

A Conversation with David M. Walker Comptroller General of the United States Government Accountability Office

The IBM Center for The Business of Government hosted a “Perspectives on Management” luncheon late last winter with David M. Walker, comptroller general of the United States. Mark Abramson, executive director of the IBM Center for The Business of Government, and Jonathan Walters, journalist and co-author of the Center report “The Transformation of the Government Accountability Office,” moderated the session.

On the Government Accountability Office (GAO)

GAO is a very well-respected organization. It has been in existence since 1921. I have six predecessors who were all very capable people. GAO now has over 3,000 very highly educated, dedicated, extremely capable public servants. The skills and knowledge of the GAO workforce is as good, or better, than the private sector.

On Recent Years at GAO

In the five years before I came, GAO had been downsized from 5,400 employees to about 3,300. It had closed a number of offices, it had conducted major RIFs [reductions in force], and it had a virtual hiring freeze for about five years. It had not changed a whole lot in a number of years. It had a great reputation, fantastic people, and a very important role in government, but it was not well positioned for the future.

After looking at data with regard to succession planning and to the performance appraisal system, it reconfirmed my feeling that we had a great organization with fantastic people, but our policies and procedures were not modern and we needed to reposition ourselves for a more positive future.... I was confident that we could be successful.

For the overall organization, GAO didn't have a strategic plan.... My view is that if you don't have a plan, you're not going to maximize your value and you're not going to mitigate your risk within current and available resource levels. So we needed to develop a plan.

I also noted that GAO had too many layers, too many levels, too many organizational units, and probably more office

locations than it needed. [I also noted] that the way that it measured success in some cases was more process oriented or output oriented rather than outcome oriented. In many cases, a lot of the units in GAO were making decisions based upon what they thought the right answer was rather than having an institutional framework to make decisions.

When GAO had to downsize from 5,400 to 3,300, it did reductions in force. And it did RIFs on the old RIF rules, where length of service basically trumps everything.

Even to the extent that you could consider performance, it was based upon a performance-appraisal system that had rampant grade inflation and that didn't provide meaningful distinctions in performance. Even if you were going to consider performance, you didn't have a system that allowed you to be able to seriously consider it.

As a result, we closed offices 100 percent. We picked a number of offices and we fired everybody in the office. This was before I was there. Because by firing everybody, you didn't have to invoke the RIF rules. Everybody was gone—it didn't make any difference whether you needed them, what their skills, their knowledge, or their performance was, they were just gone.

And so when I came in, I said, “Well, that really doesn't make a whole lot of sense. We really need to be determining what types of skills and knowledge we needed for the agency to serve the Congress and to serve the country.” We also needed to know what skills and knowledge our people already had—which we now have electronically. We also needed to know the absolute and relative performance of each person, so we could make more informed decisions if we ever get into that [RIF] situation again. We now can do it in a more intelligent and targeted manner. And that's what we did in 2000, when we went from 16 field offices to 11.

We also had rampant grade inflation. The average rating was 4.62 out of 5. That meant that if you were 4.6199 out of 5, you were below average but you didn't know it. Nobody ever told

you. Therefore, you were frustrated as to how come you didn't get promoted as quickly as you thought you would. We needed to deal with grade inflation if we were to have a more modern, credible, and effective performance-appraisal system.

On Starting the GAO Transformation

When I came in November 1998, I tasked one of my then special assistants to put together what I call a human capital profile. It was a summation of fact-based information and trend data on GAO's workforce. It included skills by level of responsibility, by location, including performance information, and a variety of other information. That was done in early 1999 and basically confirmed some of the concerns that I had. We also identified some new issues.

We then developed a game plan. We knew where we were and we knew that we needed to be in a very different place. How were we going to get there? Importantly, 80 percent plus of what needed to be done didn't require any changes in law. For example, we wanted a more market-based and performance-oriented compensation system and a modern, effective, and credible performance-appraisal system that provided meaningful feedback and that resulted in meaningful differentiation in performance. None of this required any legislation. We identified what needed to be done, and we started executing.

