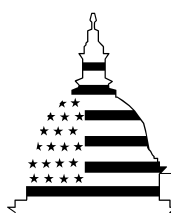


May 2004

HUMAN CAPITAL

Senior Executive Performance Management Can Be Significantly Strengthened to Achieve Results



G A O

Accountability * Integrity * Reliability



Highlights of [GAO-04-614](#), a report to congressional requesters

HUMAN CAPITAL

Senior Executive Performance Management Can Be Significantly Strengthened to Achieve Results

Why GAO Did This Study

Congress and the administration have established a new performance-based pay system for members of the Senior Executive Service (SES) that is designed to provide a clear and direct linkage between SES performance and pay. Also, GAO previously reported that significant opportunities exist for agencies to hold the SES accountable for improving organizational results.

GAO assessed how well selected agencies are creating linkages between SES performance and organizational success by applying nine key practices GAO previously identified for effective performance management. GAO selected the Department of Education, the Department of Health and Human Services (HHS), and the National Aeronautics and Space Administration (NASA).

What GAO Recommends

GAO makes specific recommendations to the agencies to reinforce the key practices through their SES performance management systems. NASA concurred with the recommendations, and HHS provided no comments. Education described specific actions it plans to take to revise its system, which are generally consistent with our recommendations. However, GAO disagrees that Education has already implemented or does not need to implement two of the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-04-614.

To view the full product, including the scope and methodology, click on the link above. For more information, contact J. Christopher Mihm at (202) 512-6806 or mihmj@gao.gov.

What GAO Found

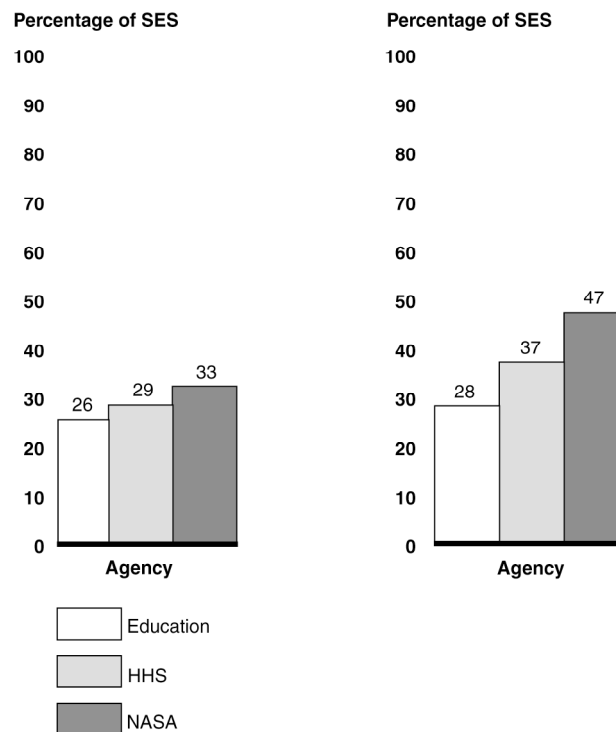
Senior executives need to lead the way to transform their agencies' cultures to be more results-oriented, customer focused, and collaborative in nature. Performance management systems can help manage and direct this process. While Education, HHS, and NASA have undertaken important and valuable efforts to link their career SES performance management systems to their organizations' success, there are opportunities to use their systems more strategically. For example, as indicated below by the executives themselves, the agencies can better use their performance management systems as a tool to manage the organization or to achieve organizational goals.

As Congress and the administration are reforming SES pay to better link pay to performance, valid, reliable, and transparent performance management systems with reasonable safeguards are critical. Information on the experiences and knowledge of these agencies should provide valuable insights to other agencies as they seek to drive internal change and achieve external results.

Percentage of Senior Executives Responding to a "Very Great" or "Great" Extent on Their Agencies' Overall Use of Their SES Performance Management Systems

Your agency's SES performance management system is used as a tool to manage the organization.

Your agency's SES performance management system is used in achieving organizational goals.



Source: GAO.

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Abbreviations

CDC	Centers for Disease Control and Prevention
EO	equal opportunity
FDA	Food and Drug Administration
GPRA	Government Performance and Results Act of 1993
HHS	Department of Health and Human Services
NASA	National Aeronautics and Space Administration
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PRB	performance review board
SES	Senior Executive Service

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United States General Accounting Office
Washington, D.C. 20548

May 26, 2004

The Honorable George V. Voinovich
Chairman
Subcommittee on Oversight of Government Management, the Federal
Workforce, and the District of Columbia
Committee on Governmental Affairs
United States Senate

The Honorable Jo Ann Davis
Chairwoman
Subcommittee on Civil Service and Agency Organization
Committee on Government Reform
House of Representatives

High-performing organizations have recognized that effective performance management systems can help them drive internal change and achieve external results.¹ Further, such organizations understand that they need senior leaders who are held accountable for results, drive continuous improvement, and stimulate and support efforts to integrate human capital approaches with organizational goals and related transformation issues. We previously reported that significant opportunities exist to strengthen agencies' efforts to hold senior executives accountable for results through their performance management systems.² In particular, more progress is needed in explicitly linking senior executives' performance expectations to contributing to the achievement of results-oriented organizational goals, fostering the necessary collaboration both within and across organizational boundaries to achieve results, and demonstrating a commitment to lead and facilitate change.

Recently, Congress and the administration have sought to modernize senior executive performance management systems. Congress established a new performance-based pay system for members of the Senior Executive

¹For additional information on the attributes of high-performing organizations, see U.S. General Accounting Office, *Highlights of a GAO Forum on High-Performing Organizations: Metrics, Means, and Mechanisms for Achieving High Performance in the 21st Century Public Management Environment*, [GAO-04-343SP](#) (Washington, D.C.: Feb. 13, 2004).

²U.S. General Accounting Office, *Results-Oriented Cultures: Using Balanced Expectations to Manage Senior Executive Performance*, [GAO-02-966](#) (Washington, D.C.: Sept. 27, 2002).

Service (SES) that is designed to provide a clear and direct linkage between SES performance and pay. An agency can raise the pay cap for its senior executives to \$158,100 in 2004, with a senior executive's total compensation not to exceed \$203,000, if the Office of Personnel Management (OPM) certifies and the Office of Management and Budget (OMB) concurs that the agency's performance management system, as designed and applied, makes meaningful distinctions based on relative performance. OPM and OMB are to issue regulations prescribing the requirements agencies must meet to obtain certification for these purposes. In a memo to the heads of departments and agencies requesting their comments on the draft proposed regulations outlining the certification criteria, the Director of OPM stated that OPM and OMB plan to fully implement the regulations in time for the fiscal year 2004 performance ratings and pay adjustments for the senior executives.³ In addition, as part of the administration's President's Management Agenda, OPM set a goal for 15 percent of the agencies to link performance appraisals for senior executives to the organization's mission and goals, and use their senior executive performance management systems to make meaningful distinctions and provide consequences based on performance by July 2004.

At your request, this report assesses how well selected agencies are creating linkages between senior executive performance and organizational success through their career senior executive performance management systems. We selected the Department of Education, the Department of Health and Human Services (HHS), and the National Aeronautics and Space Administration (NASA) based on several factors, including mission, size, organizational structure, and use of their performance management systems for their career senior executives. Within HHS, we selected the Food and Drug Administration (FDA) and the Centers for Disease Control and Prevention (CDC) to determine how HHS's senior executive performance management system cascades down to these operating divisions.

To meet this objective, we assessed how these agencies' career senior executive performance management systems apply nine key practices for effective performance management that we previously identified based on

³U.S. Office of Personnel Management, "Memorandum for Heads of Departments and Agencies, Regulations Implementing the Senior Executive Service (SES) Performance-Based Pay System" (Washington, D.C.: Apr. 28, 2004).

public sector organizations’ experiences both here and abroad.⁴ These practices are as follows.

1. Align individual performance expectations with organizational goals.
2. Connect performance expectations to crosscutting goals.
3. Provide and routinely use performance information to track organizational priorities.
4. Require follow-up actions to address organizational priorities.
5. Use competencies to provide a fuller assessment of performance.
6. Link pay to individual and organizational performance.
7. Make meaningful distinctions in performance.
8. Involve employees and stakeholders to gain ownership of performance management systems.
9. Maintain continuity during transitions.

We found that collectively these key practices create a “line of sight” showing how unit and individual performance can contribute to overall organizational goals and helping individuals understand the connection between their daily activities and the organization’s success.

We analyzed the agencies’ SES performance management systems’ policies and guidance and other related documents; interviewed cognizant agency officials; assessed a sample of career senior executives’ individual performance plans, which outline the performance expectations executives are to achieve during the year; analyzed aggregate senior executive performance rating and bonus data; and surveyed all career senior executives in each agency to gain information on their experiences and perceptions with regard to their senior executive performance

⁴U.S. General Accounting Office, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, [GAO-03-488](#) (Washington, D.C.: Mar. 14, 2003).

management systems.⁵ We assessed the reliability of the senior executive performance rating and bonus data provided by Education, HHS, NASA, and OPM and determined that the data were sufficiently reliable for the purposes of this report. Information on the experiences and progress of the selected agencies should prove helpful to these agencies as well as provide valuable insights to other agencies as they seek to use senior executive performance management systems as a tool to drive internal change and achieve external results. We are using these practices to inform our internal senior executive performance management system.

We conducted our work from August 2003 through March 2004 in accordance with the generally accepted government auditing standards. Appendix I provides additional information on our scope and methodology. Appendix II provides the complete survey results for each agency. Appendix III provides information on selected elements of Education's, HHS's, and NASA's SES performance management systems.

Results in Brief

Education, HHS, and NASA have undertaken important and valuable efforts to link their career senior executive performance management systems to their organizations' success; however, there are opportunities to use these systems more strategically to manage their organizations and achieve organizational goals. Our review of senior executives' performance plans showed that Education, HHS, and NASA have begun to implement key practices to develop effective performance management systems for their career senior executives. Specifically, we found the following.

- All senior executives' performance plans in these agencies identified individual performance expectations that aligned with organizational goals. As a next step, setting specific levels of performance that are linked to these organizational goals can help senior executives see how they directly contribute to organizational results. While about 80 percent of senior executives in HHS have set specific levels of performance linked to organizational goals in their individual performance plans, only about 5 percent of senior executives in Education and about 1 percent

⁵For our review of a sample of SES performance plans, unless otherwise noted, the margins of error are within ± 9 percentage points for HHS and ± 6 percentage points for NASA. For Education, there is no sampling error since we reviewed all the SES plans. For our SES survey, unless otherwise noted, the margins of error are within ± 9 percentage points for Education and ± 4 percentage points for HHS and NASA.

of senior executives in NASA have set specific levels of performance linked to organizational goals.

- About two-thirds of senior executives' performance plans in HHS and about one-third in Education identified a specific programmatic crosscutting goal for collaboration. All senior executives' performance plans in NASA included a general goal to achieve the mission of the organization. As a next step, identifying the relevant internal or external organizations with which they would collaborate can reinforce a focus across organizational boundaries. About one-third or less of senior executives at each of these agencies clearly identified the specific internal or external organization(s) with which they would collaborate to achieve crosscutting goals.
- All the performance plans of senior executives in NASA and almost all in Education included competencies that are to address the achievement of organizational results, employee perspectives, and customer satisfaction. In HHS, about 94 percent of executives' plans identified competencies related to organizational results, about 89 percent related to employee perspectives, and about 61 percent related to customer satisfaction.
- At Education, approximately 98 percent of senior executives' plans identified a performance expectation related to leading and facilitating change, while approximately 25 percent of the executives' plans at HHS and almost none at NASA identified such an expectation.

In addition, the agencies can use their senior executive performance management systems to strengthen the link between their senior executives' performance and their organizations' success by making meaningful distinctions in performance through ratings and performance awards (bonuses).

- While about 86 percent of HHS's senior executives received the highest rating in fiscal year 2003, HHS has restricted the percentage of senior executives who receive bonuses to generally no more than one-third at each operating division each year since fiscal year 2001.
- About three-fourths of NASA's senior executives received its highest rating, and about 52 percent of its senior executives received bonuses in its 2003 performance appraisal cycle.

-
- Nearly all of Education's senior executives received its highest rating, and about 63 percent of senior executives received bonuses in its 2003 performance appraisal cycle.

As a point of comparison, across the executive branch, agencies rated about 75 percent of senior executives at the highest levels their systems permitted, and approximately 49 percent of senior executives received bonuses in fiscal year 2002, the most current year for which data are available. The Director of OPM stated that while a growing number of agencies have improved their distribution of ratings and bonuses, these governmentwide data also suggest that more work is needed. In addition, executive branch agencies can reward senior executives' performance in other ways, such as nominations for Presidential Rank Awards or other informal or honorary awards.

As reported through our survey, senior executives' perceptions underscore that their agencies have opportunities to use their systems more strategically.

- Generally, less than half of the senior executives at each agency feel that their agency uses its performance management system to the fullest extent possible, specifically by using the system as a tool to manage the organization or to achieve organizational goals to a very great or great extent.
- Less than half of the senior executives at each agency feel that their performance management system is fully used to provide candid and constructive feedback to help them maximize their contributions to organizational goals to a very great or great extent.
- Of the senior executives who reported that their agency provided performance information to track their work unit's performance, about 39 percent at NASA, about 33 percent at HHS, and about 31 percent at Education found the performance information to be available when they need it and useful for making improvements in their work unit's performance to a very great or great extent.
- Of the senior executives who indicated that they took action to a very great or great extent on areas of improvement based on the performance information provided by their agency, about 65 percent at NASA, about 60 percent at HHS, and about 55 percent at Education felt

they were recognized to a very great or great extent through their performance management systems for taking such actions.

- Senior executives at these three agencies were involved in refining their performance management systems or participated in formal training when given the opportunity. However, at all three agencies, at least one-third of senior executives reported that they had no opportunity for such involvement, and about one-fourth reported that no formal training was available to them on their agency's performance management system.

We provided a draft of this report to the Secretaries of Education and HHS and the Administrator of NASA for their review and comment. In addition, we provided a draft of the report to the Directors of OPM and OMB for their information. We received written comments from Education, HHS, and NASA, which are presented in appendixes IV, V, and VI. NASA's Deputy Administrator stated that NASA concurred with all the recommendations and plans to implement the recommendations in its next SES appraisal cycle beginning July 1, 2004. HHS's Acting Principal Deputy Inspector General stated that HHS had no comments upon review of the draft report.

In responding to our recommendations, Education's Assistant Secretary for Management and Chief Information Officer stated that Education plans to revise its existing senior executive performance management system dramatically given OPM's draft regulations for the new SES pay for performance system and described specific actions Education plans to take. These actions are generally consistent with our recommendations and their successful completion will be important to achieving the intent of our recommendations. While Education's actions are important steps, we disagree that Education has fully implemented our recommendation to provide performance information to help senior executive decision making and does not need to implement our recommendation to require senior executives to identify crosscutting goals and relevant internal or external organizations to achieve them.

Background

In November 2003, Congress authorized a new performance-based pay system for members of the SES.⁶ According to OPM's interim regulations,

⁶National Defense Authorization Act for Fiscal Year 2004, Pub. L. No. 108-136, November 24, 2003.

SES members are to no longer receive annual across-the-board or locality pay adjustments with the new pay system. Agencies are to base pay adjustments for SES members on individual performance and contributions to the agency's performance by considering such things as the unique skills, qualifications, or competencies of the individual and their significance to the agency's mission and performance, as well as the individual's current responsibilities.

Specifically, the revised pay system, which took effect in January 2004, replaces the six SES pay levels with a single, open-range pay band and raises the pay cap for all SES members to \$145,600 in 2004 (Level III of the Executive Schedule) with a senior executive's total compensation not to exceed \$175,700 in 2004 (Level I of the Executive Schedule). If OPM certifies and OMB concurs that the agency's performance management system, as designed and applied, makes meaningful distinctions based on relative performance, an agency can raise the SES pay cap to \$158,100 in 2004 (Level II of the Executive Schedule) with a senior executive's total compensation not to exceed \$203,000 in 2004 (the total annual compensation payable to the Vice President).

In an earlier step, to help agencies hold senior executives accountable for organizational results, OPM amended regulations for senior executive performance management in October 2000. These amended regulations governing performance appraisals for senior executives require agencies to establish performance management systems that (1) hold senior executives accountable for their individual and organizational performance by linking performance management with the results-oriented goals of the Government Performance and Results Act of 1993 (GPRA); (2) evaluate senior executive performance using measures that balance organizational results with customer satisfaction, employee perspectives, and any other measures agencies decide are appropriate; and (3) use performance results as a basis for pay, awards, and other personnel decisions. Agencies were to establish these performance management systems by their 2001 senior executive performance appraisal cycles.

Performance Management Systems Can Be Used More Strategically by Selected Agencies

High-performing organizations have recognized that their performance management systems are strategic tools to help them manage on a day-to-day basis and achieve organizational goals. While Education, HHS, and NASA have undertaken important and valuable efforts to link their career senior executive performance management systems to their organizations' success, senior executives' perceptions indicate that these three agencies have opportunities to use their career senior executive performance management systems more strategically to strengthen that link. Based on our survey of career senior executives, we estimate that generally less than half of the senior executives at Education, HHS, and NASA feel that their agencies' are fully using their performance management systems as a tool to manage the organization or to achieve organizational goals, as shown in figure 1.

