The Challenges to Federal Agencies in Planning and Implementing Performance Management Systems

Institute for the Study of Public Policy Implementation
School of Public Affairs
American University

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Program Speakers

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Participating Agencies

- Internal Revenue Service
- U.S. Department of Agriculture
- U.S. Department of Transportation
- U.S. Department of Energy
- U.S. Office of Personnel Management
- U.S. Department of Health and Human Services
- U.S. Patent and Trademark Office
- National Oceanic and Atmospheric Administration
- U.S. Bureau of Alcohol, Tobacco and Firearms
  Department of the Army
- U.S. Department of the Interior
- U.S. Department of Education
- Government Accountability Office
- U.S. Department of Commerce
  Smithsonian Institution
- U.S. Equal Employment Opportunity Commission
- CSC
Remarks of Bob Tobias  
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Moderator

• Good morning! Today, we’re going to talk about the experiences that each of you has had in planning and implementing performance management systems in your agency.

• Before we get to that however, let me say a few words, if I may, about the Institute for the Study of Public Policy Implementation at American University.

• The Institute and its Leadership Forum were started in 2001 to bring together people from the Hill, political appointees, career executives, mid-level managers, opinion leaders, consultants and academics to focus on public policy implementation.

• What the Institute focuses on is on how, once legislation is passed and regulations are issued, people like you in this room actually implement government policy.

• In your folder is a brochure that outlines the Institute’s Certificate Program in Leadership for Public Policy Implementation at American University. It is offered on an open enrollment basis to GS 13s, 14s and 15s. It consists of eight courses. It also includes six executive coaching sessions and two 360-degree evaluations. I’m now accepting applications for the Fall cohort.

• This program is also offered to agencies on a customized basis. The Department of Agriculture is about to use this program as part of its CDP program. So, it’s available that way as well.

• Underneath the Certificate program information is a brochure that outlines AU’s Key Executive Leadership MPA program. This program is again for people who are GS 13s, 14s and 15s who want to get a Master’s degree in public administration.
The program is offered, starting this fall, virtually every other weekend – Friday and Saturday for 22 months. It's a fantastic program for people who are interested in getting a Master's in public administration.

Each of these courses is tailored to challenge participants to apply what they learn in order to increase their leadership capacity.

The degree program has been in existence since 1975. There have been over 700 graduates – individuals who today work in positions through the government.

Now, to our program …

What I'd like you to do now, at your table, is to answer this question: “Do you have an outcome-based performance management system in your agency, and if so, what problems did you encounter in designing and implementing the system?”

Take a few minutes to talk to people at your table, introduce yourself, and then discuss this question. After about 15 minutes we'll stop and have each table report out to the rest of us what their discussions were about.

After about 15 minutes of small group interaction, Tobias led the group in a discussion of what people’s experiences implementing performance management systems had been. Different tables offered different perspectives, but generally people’s concerns centered on the following issues:

**Issue #1: Grade inflation and managing employee expectations**

Several individuals commented on the difficulties of getting employees to buy into performance-based evaluation measures, especially when, in many cases, employees are accustomed to getting “automatic” high level job evaluations regardless of actual job performance. Given the history of grade inflation in many agencies, the question was asked: “How does one effectively recalibrate performance appraisals to have greater meaning?”

**Issue #2: Increased responsibility for supervisors**

Several speakers noted that implementation of performance management systems puts increased accountability on managers to articulate new work expectations, and to come up with measurable work/outcome standards.
Issue #3: Performance Management creates a new relationship between managers and employees

Several individuals noted that implementing PM systems requires agencies to redesign the relationship between managers and supervisors. It calls for increased responsibilities on the part of both managers and employees to adhere to specific work standards. It also requires that a new level of trust be established between supervisors and employees.

Issue #4: Creating alignment between strategic agency goals and individual work goals of employees

Several speakers noted that creating clear “line-of-sight” between front line employees on the one hand, and an agency’s top leaders on the other can be a tough challenge. “How does one create line of sight up and down the length of an organization?” people asked. It was noted that translating job tasks into meaningful performance standards can be problematic.

Issue #5: Communications challenges

Several people noted that intense, frequent and consistent communication is necessary to change the relationship between managers and supervisors when performance management systems are implemented in an organization.

Other Challenges

Other challenges cited in designing and implementing PM systems included how to:

- Provide people (managers and employees) with appropriate training
- Focus on outcomes versus outputs
- Move from pass/fail performance evaluations to robust, performance-based job evaluations
- How to create meaningful performance measures when actual job descriptions change, and strategic agency goals evolve
- Create performance plans that actually capture all meaningful work activities in a measurable way
- Get leaders (especially political appointees) focused on communicating to employees on a frequent and consistent basis about performance
After about 15 minutes of facilitated conversation, Tobias continued with his prepared remarks:

**Clearly, from our discussion this morning, outcome-based performance management systems are very easy to mandate, but hard to design, and extremely hard to implement.**

- The ultimate goal here of course, is to create a performance culture in your organization.

- I believe in today’s environment it’s imperative to establish a culture of performance in the federal government, with motivated employees focusing on achieving individual and organizational goals.

