



# RESULTS-ORIENTED CULTURES

## Using Balanced Expectations to Manage Senior Executive Performance

Highlights of GAO-02-966, a report to Subcommittees on International Security, Proliferation, and Federal Services and on Oversight of Government Management, Restructuring, and the District of Columbia, Senate Committee on Governmental Affairs

### Why GAO Did This Study

Effective performance management systems link individual performance to organizational goals. In October 2000, the Office of Personnel Management amended regulations to require agencies to link senior executive performance with organizational goals; to appraise executive performance by balancing organizational results with customer satisfaction, employee perspective, and other areas; and to use performance results as a basis for pay, awards, and other personnel decisions. Agencies were to establish these performance management systems by their 2001 senior executive performance appraisal cycles.

Because they implemented a set of balanced expectations prior to the Office of Personnel Management requirement, GAO studied the Bureau of Land Management's, Federal Highway Administration's, Internal Revenue Service's, and Veterans Benefits Administration's use of balanced expectations to manage senior executive performance in order to identify initial approaches that may be helpful to other agencies in holding senior executives accountable for results.

### What GAO Found

The agencies GAO reviewed developed an initial set of balanced expectations for senior executives to address in their individual performance plans. GAO found that these agencies are in the early stages of using a set of balanced expectations to appraise senior executive performance and there are significant opportunities to strengthen their efforts as they move forward in holding executives accountable for results. Specifically, more progress is needed in explicitly linking executive expectations for performance to organizational goals. In addition, while these agencies address partnering with customers and other stakeholders, greater emphasis should be placed in fostering the collaboration within and across organizational boundaries to achieve results. Successful organizations understand that they must often change their culture to successfully transform themselves, and such change starts with top leadership. Senior executive performance expectations to lead and facilitate change could be a critical element as agencies transform themselves. The agencies generally agreed with these conclusions, as well as the selected initial implementation approaches GAO identified, as shown below.

#### Selected Initial Implementation Approaches to Manage Senior Executive Performance that May Be Helpful to Other Agencies

**Provide Useful Data.** The agencies disaggregated data from agencywide customer and employee surveys. In addition, the Bureau of Land Management and Veterans Benefits Administration provide senior executives with objective data through real-time data systems so that executives can track their individual progress against organizational goals.

**Require Follow-up Action.** The Internal Revenue Service requires senior executives to develop action plans to follow up on customer and employee issues identified through agencywide surveys. The Federal Highway Administration requires executives to use 360-degree feedback instruments to solicit employee views on their leadership skills and then incorporate action items into their performance plans for the next fiscal year.

**Make Meaningful Distinctions in Performance.** The agencies are working at making distinctions in senior executive performance. To recognize varying levels of significance and complexity among executive performance, the Internal Revenue Service established an executive compensation plan that assigns executives to bonus levels with corresponding bonus ranges based on levels of responsibilities and commitments.