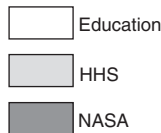
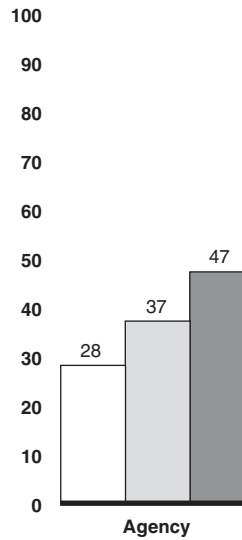
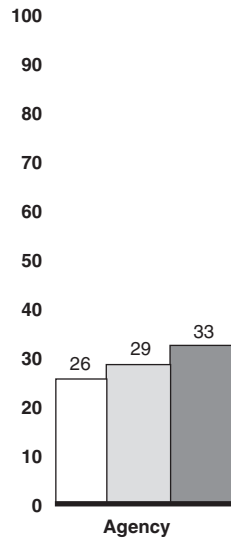
Figure 1: Percentage of Senior Executives Responding to a “Very Great” or “Great” Extent on Their Agencies’ Overall Use of Their SES Performance Management Systems

Your agency's SES performance management system is used as a tool to manage the organization.

Your agency's SES performance management system is used in achieving organizational goals.

Percentage of SES

Percentage of SES



Source: GAO.

Notes: Based on GAO survey of career senior executives.

Senior executives in NASA and HHS who have served for less than 1 year were more likely to respond "no basis to judge/not applicable." This was not an issue for Education since fewer senior executives have served less than 1 year.

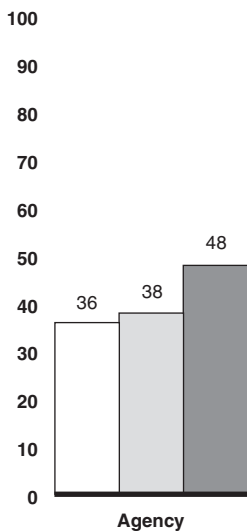
Further, effective performance management systems are not merely used for once-or twice-yearly individual expectation setting and rating processes. These systems facilitate two-way communication throughout the year so that discussions about individual and organizational performance are integrated and ongoing. Effective performance management systems work to achieve three key objectives: (1) they strive to provide candid and constructive feedback to help individuals maximize their contribution and potential in understanding and realizing the goals

and objectives of the organization, (2) they seek to provide management with the objective and fact-based information it needs to reward top performers, and (3) they provide the necessary information and documentation to deal with poor performers. In this regard as well, generally less than half of the senior executives felt that their agencies are fully using their performance management systems to achieve these objectives, as shown in figure 2.

Figure 2: Percentage of Senior Executives Responding to a “Very Great” or “Great” Extent on Their Agencies’ Use of Their SES Performance Management Systems to Meet Key Objectives

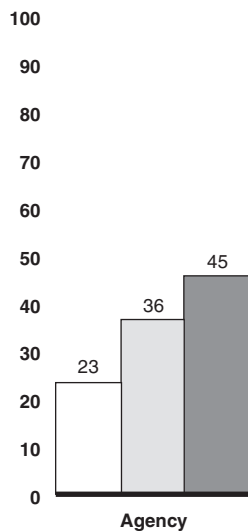
Your agency's SES performance management system facilitates discussions about your performance as it relates to organizational goals during the year.

Percentage of SES



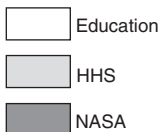
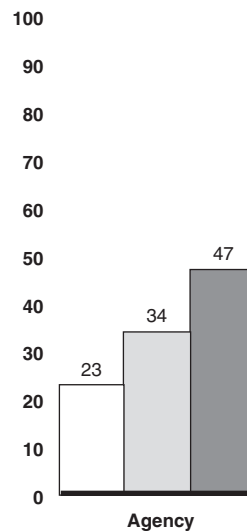
Your agency provides candid and constructive feedback that allows you to maximize your contribution to organizational goals.

Percentage of SES



Your agency uses performance information and documentation to make distinctions in senior executive performance.

Percentage of SES



Source: GAO.

Notes: Based on GAO survey of career senior executives.

Senior executives in NASA and HHS who have served for less than 1 year were more likely to respond “no basis to judge/not applicable.” This was not an issue for Education since fewer senior executives have served less than 1 year.

Selected Agencies Can Strengthen the Link between Senior Executive Performance and Organizational Success

High-performing organizations have recognized that a critical success factor in fostering a results-oriented culture is a performance management system that creates a “line of sight” showing how unit and individual performance can contribute to overall organizational goals and helping them understand the connection between their daily activities and the organization’s success. Further, our prior work has identified nine key practices public sector organizations both here and abroad have used that collectively create this line of sight to develop effective performance management systems.⁷ To this end, while Education, HHS, and NASA have begun to apply the key practices to develop effective performance management systems for their career senior executives, they have opportunities to strengthen the link between their senior executives’ performance and organizations’ success.

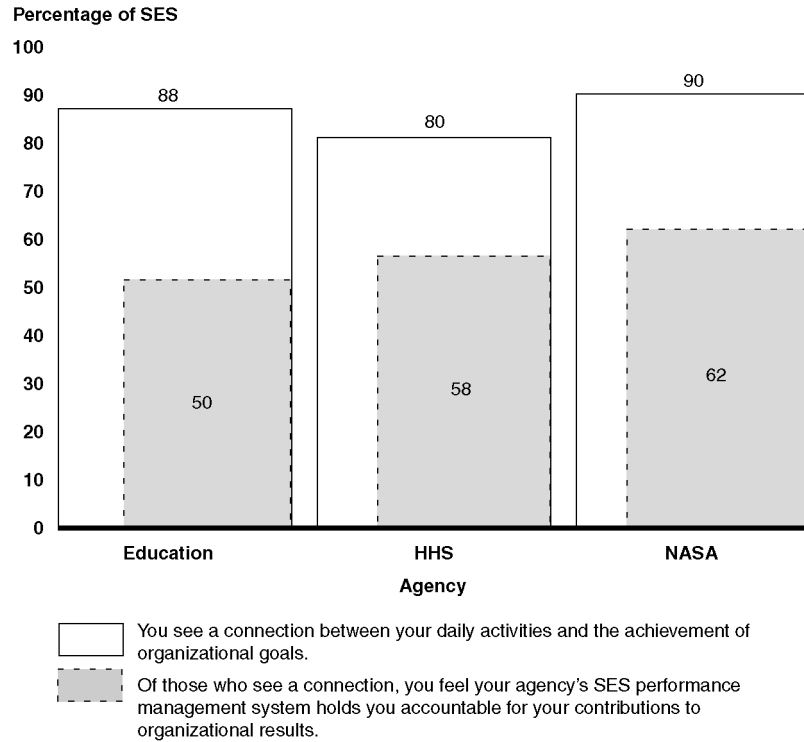
Align Individual Performance Expectations with Organizational Goals

An explicit alignment of daily activities with broader results is one of the defining features of effective performance management systems in high-performing organizations. These organizations use their performance management systems to improve performance by helping individuals see the connection between their daily activities and organizational goals and encouraging individuals to focus on their roles and responsibilities to help achieve these goals. Education, HHS, and NASA require their senior executives to align individual performance with organizational goals in order to hold them accountable for organizational results. Our review of the senior executives’ performance plans showed that all the plans at each agency identified individual performance expectations that aligned with organizational goals. In addition, nearly all of the senior executives at each agency have reported that they communicate their performance expectations to at least a small extent to those whom they supervise. Cascading performance expectations in this way helps individuals understand how they contribute to organizational goals.

Still, while most senior executives at each agency indicated that they see a connection between their daily activities and organizational goals to a very great or great extent, fewer of these senior executives felt that their agency’s SES performance management system holds them accountable for their contributions to organizational results to a very great or great extent, as shown in figure 3.

⁷GAO-03-488.

Figure 3: Of Those Senior Executives Who See a Connection between Daily Activities and Organizational Goals to a “Very Great” or “Great” Extent, Percentage Who Felt That Their System Holds Them Accountable to a “Very Great” or “Great” Extent



Source: GAO.

Notes: Based on GAO survey of career senior executives.

The 95 percent confidence interval for the 50 percent of SES at Education ranges from 40 to 60 percent, and for HHS, the 58 percent of SES ranges from 53 to 62 percent.

These responses are generally consistent with our governmentwide surveys on the implementation of GPRA. In particular, governmentwide, senior executives have consistently reported that they are held accountable for results. Most recently, we reported in March 2004 that 61 percent of senior executives governmentwide feel they are held accountable for achieving their agencies' strategic goals to a very great or great extent.⁸

To reinforce the accountability for achieving results-oriented goals, we have reported that more progress is needed in explicitly linking senior executives' performance expectations to the achievement of these goals.⁹

Setting specific levels of performance that are linked to organizational goals can help senior executives see how they directly contribute to organizational results. While most senior executives at HHS have set specific levels of performance in their individual performance plans, few senior executives in Education and NASA have identified specific levels.

HHS requires its senior executives to set measurable performance expectations in their individual performance plans that align with organizational priorities, such as the department's "One-HHS" objectives and strategic goals and their operating divisions' annual performance goals or other priorities.¹⁰ We found that about 80 percent of senior executives' performance plans identified specific levels of performance linked to organizational goals. For example, a senior executive in CDC set an expectation to "reduce the percentage of youth (grade 9-12) who smoke to 26.5%," which contributes to CDC's annual performance goal to "reduce cigarette smoking among youth" and the One-HHS program objective to "emphasize preventive health measures (preventing disease and illness)." However, specifying levels of performance varies across operating divisions. We found that approximately 63 percent of senior executives at FDA versus 80 percent at CDC identified specific levels of performance linked to organizational goals in their individual performance plans.

Education requires its senior executives to include critical elements, each with specific performance requirements, in their individual performance plans that align with the department's goals and priorities, including the President's Management Agenda, the Secretary's strategic plan, the Blueprint for Management Excellence, and the Culture of Accountability. We found that approximately 5 percent of senior executives' performance plans identified specific levels of performance linked to organizational goals.

⁸U.S. General Accounting Office, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, [GAO-04-38](#) (Washington, D.C.: Mar. 10, 2004).

⁹[GAO-02-966](#).

¹⁰The One-HHS management and program objectives reflect the goals and priorities of the Secretary.

NASA requires its senior executives to include seven critical elements, each with specific performance requirements that focus on the achievement of organizational goals and priorities, in their individual performance plans. For example, senior executives' performance plans include the critical element "meets and advances established agency program objectives and achieves high-quality results," and specifically "meets appropriate GPRA/NASA Strategic Plan goals and objectives." Senior executives may modify the performance requirements by making them more measurable or specific to their jobs; however, only about 23 percent of senior executives added performance requirements that are specific to their positions in their individual performance plans.¹¹ Also, about 1 percent of senior executives have performance expectations with specific levels of performance that are related to organizational goals in their individual plans.

Connect Performance Expectations to Crosscutting Goals

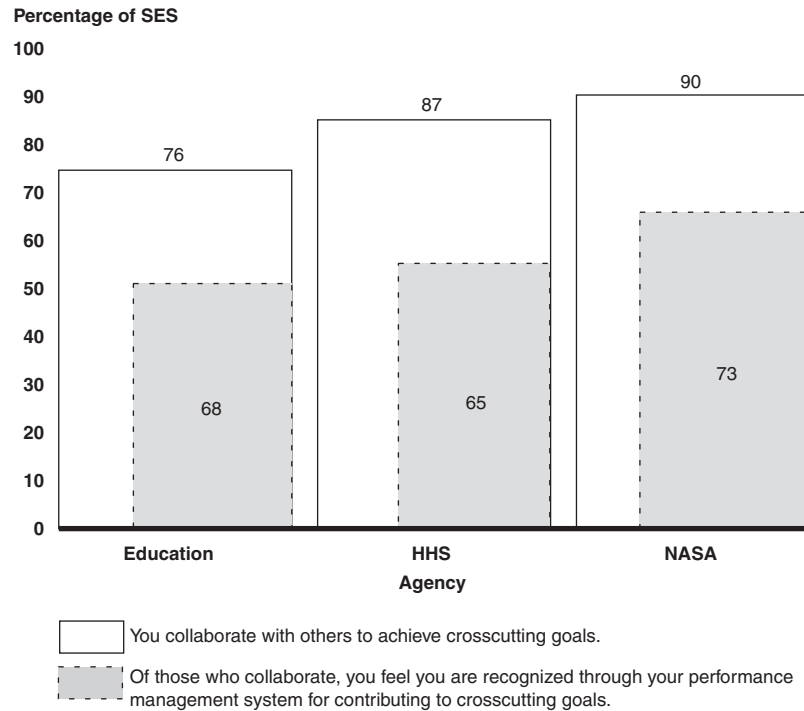
As public sector organizations shift their focus of accountability from outputs to results, they have recognized that the activities needed to achieve those results often transcend specific organizational boundaries. Consequently, organizations that focus on collaboration, interaction, and teamwork across organizational boundaries are increasingly critical to achieve results. In a recent GAO forum, participants agreed that delivering high performance and achieving goals requires agencies to establish partnerships with a broad range of federal, state, and local government agencies as well other relevant organizations.¹² High-performing organizations use their performance management systems to strengthen accountability for results, specifically by placing greater emphasis on collaboration to achieve results.

While most senior executives in each agency indicated that they collaborate with others to achieve crosscutting goals, fewer of these senior executives felt that their contributions to crosscutting goals are recognized through their agency's system, as shown in figure 4.

¹¹The 95 percent confidence interval for NASA ranges from 16 to 33 percent.

¹²[GAO-04-343SP](#).

Figure 4: Of Those Senior Executives Who Collaborate with Others to Achieve Crosscutting Goals to a “Very Great” or “Great” Extent, Percentage Who Felt They Are Recognized to a “Very Great” or “Great” Extent



Source: GAO.

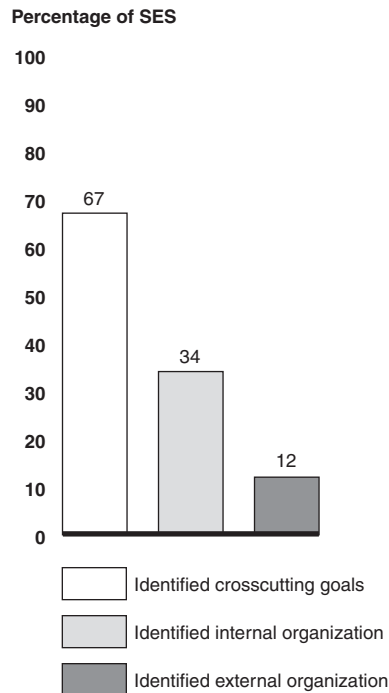
Note: Based on GAO survey of career senior executives.

We reported that more progress is needed to foster the necessary collaboration both within and across organizational boundaries to achieve results.¹³ As a first step, agencies could have senior executives identify specific programmatic crosscutting goals that would require collaboration to achieve in their individual performance plans. As a next step, agencies could have senior executives name the relevant internal or external organizations with which they would collaborate to reinforce a focus across organizational boundaries. HHS, Education, and NASA are connecting performance expectations to crosscutting goals to varying degrees.

¹³GAO-02-966.

While HHS does not require executives to identify programmatic crosscutting goals specific to the individuals in their performance plans, according to an agency official, it holds all senior executives accountable for the crosscutting One-HHS program objectives, such as to increase access to health care. We found that about 67 percent of senior executives' performance plans identified a programmatic crosscutting goal that would require collaboration to achieve, as shown in figure 5. The extent to which the senior executives' performance plans identified crosscutting goals varied across operating divisions. For example, 60 percent of the senior executives' plans in FDA identified crosscutting goals compared with 50 percent of the plans in CDC. Few HHS senior executives clearly identified the specific organization(s) either internal or external with which they would collaborate.

Figure 5: Percentage of SES Plans in HHS with Performance Expectations Related to Collaboration



Source: GAO.

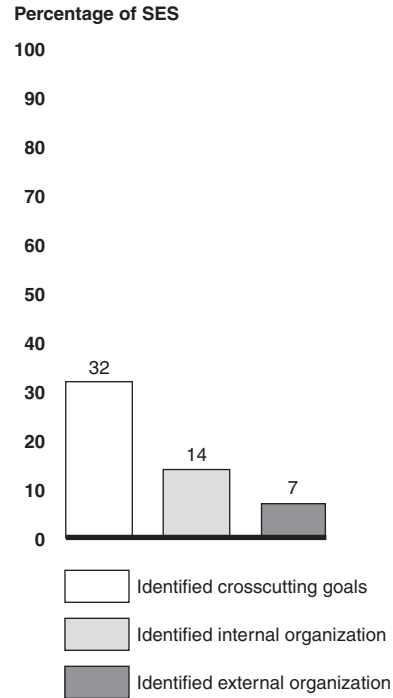
Note: GAO analysis based on review of career senior executives' performance plans.

