

NUCLEAR REGULATORY COMMISSION

IN THE MATTER OF:

PUBLIC MEETING

BRIEFING BY O.P.M. STAFF ON

S.E.S. PERFORMANCE APPRAISAL SYSTEM

Place - Washington, D. C.

Date - Thursday, 14 June 1979

Pages 1 - 45

POOR ORIGINAL

Telephone:
(202) 347-3700

ACE - FEDERAL REPORTERS, INC.

Official Reporters

444 North Capitol Street
Washington, D.C. 20001

NATIONWIDE COVERAGE - DAILY

282 009

7907030407

DISCLAIMER

This is an unofficial transcript of a meeting of the United States Nuclear Regulatory Commission held on Thursday, 14 June 1979 in the Commission's offices at 1717 H Street, N. W., Washington, D. C. The meeting was open to public attendance and observation. This transcript has not been reviewed, corrected, or edited, and it may contain inaccuracies.

The transcript is intended solely for general informational purposes. As provided by 10 CFR 9.103, it is not part of the formal or informal record of decision of the matters discussed. Expressions of opinion in this transcript do not necessarily reflect final determinations or beliefs. No pleading or other paper may be filed with the Commission in any proceeding as the result of or addressed to any statement or argument contained herein, except as the Commission may authorize.

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

PUBLIC MEETING

BRIEFING BY O.P.M. STAFF ON
S.E.S. PERFORMANCE APPRAISAL SYSTEM

Room 1130
1717 H Street, N.W.
Washington, D. C.

Thursday, 14 June 1979

The Commission met, pursuant to notice, at 9:50 a.m.

BEFORE:

- DR. JOSEPH M. HENDRIE, Chairman
- RICHARD T. KENNEDY, Commissioner
- PETER A. BRADFORD, Commissioner
- JOHN F. AHEARNE, Commissioner

ALSO PRESENT:

MESSRS. GOLDMAN, WAKHAM, SHAPAR, STOIBER, GOSSICK

#1

P R O C E E D I N G S

(9:50 a.m.)

1
2
3 CHAIRMAN HENDRIE: If we could come to order,
4 please. I think we will go ahead. We have apparently a
5 busload of the staff circling the landing area but haven't
6 been able to alight on the ground, and assorted Commissioners
7 are here, there, and the other place, and I guess my own
8 time here this morning will be limited to about 45 minutes,
9 I'm sorry to say.

10 Our subject is a briefing on the SES Performance
11 Appraisal System, and we look forward to hearing more about
12 the SES system. It is really a subject that we will discuss
13 in assorted aspects and in detail as time goes on. It's a
14 major new system for senior staff of the agency, and I
15 expect it will be several years before we all begin to
16 fully understand all of the meanings and procedures and
17 aspects of the Senior Executive Service.

18 Lee, why don't you go ahead and get us started.

19 MR. GOSSICK: All right. Thank you, Mr. Chairman.

20 I guess, just to start with, the action up on the
21 Hill yesterday may not bode too well for the whole program --
22 that is, as far as the inducement to join up; the pay raise
23 action will keep things, you know, at the present cap.

24 CHAIRMAN HENDRIE: Well, I look forward once
25 again to that period in federal personnel policy when

1 everybody except Cabinet officers and the President make
2 the same salary. You know, I think in a democratic society
3 it's a great system; everybody makes the same. Never mind
4 what you do.

5 (Laughter.)

6 CHAIRMAN HENDRIE: You know, we were like that
7 down here in, what, '72, '73? Only this time I would really
8 like to see the compaction go all the way down maybe to
9 GS-12, or something like that.

10 (Laughter.)

11 CHAIRMAN HENDRIE: Really be an egalitarian
12 society.

13 COMMISSIONER AHEARNE: Well, I guess -- I can't
14 let that pass.

15 (Laughter.)

16 COMMISSIONER AHEARNE: As long as the pay is
17 adequate, I guess I can't get too upset.

18 MR. GOSSICK: As a part of the process of
19 implementing the SES, of course you're well aware of the
20 fact that we do have a major chore ahead of us in putting
21 in performance appraisal systems.

