Compensation Conference Charts the Course for Good Management

OPM held its 2001 Strategic Compensation Conference: Charting a Successful Course for Pay, Classification, and Performance in Alexandria, Virginia, on August 28-29, 2001. The Conference provided Federal managers and human resources practitioners with updates, forecasts, and practical information on pay and leave administration, performance management, classification, and the efforts to improve the available compensation tools that support agency missions. More than 500 Federal employees from 81 agencies in 37 states and as far away as Germany attended this third annual conference. In support of the conference theme, the plenary speakers focused on a number of issues that are important for charting the course towards maintaining and improving the Government’s performance.

Keeping Our Focus on Results. OPM Director Kay Coles James led the way as the keynote speaker. She reiterated the President’s directive that we should strive to create a Government that is citizen-centered, results-oriented, and market-based. In doing so, our focus should shift from personnel administration to human capital management. High performing organizations recognize that employee skills, talent, and motivation have a huge impact on results. Developing the incentives necessary to attract, reward, and retain experienced and high-performing men and women is essential to preventing further brain drain from the Federal workforce. One way to create a more results-oriented Government is by integrating employee performance management systems with agency program performance management and budgeting systems.

Director James also spoke of the President’s Freedom to Manage Initiative and explained how it will help agencies move forward by removing some of the barriers to efficient management. The Initiative is designed to help agencies make better use of the flexibilities currently in place to acquire and develop talent and leadership.

Effective Leadership. Ambassador Richard Haass, Director of the Policy Planning Staff at the Department of State, spoke on “How to be an Entrepreneurial Bureaucrat.” He said becoming an entrepreneurial bureaucrat requires effective leadership — being smart is not enough. Creating measures for effective leadership can be hard to do, especially when there is no bottom line. The Ambassador described several characteristics of effective leadership. Effective leaders:

- tell their bosses the truth, keep them informed, and support their decisions;
- realize that they owe their subordinates their loyalty;
- do not micromanage;

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Telecommuting: Reviewing the Basics

Whether you use the term telecommute, telework, or flexiplace, all three mean the same — an arrangement in which an employee regularly works at an alternate work site such as the employee's home, a telecenter, or other location that allows him or her to accomplish work in an effective and efficient manner. To be formally considered as a telecommuting agreement for reporting purposes, the arrangement must be continuously and regularly used, averaging at a minimum once per week.

The law now requires each Executive agency to establish a policy under which eligible employees may participate in telecommuting to the maximum extent possible without diminished employee performance. The law further directs the Director of the Office of Personnel Management (OPM) to assure these requirements are applied to 25 percent of the eligible Federal workforce by April 2001, and to an additional 25 percent of the workforce each year thereafter.

Benefits of Telecommuting. The benefits of telecommuting include:

- improvements in employee morale and effectiveness;
- reductions in transportation costs including car insurance, maintenance, and wear;
- retention of skilled employees and reduction in turnover due in part to increased job satisfaction;
- accommodation of employees with short- or long-term health problems or family responsibilities, such as those associated with elder care and latch-key children;
- cost savings to the Government in regard to office space, sick leave absences, and energy conservation;
- better use of employees’ peak productivity periods within the limits of established laws;
- reduction in automobile-created air pollution and traffic congestion;
- potential for increased productivity; and
- improved work atmosphere due to fewer co-worker non-business interruptions.

Barriers to Telecommuting. The Interim Report on Telework in the Federal Government, prepared by OPM in June 2001, identified barriers to telecommuting. The barrier mentioned most often was manager reluctance. Managers reported concerns about managing remote workers, due to perceived loss of control over current efficient business operations. Many managers are accustomed to communicating face-to-face. They conduct meetings with staff as a means of keeping abreast of individual and team projects and perceive that the lines of communication close when an employee is working off-site. The narrative reports revealed some managers have difficulty monitoring results of projects when some team members telecommute and others do not. To help managers overcome these barriers, OPM plans to:

- offer telecommuting leadership seminars for top-level agency officials;
- broadcast satellite educational programs to Federal agencies;
- offer conferences aimed at agency supervisors and managers;
- publish a guide for managers and supervisors; and
- help agencies evaluate their progress in implementing telecommuting programs.

