

THE PEOPLE

FACTOR

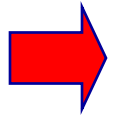
STRENGTHENING AMERICA BY INVESTING IN PUBLIC SERVICE

Linda J. Bilmes & W. Scott Gould

IRMCO Conference
April 21, 2009

Professor Linda Bilmes
Harvard University

Today's discussion



1. What is the People Factor?
2. Can it work in government?
3. Implications

Number of Books Listed at Amazon.com

• General Management	479,360
• Sales	420,690
• Teams	388,839
• Strategy	356,537
• Organization	356,452
• Accounting	283,423
• Finance	275,428
• Marketing	246,532
• Leadership	207,208
• Human Resources	63,629

“PEOPLE FACTOR” SCORECARD

Human resource criteria

Staff training and education

- Expenditures/days per employee
- Career-long training opportunities
- Employee-driven curricula



Loyalty of the employer

- Layoffs compared to industry
- Strong outplacement efforts
- Worker friendly work reductions



Corporate recognition of employees

- Breadth, frequency and consistency



Quality of H.R. policies

- Recruiting incentives
- Generous benefits
- Detailed performance evaluations and feedback
- Promotion from within/career development



Job satisfaction indicators

- Employee sick days taken
- Employee turnover



Human Resource Score



Intrapreneurship criteria

Flexibility of work structure

- Flexibility in structuring work content
- Flexible hours/scheduling



Organizational structure

- Fewer levels of hierarchy
- Prevalence of team structures
- Decentralized decision making



Versatility of employees

- Lateral transfers within company
- Cross-functional exposure and training



Entrepreneurial opportunities

- Recognition of innovation and contribution
 - awards, bonuses, etc.
- Profit-sharing opportunities at business, team unit or product level
- Linkage of compensation to individual performance

