13 decides to tighten down and say, oh, only 20
14 to 30 percent are going to be outstanding and
15 somewhere else - and SES knows they can move,
16 if that agency is not tightening down, I'm
17 getting out of here, because I can go over
18 there and get my bonus, and these bonuses are
19 pretty significant. Why stay within?

20 So, you have this perverse result
21 of people actually trying to do a better job
22 are actually losing their best talent, because

1 they could be snapped up quickly because
2 there's a dearth of good talent and people
3 smell them out very quickly and know how to
4 steal them.

5 MR. HARRIS: So, Gail do you want to
6 start, and then Greg?

7 MS. McGOVERN: Yes. See, the way I
8 look at this, it's a two-pronged problem.
9 Problem Number 1 is there's so much grade
10 inflation that everyone is a straight A
11 student. And now, they're going to suddenly
12 find out they're a B student.

13 And the second problem is my guess
14 is since everybody is an A student, there
15 haven't been good, difficult conversations
16 between boss and subordinate.

17 So, on the first, you kind of have
18 to all do this together or else if one has
19 grade inflation, the other doesn't, employee
20 morale is going to tank in one place and not
21 in the other.

22 And I have to tell you I loathe

1 forced curves of any sort, but it probably
2 would be a good idea to just say as a target,
3 your top ten percent are only going to be ten
4 percent of your - your top rating is only
5 going to be ten percent of your employee
6 force.

7 And just set the target out there,
8 and people will suddenly realize - and, by the
9 way, they'll realize that when they give
10 feedback to their people - and I know forced
11 curves are a tricky thing here. But if you
12 just say, look, let's remember what these
13 things were set up to do, here's the bell
14 curve and most people are meets expectations
15 or whatever your ranking is. And I would move
16 very slowly to that, because that's going to
17 be tough.

18 If you think you've been a straight
19 A student your whole life and you find out
20 you're not, that's tough.

21 The difficult conversation, I want
22 to pick up on something that Enrique said. If

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1 you've got an appraisal system that says what
2 are your strengths, what are your areas for
3 development, and you have a rule that says you
4 have to have three areas for development, I
5 don't care if it's your superstar, it will
6 force the people to have the conversation of
7 what their weaknesses are. And they will get
8 into the habit of doing that, and that's a
9 hard thing to do.

10 What I did, and it sounds very
11 hokey, but I would say, okay, I give everyone
12 three areas for development. And the
13 interesting thing is my superstars won't write
14 a single nice thing I say about them, but they
15 start taking copious notes on the areas for
16 development.

17 They want to hear it. How do I get
18 better? How do I get better? So, I tell them
19 come prepared to give me three areas for
20 development.

21 So, I'm kind of coaching them to
22 have the difficult conversation with me so

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1 they can go out and have it. But you can't
2 just say, okay, I think you're wonderful, but
3 I can only give a few of these, so here's your
4 grade. You've got to be able to have that
5 honest, candid discussion following.

6 MR. BROWN: Yes, and the thing - I
7 completely - that's a huge point, Gail.
8 Historically, what we found in Motorola, and
9 it sounds like it's very similar, you try to
10 use the formula and the process and the tool
11 to dictate the outcome.

12 So, just taking an entire step back
13 before you get into the tool, the application,
14 the consistency, I think you all need to get
15 uniform and clear on the reason for change.

16 So, if someone says, Steve, why are
17 we doing this? Well, we wanted to have
18 standardized performance ratings across SES.
19 Why are we doing this? Actually, because our
20 budgets are being cut ten percent. Oh, so
21 it's a cost savings? Why are we doing this?
22 It's actually to improve mobility.

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1 If you say different things, you
2 will not galvanize the reason for change. So,
3 the first step before you get into anything is
4 to lock and load and state the case for
5 change.

6 And whatever two, four, five items
7 it is, you should be wildly compliant and
8 disciplined, every single one of you, in
9 stating that case.

10 The second is use the power of the
11 office. Like the American Red Cross, I think
12 people have a great pride working in SES,
13 serving, giving back. Use the President's
14 office, use the power of the office, use the
15 tools that you may not realize are as
16 impactful to connect emotionally and remind
17 and inspire people why they do what they do.

18 I think you have a very strong case
19 to be made. So, the thing I would - even
20 though you're implementing and on-boarding and
21 putting in a tool, I'd step way back, call a
22 time out and get crystal clear alignment and

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1 state the need for change.