Available Resources. The Balancing Work and Family Demands Through Telecommuting guide was issued by the Family Friendly Workplace Advocacy Office within OPM in September 1995. It provides basic guidelines for establishing a telecommuting program. An OPM study released in the spring of this year, Telework Works: A Compendium of Success Stories, highlights successful Federal telecommuting experiences. Employees in the study had formal agreements to work at least 1 day per week away from the traditional office. You can download this report at http://www.opm.gov/studies/FINAL-TELEWRK.htm.

For Up-To-Date Information on Telecommuting. OPM and the General Services Administration designed a Web site, http://www.telework.gov, to provide one-stop shopping on Federal telecommuting policies. A single location provides access to guidance issued by both agencies and other information on initiatives and activities. You may contact Mallie Burns with OPM's Family Friendly Workplace Advocacy office at 202-606-5529 for additional information.
Managing Teleworker Performance

As the number of teleworkers increases, managers must maintain performance levels and meet organizational goals. Meeting these challenges requires excellent performance management skills. At OPM’s 2001 Strategic Compensation Conference, Ms. Clair Krizov, Executive Director, Environmental and Social Responsibility at AT&T, and Adriane Thormahlen, Senior Program Analyst from the Internal Revenue Service (IRS), described the success their organizations have had managing teleworker performance.

Teleworking at AT&T. AT&T has had teleworkers for over a decade. By 2000, 56 percent of managers at AT&T teleworked at least once a month and 11 percent were in a full-time virtual office status. According to Ms. Krizov, managing teleworkers successfully requires the same basic performance management skills used to supervise workers who are at the work site. These skills include:

- planning and establishing goals at the work unit level,
- setting expectations for what needs to be accomplished and how well,
- measuring performance, coaching, and giving timely feedback, and
- recognizing employees for their achievements.

Ms. Krizov acknowledged that using voice messages, cell phones, conference calls, and emails to communicate with employees requires specific communication skills. Since there is little face-to-face contact, excellent listening skills are key to understanding the intent behind words. Managers need to ask for clarification if needed, ask probing questions, notice the tone being used, and use encouraging words to maximize the flow of information. At the same time, interpreting email messages demands that managers understand the connotation of words, the meanings of words being emphasized, and the tone of the message.

At AT&T, teleworking has had a triple bottom-line impact that allows it to meet the needs of today without compromising the needs of future generations. These positive results include social, business, and environmental performance:

- 70 percent of employees are more satisfied with the job,
- projected savings are $100 million in productivity, $18 million from reduced turnover, and $25 million in real estate costs, and
- pollution was reduced because 110 million fewer commuting miles were driven.

Ms. Krizov explained that when teleworker participation at AT&T reached 56 percent in 2000, major problems such as isolation, loneliness, and loss of camaraderie decreased significantly. Creating that critical mass of teleworkers ensures a sustainable program and makes teleworking easier and more productive.

Teleworking at IRS. IRS recently completed a flexiplace pilot with 2 managers and 18 employees as volunteers. The pilot, according to Ms. Thormahlen, allowed the information technology function of IRS to demonstrate that teleworking was a win-win for the organization and its employees. Teleworkers were given cell phones, laptops with email access, and hoteling workstations (i.e., shared work space). Success of the pilot depended on excellent performance management skills, including setting goals and expectations, evaluating performance, and giving feedback to employees. The program had positive results:

- 82 percent of employees reported an increase in productivity,
- 100 percent of managers were satisfied, and
- 60 percent of employees felt more motivated.

Formal training for supervisors and employees engaged in teleworking efforts is critical, stated Ms. Thormahlen. Supervisors must learn to establish effective communication networks and employees must learn how to plan, organize work, and set up a home office. The most difficult hurdles to overcome at IRS were the technical support problems faced by the teleworkers. Remote management did not pose any challenges that could not be addressed.

More Information. For information about teleworking at AT&T, you may email Ms. Krizov at ckrizov@att.com. For information about teleworking at IRS, you may contact Ms. Thormahlen at 202-283-4081 or email her at Adriane.Thormahlen@IRS.gov.
PILLAR Award Recipients Honored at the Strategic Compensation Conference

PM Director Kay Coles James presented the second annual OPM Director’s PILLAR Award at the 2001 Strategic Compensation Conference on August 28, 2001. This award stands for Performance, Incentives, and Leadership linked to Achieve Results and showcases agencies that use effective employee performance management to support organizational goals. The two award recipients were the Program for Empowered Performance established in the Department of the Interior’s Office of Surface Mining (OSM), Division of Compliance Management, and the Visuals for Veterans Program within the Department of Veterans Affairs (VA), Veterans Benefits Administration (VBA), Los Angeles Regional Office. Representatives of both organizations gave conference participants brief presentations highlighting their respective programs.