- Such employees must be led by supervisors who are able to credibly discern differences in employee outputs and outcomes.

- So, the work to be done requires robust definition of work standards and the careful application of new management principles to the evaluation of people on a regular and structured basis.

- Unfortunately, there’s been relatively little successful experience, either in the private or public sectors, in designing and successfully implementing performance management systems.

- In fact, a private sector survey conducted by Bain and Company, a New York consulting firm, found that “fewer than 10 percent of companies currently succeed at building high performance cultures” – despite nine out of 10 CEOs acknowledging that “corporate culture is as important as strategy” in business success.

**In the federal sector we’ve heard a lot of talk for many years about creating performance goals and performance cultures.**

- Since 1993, at which time Congress passed the Government Performance and Results Act, agencies have struggled to identify outcome (versus output) goals.

- We’ve seen the passage of legislation targeted at DHS and DoD with the express goal of creating performance cultures in those agencies.
• And we’ve had changes implemented effecting the pay of SES members, with the goal of creating better performance management.

• Yet, the goal of creating performance cultures in government agencies has remained elusive.

• In fact, the steps required to design and implement performance management systems are incredibly easy to describe. They include:

  *Step One:*

  - Defining organizational output and outcome goals.

  *Step Two:*

  - Creating a plan to translate the goals by supervisors into individual goals and organizational goals.

  *Step Three:*

  - Implementing the system -- ensuring that supervisors spend time talking to and listening to those they manage, coaching employees, evaluating performance, and monitoring organizational goal achievement

**The challenge is to implement these simply stated steps!**

• Today, agencies and agency leaders find it very difficult to reduce their mission achievement to clear and measurable outcome standards.

• Program managers have had great difficulty defining measurable program outcomes ....

• Supervisors have had difficulty translating organizational goals into individual goals....

• And both supervisors and employees have had trouble changing their existing relationships (where the focus is on “working hard”) into something more meaningful and measurable.¹

¹ To complicate matters, President Bush created the Program Assessment Rating Tool (PART) to evaluate more than a thousand programs across the federal government.
How should we, in government, deal with these challenges?

- To help us sort through all this we have with us today, two individuals who have been on the “bleeding edge” of these issues. Both of them, in fact, have worked in the trenches dealing with these matters. So please welcome them now.

- Our first speaker is Marta Perez, who was on the edge of these issues at OPM, where she helped define the Human Capital program.

- Now she’s serving as Chief Human Capital Officer at the Department of Homeland Security.

- Marta has had an incredibly long experience in government – working in Montgomery County government and at OPM.

- Now she has put herself (by choice) into the organizational fray at DHS to test the theories and the applications she’s been working on for so much of her career.

- Please welcome Marta Perez.
On September 18, 2006, Marta Brito Pérez was appointed Chief Human Capital Officer (CHCO) for the Department of Homeland Security. As CHCO, she serves as the Department’s lead executive for all matters relating to human capital management, including policy, strategic planning, learning and development, recruitment, performance management, compensation, benefits, union relations, employee relations and other areas.

Prior to joining DHS, Ms. Pérez was appointed by the Director of OPM to lead the Human Capital Leadership and Merit System Accountability (HCLMSA) Division of OPM. In this capacity, she led the government-wide effort to transform human capital management so that agencies are held accountable for managing their workforces effectively and efficiently.

Ms. Pérez was the architect of the Human Capital Assessment and Accountability Framework (HCAAF), a set of standards and measures designed to evaluate human capital management practices in the federal government. All major agencies continue to achieve measurable results against the standards.

Before joining OPM, Ms. Pérez served as Director of the Office of Human Resources for the Montgomery County, Maryland Government. In that position, she oversaw all aspects of human resources management for more than 10,000 employees and 4,000 retired employees and their dependents.

Prior to her appointment in Montgomery County, Ms. Pérez served 17 years as a manager with the International Association of Chiefs of Police (IACP) where she held a variety of assignments dealing with domestic and international law enforcement organizations.

Ms. Pérez has a M.S. degree in Organization Development and Human Resources from The Johns Hopkins University along with a B.A. in Criminology from the University of Maryland. She is an alumna of the Harvard University John F. Kennedy School of Government Program for Senior Executives in State and Local Government.
• Good Morning Everyone!

• I happen to be very passionate about what I believe in, so for the next few minutes, you get to hear my views of the world and of Human Capital Management.

• As Bob said, I’m at DHS by design – by choice!

• I spent five years at OPM looking at what “human capital” really is and at how we could assist federal agencies in doing a better job at managing their workforces.

• In federal HR we’ve always had a lot of programs, but there was very little strategy around how to rationally leverage the value and strength of the workforce to increase an agency’s organizational performance.

• The private sector, of course, has wrestled with this for a long time, but it’s been fortunate to have clearer organizational and business objectives. If you’re NIKE, for example, you make tennis shoes – you know that. On the other hand, if you’re in government, in the public sector, or in the nonprofit world, knowing what you do becomes more difficult to define and measure.