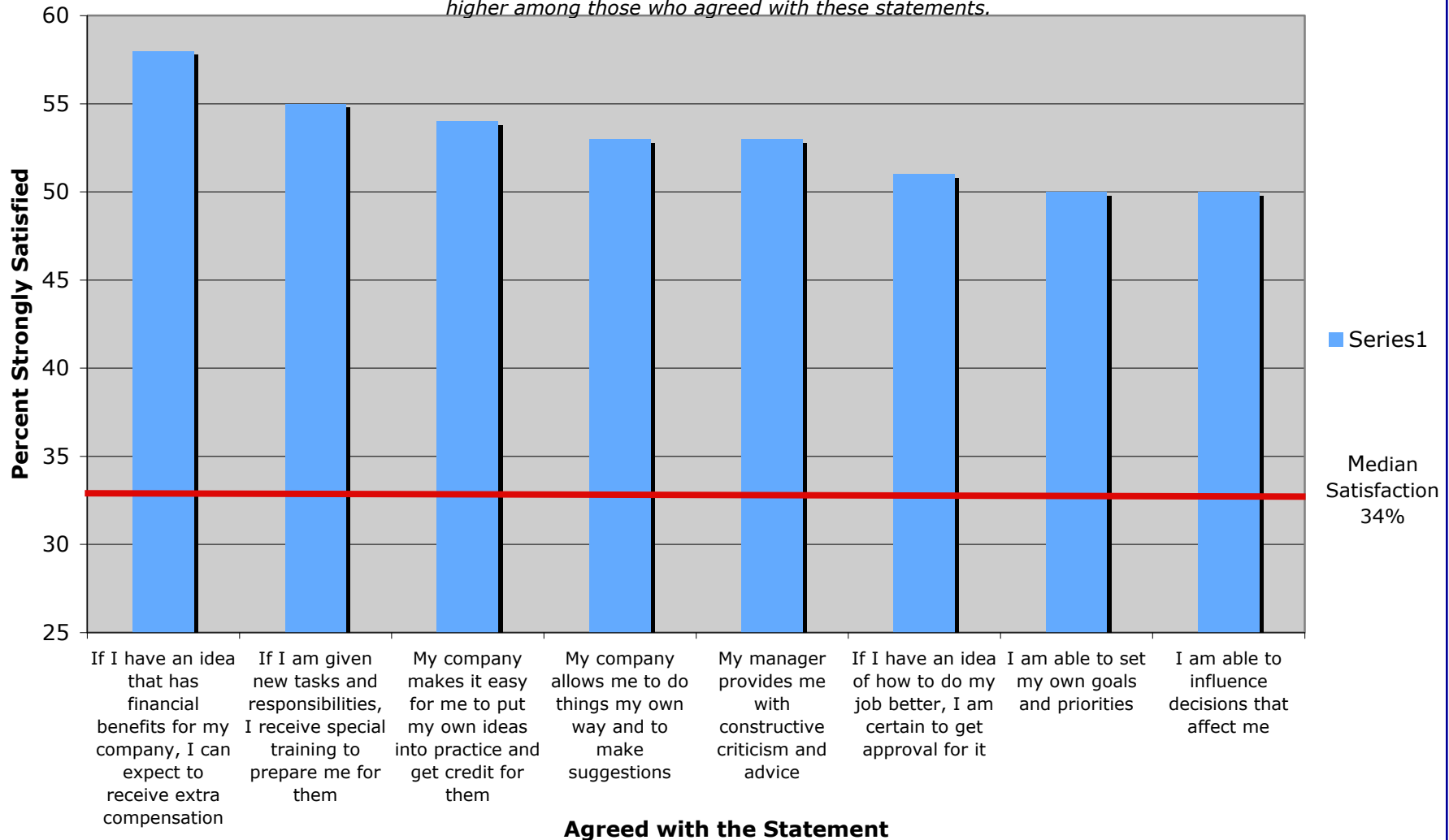


Intrapreneurship Score



Chart 2-1. Investing in the People Factor Increases Job Satisfaction

Overall, 34 percent of corporate employees are "strongly satisfied" with their jobs. However, satisfaction was much higher among those who agreed with these statements.



Source: Survey of 2,000 male private sector employees, conducted by Penn, Schoen & Berland Associates for Linda Bilmes in 1998 in the United States and West Germany. The survey was repeated for Linda Bilmes and Scott Gould in 2005 among 250 men and women private sector employees in the United States.

Result #2: Investing in the People Factor Increases Loyalty to the Employer

Statement	% claiming strong loyalty	
	Independent of statement	Those who agree with statement
