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DoD 21st Century Leadership Senior Executive Service

Management Challenge

Performance Management

Group B

2008

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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.

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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.

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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.

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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…

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What the Data Tells Us

- Take a look…

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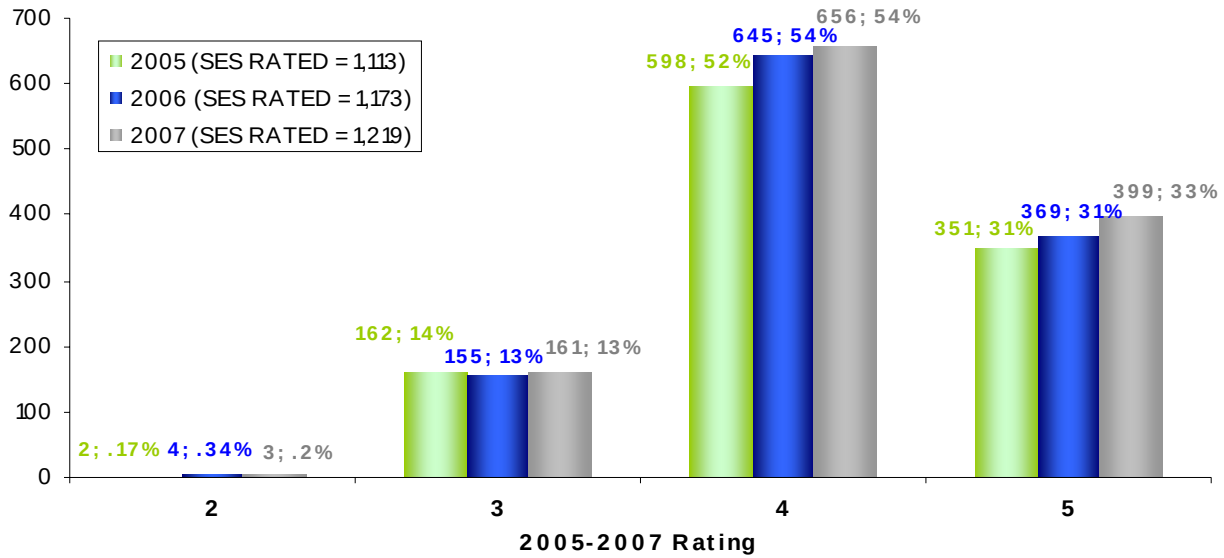
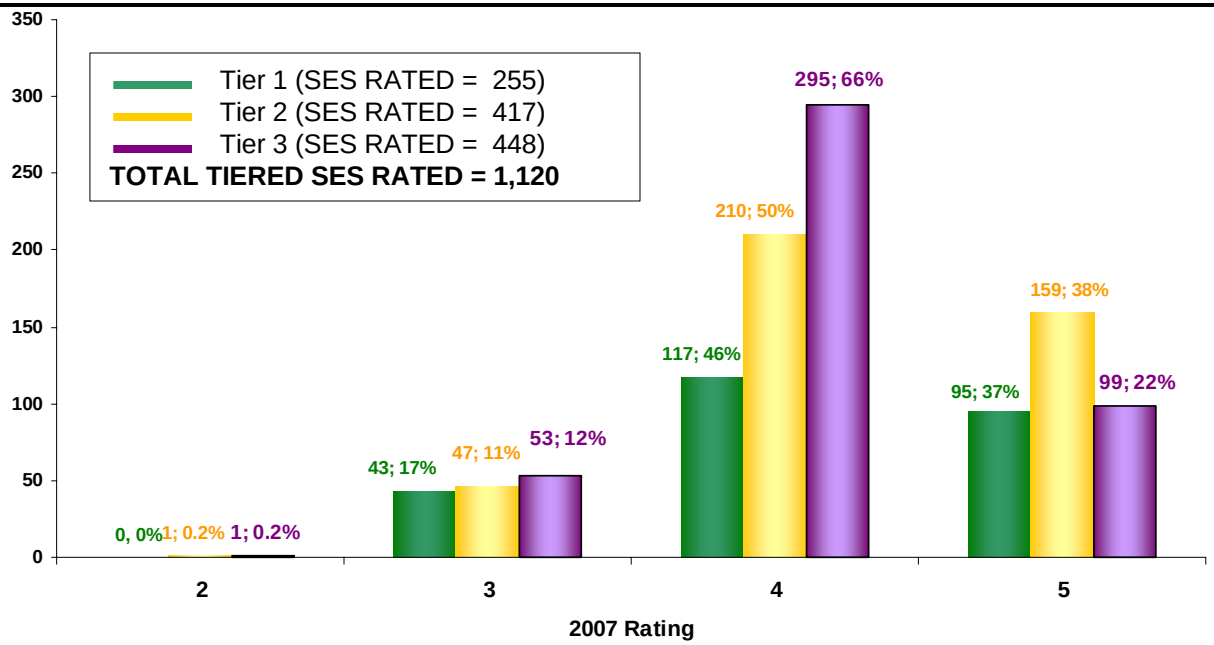
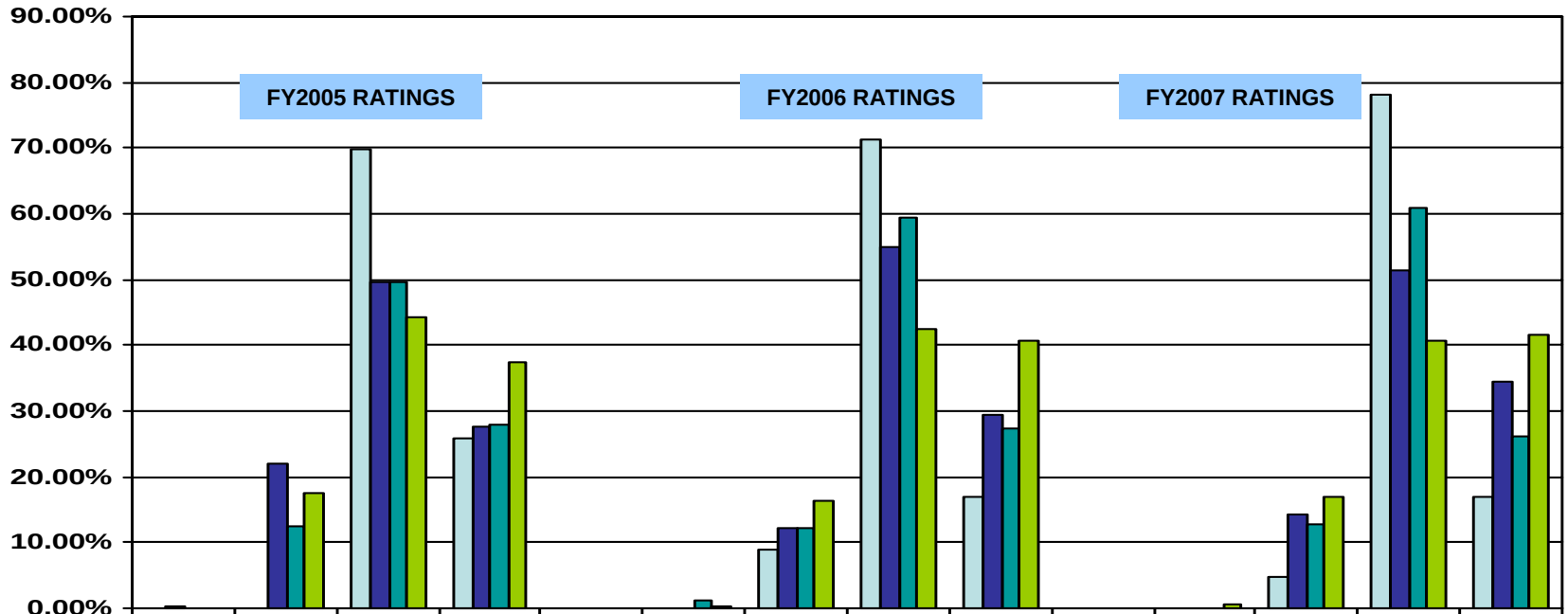
Distribution of SES Ratings (2005-2007) DoD-Wide