Positive examples of senior executives' plans at HHS that included crosscutting goals, as well as either the internal or external organizations with which they would collaborate to achieve these goals, include the following:

- A senior executive in the National Institutes of Health set an expectation to work with FDA and other agencies and organizations to accelerate drug development by specifically working on the National Cancer Institute/FDA task force to eliminate barriers and speed development.
- A senior executive in the Substance Abuse and Mental Health Services Administration set an expectation to work collaboratively with the Office of National Drug Control Policy, the Department of Energy, and the Office of Juvenile Justice and Delinquency Prevention to increase the use of the National Registry of Effective Programs in other federal agencies to identify and provide for early intervention for persons with or who are at risk for mental health or substance abuse problems.

As required by Education, all senior executives' performance plans included the general performance expectation: "promotes collaboration and teamwork, including effective union-management relations, where appropriate." However, only about 32 percent of senior executives' performance plans identified programmatic crosscutting goals on which they would collaborate and few executives clearly identified the specific organizations with which they would collaborate, as shown in figure 6.

Figure 6: Percentage of SES Plans in Education with Performance Expectations Related to Collaboration



Source: GAO.

Note: GAO analysis based on review of career senior executives' performance plans.

As required by NASA, all senior executives' performance plans included a general expectation: "integrates One-NASA approach to problem-solving, program/project management, and decision making. Leads by example by reaching out to other organizations and NASA centers to collaborate on work products; seeks input and expertise from a broad spectrum" This expectation is designed to contribute to achieving NASA's mission. Only about 1 percent of the executives clearly identified specific centers in NASA and none of the executives clearly identified specific organizations outside of NASA that they need to collaborate with to achieve crosscutting goals.

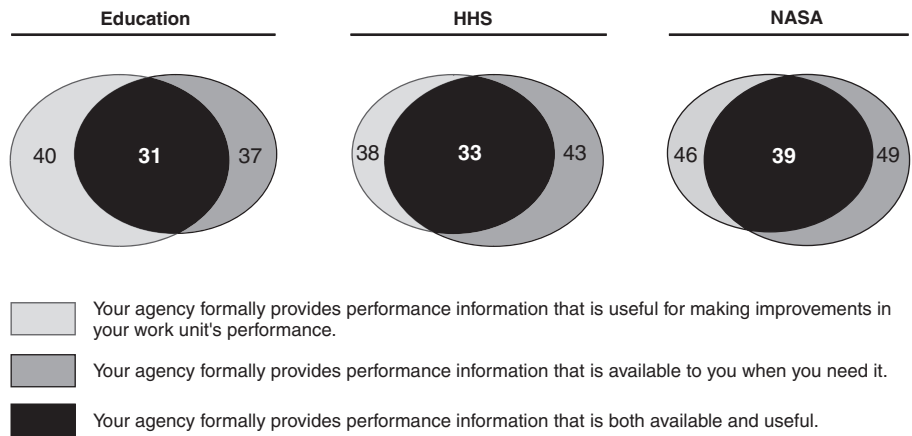
**Provide and Routinely Use
Performance Information to
Track Organizational
Priorities**

High-performing organizations provide objective performance information to executives to show progress in achieving organizational results and other priorities, such as customer satisfaction and employee perspectives, and help them manage during the year, identify performance gaps, and pinpoint improvement opportunities. We reported that disaggregating performance information in a useful format could help executives track their performance against organizational goals and compare their performance to that of the organization.¹⁴

HHS, NASA, and Education took different approaches to providing performance information to their senior executives in order to show progress toward organizational goals or priorities. While all three agencies give their components the flexibility to collect and provide performance information to their senior executives, Education also provides performance information agencywide. Of the senior executives in Education, HHS, and NASA who reported that their agency provided performance information to track their work unit's performance, generally less than half found the performance information to be useful for making improvements, available when needed, or both to a very great or great extent, as shown in figure 7.

¹⁴GAO-02-966.

Figure 7: Of the Senior Executives Who Felt Their Agency Formally Provides Performance Information That Allows Them to Track Their Work Unit's Performance, Percentage Who Felt This Information Was Useful, Available, or Both to a "Very Great" or "Great" Extent



Source: GAO.

Notes: Based on GAO survey of career senior executives.

These responses are based on the 88 percent of senior executives at Education, 84 percent at HHS, and 93 percent at NASA who reported that their agencies provided performance information that allows them to track their work unit's performance. Senior executives in HHS who have served for less than 1 year were more likely to respond "no basis to judge/not applicable."

Education provides various types of performance information to senior executives intended to help them see how they are meeting the performance expectations in their individual performance plans. A tracking system monitors how Education is making progress toward its annual performance goals and supporting action steps. Each action step has milestones that are tracked and reported each month to the officials who developed and have "ownership" for them. Education also collects performance information on customer service and employee perspectives. For example, Education uses an automated performance feedback process, whereby customers, coworkers, and employees provide feedback at midcycle and the end of the performance appraisal cycle on how the senior executives are meeting their individual performance expectations and areas for improvement.¹⁵

¹⁵Agency officials indicated that they plan to reevaluate the use of this system in the future given the changes occurring with the new SES pay system.

HHS conducts an annual departmentwide quality of work life survey and disaggregates the survey results for executives and other employees to use. HHS compares the overall high or low results of its survey for HHS as a whole to each operating division and to the component organizations within operating divisions. In the 2003 survey, HHS added questions about the President's Management Agenda, and each operating division had the opportunity to add specific questions focusing on issues that it believed were important to its employees, such as flexible work schedules or knowledge management issues. In addition, HHS gives operating divisions the flexibility to use other means of collecting and providing performance information, and in turn, FDA and CDC give their centers and offices the flexibility to collect and provide performance information. For example, according to a CDC official, senior executives receive frequent reports, such as the weekly situation reports, to identify priorities and help communicate these priorities among senior executives.¹⁶ In addition, CDC conducts a "pulse check" survey to gather feedback on employees' satisfaction with the agency and disaggregates the results to the center level. According to an agency official, CDC plans to conduct this survey quarterly.

An official at NASA indicated that while NASA does not systematically provide performance information to its senior executives on a NASA-wide basis, the centers have the flexibility to collect and provide performance information to their senior executives on programs' goals and measures and customer and employee satisfaction. This official indicated that NASA uses the results of the OPM Human Capital survey to help identify areas for improvement throughout NASA and its centers. NASA provides the OPM Human Capital survey data to its centers, showing NASA-wide and center-specific results, to help centers conduct their own analyses and identify areas for improvement and best practices.

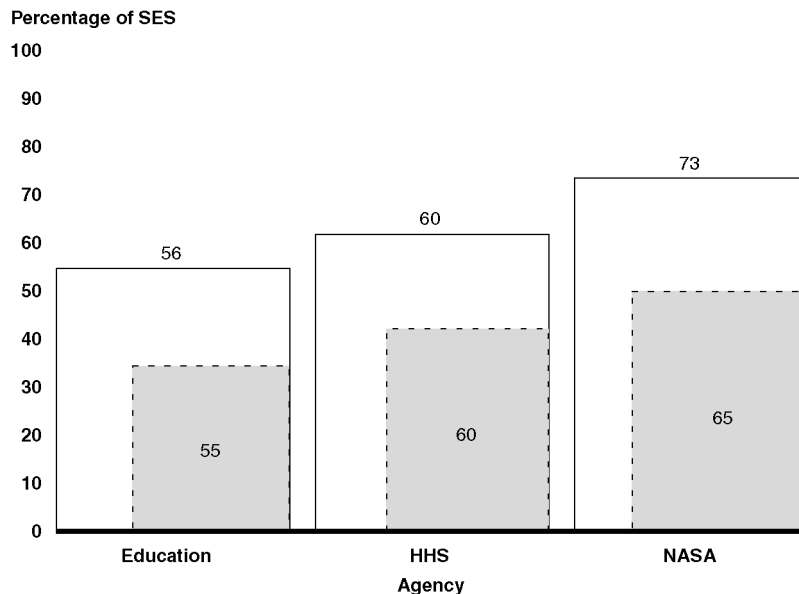
Require Follow-up Actions to Address Organizational Priorities

High-performing organizations require individuals to take follow-up actions based on the performance information available to them. By requiring and tracking such follow-up actions on performance gaps, these organizations underscore the importance of holding individuals accountable for making

¹⁶For more information on CDC's tracking of performance information, see U.S. General Accounting Office, *Centers for Disease Control and Prevention: Agency Leadership Taking Steps to Improve Management and Planning, but Challenges Remain*, [GAO-04-219](#) (Washington, D.C.: Jan. 30, 2004).

progress on their priorities. Within Education, only the senior executives who developed the action steps for the annual performance goals are to incorporate expectations to demonstrate progress toward the goal(s) in their individual plans. HHS and NASA do not require senior executives to take follow-up actions agencywide, but they encourage their components to have executives take follow-up actions to show progress toward the organizational priorities. Of the senior executives at each agency who indicated that they took follow-up actions on areas of improvement, generally less than two-thirds felt they were recognized through their performance management systems for such actions, as shown in figure 8.

Figure 8: Of Those Senior Executives Who Took Action on Areas of Improvement to a “Very Great” or “Great” Extent, Percentage Who Felt They Are Recognized to a “Very Great” or “Great” Extent



You took action on any identified areas of improvement.
 Of those who took action, you feel recognized through your performance management system for taking follow-up actions.

Source: GAO.

Notes: Based on GAO survey of career senior executives. For Education, the 55 percent of SES has a margin of error of ±12 percent. For HHS, the 60 percent of SES who said they feel recognized for taking follow-up actions has a margin of error of ±5 percent. Senior executives in NASA and HHS who have served for less than 1 year were more likely to respond “no basis to judge/not applicable.” This was not an issue for Education since fewer senior executives have served less than 1 year.

At Education, senior executives who developed the action steps for Education's annual goals are required to set milestones that are tracked each month using a red, yellow, or green scoring system; assess how they are progressing toward the action steps and annual goals; and revise future milestones, if necessary. According to agency officials, these senior executives are to incorporate these action steps when developing their individual performance plans. Senior executives are also to address the feedback that their supervisors provide about their progress in achieving their performance expectations.

HHS as a whole does not require senior executives to take follow-up actions, for example, on the quality of work life survey results, or incorporate the performance information results into their individual performance plans. In addition, FDA and CDC do not require their senior executives agencywide to take any type of follow-up actions. However, FDA centers have the flexibility to require their senior executives to identify areas for improvement based on the survey results or other types of performance information. Similarly, CDC encourages its executives to incorporate relevant performance measures in their individual performance plans. For example, those senior executives within each CDC center responsible for issues identified at emerging issues meetings are required to identify when the issues will be resolved, identify the steps they will take to resolve the issues in action plans, and give updates at future meetings with the CDC Director and other senior officials.

NASA does not require its senior executives to take follow-up actions agencywide on the OPM Human Capital Survey data or other types of performance information, rather it encourages its centers to have their executives take follow-up action on any identified areas of improvement. However, an agency official stated that NASA uses the results of the survey to identify areas for improvement and that managers are ultimately accountable for ensuring the implementation of the improvement initiatives.

Use Competencies to Provide a Fuller Assessment of Performance

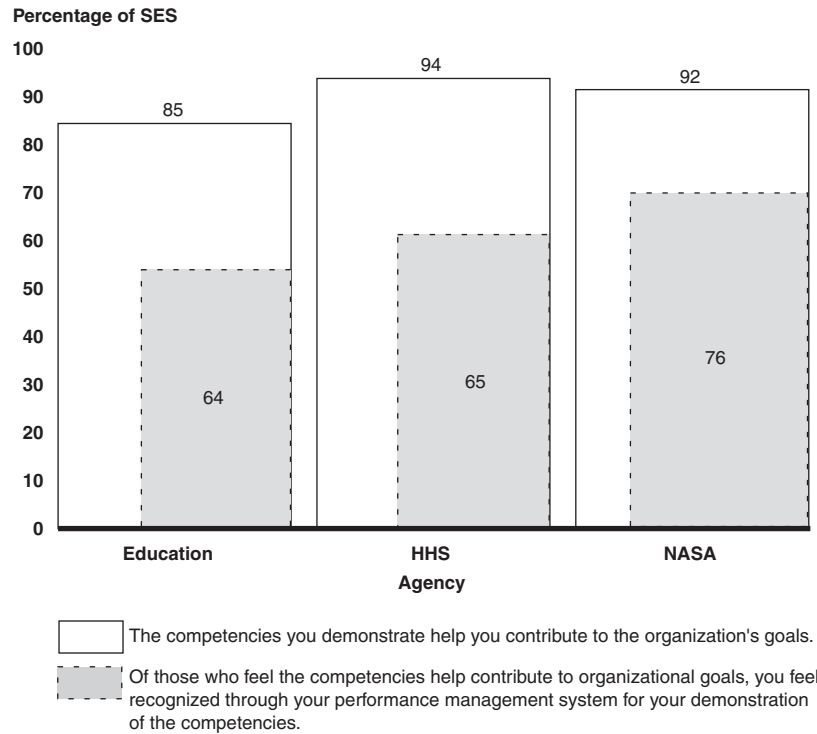
High-performing organizations use competencies to examine individual contributions to organizational results. Competencies, which define the skills and supporting behaviors that individuals are expected to demonstrate to carry out their work effectively, can provide a fuller picture of individuals' performance in the different areas in which they are appraised, such as organizational results, employee perspectives, and customer satisfaction. We have reported that core competencies applied

organizationwide can help reinforce behaviors and actions that support the organization's mission, goals, and values and can provide a consistent message about how employees are expected to achieve results.¹⁷ Education and NASA identified competencies that all senior executives in the agency must include in their performance plans, while HHS gave its operating divisions the flexibility to have senior executives identify competencies in their performance plans.

Most of the senior executives in each agency indicated that the competencies they demonstrate help them contribute to the organization's goals to a very great or great extent. However, fewer of these executives felt that they were recognized through their performance management system for demonstrating these competencies, as shown in figure 9.

¹⁷U.S. General Accounting Office, *Human Capital: Implementing Pay for Performance at Selected Personnel Demonstration Projects*, [GAO-04-83](#) (Washington, D.C.: Jan. 23, 2004).

Figure 9: Of Those Senior Executives Who Felt the Competencies They Demonstrate Help Them Contribute to Organizational Goals to a “Very Great” or “Great” Extent, Percentage Who Felt They Are Recognized to a “Very Great” or “Great” Extent



Source: GAO.

Notes: Based on GAO survey of career senior executives.

Senior executives in NASA and HHS who have served for less than 1 year were more likely to respond “no basis to judge/not applicable.” This was not an issue for Education since fewer senior executives have served less than 1 year.

Education requires all senior executives to include a set of competencies in their individual performance plans. Based on our review of Education’s senior executives’ performance plans, we found that all of the plans, unless otherwise noted, included the following examples of competencies.¹⁸

¹⁸See app. III for more information on selected elements of Education’s, HHS’s and NASA’s SES performance management systems.

-
- Organizational results—“sets and meets challenging objectives to achieve the Department’s strategic goals.”
 - Employee perspectives—“fosters improved workforce productivity and effective development and recognition of employees.”¹⁹
 - Customer satisfaction—“anticipates and responds to customer needs in a professional, effective, and timely manner.”

NASA requires all senior executives to include a set of competency-based critical elements in their individual performance plans. Based on our review of NASA’s senior executives’ performance plans, we found all of the plans included the following examples of competencies.

- Organizational results—Understands the principles of the President’s Management Agenda and actively applies them; capitalizes on opportunities to integrate human capital issues in planning and performance and to expand e-government and competitive sourcing; and pursues other opportunities to reduce costs and improve service to customers.
- Employee perspectives—Demonstrates a commitment to equal opportunity and diversity by proactively implementing programs that positively impact the workplace and NASA’s external stakeholders and through voluntary compliance with equal opportunity laws, regulations, policies, and practices.
- Customer satisfaction—Provides the appropriate level of high-quality support to peers and other organizations to enable the achievement of the NASA mission; results demonstrate support of One-NASA and that stakeholder and customer issues were taken into account.

According to an HHS official, the HHS senior executive performance management system, while not competency based, is becoming more outcome oriented. However, operating divisions may require senior executives to include competencies. For example, senior executives in FDA and CDC include specific competencies related to organizational results, employee perspectives, and customer satisfaction in their

¹⁹About 98 percent of the senior executives at Education included a competency related to employee perspectives.

individual performance plans. Based on our review of HHS’s senior executives’ performance plans, we found that all of the plans at FDA and CDC and nearly all across HHS identified competencies that executives are expected to demonstrate.