My company makes it easy for me to put my own ideas into practice	46%	70
If I have an idea that has financial benefits for my company, I can expect to receive extra compensation		68
My pay is linked to the company's performance		68
My pay is linked to my performance		67
My manager provides me with constructive criticism and advice		66
I receive training on a regular basis		65
If I am given new tasks and responsibilities, I receive special training to prepare me for them		64
My company gives me annual performance evaluations that offer constructive criticism and help me do my job better	↓	62

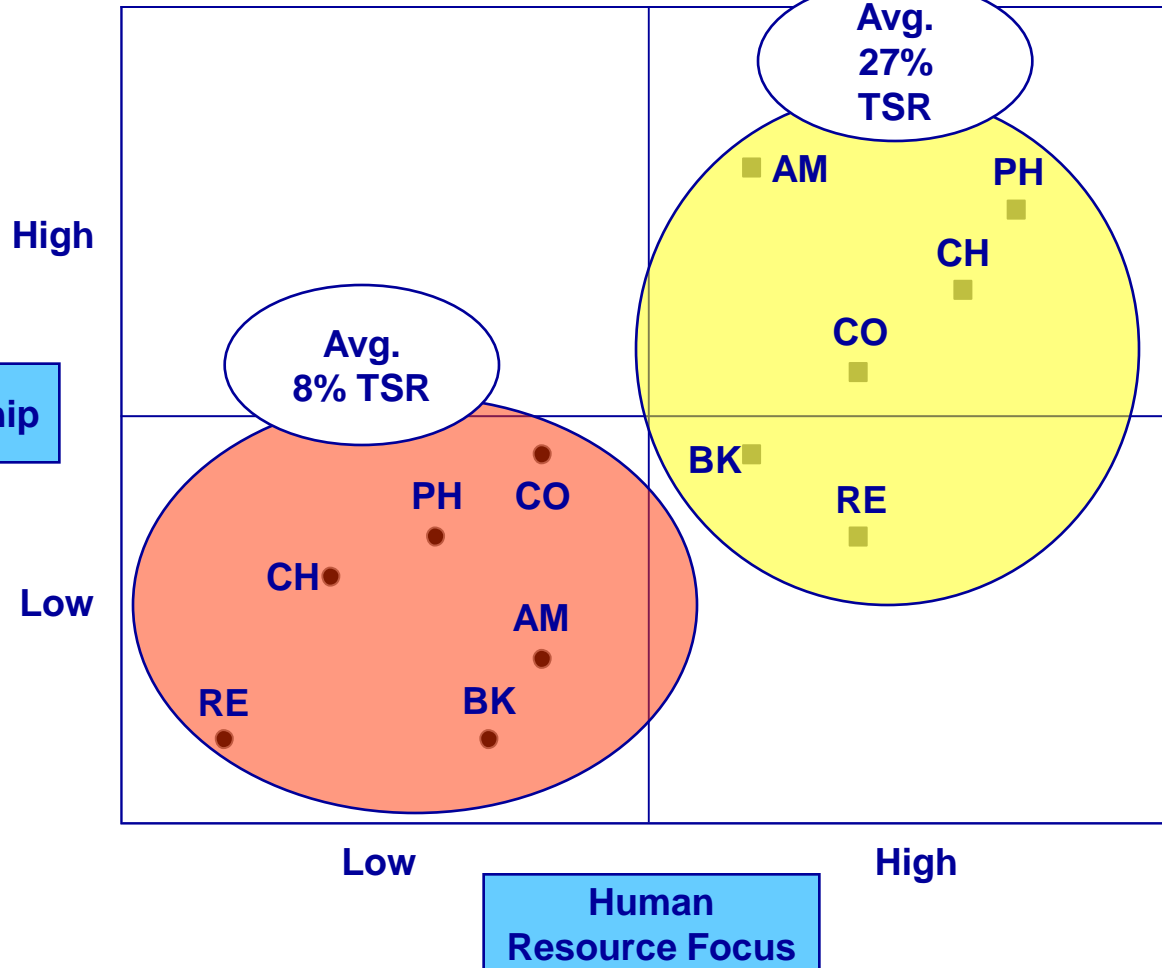
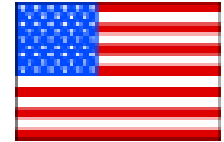
Result #3: Most Employees Don't Receive "People Factor" Benefits

