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**Announcer:** Welcome to *The Business of Government Hour*, a conversation about management with a government executive who is changing the way government does business. *The Business of Government Hour* is produced by The IBM Center for The Business of Government, which was created in 1998 to encourage discussion and research into new approaches to improving government effectiveness. You can find out more about The Center by visiting us on the web at [businessofgovernment.org](http://businessofgovernment.org).

**And now, *The Business of Government Hour*.**

**Mr. Morales:** Good morning. I'm Albert Morales, your host, and managing partner of The IBM Center for The Business of Government.

The U.S. Department of the Treasury acts as steward of the U.S. economic and financial systems, including the role of the U.S. as an influential participant in the international economy. Treasury also performs a critical and far-reaching role in national security, coordinating financial intelligence, targeting and imposing sanctions on supporters of terrorism, and improving the safeguard of our financial system. Managing these complex tasks requires expanded capabilities in the pursuit of an effective resource management and workforce strategy.

With us this morning to discuss her efforts in this area is our very special guest, Rochelle Granat, Deputy Assistant Secretary for Human Resources, and Chief Human Capital Officer at the U.S. Department of the Treasury.

Good morning, Rochelle.

Ms. Granat: Good morning.

**Mr. Morales:** Also joining us in our studio is Solly Thomas, associate partner in IBM's Human Capital Practice.

Good to see you again, Solly.

**Mr. Thomas:** Good morning, Al. And good to see you again, Rochelle.

**Mr. Morales:** Rochelle, many of our listeners will be familiar with the Treasury, but let's start by taking a moment to provide them just a quick overview. Could you tell us a bit about Treasury's history and its mission today?

Ms. Granat: Sure. I actually enjoy talking about Treasury's history, because Treasury was one of the first four original departments of the Executive Branch of government. And looking at Treasury's history is really an opportunity to look at how the growth of the domestic functions of government developed over the years, because many of the functions that today are in other agencies actually grew out of Treasury. Treasury's mission has always been around the public purse: managing the money resources in the United States as its primary function. And all of the functions it has today in some way tie to government finances and the economy.

The basic functions of Treasury -- you recited some of them, but it's managing federal financing; collecting the taxes and duties and monies paid to the United States; paying all the bills of the United States; producing currency and coinage; managing the government accounts and the public debt, supervising national banks and thrift institutions; and advising and establishing domestic and international financial policies and economic and trade and tax policy. So that's quite a hefty mission and a varied mission, and involves many different job skills and job sets, from manufacturing to accountants to tax attorneys and attorneys in many different functions.

An interesting point in the history, of course, is fairly recent, and that was that the creation of the Department of Homeland Security in 2003 resulted in Treasury losing four of its enforcement bureaus. Treasury did have four bureaus that originated in Treasury: Customs, Secret Service, ATF, and the Federal Law Enforcement Training Center. There actually is a money resource aspect to all of those that some people forget. The U.S. Secret Service was actually established to deal with counterfeiting and to protect our currency and coinage. And Customs, of course, was collection of duties, as was ATF, was revenue-raising.

But with that change, that was a significant change for Treasury, a new enforcement responsibility grew and developed, and that was around terrorist financing and financial intelligence.

**Mr. Morales: So it sounds like the mission continues to broaden at Treasury. So Rochelle, just to put a finer point on the scale of this broad mission, could you provide us some specifics in terms of how Treasury is organized, the size of the budget, and number of full-time employees of the Department?**

Ms. Granat: The Department has over 100,000 employees. The bulk of them are the Internal Revenue Service employees. We have among the permanent staff 114,000 employees. And they're working across the United States, and we also have folks posted in 16 countries and in 3 U.S. territories, so we really do have an involvement throughout the world.

The budget is, combined, roughly \$16 billion. A major portion of that is the Internal Revenue Service, which is about \$11 billion. The \$16 billion figure includes our bureaus that are non-appropriated bureaus: the Mint, the Bureau of Engraving and Printing, Office of Thrift Supervision, and the Office of the Comptroller of the Currency fund their operations through revenue-raising. The bureaus of the Treasury operate independently, with Headquarters exercising oversight and policy over the bureaus. And they are organized around their functions. We do have -- a piece of the former ATF is now the Alcohol, Tobacco, Tax, and Trade Bureau. It's one of our smallest bureaus.

