President's Management Advisory Board

Meeting Materials

March 30, 2012

Today's Agenda

9:00 a.m. to 10:45 a.m.

Implementation of 2011 PMAB Recommendations

- SES Initiatives – Executive Development and Performance Appraisal
- IT Management Initiatives – Vendor and Portfolio Management

Break

11:00 a.m. to 12:00 p.m.

Discussion of 2012 PMAB Focus Areas

Lunch and Adjournment by 1:00 p.m.

Goals for the Meeting

1) **Review progress on PMAB's 2011 recommendations**
    Agencies provide updates on pilot initiatives

2) **Plan for Government-wide Roll-out**
    PMAB CEOs and Agency officials discuss implementation across government

3) **Evaluate Potential Focus Areas for 2012**
    Define topics and engagement strategies for the year ahead

Executive Development

Steve Brockelman
Executive Director, PMAB

Executive Development
PMAB Findings and Recommendations

Assessment of SES training

- Federal government does not currently have a standardized, cost-effective, cross-agency approach to building leadership skills for new members of the Senior Executive Service (SES)

- When agencies offer training to SES, it is usually focused on developing subject matter expertise specific to that agency

PMAB recommendation to create a pilot training program

- Focus on new SES members across agencies

- Develop training modules on topics that address key skill gaps for new executives

- Use a public-private partnership that leverages PMAB company training resources and presenters

Executive Development
Overview of the Pilot Program

- PMAB partnered with select agencies to develop and deliver two training modules for new SES members in the DC region:
  - *Strategies for Leading Organizational Change*
  - *Creating a High-Performance Organization through Coaching and Development*

- Each module included:
  - PMAB member keynote
  - Panel of federal executives
  - Practical tools and frameworks
  - Small group breakouts

- 350 SES from nearly 40 agencies attended at least one of the modules

Executive Development
Participant Feedback on the Pilot Sessions

85% of participants evaluated the training as "very good" or "excellent"

- *"Guest speakers were outstanding! Their personal stories and examples were vital for my leadership growth."* – Dept. of Agriculture
- *"The best part of the course was the discussions among my colleagues at other agencies and the similar challenges we all face."* – General Accountability Office
- *"Thoughtful content. Information is easy to translate into action."* – DHS

Suggestions for improving the sessions

- Extend the session by 1-2 hours to allow for more networking
- Add more structure and rigor to the breakout exercises
- Bring in career SES as panelists to provide their lessons learned
- Make the course available to SES outside of Washington, DC

Additional topic areas where participants would like training

- Navigating relationships with political appointees
- Developing and applying knowledge of financial management and technology management
- Achieving the agency's mission in an environment of scarce resources

Executive Development
Building on the Success of the Pilot

OPM's Federal Executive Institute (FEI), a government-wide senior leadership development organization, will take ownership of the new SES training

Training modules will be the foundation of an annual series for new Federal executives
- Orientation for new SES members (2 days)
- Up to five modules on key leadership skills across the subsequent 4-10 months (half-day each)
- Current plan is to begin the series in May 2012 with the next scheduled SES Orientation
- Ongoing evaluation of ROI to continuously improve and adapt training

Robust and renewable "market"
- ~500 new SES members annually in DC region + another 300-400 nationally

Continue to work closely with PMAB
- FEI advisory board to include PMAB HR executives, along with SES members & university leaders
- PMAB company leaders continue to serve as keynote speakers for skills development sessions when possible; tap other private sector executives to participate as well
- PMAB and other companies partner with Federal agencies and FEI to provide delivery venues

Executive Performance Management

John Berry,
Director, Office of Personnel Management

Executive Performance Management
Value of Standard SES Appraisal System

Current Challenges

- 40+ performance appraisal systems for SES across the Federal Government
- Differing systems impact clarity, equity, and transferability of ratings between agencies
- Some systems do not sufficiently emphasize management and leadership skills
- Variations in systems may hinder SES mobility

Solution

- Interagency collaboration and input from PMAB produced a single SES performance appraisal system – a consistent framework to assess and communicate performance of all SES
- Design team incorporated best practices in executive performance management from Federal agencies and PMAB companies
- Design team developed a common approach on critical elements, performance levels, performance definitions, and derivation of ratings
- The new system promotes clarity, fairness, and transferability, which will foster improved performance management and SES mobility

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Status of Implementation

- **Fiscal Year 2012 – Implementation by Early Adopters**: Seven agencies are currently in the process of implementing; these agencies will use the new system to evaluate SES members this year.

- **Fiscal Year 2013 – Implementation by Remaining Agencies**: The remaining agencies will be encouraged to implement the new system on a rolling basis.