• I spent quite a bit of time on the board of the United Way of Montgomery County at a time when we were asking the nonprofit organizations coming to us for funding to actually give us metrics around their programs.

• We felt it was important that organizations not only feed kids, for example, but that they also know which kids they were feeding, whether those kids were the right kids, and, at the end of the day, if they actually got fed and healthier as a result.
• We wanted to see metrics around these activities in order to measure their impact. They’re hard to develop, but developing them is the right thing to do.

• I would say the same thing is the case in government today.

• In government today it has become very important that we be able to measure what we do – to determine if we are successfully fulfilling our public missions. Taxpayers and Congress are demanding this.

• As government human capital executives, therefore, measuring performance has become a priority, and performance management provides us with the tools and means to do that.

• This is a key area of interest and focus for me at DHS today.

• Effective performance management addresses the growing demand in government today for documented performance and accountability. In an agency concerned with the public’s safety, as DHS is, you can be certain that this is something we take very seriously.

• Performance management also informs decision making and resource allocation at all levels, by linking individual performance management with organizational goals. In short, it fosters a culture of performance that drives results.

• Performance management is based on the idea that what matters gets measured, what gets measured gets done, what gets done gets recognized, and what gets recognized is what matters.

**Why is the implementation of performance management so critical to the successful functioning of government today?**

• Because you, as a leader and steward of public resources, are responsible for many things. You must:

  - Work through others to accomplish organizational priorities.
  - Ensure that programs produce expected results and benefits.
  - Use performance-related data as a decision platform for funding future programs.
- Exercise good business judgment and allocate resources accordingly.
- Align individual behaviors and activities with your organization’s core values, strategy and goals.
- Track and monitor organizational progress, and
- Report organizational performance through a variety of mechanisms including OMB’s Program Assessment Rating Tool (PART) and the President’s Management Agenda.

How can you use performance management to drive results?

- Traditionally, the public sector has placed most of its emphasis on performance appraisal and little, if any, emphasis on performance planning, coaching and development.

- Traditionally, performance appraisal was a one-time annual event, led by managers – with little, if any, responsibility being borne by employees.

- It was a manual, time-consuming process, “owned” by the HR office. And it wasn’t tightly coordinated or integrated with other business or organizational functions.

In contrast to performance appraisal, performance management involves employees at all levels in a process of planning, monitoring, appraising, rewarding and improving performance in support of mission accomplishment.

- Performance management involves continuous dialogue between managers and employees that is focused on achieving results.

- It is an integral part of operational planning, goal setting and decision making.

- Information is aggregated to support performance planning and analysis.

- There is shared responsibility and involvement (by managers and employees alike). Thus it becomes a workplace partnership.

- It takes advantage of user-friendly tools to automate the process.

- Finally, it is “owned” by line managers and executives, not the HR office.
Performance management involves “changing the traditional conversation” between managers and employees, and making both more accountable as part of the performance process.

• Using a framework of performance management goals and measures helps align the work of people at all levels of an organization around strategic organizational goals.

• It shifts the conversation – from being about activities – to being about results and outcomes.

For these reasons then, when HC professionals talk with line managers in their agencies about performance management, we need to ask questions such as: “What are you trying to accomplish?” and “How can you get that done using a performance management system?”

• Asking these questions is important.

• As HC professionals, it helps us work with line managers to create organizational line-of-sight to support performance goals within agencies.

• And it helps everyone define what results and outcomes really look like.

• We shouldn’t focus on employee ratings per se, because ratings are simply a tool to facilitate conversations about performance, and to get away from “rate creep.”

• Rate creep (where everyone winds up being evaluated as excellent or outstanding) occurs when agencies don’t really know what people are doing, but assume because people are at work 10 or 12 hours a day that they must be doing something of value!

• When you articulate metrics so that they reflect program results, organizational conversations about performance become a lot clearer, and judging individual employee performance becomes easier. Employees know what is expected of them, and what they will be judged on.

• When you base evaluations on actual performance it also helps employees and supervisors adjust expectations based on actual work results -- and on the evolution of work over the course of a performance or rating period.
• But you can’t have those kinds of conversations with employees, unless you begin with specific ends in mind, and with specific performance metrics in place to evaluate individual employee performance.

• A good performance management system helps you have necessary conversations with employees about work expectations bounded by specific time periods.

• A good performance management system, in other words, provides both employees and supervisors with a way to understand their roles, and to know one another’s expectations.

At DHS, the hardest thing for us, in recent years, has been to articulate what we do in measurable terms, and to translate those work tasks into concrete objectives.

That’s why we’re spending a lot of time right now having conversations about these things. In my judgment, it’s where many other agencies need to focus their attention as well.

• In the last few years we’ve had a system in place at DHS called MAXHR. The system was designed as a performance management system to help organize and evaluate people’s work.

• But in recent years a lot of our time focused on the various features of the system -- performance classification, how to administer pay, deal with adverse actions, appeals, labor relations, etc.

• It did NOT focus as much on the all-important issue of dialogue between managers and employees. Nor did it focus on things such as hiring, training, and other things critical to the system’s success.

