UNITED STATES OF AMERICA

THE PRESIDENT'S MANAGEMENT ADVISORY BOARD
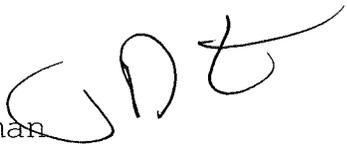
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MINUTES OF THE PUBLIC MEETING

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FRIDAY
JUNE 17, 2011

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The Board met in Room 428 in the Eisenhower Executive Office Building, 1650 Pennsylvania Avenue, N.W., Washington, D.C., at 9:00 a.m., Jeff Zients, Chairman, presiding.

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

ALSO PRESENT

STEVE BROCKELMAN, Executive Director, President's
     Management Advisory Board
REBECCA BLANK, Deputy Secretary (acting)
     of the Department of Commerce
SCOTT GOULD, Deputy Secretary of the
     Department of Veterans Affairs
DANNY HARRIS, Chief Information Officer
     of the Department of Education
SETH HARRIS, Deputy Secretary of the
     Department of Labor
DAVID HAYES, Deputy Secretary of the
     Department of the Interior
CHRISTINE KLUH, Deputy Assistant Secretary
     of the Department of Veterans Affairs
VIVEK KUNDRA, U.S. Chief Information Officer
DANIEL LEBRYK, Commissioner of the Financial
     Management Service, Department of the Treasury
MICHAEL LOCATIS, III, Chief Information
     Officer of the Department of Energy
KATIE MALAGUE, Office of Management and Budget
BERNARD MAZER, Chief Information Officer
     of the Department of the Interior
TONY MILLER, Deputy Secretary of the
     Department of Education
CATHERINE MURPHY, Regional Solicitor at the
     Department of Labor
DAN PONEMAN, Deputy Secretary of the
     Department of Energy
STEPHEN SHIH, Deputy Associate Director for
     Executive Resources and Employee Development
     at the Office of Personnel Management
SIMON SZYKMAN, Chief Information Officer
     of the Department of Commerce
DENISE WELLS, Deputy Assistant Secretary for
     Human Resources and Chief Human Capital
     Officer at the Department of Health and
     Human Services

Welcome and Introduction: Chairman Zients called the June
17, 2011 public meeting of the President's Management
Advisory Board to order at 9:02 a.m.

The meeting would consist of a briefing and discussion on two topics: information technology (IT) management and the Senior Executive Service (SES).

Process Overview: The Board had spent the past few months narrowing its focus to where the government could best benefit from the private sector's example.

The goals for this meeting were to:
1. Build consensus around areas of focus.
2. Deepen understanding of government challenges and areas of overlap.
3. Agree on a solution development plan for both the IT and SES Subcommittees.

In the solution and development phase, members will:
--Identify and document the most relevant practices
--Determine how to adapt those practices to the federal government
--Test solutions
--Draft recommendations

The recommendations will be presented at the full Board meeting in November. Members will then discuss implementation plans.

IT Subcommittee Briefing and Discussion: There were three objectives for this phase of the meeting:
1. Report on common private sector approaches identified in the research.
2. Review representative practices at subcommittee members' companies.
3. Identify best opportunities for application of private sector practices to federal government challenges.

The IT Subcommittee had established the following criteria for selecting focus areas:
--Persistent challenge in the federal government
--Robust and proven private sector practices
--Potential for high impact
--Transferability from private sector to public

Based on those criteria, the subcommittee had identified two goals:
1. Aligning IT with business needs
2. IT vendor performance management

Aligning IT with Business Needs

Mr. Kundra identified three major challenges in coordinating federal IT projects:
1. Agency chief information officers (CIOs) often have little control over their IT budget.
2. Unclear project valuation and inadequately defined benefits restrict project prioritization and the establishment of shared goals. 3. Regulatory frameworks change constantly.

This contrasts with the private sector, where companies tend to:
1. Integrate strategic and IT planning with extensive input from business partners.
2. Employ a rigorous methodology for comparing projects and their benefits.
3. Have senior level IT advisory boards that make decisions in partnership with the business units.

Mr. Kundra invited IT Subcommittee members to discuss practices at their companies.

Shantanu Narayen, Adobe Systems: There are three main elements to Adobe's IT strategy. First is partnership, aligning IT with business goals. Second is shared responsibility among all players and all levels. Finally, there's transparency on all issues. Adobe has created a value model, where one must justify each project by answering questions like: will this increase revenue? Will it reduce costs? Will it improve productivity, effectiveness and/or efficiency? The value model provides a consistent measurement system to evaluate and compare projects.