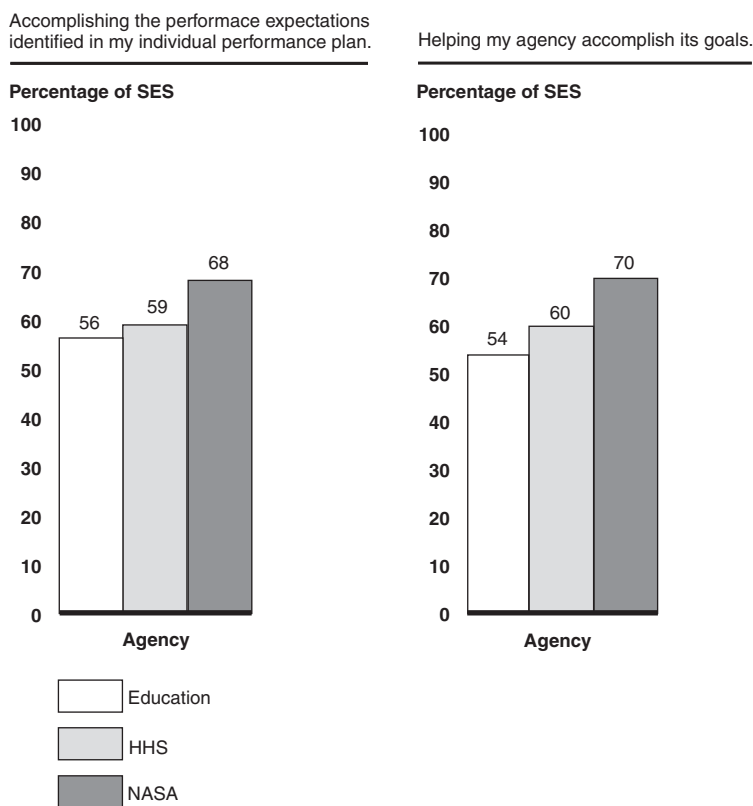
- **Organizational results**—About 94 percent of HHS senior executives’ plans identified a competency related to organizational results. For example, all senior executives’ plans in FDA included a competency to “demonstrate prudence and the highest ethical standards when executing fiduciary responsibilities.”
- **Employee perspectives**—About 89 percent of HHS senior executives’ plans identified a competency related to employee perspectives. For example, senior executives in CDC are required to include a competency to exercise leadership and management actions that reflect the principles of workforce diversity in management and operations in such areas as recruitment and staffing, employee development, and communications.
- **Customer satisfaction**—About 61 percent of HHS senior executives’ plans identified a competency related to customer satisfaction. For example, all senior executives’ plans in FDA included a competency to “lead in a proactive, customer-responsive manner consistent with agency vision and values, effectively communicating program issues to external audiences.”

Link Pay to Individual and Organizational Performance

High-performing organizations seek to create pay, incentive, and reward systems that clearly link employee knowledge, skills, and contributions to organizational results. These organizations recognize that valid, reliable, and transparent performance management systems with reasonable safeguards for employees are the precondition to such an approach. To this end, Education’s, HHS’s, and NASA’s performance management systems are designed to appraise and reward senior executive performance based on each executive’s achievement toward organizational goals as outlined in the executive’s performance plan. Overall, the majority of senior executives at each agency either strongly agreed or agreed that they are rewarded for accomplishing the performance expectations in their individual performance plan or helping their agency accomplish its goals, as shown in figure 10. These responses are similar to those from our governmentwide survey on the implementation of GPRA. We reported that about half of senior executives governmentwide perceive to a very great or great extent

that employees in their agencies received positive recognition for helping their agencies accomplish their strategic goals.²⁰

Figure 10: Percentage of Senior Executives Reporting They “Strongly Agree” or “Agree” That They Are Rewarded for Accomplishments



Source: GAO.

Notes: Based on GAO survey of career senior executives.

Senior executives in NASA and HHS who have served for less than 1 year were more likely to respond “no basis to judge/not applicable.” This was not an issue for Education since fewer senior executives have served less than 1 year.

We have observed that a performance management system should have adequate safeguards to ensure fairness and guard against abuse. Such

²⁰GAO-04-38.

safeguards will become especially important under the new performance-based pay system for the SES. Education, HHS, and NASA have built the following safeguards required by OPM into their senior executive performance management policies.

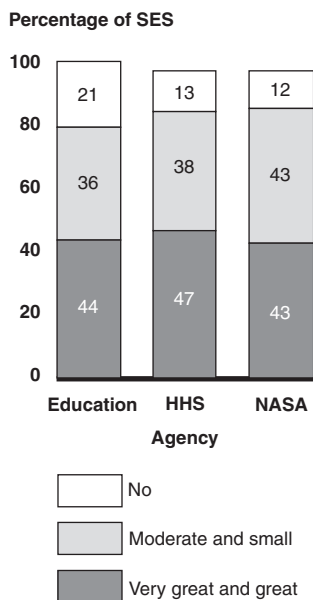
- Each agency must establish one or more performance review boards (PRB) to review senior executives' initial summary performance ratings and other relevant documents and to make written recommendations to the agency head on the performance of the agency's senior executives. The PRBs are to have members who are appointed by the agency head in a way that assures consistency, stability, and objectivity in senior executive performance appraisals. For example, HHS specifically states that each operating division will have one or more PRBs with members appointed by the operating division head. HHS's PRB members may include all types of federal executives, including noncareer appointees, military officers, and career appointees from within and outside the department. In addition, NASA's PRB is to evaluate the effectiveness of the senior executive performance management system and report its findings and any appropriate recommendations for process improvement or appropriate policy changes to NASA management. For example, the PRB completed a study on NASA's senior executive bonus system in 2003.
- A senior executive may provide a written response to his or her initial summary rating that is provided to the PRB. The PRB is to consider this written response in recommending an annual summary rating to the agency head.
- A senior executive may ask for a higher-level review of his or her initial summary rating before the rating is provided to the PRB. The higher-level reviewer cannot change the initial summary rating, but may recommend a different rating to the PRB that is shared with the senior executive and the supervisor. Upon receiving the annual summary rating, senior executives may not appeal their performance appraisals and ratings.

We have observed that a safeguard for performance management systems is to ensure reasonable transparency and appropriate accountability mechanisms in connection with the performance management process. Agencies can help create transparency in the performance management process by communicating the overall results of the performance appraisal cycle to their senior executives. Education, NASA, and HHS officials

indicated that they do not make the aggregate distribution of performance ratings or bonuses available to their senior executives.

In addition, agencies can communicate the criteria for making performance-based pay decisions and bonus decisions to their senior executives to enhance the transparency of the system. Generally, less than half of the senior executives at each agency reported that they understand the criteria used to award bonuses to a very great or great extent, and some senior executives at each agency reported that they do not understand the criteria at all, as shown in figure 11.

Figure 11: Percentage of Senior Executives Reporting That They Understand the Criteria Used to Award Bonuses by Extent



Source: GAO.

Notes: Based on GAO survey of career senior executives.

For Education, the percentage of senior executives does not equal 100 percent due to rounding, and for HHS and NASA, due to the senior executives who responded “no basis to judge/not applicable.” Senior executives in HHS who have served for less than 1 year were more likely to respond “no basis to judge/not applicable.”

Make Meaningful Distinctions in Performance

High-performing organizations make meaningful distinctions between acceptable and outstanding performance of individuals and appropriately reward those who perform at the highest level. Executive agencies can reward senior executives' performance in a number of ways: through performance awards or bonuses, nominations for Presidential Rank Awards, or other informal or honorary awards. With the new performance-based pay system for senior executives, agencies are required to have OPM certify and OMB concur that their performance management systems are making meaningful distinctions based on relative performance in order to raise the pay for their senior executives to the highest available level.

Recently, the Director of OPM stated that agencies' SES performance management systems should rely on credible and rigorous performance measurements to make meaningful distinctions based on relative performance in order for the new SES performance-based pay system to succeed.²¹ She also noted that while a growing number of agencies have improved in their distributions of SES ratings and awards based on agencies' fiscal year 2002 rating and bonus data, these data also suggest that more work is needed. Specifically, see the following:

- Executive branch agencies rated about 75 percent of senior executives at the highest level their systems permit in their performance ratings in fiscal year 2002, the most current year for which data are available from OPM—a decrease from about 84 percent the previous fiscal year.
- When disaggregating the data by rating system, approximately 69 percent of senior executives received the highest rating under five-level systems in fiscal year 2002 compared to about 76 percent in fiscal year 2001, and almost 100 percent of senior executives received the highest rating under three-level systems in both fiscal years 2001 and 2002.
- Approximately 49 percent of senior executives received bonuses in fiscal year 2002 compared to about 52 percent the previous fiscal year.²²

²¹U.S. Office of Personnel Management, "Memorandum for Heads of Departments and Executive Agencies, Reporting SES Performance Ratings and Awards for FY 2003" (Washington, D.C.: Feb. 12, 2004).

²²By law, bonus amounts paid to individual career senior executives are limited to from 5 to 20 percent of the executive's basic pay. Agency bonus totals cannot exceed the greater of 10 percent of the aggregate career senior executive basic pay or 20 percent of the average rates of career senior executive basic pay.

At HHS, about 86 percent of senior executives received the highest possible rating in fiscal year 2003 compared with approximately 99 percent in fiscal year 2002. While HHS gives its operating divisions the flexibility to appraise their senior executives' performance using a three-, four-, or five-level performance management system, most of HHS's operating divisions, including FDA and CDC, rate their senior executives under a three-level system. Almost all of HHS's senior executives rated under a three-level system received the highest rating of "fully successful" in fiscal years 2002 and 2003.²³ Approximately 23 percent of senior executives rated under a five-level system received the highest rating of "outstanding" in fiscal year 2003 compared with approximately 94 percent in fiscal year 2002.²⁴

According to its Chief Human Capital Officer, HHS recognizes that its rating systems do not always allow for distinctions in senior executives' performance, and it has chosen to focus on the bonus process as the method for reflecting performance distinctions. Senior executive bonuses are to provide a mechanism for distinguishing and rewarding the contributions of top performers, specifically for circumstances in which the individual's work has substantially improved public health and safety or citizen services. Since the fiscal year 2001 performance appraisal cycle, HHS has restricted the percentage of senior executives' bonuses to generally no more than one-third of each operating division's senior executives. HHS, including FDA and CDC, is making progress toward distinguishing senior executive performance through bonuses compared to the percentage of senior executives governmentwide who received bonuses, as shown in table 1.

²³Under HHS's three-level system senior executives may be rated at "fully successful," "minimally satisfactory," or "unsatisfactory," and under a five-level system, senior executives may be rated at these rating levels as well as at "excellent" and "outstanding."

²⁴In fiscal year 2002, only the Centers for Medicare and Medicaid Services used a five-level rating system. In fiscal year 2003, the Indian Health Service also used a five-level rating system.

Table 1: Percentage of Senior Executives at HHS as Compared to Senior Executives Governmentwide Who Received Bonuses for Fiscal Years 2000 through 2003

Agency	FY 2000	FY 2001	FY 2002	FY 2003
HHS (including CDC and FDA)	58	34	37	29
CDC	86	52	39	35
FDA	72	36	37	34
Governmentwide	51	52	49	Not available

Sources: HHS and OPM.

Note: The percentage of senior executives governmentwide who received bonuses in fiscal year 2003 is not yet available.

Additionally, HHS generally limited individual bonus amounts to no more than 12 percent of base pay for top performers in fiscal year 2003. Most of the senior executives who received a bonus were awarded less than a 10 percent bonus in fiscal year 2003, as shown in table 2.

Table 2: Percentage of HHS Senior Executives Who Received Bonuses and the Bonus Amounts as a Percentage of Base Pay for Fiscal Year 2003

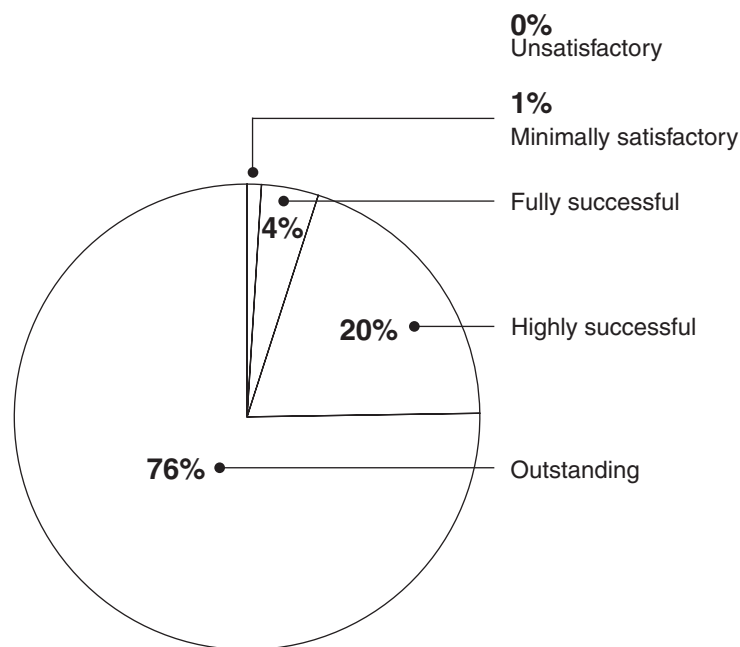
Bonus amount	Senior executives who received bonuses
12	3
11	0
10	6
9	5
8	4
7	5
6	2
5	4
Total	29

Source: HHS.

Lastly, senior executive responses to our survey indicated that they did not feel HHS was making meaningful distinctions in ratings or bonuses to a very great or great extent. Approximately 31 percent of senior executives felt that their agency makes meaningful distinctions in performance using ratings; approximately 38 percent felt that their agency makes meaningful distinctions in performance using bonuses.

NASA uses a five-level system to appraise senior executive performance. More than three-fourths of the senior executives received the highest rating of “outstanding” for the 2003 performance appraisal cycle (July 2002–June 2003), as shown in figure 12. The distribution of senior executives across the rating levels was similar to the previous performance appraisal cycle.

Figure 12: Percentage of NASA Senior Executives by Rating Level in the 2003 Performance Appraisal Cycle



Source: NASA.

Note: Percentage of senior executives exceeds 100 percent due to rounding.

NASA’s senior executive bonus recommendations are to be based solely on exceptional performance as specified and documented in senior executives’ performance plans. While NASA established a fixed allocation of bonuses for its organizations based on the total number of senior executives, an organization can request an increase to its allocation. Sixty percent of eligible senior executives within the organization’s bonus allocation may be recommended for bonuses larger than 5 percent of base pay.

For the 2003 appraisal cycle, the percentage of senior executives who received bonuses increased from the previous year, as shown in table 3. An agency official indicated that this increase resulted from a study NASA's PRB conducted on the senior executive bonus system. The PRB reviewed NASA's bonus system in the context of OPM's data on senior executive bonuses across federal agencies and recommended that NASA revise its bonus system to move NASA into the upper half of the number and average amount of bonuses given across federal agencies. According to the PRB study, NASA made this change to meet its management's need to reward more senior executives while recognizing that bonus decisions must be based on performance.

Table 3: Percentage of NASA Senior Executives Who Received Bonuses and the Bonus Amounts as a Percentage of Base Pay for the 2002 and 2003 Performance Appraisal Cycle

Bonus amount	Senior executives who received bonuses	
	2002 cycle	2003 cycle
20	6	8
15	6	11
10	6	7
5	22	26
Total	40	52

Source: NASA.

During NASA's 2003 appraisal cycle, the Space Shuttle Columbia accident happened. We reviewed the aggregate senior executive performance rating and bonus data for that cycle; however, we did not analyze individual senior executives' performance appraisals or bonus recommendations or determine if those who received ratings of outstanding, bonuses, or both were involved with the Columbia mission.

Lastly, senior executive responses to our survey indicated that about half of the executives felt NASA was making meaningful distinctions in ratings or bonuses to a very great or great extent. Approximately 46 percent of senior executives felt that their agency makes meaningful distinctions in performance using ratings; approximately 48 percent felt that their agency makes meaningful distinctions in performance using bonuses.

Education uses a three-level rating system.²⁵ About 98 percent of senior executives received the highest rating of “successful” in the 2003 performance appraisal cycle (July 2002–June 2003), a slight decrease from the previous performance appraisal cycle when all senior executives received this rating. Education’s senior executive bonus recommendations are to be based on senior executives’ demonstrated results and accomplishments toward the department’s strategic goals and organizational priorities. About 63 percent of senior executives received bonuses in the 2003 appraisal cycle, compared to approximately 60 percent in the previous appraisal cycle. The majority of the senior executives who received bonuses were awarded 5 percent bonuses in the 2003 appraisal cycle, as shown in table 4.

Table 4: Percentage of Education Senior Executives Who Received Bonuses and the Bonus Amounts as a Percentage of Base Pay for the 2003 Performance Appraisal Cycle

Bonus amount	Senior executives who received bonuses
20	7
15-19	0
10-14	4
6-9	15
5	37
Total	63

Source: Department of Education.

Lastly, senior executive responses to our survey indicated that they did not feel Education was making meaningful distinctions in ratings or bonuses to a very great or great extent. Specifically, about 10 percent of senior executives felt that their agency makes meaningful distinctions in performance using ratings; about 33 percent felt that their agency makes meaningful distinctions in performance using bonuses.

²⁵Under Education’s three-level system, senior executives may be rated at “successful,” “minimally satisfactory,” and “unsatisfactory.”