- **Current Activities to Support Implementation**:
  - OPM is providing guidance, technical support, and training to early system adopters.
  - Early-adopting agencies will share best practices and lessons learned.
  - Interagency workgroups have developed standard tools for use by implementing agencies. These tools include communications products, training materials, and a website for collaboration and information-sharing.

Executive Performance Management
Questions to Consider for Implementation

Looking ahead to the next phase, to reinforce successful implementation after the initial agency roll-out:

- How can Federal agencies ensure that the new system is applied rigorously and consistently to make meaningful distinctions in performance between executives?

- Although agencies are currently focused on the immediate roll-out of the system, what challenges should they prepare for on the horizon?

- What can agency leaders, such as PMC members, do to ensure effective implementation at the agency level?

IT Vendor and Portfolio Management

Steve VanRoekel
Federal Chief Information Officer

Federal CIO Overview

PMAB has resulted in best practices that are now adopted across the Federal Government

Last year, PMAB recommended two types of IT initiatives: Vendor Management Office (VMO) pilots and reforms to the Investment Review Boards (IRB). These recommendations are well aligned with the Federal Government's current priorities to strengthen accountability for IT vendor management and increase return on investment (ROI) on technology spending.

IT Vendor Management Office (VMO) Pilots
- U.S. Patent and Trademark Office, Department of Veterans Affairs, and General Services Administration are using VMO best practices to drive cost savings and improve IT project outcomes
- Aetna and Symantec site visits informed agencies on leading vendor management practices
- Follow up meetings with PMAB companies informed Government-wide strategy

IT Portfolio Management and Investment Review Board (IRB) Reforms
- Departments of Education and Interior have implemented new governance processes and tools to increase ROI and efficiency of IT portfolio
- Adobe, OSI Restaurants, and Symantec provided best practices guidance and tools for IT Portfolio Management during site visits
- Follow up meetings with PMAB companies informed Government-wide strategy

Outcomes Delivered

IT Vendor Management Office (VMO) Pilots
- Worked with PMAB companies to create VMO maturity model to enable agencies to benchmark progress and identify gaps
- Established VMOs in pilot agencies, ensuring a strong partnership between the IT, procurement, and financial communities using PMAB's recommended organizational structures
- Pilot agencies have a renewed focus on performance metrics, developed scorecards, and are viewing IT spending as a portfolio rather than just individual investments
- Rolling out VMO practices Government-wide (CIO Council, CAO Council, et. al.)

IT Portfolio Management and Investment Review Board (IRB) Reforms
- In consultation with the PMAB companies, developed a consistent model in pilot agencies around portfolio management that is being scaled across the Federal Government
- Best practices from PMAB incorporated into PortfolioStat Initiative – launched today
  - Will give us a consistent view of Federal portfolio across government
  - Predictable view to inform investment reviews
  - Will offer savings within agencies
- Establish ROI models in pilot agencies, integrating PMAB tools and valuation principles
- All CFO Act agencies have identified two services to migrate to a shared service model by end of 2012 to accelerate efforts to consolidate commodity IT

Agency Presentations

IT Vendor Management Office (VMO) Pilot Agencies

- David Kappos, U.S. Patent and Trademark Office
- Roger Baker, Department of Veteran Affairs
- Casey Coleman, General Services Administration

IT Portfolio Management and Investment Review Board (IRB) Reforms

- David Hayes, Department of Interior
- Tony Miller, Department of Education

- Centralized the purchasing of agency Information Technology (IT)
  o Consolidated the USPTO VMO organization and IT Budget

- Lessons learned from the PMAB site visit to Aetna indicated significant efficiencies would be gained by the integration of strategic planning and vendor management
  o Out-year budget planning includes strengthening Portfolio Management
  o Linked the VMO with the Program Management Office through the Enterprise Program Management System (EPMS) under a single executive leader
  o Enhanced the EPMS system to provide a portfolio, rather than a project view

- Portfolio level visibility supported re-negotiation of support costs and a reduction in duplicative contracts

- Modified contracts to track efficiencies through activity time tracking for individuals

Vendor Management Office – U.S. Patent and Trademark Office
Early Results

Outcomes to Date
- Reduced Spending on COTS software by $1.8 million per year
- Reduced maintenance costs as percent of total IT spending by 16% ($52 million per year)
- The Department of Commerce leveraged USPTO common contracts and support vehicles (Enterprise Office Tools, Call Center)
- Negotiated a 20% reduction in pay categories for major system development contracts