We then identified what we thought needed to be done that did require changes in law. We went to the Congress in 1999 and got legislation in October of 2000. We then went back to the Congress and got another round of legislation in 2004. It's been a multi-year effort and we used a building-block approach. There was a comprehensive plan describing how the pieces of the puzzle fit together.

We're not perfect and we never will be. There is no perfect organization or system. You're never done. You're always striving for continuous improvement. We're also always trying to assess what's working and what's not and how can we improve what we're doing.

On Implementing the GAO Transformation

With regard to things that could be done administratively, we had the knowledge and the talent in house to do that. We involved a lot of people in that aspect. We have a philosophy at GAO where you involve many different people, at different levels, from many different occupations and locations, to get input on what you need to do.

There were occasions where we needed outside help. For example, when we were designing our new competency-based performance-appraisal system, we hired an organization to try to help us do that and to validate the competencies in that



system. When we needed to go out and do market-based compensation studies, we hired another company. There are a lot of good firms out there in both of these areas, and we did a competitive bid and a search. We did much on our own, but in some cases we needed outside help.

On Dealing with Change at GAO

Change is tough in any organization and most human beings have difficulty with change. If you're talking about an organization in government like ours and like many others, they don't change very often. Therefore, the degree of difficulty and the degree of resistance associated with dramatic and fundamental reform is great.

Change management in the public sector is just like it is in the private sector and the not-for-profit sector. First, you start with your top executives because you have a line of sight to them. You explain to them what you want to do, why you want to do it, and why it's important that we do it. You try to get them to buy in, but ultimately you hold them responsible and accountable and you can see whether they're with the program.

The second thing you do is to start with the new people. That doesn't necessarily mean the entry-level people. They could be coming in as an executive. If you need new talent or if you need new ideas, you have to bring in new people at different levels of the organization as well as at the entry level. So you start at the top and you start with the new people, and you then work to the middle. The toughest part to change is the middle in any organization.

You must have extensive and ongoing communication and outreach efforts to be able to explain what you want to do, why you want to do it, why it's important, and how we're going to go about it. You must make sure that everybody has an opportunity to provide input and make sure that they understand that you will seriously consider all input, but in the final analysis you're going to do what you think is right for the organization for today and tomorrow. By definition, not everybody's going to be happy. When you're talking about changing classifications and compensation systems, a lot of people aren't going to be happy.

On Communicating Within GAO

We have a weekly newsletter. I hold live closed-circuit television session broadcasts to all of our employees. It goes right to their desktop computer. They can look at it sitting at their desk and multitask. I've done that at least once a quarter since my first months in office. When we have a major initiative under way, it's more frequent than that. I discuss, "Here's what we're doing, here's why we're doing it, and here's how we're doing it—what, why, and how." I take questions.

We have a democratically elected employee advisory council, even though we don't have a union. The council has about two dozen people who represent different levels, different occupations, and different locations. I and the other executive committee members meet with them at least once a quarter. The council sets the meeting agenda. We always address issues they want to talk about.

We have town hall forums. For everything that we think about doing, we go out for employee notice and comment. There are all kinds of communications that are ongoing. [Communication] is critical to be effective.

There are two challenges when you're making transformation change. One is the policy. The other is the process. A lot of people aren't going to like the change in policy, so you've got to get the process right. You have to have a process with integrity that's very inclusive, that has active and ongoing communication. If you do that, then you're going to be a lot better off in the end, no matter what the policy is, because people will believe they've been heard, been considered, and that's important.

On Transferability of the GAO Transformation to Other Federal Agencies

I think most of what we've done is transferable and scalable, but I would put it in two components. The first component is the process. I definitely believe the process that we've used and the principles and concepts behind that process are



absolutely transferable and scalable. I think the process is of critical importance.