Liz Smith, OSI Restaurant Partners, LLC: OSI has adopted the mantra "fewer, bigger, better," cutting the number of IT projects in half while increasing IT spending significantly. The entire company is aligned on a single IT plan. OSI's IT advisory council enjoys participation from the full executive leadership team. For each project, developers and business end-users meet on a regular basis,

which fosters a sense of trust, allows for changing requirements to be incorporated, improves accuracy of feedback, and speeds up the process.

Mr. Kundra then asked CIOs of government departments to discuss what they've done at their agencies.

Danny Harris, Department of Education: Education has employed a segment approach for the past three years. If one wants to spend IT dollars on a specific segment, one must go to the official responsible for that segment and convince him/her that the project is of value to the agency and does not duplicate another effort. This approach has significantly reduced spending and duplication.

Bernard Mazer, Department of the Interior: Interior currently has 37 separate business lines. It is undergoing a process of streamlining the various domains. Whereas in the past, Interior would have dozens of individual investment review boards, there is now a rigorous approach to establishing common areas.

Mr. Salem of Symantec expressed concern about IT project churn, the tendency to start lots of different projects as priorities change. Mr. Brown of Motorola listed four steps he considered important to aligning IT with agency needs: sounding the siren, using the power of the office, getting the right people, and controlling the calendar.

Chairman Zients asked the deputy secretaries present to share their thoughts.

Dan Poneman, Department of Energy: Presidential appointees are in office for a comparatively short time, making long-term cultural change more difficult. He considered one of his objectives to take the processes discussed in this meeting and sort of weave them into the culture among the career people at his agency. There is much greater transparency at the Department of Energy than there used to be, which should help in this process.

Tony Miller, Department of Education: Education sees part of its challenge as setting IT goals from the top down and linking them to agency objectives. A big question is how to keep the business process and IT infrastructure going while at the same time improving IT productivity.

David Hayes, Department of the Interior: At Interior,

they have found it useful to have regular meetings on topics, even when the leadership might have limited authority, because it conveys the message that the topic is a priority to agency leadership.

IT Vendor Performance Management

Mr. Kundra listed the main challenges in this area:
1. Performance is typically tracked by project managers, which can create disincentives to report poor performance.
2. Billing compliance is monitored by a contracting office, separating payment from performance.
3. Services contracts are very complex and require specialized expertise to monitor.

Meanwhile, private sector companies are characterized by:
1. Robust processes and systems to monitor and review vendor performance.
2. Substantial upfront time invested to define and set goals and objectives.
3. Involvement of business partners throughout the process.

Mr. Kundra asked Enrique Salem of Symantec to discuss his experience at Symantec.

Enrique Salem, Symantec: Symantec spends about $724 million a year on IT across 700 vendors, with a focus on 25 strategic vendors. Inadequate visibility on spending, incomplete market assessments, failure to link performance to contracts, and delayed or inaccurate receipt transactions can all lead to value "leakage." The company has implemented a centralized vendor management office (VMO) which ensures consistency in supplier reviews, performance management and contractual compliance.

Chairman Zients asked for reactions from government officials.

Bernard Mazer, Department of the Interior: Mr. Mazer said his department does not really have a classic value chain where all the supporting business processes are tightly integrated with one another. It sounded to him that a hybridization of skills was necessary.

Rebecca Blank, Department of Commerce: Acting Deputy Secretary Blank described Commerce as a "distributed department" in which her ability to move resources and

drive priorities across the agency is limited. However, she can enforce consistent business practices, which makes the concept of stronger vendor management processes appealing.

Deputy Secretary Miller asked if it was possible to set up a government-wide VMO through GSA. Chairman Zients replied that it probably was, but questioned whether such an effort might be too big and if it might be better to build these capabilities at individual agencies first. Deputy Secretary Hayes said he felt it was better not to do that through GSA. Mr. Kindler commented that many services should not be centralized, but there were some that could be. Chairman Zients described the VMO concept as very promising, adding that one of the tasks going forward would be to figure out how to make it work.

SES Subcommittee Briefing and Discussion: The three goals for this segment were:
1. Confirm that the subcommittee is focused on the right topics.
2. Learn more about the challenges government faces to inform practice selection.
3. Consider options for engaging with SES initiatives moving forward.

Mr. Brockelman reminded the Board that the SES is composed of approximately 7,000 career executives and 700 political appointees. On average, SES members have about 25 years of pre-SES government experience and remain in the SES level for about 10 years. In a given year, only 2 percent of SES members move to an SES job in a different agency. Due to retirement eligibility and retention concerns, up to half of the SES could leave government service in the next five years.

