



USDA Senior Executive Performance Appraisal System

Windwalker Corporation/CI International



Objectives

- Enhance the understanding of pay-for-performance systems and OPM certification requirements
- Introduce new USDA SES performance appraisal system and template
- Set the stage for effective performance management systems throughout USDA



Why the Performance Management Focus – Big Picture

- USDA wants performance plans to drive behavior of all members of Department
- All performance plans should clearly show alignment to Department/Agency goals
- Particularly important for SES plans, which are the ones most closely tied to Agency goals



Why the Focus on Performance Management – Personal Level

- OPM denied USDA certification of senior executive performance appraisal system
- Agencies/Department without certification have lower senior executive pay scale
- Potential direct impact on senior executive pay
- Can impact ability to hire best available talent



Consequences of OPM SES Performance Certification Decision

Effect on Basic Pay

Structure of the SES Pay System	Minimum	Maximum
Agencies with a Certified Performance Appraisal System	\$ 117,787	\$ 177,000
Agencies without a Certified Performance Appraisal System	\$ 117,787	\$162,900



Consequences of OPM SES Performance Certification Decision

Lower limits on overall compensation can have negative effect on bonuses and awards

Aggregate Limitation on SES Pay	Maximum	Maximum Compensation
Agencies with a Certified Performance Appraisal System	Vice President	\$ 227,300
Agencies without a Certified Performance Appraisal System	EX-I	\$ 196,700



Additional Consequences of OPM SES Performance Certification Decision

- Department perceived by OPM/OMB to not be providing appropriate focus to the system
- Not using the system as a leadership tool
- Performance management system being seen as administrative/HR function rather than leadership responsibility



USDA Certification Denied Because

- Design of system such that “marginal” rating could not be assigned
- Performance plans didn’t always identify measureable outcomes
- Difficult to differentiate levels of performance
- System policy/framework needed to be more consolidated and comprehensive



Why Results-Oriented Pay for Senior Executives

- High-performing organizations recognize effective performance management systems drive change and achieve results
- Leaders who are held accountable for Agency results drive continuous improvement, and stimulate and support efforts to integrate human capital approaches with organizational goals



Pay for Performance: Two government – wide policies

- SES covered under government-wide policy since 2004
- SL/ST since April 2009



General Features of All Senior Executive Systems

- Open range of basic pay with access to higher aggregate pay
- Minimum and maximum rate range established
- Agency plan for setting and adjusting rates of pay must reflect meaningful distinctions between performance rating levels
- OPM must certify, with OMB concurrence, agency senior employee appraisal systems before agencies can use the full pay range for performance pay adjustments



Agencies are Being Held Accountable

- Performance Management systems are reviewed by OPM every 1 or 2 years to ensure system policies and framework are appropriate
- Three Possible Outcomes of OPM review
 1. Provisional Certification
 2. Full Certification
 3. Deny Certification



OPM Certification Requirements

- Very specific requirements outlined in law – CFR 430.404
- Performance plans appropriately provide for achieving measurable results
- Measurable results account for at least 60 percent of the summary rating.



OPM Certification Requirements

- Performance plans must hold supervisors accountable for aligning employee performance plans with organizational goals and for rigorously appraising executive performance.
- Derivation formula that allows for a minimum satisfactory/successful rating for all senior executives
- Meaningful distinctions in performance ratings, pay adjustments and bonuses



The Good News: Provisional Certification Received

- USDA revised the appraisal system and received provisional certification by OPM on November XX 2009. Whew...
- New policies to be posted on OHRM web-site
- Will need to submit new certification package by March 2010
- USDA will move from Provisional to Full Certification when the new system shows results (evidenced by effective performance plans and performance management)



Performance Assessment Accountability Tool (PAAT)

- Must request renewal of certification via SES-PAAT
- Done internally within USDA then submitted to OPM
- SES supervisors and executives themselves play key role in ensuring on-going certification
- PAAT reflects how well USDA executives demonstrate accountability for performance
- Adherence to OPM requirements by supervisors and executives vital to continued certification



The New System

- The new system must be shown to be working within OPM requirements or certification could again be lost
- It's more than having a good system on paper
- Outcomes are measured by the PAAT
- The best system can be found inadequate if not used consistent with OPM requirements



Highlights of USDA SES Performance Management System Changes

Old SES Performance System	New SES Performance System
3-level element rating and 5-level summary rating	5-level element rating and 5-level summary rating. Civil Rights element rated pass-fail using the fully successful and unsatisfactory levels
Minimally satisfactory summary rating level could not be assigned	Minimally satisfactory element and summary rating can be assigned
Plans developed within 30 days of performance cycle	Plans communicated to the SES on or before the beginning of the appraisal period