Many of the policy elements and many of the approaches that we've taken are also transferable and scalable, but you have to be able to adapt it to the culture. You have to be able to adapt it to agency mission and you have to be able to adapt it to the workforce of individual agencies. Obviously the Department of Defense, with hundreds of thousands of people in many different locations, is a more challenging endeavor than GAO, which has over 3,000 people in a lot fewer locations. On the other hand, the process shouldn't be much different, and many of the policy principles, I think, are very transferable to that entire workforce.

There are lessons to be learned. I would hope that people would try to take the things that make sense from us and from others. [They should] continuously improve it and build upon what we've done and try to figure out better ways to do things that might make more sense for their workforce.

On Lessons for the Departments of Homeland Security (DHS) and Defense (DoD)

On process, I think we had a much better process than DHS and DoD. DoD is getting better. One of the biggest differences is the infrastructure. It took us several years to bring our infrastructure up to where we think it needed to be in order to effectively, credibly, and equitably implement a pay-for-performance oriented system.



(From left to right) Jonathan Walters, David Walker, and Mark Abramson.

I don't think either one of the agencies are there yet. I think you got to be there before you go live, because if you don't you could end up having some negative unintended consequences. There may be segments within DHS that may be ready and there may be segments within DoD that may be ready. That's why DoD is talking about a spiral approach. Basically, it means a phased implementation. You do need to have phased implementation. We had a phased implementation, but you have to have that infrastructure in place if you want to be successful.

On Government-wide Reform

I've already testified more than once and I'm sure I'll be testifying again. The latest testimony that I gave on this was that you now have over 50 percent of the federal government that has been granted flexibilities in a number of areas. So we're over 50 percent now. DoD, DHS, NASA, FAA, IRS, GAO [have been given] differing types of flexibilities, with different degrees of flexibility.

I think we do need to be concerned with having a relatively level playing field. What I've said is that I think we have to look at recruiting, we have to look at classification, we have to look at pay, we have to look at restructuring reforms, and those we ought to do across the government. We ought to have certain types of principles and safeguards that would apply across the government, and people ought to have to meet a "show-me test" that they are ready to go live with a more

performance-based compensation system, that they've got the infrastructure in place and that it meets certain criteria before they can go live. OPM [the Office of Personnel Management] ought to be able to certify that rather than self-certification.

Self-certification doesn't work. There ought to be an independent certification that, in fact, they're ready to go. And if we do that, it would be a huge step forward. I also tell people to get their act together if they want to use these additional flexibilities. Just because they may have the authority to use them, they may not be able to operationalize them until they can demonstrate that they've got an infrastructure in place to maximize the chance of success and to minimize the possibility of abuse.

My view is to have the enabling or authorizing legislation you could move quickly on. I don't think that we should have any arbitrary dates or say that we ought to get rid of the GS [General Schedule] system by 2009 or 2010. When people are ready, they can move to the new system. I think there ought to be broad authorization for people to be able to do that, and clearly you have to do it on an installment basis.

All the agencies can't possibly do this at once, and OPM can't possibly handle all this at once. From a practical standpoint, you're going to [have] to do it in installments over a period of time. What's important is that we create the framework and the foundation for a more positive future than the path that we're headed on right now.

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On Breaking Down Silos

I think it’s important to know that it’s not necessarily a government-only problem. It’s a problem that exists in organizations that don’t have a lot of competition. IBM used to be like that a number of years ago. It has competition now. The company that my dad worked for—AT&T—also used to be in that situation.

When you have an entity that doesn’t have a lot of market-based competition, you tend to get satisfied with the way that you are. You tend to become more hierarchical, more siloed, more inwardly focused, more process oriented.

In our case, I’m a big believer that you want as few levels, as few layers, as few silos, and as few footprints as absolutely necessary. In our case, the first thing we did was to reduce the number of silos. We went from 35 to 13. When I came in, we had the government divided up into 35 issue areas. We consolidated those into 13, a more manageable number, which gives us more flexibility and more accountability. We also have less infrastructure now.