• Therefore, when I came to DHS I tried to shift the conversation.

• Today, the performance evaluation process in my organization allows me to have ongoing conversations with DHS managers and executives about job expectations for DHS employees.

• And today we’re having much more dialogue about performance than we did in years past!
• I spend a lot of time talking with our managers and supervisors about work standards and performance metrics.

• In fact, I just finished meeting with 8 focus groups spread throughout the department where we talked about our performance management system in detail.

• In those meetings (and in many others) I’ve had the chance to get people’s ideas about performance management, and how individual job performance should be evaluated.

• In some cases, these conversations have been with small groups of individuals about the work they do.

• In other cases, the conversations have focused on what relatively large groups of people within DHS do.

• We’re trying to have as much dialogue about work expectations and job tasks as we can, to help people understand the linkage of their work with the overall mission goals of DHS.

So, you may be asking yourself, “How do you translate strategic goals into everyday job tasks and goals for employees?”

• At the Department of Homeland Security, it’s our goal to align departmental strategy and objectives, with component objectives, unit and program objectives, and individual and team objectives.

• Let me give you just one example of how performance management is used to align people and processes at DHS – and specifically within the Transportation Security Administration – or TSA.

• If you like, take a look at slide # 5 as I talk.

• Any of you who flies a lot is well aware of the important work that TSA screeners do at our nation’s airports today.

• At DHS one of our key strategic priorities, of course, is safety and terrorism prevention at our nation’s airports.

• And because of this, a key TSA priority is to deploy layers of security to protect the traveling public and the nation’s transportation system.
• We do this, through airport priorities and goals which include improving the efficiency and effectiveness of airport screening, while maintaining an excellent safety record.

• These objectives are accomplished through establishing goals for airport managers which include improving efficiency and quality of airport screening.

• And this (in turn) is accomplished through the work that individual airport screeners and security personnel do, on an everyday basis, at our nation’s airports.

• Their work performance is based on measures such as “wait time”.

• For front-line TSA personnel (and their immediate supervisors) a sample target is to ensure that “wait time for 80% of people going through airport security is 10 minutes or less.”

• So you can see, in this one example, a framework of performance management goals and measures, which helps align the work of people at all levels of the organization around strategic organizational goals – in our case within DHS and the TSA.

You might be asking, “How do you make all this work? How do you make it all come together?”

• We spend a lot of time in DHS and TSA talking about how to improve the security of airports while at the same time creating more efficiency in the way we do business.

• After all, we can make airports so secure that nobody would be able to move through them.

• But we don’t want to do that. We want people to be able to travel, and to move through our nation’s airports as quickly – but also as safely as possible.

• So defining what that means is a continuous process.

• It’s the focus of conversations I have with Kip Hawley, director of TSA.
• All across DHS other managers are having other conversations about performance management as well, around all kinds of key priorities.

• For us, in the HR department at DHS, our job is to help translate the agency or departmental goals of protecting our country and public into efficient ways of working.

• And within the context of TSA, we have to focus on how strategic DHS goals get translated into individual job goals for TSA screeners.

• We have to drive performance expectations right down to the foundation levels of the organization, because that is where real work gets done.

• I can tell you that when you’re a TSA screener, and you work for hours screening people coming through the airport, it gets pretty challenging to stay focused on your job, and to realize that you’re performing a valuable public service.

• That’s where the first-line supervisor and manager have critical roles to play.

• They must be able to communicate – to translate -- the high level strategic and mission goals of DHS and TSA (public safety) into individual job goals that screeners feel motivated to achieve. It’s a never ending conversation.

• Managers must be able to communicate effectively with line employees -- to make sure that front-line employees understand the critical role they have to play in our nation’s security.

• Managers must also be willing to listen to employees – to people actually doing the front-line security work of protecting our airports and our citizens, to understand the challenges they face, and to appreciate their point of view as well.

• The employee, for their part, must understand that their job performance will be based on specific criteria, and that while they’ll have a hand in shaping those criteria, their job performance will ultimately be judged on the full set of work standards that are developed.
How do you keep everyone motivated to do their jobs?

• Training, communications, and clear expectations come into play here in critical ways. We’re spending a lot of time and energy nowadays on training supervisors on goal setting, and on how to effectively communicate work goals and job expectations to employees.

• We’re also using web casts, teleconferences and other tools to continuously train supervisors, and help them understand that being able to talk with employees is critical to their success, and to the success of DHS.

• Setting clear performance metrics is vital, because what one measures communicates what one values.

• Continuous improvement requires that we measure our progress on a continuous basis. So, continuous conversations around work standards, and performance outcomes is critical.

• So too is the ability of performance management systems to automate many steps of the job evaluation process, to keep both managers and employees on track.

• Finally, recognizing people for a job well done is a critical component too, so we put a lot of emphasis on reward and recognition systems at DHS.

• We’re still changing the culture in our agency to focus on results – and because DHS is composed of 22 separate units that came together after 9/11 – it is still a work in progress.

• Believe me, aligning and integrating individual performance planning with organizational goal setting is a difficult process – one that takes longer than you might think it should.