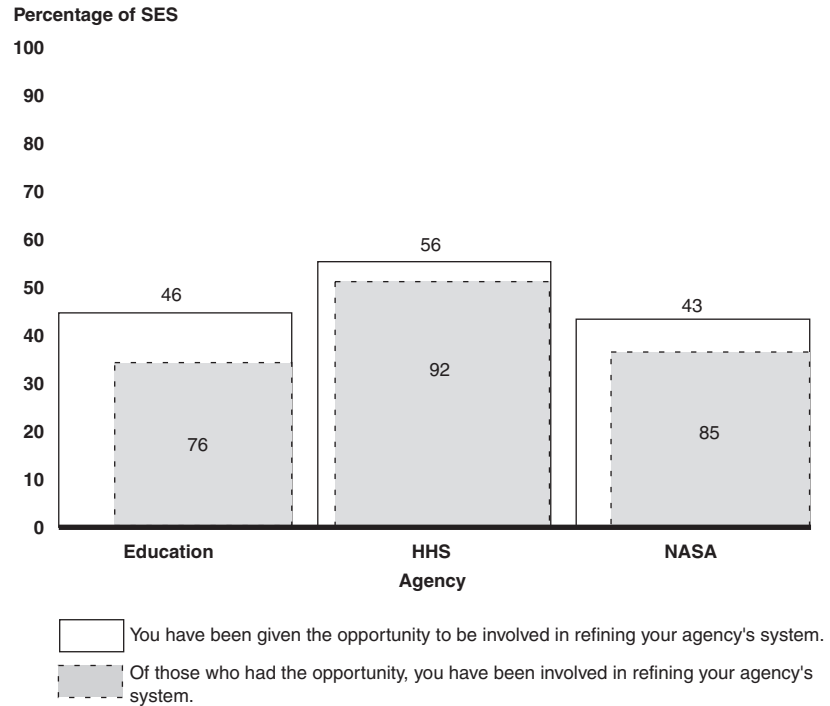
Involve Employees and Stakeholders to Gain Ownership of Performance Management Systems

High-performing organizations have found that actively involving employees and stakeholders when developing or refining results-oriented performance management systems helps improve employees' confidence and belief in the fairness of the system and increase their understanding and ownership of organizational goals and objectives. Further, to maximize the effectiveness of their performance management systems these organizations recognize that they must conduct frequent training for staff members at all levels of the organization.²⁶

Generally, at Education, HHS, and NASA senior executives became involved in refining the performance management system or participated in formal training on those systems when provided the opportunities. Of the senior executives at each agency who reported that they have been given the opportunity to be involved in refining their agency's performance management system to at least a small extent, most of these senior executives said they took advantage of this opportunity, as shown in figure 13.

²⁶For more information on how to assess agencies' training and development efforts, see U.S. General Accounting Office, *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, [GAO-04-546G](#) (Washington, D.C.: March 2004).

Figure 13: Of Those Senior Executives Who Said They Had the Opportunity to Be Involved, Percentage Who Said They Have Been Involved in Refining Their Agency's SES Performance Management System



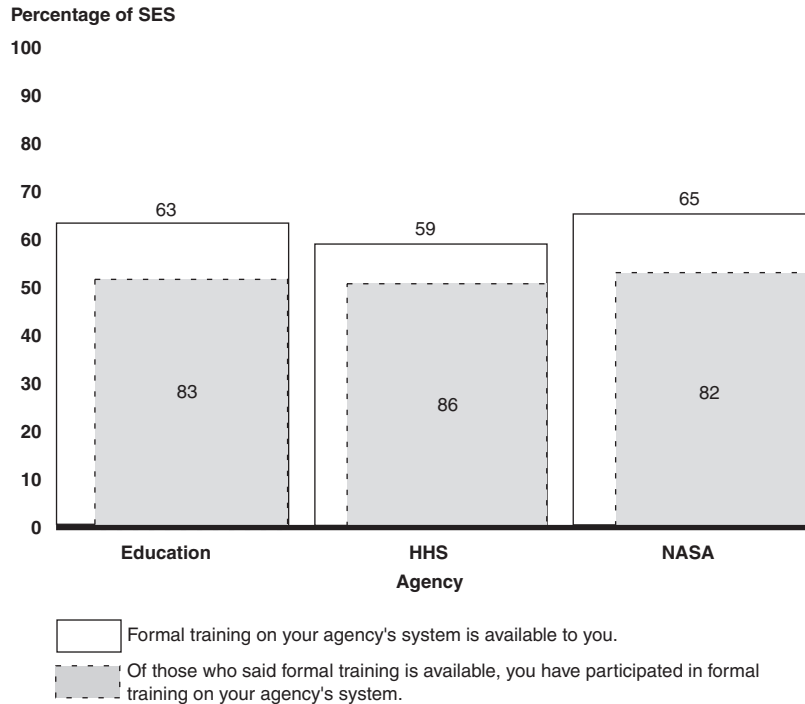
Source: GAO.

Notes: Based on GAO survey of career senior executives.

The 95 percent confidence interval for the 76 percent of SES at Education ranges from 63 to 87 percent.

Similarly, while less than three-fourths of the senior executives at each agency said formal training on their agency's performance management system is available to them, most of these senior executives said they participated in the training, as shown in figure 14.

Figure 14: Of Those Senior Executives Who Said Formal Training Is Available, Percentage Who Said They Have Participated in Formal Training on Their Agency's SES Performance Management System



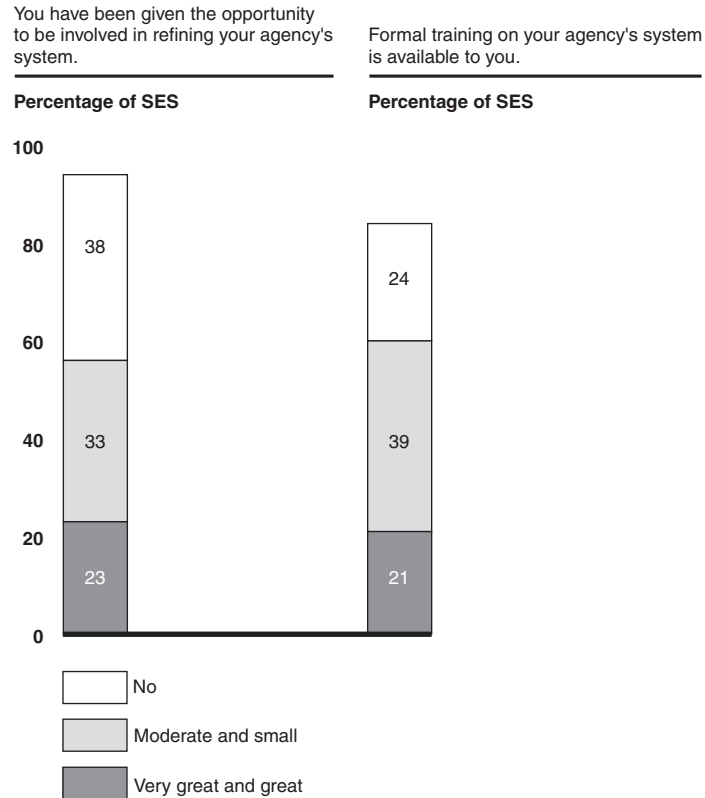
Source: GAO.

Notes: Based on GAO survey of career senior executives.

The 95 percent confidence interval for the 83 percent of SES at Education ranges from 73 to 91 percent. For the question on the availability of training, senior executives in HHS who have served for less than 1 year were more likely to respond "no basis to judge/not applicable."

At all three agencies, a proportion of senior executives reported that they had no opportunity to become involved with or trained on their performance management systems. At HHS, about 38 percent of senior executives said they did not have the opportunity to be involved in refining their agency's system, while about 24 percent of senior executives said formal training on their agency's system was not available to them, as shown in figure 15.

Figure 15: Percentage of Senior Executives at HHS Reporting Involvement and Training Opportunities by Extent



Source: GAO.

Notes: Based on GAO survey of career senior executives.

Percentages do not add up to 100 percent due to senior executives who responded "no basis to judge/not applicable." For the question on training, senior executives who have served for less than 1 year were more likely to respond "no basis to judge/not applicable."

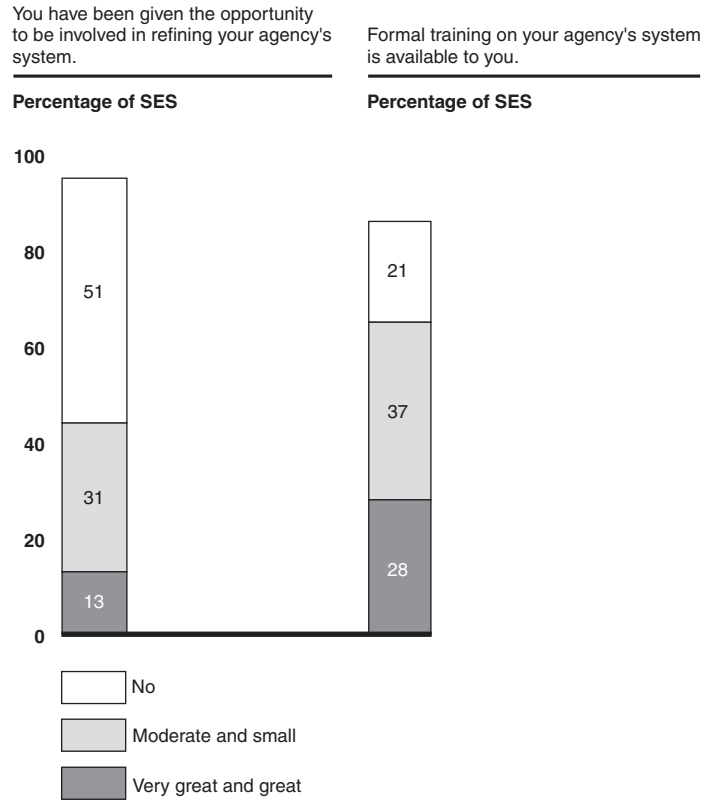
According to an HHS official, the Office of the Secretary developed the One-HHS objectives, the basis of its senior executive performance management system, with input from the leadership of all HHS staff offices and operating divisions. This official indicated that HHS conducted extensive interviews to develop and validate the goals. All career senior executives were briefed on the goals and offered training on development of outcome-oriented individual performance objectives derived from those goals. The agency official said that the operating divisions had the

flexibility to involve their senior executives in customizing the new individual performance plans for their operating divisions.

According to HHS's guidance, the operating divisions are to develop and provide training on the performance management system to their senior executives on areas such as developing performance plans, conducting progress reviews, writing appraisals, and using appraisals as a key factor in making other management decisions. For example, according to an FDA official, the Human Resources Director briefed all of the senior executive directors on how to cascade the FDA Commissioner's performance plan into their fiscal year 2002 individual plans and incorporate the One-HHS objectives. FDA does not provide regular training to the senior executives on the performance management system; rather the training is provided as needed and usually on a one-on-one basis when a new senior executive joins FDA. The agency official also stated that because few senior executives are joining the agency, regular training on the system is not as necessary.

About half of NASA's senior executives reported that they did not have the opportunity to be involved in refining their agency's system, while about 21 percent of senior executives said formal training on their agency's system was not available to them, as shown in figure 16.

Figure 16: Percentage of Senior Executives at NASA Reporting Involvement and Training Opportunities by Extent



Source: GAO.

Notes: Based on GAO survey of career senior executives.

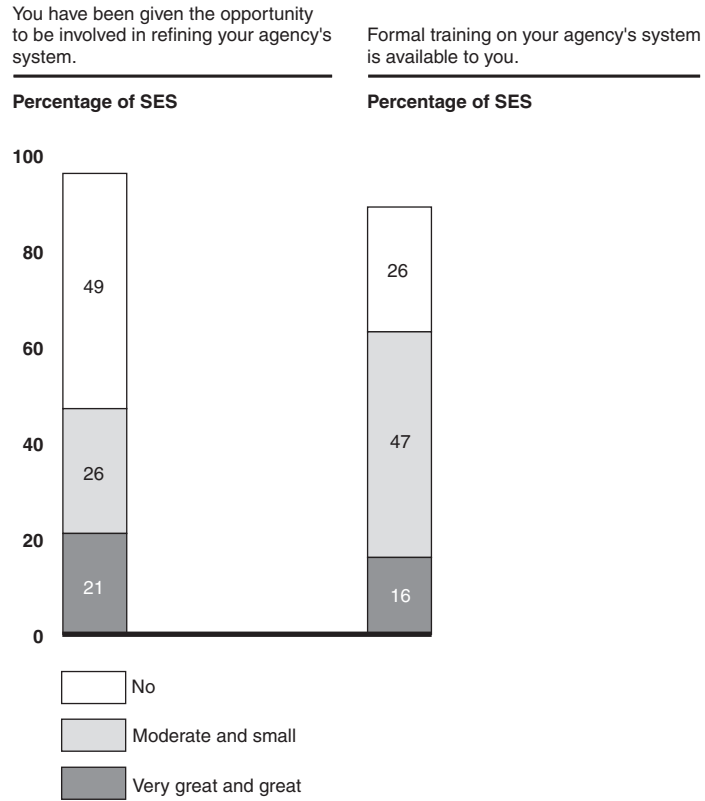
Percentages do not add up to 100 percent due to senior executives who responded "no basis to judge/not applicable."

According to an agency official, the NASA Administrator worked with the top senior executives to develop a common set of senior executive critical elements and performance requirements that reflect his priorities and are central to ensuring a healthy and effective organization. The Administrator then instructed the senior executives to review the common critical elements and incorporate them into their individual performance plans. When incorporating the elements into their individual plans, the senior executives have the opportunity to modify the performance requirements for each element to more clearly reflect their roles and responsibilities.

According to NASA's guidance, the centers and offices are to provide training and information on the performance management system to their senior executives. In addition, an official at NASA said that most centers and offices provide training to new senior executives on aspects of the performance management system, such as developing individual performance plans. Also, NASA provides training courses for all employees on specific aspects of performance management, such as writing performance appraisals and self-assessments.

Approximately half of Education's senior executives reported that they did not have the opportunity to be involved in refining their agency's system, while about one-fourth of the senior executives reported that formal training on their agency's system was not available to them, as shown in figure 17.

Figure 17: Percentage of Senior Executives at Education Reporting Involvement and Training Opportunities by Extent



Source: GAO.

Notes: Based on GAO survey of career senior executives.

Percentages do not add up to 100 percent due to senior executives who responded "no basis to judge/not applicable."

An official at Education indicated that senior executives have the opportunity to comment on changes proposed to the performance management system by the Executive Resources Board. In addition, according to Education's guidance, training for all senior executives on the performance management system is to be provided periodically. An agency official said that Education provided training for all managers, including senior executives, on how to conduct performance appraisals and write performance expectations near the end of the performance appraisal cycle last year.

Maintain Continuity during Transitions

The experience of successful cultural transformations in large public and private organizations suggests that it can often take 5 to 7 years until such initiatives are fully implemented and cultures are transformed in a substantial manner. We reported that among the key practices consistently found at the center of successful transformations is to use the performance management system to define responsibility and assure accountability for change.²⁷ The average tenure of political leadership can have critical implications for the success of those initiatives. Specifically, in the federal government the frequent turnover of the political leadership has often made it difficult to obtain the sustained and inspired attention required to make needed changes. We reported that the average tenure of political appointees governmentwide for the period 1990–2001 was just under 3 years.²⁸

Performance management systems help provide continuity during these times of transition by maintaining a consistent focus on a set of broad programmatic priorities. Individual performance plans can be used to clearly and concisely outline top leadership priorities during a given year and thereby serve as a convenient vehicle for new leadership to identify and maintain focus on the most pressing issues confronting the organization as it transforms. We have observed that a specific performance expectation in senior executives' performance plans to lead and facilitate change during transitions could be critical as organizations transform themselves to succeed in an environment that is more results oriented, less hierarchical, and more integrated.²⁹

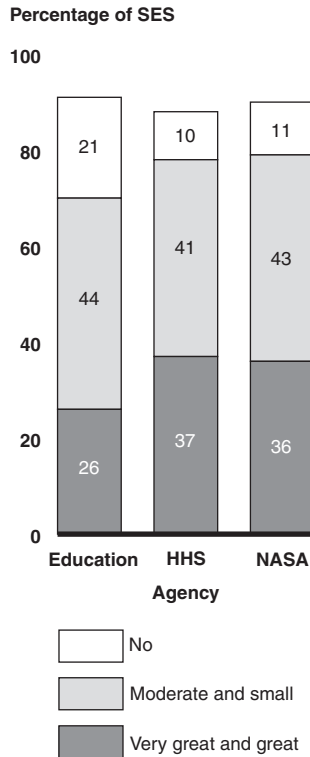
While many senior executives at each agency reported that their agency's senior executive performance management system helped to maintain a consistent focus on organizational goals during transitions, the majority of senior executives felt this occurred to a moderate extent or less, as shown in figure 18.

²⁷U.S. General Accounting Office, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C.: July 2, 2003).

²⁸U.S. General Accounting Office, *High-Risk Series: Strategic Human Capital Management*, GAO-03-120 (Washington, D.C.: January 2003).

²⁹GAO-03-488.

Figure 18: Percentage of Senior Executives Who Felt Their Agency’s SES Performance Management System Helped to Maintain a Consistent Focus on Organizational Goals during Transitions by Extent



Source: GAO.

Notes: Based on GAO survey of career senior executives.

Percentages do not add up to 100 percent due to senior executives who responded “no basis to judge/not applicable.” Senior executives in NASA and HHS who have served for less than 1 year were more likely to respond “no basis to judge/not applicable.” This was not an issue for Education since fewer senior executives have served less than 1 year.