We, of course, have the manufacturing bureaus: the Bureau of Engraving and Printing and the Mint. We also have two fiscal service bureaus. The Financial Management Service, they pay our bills, issue our checks. When we get a paper check, it's from the Financial Management Service. When we get an electronic payment or Social Security payments or tax refunds, those are from the Financial Management Service. The Bureau of the Public Debt is the second fiscal service bureau, and they track the public debt, they issue and do transactions in government securities which represent the debt.

We have the two banking regulators: the Office of the Comptroller of the Currency and the Office of Thrift Supervision.

**Mr. Thomas: So with that overview of the Department, Rochelle, could you tell us more about your role as the Deputy Assistant Secretary for Human Resources, and as the Chief Human Capital Officer at Treasury? What are your specific responsibilities and duties? And how does your program support the overall mission of the Department?**

Ms. Granat: Well, my responsibilities have different aspects. One major aspect is Department-wide policy and oversight around human capital programs, to include EEO and diversity. When I talk about human capital programs, I'm also talking about the EEO and diversity programs as well. Each of our bureaus have human capital offices and EEO offices that operate independently, but through our policy and oversight. There are certain functions that do have to come up to the departmental level, and they would come up to my office.

In addition, I have a responsibility that's a little bit anomalous or unusual, and that's oversight of the D.C. Pensions Program, which administers the Department's responsibilities for certain pension programs of the District of Columbia for teachers, police, firefighters, and judges.

I exercise that responsibility through a collaborative effort with the human capital officers at the bureaus. I chair a Human Capital Advisory Council that involves the leadership of those offices, the EEO office and the HR offices at the bureaus.

**Mr. Thomas: Rochelle, regarding your responsibilities and duties, what are the top challenges that you face in your position, and how have you addressed these challenges?**

Ms. Granat: Well, I'd say the top challenges are ones that I think most agencies share. Certainly recruiting and retaining the talent we need to accomplish our mission is huge, especially in the face of the changing demographics and the realities of an aging workforce. In that light, succession planning and knowledge transfer are also very significant challenges.

And I'd say the third challenge influences both of those, and that's really a challenge of resource limitations. We are all operating under very tight budget constraints and the challenges are significant, and we really need to be creative in leveraging across the Department our efforts to develop new initiatives to tackle some of these challenges.

**Mr. Morales: Now, Rochelle, I understand that your history at Treasury goes back to about 1985. I believe you started at the Bureau of Public Debt. Could you tell us a little bit about your career path? How did you get started in public service?**

Ms. Granat: Well, I actually started while I was in law school, and I do have a little less traditional path to a human capital occupation. In law school, I was a law clerk, working part-time. One of the reasons why coming to law school

in Washington was attractive to me was that I was interested in public service. I was interested in public policy. And soon after finishing law school, I did move from the Department of Labor to the Bureau of the Public Debt, which is, as I mentioned earlier, a bureau of the Department of the Treasury.

And over time, I developed a concentration, and my work was largely around personnel and labor relations, EEO, all those areas of the law, as well as other sort of mission support, general law functions.

I really developed an interest in not just the legal issues, but really the policy issues. And the nature of the way in which one works as what I would call in-house counsel in an agency is really a collaborative relationship with your clients and working together to resolve problems, to avoid problems.

I actually spent a little bit of time -- 2-1/2 years -- at the creation of the Transportation Security Administration. I went over in the Chief Counsel's Office. And one of the attractions in taking that opportunity was what it stood to offer in terms of starting an organization from the ground up and working to develop a new organization, develop policies.

But I always wanted to look for and did look for an opportunity to step outside of the legal office and work on the management side, in June of '04, when the director of the D.C. Pensions Program was contemplating retirement and encouraged me to come back and become the director of that program. As I was back at Treasury, I was being increasingly brought into things within management but outside of the Office of D.C. Pensions. And when the Chief Human Capital Officer and Deputy Assistant Secretary position was vacant, I was asked to step in in an acting capacity, and did that and realized that I enjoyed it quite a bit.

**Mr. Morales: Great, great. So as you sort of reflect on all of these experiences going back to your clerkship, what has shaped your leadership style and perhaps influenced your management approach today?**

Ms. Granat: Well, I would say that the role I played in a significant aspect of what I did as counsel was really an advisory, collaborative member of a team with non-attorneys, with the client and with program managers. And I think that really fostered an appreciation and a management style and a leadership style that really was collaborative. And I see that as a strong aspect of my leadership style, that I really believe strongly that we solve problems best when we recognize and respect the expertise that a diversity of people bring, and that we work together to solve problems. I'm very much not a command-and-control leader, and I think that much of what I learned and what I think of being good counsel shaped that leadership style in a different role.