• So, it’s important to develop a realistic plan.

• It’s also important that executive leadership be involved. Senior leaders can help ensure proper commitment and success. They can do that by being visible and vigorous champions of organizational performance, and of organizational transformation.

• Leaders from the top of the organization down to the level of first-level supervisors must have continuous conversations with employees, and
communicate a vision to employees of what the organization is doing, and the importance of the employee’s job in making completion of that mission a reality.

As I close, a word of caution when we talk about performance management:

- When it comes to the issue organizational performance, the worst thing we can do, as federal HR professionals, is to own the performance management process.

- Our agency’s performance management system isn’t ours to own. Instead, it should be owned by line managers, executives and supervisors within our agencies.

- Indeed, it is up to them to own it and operate it well.

- Line managers and executives are the ones that have to make performance management work.

- To do that, they must be trained on how to do performance evaluations with employees, how to communicate expectations, and how to engage with employees for purposes of defining work expectations and regularly evaluating on-the-job performance.

- To do this right really is about changing the focus of performance conversations – from a discussion about activities to a discussion about outcomes and results!

- Doing that can bring much greater efficiency and organizational performance.

- And from a labor perspective, having well articulated performance measures reaps additional benefits. It frames expectations, and helps you have a better dialogue with people.

- At the end of the day, labor representatives know that employees know what is expected of them, and that management is being held accountable. There are no surprises when you create a culture of accountability, high performance and mutual responsibility.

- Not that it treats everybody the same; but people understand expectations, and how people will be remunerated.
Finally, here’s one last thought:

In my view, empowering DHS employees to feel important and connected to their work – to take ownership for it -- is critical to the success of our agency and the accomplishment of its mission.

- It’s a fact that terrorists only have to “get it right” once to be successful in achieving their goals.

- On the other hand, we, at DHS, have to get our work right every day -- in order to keep our nation, our airports, our ports and our borders safe. We have to focus every day on creating tight employee alignment, and clear organizational line-of-sight.

- Everyone in our organization needs to pull together.

- Our goals are constantly changing, and it’s tough to manage 200,000 people, but we are committed to doing it, and I’m happy to say that within our agency there is a lot of excitement about the work we are doing on behalf of our nation today.

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President Bush nominated William J. Leidinger to be Assistant Secretary for Management on December 20, 2001 and he was unanimously confirmed by the Senate on February 12, 2002. Secretary Paige appointed Leidinger to the position of Chief Information Officer on March 6, 2003.

As assistant secretary, Leidinger oversaw the Department's human resources, management services, facilities, and information technology.

Leidinger has extensive senior management experience in the public and private sectors, most recently in the government consulting practice of Watson Wyatt Worldwide in Arlington, VA.

He served as county executive in Fairfax County, Va., from 1992 until 1996. Prior to that, he served as executive vice president at Security Federal Savings in Richmond, Va., where he was a member of the board of directors and chief lending officer. Other former positions include serving as the city manager of Richmond, VA for six years and as a member of the Richmond City Council for ten years.

An Illinois native, Leidinger earned a bachelor of arts degree at Loras College in Dubuque, Iowa, and a master's degree from the University of Iowa in Iowa City, Iowa. He and his wife Karen reside in Oakton, Va. The couple has two married sons and three granddaughters.
Remarks of Bill Leidinger
Former Assistant Secretary for Management
Chief Human Capital Officer and CIO
U.S. Department of Education

• Thank you Bob, for your kind introduction.

• Marta, come travel through the airport with me. When you have an artificial knee and titanium wires in your chest, it’s a real circus!

• On Saturday nights, when I have a chance, I like to listen to Garrison Keillor and “Prairie Home Companion.” I like Lake Wobegon. One of the neat things about Lake Wobegon is that all the children who live there are above average. All of them. And they’ve been above average for so long that everybody, including me, really believes that they are.

• I know someplace else where all the people are above average and that’s in the federal government. And that’s gone on for a long time too. And I think that’s reflected in what we see in our rating system, and in rating “creep” today.

• The underlying truth is that rating creep is part of the federal government culture. It is deeply engrained in federal government management practices, and influences how federal workers think about themselves and the people they manage.

There are close to two million federal employees, and trying to get all those people to change how they think about work – and to embrace the idea of being evaluated on actual job performance – is not going to be easy. In fact, it’s going to take some time.

• It takes five to seven years to meaningfully drive change in any organizational culture – and in the minds of an organization’s employees.

• Think about that.

• If moving to a performance-based system requires leadership, in our system that means the president, the secretaries, and all the political
appointees and to some extent Congress all have to be involved. If it takes five to seven years to accomplish a cultural shift, it seems to me that those folks have to be fully engaged from day one.

- At best any administration has but eight short years to implement what it wants to do – maybe less. It probably takes a new administration a year to get up and running. And we all know what happens in the last year or two of an administration. Typically the speed comes out of the engine as you get closer and closer to the end of a presidential term.

- So clearly, things have to happen within four to six years of a new administration taking power or nothing is going to happen. The cultural change won’t occur and things won’t stick.

