

SES ANNUAL FORUM

DoD **21st**
Century
Leadership
**Senior Executive
Service**

Management Challenge

Performance Management

Group A

2008

Overview

- The Secretary of Defense has committed to an executive appraisal system that:
 - Makes meaningful distinctions in performance based upon individual and organizational results.
 - Promotes a performance culture in which results and contributions of executives are valued, recognized and rewarded.

Overview

- Executive responsibilities include:
 - Aligning individual performance with organizational goals.
 - Setting results-driven performance requirements.
 - Communicating and providing feedback to executives.
 - Assessing performance fairly.
 - Making meaningful distinctions in performance.

Overview

- The ability to make meaningful distinctions in performance results from well-written, "SMART-Q" performance requirements and rigorous performance assessments.
- Forced distributions of ratings are illegal.

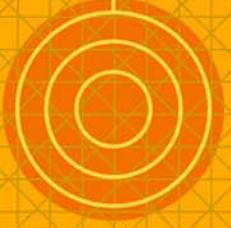
Overview

- A senior executive who fully meets performance requirements and does all that is expected really "Achieves Expectations."
- The "Exceptional Results" rating is limited to performance that far exceeds that which is expected as evidenced by exceptional or breakthrough results or contributions to the mission.
- Consider this...



**SES
ANNUAL
FORUM**

- Take a look...

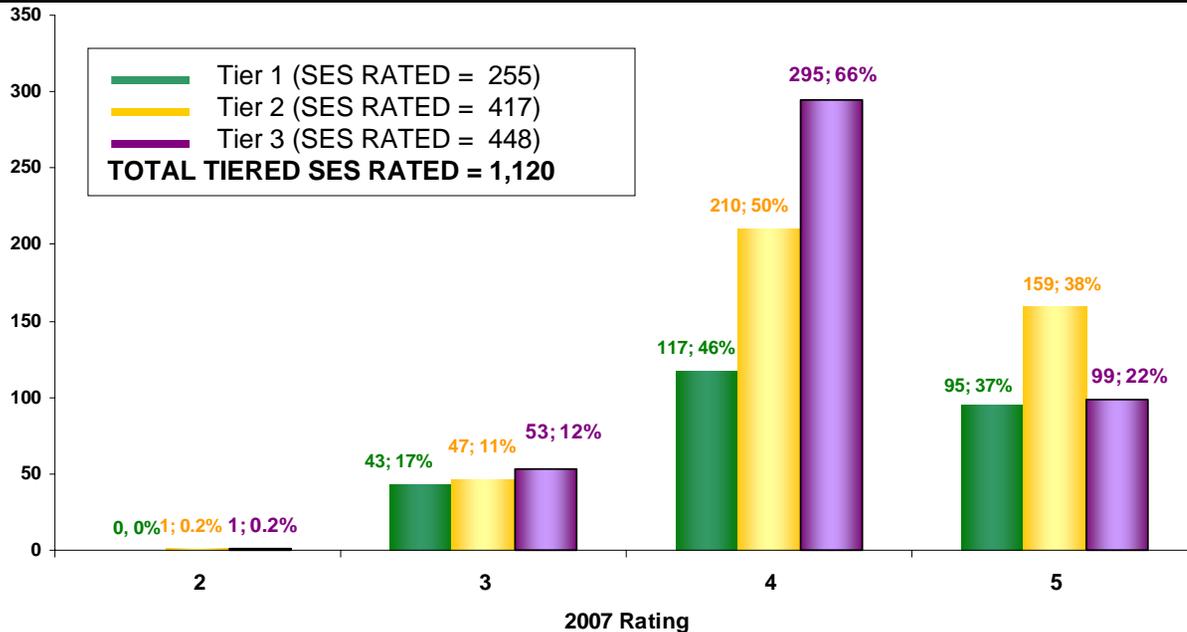
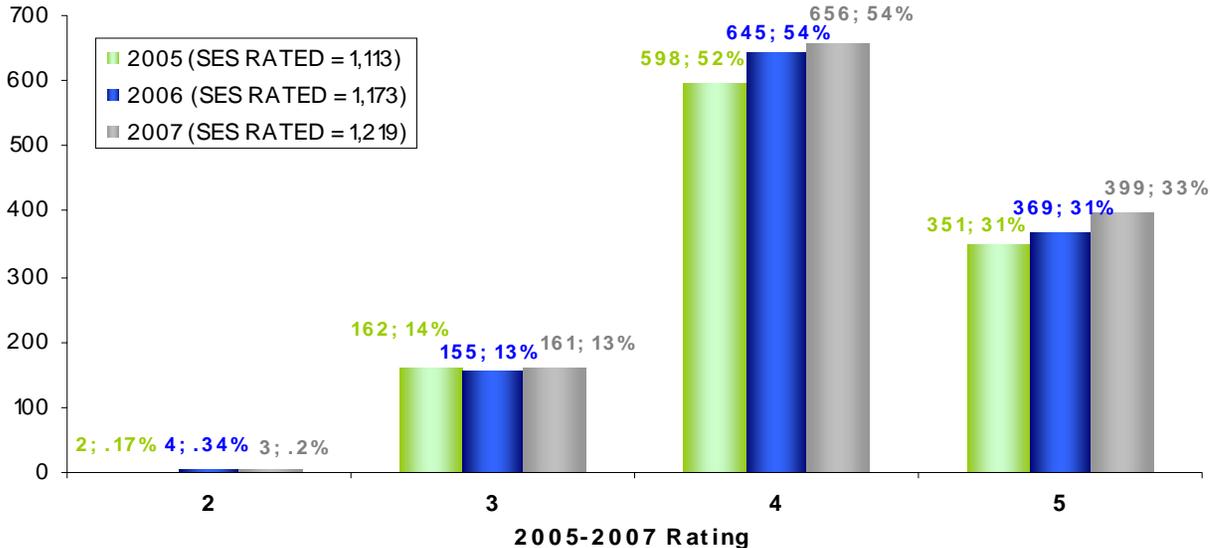


