



PARTNERSHIP FOR PUBLIC SERVICE

**Written Testimony of Max Stier
President and CEO
Partnership for Public Service**

Prepared for

**Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the
Federal Workforce, and the District of Columbia**

**Hearing Entitled,
*“Strengthening the Senior Executive Service: A Review of Challenges
Facing the Government’s Leadership Corps”***

March 29, 2011

Chairman Akaka, Ranking Member Johnson and Members of the Subcommittee, thank you for the opportunity to appear before you today. I am Max Stier, President and CEO of the Partnership for Public Service, a nonpartisan, nonprofit organization dedicated to revitalizing the federal civil service and transforming the way government works.

Strengthening our government's Senior Executive Service (SES) is urgently needed, and your hearing today could not come at a better time. The challenges facing our nation demand the very best of government. If you have one opportunity to make a real impact on the way our government performs, it is by strengthening government's leadership corps.

Top companies around the world invest heavily in developing their leaders. For example, IBM, ranked the number one company for leaders by Fortune Magazine, spends approximately \$700 million on leadership development annually. The military also invests heavily in developing leaders, which is why top companies like Wal-Mart, PepsiCo and GE are recruiting heavily from the military's elite.

On the civilian side of government, good leaders are just as important – and the consequences of poor leadership can spell disaster. We know from our *Best Places to Work in the Federal Government* rankings that leadership is consistently the number one driver of employee satisfaction and engagement. The SES – just over 7,700 people – accounts for less than one percent of our federal workforce,¹ but it has a disproportionate effect on the rest of government. Consequently, investing in these individuals will fundamentally change the way our government works. The right leaders set the tone for the rest of their workforce – motivating their employees, promoting innovation, and driving results. Poorly equipped, under-developed leaders achieve just the opposite, and the American people pay the price. The SES is the critical piece of the government performance puzzle – we need to get the SES right for the rest of the pieces to fall into place.

In 2009, the Partnership and Booz Allen Hamilton embarked on a research effort, which examined the extent to which the SES had achieved its original goals set forth 31 years prior and also looked at impediments to its effectiveness. The report, entitled “*Unrealized Vision: Reimagining the Senior Executive Service*,” found that the Senior Executive Service, which was envisioned by reformers as a unified, government-wide cadre of executives with shared values, a broad perspective and solid leadership skills, has fallen short of its promise. We issued a set of recommendations for how the SES might be reformed, many of which will be addressed later in this testimony.

We are very pleased to see that President Obama and the President's Management Council (PMC) have identified SES reform as an administration priority. We commend the work being done by the PMC, as well as the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM). The three PMC working groups – recruitment and selection, performance management, and career development – have generated a much deeper understanding and many new ideas. We have been working closely with OMB, OPM and a set of

¹ FedScope: www.fedscope.opm.gov, December 2010. Includes full-time career and non-career SES.

agencies specifically on the recruitment and selection challenges facing the SES. Currently, the pilot groups are transforming ideas into implementation plans. The agencies, the PMC, OMB and OPM have undertaken an impressive collaborative effort, and we will continue to support their efforts as reforms are implemented.

The bottom line is that we need to re-imagine the SES as a senior leadership team that works together to fulfill government's priorities. The Partnership's recommendations address the life cycle of the SES, beginning with workforce planning and developing pipelines of talent, to recruiting, selecting and onboarding, then developing leaders, and finally succession planning and knowledge transfer. Strengthening the SES is the single biggest step we can take toward fundamentally fixing the federal government.

Workforce Planning

Agencies need the right mix of executive talent to effectively manage their operations and deliver on deeply complex missions. With almost half of the SES workforce currently eligible to retire, changing missions, and the need for greater inter-agency cooperation, agencies should assess their executive talent to determine whether they have the best people in place to drive agency results.

Congress is rightly focused on the need for agencies to coordinate around cross-cutting, high-priority goals. Indeed, the recently enacted Government Performance and Results Modernization Act (GPRMA) demands it. Mr. Chairman, you were a leader in the effort to pass this important legislation, and Senator Johnson, you are quickly becoming an expert on it through your work on the Senate Budget Committee's Performance Task Force. We believe that the GPRMA cannot yield the intended results unless we have a senior management corps in government that is highly collaborative and results-oriented. We must have leaders who seek opportunities for collaboration, make strategic decisions, and drive employees toward solving problems, not just executing programs.

As a starting point, all agencies should be developing strategic workforce plans that reflect the increasingly cross-cutting nature of federal challenges and current and future human capital needs, while considering traditional factors like attrition rates, hiring projections, retirement projections, and skills gaps. We also believe that OMB, with the support of OPM, should work with the agencies to develop a government-wide workforce plan for our government's executive ranks. We should view this as a real opportunity to rethink and reshape government's senior leadership corps. Political and career leadership at the very top need to make investment in government's senior executive corps a priority and should be held accountable for building, managing and developing a cohesive team. The PMC should play a key role in driving this effort.