**Mr. Morales: Great.**

**What is Treasury's human resource strategy? We will ask Rochelle Granat, Deputy Assistant Secretary for Human Resources, and Chief Human Capital Officer, to share with us when the conversation about management continues on *The Business of Government Hour*.**

(Intermission)

**Mr. Morales: Welcome back to *The Business of Government Hour*. I'm your host, Albert Morales, and this morning's conversation is with Rochelle Granat, Deputy Assistant Secretary for Human Resources, and Chief Human Capital Officer at the U.S. Department of the Treasury.**

**Also joining us in our conversation from IBM is Solly Thomas.**

**Rochelle, I want to spend some time talking about Treasury's human capital strategy. Can you tell us a bit about your four human capital strategic goals, and how does this strategy align with and support Treasury's broader mission, goals, and objectives?**

Ms. Granat: Well, we're actually at a transition phase. Our human capital strategic plan covers the period 2005 to the end of this year. We actually are in the process of issuing our new human capital strategic plan that is a follow-on to the new department strategic plan, which was issued last year.

And there were four key goals: organizational effectiveness, recruitment and diversity, employee retention and employee satisfaction, and technical skills. And what we're talking about with respect to technical skills is enhancing workforce capabilities to support the use of current, new, and evolving technology. So we're really talking about making sure our organization is aligns its human capital plans with the strategies and systems to achieve organizational effectiveness in the mission of the agency.

And a key aspect of that is obviously being able to recruit the right people at the right time with the right skills, and at the same time, employee retention and employee satisfaction is critical. It's great if we can recruit the people and get them in the door, but if we are not growing and developing them and doing those things to ensure engagement and satisfaction, we're not going to keep them. And that would also make it more difficult for us to recruit new

employees, because our best recruiters are our current workforce who say this is a great place to work.

**Mr. Morales: Sure.**

Ms. Granat: Last year, the Department issued its new departmental strategic plan, and a major goal in that plan is management and organizational excellence. Human capital is a major, major player in that goal. And without fulfilling that goal, we can't accomplish the key aspects of the strategic plan, which are all mission -- those remaining three aspects are mission-driven.

In developing our revised human capital strategic plan, which would run from this year to 2013, goals slightly revised, but not dramatically. One is broaden and diversify the talent pool. And we're talking there about creating effective recruitment strategies and utilizing all available flexibilities to attract a diverse pool of highly qualified candidates. Again, developing and retaining the workforce; it's going to be a constant. Making sure that we're effectively managing and utilizing human capital. Again, that's really focused on organizational effectiveness, through enhanced employee engagement and supporting and leveraging the Department's workforce.

And then the one goal that is new and actually grew out of efforts in the last year around our human capital operating plan, which we will -- as of this fiscal year, our intention is every year to have an annual operating plan that is based on the strategic plan. And in that operating plan for Fiscal Year '08, we had a goal and strategy around it to really transform the human capital occupation. We need to develop our human capital practitioners as strategic business partners. We need to move away from the focus on transactional processing, and you always have to do that. Hopefully, technology is increasingly making that easier, but we're moving to shared services for those types of functions.

And what's really critical if human capital is going to be at the table with the leadership of the agency in ensuring that our human capital strategies are aligned with our mission and our goals, we really need to be business partners and be able to converse and strategize and come up with solutions as real business partners.

**Mr. Morales: Great. Now, I also understand that you've defined some human capital and business drivers that will shape the future. Could you tell us a bit about these drivers? And to what extent does cross-bureau coordination play into your plan going forward?**

Ms. Granat: Well, the drivers are really probably the drivers that are facing most agencies. One key one is modernization. It's the recognition that we are dealing with increased use of constantly changing and evolving technology, and to really look at revising our business practices and obtain the necessary skill sets to deal with the benefits of this new technology.

Another business driver is the critical importance of customer service expectations and public scrutiny. Thirdly, it's the need for efficiency and accountability. And accountability for results has been a major driver in the last many years, most prominently under the President's Management Agenda. The PART exercises. So it's really driving a focus on results and performance, changing to a performance culture.

And then finally, it's dealing with continuous change. Every day, we face changes in our business requirements because, simply, as we know today, market changes and world events that affect what we need to do and the skill sets we need.