Highlights of SES Performance Management System Changes

Old SES Performance System	New SES Performance System
Multiple agency forms with minimal guidance	Appraisal Plan and Appraisal Record as one document
Various agency requirements for elements	3 mandatory critical elements, including Civil Rights element; 2 optional critical elements may be included in the performance plan.
Separate Civil Rights element for Agency Heads and language worked in to applicable elements for others	Separate, critical, pass/fail Civil Rights element required for all SES; specific Civil Rights goals can be included in the Mission Results critical element



Highlights of SES Performance Management System Changes

Old SES Performance System	New SES Performance System
Maximum of 6 performance elements	Maximum of 5 performance elements
Optional use of non-critical element	No non-critical elements
Measurable results difficult to account for spread across multiple elements	Mission Results element will show measurable results and drive the summary rating above the fully successful level



New System Summary

- New system provides consistent approach throughout Department
- Places particular emphasis on “Mission Results” as differentiator of performance
 - OPM requires that measurable results account for at least 60% of the rating
 - This will derive largely from this element



USDA Senior Executive Template

- Let's turn now to an examination of the new template for USDA senior executives
- OHRM to evaluate effectiveness of rating derivation and performance elements after 2010 cycle -- may request SES feedback



Writing Performance Requirements for Senior Executives

- For senior executives, only need to write goals/develop measures for Mission Results and optional elements
- Goals and measures for other critical elements (leadership and civil rights) already in place
- Will, of course, need to write performance plans for subordinate employees



Align Organizational and Personal Goals to Mission Results

- Review the USDA, organization and program strategic goals.
- Review your agency budget, the USDA GPRA annual report, OMB PART evaluation or additional agency or program measures
- Ask your supervisor to share his/her goals
- Ask yourself, “Which of these goals, objectives and organizational measures do I own, or am I personally accountable for and which of them have I delegated?”



Creating Performance Measures for Mission Results

- Select a USDA, organization or program goal and insert it into the “Linkage” block.
- Develop performance measures and insert them into the “Performance Measures” block.
- You must have at least two measures, but there is no upper limit.



Creating Balanced Measures

- OPM and USDA policy require SES performance requirements to be “balanced”
- Balanced Measures—
 - Originally developed by Kaplan and Norton as a performance measurement framework to supplement traditional financial measures
- Kaplan and Norton’s believe that organizations should develop performance measures from four perspectives
 - Financial
 - Process
 - Customer (Stakeholder)
 - Learning and Growth (Employee)



Creating Effective Measures

- Alignment of Senior Employee performance plans to USDA, organization or program strategic plans
- Focus on measurable, outcome driven results
- Measures must include perspectives of
 - Customers
 - Employees-include them in developing initiatives; solicit and use their ideas
- Senior executive involvement and consultation in the development of performance plans is required



Executive Participation in Developing Performance Requirements

Executives **MUST** participate in developing their own performance requirements

1. Executive and supervisor discuss and develop the performance plan together;
2. Executive provides supervisor with the draft performance plan
3. Executive comments on draft performance plan prepared by the supervisor
4. Executives who occupy similar positions prepare draft performance plan(s), with the supervisor's approval.



Organizational Assessment - Cascading

- Performance plans can drive performance at all levels
- Executives have responsibility to share data on organizational performance throughout the organization
- Helps ensure alignment of performance plans to organizational goals at all levels of the organization and provides a focus on the “important” vice the “urgent”



Writing Effective Performance Requirements

Many agencies use the acronym SMART to describe criteria for developing performance standards, including senior leader standards. SMART stands for

Specific

Measurable

Aligned

Realistic/Relevant

Timed

Activities vs Results

Task Description (activity):

- ▶ Focuses on the *activities or tasks completed*
- ▶ Describes “*how*” the person will do the work
- ▶ *Manager* ultimately responsible for outcome

Performance Measure (result):

- ▶ Focuses on the *results and contribution*
- ▶ Describes “*what*” the person will accomplish
- ▶ *Executive* responsible for outcome

What



How/When/How Much/How good



Activities vs Results

- Activities are “what” we do and results are “why” we do them
- Performance measures should be focused on results not activities
- What do we get from the activity?
- How does it help achieve our organization’s goals?
- Focus on outputs and outcomes, not process and inputs



Common Terms

- Never
- Rarely
- Occasionally
- Frequently
- Routinely
- Consistently
- Always



Executive Participation During the Performance Period

- Record their accomplishments
- Participate in mid-year progress review and the end-of-year appraisal
- Understand the link between their work and organization mission and goals
- Participate in development of performance plans