The subcommittee is proposing to focus on two areas:
1. Performance management
2. Executive development programs

Performance management challenges include:
1. Inconsistent application across different agencies
2. No standardized set of leadership criteria used for evaluation
3. Inadequate distinction of high and low performers

Executive development program challenges include:
1. Development programs tend to be given a low priority within agencies.
2. Where they do exist, programs often fail to provide sufficient opportunities for training, coaching, feedback, developmental assignments, and career planning.

Performance Management

Deputy Assistant Secretary Wells: Ms. Wells provided an agency-wide perspective and said that one of the challenges she has faced at the Department of Health and Human Services is creating more distinction in performance management. The department's performance structure has recently switched from four tiers to five to encourage greater differentiation. It has also increased performance management training for all senior leaders.

Chairman Zients observed that in many agencies, 80 to 90 percent of executives are given top performance ratings (level 4 or 5). Deputy Assistant Secretary Kluh responded that last year, 37 percent of Veterans Affairs' executives were rated in the top tier, a significant reduction from previous years. Mr. Kindler asked if there was a meaningful difference in pay or bonus between those rated high and those rated low. Deputy Assistant Secretary Kluh said that at VA there would not be this year because of budget constraints, but that normally there would be.

Deputy Secretary Harris said 87 percent of SES members at the Department of Labor received one of the top two ratings in 2010. A survey indicated that Labor executives were more concerned about the performance rating itself than the bonus money, adding that there is a shame/pride factor about the ratings. Ms. Murphy added that it is important to have people in government who are motivated to do an excellent job. Executives view the ratings as an indication that they are contributing to the public good and are therefore motivating. Ms. Smith pointed out that if so many people get the top rating, the value of the rating is depreciated. Ms. Murphy stated that it can be demoralizing when an SES member, known by peers to be underperforming, receives a high rating.

Ms. McGovern remarked that one has to clear a lot of hurdles to reach the SES level, and raised the possibility

that maybe these large numbers of SES members deserve their high ratings. Mr. Salem said he doubts the percentage of individuals performing at an exceptional level could be so high year-in, year-out without a devaluation of the rating scale.

Deputy Associate Director Shih commented that one of the key questions in his mind was the issue of standardization versus flexibility. Mr. Solso highlighted the benefits of standardization, citing that it was hard to achieve consistency with senior management moving in and out every two years.

Mr. Brown felt that performance appraisals should incorporate results, leadership behaviors, and relative contribution of one executive versus another. Deputy Assistant Secretary Wells said that within some agencies, SES are rated on the topics Mr. Brown addressed, noting that her performance plan has five elements, with results as well as an executive leadership component. The problem is there is not much opportunity for spontaneous feedback. Deputy Assistant Secretary Wells added that determining the performance outcomes of a policy organization with broad missions and subjective results has long been a challenge for the government. Deputy Secretary Gould added that senior leadership's willingness to hold the difficult conversations and to make unpopular decisions is crucial to successful performance management.

Executive Development Programs

Catherine Murphy, Department of Labor: Ms. Murphy said that she received plenty of on-the-job training from both formal and informal mentors prior to becoming an SES member. She received support from managers and leaders, including training through the Center for Creative Leadership that extended her leadership knowledge beyond the government space. She aims to cultivate strong management skills among federal employees. However, since becoming an SES, her training opportunities have been more limited, both due to budget constraints and lack of time.

Christine Kluh, Department of Veterans Affairs: Across the government the general thought is "you are an executive, you will figure it out." To change this perspective, VA is establishing an 18-month onboarding program for their new SES members. The VA's leadership team

spends a week with its executives discussing expectations and challenges. In addition, each new executive has a specific transition plan when s/he comes on board. The goal of these initiatives is to generate an agency-wide executive perspective, rather than just business line focus. It was noted that VA's program is the rare exception in the federal government.

David Lebryk, Department of the Treasury: At the Financial Management Service, the leadership spends considerable time with new SES members discussing the agency's mission, vision, and values. They ask each executive to consider how to best leverage their leadership skills to achieve operational goals, and how to think strategically for their business area. For performance management, managers of SES are required to discuss their reviews with Commissioner Lebryk and the deputy commissioner to norm the measurement and promote a culture of collaboration. He explained that having a smaller number of SES allows him to know and better measure his executives. Mr. Kindler noted that all agencies could break down their SES into groups to obtain similar benefits.

Adjournment: Chairman Zients suggested to the Board that the SES subcommittee hold a conference call in the next few weeks to develop an action plan for the summer. He adjourned the meeting at 11:28 a.m.