**Mr. Morales: So given the complexities of the Treasury Department, which we talked about in the first segment, how does your organization evaluate the HR field performance and drive best practices across the entire HR community? And specifically, what steps are you taking to ensure that policies and procedures are implemented and monitored across such a vast and complex organization?**

Ms. Granat: There are several ways in which we evaluate how our human capital programs are operating and how they operate within the bureaus. And as I think I've alluded, each of the bureaus is its own organization and its own culture and have their unique needs given the nature of the particular missions of those bureaus. So there's not a one-size-fits-all answer to a lot of things. But that said, we do evaluate bureau performance and effectiveness in human capital areas in several ways.

We do have a series of metrics that are developed based on the human capital strategic plan, an outgrowth of the President's Management Agenda, as well as our human capital system for accountability that was tied to our human capital strategic plan. And also, the Federal Human Capital Survey. The metrics that are involved there are -- measuring the closing of skills gaps in mission-critical occupations, gaps in leadership positions. We look at closing resource gaps. We look at assessing employee satisfaction through the Federal Human Capital Survey and other tools. We measure the time to hire, et cetera.

In addition, there are any number of ad hoc ways that we get a handle on how well our programs are running at the bureaus. And that's because of the relationship we have on a day-to-day basis with those offices, they look to us for policy guidance. They will call us for help in resolving unusual issues in problem cases. There's certain things that need to come to us for approval, some things that need to come to us before we go to OPM. And that gives us significant insight into how those programs are running.

There are some very formal ways in which we are able to measure the effectiveness of these programs, and one of those is our accountability program. We are now conducting independent audits of the programs at the bureaus, a few each year. We're measuring against the human capital accountability and assessment framework. And there are a series of areas in which we are measuring program effectiveness based on OPM standards in that area. We've completed several of those audits, and we will be expanding those audits in the future to also include the EEO programs.

**Mr. Thomas: Now I want to switch gears for a minute to have you talk about workforce planning. Could you tell us about your efforts to enhance and institutionalize workforce planning within Treasury? And could you also elaborate on your workforce plans and how Treasury has addressed closing skills gaps in the mission-critical occupations?**

Ms. Granat: Well, workforce planning is an extremely broad term. It can be done in many different ways, and certainly in a combination of ways. It certainly involves an understanding of what the workforce requirements are. It involves assessing your current workforce and where their competency gaps are, where basic resource gaps are. We have a workforce analytics tool that has been able to give us exact numbers on employees in mission-critical occupations, forecast attrition, and that allows us to strategize on how and where to find new employees and how to focus our efforts around which mission-critical occupations at which levels. And also, it focuses us on what internal training or re-training we need to do with our existing workforce.

It also informs what tools we might need in that workforce planning effort, such as strategic use of voluntary early retirement authority and incentive payments, where we see that the workforce restructuring really requires the elimination of certain positions. And we always are looking to avoid a reduction in force, and so we really need to use those authorities strategically and reduce involuntary separation actions.

We also need to, in workforce planning, strategically use some of the flexibilities that are available in recruitment. A lot of those flexibilities involve monetary resources, and they may not necessarily be able to be used across the board.

In closing skills gaps, we've focused significantly on mission-support occupations. Those exist in all of our bureaus. They're the common areas, especially around IT and procurement specialists. But then some of our bureaus have their bureau-unique, mission-critical occupations that have significant challenges. In IRS, we're talking about tax resolution representatives, for example.

**Mr. Thomas: Rochelle, a recent global human capital study conducted by IBM showed that over 75 percent of the human resource executives interviewed believed that they are having difficulty developing future leaders. Can you talk about some of the efforts of Treasury to ensure continuity of leadership through succession planning and executive development?**

Ms. Granat: Sure. One of the major focuses of our -- as I mentioned, we have an annual human capital operating plan. And one of those goals is developing talent. And a major aspect of that is around leadership skills and leadership development, and ensuring that we have brought up through the organization future leaders. And one of the things we've learned is we don't reach down early enough in employees' careers to develop those leadership skills. It shouldn't be the case that someone's going to their first significant leadership development program when they are in their 25th year of service, especially given the current demographics and the realities of our aging workforce.

So we do have an effort underway to develop a department-wide leadership development model that would have core aspects to it, and then obviously each bureau has its own unique needs that would go around that. A number of the bureaus have candidate development programs. The IRS has a robust leadership development program that has many different levels starting much earlier in folks' careers, and they have a very important candidate development program. And much of that is driven by its size and its critical needs. We really want to use the measuring of leadership skills gaps to drive the development of new efforts around leadership programs to ensure that we're able to close these gaps.