Agencies, with clear guidance from OPM and OMB, should also be required to conduct a government-wide audit of SES positions. When the SES was created, nearly all of the former "super grade" positions – GS-16s, 17s and 18s – were folded into the new executive corps regardless of whether the work met the vision for this corps. This muddled the waters of what a true SES position was supposed to encompass. We believe that true SES positions must balance

leadership, management and technical responsibilities. Positions that require a high level of technical expertise should be reallocated as Scientific and Professional (ST) positions. Senior positions which require less than 25 percent of time be spent on management and leadership responsibilities should be reallocated as Senior Level (SL) positions. These are all prestigious positions which play a critical role in our government, but we believe it is important to understand which of those positions are predominantly management in nature and therefore appropriately classified as SES positions. In establishing the audit, the administration should make it clear to agencies that they intend for mobility to be a requirement for all SES positions.

We must also re-examine the balance of political to career appointments across agencies. The Civil Service Reform Act, which created the SES, allows non-career appointees to fill up to 10 percent of the SES positions government-wide. While the government-wide average is nine percent, the picture varies dramatically within individual agencies.² For example, 20 percent of the SES at the Department of Education is non-career personnel, while the Department of Veterans Affairs and Department of Energy each have 4.27 percent and 4.95 percent of their SES as non-career positions, respectively.³ Through our work with agencies we have seen the impact of a political-appointment-heavy leadership corps: lack of attention to critical executive hiring and limited attention to the performance management of career SES. We urge Congress to cap the number of non-career SES at each individual agency instead of the current, cross-government policy. This would ensure no agency becomes a repository for political favors and would promote better selection of individuals whose skills match agency missions.

Finally, we recommend Congress mandate that all C-Suite positions be career appointments with a six-year renewable appointment and a performance contract. Having career experts serving in key management positions would allow an agency to retain institutional knowledge, ensure continuity and accountability between administrations, and provide sustained attention to long-term management challenges that require a multi-year commitment.

In our view, a strategic approach to talent is a fundamental part of good management. Ideally, workforce planning assesses leadership needs and allows agencies to deal with current and emerging challenges. But planning must evolve along with needs. From our work with agencies, we have observed that their approach to workforce planning is inconsistent, which hampers their ability to prepare for imminent workforce changes.

Recruiting and Hiring

Roughly half of the members in the SES are currently eligible to retire. This demographic tidal wave presents a unique opportunity to transform leadership across government; however, current recruiting practices will not deliver on this promise. Passive recruiting, lengthy hiring processes, and the current pay structure deter quality applicants from applying to join the ranks of the SES.

² FedScope: www.fedscope.opm.gov, December 2010. Percent of permanent, full-time, nonseasonal SES that are non-career.

³ FedScope: www.fedscope.opm.gov, December 2010. Does not include limited-term appointments, or emergency appointments.

Our work with the PMC has uncovered opportunities for reform, and we commend the PMC for giving attention to these issues.

Candidate Development Programs (CDPs) are an important talent pipeline for the SES. There are differing perspectives on whether Candidate Development Programs for our nation's most senior executives should be centralized or decentralized. Some agencies build their own CDPs, and OPM also provides a central CDP. We suggest that all CDPs should encompass the same basic curriculum which covers the key foundational skills executives are expected to have when they reach the upper echelons of government. We also recommend phasing in a requirement for some form of joint experience – across agencies or sectors – as a pre-requisite for joining the ranks of the SES. Candidates with a greater range of experience in and across agencies or sectors can be expected to have increased capability to address large-scale, cross-cutting challenges which require high degrees of communication, collaboration and innovation. OPM should work with agencies to develop government-wide metrics on the quality and effectiveness of the CDPs.

To diversify their talent pipelines, we suggest that agencies more frequently enlist the support of executive search firms for key jobs, which can strategically tap diverse sources outside government. In addition, they should allocate more resources to already overburdened executive resources staff. These teams struggle to manage the lifecycle needs of senior executives and often lack the skills and training required to do an effective job of hiring.

To make the hiring process more applicant-friendly, agencies should accept traditional resumes for SES applications, rather than require Executive Core Qualification (ECQ) narratives. This move would bring the government in line with industry practice and the General Schedule. Mr. Chairman, we know that you supported resume-based hiring approaches in the 111th Congress with S. 736, the Federal Hiring Process Improvement Act, and we encourage your continued support.