According to an agency official, HHS as a whole struggles with transitions between secretaries as with each change in leadership comes a change in initiatives. Approximately 25 percent of HHS senior executives’ plans identified performance expectations related to leading and facilitating change in the organization. For example, several senior executives’ plans identified actions the executives were going to take in terms of succession planning and leadership development for their organizations. Specifically, a senior executive in the National Institutes of Health set the expectation to develop a workforce plan that supports the future needs of the office,

including addressing such things as succession and transition planning. About 33 percent of senior executives' plans in FDA and 15 percent in CDC identified performance expectations related to leading and facilitating change. To help address this issue of continuity in leadership and transitions, HHS identified as part of its One-HHS objectives a goal to "implement strategic workforce plans that improve recruitment, retention, hiring and leadership succession results for mission critical positions."

Education requires all senior executives to include a general performance expectation in their performance plans related to change: "initiates new and better ways of doing things; creates real and positive change." Approximately 98 percent of the senior executives' plans included this expectation.

Almost none of the NASA senior executives' performance plans identified an expectation related to leading and facilitating change during transitions. An agency official indicated that while NASA did not set a specific expectation for senior executives to include in their individual performance plans, leading and facilitating change is addressed through several of the critical elements. For example, for the "Health of NASA" critical element, senior executives are to demonstrate actions that contribute to safe and successful mission accomplishment and facilitate knowledge sharing within and between programs and projects. We have reported that NASA recognizes the importance of change management through its response to the Columbia Accident Investigation Board's findings.³⁰ NASA indicated that it would increase its focus on the human element of change management and organizational development, among other things, to improve the agency's culture.

Conclusions

Senior executives need to lead the way for federal agencies to transform their cultures to be more results oriented, customer focused, and collaborative in nature to meet the challenges of the 21st century. Performance management systems can help manage and direct this transformation process. Education, HHS, and NASA have undertaken important and valuable efforts, but these agencies need to continue to make substantial progress in using their senior executive performance management systems to strengthen the linkage between senior executive

³⁰U.S. General Accounting Office, *NASA: Shuttle Fleet's Safe Return to Flight Is Key to Space Station Progress*, [GAO-04-201T](#) (Washington, D.C.: Oct. 29, 2003).

performance and organizational success through the key practices for effective performance management.

Consistent with our findings and OPM's reviews across the executive branch, these agencies must use their career senior executive performance management systems as strategic tools. In addition, as the administration is about to implement a performance-based pay system for the SES, valid, reliable, and transparent performance management systems with reasonable safeguards are critical. The experiences and progress of Education, HHS, and NASA should prove helpful to those agencies as well as provide valuable information to other agencies as they seek to use senior executive performance management as a tool to drive internal change and achieve external results.

Recommendations for Executive Action

Overall, we recommend that the Secretaries of Education and HHS and the Administrator of NASA continue to build their career senior executive performance management systems along the nine key practices for effective performance management. Specifically, we recommend the following.

The Secretary of Education should reinforce these key practices by taking the following seven actions:

- Require senior executives to set specific levels of performance that are linked to organizational goals to help them see how they directly contribute to organizational goals.
- Require senior executives to identify in their individual performance plans programmatic crosscutting goals that would require collaboration to achieve and clearly identify the relevant internal or external organizations with which they would collaborate to achieve these goals.
- Provide disaggregated performance information from various sources to help facilitate senior executive decision making and progress in achieving organizational results, customer satisfaction, and employee perspectives.
- Require senior executives to take follow-up actions based on the performance information available to them in order to make programmatic improvements, and formally recognize executives for these actions.

-
- Build in additional safeguards when linking pay to performance by communicating the overall results of the performance management decisions.
 - Make meaningful distinctions in senior executive performance through both ratings and bonuses.
 - Involve senior executives in future refinements to the performance management system and offer training on the system, as appropriate.

The Secretary of HHS should reinforce these key practices by taking the following seven actions:

- Require senior executives to clearly identify in their individual performance plans the relevant internal or external organizations with which they would collaborate to achieve programmatic crosscutting goals.
- Provide disaggregated performance information from various sources to help facilitate senior executive decision making and progress in achieving organizational results, customer satisfaction, and employee perspectives.
- Require senior executives to take follow-up actions based on the performance information available to them in order to make programmatic improvements, and formally recognize executives for these actions.
- Build in additional safeguards when linking pay to performance by communicating the overall results of the performance management decisions.
- Make meaningful distinctions in senior executive performance through ratings.
- Involve senior executives in future refinements to the performance management system and offer training on the system, as appropriate.
- Set specific performance expectations for senior executives related to leading and facilitating change management initiatives during ongoing transitions throughout the organization that executives should include in their individual performance plans.

The Administrator of NASA should reinforce these key practices by taking the following eight actions:

- Require senior executives to set specific levels of performance that are linked to organizational goals to help them see how they directly contribute to organizational goals.
- Require senior executives to identify in their individual performance plans programmatic crosscutting goals that would require collaboration to achieve and clearly identify the relevant internal or external organizations with which they would collaborate to achieve these goals.
- Provide disaggregated performance information from various sources to help facilitate senior executive decision making and progress in achieving organizational results, customer satisfaction, and employee perspectives.
- Require senior executives to take follow-up actions based on the performance information available to them in order to make programmatic improvements, and formally recognize executives for these actions.
- Build in additional safeguards when linking pay to performance by communicating the overall results of the performance management decisions.
- Make meaningful distinctions in senior executive performance through both ratings and bonuses.
- Involve senior executives in future refinements to the performance management system and offer training on the system, as appropriate.
- Set specific performance expectations for senior executives related to leading and facilitating change management initiatives during ongoing transitions throughout the organization that executives should include in their individual performance plans.

Agency Comments and Our Evaluation

We provided a draft of this report to the Secretaries of Education and HHS and the Administrator of NASA for their review and comment. We also provided a draft of the report to the Directors of OPM and OMB for their information. We received written comments from Education, HHS, and

NASA, which are presented in appendixes IV, V, and VI. NASA's Deputy Administrator stated that the draft report is generally positive and that NASA concurred with all the recommendations and plans to implement them in its next SES appraisal cycle beginning July 1, 2004. HHS's Acting Principal Deputy Inspector General stated that HHS had no comments upon review of the draft report.

In responding to our recommendations, Education's Assistant Secretary for Management and Chief Information Officer stated that Education plans to revise its existing senior executive performance management system dramatically given OPM's draft regulations for the new SES pay for performance system and described specific actions Education plans to take. These actions are generally consistent with our recommendations and their successful completion will be important to achieving the intent of our recommendations.

However, Education stated that it does not plan to require the specific identification of the internal/external organizations with which the executives collaborate, as we recommended. We disagree that Education does not need to implement this recommendation. Education is taking important steps by requiring senior executives to include a general performance expectation related to collaboration and teamwork in their individual performance plans, but placing greater emphasis on this expectation is especially important for Education. We reported that Education will have to help states and school districts meet the goals of congressional actions such as the No Child Left Behind Act.³¹ Consequently, Education should require senior executives to identify the crosscutting goals and relevant organizations with which they would collaborate to achieve them in order to help reinforce the necessary focus on results.

Lastly, Education stated that it has fully implemented our recommendation for providing senior executives disaggregated performance information from various sources to help facilitate decision making and progress in achieving organizational priorities. We disagree that Education has fully implemented this recommendation. While we recognize Education's two sources of agencywide performance information for its senior executives, we also reported that only about one-third of the senior executives who

³¹U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of Education*, [GAO-03-99](#) (Washington, D.C.: January 2003).

reported that the agency provided performance information felt that the performance information was useful for making improvements and available when needed to a very great or great extent. Consequently, Education should provide all of its senior executives performance information from various sources that is disaggregated in a useful format to help them track their progress toward achieving organizational results and other priorities, such as customer satisfaction and employee perspectives.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its date. At that time, we will provide copies of this report to other interested congressional parties, the Secretaries of Education and HHS, the Administrator of NASA, and the Directors of OPM and OMB. We will also make this report available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions about this report, please contact me or Lisa Shames on (202) 512-6806 or at mihmj@gao.gov or shamesl@gao.gov. Other contributors are acknowledged in appendix VII.

A handwritten signature in black ink, reading "J. Christopher Mihm". The signature is written in a cursive, flowing style.

J. Christopher Mihm
Managing Director, Strategic Issues

Objective, Scope, and Methodology

To meet our objective to assess how well selected agencies are creating linkages between senior executive performance and organizational success through their performance management systems, we applied the key practices we previously identified for effective performance management.¹ We focused on agencies' career Senior Executive Service (SES) members, rather than all senior-level officials, because the Office of Personnel Management (OPM) collects data on senior executives across the government. In addition, career senior executives are common to all three of the selected agencies and typically manage programs and supervise staff.

We selected the Department of Education, the Department of Health and Human Services (HHS), and the National Aeronautics and Space Administration (NASA) for our review to reflect variations in mission, size, organizational structure, and use of their performance management systems for career senior executives. Within HHS, we selected two of the operating divisions—the Food and Drug Administration (FDA) and the Centers for Disease Control and Prevention (CDC)—to determine how HHS's SES performance management system cascades down to the operating division level. We selected these two operating divisions after reviewing HHS's strategic plan and its operating divisions' annual performance plans to identify two agencies that contributed to the same HHS strategic goal(s) through their annual performance goals. We then reviewed the SES population data from OPM's Central Personal Data File to verify that the two operating divisions each had a relatively large number of senior executives.

To assess the agencies' senior executive performance management systems, we did the following:

Analyzed Agency Documents and Bonus and Rating Data, and Interviewed Cognizant Agency Officials

We collected and analyzed each agency's senior executive performance management system policy manual; personnel policies and memorandums; strategic plan and annual performance plan; employee and customer satisfaction survey instruments and analyses, as appropriate; and aggregate trend data for senior executive performance ratings and bonus distributions. In addition, we reviewed OPM's draft proposed regulations prescribing the criteria agencies must meet to obtain certification of their

¹GAO-03-488.

systems, which OPM provided for review and comment to the heads of departments and agencies, including GAO, on April 28, 2004.

We also assessed the reliability of the senior executive performance rating and bonus data provided by Education, HHS, NASA, and OPM to ensure that the data we used for this report were complete and accurate by (1) performing manual and electronic testing of required data elements; (2) comparing the data to published OPM data, when applicable; and (3) interviewing agency officials knowledgeable about the data. We determined that the data provided by the agencies and OPM were sufficiently reliable for the purposes of this report.

We also interviewed the chief human capital officers at Education and HHS as well as officials at all three agencies responsible for managing human capital; implementing the strategic and annual performance plans; and administering agencywide employee and customer satisfaction surveys, as appropriate, and other agency officials identified as having a particular knowledge about issues related to senior executive performance management. In addition, we met with the President of the Senior Executives Association to obtain her thoughts on the new SES performance-based pay structure and performance management in general.

Assessed a Sample of Career SES Individual Performance Plans

We assessed a probability sample of SES individual performance plans at HHS and NASA and all the SES plans at Education using a data collection instrument we prepared in order to identify how senior executives were addressing certain practices—aligning individual performance expectations with organizational goals, connecting performance expectations to crosscutting goals, using competencies, and maintaining continuity during transitions—through their individual performance plans.

To randomly select the plans, we collected a list of all current career senior executives as of August/September 2003 from each agency. Since HHS's operating divisions develop their own SES performance plans and implement their performance management systems, we drew the sample such that it would include each operating division and be representative of all of HHS. In addition to the stratified sample for HHS overall, we reviewed all senior executives plans at FDA and CDC to ensure that estimates could be produced for these operating divisions. For all three agencies, we reviewed the individual performance plans most recently collected by the human resources offices. We reviewed plans from the performance

appraisal cycle for HHS covering fiscal year 2003, for Education covering July 2002–June 2003, and for NASA covering July 2003–June 2004.

Sample Design

We selected and reviewed all senior executives' individual performance plans from Education, a simple random sample from NASA, and a stratified sample from HHS. The sample of SES performance plans allowed us to estimate characteristics of these plans for each of these three agencies. For each agency, the SES population size, number of SES plans in sample, and number of plans reviewed are shown in table 5.

Table 5: Disposition of SES Performance Plan Review, by Agency

Agency	SES population	Number of plans in sample	Number of out of scope plans	Number of plans reviewed
HHS	334	125	7	118
- CDC (stratum 1)	20	20	0	20
- FDA (stratum 2)	40	40	0	40
- Rest of HHS (stratum 3)	274	65	7	58
Education	59	59	0	59
NASA ^a	397	86	0	81

Source: GAO.

^aFor NASA, 5 of the 86 SES performance plans were not provided by the agency; hence NASA's response rate is 94 percent.

We excluded out of scope cases from our population and sample, which included senior executives who had retired or resigned, were not career senior executives, or did not have individual performance plans because they were either new executives or on detail to another agency. For HHS, excluding CDC and FDA, we do not know the number of out of scope SES plans in the entire senior executive population; however, there were seven out of scope SES plans in our sample of performance plans. For this review, we only estimate to the population of in scope SES plans.

Estimation and Sampling Error

All population estimates based on this plan review are for the target population defined as SES performance plans for the most recent year available from each of the three agencies. For Education, we report actual numbers for our review of individual performance plans since we reviewed all the plans. For HHS and NASA, we produced estimates to the population

of all SES performance plans in those agencies for the relevant year. Estimates are produced using appropriate methods for simple random sampling for NASA and for stratified random sampling for HHS. For NASA and for each stratum for HHS, we formed estimates by weighting the data by the ratio of the population size to the number of plans reviewed. For NASA, we considered the 81 plans obtained and reviewed to be a probability sample.

The HHS and NASA performance plan samples are subject to sampling error. There was no sampling error for the census review of senior executives' performance plans for FDA, CDC, and Education. The effects of sampling errors, due to the selection of a sample from a larger population, can be expressed as confidence intervals based on statistical theory. Sampling errors occur because we use a sample to draw conclusions about a larger population. As a result, the sample was only one of a large number of samples of performance plans that might have been drawn. If different samples had been taken, the results might have been different. To recognize the possibility that other samples might have yielded other results, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval.

The 95 percent confidence intervals are expected to include the actual results for 95 percent of samples of this type. We calculated confidence intervals for this sample using methods that are appropriate for the sample design used. For HHS estimates in this report, we are 95 percent confident that when sampling error is considered, the results we obtained are within ± 9 percentage points of what we would have obtained if we had reviewed the plans of the entire study population, unless otherwise noted. For NASA, the 95 percent confidence intervals for percentage estimates are no wider than ± 6 percentage points, unless otherwise noted.

Surveyed All Career SES at Each Agency

We administered a Web-based questionnaire to the study population of all career senior executives at Education, HHS, and NASA to obtain information on their experiences with and perceptions of their performance management systems. We collected a list of all career senior executives and e-mail addresses from each agency as of August/September 2003 to identify the respondents for our survey. We structured the questionnaire around the key practices we identified for effective performance management and included some questions about senior executives' overall perceptions of their performance management systems. The questions were nearly identical across the agencies, though some

introductory language and terminology varied. The complete questionnaire and results are shown in appendix II.

Although all senior executives were sampled, in the implementation of the survey, we found that some executives were out of scope because they retired or resigned, were not career senior executives, or otherwise did not respond. Table 6 contains a summary of the survey disposition for the surveyed cases at the three agencies.

Table 6: Disposition of SES Survey, by Agency

Number of SES	Education	HHS	NASA
SES population	59	329	397
SES out of scope	2	12	4
SES in scope	57	317	393
Survey respondents	41	214	260
In scope respondents	41	213	260
Out of scope respondents	0	1	0
Response rate	72%	67%	66%

Source: GAO.

Table 7 summarizes why individuals originally included in the target population by each agency were removed from the sample.

Table 7: Number of SES Out of Scope and Reason, by Agency

Reason out of scope	Education	HHS	NASA
Noncareer SES (e.g., political appointee or limited term)	0	1	0
No longer SES	0	2	0
Retired or resigned	2	8	3
Not an SES member (e.g., General Schedule position)	0	1	0
On sick leave	0	0	1
Total out of scope	2	12	4

Source: GAO.

For Education, we surveyed a total of 57 career senior executives and received completed questionnaires from 41 senior executives for a response rate of 72 percent. For HHS, we surveyed a total of 317 career senior executives and received completed questionnaires from 213 senior executives for a response rate of 67 percent. For NASA, we surveyed a total of 393 career senior executives and received completed questionnaires from 260 senior executives for a response rate of 66 percent.

Estimation and Sampling Error

We obtained responses from across Education and from all subentities within HHS and NASA and had no reason to expect that the views of nonrespondents might be different from the respondents. Consequently, our analysis of the survey data treats the respondents as a simple random sample of the populations of senior executives at each of the three agencies.

We also reviewed whether senior executives who have served less than 1 year at an agency tended to respond differently than those with more than 1 year of experience. We did find some differences on certain questions for which individuals who served as senior executives for less than 1 year were more likely to answer “no basis to judge/not applicable” and noted these differences in the report. The estimated percentage of the senior executives responding “no basis to judge/not applicable” to questions ranged from 0 to 24 percent. Since this range is relatively wide, we have reported “no basis to judge/not applicable” as a separate response category for each question in appendix II.