**Mr. Morales: Great. What about Treasury's best place to work initiative? We will ask Rochelle Granat, Deputy Assistant Secretary for Human Resources, and Chief Human Capital Officer, to share with us when we return to the conversation on *The Business of Government Hour*.**

(Intermission)

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**Rochelle, as you know, employee feedback can be a very valuable tool for understanding the work environment. Could you elaborate a bit on the Best Places to Work Initiative and the annual employee survey? How have you implemented any of the insights that you've gathered from this survey?**

Ms. Granat: It was really driven in part by the recognition that if we are going to attract and retain the talent we need to accomplish our mission, we really need to focus on employee engagement and employee satisfaction. Treasury really needs to be one of the best places to work, and that is a huge selling point for agencies who rank high on the Partnership for Public Service's best places to work rankings.

Based on the 2006 survey, Federal Human Capital Survey upon which the rankings are based, in the 2007 rankings, we were 14 out of 30, and we want to get into the top 10. The Partnership for Public Service was very interested in helping agencies make improvements, and Treasury's quite eager to work with the Partnership. And the Partnership did an analysis of the results of our 2006 survey.

And they assessed where did we score well and continue to score well on, build on those strengths; and where was the area on the survey where if we could improve in our scores in those areas, we would make a significant difference in our overall score. And what they concluded was the area we had some weakness was the area that's referred to as "leadership effectiveness." And that doesn't mean that our leaders aren't effective. But what it means is in those questions around the survey that go to issues around how do employees perceive the way in which their senior leaders -- not their immediate supervisors, but their senior leaders -- communicate with them, share information, value their input, and things like that, we didn't score quite as well as we might. And so we developed a work group that involved folks from across the Department, especially those bureaus that scored perhaps not as well as other bureaus, and engaged this task force in developing a plan around the best places to work, and focusing largely, not exclusively, but largely around those leadership effectiveness issues.

There were some key aspects to the program. One was the workforce needs to know that we take these surveys seriously, and that we learn from the information they provide, and we work to improve in those areas where we need improvement and build on the positive aspects. And each bureau developed action plans around those areas that needed particular work. And we also convened focus groups of managers and focus groups of line employees. And there were facilitated discussions around key questions that sort of drove at the root causes for the perceptions around leadership effectiveness.

One of the areas around leadership effectiveness that's key is that things get communicated to the workforce, that lines of communication throughout the organization, at all levels of the organization, are sound.

So some of what the work groups are doing is developing tools around that, including work on a video, on new orientation materials that really focus on the organization mission. We've done that a lot in our performance management system in ensuring that they understand how what they do supports the mission. It's helpful for them to understand and appreciate what others in the organization are doing.

We also held a Best Places to Work Symposium, which was attended by the senior leadership across the Department. It was also simulcast and videotaped so that employees could see it and they could see it on their desktop computers. Secretary Paulson spoke around employee engagement, employee satisfaction, to share those best practices. And we also brought in senior leadership, largely the Chief Human Capital Officers, of several agencies that scored very well in the Federal Human Capital Survey or had marked improvement, and they shared their best practices.

That was a very well-received symposium that was at the end of March, and I think it reflected senior leadership commitment to these issues.

**Mr. Morales: That's great. So I wish you success in getting into the top 10, as you mentioned.**

**So along similar lines, given the high rate of federal employees who may be eligible for retirement in the upcoming years, this certainly is going to create a loss of a lot of the institutional expertise and memory. And as you mentioned, I believe in our first segment, that becomes a challenge for the organization. Could you tell us how you're mitigating the pending retirement wave within Treasury?**

Ms. Granat: Well, I should give you a sense of what we're facing. It's not dramatically different than a lot of other agencies of our size. The average Treasury employee is 48 years old and has over 16 years of experience. Based on recent running of our data, 21 percent of our employees will be eligible to retire this fiscal year. And in 2010, that number will increase to 29 percent, and then increase to 39 percent in Fiscal Year 2012. Now, of course, that's based on our current data, so obviously new folks are going to be coming in, so these are somewhat shifting stats, but it still is a daunting number.

It's especially daunting because there was a period of I'd say significant attrition and little hiring in the '90s, so that we really do have people in the beginning of their careers in somewhat large numbers. We do have a bit of a gap around those midlevel folks who would go into key leadership positions. And that certainly factors into our analysis of our leadership gaps and our succession planning.