Performance Appraisals of DoD SES Leaders



	FY2005 2	FY2005 3	FY2005 4	FY2005 5	FY2006 2	FY2006 3	FY2006 4	FY2006 5	FY2007 2	FY2007 3	FY2007 4	FY2007 5
ARMY	0.00%	0.00%	69.92%	25.78%	0.00%	8.91%	71.32%	17.05%	0.00%	4.76%	78.17%	17.06%
NAVY	0.31%	22.05%	49.69%	27.64%	0.00%	12.14%	54.95%	29.39%	0.00%	14.24%	51.27%	34.49%
AIR FORCE	0.00%	12.42%	49.69%	27.95%	1.27%	12.03%	59.49%	27.22%	0.00%	12.82%	60.90%	26.28%
4TH ESTATE	0.00%	17.57%	44.31%	37.38%	0.43%	16.23%	42.42%	40.69%	0.61%	16.97%	40.81%	41.62%

*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.

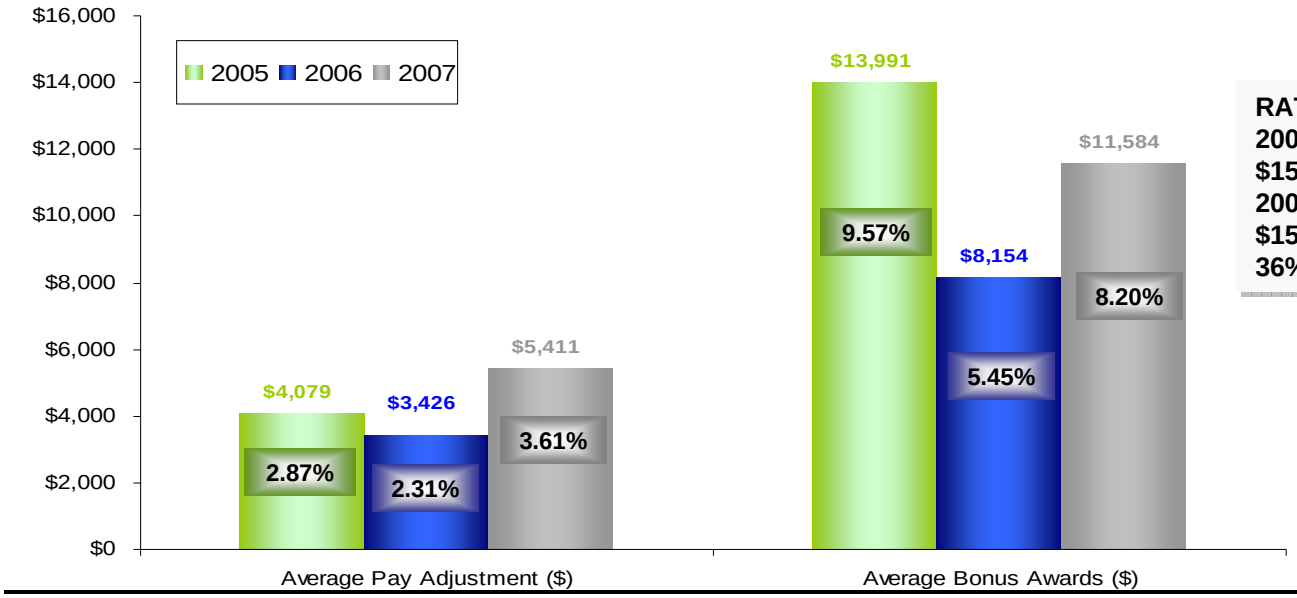
In 2006, 19 SES leaders were not rated, as they were on board for less than 90 days before the end of the appraisal period.

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.