- And that’s one of the biggest concerns I have about performance management in the federal government today. I don’t know where the leadership is. I mean where is it?

- I don’t see the commitment. Yet it has to be very visible – not just to me but also to rank and file federal employees – if government leaders and senior executives expect people to change how they approach their daily work.

- Yes, top leaders in our government have to become involved in emphasizing performance. That means the president, cabinet secretaries, and all the political appointees have to be involved in driving change right along with employees. They have to work closely with them.

- Now, as we all know, the early push to create a performance culture in government focused on pay for performance.

- That was great, until people got to the performance part and realized “Wait, what’s everybody supposed to do? We’d better go back and develop a performance management system!”

- Well, I personally think that’s where we should have started. We should have first developed an effective, meaningful performance system – before we tried to implement pay for performance!

- I think having a pay for performance system – without a performance management system – will be misunderstood by individual employees, and I think employees will lack confidence in your pay for performance approach.
• Improved performance is important – it’s important for employees, for taxpayers, and for government. Government is an enterprise, and we ought to be performing as well as we can, particularly when somebody else is paying the bills, and has expectations that may or may not be the same as those of employees.

• I think most people today don’t have a very high regard for the performance of the federal government.

• But to change the performance of people in government, elected people must be involved; they’ve got to work everyday and in very direct ways to drive cultural change. Performance expectations must be set, and as Marta just said, individual goals have to be aligned with departmental goals and objectives.

• Easier said than done!

**In my opinion, any agency that wants to implement an effective performance management system today must commit two to three years to develop, modify and tweak that system to make it work. You can’t do it all at once. You can’t do it be memo. And you can’t have just one big meeting to put it in place.**

• Instead, it’s got to be put in place and monitored closely. Managers have to work directly with employees – *all* managers. And the system has to be refined overtime, not just to reflect changing organizational priorities, but also to change individual performance objectives.

• It’s tough to align individual job performance with departmental goals. It’s hard, for example, to tell somebody who’s processing transactions deep down in an organization that their job is really to reflect the strategic goals of their agency.

• I was talking with one of my associates last night about this very thing, and he said to me, “You have to think about the phrase…‘in order to...’”

• An employee does something (it might be to process transactions) in order to achieve something specific.

• If you take things to the next level, you do something else in order to achieve something else at a higher level. And so on and so on.
But some performance standards quite frankly won’t result in specific outcomes. Outputs yes, but not outcomes. For example, it’s kind of hard to generate an outcome if your job is to process transactions. You’ll generate outputs, and they are important. You want those outputs to be correct. You want a certain volume of them, and you want to accomplish them in a certain period of time.

But, I wouldn’t get too hung up trying to establish outcomes or clear lines of sight for every employee in every instance when you implement a performance management system for the first time.

Simply know that it’s going to take some time. The process is evolutionary. It’s going to be based on what you and other people in the organization learn over time.

Be willing to make changes. Be willing to adapt and modify your approach.

When designing and implementing a performance management system, it’s important to observe what your employees are doing, and whether what they’re doing is in the spirit of alignment with organizational priorities or strategic goals.

I happen to believe in the management principle of managing by walking around – otherwise known as “MBWA.”

It’s incredible how much you can learn by leaving your office and going out and walking around, sitting down with employees, and talking with them about what they do and how they do it. How do they think they could do things better? What do they need from you to accomplish that? It’s important to ask employees questions like that.

I’ve practiced MBWA every place I’ve ever worked. And I don’t just go to the office down the hall. I’ve gone to offices at the far end of the hall, and everywhere else I could, wherever there were employees.

Getting out, walking around, understanding people’s jobs, making certain that the supervisor communicates with employees, and making sure that the supervisor’s supervisor understands what employees are doing, is really important if you want to have an effective performance management system. And, if you want to align people to all work and move in a common direction.
• Mistakes are going to occur; this isn’t going to happen overnight, it’s not going to be dramatic.

• Moreover, as I just said, I don’t think you can implement performance management effectively simply by holding a few big meetings, sending out a couple of memos, and proclaiming things a success.

• That won’t generate lasting culture change in an organization, or give performance management any traction going forward.

• If I were a federal employee today I’d be interested in pay for performance.

• I would want my supervisor and my supervisor’s supervisor to know what I’m doing, how I’m doing it, what I need to be successful, and what I can expect in terms of support. And, I’d be willing to demonstrate my real value to my organization.

• There’s a risk here if one doesn’t do this. Today, for example, you see continued interest in the federal government in outsourcing work to the private sector. You have to ask, “Why?”

• By and large the reason work is outsourced is because the government can get the work done more cheaply out of house that it can do it in-house. And people on the outside get the work done better and more efficiently.

• What’s more, federal officials who are paying for such work don’t have to worry about health care costs, retirement costs, benefits etc. They just pay contractors to do the job right.

• We’re seeing more and more of this.

So, how can you increase the quality and efficiency of government work? It begins with you, as HC professionals, understanding your workforce, and being willing to look at problems that may be endemic in government culture, especially because people aren’t paid on the basis of actual performance.