22 At any rate, I will let Mr. Goldman
23 introduce our speaker who is here this morning from the
24 Office of Personnel Management, to give us an insight and
25 words on this particular part of the program.

1 Pete, why don't you go ahead.

2 MR. GOLDMAN: This morning, Mr. E. C. Wakham,
3 who is currently -- he moves around so fast that his title
4 is not certain from day to day -- he currently is Special
5 Assistant To Sam Phillips, who is Guy Campbell's special
6 assistant, and Acting Director for Executive Development
7 Sally Greenberg's shop.

8 He was the -- he headed up the Interagency Task
9 Force responsible for management training and performance
10 standards development, which is part of this performance
11 appraisal system.

12 He is going to provide approximately a 45-minute
13 briefing in hopes that it will generate discussion and
14 questions which he would prefer that you shoot at him as
15 they come to mind, rather than wait until the end.

16 After this is done for the top management, then
17 we intend to take people in each office and train them, and
18 then bring them back to train the people in their offices,
19 so that we don't try to get the mass of managers and try to
20 take them in three days and teach them something. We think
21 it's a better way of doing it.

22 So without further ado, Mr. E. C. Wakham.

23 MR. WAKHAM: Thank you, Pete.

24 I do have a lot of papers. I promise not to use
25 them all.

1 Good morning, Mr. Chairman, members of the
2 Commission, thank you for inviting me. I would like to
3 introduce a couple of other members of the OPM -- that
4 means Office of Personnel Management -- staff. I find it
5 still hard to say "Office of Personnel Management." A
6 couple of other members of the staff who are here in the
7 audience, one is Gary Statton who is what we call -- I guess
8 we call him an Account Executive for the Nuclear Regulatory
9 Commission's Senior Executive Service Account, from our
10 office. And toward the back of the room is R. D. Ames.
11 R. D. is our new Director of the Special Programs Consulting
12 Services Division, and because performance appraisal is so
13 much involved, and it is such a sensitive issue of high
14 concern right now, their entire consulting services operation
15 is devoted to and dedicated to performance appraisal.

16 They are people who will -- who can provide
17 technical assistance to NRC, should you need it, should you
18 want it, as you proceed.

19 CHAIRMAN HENDRIE: Well, we welcome them here,
20 as well as you, and I am sure we will need assistance sooner
21 or later.

22 MR. WAKHAM: Thank you.

23 It's hard to know where to start, because
24 ordinarily when I'm in a situation like this, the closest
25 thing I can remember to a situation like this is testimony

1 before the Prince Georges County Council, and I'm never
2 there except, when always on one side of the room, there
3 are people who are saying "yea, yea, yea," and over here
4 they're saying "boo."

5 (Laughter.)

6 COMMISSIONER AHEARNE: You've got us
7 characterized.

8 (Laughter.)

9 MR. WAKHAM: I hope it doesn't turn out that
10 way. I do wish we could have conducted this on a day
11 other than the day that news came out in The Post.

12 As I understand it, your purpose at this meeting
13 is to learn a little bit more about performance appraisal
14 process. And that is, what it is that we're talking
15 about, and why we from OPM are so insistent that line
16 managers and executives get involved in the performance
17 appraisal process when it seems to be an Office of
18 Administration type concern.

19 What makes it different now, and how we see it
20 proceeding, and how we see it as being of greater value
21 when you, the senior management, do get involved.

22 I should share with you that I also have an
23 agenda, really. I hope to enlist your support for the
24 people here in the NRC and the Office of Administration,
25 and your very careful and considered involvement with the

1 development of the performance appraisal system that they
2 have been at work on and continue to work on, and I hope it
3 will result in your very careful consideration of the
4 materials they develop and give them good comments about the
5 kinds of changes you need in it.

6 I have never worked with NRC before, so I can't
7 speak very much for NRC particularly. But I have met and
8 worked with representatives of a lot of other science-based
9 agencies.