**Program for Empowered Performance.** Jim Krawchyk, Chief of the Division of Compliance Management, OSM, shared the excellent organizational results that the Program for Empowered Performance (PEP) achieved. PEP is an employee performance program within OSM that bases employee performance expectations, appraisals, and recognition on strategic organizational goals that are cascaded down through the organization to the employee level. The program involves employees in the development of their individual performance plans, stresses the development of coaching skills for supervisors, introduces a 360-degree feedback mechanism for supervisors, broadens and enhances communication of performance data, and stresses internal and external customer service.

Mr. Krawchyk shared how the PEP encompasses the Division’s trust-based processes for achieving results through incorporating training, measurement, communication, and recognition in the following eight steps:

- establishing outcome-based mission, vision, and goals, integrated with the agency’s strategic plan and employee performance plans;
- constructing employee performance plans that reflect and support organizational goals;
- incorporating self-directed work teams;
- training managers in coaching skills and providing them with employee feedback;
- sharing information at all levels;
- using customer feedback;
- reporting on results; and
- recognizing superior performance and developing plans for improving performance.

Results of the PEP include a 99 percent compliance rate, a 100 percent customer satisfaction rate, and 5 consecutive years of productivity improvement.

**Visuals for Veterans Program.** Stewart Liff, Director of the VA Los Angeles Regional Office (LARO) highlighted the Visuals for Veterans Program for conference attendees. The LARO is responsible for providing benefits and services to over 1,200,000 veterans. The Program is a comprehensive visual communication program. It uses a series of visual displays, including television monitors, to provide feedback that is updated daily. These visual displays sensitize employees to the veterans’ experiences. The Visuals for Veterans Program integrates the VBA strategic goals as well as its balanced scorecard at the network, station, division, and team levels. Goals are described at various levels throughout the organization from the overall regional goals through team goals. LARO also uses its scorecard results when distributing "share" rewards tied to the achievement of national, network, and station targets. The program communicates to each employee his or her contribution to VBA’s specific strategic goals and objectives for serving veterans.

The Visuals for Veterans Program has been extremely successful and is having an enormous impact on the way the VA serves veterans. In fact, the LARO is often used as a model for the rest of VA, with station level scorecard results placing it in the top 15 out of 57 regional VBA offices.

**More Information.** For further information about the PEP Program, you may contact Mr. Krawchyk at 412-937-2912. For further information about the Visuals for Veterans Program of the Los Angeles Regional Office, you may contact Mr. Liff at 310-235-7696.
Balancing Measures for Managers

In November 2000, OPM issued performance regulations for the Senior Executive Service (SES) requiring agencies to evaluate senior executive performance using measures that balance:

- business results,
- customer perspective, and
- employee perspective.

Because these measures are in executive performance plans, similar measures likely will cascade down to non-SES managers and supervisors. At OPM’s 2001 Strategic Compensation Conference, OPM staff presented a workshop titled *Balanced Measures for Managers* that described how to develop performance plans for non-SES managers that incorporate these balanced measures.

**Business Results.** Business results are an organization’s expected outcomes or end products and services. Business results for managers can range from overall agency outcomes to work group or individual outputs or services, depending on the level of the organization for which the manager is responsible. For example, business results for high-level executives may be program outcomes (e.g., fewer highway deaths or clean water). Business results for a lower-level, non-SES manager or supervisor, however, probably would be group outputs or services (e.g., a new highway that incorporates safety design features or a report that includes accurate water purity data and sound recommendations).

The expected outcomes agencies establish in their strategic plans under the Government Performance and Results Act are their organizational business results. Agencies should cascade these to managers and supervisors. Some examples of business results measures for non-SES managers and supervisors could include:

- For the supervisor of a claims processing unit: The work unit processes at least 220-230 claims per week with an 88-93 percent accuracy rate and taking an average of 90-100 days per claim.
- For an engineering supervisor: 80-90 percent of projects are within plus or minus 10 percent variance of the latest approved budget.
- For a computer systems team leader: New machines include required software and are delivered according to delivery schedule.