2008

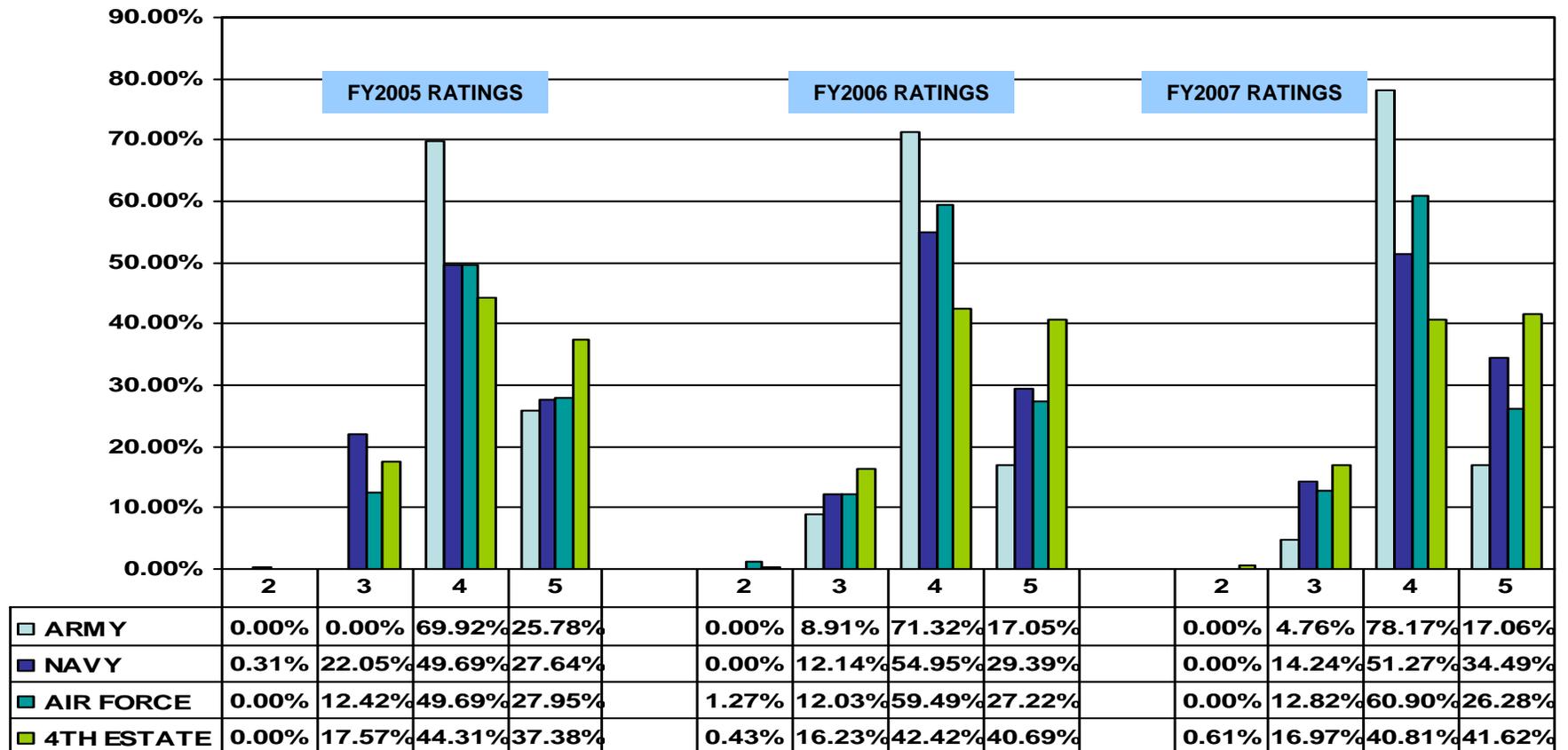
DoD **21st**
Century
Leadership
**Senior Executive
Service**