2 And that will provide a level of
3 consistency, reinforcement and so on that will
4 improve the propensity of consistent
5 application. No tool is perfect. There's
6 always a level of subjectivity.

7 MR. HARRIS: Gene, why don't you
8 talk a little bit about Labor Department -

9 CHAIRMAN ZIENTS: Seth, do you want
10 to steer us to - two or three more minutes.

11 MR. HARRIS: Well, with that -

12 (Laughter.)

13 MR. HARRIS: Just very quickly tell
14 a little bit about what we're doing at the
15 Labor Department and what reason we're giving,
16 which is not necessarily consistent with the
17 reason you just gave.

18 MR. SEXTON: So, I get the last
19 word?

20 MS. CARTER: Gene, when you get
21 done, I want to give 30 seconds on what we are
22 living through at HHS.

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1 MR. SEXTON: I won't step on your
2 toes, Denise.

3 One of the things we're doing and I
4 think, under Seth's leadership, I believe, is
5 that we're getting out of the one-year
6 mentality.

7 I think one of the issues around
8 performance appraisals, like the budget, is
9 when you think in one-year increments, then
10 change becomes a little convoluted.

11 So, last year what we did was we
12 said, okay, our operating plans, you've got to
13 link your objectives to the results of the
14 organization. And, I mean, that is key in
15 this new design as well.

16 And - because you're right. I've
17 heard a couple things. We have been rewarding
18 effort. We've been rewarding traits. He's a
19 nice guy, she's a nice lady, whatever, but now
20 we can tie it to operating plans. So, that
21 was kind of year one.

22 Year two, now, we're actually

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1 moving towards just really levels of
2 distinction among performance. We're going to
3 see at the end of this cycle, some lower
4 ratings from people tied to the operating
5 plans.

6 However, the psychology is, having
7 dealt with performance appraisal systems in
8 four agencies now, is what I got last year.
9 What do you mean I'm a C this year? I was an
10 A last year.

11 So, you've got to address that
12 psychology and do this incrementally with some
13 sense of business rationale that is business
14 results. I think that that's part of the key.

15 I think the key really also on what
16 we're doing is we're not saying up front let's
17 have a curve or compression. Let's define
18 what is truly exemplary. That will drive your
19 compression on that end.

20 And the other thing I'm very proud
21 of is we had introduced a 12-month cycle of
22 performance management training for our

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1 managers. We don't just do it once a year.
2 We have three phrases. Start up the new year,
3 during the year having courses around those
4 difficult discussions for the managers, and
5 then what do you do at the end of the cycle.
6 So, we've got three phases in that.

7 So, that's a lot real fast, I know,
8 but I just - I feel the dynamic changing. I
9 know that there is going to be resistance.
10 But we really got to get past that what-I-got-
11 last-year thing, because that's how people
12 think.

13 MS. CARTER: John, back to your
14 point, transparency is key in moving all the
15 organizations together at the same time. We
16 just got in our first round of ratings on our
17 new five-tier system. Fifty percent of our
18 organizations brought the ratings down and
19 they're reflective of the performance.

20 We've seen at fifty percent, we
21 perceive that they may be inflated. Ned and I
22 got all of the - what we consider our VPs on

1 the phone to say, this is where we're at, this
2 is the percentage that are outstanding. We
3 can tell that it's too high.

4 As we're moving into the PRB, we
5 expect everyone to address this because they
6 have offices calling saying, Denise, are you
7 sure you're going to hold everybody
8 accountable. Because if not, we want to go
9 up.

10 And we're saying we're holding the
11 line with everyone. And then we're pulsing
12 with the Secretary and DepSec saying, well,
13 this is where we are and we're saying keep
14 going so we have that top buy-in from the
15 agency head on down.

16 So, it is difficult. This is
17 probably one of the toughest weeks I've had in
18 HR but we're holding the line.

19 MR. BROWN: By the way, just real
20 quick two last comments. Tools are not a
21 substitute for judgment, and they never will
22 be.

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1 And the second is, and, Seth, I
2 didn't get a good answer to your question
3 about impediments we encountered. As we moved
4 to this, and I bet all of you have experienced
5 this, we have some people say that their boss
6 said - Jeff, I actually wanted to rate you an
7 outstanding, but the system didn't allow me to
8 do that.