**Customer Perspective.** Customer perspective measures consider the organization’s performance through the eyes of its customers, so that the organization retains a careful focus on customer needs and satisfaction. To achieve the best in business performance, agencies must incorporate customer needs and wants and must respond to them as part of their performance planning. To do this, Federal managers and employees must determine who their customers are and what those customers expect from them. For managers of line organizations (i.e., organizations that directly achieve the agency’s mission), customers may include a wide variety of public groups, other agencies, other governments, and Congress. [Note: When an agency factors customer feedback into the performance rating process, the appraising official makes the final rating determination, not the customer(s).]

Examples of customer perspective measures for managers of line organizations could include:

- For a park manager: Visitors to the manager’s national park had a satisfactory experience during their visit.
- For a nursing supervisor: Most patients on a specific ward in a hospital rate the nursing staff as exceptionally competent and helpful.
- For a policy office supervisor: Agencies respond that the regulations a policy work unit proposed are flexible, easier to read and follow, and take into account agencies’ previous comments.

A support organization, such as a human resources office, a building services office, or an acquisitions office, also will have goals and measures, but most of the customers of support organizations will likely be employees who work for the same agency. Examples of customer perspective goals and measures for managers and supervisors of various support organizations could include:

- For a human resources supervisor: Most managers of the agency believe they receive adequate assistance when they call their human resources office.
- For a building services manager: Employees are generally satisfied with the food service provider in their building.
- For a procurement officer: Managers believe that the procurement office provides adequate instruction on new procurement procedures.

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- delegate and trust their subordinates to do their jobs;
- provide their subordinates with public praise and, as necessary, private criticism;
- are able to persuade or sell an idea or cause to their colleagues and peers, and, as necessary, cooperate with them even though they may be competitors in some respects;
- realize that their customers and stakeholders are important, even though they may be the easiest to ignore;
- spend time with their customers and listen to what they have to say;
- realize that it is not enough to have a good idea — they must be able to sell that idea;
- keep their priorities limited to a few items;
- focus on being effective and on the issues that will make a real difference; and
- do not believe leadership means the boss tells subordinates what to do.

NAPA Study. Myra Howze Shiplett, Director of the Center for Human Resources Management at the National Academy of Public Administration (NAPA) and Fred Thompson from the Federal IT (Information Technology) Workforce Committee of the Chief Information Officers Council, spoke on the results of NAPA’s comparative study of IT pay systems. The results were reported in NAPA’s final report, The Transforming Power Of Information Technology: Making the Federal Government an Employer of Choice for IT Workers, which was published in September 2001. The NAPA report recommends specific reforms to enhance the Federal Government's ability to attract and retain a skilled IT workforce. The study brought together two critical issues — human capital and IT. The study team found that:

- the Government has a critical need to increase the IT workforce by 20 percent over the next 7 years to compensate for an aging workforce and the effects of IT outsourcing;
- a pay gap exists between the private and public sectors;
- the recruitment system is broken — there are long hiring delays with complicated steps in the hiring process in many agencies;
- in 2001, about 70 percent of IT dollars were paid to contractors;
- the Government increasingly relies on outside experts to keep up with the dynamics of technology while focusing its internal resources on strategic planning, procurement, and project management; and
- IT professionals prefer compensation systems that determine pay increases primarily based on performance rather than longevity.

The study provides several recommendations, including:

- establish effective pay for performance programs,
- create balanced work/life programs that meet the needs of the IT professional,
- streamline the hiring process, and
- enhance IT training and developmental opportunities.


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Employee Perspective. Employee perspective measures focus attention on essential internal processes that drive the organization, including employee development and retention. This perspective directs attention to the basis of all future success—the organization’s people and infrastructure. Adequate investment in these areas is critical to long-term success.