Next Steps
- Continue to reduce maintenance to the desired level of 40% of USPTO total IT Spending
- Focus on data analysis to continue optimizing contract spending and deliverable quality
- Use the data analysis to work on business cases to remove or replace task orders with cheaper alternatives (Call Center Outsourcing)
- Continue to enhance customer visibility into IT contracts, plans, and spending to improve transparency

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Vendor Management Office – Department of Veterans Affairs
Critical Actions

Established centralized IT Vendor Management Office
- Provides a strategy map for vendor management
- Clearly defines roles and responsibilities across the enterprise

Deployed Ruthless Reduction Task Force
- Identified strategic sourcing opportunities in 12 IT spending areas involving: Print Management Initiative, One CPU Policy, Mobile Device Management Policy

Developed Enterprise Contracts Database
- Centralizes procurement information/data into one repository to create an enterprise view of all procurement vehicles

Initiated Balanced Scorecard process, incorporating PMAB best practices from site visits to Aetna, Symantec, Adobe, & OSI Restaurants
- Identifies key performance indicators
  - Ensures consistency with VA's Contractor Performance Assessment Reporting System which supports regulatory compliance

Vendor Management Office – Department of Veterans Affairs
Expected Results

Outcomes to Date
- Rationalized Approach to Enterprise Software License Management
- Established standardized process for managing vendor relationships
- Established database of IT vendors and categorized them by capabilities
- Achieved Print Management Initiative Successes
  - Moved from decentralized to centralized Printer Fleet Management Model, shifting from personal desktop printers to network printers
  - Initial pilot shows $1M savings opportunity over 3 years per VA facility (approximately 200 VA facilities)
- Integrated ~35 data domains among health administration networks

Expected Results
- Achieve economies of scale through reduced energy consumption enabled by:
  - Estimated $24M per power savings
- One CPU Policy: Reduce dual device users population
- Move to the Cloud: Cloud based Email, Archive, e-discovery and collaboration
- Server Virtualization: consolidating mission-critical IT systems onto virtual servers
- Software License Management and Hardware at the National level:
  - Re-negotiating Software License Agreements & Hardware purchases at the national level
  - Mobile Device Management policy
- Early detection of under-performing vendors through tracking of metrics

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Vendor Management Office – General Services Administration
Critical Actions

- Identified staffing for Vendor Management Office (VMO), including a manager to run it

- Created a Program Management Office, within same division as VMO
  - Single Senior Executive Service (SES) point of accountability for transparency, governance and lifecycle management

- Created dedicated team of contracting officers to support GSA's IT procurement activities
  - Hired 2 additional contracting officers (CO)
  - Selected a manager for the CO team

- Put out solicitation for agency-wide commodity IT/infrastructure support services
  - Dedicated VMO support to manage the contract and oversee vendor team

- Created an inventory of IT spending across GSA
  - Identifying opportunities for enterprise negotiations

- Continuing to move solutions to cloud platforms
  - Moving IT Service Desk to cloud solution from premise-based

- Performed infrastructure benchmark study (as per Aetna visit) to compare GSA cost and performance to peer agencies and industry corporations

Vendor Management Office – General Services Administration
Early Results

Outcomes to Date

- Moving IT Service Desk to cloud solution from premise-based will result in cost avoidance of $3M

- Created an inventory of IT spending across GSA , resulting in reducing software maintenance costs by over $1M annually

- Visibility into IT spending has surfaced other opportunities to move solutions to cloud platforms

Expected Results

- Infrastructure benchmark study highlighted areas for future consolidation and cost savings

- Implementing Federal Strategic Sourcing Initiative for print management will reduce GSA carbon footprint and overall printing/copying costs

- Improved vendor management will enable more rapid development, greater agility, and increased support for the GSA mission and customers

IT Vendor Management Office

1. In growing your vendor management teams, what are the key skills and competencies necessary for success? How do you recruit and retain top talent in the midst of scaling these organizations?

2. Once you consolidated your vendor management into one organization, what did continuous improvement look like?

3. How do you help your vendor management staff learn and prepare for new procurement opportunities?

4. What suggestions would you have for helping Federal agencies achieve cultural buy-in without having access to the common tools (e.g. bonuses) you have at your disposal?