10 I do believe that, given the new law, the new
11 SES law, you will have to build a performance appraisal system
12 that meets your needs, or your SES, your Senior Executive
13 Service, won't work.

14 I also believe that our government generally is
15 not as effective and efficient as it could be. It's easy
16 for all of us to believe that, but we keep getting it said
17 to us by members of the public, as well. And for the last
18 couple of campaigns, it's been a campaign issue about
19 whether our government is as effective and efficient as it
20 can be.

21 Most of the people, as I understand it, who are
22 complaining about the effectiveness and efficiency of our
23 government, though, are not complaining about their Postmen,
24 and they are not complaining about the Social Security
25 caseworker that they meet, and they're not complaining about

1 the Forest Ranger, or the Park Service Ranger that they meet.
2 One Presidential candidate a couple of campaigns ago put it
3 very succinctly when he talked about the "pointy headed
4 bureaucrats in Washington," where he saw the insensitivity
5 was with us, the managers -- not necessarily the
6 Presidentially appointed manager, but somewhere in that range
7 below that, perhaps, the army of civil servants.

8 I think that we didn't deserve -- we don't
9 deserve that pasting. I think as individual managers we
10 are good. I do believe that for a long time, however, our
11 system -- and that's just the way President Carter
12 characterized it when he ran -- he characterized us as good,
13 capable, dedicated managers and executives, but victims of
14 a system that really wouldn't let us do and manage the way
15 we wanted and needed to manage.

16 I think he's quite right. And that story about
17 the old farmer who didn't want to hear about crop rotation.
18 When the county agent told him about it, he said, "Don't
19 worry; don't bother me about new ways to do it, because
20 I'm not farming as well now as I know how to farm."

21 Well, there is something to that. In our case,
22 however, we haven't been permitted, I think, by our system
23 to manage as well as we know how to manage.

24 We have had excellent reasons for not managing
25 our human resources. The deck has been stacked, I think,

1 against any manager who wanted to manage professionally.

2 Now while NRC hasn't been subject to all of those
3 civil service rules and regulations that many other parts
4 of the agencies -- I think I could probably make a pretty
5 good case that some of the Civil Service restrictions have
6 had a chilling effect on agencies like NRC.

7 Most federal managers and executives -- and I
8 think this may help me make that same point in a different
9 way -- most federal managers and executives are not just
10 managers and executives only. And I think that certainly
11 is true more in science-based agencies than it is in the
12 general agencies such as, for example, perhaps GSA.

13 But we have more agencies where most of our
14 executives and managers are first scientists, or first
15 senior professionals, or senior specialists in something,
16 and second managers. And they are managers because they
17 have to be managers to get done what has to get done.

18 But they didn't start out to be managers. Our
19 senior scientists are respected. My impression is, again,
20 our senior scientists are respected as senior scientists.
21 It's as managers that they are not respected.

22 The new emphasis on performance appraisal in
23 government will, we hope, help to bring about some adjustment
24 in the quality of management, to raise that level of quality
25 of management to the point where it at least approximates

1 the quality of specialists that we have. And won't
2 require us, I believe, to change the managers we have; it
3 will just require us -- those managers, to begin to operate
4 with systems that they control so that they can operate
5 and manage as professionally as they know how to manage.

6 I should make a disclaimer here, I think. My
7 views don't always -- I don't always check them out to see
8 whether, at any given point in time, they represent an
9 official policy statement. I can assure you that they
10 won't run counter to any policy statement, but I'm not sure
11 whether they -- a policy statement has been published that
12 runs exactly along that line. I won't say anything
13 inconsistent with policy, however.

14 In the 1960s, I was involved in helping
15 departments and agencies in government install planning,
16 programming and budgeting systems. "PPBS" is what it was
17 called, and I expect a goodly number of people here
18 recognize those terms or those set of initials.