USA

Statement	Say this is important	Agree with statement
If I have an idea that has financial benefits for my company,I can expect to receive extra compensation or a bonus	50%	15%
If I am given new tasks and responsibilities, I receive special training to prepare me for them	64	30
My company makes it easy for me to put my own ideas into practice and to get credit for them	62	30
My pay is linked to the company's performance (for example, I get paid more if the company is more profitable)	56	21
My manager provides me with constructive criticism and advice to help me do a better job on an ongoing basis	61	31
I receive training on a regular basis	63	29
I am able to influence decisions that may affect me	71	34
If I have an idea how to do my job better, I am certain to get approval for it	71	39

Highest "People Score" Companies Produced TSR Above Lowest "People" Companies

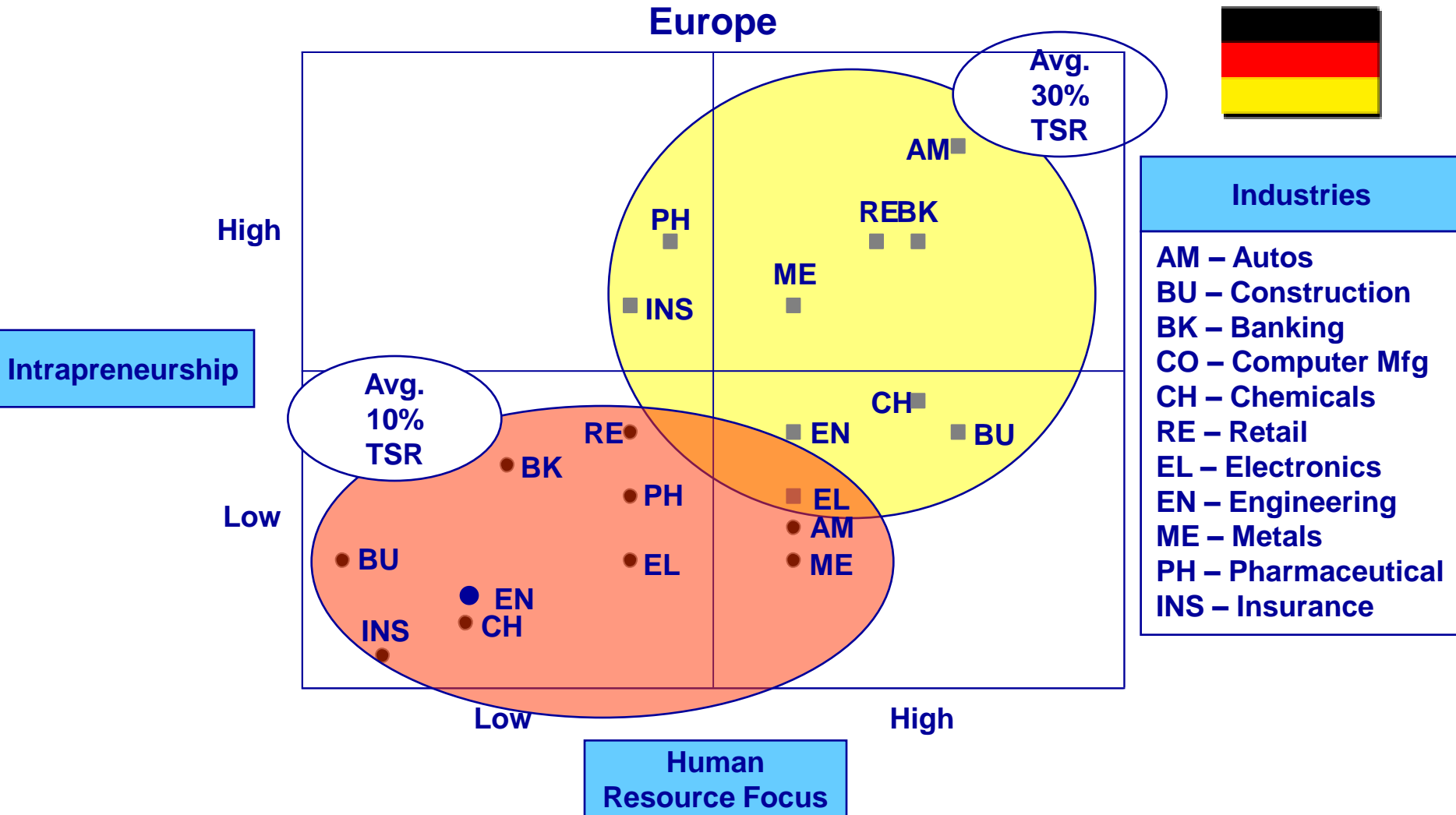
USA



Note: ¹ S&P500 increased 18.7% P.A. in same period (1989–96)

² Middle cluster (not pictured) had avg. TSR of 21%

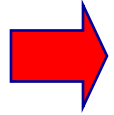
Highest "People Score" Companies Produced TSR Above Lowest "People" Companies



CRITERIA	Struven, Wetzker, Bilmes	Watson Wyatt	Pfeffer	Huselid et al
Training and education	x	x	x	x
Job Security	x		x	
Corporate Recognition	x	x	x	x
Quality of HR practices performance appraisals generous pay/benefits skills assessment career development	x	x	x	x
Leadership		x	x	x
Work Flexibility	x	x	x	x
Organizational Structure (low hierarchy, teams)	x	x	x	x
Versatile workforce	x	x	x	x
Rewards and recognition tied to performance	x	x	x	x
Communications		x	x	x

Today's discussion

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2. Can it work in government?

3. Implications

DLA's Human Resource Score

People Factor Criteria	2001	2001 Score	2006	2006 Score
Staff Training and education	Little training, poor quality, not linked to strategic objectives	3	Training for GS 9,11,12s in commercial supply, training for business systems modernization, leadership training, supervisor training, coaching, continuous learning	8
