



Performance-Based Pay at NGA

Involving managers and employees from the outset is critical to workforce acceptance and sustained success.

by Howard Risher and Andrew Smallwood

Over the past year or so, a great deal has been written about the problems of the performance-based pay programs at the U.S. Departments of Defense (DoD) and Homeland Security (DHS). Employee complaints also forced changes in new pay programs adopted by the U.S. Securities and Exchange Commission (SEC) and the U.S. Government Accountability Office. Critics argue that the record shows that pay for performance cannot succeed in government, but that stance ignores the many successes, starting with China Lake in 1980. Moreover, the General Schedule (GS) system is generally acknowledged to need replacement, so the focus needs to shift to understanding how to plan and gain acceptance for new practices that will serve government in the future.

One of the most successful performance-based systems is now in its second decade at the National Geospatial-Intelligence Agency (NGA). The pay and performance management systems have helped the agency win several awards, including a presidential award for management excellence, the President's Quality Award, and *Workforce Magazine's* Optimas Award, which recognizes initiatives that create positive business results. NGA was also named as an employer of choice in St. Louis.

This article focuses on the approach used to develop the NGA program, which may look like other salary programs but is not canned or cloned. The agency's managers and employees were deeply involved

in planning the program, and the record confirms that the approach used in planning is key to employee acceptance of any new program.

Background

Formed in 1996 as the National Imagery and Mapping Agency (NIMA), the organization merged four separate offices and parts of several others involved in government's imagery, mapping, and associated intelligence functions. The goal of the new agency was to integrate the operations of the several entities. As with many mergers, the several offices had their own cultures and management styles. "They weren't even speaking the same language," said the human resources (HR) director when the agency was created. NIMA changed its name to NGA in 2004.

The NGA pay program was one of the models for the design of the intelligence community's newly approved National Intelligence Civilian Compensation Program (NICCP). DoD's implementation of the NICCP's requirements, the Defense Civilian Intelligence Personnel System (DCIPS), began in earnest in August 2008. NGA was folded into DCIPS in October 2008.

Framework for Managing Salaries

To support the new organization, the agency developed totally new systems for managing people. A contractor was hired for a best practices benchmarking study. In addition, the HR team conducted a series of focus groups to understand manager and employee concerns and needs. Finally, the agency established a steering group composed of twenty employees from across the agency to develop program recommendations.

One product of this effort was a statement of values considered important to the success of the agency. A key issue was the need for flexibility to pull together the talent to quickly respond to unexpected world events and then just as easily move employees back to their normal roles. The emphasis on high performance prompted the

team to focus on practices that promote excellence and the continuous development of employee capabilities.

The deliberations led to a decision to develop a new salary system to support the people goals. It was based on five salary bands, with increases linked to performance:

- ◆ Band 1 covered the support job series and ran from what had been GS-1 and to the top of GS-7.
- ◆ Band 2 was essentially for employees in developmental positions and in senior support positions, beginning at GS-7 and extending to the top of GS-10.
- ◆ Band 3 was the full performance level, starting at GS-11 and running through GS-12.
- ◆ Band 4 was for some supervisors and select subject matter experts and encompassed GS-13 and 14.
- ◆ Band 5 was reserved for managers and experts and ran the entire GS-15 salary range.

Conceived as Workforce 21, the pay system was later changed to Total Pay Compensation and its associated NGA Performance Management System. The initial transition to the new system was smooth: one advantage of pay bands is that jobs and salaries can be effectively slid from the old system to a new one without change, so the immediate impact is small.

System Design and Stakeholder Buy-In

The focus groups and steering team were the starting point for continuing employee involvement. When the framework for the new system was agreed upon, the HR team asked one hundred additional managers and lower-level staff members to participate on eight teams to flesh out new HR practices. Feedback was solicited at several points from the various stakeholders, including union representatives.