One of the key things that we are doing to meet that challenge is, first of all, we're recognizing that we very much need to enhance our ability, the tools we use to recruit talent. That includes a Department-wide marketing strategy to build on the great marketing efforts that come of the bureaus have been able to develop, with the recognition that we really need to be recruiting at all levels. We're not just recruiting entry level.

We've recognized that we really should tap into second career folks, who would come in mid-level and even senior level. And one of the interesting things we're doing in that regard is the Experience Project with IBM and the Partnership for Public Service, where we're tapping into the folks who are retiring from the private sector. And as a pilot, we're focusing on IBM and we're focusing largely on those mission-support occupations, where folks who have had careers in the private sector in skills and areas that are relevant to our work, they want to make a contribution, they want to continue working, and they're looking for new challenges, and we really need to tap that resource.

So we have a series of things we're doing. And of course, one of the things that we need to do in the hiring arena is not just marketing, but it's really improving the way in which we recruit and hire. Simplifying the hiring process. Just simplifying vacancy announcements and having model vacancy announcements that are used across the board around those occupations that are mission-critical occupations for which we are doing recruitment across the Department. So those are just a few examples.

**Mr. Thomas: Now, Rochelle, along the lines of potential retirements, what can you tell us about Treasury's knowledge management strategies to retain that knowledge?**

Ms. Granat: All the Treasury bureaus have their own internal leadership development programs, which, if done well, are a critical way and an excellent way to ensure that we transfer institutional knowledge. If we use mentoring programs well, if we use developmental assignments well so that as we're developing people, they get experience within their organization and outside their organization, we are doing a good job about transferring institutional knowledge.

We've deployed automated tools around training. And our learning management system is one way in which we do that. That system allows us to do training across the Department in key areas. It allows us to both input our own type of training, but also make accessible to employees very easily other automated online training. And it also allows us to track development programs and track training efforts on an individual level to ensure that employees who we anticipate or want to groom to move to different positions are getting the training and knowledge that they need to move into those positions in the future.

We're ensuring that we're doing that knowledge transfer. Of course, we use what flexibilities we have to incentivize folks not to leave. That has limited success, and some of the constraints there revolve around the current retirement rules and systems. And there are some changes that we are seeking that OPM, the administration has been seeking, but those have not yet been enacted.

**Mr. Thomas: Now, Rochelle, given the expanded complexity of your office workload, could you tell us more about Treasury's efforts to analyze workload requirements?**

Ms. Granat: Within our office itself, we are constantly struggling with changing workload requirements and significant resource limitations. And one of the ways in which we've tackled that, sort of I would almost say in extremis, is really leveraging the expertise of folks across the Department, and some re-training efforts around our existing staff.

A good example, however, around changing workload requirements really comes from our business areas. And I think the best example is at the Internal Revenue Service, where we've had an evolving and significant shift in some workload demands as a result of the increased effort to encourage taxpayers to file electronically. And it's something that Congress has mandated. It's something that is beneficial to the government to encourage as many taxpayers to file electronically as possible. That, of course, results in a significant reduction in the need for employees to handle

the paper processing of tax returns.

**Mr. Morales: Rochelle, I want to go back to the topic of retention for a moment. Could you tell us about Treasury's efforts to develop and implement an agency-wide performance management system? Specifically, what have you done to link pay with performance as a means to enhance your ability to compete and retain a highly effective executive group?**

Ms. Granat: Why don't I discuss that in two parts, because it's a different experience and implementation on the executive level from the non-executive level.

As you may know, in 2004, a new pay system, a pay-for-performance system, was implemented government-wide for the Senior Executive Service. And at Treasury, like all agencies, we took shifting to that system very seriously, and really changed the way in which our performance management was done department-wide.

Where previously each bureau had its own executive performance plan and system, we developed, through -- again, a collaborative effort across the Department -- a single SES performance plan that had three standard competency-based responsibilities, and provided for five to eight results-based performance commitments which are unique to each executive, which must be tied to organizational performance and the strategic plan. That was a shift in culture, a need to educate executives on what that meant to be measured that way and what that meant to measure their subordinate executives that way, and really developing and enhancing a performance culture that was measured in a way that hadn't quite been measured before.

But that said, it did change the way in which pay decisions were made. They had to be linked to performance. They needed to take into account not only individual performance, but organizational performance, and it was very focused on results. And we developed tools to assess organizational performance. We developed a tool that was used by each bureau that sort of rolled up data from across the fiscal year around performance measures, even including things around the Federal Human Capital Survey, PART scores and things like that, and a bureau head assessment of the bureau as a whole's accomplishments during the course of that fiscal year. And that information is shared with the performance review boards, et cetera.