Accomplishment Reports

- Senior executives will submit accomplishment reports
- Best source of data on senior executive performance comes from the senior executive themselves



Writing Accomplishment Reports

- Challenge

- Context

- Action

- Result



End-of-Year Rating Process

- Initial rating comes from Rating Official
- Rated executive reviews/rebutts as appropriate
- Goes to Reviewing Official
- Additional agency review as directed
- Performance Review Board
- Secretary approves final ratings
- Performance based recognition includes salary increases and/bonuses/awards/rank awards



Leadership and Performance Management

- Performance management and measures drive performance
- Senior leader emphasis on performance management can lead to increase focus and performance
- Yet...47% of USDA employees did not receive a rating of record last year. 78% did not receive a mid-year review
- Why?



Leadership and Performance Management

Performance Management consists of two components:

- Clear Goals
- Good Feedback

These are fundamental leadership responsibilities

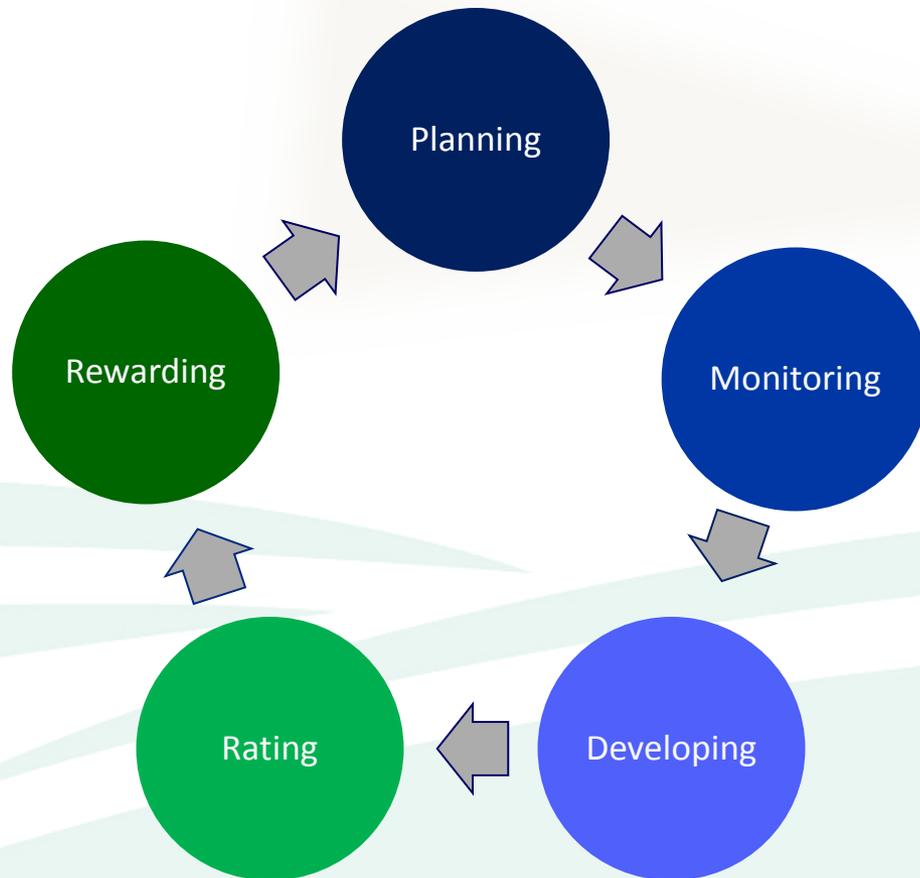


Goal Setting Improves Performance

- Combining feedback with goal setting is key to success
- Hard goals *that employees accept* increase persistence in achieving those goals



Five Stages of Performance Management



This is a continuous cycle.



Planning Phase – Effective

As we've been discussing



Planning Phase – Ineffective

- Performance plans not completed
- Not measurable
- Goals don't follow SMART model
- Rated employee not involved in crafting goals
- No performance conversation about expectations and how plan aligns to/supports agency goals and mission



Monitoring Phase – Effective

- Provide real time, on-going performance feedback
- Progress against goals tracked
- Changing circumstances noted and incorporated into plan
- Regular supervisor/employee conversations on progress and setbacks
- Mid-year reviews completed on time



Monitoring Phase – Ineffective

- Little or no performance feedback
- No mechanism to measure progress against goals
- Changing circumstances ignored
- No on-going performance conversations – no mid-year review