We eliminated a layer of management. We didn’t get rid of the people. We redeployed the people. We had something called divisions. We didn’t need divisions. It was just another layer of management. When you had 35 issue areas, maybe you needed divisions, but when you have 13 teams you don’t need divisions. So we got rid of divisions.

We redeployed resources horizontally to work across the organization and focused externally to partner for progress with others in government, the private sector, and the not-for-profit sector, domestically and internationally. We changed how we keep score. We also did a number of things through our institutional and our individual performance-measurement reward systems to promote matrixing and to promote teaming.

On Pay for Performance at GAO

Some people like it; some people don’t. It depends on where you sit. If a vast majority of the pay is on autopilot and if you are not a top performer, you like it. If you are a top performer, you may not like it.

We have very few poor performers. We’ve taken a number of steps to either help them upgrade their performance or to provide them an avenue out, either through early retirement or through adverse personnel action. So now we don’t have many poor performers.

We raised the bar on expected performance. We let them know where they stood relative to their peers. We did a number of things to try to encourage people to get better or to “get gone.” Most of them got better rather than having to “get gone.”

One of the things that we did that really helped was that I said, “Look, we’re raising the bar on expected performance. We’re going to measure performance three ways: absolute, trend, and relative to your peer group. If your performance meets expectation or better on all applicable competencies and if you’re paid within competitive compensation ranges, then we’re going to give you at least x percent each year. Whatever you get on top of x percent is going to be directly related to your performance relative to your peer group.”

For 2006, I said, “Absent draconian budget cuts, if our people are performing ‘meets expectation or better’ and are being paid within applicable competitive compensation ranges, then they are going to get 2.6 percent. We’re then going to allocate another 2.15 percent based on relative performance. So people will get 2.6 percent at a minimum and however much else they are going to get will be directly related to what their relative performance is.”

I think this helps people because when some people talk about pay for performance, they hear, “Well, I may get nothing.” I’ve talked to a lot of people in DHS and other agencies where that has not been made clear yet. I have found that taking this hybrid approach has helped us tremendously.

On Employee Evaluation

First, no performance-appraisal system in the history of mankind has ever been perfect and none ever will be. Secondly, every performance-appraisal system in history involves judgment and it always will. What we’ve done is that we’ve taken a competency-based approach which we developed and which we had validated by our employees.

This approach did two things. One, it helped them to buy in because they were part of the process. They agreed that these are the competencies that it takes at various levels to be successful at GAO. Second, it helped to minimize our litigation risk by doing that. We then defined different levels of performance.

We had training on this. We have a number of checks and balances to try to help assure consistency within a team. We have reviews by our Human Capital Office and our Office of Opportunity Inclusiveness before final decisions were made. We also have safeguards, such as a statistically based system, that helps to provide reasonable assurance that we have consistency between teams, as well as within teams. We provide transparency while protecting individual privacy. We’ve got a lot of things that I think work well.

Our system is not perfect. It is a system that is credible, it is a system that is a lot more effective, and it is a system in which I felt comfortable implementing pay for performance. The system we had before, forget it. It would have been a joke. It would have been a waste of time.

On Implementing Pay for Performance

The first year was a big problem for our employees. The second year, the big problem was with management. During the first year, employees were basically told things they’d never been

told before. “Here is how you are doing relative to your peer group.” They’d never been told that before. Our employees assumed they were in the top quartile because they always had been told that throughout their lives. But they found out that they weren’t all in the top quartile.

When we held managers accountable for actually applying the standards as they were written and directly took on the grade inflation, people felt that they were performing the same that they were before, but they now weren’t getting the same ratings. That obviously caused pushback to the managers. “How come you’re telling me different now?”