Agencies will also need to be more competitive with the private sector with respect to compensation. Our research shows when executive compensation is well below that of the private sector, agencies struggle to recruit top executive talent. The problem is compounded by pay compression inside the civil service whereby GS-15s can earn more than their leaders. We believe that moving to a market-based pay system would help address these concerns. We understand that pay reform is a challenging issue, but we remain convinced that better aligning federal compensation with market forces will better enable the government to meet its most mission-critical talent needs.

Agencies should also be able to share “best qualified” lists. If an agency has done its due diligence and generated a good list of candidates, other agencies should be permitted to select from that list. To ensure that agencies are selecting the best candidates, we recommend inviting outside experts to join selection committees.

Senator Akaka, we applaud you for making SES diversity a priority, and we will continue to support you in this effort. We are pleased that OPM recently stood up the Office of Executive Resources and Employee Development, which is working with the Office of Diversity and Inclusion to increase diversity in government. The good news is that government has made

strides in diversifying its senior ranks. Between 2000 and 2008, the percentage of women in SES roles increased from 23.2 percent to 29 percent. Over the same period, minorities increased from 13.9 percent to 15.5 percent. While this trend is positive, a recent GAO report cautions that low levels of diversity in traditional feeder pools – especially GS-14s and 15s – will make it difficult to sustain this progress.⁴ Agencies need to focus on recruiting and developing entry and mid-level talent in order to build a pipeline of talent for the SES. This finding also reinforces our strong recommendation that agencies look to external talent sources to increase diversity at the executive level.

The administration has made hiring reform a priority, and is urging agencies to streamline their processes and reduce the time to hire. One agency we have worked with identified an opportunity to reduce their cycle time from 130 to 60 days through increasing leadership involvement in the hiring process. While hiring decisions should be made in a timely manner, what matters most is getting the right person for the job. Currently, little data exists to help agencies understand if their recruiting and assessment strategies are effective. We urge Congress to require agencies to conduct candidate, new hire and hiring manager surveys to enable agencies to understand whether their approaches deliver the right talent. Such surveys would also reveal whether the hiring process is timely and transparent.

Developing Talent

Agencies should invest in developing their leaders from the day of hire. Effective onboarding and political orientation programs minimize the time it takes for new members of the SES to reach full performance. The PMC and OPM, in particular, are making progress in their work on executive onboarding programs. We believe that jointly onboarding political and career appointees would bring even greater benefits, especially in increasing understanding and cooperation between these two pivotal groups. As part of the process, political appointees should be trained in understanding the role of the career SES and in better managing SES performance.

Investing in the continued development of the SES beyond the onboarding period is critical. We encourage Congress to create a development allowance which would encourage executives to invest their time in developing skills and knowledge that enhance performance. We suggest a percentage of an executive's salary (2-3 percent) should be placed in a pool for professional development purposes, which could include the use of an executive coach.

In addition to formal training, leaders should be exposed to challenging job assignments including rotations and details. As previously stated, we encourage Congress to make mobility a requirement for entry into the SES, so new members have diversity of perspectives and experience on which to build once in the senior ranks. Once they have joined the SES, leaders should continue to be mobile, moving primarily across agencies or sectors. When the SES was established under the Civil Service Reform Act of 1978, mobility was envisioned as a core component. The history of the use of mobility and rotational assignments has been limited at best, creating a culture of leading in place.

⁴ Government Accountability Office, *Diversity in the Federal SES and Processes for Selecting New Executives*. GAO-09-110. November 2008.

The Center for Creative Leadership (CCL), a nonprofit organization focused on advancing the understanding, practice and development of leadership for the benefit of society worldwide, asserts the importance of challenging assignments to support executive development. They have found that expanding leadership capability requires a variety of developmental experiences, even at the executive level. We believe federal executives would benefit greatly from new opportunities at another agency or in another sector to broaden their perspective, create new networks, and strengthen their leadership skills. We recommend that OPM designate temporary SES slots to facilitate mobility and rotations.

Some private sector corporations, such as IBM, GE, and Procter and Gamble have developed reputations for using mobility to optimize executive effectiveness. In addition, initiatives at the Department of Defense and within the Intelligence Community provide us with an opportunity to learn more about mobility programs. This is an area of particular interest for the Partnership, and we have recently launched a study with McKinsey to look at the use of SES mobility and rotational assignments in government, any barriers to implementing such programs and the benefits derived. Our study will also look at mobility as it relates to the performance of the individual, the agency, and the federal government.

We also recommend creating a more formalized mentoring program for new members of the SES to help them navigate their new environment and excel in their new roles. Presidential Rank Award winners could serve in such a capacity, guiding new members of the SES and sharing their knowledge and expertise.