Developing Phase – Effective

- Individual development plan created and followed
- Focused on increasing capacity of employee to perform
- Opportunities/new assignments given to increase skills
- Training/coaching/mentoring emphasized



Developing Phase – Ineffective

- Little thought given to increasing capacity
- Over-emphasis on here and now/short range view
- May get the job done this year, but future effectiveness will be limited.
- Can create discontent amongst top performers



Rating Phase – Effective

- Input sought from rated employee
- Evaluation done against requirements
- Able to differentiate levels of performance
- Sufficient data provided to support the rating
- Appraisals done consistent with agency/departments direction
- Rating communicated clearly to employee with focus on performance against goals



Rating Phase – Ineffective

- Appraisal done with little supporting documentation
- Not evaluated against established requirements
- “Drive-by” appraisal conversation with rated employee
- Untimely
- Not used as leadership tool to drive desired behavior



Rewarding Phase – Effective

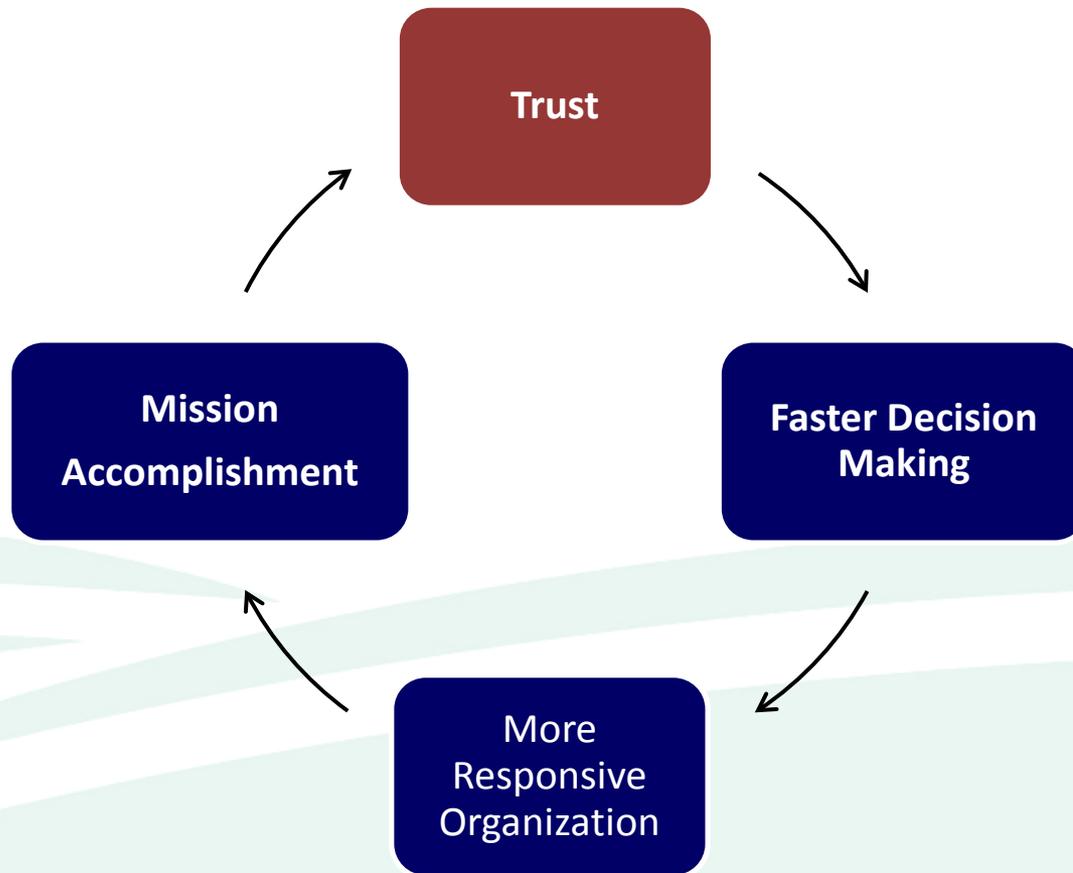
- Acknowledges contribution to Agency mission
- Shows positive consequences of focus on accomplishing performance requirements
- Rating of record completed on time, thus providing access to awards/etc
- 100% of senior executives received rating of record last year, thus being eligible for awards and appropriate recognition



Rewarding Phase – Ineffective

- No apparent connection between rewards and performance requirements
- Rating of record not completed/completed late
- 47% of USDA employees did not receive rating of record in 2008, thus rendered ineligible for some rewards/recognition
- Significant negative impact on morale

The Leadership Contract





Workshop Closing

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