One of the challenges here to making significant change with respect to incentivizing performance with the pay as a carrot is the reality of pay compression in the SES. You can have the most outstanding performer in your bureau who delivered the most significant results, and the pay increase that you can give is rather insignificant because of pay compression.

And so of course, that then shifts the focus to the bonus system. We have developed a system where we have standards for what ratings drive certain levels of flexibility around performance bonuses. And the performance review boards are very much a part of assessing that across their organizations. And senior leadership at the Department, at the Deputy Secretary level, has a role in ensuring that the ratings and pay adjustments and bonuses are consistent with organizational performance.

We have greater flexibility at the GS level. We do have some bureaus that have exception from the GS scale and do have pay-for-performance systems similar to the SES. But more importantly, even within the GS system, we have really driven a shift at the bureaus to ensure that their performance management systems, which are unique to each bureau but are focused on results and a results-based performance culture, and have systems that are able to tie to the strategic plan so employees understand where they are in helping the agency meet the strategic plan and strategic goals and organizational goals, but also that they understand that their performance rating and performance awards, whether they're cash awards or other types of incentives, time-off awards, that it is very much driven by performance and by delivering results.

**Mr. Morales: Great. What does the future hold for the U.S. Department of Treasury?**

**We will ask Rochelle Granat, Deputy Assistant Secretary for Human Resources, and Chief Human Capital Officer, to share with us when we return to the conversation on *The Business of Government Hour*.**

(Intermission)

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**Joining us in our studio from IBM is Solly Thomas.**

**Rochelle, I understand Treasury is trying to create a results-oriented performance culture. Could you tell us**



**a little bit about some of the bureau's success stories in forging this type of a performance culture?**

Ms. Granat: I think the model that we created for the SES in developing the assessment tool that integrates a series of program measures into a snapshot of organizational performance and feeds that into the assessment of individual performance was a great vehicle to really communicate how critically important organizational performance is, and therefore, performance culture, is to an executive's performance. If our leadership is effective in communicating the importance of organizational performance, I think that will go a long way in driving that as we improve upon our performance management systems for our non-executive employees.

IRS at the moment is very focused and is working with a contractor to assist them in developing a new and more effective results-focused performance management program for their approximately 92,000 non-supervisory employees. And you can imagine that's a daunting task. So I think that's really the major successes in really ensuring that we filter down that focus on results throughout the workforce.

**Mr. Thomas: Now, Rochelle, you also sit on the Chief Human Capital Officer Council, chaired by the Office of Personnel Management director. Can you tell us about your roles on the Council and the subcommittees?**

Ms. Granat: Sure. The Council meetings as a whole are really an excellent opportunity to really exchange information and keep the Chief Human Capital Officers informed of where OPM and the administration is on any number of issues.

There's a sort of different level of communication and activity at the subcommittee level. Treasury sits on the Subcommittee on Hiring and Succession Planning and the Subcommittee on Performance Management. Those subcommittees have largely focused on sharing best practices in those two areas, in working with OPM staff as they develop or implement new initiatives, giving them feedback, perhaps challenging them on the design and implementation of moving some initiatives forward. It's really the most direct opportunity we have to influence initiatives that are going to be government-wide.

For example, in the Subcommittee on Performance Management, we had an influence on the SES survey that was sent to all executives in the last fiscal year, and the results came out recently. And we've been working with OPM on the evaluation of the SES performance management system through the assessment tool for the SES. In hiring and succession planning, we've been trying to drive some efforts to improve the hiring process and to advocate for some changes in some of the flexibilities that are available to agencies.

**Mr. Thomas: Now, Rochelle, there's much talk about commercial best practices in the federal government, particularly in the service areas, such as human resources. What emerging technologies do you see holding the most promise for improving the federal management of human resources?**

Ms. Granat: I alluded just in the last question to the fact that Treasury is actually in the HR line of business through our HR Connect automated personnel system. We are always actively engaged in assessing that system and improving and enhancing that system.

One of the things that's a particularly exciting initiative that we are developing right now is to really harness technology to improve the entrance on duty process, the on-boarding process. We recognize that this is a process which gives new employees, prospective employees entering the agency their first impression of what -- and in some cases, this is their first federal job, their first exposure to federal employment. And we realize that that's really both for our own efficiencies, but also for the experience that the employee has coming on duty, is really critical that we maximize the tools that technology can give us.