The particular sample of senior executives (those who responded to the survey) we obtained from each agency was only one of a large number of such samples of senior executives that we might have obtained. Each of these different samples might have produced slightly different results. To recognize the possibility that other samples might have yielded other results, we express our confidence in the precision of our particular sample’s results as a 95 percent confidence interval. For Education, unless otherwise noted, the survey responses have a margin of error within ± 9 percent with a 95 percent level of confidence. For HHS and NASA, unless otherwise noted, the survey responses have a margin of error within ± 4 percent with a 95 percent level of confidence.

Nonsampling Error

In addition to sampling error, other potential sources of errors associated with surveys, such as question misinterpretation, may be present.

Nonresponse may also be a source of nonsampling error. We took several steps to reduce these other sources of error.

We conducted pretests of the questionnaire both with appropriate senior executives in GAO and senior executives in the three agencies surveyed to ensure that the questionnaire (1) was clear and unambiguous, (2) did not place undue burden on individuals completing it, and (3) was independent and unbiased. We pretested a paper copy of the survey with three senior executives in GAO who did not work in the human capital area. We then had a human resources professional with each agency review the survey for agency-specific content and language. We conducted six pretests overall with senior executives in the audited agencies—one at Education, three at HHS, and two at NASA. The first four were conducted using a paper version of the questionnaire and the final two were conducted using the Web version.

To increase the response rate for each agency, we sent a reminder e-mail about the survey to those senior executives who did not complete the survey in the initial time frame and conducted follow-up telephone calls to persons who had not completed the survey following the reminder e-mail. The HHS and NASA surveys were available from October 22, 2003, through January 16, 2004, and the Education survey was available from November 3, 2003, through January 16, 2004.

We performed our work in Washington, D.C., from August 2003 through March 2004 in accordance with generally accepted government auditing standards.

GAO Senior Executive Survey Data from Education, HHS, and NASA

We administered a Web-based questionnaire to the study population of all career senior executives at Education, HHS, and NASA to obtain information on their experiences with and perceptions of their performance management systems.¹ We structured the questionnaire around key practices we identified for effective performance management.² The response rates and margins of error for each agency are as follows.

- For Education, we surveyed a total of 57 career senior executives and received completed questionnaires from 41 senior executives for a response rate of 72 percent. Unless otherwise noted, the survey responses have a margin of error within ± 9 percent with a 95 percent level of confidence.
- For HHS, we surveyed a total of 317 career senior executives and received completed questionnaires from 213 senior executives for a response rate of 67 percent. Unless otherwise noted, the survey responses have a margin of error within ± 4 percent with a 95 percent level of confidence.
- For NASA, we surveyed a total of 393 career senior executives and received completed questionnaires from 260 senior executives for a response rate of 66 percent. Unless otherwise noted, the survey responses have a margin of error within ± 4 percent with a 95 percent level of confidence.

The information below shows the senior executives' responses for each question by agency.³

¹For HHS, when the question refers to "my agency" or "my organization," we asked senior executives to respond regarding their operating divisions within HHS. For the questions on performance information, we asked NASA senior executives to respond on the extent that NASA or their center formally provides performance information.

²GAO-03-488.

³Percentages for each question may not add to 100 due to rounding.

1. Align individual performance expectations with organizational goals.

You see a connection between your daily activities and the achievement of organizational goals.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	45	43	8	5	0	0
HHS	52	28	15	4	0	1
NASA	64	27	8	2	0	0

You communicate your performance expectations to the individuals who report to you to help them understand how they can contribute to organizational goals.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	30	50	10	0	0	10
HHS	36	32	20	10	1	1
NASA	48	42	8	1	0	2

You see a connection between your daily activities and HHS's priorities.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
HHS	48	35	11	2	0	4

2. Connect performance expectations to crosscutting goals.

You collaborate with others to achieve crosscutting goals.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	37	39	22	0	0	2
HHS	52	35	9	3	0	1
NASA	53	38	9	1	0	0

You identify strategies for collaborating with others to achieve crosscutting goals.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	24	49	24	0	0	2
HHS	42	43	10	3	1	1
NASA	42	44	12	1	0	0

You are recognized through your performance management system for contributing to crosscutting goals.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	32	20	17	20	7	5
HHS	30	27	19	11	6	7
NASA	35	32	20	7	5	1

Education's survey questions:

Do you collaborate with other offices within Education to achieve crosscutting goals?

Yes (percent)	No (percent)	Does not apply given my current position. (percent)
93	2	5

Appendix II
GAO Senior Executive Survey Data from
Education, HHS, and NASA

Do you collaborate with other agencies or organizations outside of Education to achieve crosscutting goals?

Yes (percent)	No (percent)	Does not apply given my current position. (percent)
83	12	5

HHS's survey questions:

Do you collaborate with other operating divisions within HHS to achieve crosscutting goals?

Yes (percent)	No (percent)	Does not apply given my current position. (percent)
87	5	8

Do you collaborate with other agencies or organizations outside of HHS to achieve crosscutting goals?

Yes (percent)	No (percent)	Does not apply given my current position. (percent)
83	7	10

NASA's survey questions:

Do you collaborate with other centers within NASA to achieve crosscutting goals?

Yes (percent)	No (percent)	Does not apply given my current position. (percent)
97	2	1

Do you collaborate with other agencies or organizations outside of NASA to achieve crosscutting goals?

Yes (percent)	No (percent)	Does not apply given my current position. (percent)
87	8	5

3. Provide and routinely use performance information to track organizational priorities.

Your agency formally provides performance information that allows you to track your work unit's performance.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	15	25	30	18	5	8
HHS	18	24	28	14	11	5
NASA	25	31	27	11	4	3

Your agency formally provides performance information that allows you to compare the performance of your work unit to that of other work units.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	5	13	18	35	18	13
HHS	9	13	16	29	23	10
NASA	6	23	31	20	13	7

Your agency formally provides performance information that allows you to compare the performance of your work unit to that of your agency.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	8	13	20	23	25	13
HHS	9	16	21	22	20	12
NASA	6	20	29	22	16	8

Appendix II
GAO Senior Executive Survey Data from
Education, HHS, and NASA

Your agency formally provides performance information that is available to you when you need it.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	10	23	15	30	13	10
HHS	13	23	23	17	16	8
NASA	16	30	26	17	8	3

Your agency formally provides performance information that is useful for making improvements in your work unit's performance.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	10	25	20	20	18	8
HHS	13	20	28	15	18	7
NASA	15	28	27	17	9	5

4. Require follow-up actions to address organizational priorities.

You identified areas for improvement based on performance information formally provided by your agency.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	15	21	33	18	5	8
HHS	17	26	22	12	11	13
NASA	19	35	23	9	8	6

You took action on any identified areas of improvement.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	23	33	23	8	5	8
HHS	25	35	14	6	7	12
NASA	29	45	11	4	4	7

Appendix II
GAO Senior Executive Survey Data from
Education, HHS, and NASA

You documented areas for improvement in your individual performance plan.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	21	18	26	8	15	13
HHS	18	25	23	9	13	13
NASA	15	32	24	11	9	9

You are recognized through your performance management system for taking follow-up actions.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	15	18	26	13	18	10
HHS	16	23	23	10	11	18
NASA	15	36	23	10	7	10

5. Use competencies to provide a fuller assessment of performance.

The competencies you demonstrate help you contribute to the organization's goals.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	49	36	10	3	0	3
HHS	68	26	4	1	0	1
NASA	62	30	6	1	0	0

You are recognized through your performance management system for your demonstration of the competencies.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	28	26	18	18	3	8
HHS	31	31	20	9	3	6
NASA	36	36	16	7	3	2

6. Link pay to individual and organizational performance.

I am rewarded for accomplishing the performance expectations identified in my individual performance plan.

	Strongly agree (percent)	Agree (percent)	Neither agree or disagree (percent)	Disagree (percent)	Strongly disagree (percent)	No basis to judge / Not applicable (percent)
EDUCATION	28	28	15	13	8	8
HHS	27	32	14	12	10	6
NASA	38	30	12	8	7	5

I am rewarded for helping my agency accomplish its goals.

	Strongly agree (percent)	Agree (percent)	Neither agree or disagree (percent)	Disagree (percent)	Strongly disagree (percent)	No basis to judge / Not applicable (percent)
EDUCATION	23	31	21	13	8	5
HHS	28	32	13	13	8	7
NASA	40	31	11	7	6	5

You understand the criteria used to award bonuses (e.g., cash awards).

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	18	26	21	15	21	0
HHS	19	28	21	17	13	2
NASA	15	29	20	23	12	2

You understand the criteria used to award pay level adjustments (e.g., an increase from SES level 1 to level 2).

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	18	24	11	16	29	3
HHS	17	22	23	16	19	3
NASA	14	23	27	19	15	2

Appendix II
GAO Senior Executive Survey Data from
Education, HHS, and NASA

Pay level adjustments are dependent on an individual's contribution to the organization's goals.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	8	18	21	13	15	26
HHS	15	25	26	13	8	14
NASA	16	34	18	15	6	11

Bonuses are dependent on an individual's contribution to the organization's goals.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	5	26	15	21	13	21
HHS	18	31	18	13	6	14
NASA	26	28	20	13	4	9

7. Make meaningful distinctions in performance.

Your agency's SES performance management system uses performance ratings to make meaningful distinctions between acceptable and outstanding performers.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	0	10	26	31	18	15
HHS	6	25	25	10	15	19
NASA	14	32	30	11	3	10

Your agency's SES performance management system uses bonuses to make meaningful distinctions between acceptable and outstanding performers.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	10	23	10	21	15	21
HHS	11	27	22	11	7	23
NASA	19	29	20	14	4	15

Appendix II
GAO Senior Executive Survey Data from
Education, HHS, and NASA

Your agency uses performance information and documentation to make distinctions in senior executive performance.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	3	21	13	23	15	26
HHS	8	26	24	12	5	25
NASA	14	33	21	13	3	15

Your agency provides candid and constructive feedback that allows you to maximize your contribution to organizational goals.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	5	18	18	28	23	8
HHS	10	26	28	13	17	6
NASA	18	27	27	15	10	3

8. Involve employees and stakeholders to gain ownership of performance management systems.

You have been given the opportunity to be involved in refining your agency's SES performance management system.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	8	13	10	15	49	5
HHS	10	13	20	13	38	5
NASA	6	7	15	15	51	6

You have been involved in refining your agency's SES performance management system.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	8	11	5	11	61	5
HHS	9	13	17	14	43	5
NASA	5	5	13	14	58	5

Appendix II
GAO Senior Executive Survey Data from
Education, HHS, and NASA

Formal training on your agency's SES performance management system is available to you.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	5	11	26	21	26	11
HHS	8	12	25	14	24	17
NASA	7	21	24	13	21	14

You have participated in formal training on your agency's SES performance management system.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	8	8	16	22	41	5
HHS	8	7	23	16	42	4
NASA	4	11	22	17	43	2

Your overall involvement in the SES performance management system has increased your understanding of it.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	10	13	13	26	28	10
HHS	11	16	21	16	21	15
NASA	8	19	27	16	17	13

9. Overall perceptions of the SES performance management system.

Your agency's SES performance management system is used as a tool to manage the organization.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	3	23	13	31	18	13
HHS	6	23	35	15	8	12
NASA	9	24	33	19	8	7

Appendix II
GAO Senior Executive Survey Data from
Education, HHS, and NASA

Your agency's SES performance management system is used in achieving organizational goals.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	8	21	21	31	10	10
HHS	9	27	32	11	7	12
NASA	13	33	28	13	7	5

Your agency's SES performance management system holds you accountable for your contributions to organizational results.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	16	26	21	24	8	5
HHS	22	27	27	12	3	8
NASA	20	39	22	10	6	4

Your agency's SES performance management system facilitates discussions about your performance as it relates to organizational goals during the year.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	10	26	18	18	21	8
HHS	12	27	26	20	8	8
NASA	18	31	22	15	10	5

Your agency's SES performance management system helps to maintain a consistent focus on organizational goals during transitions, such as changes in leadership (at any level) and change management initiatives.

	To a very great extent (percent)	To a great extent (percent)	To a moderate extent (percent)	To a small extent (percent)	To no extent (percent)	No basis to judge / Not applicable (percent)
EDUCATION	10	15	26	18	21	10
HHS	10	28	24	17	10	12
NASA	13	24	24	20	11	9

Selected Elements of Education's, HHS's, and NASA's SES Performance Management Systems

Education

Defining SES Performance Expectations

Education required all of its senior executives to include three critical elements in their individual performance plans for the 2003 performance appraisal cycle (July 2002–June 2003). The critical elements and examples of the related individual and organizational performance requirements include the following.

- **Leadership, management, and coaching:** Takes leadership in promoting and implementing the department's mission, values, and goals; develops and communicates a clear, simple, customer-focused vision/direction for the organization and customers that is consistent with the department's mission and strategic goals; fosters improved workforce productivity and effective development and recognition of employees; and promotes collaboration and teamwork, including effective union-management relations, where appropriate.
- **Work quality, productivity, and customer service:** Produces or assures quality products that are useful and succinct, that identify and address problems or issues, and that reflect appropriate analysis, research, preparation, and sensitivity to department priorities and customer needs; anticipates and responds to customer needs in a professional, effective, and timely manner; initiates new and better ways of doing things; and creates real and positive change.
- **Job specifics:** Senior executives are to include performance expectations that are applicable to their individual positions and support their principal offices' goals as well as the department's strategic goals and priorities, including the President's Management Agenda, the Blueprint for Management Excellence, and the Culture of Accountability.

Appraising Performance

Education sets guidelines for its offices to follow in appraising performance and recommending senior executives for bonuses. The senior executive performance appraisals are to be based on demonstrated results related to Education's goals and priorities, including the President's Management Agenda, the Blueprint for Management Excellence, the Culture of Accountability, and the Secretary's strategic plan. In addition,

the senior executive's appraisal is to be based on both individual and organizational performance, taking into account

- results achieved in accordance with the department's strategic plan and goals, which are developed in accordance with the Government Performance and Results Act of 1993 (GPRA);
- customer satisfaction;
- employee perspectives;
- the effectiveness, productivity, and performance quality of the employees for whom the senior executive is responsible; and
- equal employment opportunity and diversity and complying with merit systems principles.

In addition, the responses of the customers, coworkers, and employees through the automated performance feedback process are to be considered in determining the senior executive's performance rating.

Senior executives must receive a performance rating of "successful" to be eligible for a bonus. Bonus recommendations are to be based on the senior executive's demonstrated results and accomplishments toward the department's strategic goals and organizational priorities. Accomplishments should demonstrate how Education's achievements could not have been possible without the senior executive's leadership and contribution.

HHS

Defining SES Performance Expectations

HHS required its senior executives to set measurable, specific performance expectations in their fiscal year 2003 individual performance plans (or performance contracts) that align with HHS's strategic goals, the "One-HHS" management and program objectives, and their operating divisions' annual performance goals. According to agency officials, senior executives are to choose the One-HHS objectives and strategic and annual performance goals that relate to their job responsibilities, and tailor their

individual performance expectations to reflect these responsibilities in their performance plans.

The One-HHS objectives, which reflect the program and management priorities of the Secretary, include the following.

Management objectives: The purpose of the objectives is to better integrate HHS management functions to ensure coordinated, seamless, and results-oriented management across all operating and staff divisions of the department.

1. Implement results-oriented management.
2. Implement strategic human capital management.
3. Improve grants management operation and oversight.
4. Complete the fiscal year 2003 competitive sourcing program.
5. Improve information technology management.
6. Administrative efficiencies.
7. Continue implementation of unified financial management system.
8. Consolidate management functions.
9. Achieve efficiencies through HHS-wide procurements.
10. Conduct program evaluations and implement corrective strategies for any deficiencies identified.

Program objectives: The purpose of the objectives is to enhance the health and well-being of Americans by providing for effective health and human services and by fostering strong, sustained advances in the sciences underlying medicine, public health, and social services.

1. Increase access to health care (Closing the Gaps in Health Care).
2. Expand consumer choices in health care and human services.

3. Emphasize preventive health measures (Preventing Disease and Illness).
4. Prepare for and effectively respond to bioterrorism and other public health emergencies (Protecting Our Homeland).
5. Improve health outcomes (Preventing Disease and Illness).
6. Improve the quality of health care (21st Century Health Care).
7. Advance science and medical research (Improving Health Science).
8. Improve the well-being and safety of families and individuals, especially vulnerable populations (Leaving No Child Behind).
9. Strengthen American families (Working Toward Independence).
10. Reduce regulatory burden on providers, patients, and consumers of HHS's services.

In addition to the annual performance goals, operating divisions may have their senior executives include specific individual performance expectations in their performance plans. According to an agency official, the senior executives in FDA have set expectations in their plans that are relevant to the work in their centers. For example, the senior executives who work on issues related to mad cow disease in the Center for Veterinary Medicine have included goals related to this type of work in their individual performance plans.

Appraising Performance

HHS sets general guidance for operating divisions to follow when appraising senior executive performance and recommending senior executives for bonuses and other performance awards, such as the Presidential Rank Awards. Overall, a senior executive's performance is to be appraised at least annually based on a comparison of actual performance with expectations in the individual performance plan. The operating divisions are to appraise senior executive performance taking into account such factors as

- measurable results achieved in accordance with the goals of GPRA;
- customer satisfaction;

- employee perspectives;
- the effectiveness, productivity, and performance quality of the employees for whom the executive is responsible; and
- meeting affirmative action, equal employment opportunity, and diversity goals and complying with the merit systems principles.