9 (Simultaneous speaking.)

10 MR. BROWN: You should call that out
11 up front and broadcast from the top of the
12 building, if a boss tells you that, you're
13 full of shit because the boss ranked you that.

14 The system's not the problem. Have
15 the conversation with your boss. So, that is
16 the number one obstacle I think is here. Call
17 it out up front, and it's a penalty flag.
18 Make it not usable.

19 MS. LEE: Jeff, can I say one thing?

20 CHAIRMAN ZIENTS: Please.

21 MS. LEE: It will open up a whole
22 can of worms, and I don't mean to do that, but

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1 we talked a lot about performance appraisals
2 and being honest.

3 The other thing I found is that the
4 bonus system has to follow the appraisal
5 system. And I assume this is probably a big
6 issue in government where people feel they're
7 not paid enough. Probably supervisors feel --
8 the lower level people are not paid enough.
9 If you have a bonus, it's just given.

10 You have to make the bonus system
11 match up with the appraisal. And you have to
12 learn to take money away from people. And as
13 painful as it is -

14 CHAIRMAN ZIENTS: We take it home to
15 OMB where people watch the dollars and cents
16 very carefully. And we are very stingy on
17 bonuses in a good way, but then this
18 performance management system is not as finely
19 calibrated as the bonus system.

20 You can be at the top left and not
21 get a bonus. So, you end up - if Sam is two
22 years in a row at the top level, because so

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1 many people are at the top level, he might
2 alternate years as a way to deal with that.

3 So, I mean, we're the people at the
4 top level and we don't get a bonus? How can
5 you have this?

6 MR. BROWN: And that's included in
7 your reasons for change, to illuminate that to
8 a lot of people.

9 MR. KANE: I think it gets back to
10 something Gail said. At Energy, when
11 Secretary Chu and Dan set out the change to
12 the appraisal system, what they really did was
13 say there's one sentence everybody in here
14 needs to pay attention to. And that is that
15 if you do every single thing in your
16 performance appraisal and you do it error-
17 free, you've met expectations. That's what
18 you did. It's what's not on that appraisal
19 that you did.

20 Getting that to stick goes back to
21 something you were saying. You have to get
22 those lead executives, and they don't

1 differentiate in the gray. You've got to call
2 them out.

3 It's those individuals who have to
4 carry the weight. It's the second-level tier
5 that's going to own it.

6 CHAIRMAN ZIENTS: Steve, page 18.
7 Do you want to tell us where this is all
8 headed?

9 MR. BROCKELMAN: Very quickly first
10 on the training pilot, we talked about we're
11 trying to stand those up by February, March,
12 April. Half-day sessions each. And it's
13 going to be very powerful if we can get some
14 of you to help out with the training and
15 presenting your views.

16 So, we're certainly going to be in
17 touch with that, but along the way working
18 with your HR teams on the content.

19 And then with the performance
20 appraisal system as we've heard, this is going
21 to start to get rolled out. But we've gotten
22 terrific feedback today on how to design the

1 message, priorities and continue to work with
2 your HR team point of view to make sure that
3 as that effort moves forward, we're
4 incorporating all that good knowledge. That's
5 pretty much it.

6 CHAIRMAN ZIENTS: Good. Just to
7 wrap up the meeting, this is excellent. Thank
8 you, everybody.

9 MR. HARRIS: It was terrific. Great
10 stuff. Very valuable stuff.

11 CHAIRMAN ZIENTS: On 19, just one
12 minute to wrap up, we're together next March
13 23rd. We - across all four areas, the two in
14 IT and the two in SES, we'll have pilots that
15 are up and running at that point. So, we'll
16 look at their performance.

17 We're going to combine at least a
18 good chunk of our time with a full meeting of
19 the President's Management Council with the
20 deputies because I think it's important at
21 this stage to talk about the pilot success and
22 start the next phase, which is government-wide

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1 rollout.

2 So, we're going to figure out how
3 to bring the full team on together with the
4 whole PMC.

5 And then we will also spend some
6 time, probably a smaller session, thinking
7 through what do we do next. What does the
8 next 12 months look like? Good run today. You
9 guys can hang for a minute. I think our open
10 meeting is ended, and thank you, everybody.
11 Have a great weekend.

12 (Whereupon, the above-entitled
13 matter went off the record at 2:37 p.m.)