What the Data Tells Us

Distribution of SES Ratings (2005-2007) DoD-Wide



Performance Appraisals of DoD SES Leaders



*This analysis includes rated career, non-career and limited appointment SES leaders

In 2005, 31 SES leaders were not rated, as they were on board for less than 90 days before the end of the appraisal period.

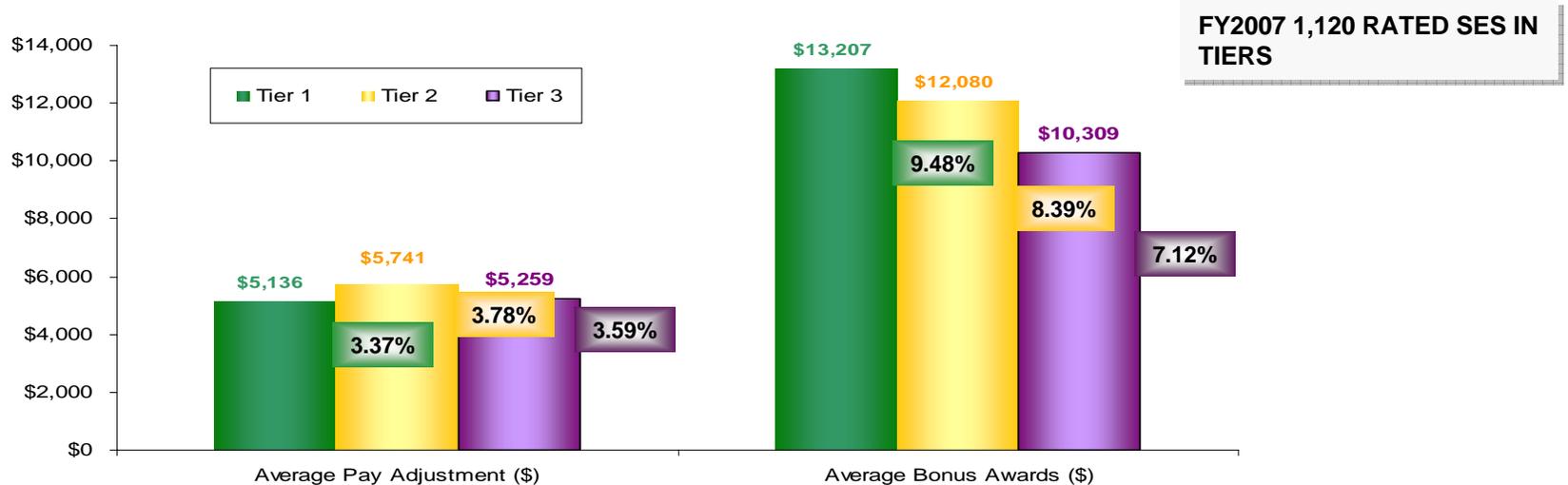
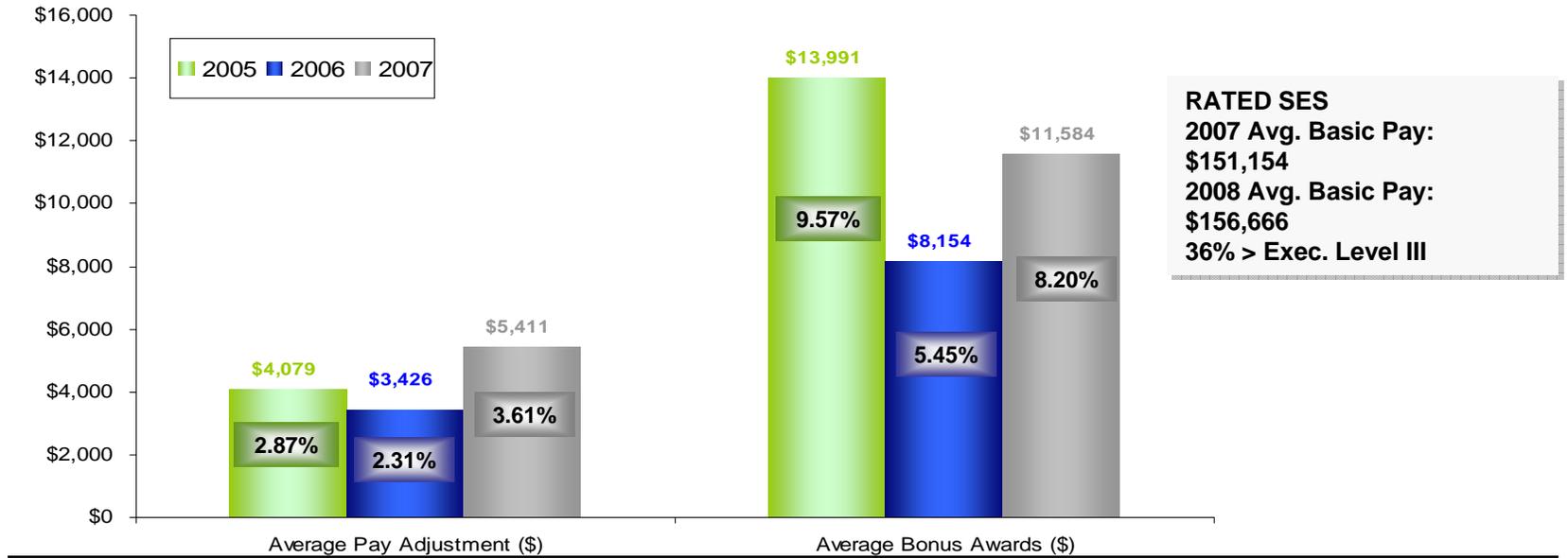
In 2006, 19 SES leaders were not rated, as they were on board for less than 90 days before the end of the appraisal period.

In 2007, 55 SES leaders were not rated, as they were on board for less than 90 days before the end of the appraisal period.