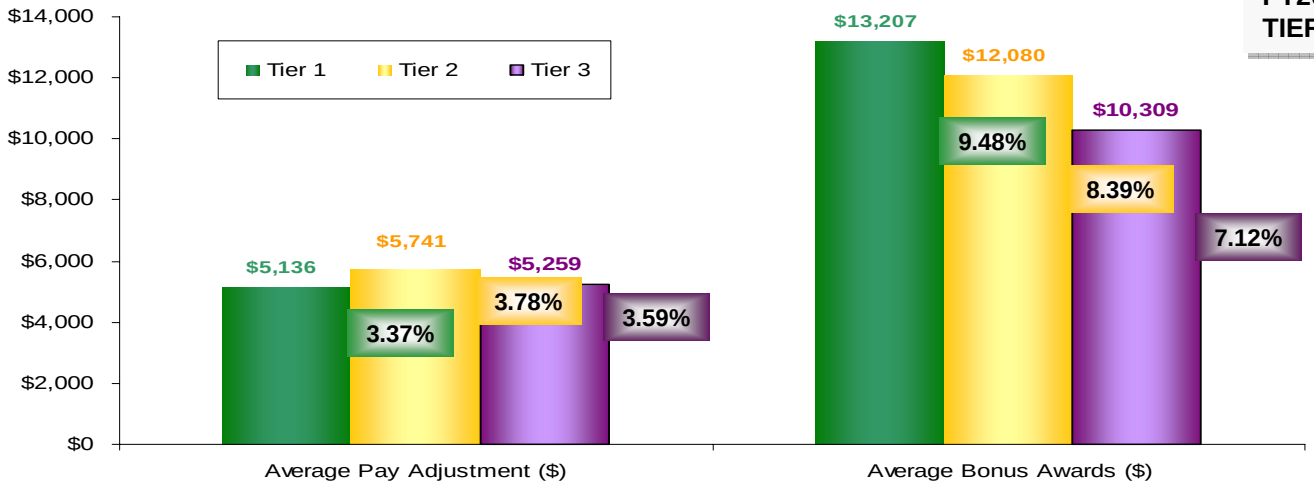
DoD SES Performance Appraisals

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 Value (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
Note: 2007 includes USD(I) HQ's aggregate data			