We've developed a strategy to develop an on-boarding system that really is a bit of a paradigm shift. It moves from paper-intensive forms to information-based processes -- as we do our electronic filing of our tax returns, we're providing data that gets populated into forms, we're not filling out the form. It looks at reducing our dependency on HR specialists to doing web-based self-service. Moving from disparate points of entry, looking at single points of entry and one-stop shopping.

And most importantly, it moves from what's now a day one paper-intensive processing experience to day one focused on learning about the agency and learning about their new job and having the tools in place when they come to their office. And we think that this will also be the foundation to using that system for agency branding.

**Mr. Morales: So, Rochelle, continuing to look towards the future, how do you envision Treasury's human capital needs evolving in the next two to three years? And how do you envision your office will need to evolve over that same period of time?**

Ms. Granat: The challenges that I articulated that we face are only going to increase in terms of what's at stake if we are not able to simplify the hiring process and improve our marketing of Treasury as an employer, and ensuring that we're tapping the right resources from which to recruit. We are going to need to do that at an increasingly intensive level. It really means transforming the human capital occupation to be more focused on this business partner strategizer and develop those skills that are needed to do that. So we need to identify those sources and really maximize wherever we can the benefits of technology, but also make sure that that technology is not off-putting to our potential candidates.

I really think it's important that as a new administration comes on board, that they really focus on the fact that in order to accomplish all those mission-related initiatives and address all the challenges, that they also focus on the infrastructure. And I'm not just talking about human capital, but of course, the human capital piece is especially important to me. But we really need to make sure that our institution has the infrastructure that it needs in order to help the new administration accomplish all its goals.

**Mr. Morales: That's a great perspective. Now, at the beginning of the hour, you told us just a wonderful story of how you got started in public service. So I'm curious, what advice might you give someone who's out there thinking about coming to public service or perhaps to the federal government?**

Ms. Granat: Well, I think the most important message to say to folks is a combination of this is an opportunity to do interesting and challenging work that's important to the public. It should be important to them personally, and it's important to the nation as a whole. I hope that most folks coming into the workforce or thinking about a change in their career are thinking about I want to do something that's making a contribution. I want to do something that's challenging to me, in which I will learn something, that I have an opportunity to have responsibility and do good work. And I think the government really does offer so many different opportunities that you come in the government and you are doing one thing, as in my career, and you wind up evolving over time and, you know, taking opportunities that lead you in another direction or in a complementary direction, I would say.

And I really think that one of the things that government service offers, and sometimes it takes finding the right position or finding the thing that works best for you, but we really do some fascinating things. Many of us pick up the paper in the morning and that tells us what might happen to our day because what we do is on the front page of the paper. And I think that that has got to be -- should be exciting and interesting to folks entering the workforce.

**Mr. Morales: That's a great perspective. Thank you**

**Rochelle, we, unfortunately, have reached the end of our time together. I do want to thank you for fitting us into your schedule, but more importantly, Solly and I would like to thank you for your dedicated service to our country across your many roles at Treasury.**

Ms. Granat: Well, thank you. I enjoyed this. And I think the important thing to say is no one, especially no leader, in government does anything by themselves, and what they do is really representative of what their organization does. And I have a great staff. And the human capital professionals across the Department are part of everything we do to make Treasury a best place to work and to move forward to tackle the challenges we have. And I think it's a great team and I want to thank them.

I want to encourage folks to look at the Treasury website and see all the interesting things Treasury does. It's <http://treasury.gov>, and through that, you can look at Treasury careers, opportunities at all the bureaus, and, of course, there's always the USH Ops website.

**Mr. Morales: Great, fantastic. Thank you.**

**This has been *The Business of Government Hour*, featuring a conversation with Rochelle Granat, Deputy Assistant Secretary for Human Resources, and Chief Human Capital Officer at the U.S. Department of the Treasury.**

**My co host has been Solly Thomas, associate partner in IBM's Human Capital Practice.**

**As you enjoy the rest of your day, please take time to remember the men and women of our armed and civil services abroad who may not be able to hear this morning's show on how we're improving their government, but who deserve our unconditional respect and support.**

**For *The Business of Government Hour*, I'm Albert Morales. Thank you for listening.**

**Announcer: This has been *The Business of Government Hour*. Be sure to join us every Saturday at 9:00 a.m. And visit us on the web at [businessofgovernment.org](http://businessofgovernment.org). There you can learn more about our programs, and get a transcript of today's conversation. Until next week, it's [businessofgovernment.org](http://businessofgovernment.org).**