IT Portfolio Management – Department of the Interior
Critical Actions

PMAB Site Visit Take-Away	DOI's Action
Need a single, central authority for decision making	• Froze changes to legacy systems to focus resources on priorities • Required Bureau and Office IT spending plans that link to investment portfolio
Conduct a ruthless prioritization of the IT portfolio	• Developing prioritization model based on business performance outcomes for infrastructure investments
Identify investment value to the business	• Revised governance framework to align investments to business lines • Line of business IT roadmaps developed through collaborative partnership with business and mission leaders

IT Portfolio Management – Department of the Interior
Early Results

Outcomes to Date

- ~$11M cost avoidance due to re-baseline decisions
- IT Spending Reviews:
    - $2.2M cost avoidance /redirection of funds
    - Potentially ~$37M additional cost avoidance opportunities
        - Decisions yet to be rendered

Expected Results

- $100M savings from 2016 to 2020, for a cumulative total of $500M, by modernizing IT infrastructure and aligning resources to improve serve customers
- Transforming from a Federated IT Service Delivery Model into a new, single DOI-wide IT Service Delivery organization in 2012
- IT customer council to define service levels and measure customer satisfaction
- Eliminate barriers to mission-critical communications by 2014
- Access email, time and attendance system and network resources securely from anywhere, anytime using any device by 2014

PMAB Site Visit Take-Aways

- Senior Leadership and Lines of Business Owners need to see IT as an Organizational Asset
- Significant mix of "strategic" (vs. "keep the lights on") IT investment is essential
- Investments need to be prioritized based on Business Value, aligned with organization's mission and priorities
- Portfolio performance information consistency and transparency is key enabler

ED's actions to highlight IT as an Asset and to prioritize Investments in terms of their Value

- Currently re-crafting the IT Strategy, Framework and Goals to better articulate how technology serves the mission of the Department's Business Owners (3rd Qtr./ FY12)
- Developed a Value Measurement Methodology (VMM) with which to begin evaluating current and future IT Investments
- Agreed upon implementation milestones
  - o Socialize new IT Strategy with "Business Unit" leaders and other Senior Executives (3rd Qtr./ FY12)
  - o Introduce VMM with the Investment Review Board and Technology Segment/Process Owners (3rd Qtr./ FY12)
  - o Utilize final VMM for the FY14 Investment Select Phase (4th Qtr./ FY12)

IT Portfolio Management – Department of Education
Early Results

Outcomes to Date

- Applied Value Measurement Methodology (VMM) to a new investment request, which supported better decision making for including the investment in the current IT portfolio

- Completed draft of new IT Strategic Plan

Expected Results

- A measureable number of projects are eliminated, added or modified (out of FY13 $579M IT budget) based on VMM

- A measurable increase in the number of projects that are eliminated, added, or modified (out of FY14 $579M IT budget)

- A 5% increase in new IT spend as a result of making IT portfolio more robust through the VMM

Investment Review Board/Portfolio Management

1. How do you incentivize the organization to annually reduce spending on low-value maintenance and reinvest the savings into high-value, innovative efforts?

2. Is the CIO Office in your organization involved in the approval process for all Agency IT investments and purchases? How do you ensure that a partnership mentality exists between the business owner and CIO, rather than a service provider/customer relationship?

3. How do you raise the "trade-offs" conversations from the silo level to the organization-wide level? Who needs to be in the room and what level of detail needs to be discussed?

4. How do you approach performance management? What does success look like?

Focus Areas for 2012

Jeff Zients
Chair, President's Management Advisory Board

Consideration of 2012 Focus Areas

Given the budget pressures faced by the government, we believe that the best area for PMAB to focus in 2012 is on reducing spending and improving efficiency. We screened issues in this area based on:

1. Is there potential for significant savings, achievable in the next 6-10 months?
2. Are there dedicated owners for PMAB to partner with?
3. Are there proven practices in the private sector that are likely to be applicable in the government?

From this set of screens, we are offering for your consideration a high-level focus on reducing costs and boosting efficiency in government. Specific areas of opportunity include:

- Real Estate Management
- Reduction of Improper Payments
- Strategic Sourcing

- The operating costs of the Government's real estate exceed $30 billion annually.

- The current real estate inventory is ripe for opportunity due to an array of factors, including:
    - An increasingly mobile Federal workforce;
    - The expectation of receiving more customer-focused services online; and
    - Wider support for agencies to share assets in the same metro areas.

- By capitalizing on these opportunities, the Federal Government can resolve its over-reliance on short-term leases and the retention of unneeded and inefficient assets, as well as improve the productivity of the Federal workforce.

Real Estate Management
Early Actions on Federal Real Estate

- Since 2010, agencies have saved $1.5 billion on their real estate by reducing operating costs, shrinking office space, and getting rid of assets.

- Agencies have identified $2 billion in future savings that will be tracked on a public website – Performance.gov.

- The Administration is instituting a Pilot program to coordinate opportunities for agencies to share real estate assets on a Federal "Craig's List."

- In the long-term, the Administration supports legislation to create an independent process that would resolve the impediments to the most difficult real estate opportunities.