19 There was an immediate and very pressing need
20 behind the critical demand on the part of the President to
21 install PPBS government-wide. There were many agencies
22 in government -- as inconceivable as it may sound now --
23 there were many agencies in government that had planning
24 shops set up, and they developed their program plans in
25 one place in the agency, and they developed their budget in

1 another place in the agency, generally on different cycles.
2 And at no time was any decisionmaker ever -- did a decision-
3 maker have in front of him or her the program plans of the
4 agency and the financial resources of the agency at the same
5 time.

6 Right now, as I look back on it, I think it's
7 impossible to run an agency that way; and yet, the fact is
8 that we did exist and work that way for a long period of
9 time.

10 I have learned a lot. I think all of us learned
11 a lot in trying to implement PPBS at the time. One thing
12 that we learned is there was a lot going on in the Federal
13 Government that we didn't know about.

14 We started with a charter from the then Budget
15 Bureau. The Budget Bureau assumed that it had not been
16 required, and therefore agencies were not doing it, because
17 these things didn't come up together.

18 And so I remember probably my most embarrassing
19 moment was when I met with the General Manager, and with the
20 Board of Governors and senior staff of the Tennessee Valley
21 Authority at Huntsville, Alabama, where they had called a
22 meeting to brief them on what they now had to do with
23 respect to PPBS.

24 And I found out this was scheduled to be a two-
25 day meeting, because this PPBS was so different and so

1 involved, and it took about an hour and a half to find out
2 that they already knew, that they were already doing
3 everything that we were trying to encourage agencies to do.

4 The trouble is, I didn't know that, and they
5 didn't know that, before we scheduled that meeting. And
6 we ended up wasting a lot of time.

7 We did cancel the meeting afterwards. But to
8 suggest that departments and agencies now are not appraising
9 performance would be tantamount to saying that they weren't
10 then doing things to bring their financial resources
11 management and their program planning together.

12 The reason I bring up that example about PPBS
13 because I see performance appraisal as being somewhat
14 analagous. I hope that sometime four, five, six, or seven
15 years in the future, maybe ten years, we will be able to
16 look back and say: It's inconceivable to me that a Federal
17 Government Agency, or any large organization, could manage
18 if they only have their financial resources and their
19 program plans, and they are not -- and human resource
20 management is not related to that.

21 But the fact of the matter is, for all these
22 years we have been managing our human resources as if they
23 were something entirely different and separate from program
24 plans, and from financial resources in many, many agencies
25 around government and under a different set of rules.

1 We have made progress with PPBS. Most agencies,
2 even the ones who were not managing their financial resources
3 and their program plans at the same time. We made progress
4 there in bringing about an integration of management. That's
5 what I hope that we can do here, as well.

6 The best way -- a way of talking about performance
7 appraisal and how it relates to getting human resources
8 management involved in financial and program resources
9 management I think is to take about two or three minutes
10 on management theory, per se, not more than that, I think.
11 We're a long way behind management theory in the Federal
12 Government. Early management theory made a very strong
13 distinction between "managers" and "workers," "the manager"
14 and "the managed," and it came down to this: The managers
15 knew everything, and the workers didn't know much of anything.

16 And the managers applied the principles of
17 scientific inquiry, and decided the best way to do everything,
18 and they decided where it should be done, what should be the
19 conditions of work, and exactly in what order things were
20 going to be done, and the workers did what they were told.

21 Now that may have represented the real world a
22 long time ago. I somehow doubt that it did. But it certainly
23 doesn't represent the real world today, particularly in
24 service-oriented or government agencies where the top
25 managers cannot know the details, or how to do what the

e-1 1 professional and the middle-level managers have to do.

b-2 2 In the mid-'50s was probably the first introduction
3 when Peter Drucker coined the word "Management by Objectives."
4 He and Douglas McGregor were writing at about the same
5 time, and suggesting that people had to be involved in the
6 goals that they were going to work towards. People had to
7 be committed to the goals, and the world is complicated enough
8 so that people had to themselves be involved in devising and
9 designing their own goals.