To help facilitate many of these development opportunities, we recommend building a central technology collaboration and information tool, such as an online community. This community could serve a number of purposes – sharing vacant SES positions, reaching out to ‘passive’ candidates, listing executive skills, providing a way to harness cross-agency talent, advertising professional development opportunities, reducing time to search for appropriate programs, and facilitating communications and the building of a truly collaborative cross-governmental executive team.

Finally, we need a much better understanding of our executives’ strengths and weaknesses, as well as a system in place to support their continuous development and hold them accountable for results. Regular performance feedback is important, and we encourage the use of 360 degree reviews as a tool to assess and strengthen leaders. This information should be used to help leaders improve in their current positions, or reassign them to a new role if necessary. Specifically, political appointees should be held accountable for managing the career SES and should also be evaluated on their efforts to recruit, hire and develop executives. OPM, the PMC, and many federal agencies have made progress on improving the performance management process over the last few years; federal agencies should expand on that success, particularly with regard to top leadership.

Succession Planning and Knowledge Transfer

Given that many members of the SES are nearing the end of their careers, it is critical that agencies focus on succession planning and knowledge management. Succession planning should

focus both on how to fill the position and how to capture the critical knowledge and experience of the departing executive, whether career or non-career. There are a number of ways this transfer of knowledge can be achieved. Agencies can build formal systems to capture and share this wisdom. For example, the National Park Service keeps a directory of retired federal employees so their expertise can be tapped after they leave the workforce. Alternatively, agencies can build informal methods of transferring knowledge from peer to peer by tapping into internal organizational networks. Whichever combination of approaches agencies select, they must invest in this critical activity – agency performance can be significantly impacted by the loss of SES knowledge.

Another effective way to share is through mentoring. As previously mentioned, we encourage Presidential Rank Award winners to give back through mentoring newer members of the SES. This is a terrific professional development opportunity for both parties involved, and is also a great way to facilitate knowledge transfer. We would encourage training for new mentors so they can effectively serve as a resource.

A final option for tapping knowledge is hiring retired federal employees for a short term basis as reemployed annuitants to lend their expertise on a particular project or share their knowledge on a particular subject matter.

Congress should require agencies to conduct exit surveys and interviews for all departing members of the SES to shine a light on improvement opportunities. One could look at exit interviews, for example, to better understand why 72 percent of the senior executives in place when the Department of Homeland Security was created in 2002 were no longer in the Department by 2008. Having real-time data would help agencies make course corrections.

Recommendations for Congress

In summary, we would like to offer the following recommendations for Congress:

- *Oversight* – Political and career leadership at the very top need to make investment in government's senior executive corps a priority. Simply put, a stronger SES is the single most important thing we can do to improve government performance, but it will not happen without the commitment of agency leaders and the White House. The SES must be a strategic team that works together across-government to solve problems, provide a vision for the agencies, and ultimately deliver results to the America people. OMB, OPM, the PMC, and agencies are working together to address many of the challenges facing the SES, and they should continue to make this a priority. This subcommittee is in a unique position to hold leaders accountable and ensure they are committed to recruiting, developing and managing their executives.
- *Mobility* – Require mobility as a pre-requisite for joining the SES with a phased implementation process. Once in the SES, leaders should continue to move between agencies and across sectors.

- *Audit of SES Positions* – Require agencies, with clear guidelines from OPM and OMB, to audit their SES positions to ensure they meet the vision for the SES and reclassify as SL or ST when appropriate.
- *10 Percent Cap on Non-career by Agency* – Cap the number of non-career SES at each agency instead of the current, cross-government policy. This would ensure no agency becomes a repository for political favors and would promote better selection of individuals whose skills match agency missions.
- *Career Appointments for C-Suite Positions* – Require all C-Suite positions be filled by a career appointee for a renewable term of six years to ensure continuity between administrations. Require performance contracts for these positions.
- *Recruiting and Hiring* – Authorize agencies to share “best qualified lists.” Require agencies to accept traditional resumes for SES positions. Require agencies to conduct candidate, new hire and hiring manager surveys to ensure the hiring and selection process enables the best talent to serve.
- *Onboarding* – Establish a requirement for an SES onboarding program for career and political appointees, with training for political appointees on how to manage the career SES.
- *SES Development Allowance* – Require agencies to set aside 2-3 percent of executive salaries to be put in a development fund for the SES.
- *Online Community* – Authorize and appropriate funds for OPM to create an online community for the SES to facilitate communication, information sharing, mobility, developmental opportunities, information gathering, and sharing of job vacancies.
- *Exit Interviews* – Require agencies to conduct exit interviews and surveys of all members of the SES who retire or otherwise leave their position to better understand the reasons for their departure and to make continuous improvements.

Conclusion

Mr. Chairman, we thank you and your colleagues for the opportunity to share our recommendations with you today.