Real Estate Management
Areas for PMAB Guidance

1. How would you monitor and identify issues that should be addressed to increase efficiency in the Federal real estate inventory (e.g. leasing costs that are out-of-step with the market, consolidation opportunities)?

2. How would you embrace both technology and the changing behaviors of the workforce for the biggest impact on real estate acquisition and maintenance?

3. How would you maximize the return on the investment in telecommuting infrastructure and office space modernization?

4. How would you resolve challenges that arise in the management of real estate that are unrelated to the bottom line (e.g. resistance to change, tradition, morale, etc.)?

Reduction of Improper Payments
Current Challenges

- In 2011, the Federal government made $115 B in improper payments.

- Improper payments are payments made by the government to the wrong person or entity, in the wrong amount, or for the wrong reason.

- To prevent improper payments, we need better tools to analyze and share data on the people and entities that do business with the government.

- Unfortunately, these data are siloed in many different systems and in many different agencies, and there is no government-wide tool to check whether someone is eligible to receive a government payment.

Reduction of Improper Payments
Initial Efforts to Reduce Improper Payments with Improved Data

- In 2011, the government-wide rate of payment errors decreased to 4.7% (compared to 5.4% in 2009)
  - The Government would have made over $20B in additional improper payments if not for this decrease

- Treasury Department is currently developing a system that:
  - allows access to multiple data sources from across the Federal government and private sector
  - can provide customized data analytics to identify trends, risks, and patterns of behavior that can detect a payment error before it occurs

- The Centers for Medicare and Medicaid Services has begun implementing a fraud lab to target improper payments resulting from health care related fraud.

Reduction of Improper Payments
Areas for PMAB Guidance

1. How do you evaluate make vs. buy decisions for complex projects involving many different legacy and siloed data sources?

2. Do you use data analytics to improve your management and internal control practices?

3. How have you used technology to:
   - Identify relationships between people, organizations, and financial events to flag errors and potential fraud?
   - Prevent and detect payment errors and fraud threats?

4. What incentives can be put in place to encourage rapid adoption of these technology tools by end-users?
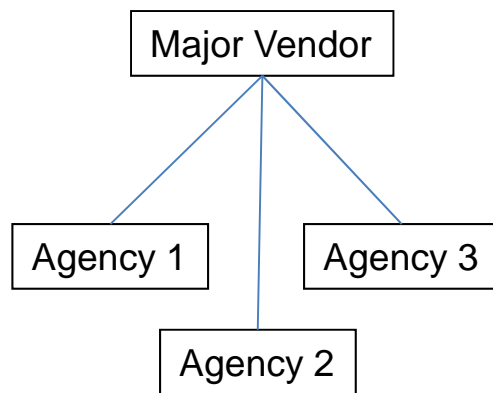
Strategic Sourcing
Government Procurement Spend is Significant and Needs Improvement

Federal procurement is decentralized…

…with wide variation in pricing for similar items…

…which presents a large opportunity for strategic sourcing

Major Vendor → Agency 1, Agency 2, Agency 3

Monthly cost of unlimited smartphone data plan in same metropolitan area

Agency 1	$39
Agency 2	$94
Agency 3	$120

Lack of reliable data also poses challenges

- **Federal procurement spending is over $500B annually**
  - 2% decrease in pricing overall would result in ~$10B in savings

Strategic Sourcing
Initial Efforts Have Yielded Results

- Federal Strategic Sourcing Initiative (FSSI) launched in partnership with General Services Administration

  o Initial spend focus has included: office supplies, domestic delivery, and wireless telecommunications expense management services

- In FY 2011, $341 million were spent through these 3 FSSI solutions, generating savings of $60 million (15%)

- Other agencies have also led similar enterprise-wide strategic sourcing efforts (e.g., VA, Commerce, NASA, DHS)

1. What is the optimal organizational structure for procurement decisions in scale organizations: centralized or decentralized?

   o If moving to a centralized approach, how do you combat the cultural resistance to "not invented here" and the fear of a loss of control?

2. How important are individual contracting officer incentives relative to the structure of the organization they work in?

   o How can we best align individual incentives in a government context?

3. How do we better leverage the government's aggregate spend base for lower pricing while creating a win/win outcome for both the agencies and their vendors?

4. How can we drive increased price transparency (for benchmarking and as a key initial step in price reduction)?

Proposed Next Steps

April – June

- Form working groups for 2012 focus areas
- Define the most promising opportunities for improvement
- Identify private sector best practices
- Develop preliminary recommendations

Next PMAB Meeting – June 22

- Working groups report back on findings, initial recommendations
- Evaluate and select pilot programs, agency partners

By October 2012 meeting, PMAB will have issued final recommendations and implementation will be underway