This involvement from inception helped garner "buy-in," or ownership, across the different groups. Individuals who played a role often became champions of the new system. This also provided for diversity of perspective, which helped system planners anticipate special circumstances and issues that could prove problematic. By working with unions, NGA's leadership was able to address their concerns directly and mitigate them. One additional benefit of engaging the workforce

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early was that employees developed an understanding of issues and hurdles, along with linkages to organizational goals—putting them in position as trusted sources of information for coworkers.

NGA also used the merger to consolidate, update, and improve its core HR functions, including revamping its occupational mapping and promotion processes. Managers and employees were involved throughout the planning process. Moreover, the team set up a project management office (PMO) to guide planning. Staffed with HR specialists who worked with leaders across the agency, the PMO elevated the initiative's prominence and coordinated planning activities, and a senior steering group provided ongoing guidance to the PMO staff.

Core Practices— Pay and Performance Management

Pay for performance depends on two separate—but linked—decision systems: the process governing performance management and the mechanism for determining salary increases. NGA supervisors made rating decisions (after approval was granted by reviewing officials), but panels, usually composed of supervisors and managers, determined salary increases and bonuses. To compute salary increases, the panel members relied on pre-established business rules (published for the workforce in advance) and a spreadsheet that uses a mathematical algorithm. NGA introduced the algorithm in the early years of the program after employees asked for more consistency in the pay pool results. The algorithm takes into account the employee's performance rating, scores of the others in the salary pool, and available budget.

The bonus process is less structured in that the panels are required to award bonuses within budget but otherwise could apply their own local decision rules. In some early sessions, the tendency was to “spread the wealth” too thinly, which would have resulted in almost meaningless awards to nearly everyone. The director introduced the general rule of a percentage threshold that limited the number of recipients to ensure that bonuses were sizeable enough to be an effective reward.

Salary increase and bonus recommendations from the panel deliberations were then reviewed by senior management, approved by the director, and communicated to employees. Initially, payouts took several months, but in more recent cycles, they took less time and coincided with the annual January increase process across government.

NGA has relied on a legacy performance management system where ratings are “measured” on a 500-point scale, with final ratings grouped at five levels. Tasks performed by each occupation were documented, along with the required knowledge and skills. This information was used by as many as thirty professional advisory boards (PABs)—working groups that consider issues related to the occupation—over the years to define critical performance elements for each job family. NGA supervisors use these critical elements, selected from a cafeteria-like menu in the HR information system and assigned weights, to develop a job-specific basis for evaluating performance.

Experience planning new pay and performance systems in other organizations, both public and private, confirms the value of design features that are occupation-specific. They make it easier for supervisors and their subordinates to discuss performance expectations and final ratings. Critical elements are more readily accepted when they are defined in the context of the immediate work situation and related to the mission of the work group. That is a significant benefit of the NGA approach.

Communication and Training

The change management practices NGA used when converting to the new system are often cited as best practices. The practices included aggressive employee outreach and training for managers on everything from process instruction to soft skills training (such as holding feedback and coaching discussions with employees). An underlying purpose was to convey a sense of urgency and demonstrate a level of commitment to the process. NGA's director was a vocal champion for the new system and ensured that senior leaders across the organization were solidly behind the effort.

NGA made use of data gathered in the focus groups to tailor communication and training provided to the workforce. Messages were shaped to match the culture and mood of the workforce. The agency also developed specific training for its various target audiences to address their concerns and responsibilities in the new personnel processes. This training established the baseline of knowledge needed for successful implementation.

Finally, a series of workshops provided HR professionals with the knowledge required to operate effectively within the new system. The training covered topics ranging from new policies and procedures to skills

needed to consult with managers. This ensured that the organization had a group of subject matter experts who could support the rest of the agency.

Program Evaluation

NGA/NIMA also established a systematic evaluation approach throughout the life cycle of the system. This approach required an annual review of all the facets of the system and a semiannual comprehensive evaluation, employee surveys, targeted interviews, and focus groups. The findings and resulting recommendations were then used to improve system processes and develop solutions to any issues that surface.