DoD SES Performance Appraisals

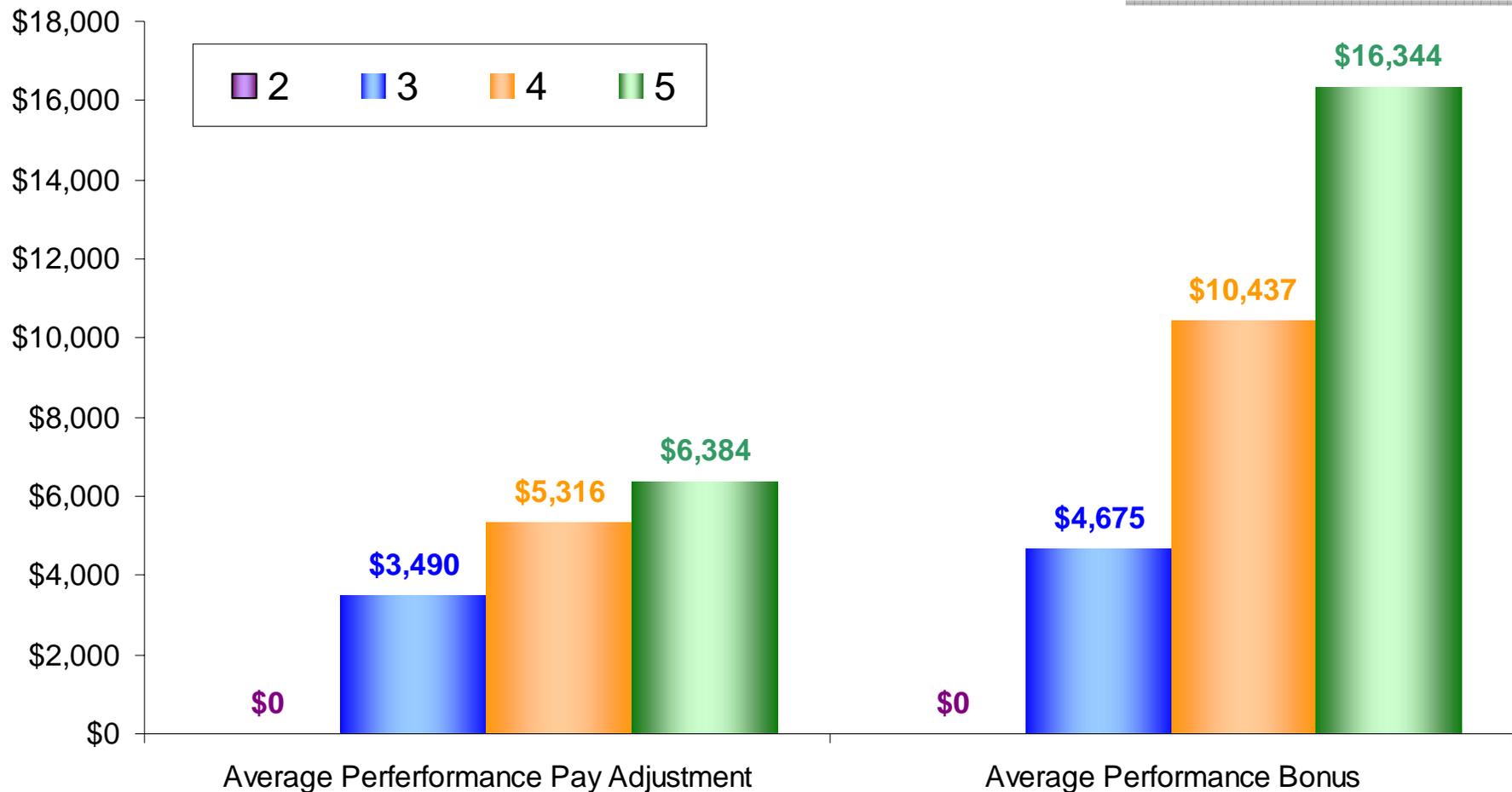
Results at a Glance:	2005	2006	2007 (note)
Total Number of SES Leaders (career, non-career and limited term)	1,144	1,192	1219
Total Salaries	\$164,645,422	\$176,384,924	\$192,431,501
Pay Pool Funding Factor (Pay Progression + PAEP + Performance Budget)	~14%	10%	12%
(Pay Pool Funding Factor X Total Salaries of all covered executives)	\$23,050,359	\$17,638,492	\$23,091,780
Total Basic Pay Increase Payouts	\$4,289,948	\$4,786,514	\$6,596,230
Number of Executives Paid Above Executive Level III	N/A	348 (29.19%)	442 (36%)
Avg. Basic Pay Increase	\$3,854	\$4,081	\$5,411
Total Performance Bonus Payouts	\$13,796,810	\$11,628,084	\$14,120,572
Avg. Bonus Payout	\$12,396	\$9,913	\$11,584
Average Salary (after Adjustments)	\$147,492	\$151,989	\$156,666
Unspent Pay Pool	\$4,963,601	\$1,238,325	\$1,238,325
Unspent Pay Pool (as % of Total Salaries)	3.01%	0.702%	1.23%
Pay Increase Payouts (as % of Total Salaries)	2.61%	2.77%	3.51%
Performance Bonus Payouts (as % of Total Salaries)	8.38%	6.61%	7.86%
Number of Executives not Rated	31	19	55
<i>Note: 2007 includes USD(I) HQ's aggregate data</i>			