10 But the Civil Service laws stayed pretty much
11 the way they were, and they didn't allow that to happen.
12 And now it's my hope that Civil Service Reform Act will allow
13 us to break out of that mold that represented the old
14 management thinking, and apply much more of what we know
15 about how to create the climate where effective management
16 can take place.

17 Right now we are in a period where every agency
18 can look at itself and devise the kind of system that seems
19 to apply to it. The theory is that agencies will do it.
20 They will do -- design systems that meet their needs, and
21 they will be different for each agency.

22 MR. GOSSICK: Excuse me. Was that a deliberately
23 thought-out solution? I guess it doesn't immediately follow
24 in my mind that just because there are different agencies,
25 that we necessarily need a totally different system. Could

1 there not have been an approach toward at least some
2 common, you know, baseline system, with perhaps provision
3 for slight adjustment here and there?

4 We have everyone out now, every agency, inventing
5 their system from scratch, and it seems like a very, you
6 know, needless duplication of effort.

7 MR. WAKHAM: It may be. We did start with the
8 presumption that the Civil Service Commission that had been
9 the very stringent rulemaking body, would delegate to
10 departments and agencies, because most departments and
11 agencies are big enough to run their own separate systems,
12 and that if they do it themselves they will know that is
13 workable for them.

14 So, yes, I would say that that tendency to
15 delegate away from the central personnel agency was
16 deliberate.

17 Performance appraisal is not -- please turn on
18 the slide number two, please.

19 (Slide.)

20 Where we are, then, is: Performance appraisal
21 is not a new concept. It has been used extensively in
22 public and private sectors, and in the private sector in
23 major companies.

24 The private sector has been more ready to adapt,
25 and more ready to experiment with performance appraisal and

1 changes in it than we have, because they haven't operated
2 under quite so many laws as our personnel system has.

3 But in the Federal Government, it's taken on a
4 new significance for us, because of CIA, and that gives
5 you more reason to have concern with it.

6 Would you put on number three, please?

7 (Slide.)

8 The performance appraisal system will be used --
9 I don't think I'll tell you now things you don't know, but
10 decisions on retention, transfer, removal of members of the
11 Senior Executive Service. Performance appraisal, the
12 outcome of that information, or that information -- or the
13 outcome of the system will have some effect on these
14 decisions, and it will be the main base of decisions with
15 respect to granting performance awards and merit pay. And
16 should you adopt it for your merit pay people, merit pay
17 increases, performance awards, and RAKS(?) in the SES.

18 It will be used also to help you decide who to
19 train, who to promote, who to reward, and it will help you
20 identify an acceptable performance, we hope, at an early
21 stage and remedy it and take some action.

22 If you've been with the government for anything
23 more than a few months, you know, that the performance
24 appraisal process that we have been working under hasn't
25 done any of those things; they're not achieving basic

1 purposes. And we've had -- invented administrative
2 office system, but it does not help you identify job
3 requirements at expected levels of performance. It does
4 not, the ones we have had in the past, help you establish
5 any system of accountability so that we know who is
6 responsible for doing a job, and who is doing a job, and who
7 is not doing a job.

8 So it doesn't provide a sound base for making
9 decisions about people.

10 Please put up number four, please.

11 (Slide.)

12 In the next few minutes -- that's essentially
13 what we want to cover. What's in it for you as line managers
14 if you become involved in performance appraisal? And what
15 are the advantages for you as line managers if you do that
16 well?

17 Also, what are some of the things that you can
18 expect to result if you, as line managers, don't involve
19 yourself and operate to build and to operate your performance
20 appraisal system?

21 There are five areas where I believe the
22 organization can gain significant improvements as a result
23 of implementing a well thought out and well planned system.

24 Slide, please.

25 (Slide.)

1 Those are better implementation of organizational
2 policies and goals. And with respect to that one -- the
3 top one there -- better implementation of organizational
4 policies and goals, your performance appraisal system and
5 your process of appraising performance of your executives
6 should help to ensure that you're organized to achieve what
7 you're in business for.