One of the tools of this evaluation was an annual survey to assess employee attitudes toward the system and the resulting payouts. This survey also collected data on employee perception of equity within the system as well as the credibility of the ratings. NGA also conducts a comprehensive performance pay review each year. The distribution of ratings and financial rewards are analyzed for possible unintended impacts. The outliers and exceptions are scrutinized as well as the justification for larger bonus awards. The results are approved by the agency director in consultation with the subordinate organizational heads. A summary of the results are then made available to the workforce for transparency.

Keys to Success

The nearly decade-long existence of the program provides a basis for understanding the reasons for its success. The key points for agencies planning to move to pay for performance are as follows:

- ◆ *Employee involvement.* NGA relied heavily on employees for input and solutions to various aspects of the design (pay band, performance management, career development, pay pool administration, etc.). This established buy-in and helped surface diverse views of issues. Employees could see that their concerns were being addressed through revisions made to the program before the next annual pay cycle began.
- ◆ *Reliance on pay panels to manage salary increases.* Panels served to minimize any prospects for bias and discrimination, a problem that has been highlighted by employees covered by recently installed salary systems. The panels, staffed by managers

knowledgeable about the employees being considered, also serve to reduce rating inflation.

- ◆ *Use of PABs to develop credible performance criteria.* These boards comprise recognized subject matter experts who understand the jobs and expectations. They establish a credible framework for evaluating the performance of specialists in each field.
- ◆ *Use of an algorithm to control increases.* The algorithm is a mechanism to increase consistency across the agency and thus avoid claims of bias. Allowing supervisors to decide increases sounds good in concept but in other agencies has triggered employee complaints.
- ◆ *Aggressive communications.* By conducting numerous town halls and other special events, publishing articles along with brochures and director's communications, NGA was able to establish credibility with the workforce throughout the program's implementation.
- ◆ *Commitment to continuous improvement.* The agency worked at improving the system. The ongoing feedback led to a number of refinements.
- ◆ *Establishment of the PMO.* The PMO focused the initiatives and made it clear that this was an agency priority.
- ◆ *Leaders as champions.* NGA established a senior steering group headed by three agency leaders and populated with other executives from across the agency. This ensured that the initiative was viewed as a priority of the agency's leaders, not simply an HR activity. The group provided guidance and direction to the PMO and ensured that the initiative was in line with NGA's vision and goals.

NGA overcame early concerns by planning broad employee involvement, furnishing a rigorous program assessment process, and persistently working to improve the process over time. As a result, the agency workforce has repeatedly expressed support in surveys, where NGA scores high among federal agencies. The program has contributed to employee engagement across the agency. It has fully met the original objectives of increased flexibility to assign work and support for high performance.

Looking to the Future

Salary systems adopted by federal agencies over the past thirty years are very similar in design. They are all based on salary bands and rely on performance-based salary increases. The design differences are minor and arguably inconsequential. Problems that emerged at DoD and DHS are not attributable to system design.

The U.S. Office of Personnel Management has categorized pay for performance as an experiment. That is to say, a purpose of the demonstration projects is to “test” ideas, but that is only because in 1978 when the Civil Service Reform Act was passed, performance pay was not yet accepted in the public sector. Today, it’s effectively universal in the private sector and has been successfully implemented in a growing list of state and local public agencies, along with government organizations around the world.

Performance pay is no longer an experiment. The concept is straightforward and relatively simple. The de-

sign of a banded salary system is also straightforward. Federal experience over the years confirms it can be accepted, but also that the process issues are critical. That is true in the planning stage and in ongoing salary management. Factors that contributed to NGA’s success are all process related.

The intelligence community’s new NICCP borrows heavily from the design of the NGA program, but the design allows for some local variation to accommodate differences in organization culture and mission. The expectation is that this flexibility will contribute to a sense of local ownership. The SEC’s chief human capital officer, Jeff Risinger, said last fall in assessing the termination of the performance pay system in that agency: “You can go force things, but they’re not going to work if you don’t involve ... key stakeholders.” The NGA experience solidly supports his assessment.



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