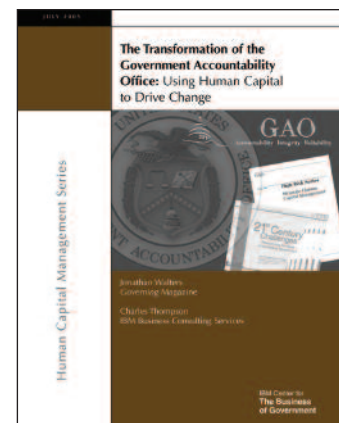
The pain was with the employees the first year. In the second year, managers remembered the pushback they got from the employees during the first year, so they had a lot of trepidation during that second year. In reality, employees didn’t push back much the second year because they had already gone through the pain the first year. You had to tell managers to stay the course and stick with it. ■

TO LEARN MORE

The Transformation of the Government Accountability Office: Using Human Capital to Drive Change
by Jonathan Walters
and Charles Thompson

The report can be obtained:

- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375



A Conversation with Preston Jay Waite

Associate Director for Decennial Census

U.S. Census Bureau, Department of Commerce

The IBM Center for The Business of Government hosted a “Perspectives on Management” seminar this spring with Preston Jay Waite, associate director for decennial census, U.S. Census Bureau. Brenda G. Dixon, industry account lead for the Department of Commerce, IBM Global Business Services, moderated the session.

About the Decennial Census

A decennial census is a big undertaking. You start with the idea of saying, “How hard can it be to count everybody in the United States?” The census is really a number of fairly simple and pedestrian activities, until you start adding zeros. Our job in doing a census is to count everyone in the United States once and only once and in the right place. By “the right place,” I mean the right small geographic area.

When we do a census, we get a list of all the addresses in the United States. We mail forms to most of those addresses and deliver a few to some others. Most people fill out the form. About 42 million households did not mail the form back [in 2000]. Then we have to get together a small army of people to go out and do what we call non-response follow-up, where we organize the housing units that we haven’t got a receipt from.

On Hiring 800,000 People

We send enumerators out. These are people who often have a full-time job, sometimes they’re looking for some work, but they’re not experts in census taking, in knocking on doors or interviewing people. We hire them, train them for three or four days, and then send them out to the houses to get the follow-up. In 2000, we hired about 800,000 people. We had to interview over 3.5 million people in order to get those 800,000.

When we hire these people, the job we’re offering them is six to eight weeks in length, little or no possibility that they’ll get anything permanent, pay them a modest wage, and they get to go to doors of people who have already chosen not to mail back the census form. They get to knock on their door and explain to them how important it is for them to tell them their personal details. It’s a big challenge. Our field organization has to hire all these people, get them trained and dispensed.

Years ago when we did the census, our main pool of enumerators were housewives who didn’t have full-time jobs. They were well educated, we could hire them and they were interested in working for a few months to get some extra money. They were easily trained, they were pretty good at showing up when they needed to show up and doing the job. They were our labor pool.

Most of those people are now working full-time in some other activity. So that’s one big demographic change: our pool of hiring. When we began planning for the 2000 Census, we came to the stark reality that we needed to hire more people than there were unemployed in the United States. If we hired every unemployed person alive, we still wouldn’t have had enough.

So we had to hire some people part-time and hire people that already had jobs. We’ve had to change the way we hired [because of] the change in our pool. A lot of times, the people that we interviewed and hired needed a little bit more training. [Some] were not used to showing up and working every day. If they got another job partway through the census, they reluctantly said, “Well, I won’t finish my last two weeks.” This was a big issue.

The Importance of the Census

The census is very important. It’s the census that distributes political power in the United States. The counts in the census determine whether California gets an extra congressperson or whether New Jersey gets that extra congressperson. More specifically, it is the census count that determined that North Carolina got the last seat in the House of Representatives and the state of Utah did not, by less than a thousand people. Anybody who believes that we can count the state of North Carolina or the state of Utah correctly within a thousand people would probably be on our side defending ourselves against Utah. Utah sued because less than a thousand people determined whether there was an extra congressperson in a state or not. It’s important for people politically; therefore, it’s very important to Congress. And if it’s important to Congress, that means we’re going to get a lot of attention.