• What kinds of things do you need to examine? They include:

• The nature of the work people are doing. Unless you know what employees are doing, how they’re doing it, and what they need to be successful, you
don’t have an appreciation for where your organization may have skills gaps and what you’ve got to do to correct those skills gaps.

- **Skills gaps.** Likewise if you don’t address skills gaps, don’t make your workforce effective, don’t have skills match job requirements, you’re building a case for outsourcing.

- **Workforce Analysis.** It’s important that employees be looked at for what they have to offer, what their skills are, how they do it, how you can support them, and how you can work together as a team.

- This is why government executives – from senior executives to political appointees – have to be intimately involved in the performance ‘debate’, and in creating cultures of higher performance within their agencies and departments.

There has to be high-level leadership commitment to do all this. The secretaries of agencies have to get directly involved. Congress has to get more directly involved. Even the White House has to weigh in.

- Otherwise, we’ll see one of three things happen:

  - One: Everybody who works in government will continue “to be above average”. In other words, things will stay pretty much as they are, with no real commitment being made to creating performance cultures in government agencies.

  - Two: The trend to outsource will continue and grow, because the necessary work of government won’t get done inside government walls, or ….

  - Three: The federal government – both political leaders and government executives – will make a real organizational commitment to improve performance, and to tracking, monitoring and evaluating performance using effective performance management systems.

Bill Trahant who serves as national leader of Watson Wyatt’s government consulting practice, wrote an article recently in which he outlined what he believes are the seven key issues involved in successfully implementing performance management systems. His seven points include the following:
- First, align individual performance expectations with organizational goals. To do this, agencies must spend time articulating outcome goals that are both consistent with agency mission, and set at a level that drives innovation and individual job performance.

  - My view is, don’t worry about trying to make that calculation perfectly in the first year or so of a performance management system coming online.

  - Do the best you can; be serious about it. And it’s best to have some performance standards that represent a stretch for employees. But not everything will line up exactly in the initial stages of implementing a system.

- Second, clarify roles, responsibilities and expectations for all employees. To accomplish this, agencies must involve employees in defining work expectations and delineating different levels of job performance.

  - By doing so, you create employee buy-in for specific performance standards, and build trust that people’s job performance will be evaluated fairly and accurately during annual job reviews.

  - One good way to do this is by “MBWA” – managing by walking around.

  - Talk to your employees, have supervisors talk to employees too. Spend time with people. Communication is a huge piece of this. I think the most effective communication is one-on-one conversations with employees.

  - Memos, e-mails, etc, are important, but personal one-on-one conversation is the single most important thing to do here.

- Third, create clear line of sight so that employees at all levels understand how their individual jobs and objectives roll up to support achievement of the agency’s overall strategic or departmental objectives.

  - I think this is important. Ultimately it ought to be something we try to achieve. But you can’t do it in all cases – particularly the first time out or even in the second generation of a system.

  - The important thing is to have some performance standards, even if they are output measures as opposed to outcome measures. They can be stretch goals.
• Fourth, use core competencies as the basis for defining the skills and behaviors required of people in specific jobs.

- As you walk around and talk with employees and set goals, it’s important to talk about outputs and outcomes, and to listen and discern whether employees have the skills and competencies they need to be effective.

- If they don’t have required skills, it’s your job as a manager, executive or political appointee to get them tools, resources and training. They can’t be held responsible for failing to meet objectives if they don’t have what it takes to get there.

• Fifth, link pay to individual and agency performance. That’s the easier part, once the performance management system is in place.

• Sixth, make meaningful distinctions in job performance.

- As I’ve said, not all employees are above average.

- I know it’s difficult to look somebody in the eye and say, “You didn’t measure up. You didn’t perform at the same level as your peers. You’re not an outstanding employee, or even an ‘above-average’ employee. You’re a satisfactory employee based on your job performance, and on the degree to which you met specific output/outcome goals for the year just passed.”

- Based on my experience in the federal government, I think there isn’t a strong inclination on the part of supervisors to rate employees appropriately. I think supervisors are more interested in making certain that people feel good. They want to avoid grievance battles, and other kinds of unpleasantness in the workplace.

- Bottom line: it’s just easier to give people a rating that doesn’t reflect their real work.

• Finally, include safeguards to enhance the credibility and transparency of employee performance reviews.

- When safeguards are built into a system, agency leaders can assure employees that job performance will be evaluated objectively, and won’t be influenced by favoritism, office politics or longevity in a job.
- As part of doing this, it’s vital to talk with employees – to have meetings with them.

- Make certain, in fact, that supervisors meet with employees at least twice a year, if not more.

- Have managers talk with employees about how things are going. Are employees performing to target? Managers should let employees know that they’re interested in helping them be successful.

- If you put safeguards in place, if you work with employees to develop your performance management system, and if it’s credible and transparent, it ought to take the sting out of annual performance reviews.

- That’s because having a performance management system in place provides a structure for doing reviews, and helps managers communicate expectations clearly and consistently to employees.

As I’ve said, implementing performance management requires that an agency’s leadership get serious about it, and about championing it at every opportunity to employees.