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

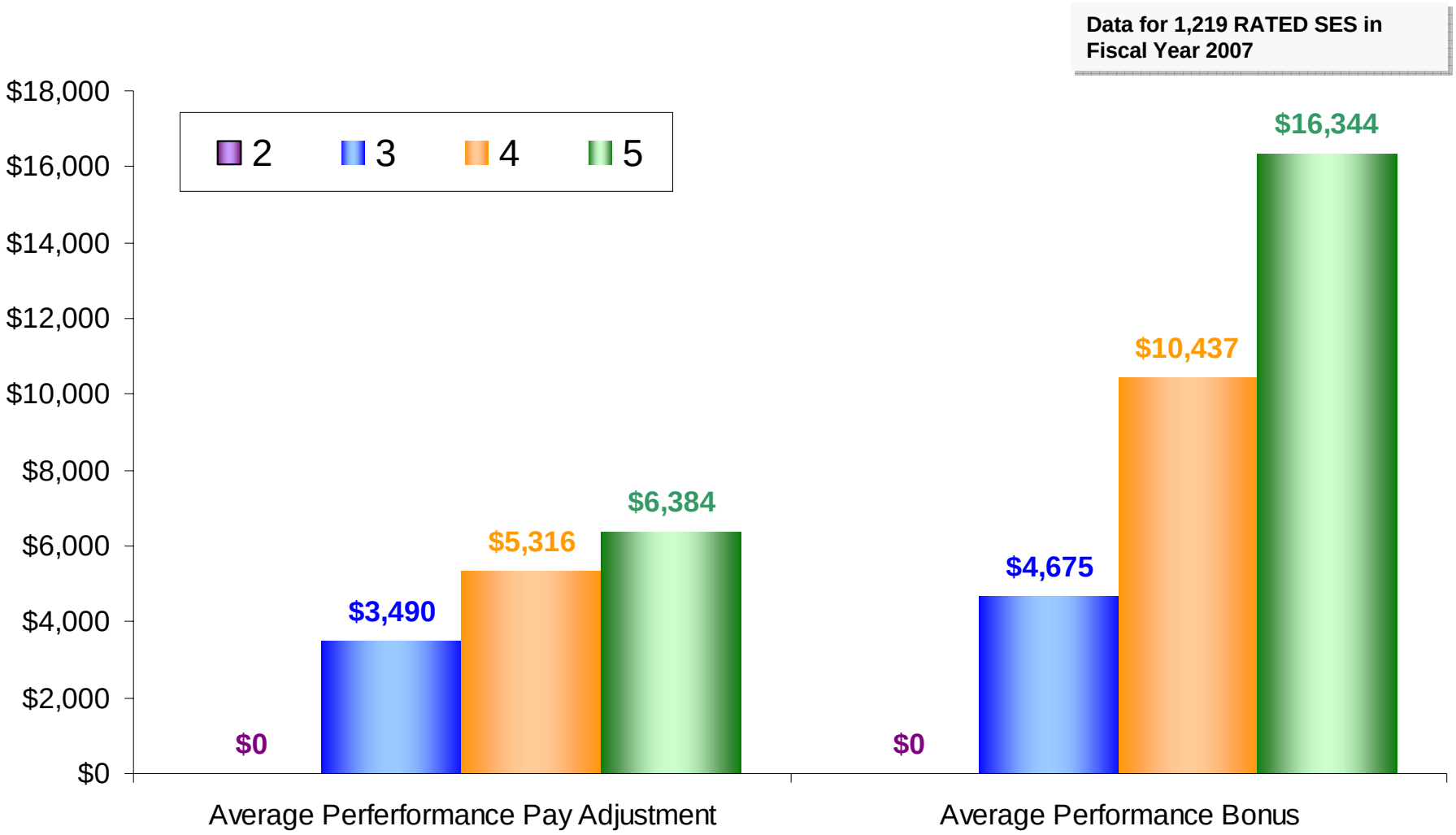


RATED SES
2007 Avg. Basic Pay: $151,154
2008 Avg. Basic Pay: $156,666
36% > Exec. Level III