Employer loyalty	"Used to give new people a pile of forms, copied crooked"	4-5	Downsized by aggressively outplacing, model workplace, free fitness centers, provide good quality information to new hires	9
Corporate recognition of employees	Average	5	Greater focus on results oriented recognition Greater recognition within the agency that "we have 21,000 assets who walk home at night"	7-8
HR Policies	Slow, expensive, inefficient Hiring 114 days	2	Efficient hiring (56 days), excellent service, focused on benefits to the agency, detailed performance appraisal system and career guidance and development	10
Job Satisfaction	Average, little testing to find out	4	Survey job satisfaction every 18 months Benchmark against best organizations (Denison survey) Entrance and Exit Surveys Job Satisfaction higher on all 12 factors tested	7-8
Indicators	Average for DOD	5	Turnover reduced to 2%	8
HUMAN RESOURCE SCORE	Average for federal government	23.5	One of the very best human resources programs in government	50

DLA's Intrapreneurship Score

People Factor Criteria	2001	2001 Score	2006	2006 Score
FLEXIBILITY OF WORK STRUCTURE	"30-year old home-grown system ready to collapse"	3	Reengineered business process Written new job descriptions Training for all jobs	7
ORGANIZATIONAL STRUCTURE	Legacy systems	3	Common metrics and guidelines	6-7
VERSATILITY OF EMPLOYEES	Average	5	More specialization because of the business modernization. Over time we can unspecialize them	5
ENTREPRENEURIAL OPPORTUNITIES	Traditional strength of DLA	6	No real change	6
LEADERSHIP	Not much attention to leadership at the supervisor/manager level	5	Leadership training required. Need to demonstrate proficiency before taking any kind of supervisory job.	9
Intrapreneurship Score		22		33.5

DLA Performance

	2001	2006
Sales	\$17 bn	\$35
Cost as % of sales	25%	14%
Back orders, Aviation, Land and Maritime	>400,000	275,000
Customer satisfaction (very satisfied or satisfied)	Not measured	89%
Days to Hire	111	54
Cost per personnel transaction	\$936	\$669
Number employees	23,000	20,805
Ranking on PPS "Best Places to Work"	Middle 3rd	Top 3rd