Average Pay Adjustment and Average Bonus Award 2005-2007 - DoD-Wide

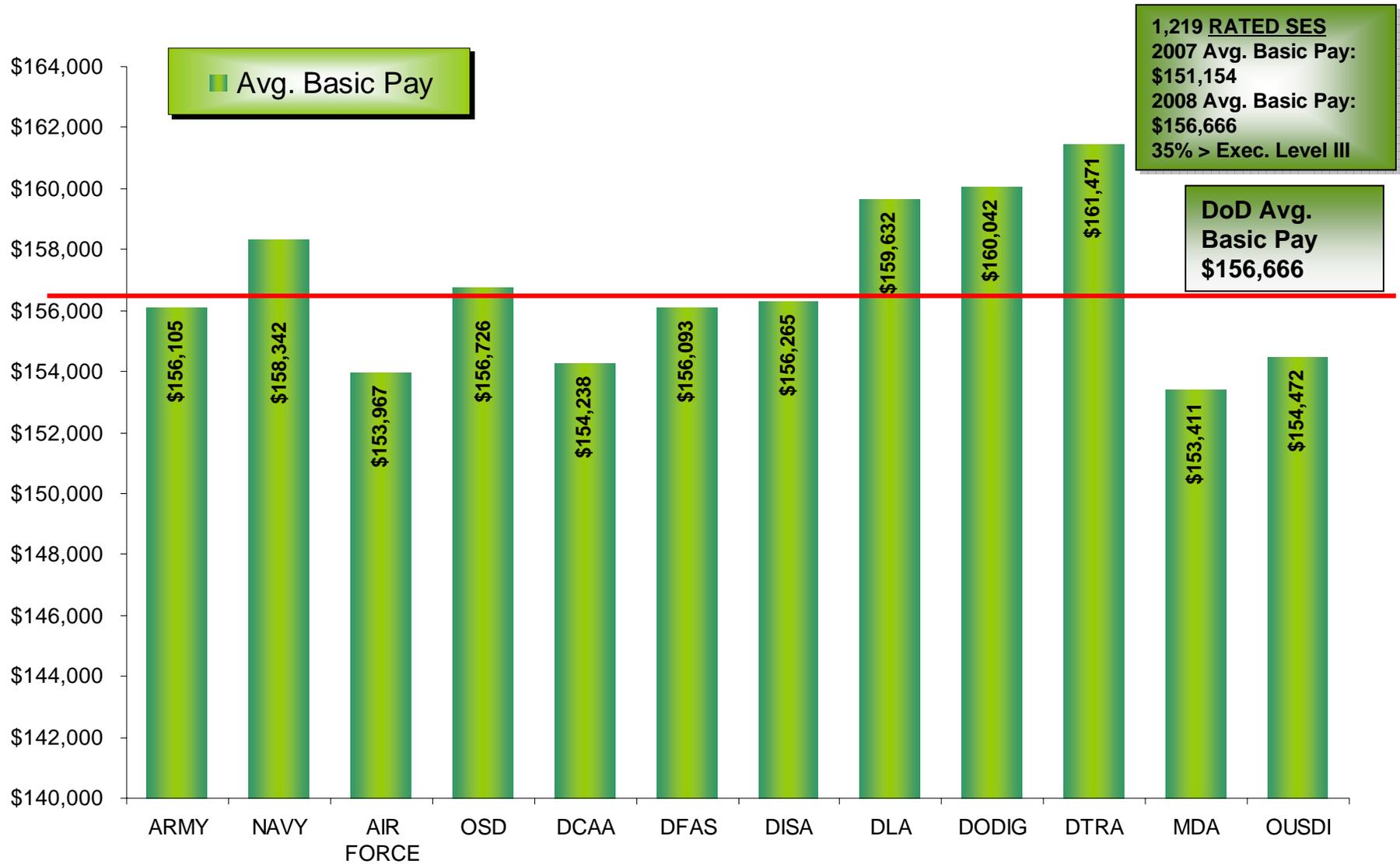


SES Average Pay Adjustment and Average Bonus Award 2007 (Dollars by Rating Level)– DoD-Wide