Employee retention is especially critical and is something that managers can significantly affect. Recent studies in several private sector businesses and studies conducted by the Gallup Organization found that poor supervisory behavior was the main reason people leave their jobs. These studies verify that it is not so much opportunities for raises or promotion through the ranks that keep employees happy. The length of an employee’s stay is related to the manager’s skill at customizing responsibilities, fostering long-term learning opportunities, and providing plenty of informal feedback.
Performance Management Programs Are Integral to Compensation System Design

When organizations base compensation in any way on employee performance, redesigning a compensation system requires examination of the performance management program. At OPM’s 2001 Strategic Compensation Conference, representatives of the Office of the Comptroller of the Currency (OCC) and their adviser, Steve Safier from the Hay Group, described how OCC redesigned its compensation system, which required it to also redesign its performance management program.

Changes Needed. OCC is not covered by General Schedule pay requirements and had been using a 25-grade classification system and a 5-level performance management program. It found that while 25 grades allowed frequent promotions, the system was too complex and made it difficult for managers and employees to differentiate between grades. The base salary system was perceived to be comparable to systems used by similar Federal agencies but not believed to be competitive with private-sector financial institutions. While the performance management program used generic, skill-based standards to make the process easier and provided some differentiation among performance levels and pay increases, the agency perceived that generic standards were not accurate for all employees and that the limited merit budget was not enough for adequate recognition. OCC decided it needed to redesign these systems.

Compensation Objectives. OCC used leadership interviews, employee focus groups, and surveys to develop its top 10 compensation objectives. OCC wants:
- external competitiveness to recruit and retain;
- to reward performance through salary without grade promotions;
- rewards for skill acquisition;
- internal equity among employees;
- pay for the person rather than just the job;
- built-in controls and cost constraints;
- an understandable and equitable system;
- parallel career paths for managers and technical employees;
- flexibility to adapt quickly to market changes; and
- management flexibility to assign a range of duties.

Based on these objectives, OCC used a decision-making tool to help determine which type of classification and pay system supports those objectives best — a 25-grade system, a 12-grade system, or a 9-grade system. By rating these three options as to whether their level of support for the objective is high, medium, or low, OCC found that a 9-grade system supported its objectives best. Next, it turned its attention to designing a supportive performance management program.

Performance Management Redesign. OCC redesigned its performance management program to include the following changes:
- The appraisal program changed from a five-level program to a four-level program. OCC needed to keep distinctions in performance, but wanted to signal a change to employees. The four levels are not labeled with terms such as "Fully Successful" or "Outstanding" because OCC found that people stopped listening once a label was placed on them.
- The program maintains generic elements and standards, but now requires that employees also have specific objectives related to the specific work the employee is doing. All standards and objectives are tied back into OCC’s strategic plan and goals cascade from executives to front-line employees.

Salary increases are based on employee appraisal ratings. Employees rated 1 or 2 receive no increases at all, not even the general increase given in January. Employees rated 3 or 4 are eligible for a salary increase within a specific range established for each rating. Managers determine the final salary increase.

Lessons Learned. Redesign lessons learned include:
- employee and leadership involvement is critical to the success of the new programs;
- training and education on new programs are vital;
- systematic change requires inter-disciplinary collaboration; and
- effort in the redesign process pays.

More Information. For more information about OCC’s compensation system, you may contact Donna Stein at 202-874-4307 or Rhonda Jones at 202-874-4808. For information about OCC’s performance management program, you may contact Beth Elliott at 202-874-4916.
New Awards Calendar Available Online

If you depend on the back page of Workforce Performance for information on upcoming awards, now you can get that information online. To view the new governmentwide Awards Calendar, visit http://www.opm.gov/perform/honorawd.htm. The calendar describes award programs sponsored by a variety of Federal and non-Federal organizations. The programs are open to employees from all Federal agencies. The awards calendar includes award descriptions, nomination deadlines, web addresses, and contacts for each award.

Balancing Measures for Managers (continued from page 6)

Managers often fear that employee perspective measures include measuring a manager’s popularity with employees. The employee perspective factor is not a “popularity contest.” Rather, this factor focuses on such things as how managers lead and motivate their employees, address job and training needs, and provide a healthy working environment.

Examples of employee perspective measures include employee perceptions of the level of:

- the recognition employees receive for doing good work;
- the information employees receive from management about what’s going on in the organization; and
- the training employees receive for their present jobs and the career development opportunities they have for future jobs.

Balanced measures in managerial performance plans give a more accurate picture of the complete scope of a manager’s performance. Used wisely, these measures become an excellent tool for monitoring important aspects of manager and work unit performance and can help improve organizational performance overall.