GAO's Human Resource Score

People Factor Criteria	2001	2001 Score	2006	2006 Score
Staff Training and education	Minimal, no significant requirements	5	Employees required to attend 80 hours of training over 2-year period.	9
Employer loyalty	No system for addressing poor performance	6	GAO assists entry-level hires who are not meeting performance requirements, has a GAO career center to help them find other jobs; allows them to do special projects while looking;	10
Corporate recognition of employees	Below average for government	4	Awards to individuals, team leaders, full focus on people as strategic human capital	10
HR Policies	Below average for government	4	Pay-banding, Clear definition of performance requirements, Best hiring system in federal government, Best performance evaluation system; benefit package includes student loan repayment	10
Job Satisfaction indicators	Average	6	Retains >90%of hires 74.3% overall satisfied with their jobs	9
HUMAN RESOURCE SCORE	Average organization	25	Best use of strategic human capital	47

GAO's Intrapreneurship Score

People Factor Criteria	2001	2001 Score	2006	2006 Score
FLEXIBILITY OF WORK STRUCTURE	Inflexible	4	Expanded opportunities for telecommuting and flextime, work structure reorganized by teams	9
ORGANIZATIONAL STRUCTURE	Hierarchical, 6-7 levels	6	Reduced hierarchy, closed field offices, team-oriented. Now 4-5 layers from top to bottom	10
VERSATILITY OF EMPLOYEES	Static, very little opportunity for lateral movement	5	Lateral movement best in government. Professional Development Program rotates analysts; exchange program with private sector executives	8
ENTREPRENEURIAL OPPORTUNITIES	Compensation not linked to performance	4	Compensation and performance linked;	8
LEADERSHIP	N/A	4	Leadership from Walker and senior team Employee/manager steering committee	10
Intrapreneurship Score		22		45

GAO PERFORMANCE DATA 2001 -2006

Table 3-7. *GAO's Financial and Nonfinancial Benefits, 2001–06*

Fiscal year	Financial benefits (billions of dollars)	Number of nonfinancial benefits	Cost of operations (millions of dollars)	Financial benefit per dollar spent (percent)
2001	26.4	799	413.1	69
2002	37.7	906	453.0	88
2003	35.4	1,043	471.1	78
2004	44.0	1,197	490.1	95
2005	39.6	1,409	505.8	83
2006	51.0	1,342	511.5	105
Net change since 2001 (percent)	93.2	68.0	23.8	56.0

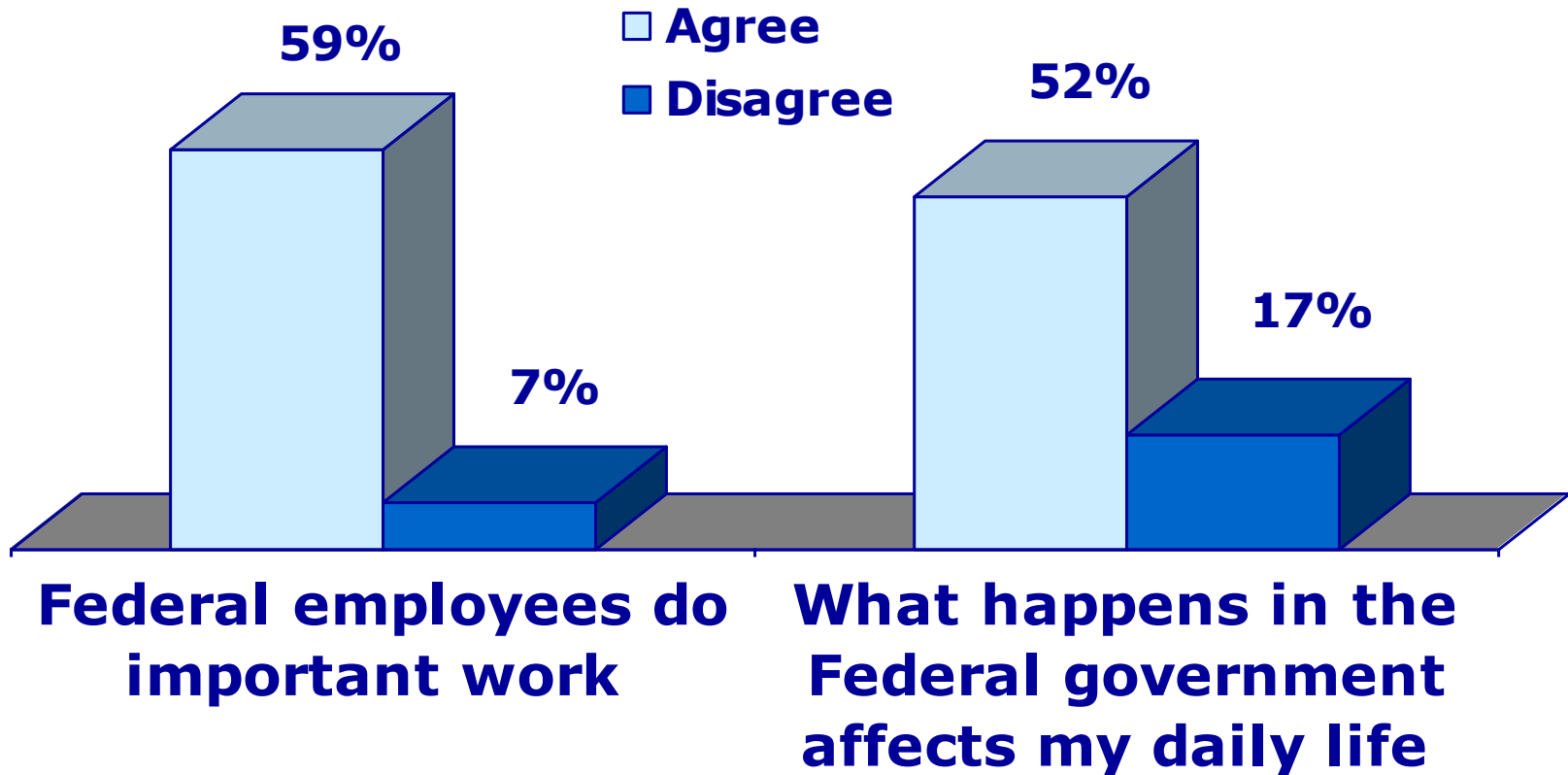
Source: GAO Performance and Accountability Reports , 2006.