Data for 1,219 RATED SES in
Fiscal Year 2007

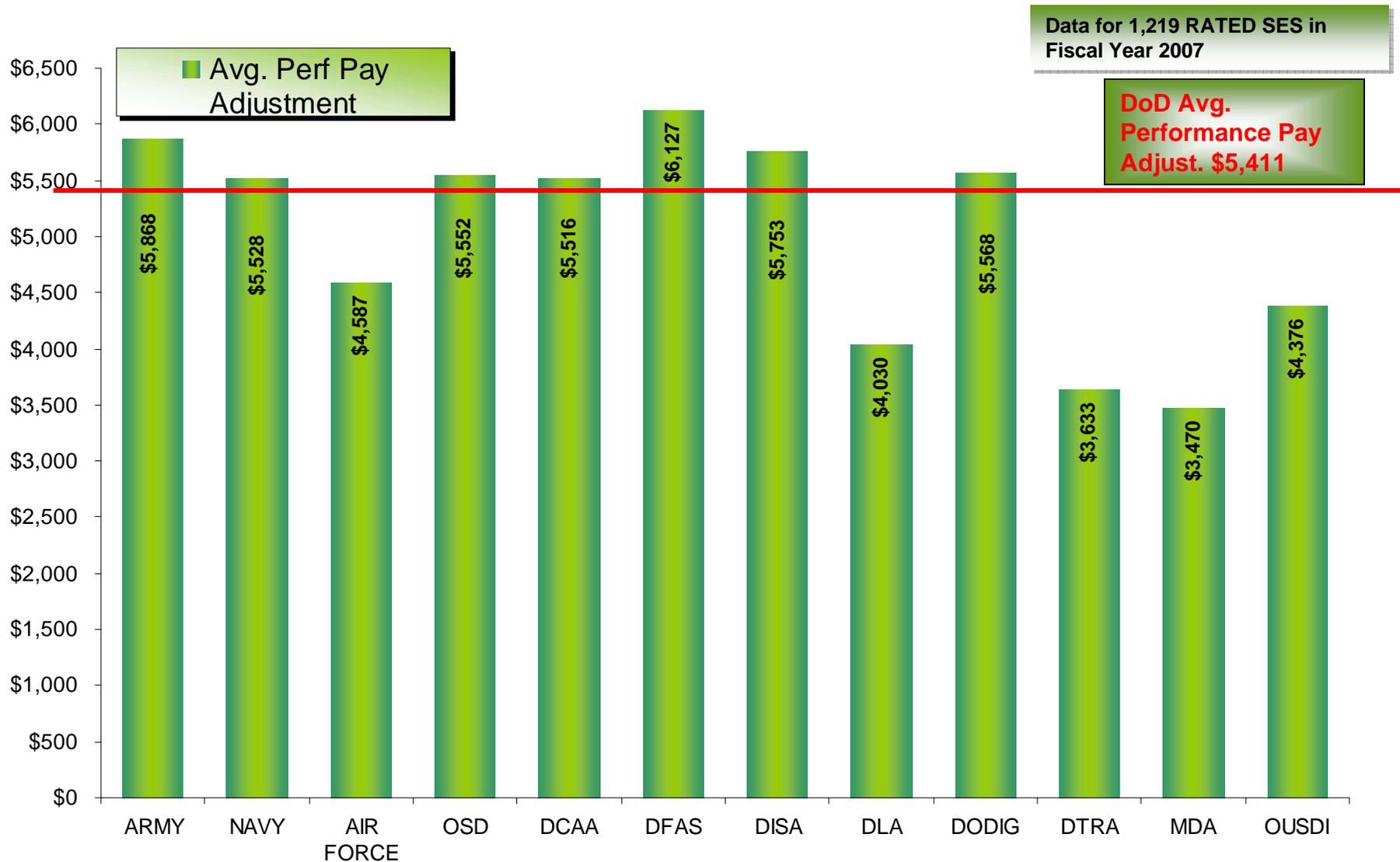


SES Average Basic Pay 2007 DoD-Wide



SES Average Basic Pay Adjustment 2007

DoD-Wide



SES Average Performance Bonus 2007 DoD-Wide



What do You Think About...

1. Every executive, rating official and leader has the responsibility to help the Department maintain certification. As the DEAB:
 - How would you get the DoD team on board and fully engaged/committed to this process?

What do You Think About...

1. Continued:

- How do you get commitment from executives and leaders to write Performance Requirements that are compliant and rigorous; enable meaningful distinctions in performance to be made; and allow reviewing officials during pay pool deliberations and PRBs who may not know the executives to envision what the contributions mean to the organization?
- What type of support is needed for executives and supervisors to successfully write compliant and meaningful Performance Requirements? What has worked well in Components? Not so well?

Summary of Q1

1. Need senior leadership support and buy-in.
2. Need to convince rank and file of importance of certification.
3. Need to enforce accountability.

What do You Think About...

2. How do we drive a new meaning around rating levels? How do build a culture where:
 - a) A Level 3 performance rating, “Achieved Results,” is:
 - Considered a high-bar standard?
 - The “presumptive” rating for those who deliver expected, customary, universal type results of high quality and creativity?
 - A rating that makes executives feel valued?

What do You Think About...

2. How do we drive a new meaning around rating levels? How do build a culture where:

b) Levels 4 and 5 performance ratings are:

- Considered very high-bar standards?
- Reserved for executives who deliver uncommon, extraordinary, or breakthrough results of exceptional quality and creativity and results that are significantly more difficult, challenging or high-risk to meet?
- Ratings that make executives feel like the exemplars?

Summary of Q2