In recommending senior executives for bonuses, operating divisions are to consider each senior executive's performance, including the rating and the extent of the executive's contributions to meeting organizational goals. Senior executives who receive ratings of "fully successful" are eligible to be considered for bonuses. For fiscal year 2003, bonuses generally were to be recommended for no more than one-third of the operating division's senior executives and awarded to only the exceptional performers. Operating divisions were to consider nominating only one or two of their very highest contributors for the governmentwide Presidential Rank Awards. The greatest consideration for bonuses and Presidential Rank Awards was to be given to executives in frontline management positions, with direct responsibility for HHS's programs.

NASA

Defining SES Performance Expectations

NASA requires its senior executives to include seven critical elements, which reflect the Administrator's priorities and NASA's core values of safety, people, excellence, and integrity, in their individual performance plans for the 2004 performance appraisal cycle (July 2003–June 2004). Senior executives may modify the related performance requirements by making them more specific to their jobs. These seven critical elements and the related performance requirements are as follows.

- **The President's Management Agenda:** Understands the principles of the President's Management Agenda and actively applies them; assures maximum organizational efficiency, is customer focused, and incorporates presidential priorities in budget and performance plans; capitalizes on opportunities to integrate human capital issues in planning and performance and expand electronic government and competitive sourcing; and pursues other opportunities to reduce costs and improve service to customers.

- *Performance requirement:* Applicable provisions of the agency human capital plan are implemented; financial reports are timely and accurate; clear measurable programmatic goals and outcomes are linked to the agency strategic plan and the GPRA performance plan; and human capital, e-government, and competitive sourcing goals are achieved.

- **Health of NASA:** Actions contribute to safe and successful mission accomplishment and/or strengthen infrastructure of support functions; increases efficient and effective management of the agency; facilitates knowledge sharing within and between programs and projects; and displays unquestioned personal integrity and commitment to safety.
 - *Performance requirement:* Demonstrates that safety is the organization's number one value; actively participates in safety and health activities, supports the zero lost-time injury goals, and takes action to improve workforce health and safety; meets or exceeds cost and schedule milestones and develops creative mechanisms and/or capitalizes on opportunities to facilitate knowledge sharing; and achieves maximum organizational efficiency through effective resource utilization and management.

- **Equal opportunity (EO) and diversity:** Demonstrates a commitment to EO and diversity by proactively implementing programs that positively impact the workplace and NASA's external stakeholders and through voluntary compliance with EO laws, regulations, policies, and practices; this includes such actions as ensuring EO in hiring by providing, if needed, reasonable accommodation(s) to an otherwise qualified individual with a disability or ensuring EO without regard to race, color, national origin, sex, sexual orientation, or religion in all personnel decisions and in the award of grants or other federal funds to stakeholder recipients.
 - *Performance requirement:* Actively supports EO/diversity efforts; consistently follows applicable EO laws, regulations, Executive Orders, and administration and NASA policies, and the principles thereof, in decision making with regard to employment actions and the award of federal grants and funds; cooperates with and provides a timely and complete response to NASA's Discrimination Complaints Division, the U.S. Equal Employment Opportunity Commission, and the courts during the investigation, resolution, and/or litigation of

allegations of illegal discrimination under applicable EO laws and regulations.

- **Collaboration:** Integrates One-NASA approach to problem solving, program/project management, and decision making; leads by example by reaching out to other organizations and NASA centers to collaborate on work products; seeks input and expertise from a broad spectrum; and demonstrates possession of organizational and interpersonal skills.
 - *Performance requirement:* Provides the appropriate level of high-quality support to peers and other organizations to enable the achievement of the NASA mission; results demonstrate support of One-NASA and that stakeholder and customer issues were taken into account.
- **Professional development:** Has a breadth of experience in different organizations, agencies, functional areas, and/or geographic locations; demonstrates continual learning in functional and leadership areas, for example, through advanced education/training or participating in seminars; encourages and supports development and training of assigned staff; and where feasible, seeks, accepts, and encourages opportunities for developmental assignments in other functional areas and elsewhere in NASA, with a focus on broadening agencywide perspective.
 - *Performance requirement:* Participates in training/learning experiences appropriate to position responsibilities and to broaden agencywide perspective and actively plans for and supports the participation of subordinate staff in training and development activities.
- **Meets program objectives:** Meets and advances established agency program objectives and achieves high-quality results; demonstrates the ability to follow through on commitments; and individual fits into long-term human capital strategy and could be expected to make future contributions at a higher level or in a different capacity at the same level.
 - *Performance requirement:* Meets appropriate GPRA/NASA strategic plan goals and objectives; customers recognize results for their high-quality and responsiveness to requirements/agreements.

- **Implements a fair and equitable performance-based system within organizational component (applicable only for supervisory positions):** Implements/utilizes a fair, equitable, and merit/performance-based process/system for the evaluation of individuals for bonuses, promotions, career advancements, and general recognition.
 - *Performance requirement:* System reflects the key leadership, teamwork, and professional excellence on which decisions are based; results have credibility with supervisors, subordinates, and peers.

Appraising Performance

NASA provides guidance for the centers and offices to follow in appraising senior executive performance and recommending executives for bonuses or other performance awards, such as Presidential Rank Awards or incentive awards. The senior executive's performance appraisal is to focus on results toward the performance requirements specified in the individual performance plan, specifically the achievements that address the agency's goals rather than the quality of effort expended. In addition, senior executive appraisals are to be based on individual and organizational performance, taking into account such factors as

- results achieved in accordance with the goals of GPRA;
- the effectiveness, productivity, and performance of assigned employees;
- meeting safety and diversity goals;
- complying with merit system principles;
- customer perspective focusing on customer needs, expectations, and satisfaction;
- employee perspective focusing on employee needs, such as training, internal processes, and tools to successfully and efficiently accomplish their tasks; and
- business perspective focusing on outcomes and the social/political impacts that define the role of the agency and the business processes needed for organizational efficiency and effectiveness.

Appendix III
Selected Elements of Education's, HHS's, and
NASA's SES Performance Management
Systems

In considering customer, employee, and other stakeholder perspectives for senior executive appraisals, rating officials may use formal mechanisms, such as surveys, or less formal mechanisms, such as unsolicited customer and employee feedback, and analysis of personnel data, such as turnover rates, diversity reports, grievances, and workforce awards and recognition.

All senior executives with annual summary ratings of “fully successful” or higher are eligible to be considered for bonuses. Bonus recommendations are to be based solely on exceptional performance as specified and documented in the senior executive’s performance plan.

Comments from the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF MANAGEMENT

May 7, 2004

ASSISTANT SECRETARY

J. Christopher Mihm
Managing Director, Strategic Issues
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Mihm:

The Department of Education (ED) has reviewed the draft report entitled *Human Capital: Senior Executive Performance Management Can Be Significantly Strengthened to Achieve Results*.

Thank you for recognizing ED as having undertaken important and valuable efforts to link senior executive performance management systems to the success of its senior executives. In addition, we appreciate the fact that you acknowledged that ED has begun to implement key practices to develop an effective performance management system for career senior executives.

The recommendations provided by the General Accounting Office to fully maximize the performance management system to manage organizations and achieve organizational goals have been carefully reviewed.

Although ED has provided responses to those recommendations in the enclosures, it is important to note that our existing senior executive performance management system will change dramatically. Draft regulations for the new Senior Executive Service pay-for-performance system are now being circulated for review and comment. Specifically, more meaningful distinctions in performance will be made; there will be greater emphasis on performance and demonstrated results; and pay and performance will be greater linked.

Thank you for the opportunity to provide comments to the executive performance management study.

If there are any questions, please contact Veronica Trietsch, Director, Human Resources Services at (202) 401-0553.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. Leidinger".

William J. Leidinger

Enclosures

400 MARYLAND AVE., S.W., WASHINGTON, D.C. 20202-4500
www.ed.gov

Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

GAO Recommendations for Executive Action

GAO Recommendation: *Require senior executives to set specific levels of performance that are linked to organizational goals to help them see how they directly contribute to organizational goals.*

GAO also recommends making meaningful distinctions in senior executive performance through both ratings and bonuses.

ED response: GAO has recognized that all ED performance plans identified individual performance expectations that are aligned with organizational goals. To further enhance this requirement, ED's current executive appraisal system is already undergoing revisions with greater emphasis on a results-oriented evaluation system with a concentration of alignment of ED's mission, the Secretary's Strategic Plan, goals and priorities. Also, the SES proposed new performance management system will change from its current 3-level system to a proposed 5-level system. Pay and award differentiations will additionally be emphasized for those who have performed at the highest levels and who have met ED's performance goals.

GAO Recommendation: *Require senior executives to identify in their individual performance plans programmatic crosscutting goals that would require collaboration to achieve and identify the internal and/or external organizations with whom they would collaborate to achieve these goals.*

ED response: The GAO study indicated that most SES employees in ED indicated that they collaborate with others to achieve crosscutting goals. However, fewer of these executives felt that their contributions to crosscutting goals were recognized through the performance management system. GAO recommends requiring senior executives to identify the internal and/or external organizations with whom they would collaborate to reinforce a focus across organizational boundaries.

ED recognizes the importance of collaboration and teamwork across organizational boundaries. In fact, ED's current SES performance management system specifically identifies "collaboration and teamwork" as one of the required performance standards for the critical element under leadership; management and coaching for all ED SES employees. As such, ED does not recommend requiring the specific identification of the internal/external organizations with whom the executives collaborate.

GAO Recommendation: *Provide disaggregated performance information from various sources to help facilitate senior executive decision-making and progress in achieving organizational results, customer satisfaction, and employee perspectives.*

Appendix IV
Comments from the Department of
Education

ED Response: ED has demonstrated where it has fully met this recommendation. GAO has cited that while all three agencies give their components the flexibility to collect and provide performance information to their senior executives, ED also was cited as providing performance information on an agency-wide basis. GAO also stated in their study that ED provides various types of performance information to senior executives to help them see how they are meeting the performance expectations in their individual performance plans. Also noted in the GAO study is ED's tracking system that monitors the Department's progress towards its annual performance goals and supporting action steps. Each action step has milestones that are tracked and reported on a monthly basis to the officials that developed and have ownership for them. GAO has also noted where ED also collects performance information on customer service and employee perspectives.

GAO Recommendation: *Require all senior executives to take follow up actions based on the performance information available to them in order to make programmatic improvements and formally recognize executive for these actions.*

ED response: The GAO study noted that at ED, only those senior executives who developed action steps for ED's annual goals are required to set milestones that are tracked on a monthly basis, assess how they are progressing towards the actions steps and annual goals, and revise future milestones, if necessary. GAO recommends this activity for all SES employees.

ED's proposed revisions to its executive appraisal system that affects all SES employees, already incorporates standards with milestones and execution target dates, and follow-up actions with an emphasis on outcomes, program improvements, improved quality, and other deliverables.

GAO Recommendation: *Build in additional safeguards when linking pay to performance by communicating the results of the performance rating and bonus decisions.*

ED response: Each Principal Office at ED is provided with the results of their senior executives' rating and bonus distribution. An agency-wide aggregate distribution of performance ratings or bonuses will be given consideration.

GAO Recommendation: *Involve senior executives in future refinements to the performance management system and offer training on the system, as appropriate.*

ED response: In the past, all ED SES executives have been given the opportunity to participate in refining the SES performance management system. This practice of senior executive involvement will continue as ED proceeds to make changes to its current executive performance management system.

Comments from the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

MAY 4 2004

Mr. J. Christopher Mihm
Managing Director, Strategic Issues
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Mihm:

The Department has reviewed your draft report entitled, "Human Capital: Senior Executive Performance Management Can Be Significantly Strengthened to Achieve Results" (GAO-04-614) and has no comments at this time.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dara Corrigan".

Dara Corrigan
Acting Principal Deputy Inspector General

Enclosure

The Office of Inspector General (OIG) is transmitting the Department's response to this draft report in our capacity as the Department's designated focal point and coordinator for General Accounting Office reports. OIG has not conducted an independent assessment of these comments and therefore expresses no opinion on them.

Comments from the National Aeronautics and Space Administration

National Aeronautics and
Space Administration
Office of the Administrator
Washington, DC 20546-0001



May 14, 2004

Mr. J. Christopher Mihm
Managing Director
Strategic Issues
United States General Accounting Office
Washington, DC 20548

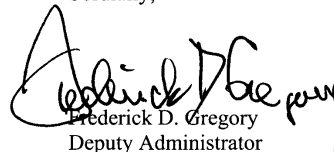
Dear Mr. Mihm:

I appreciate the opportunity to comment on GAO draft report GAO-04-614, "Senior Executive Performance Management Can Be Significantly Strengthened to Achieve Results." While the report is generally positive, there is always room for improvement, and the recommendations in the report will help to improve our SES appraisal system. In general, the findings in the report support our own conclusions from our review of the data.

The draft report recommends both system and process changes. The three recommendations for system change (the first, second, and eighth recommendation) recommend increasing the specificity in performance standards. The five process recommendations focus on providing more feedback to managers and employees on performance and bonus results (the third, fourth, and fifth recommendations), making meaningful performance distinctions in both ratings and bonuses (the sixth recommendation) and having more employee involvement in future system modifications and offering appropriate training on the system (the seventh recommendation).

The systems change recommendations may all be implemented through minor changes to our current system. To this end, we will engage our SES workforce and implement the recommendations in the next SES appraisal cycle, beginning July 1, 2004. With regard to the recommended process changes, we will provide feedback on performance and bonus results beginning with the next appraisal cycle and will begin immediately to have more employee involvement in future systems changes and offer more training on the appraisal system. We will also reemphasize the importance of developing rigorous performance standards, and we will hold executives accountable for making meaningful distinctions in ratings and bonuses based on these standards, beginning with the rating and bonus determinations that will be made as of the end of the current rating cycle, June 30, 2004.

Cordially,


Frederick D. Gregory
Deputy Administrator

Enclosure

National Aeronautics and Space Administration
Comments on GAO Draft Report GAO-04-614
Senior Executive Performance Management Can Be Strengthened to Achieve Results

Recommendation 1: *“Require senior executives to set specific levels of performance that are linked to organizational goals to help them see how they directly contribute to organizational goals.”*

Response: Concur. This recommendation will be implemented through minor changes to our current system. We will engage NASA’s SES workforce and implement the recommendation in the next SES appraisal cycle, beginning July 1, 2004.

Recommendation 2: *“Require senior executives to identify in their individual performance plans programmatic crosscutting goals that would require collaboration to achieve and identify the internal and/or external organizations with whom they would collaborate to achieve these goals.”*

Response: Concur. This recommendation will be implemented through minor changes to our current system. We will engage NASA’s SES workforce and implement the recommendation in the next SES appraisal cycle, beginning July 1, 2004.

Recommendation 3: *“Provide disaggregated performance information from various sources to help facilitate senior executive decisionmaking and progress in achieving organizational results, customer satisfaction, and employee perspectives.”*

Response: Concur. NASA management will provide feedback on performance and bonus results in the next appraisal cycle that begins July 1, 2004.

Recommendation 4: *“Require all senior executives to take follow up actions based on the performance information available to them in order to make programmatic improvements and formally recognize executives for these actions.”*

Response: Concur. This recommendation will be implemented through minor changes to our current system. We will engage NASA’s SES workforce and implement the recommendation in the next SES appraisal cycle, beginning July 1, 2004.

Appendix VI
Comments from the National Aeronautics
and Space Administration

Recommendation 5: *“Build in additional safeguards when linking pay to performance by communicating the results of the performance rating and bonus decisions.”*

Response: Concur. NASA management will provide feedback on performance and bonus results in the next appraisal cycle that begins July 1, 2004.

Recommendation 6: *“Make meaningful distinctions in senior executive performance through both ratings and bonuses.”*

Response: Concur. NASA management will reemphasize the importance of developing rigorous performance standards and hold executives accountable for making meaningful distinctions in ratings and bonuses based on these standards, beginning with the rating and bonus determinations that will be made as of the end of the current rating cycle, June 30, 2004.

Recommendation 7: *“Involve senior executives in future refinements to the performance management system and offer training on the system, as appropriate.”*

Response: Concur. NASA management will begin immediately to have more employee involvement in future systems changes and offer more training on the appraisal system.

Recommendation 8: *“Set specific performance expectations for senior executives related to leading and facilitating change management initiatives during ongoing transitions throughout the organization that executives should include in their individual performance plans.”*

Response: Concur. This recommendation will be implemented through minor changes to our current system. We will engage NASA’s SES workforce and implement the recommendation in the next SES appraisal cycle, beginning July 1, 2004.

GAO Contacts and Staff Acknowledgments

GAO Contacts

J. Christopher Mihm, (202) 512-6806 or mihmj@gao.gov
Lisa Shames, (202) 512-6806 or shamesl@gao.gov

Acknowledgments

In addition to the individuals named above, Janice Lichty Latimer, Erik Hallgren, Ronald La Due Lake, Mark Ramage, Nyree M. Ryder, and Jerry Sandau made key contributions to this report.

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