Attributes Tested in Student Survey

1. Competitive salary package	12. Organization that really cares about its employees	23. Diverse assignments
2. Strong pension and retirement plan	13. Freedom to make your own decisions	24. Top-level employees promoted from within
3. Profit sharing linked to company performance	14. Training and development for new employees	25. Opportunity to go as high in as your abilities take you
4. Receive credit for accomplishments	15. Continual training and development	26. Easy to transfer to different jobs, locations
5. If you have a good idea, management will listen	16. Performance evaluations with constructive feedback	27. Work mostly in teams with other people
6. Senior executives are accessible	17. Make a positive contribution to society	28. Work independently with little supervision
7. Flexible hours	18. Casual and fun work environment	29. Trying new things is rewarded
8. Access to fitness center/recreation	19. Respects balance between work and family life	30. Rewards ethical conduct
9. Vacation time	20. Organization plays active role in community	31. Environment free from discrimination
10. Co-workers you respect and admire	21. Organization that is respected and admired	32. Organization with a secure and solid future
11. Challenging and interesting work	22. Flat organization with few layers of hierarchy	33. Traditional organization with clear chain of command

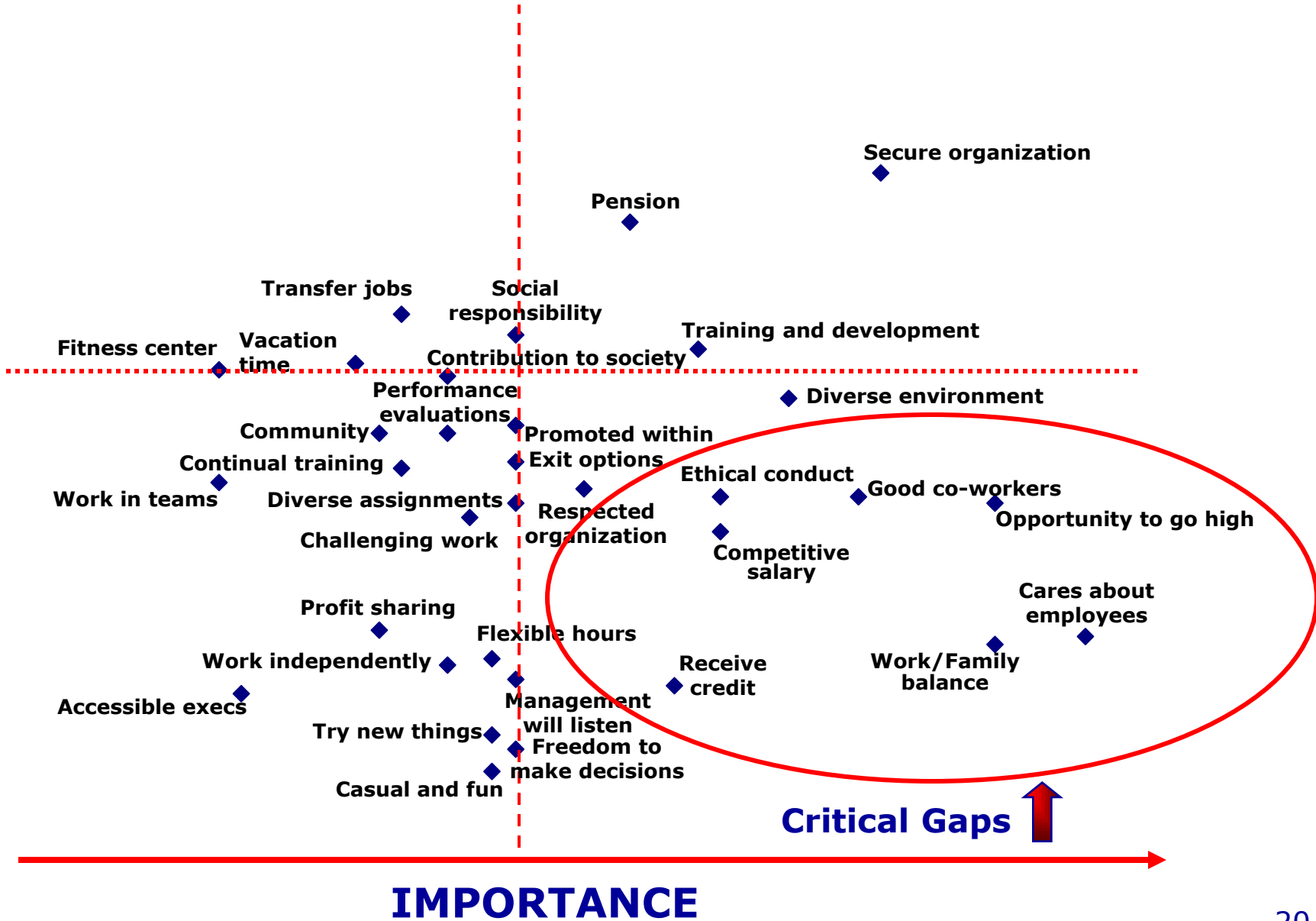
Students Think Government Work is Important and Meaningful

Using a 1 to 5 scale, where 1 is 'Strongly Disagree' and 5 is 'Strongly Agree', please indicate whether you agree or disagree with the following statement?