1. DoD guidance is “descriptive”, not “proscriptive”.
2. How to demonstrate “significant organizational impact” when major breakthroughs do not occur annually? How to define the impact in the interim years?
3. Education and communication are required to reinforce the value of each rating.

What do You Think About...

3. Ratings influence executive perceptions of fairness and willingness to be mobile within and across Components. What role does the DEAB have in ensuring equitability in the performance management system across Components (e.g., in ratings and payouts)?
 - How should the DEAB do this?

Summary of Q3

1. What does “equitability” mean: ratings or payout? Which is more important?
2. After several years, people look at the results and set their standards by what has been done in practice, regardless of business rules.
3. Should payouts be based on geometric increase (i.e., is a 4 really worth twice as much as a 3)? Should the pool of money available for each rating be allocated differently from the start?

Recommendations

1. Communicate importance of certification (benefits of maintaining vs. consequences of losing) and improve incentives for “valued performer” concept.
2. Provide more guidance about what 4 and 5 looks like.
3. Compensate 3’s appropriately to reward the “valued performer” concept.

SES ANNUAL FORUM

DoD **21st**
Century
Leadership
**Senior Executive
Service**

The DEAB

2008

Overview

- The Defense Executive Advisory Board (DEAB) is being established.
- The DEAB will:
 - Ensure continuity of the highest caliber of SES leadership.
 - Define the core precepts for the lifecycle management decisions.
 - Recommend a list of Enterprise SES positions for the Deputy Secretary of Defense.
 - Validate the processes used for selecting individuals for Enterprise SES positions.
 - Analyze trends in career selections and assignments to inform policy decisions and ensure compliance with DoD Directive 1403.03.

Overview

- The Deputy Secretary of Defense will establish and appoint members to the DEAB.
- Members will represent SES leaders, G/FOs from across the Components.