- You can’t delegate implementation of performance management to the HR department or to your agency’s CHCO. Its importance has to be emphasized by leaders at all levels of an agency. And, it will take time to bring about a cultural shift in how work gets done in the organization in any case.

- If employees hear a consistent message from leaders, supervisors, and political appointees about performance, they are much more likely to embrace the concept of creating a performance culture in their agency.

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Questions for Marta Perez and Bill Leidinger

After their formal presentations, both Marta Perez and Bill Leidinger answered questions about how to design and implement performance management systems.

**Question:** What are the most important factors to consider when it comes to designing and implementing performance systems? Some people emphasize the importance of designing performance plans and appraising people against those plans. Others stress the critical role that supervisors have to play in offering coaching and feedback during the performance appraisal process. Still other people stress the importance of designing performance management systems to align the work of individual employees with the strategic or organizational goals of an agency or department.

**Perez:** I think that developing and implementing a performance management system requires that agencies pay attention to all of these things. That’s because designing such systems requires that you create an organizational environment that supports the idea of high performance.

You’ve got to create an environment where the performance of the organization becomes the topic of conversation between managers and employees at every level, and where employees at every level feel connected to the mission and goals of the organization.

It’s not about performance appraisal and ratings as such. It’s more than that. It’s about managers and employees working together to define and articulate job goals, and then creating shared understandings of how job performance will be evaluated and what will be rewarded. It’s about coaching employees to success, and defining clearly how the employee’s job performance rolls up to support the strategic or organizational goals of the federal agency or department for which they work. Finally, it’s about elevating the conversation so that the employee feels truly committed to the mission and goals of their organization.

**Leidinger:** The only thing I’d add to that is that you won’t necessarily get tight employee alignment with strategic goals right away. It takes awhile to align people at all levels of an organization to support common strategic goals. So, to use a baseball metaphor, it’s okay for managers to go for “singles” and “doubles”
in the first year or two of implementing a performance management system. It takes time to tweak job performance standards, metrics, and employee expectations to optimize individual and organizational performance. But that’s okay. Think of the process as iterative, focused on continuous improvement, and on harmonizing individual job performance to support strategic mission goals of the agency over time.

**Question:** How quickly should an agency expect to see progress with performance, once a performance management system is put in place?

**Perez:** I think it’s important to create a sense of urgency about this. Government leaders have a finite amount of time to accomplish things. Often it’s the lifetime of a single presidential term. So, to the extent that you can communicate urgency about performance, generate employee buy-in, and create organizational synergies -- using levers such as leadership, technology and strong management practices to drive organizational change – you’ll be able to create a performance culture in your organization – or at least momentum in that direction. You may create some tension in your organization around “performance.” But I think doing so is okay, and is to be expected.

**Leidering:** From my perspective bringing about performance based cultures in federal agencies is more evolutionary than revolutionary. As I said earlier, it typically takes five to seven years to create cultural change in any organization – to make change stick, and to have people buy in to the change you’re promoting. I see that timeframe as necessary to making real change work, and to having change be accepted. And while you’re driving change it’s true that your efforts will create tension. For that reason, it’s important to manage people’s expectations around change – about what will be accomplished and by when.

**Question:** What about measuring performance factors – especially those that aren’t standard in nature and that don’t lend themselves to straightforward measures of quality, quantity and time? For example, when it comes to homeland security, how do you measure the extent to which the general public feels secure about the airport security safeguards being provided by DHS and other agencies?

**Perez:** As a government department, we haven’t done a lot of public measurements of how the public feels about security. I think it’s evident however, in terms of the amount of travel people are doing today -- the number of people going on vacations and the money being spent on air travel – that people feel pretty good about airport security. But that sense of security could be shaken very easily. An incident anywhere in the country today could set us back
tremendously. And that’s why the work we do at DHS is so critical to our country and our economy. Believe me, these things are the focus of a lot of performance conversations at DHS. It’s not just about how you protect the airport, but how you protect it in a way that you still encourage people to travel.

**Leidinger.** I think there is a different way you might look at national security – in terms of the totality of things that have to be done.

Airports might be okay now, but what about port security? As I understand it, only one of every ten ocean going cargo containers is inspected. And that means there’s a lot of stuff coming into our country every day from all over the world. Our borders aren’t secure either. We don’t know if we have 12 or 15 or 20 million illegal immigrants. And we don’t know anything about them, and their objectives. Our borders are wide open.

So if you’re talking about security, it seems to me you have to sit down and talk about what it really means to be “secure.” That means looking at issues like airport safety, but including port security, border security, and so forth in the discussions as well.

**Perez.** It’s true that security means different things to different people. I had dinner with the president of the El Paso Chamber of Commerce recently. Yes, to Bill’s point, it’s true that every person crossing over the border is a potential security risk. But at the same time people like the president of the El Paso Chamber of Commerce are trying to make El Paso flourish commercially as a city, which means allowing commerce to go back and forth between Mexico and the U.S. Every time you make a truck stop at a checkpoint, or stop somebody from crossing, it’s a possible obstacle to business growth and commercial potential.

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