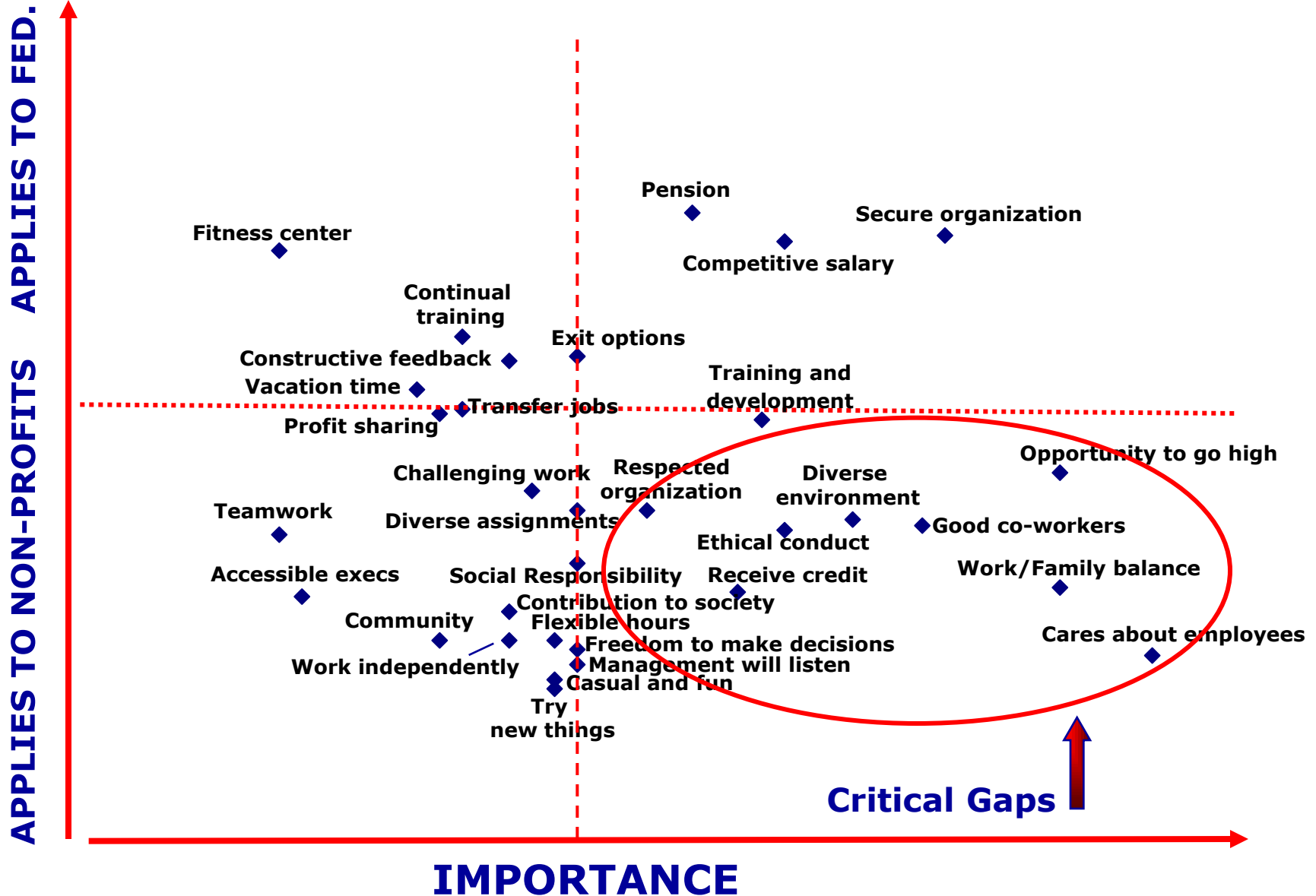


College student Gap Analysis: Govt. vs. Private Sector

APPLIES TO PRIVATE APPLIES TO FED.

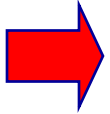


College Student Gap Analysis: Govt. vs. Non-Profit Sector



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Some recommendations

- Training: Civil Service GI Bill
- Core-ring using HR Passports
- Compensation more in line with private sector
- Flattened hierarchy, expansion of telecommuting, flexible work flow

- Reform of hiring, recruiting, mentoring, retention
- Expansion of internships, PMI, mid-career hires and loans

Table 10-2

5 year Workforce Investment Plan

Activity/Person	FTE	Cost/FTE/Yr	YR 1	YR 2	YR 3	YR 4	YR 5	5 Yr. Total
Start-up costs in year 0								
Diagnostics and planning for integrated process team (Note 1)	457	\$10,000	\$1,521,882	\$1,521,882	\$1,521,882	\$1,521,882	\$0	\$6,087,527
Training and Education (Note 2)	229,756	\$4,500	\$517,001,733	\$517,001,733	\$517,001,733	\$517,001,733	\$517,001,733	\$2,585,008,663
Workforce development "float" (Note 3)	10,443	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New benefits/compensation for career (Note 4)	7,000	\$35,000	\$245,000,000	\$245,000,000	\$245,000,000	\$245,000,000	\$245,000,000	\$1,225,000,000
New compensation for Appointees (Note 5)	2,000	\$35,000	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000	\$350,000,000
Transparency and communication (Note 6)	1,881,700	\$25	\$47,042,500	\$47,042,500	\$47,042,500	\$47,042,500	\$47,042,500	\$235,212,500
Internships and expansion of PMF Program (Note 7)	1,200	101,161	50,580,634	137,866,030	137,866,030	137,866,030	137,866,030	\$602,044,753
Recruiting (Note 8)	NA	NA	\$68,750,000	\$68,750,000	\$68,750,000	\$68,750,000	\$68,750,000	\$343,750,000
Employee equipment improvement (Note 9)	NA	NA	60,182,303	214,449,607	308,534,607	401,678,757	495,528,544	\$1,480,373,817
Administration (Note 10)	NA	NA	\$3,900,000	\$4,200,000	\$4,200,000	\$4,200,000	\$4,200,000	\$20,700,000
Wellness benefits (Note 11)	752,680	\$750	\$282,255,000	\$564,510,000	\$564,510,000	\$564,510,000	\$564,510,000	\$2,540,295,000
Other investments in the federal workforce (Note 12)	NA	NA	\$72,292,500	\$144,585,000	\$143,585,000	\$137,585,000	\$136,085,000	\$634,132,500
Total			1,418,526,552	2,014,926,751	2,108,011,751	2,195,155,901	2,285,983,806	10,022,604,761
NPV Total Costs - 5yr		\$9,412,294,252						
NPV Total Costs - 10yr		\$19,171,446,007						
Cost per employee - cash		\$5,326						
Cost per employee - NPV		\$5,002						

ROI projected at \$300-\$600bn

- Based on empirical studies of high performing organizations
- Consistent with McKinsey study
- From higher productivity, collaboration, better contract design and management
- Improved supervision, oversight, budgeting, reduced waste