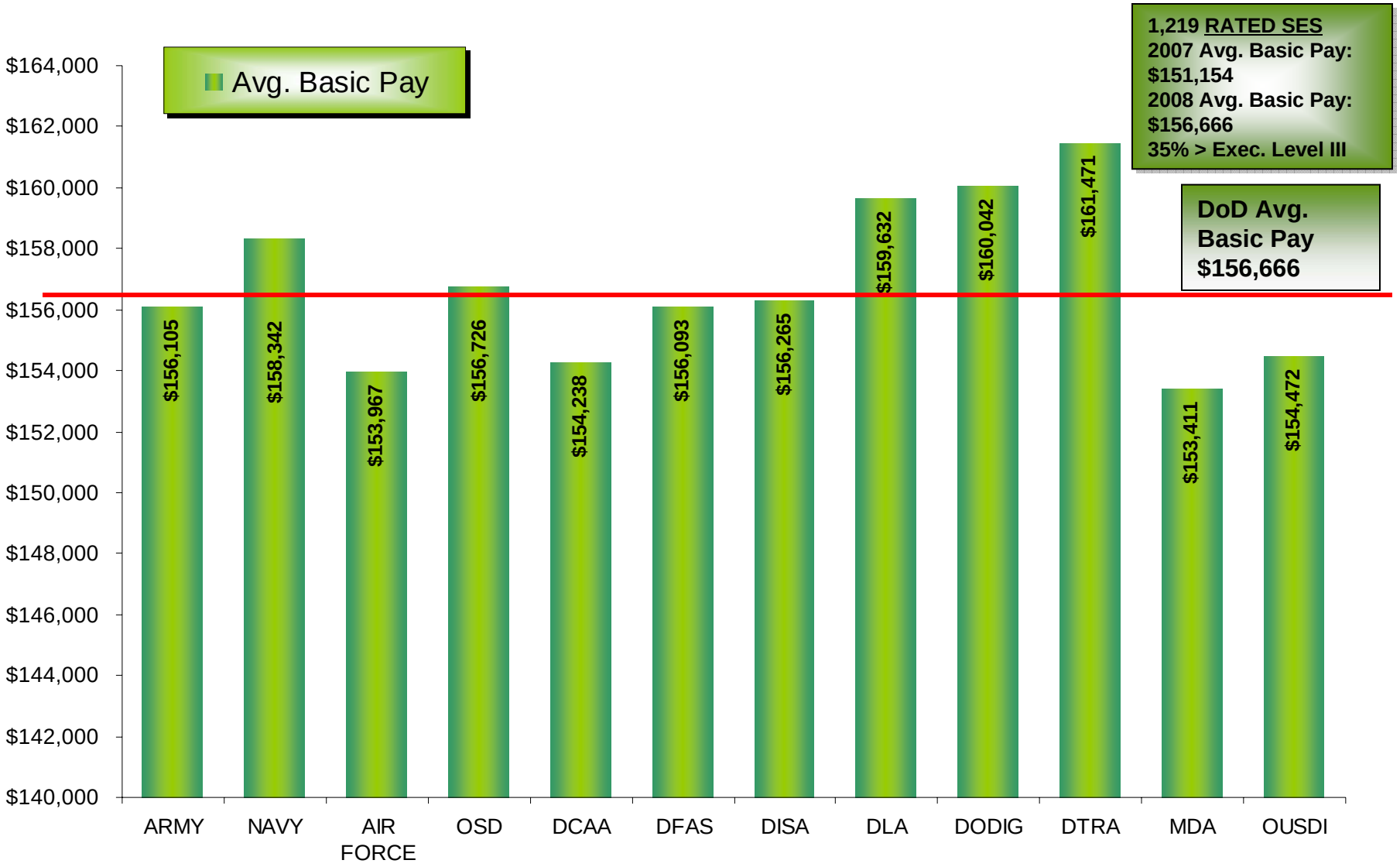


FY2007 1,120 RATED SES IN TIERS

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



SES Average Basic Pay 2007
DoD-Wide



SES Average Basic Pay Adjustment 2007
DoD-Wide

SES Average Performance Bonus 2007
DoD-Wide

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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?

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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?

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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?

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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?

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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?

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Summary of Q1

1. Training for performance requirements for SES and GO's is needed.
2. Random sampling across DoD of performance requirements during the development and rating phases to ensure consistency.
3. Have culture change so level 3 rating is considered a worthy rating – with adequate financial reward and no loss in opportunity. Requires more than a PR campaign.

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Summary of Q2

1. Re-design performance evaluation system to be more reflective of executive level work which ties to strategic level outcomes.
2. PM system based on "objective" measures will increase performance ratings if effective.
3. Hold everyone accountable for using Level 3 ratings appropriately.

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Summary of Q3

1. Too much disparity across DoD components decreases incentives to move across components.
2. Compare special functions/business lines across DoD and with private industry (e.g., engineering across agencies, accountants across agencies…).
3. There must be a mechanism to ensure that executives who transfer across organizations don't get penalized financially.

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Recommendations

1. Conduct training for SES and GOs similar to PEO NSPS training.
2. Fix SES compensation system first: change the law to increase SES pay caps so it's well above the rest of the workforce so that ratings don't need to be inflated in order to compensate executives higher than GS 15's and achieve some parity with other federal executives and industry executives.
3. Form an independent benchmarking review panel (similar to Defense Science Board) that reviews each organization across common functions and links to executive compensation.

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Additional Comments

- SES performance management system should be simplified.
- There should be a single performance management systems for all of DoD.
- There should be monetary and non-monetary compensation for executives to make public service more attractive, as compared with the private sector. There should be a lagging parity with the private sector.
- DoD executives should be compensation market leaders within the federal government.

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The DEAB

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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.

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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.

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