8 I have another visual I think that will help
9 to illustrate that point better. Would you put up number
10 six?

11 (Slide.)

12 The traditional management theory suggests,
13 within government all of our organizations were planned
14 and departmental goals were worked out of legislation and
15 Presidential policies and appropriations. The assumption
16 is: We develop, at the head of the agency, a mission that
17 is broken down, and it's generally by function. That is,
18 under the mission there is this function, and that function,
19 and another function.

20 And within those functions, each has organizational
21 goals, budgets, and work plans. And under that, there are
22 delegations of authority and functional statements for each
23 organization within the organization. And feeding directly
24 out of that, you go directly down to the base of -- the
25 base document, that performance is presumably based on, and

1 that is an individual employee position description. So
2 that scientifically, using the scientific method approach
3 to management, you start with a mission, and we -- those
4 who know: that is, the managers -- break it down into
5 functions, and subfunctions, and sub-subfunctions, and
6 finally it gets down to the point where there is a position
7 description.

8 Now the theory behind that is that as an
9 individual, at any point in that chain, I don't have to
10 be committed to the goal. All I have to do is do exactly
11 what's in a position description. And if I do exactly what's
12 in my position description and you do exactly what's in your
13 position description, and we all do that, then somehow it
14 will add up to the mission of the agency.

15 That has been found wanting, because those things
16 can't be kept up-to-date that much. What we are adding,
17 then, is one other piece. We are not going to get rid of
18 position descriptions -- well, for SES that's not a
19 problem -- but for the bulk of the agencies, we're not going
20 to get rid of those things; but we are suggesting that it's
21 also useful to look at the output requirements of the
22 position.

23 Once you get people on board -- while the
24 position description and so on was useful for recruiting
25 them, and it's useful for classifying their jobs -- and I've

1 never been to a place where the position descriptions are
2 current, and I've never been to a place where the
3 organization problems are not current -- they always are --
4 and it's useful to add into this process some consultation
5 with the individual job incumbent about what are the output
6 requirements of your job? What are the expectations? And
7 how do we break down your job into what it should contribute?

8 Will you put on number five, please?

9 (Slide.)

10 That should give us an improved system of
11 accountability which, I suggest, has been one of our
12 important problems in the Federal Government. We are
13 perceived as being "buck-passers," as not knowing who is
14 responsible for what; having two or three people responsible
15 for something, and no one responsible for something else.

16 If we can clarify the output requirements of
17 organizations in the first instance, and individuals in the
18 second instance, and in what we call -- or call them "job
19 elements" -- if we can clarify those and then hold people
20 accountable for what they say they are willing to contribute
21 through a performance appraisal system, we will have
22 created a better system of accountability of dealing with
23 what we should be doing and what we have just completed
24 doing.

25 Improved planning and budgeting -- and anytime we

1 get a better picture of the goals and objectives of the
2 organization in relation to the performance of the
3 individual organizational units and components, and in
4 relation to the individual employees and executives, both
5 planning and budgeting are going to be improved.

6 Now this is not to suggest that having --
7 installing performance appraisal and beginning to appraise
8 executives' performance in terms of the results expected
9 is going to make your system of planning and budgeting any
10 different, but it should make them more reliable.

11 Our fourth point is: Sound, better personnel
12 decisions. There are two concerns that you as executives
13 have, I think, in the area of personnel decisions. One is
14 to provide equitable treatment for employees, your
15 executives, and your managers, and your employees alike,
16 both for morale and productivity reasons, and maintain your
17 image as a fair employer.

18 Another is to help you and your supporting
19 managers to make and justify a variety of personnel actions.
20 Now personnel actions in the federal service have always
21 required documentation, and they will continue to require
22 documentation. But with a performance appraisal system in
23 place providing you sound data, you will be able to show
24 the job-relatedness of the actions you take and the process
25 can form the basis of properly justifying actions both in

1 explanations to employees, and in appeal and grievance cases.
2 The granting of bonus or denying of bonus to your managers
3 in SES; or, should you apply this to your merit pay group,
4 making merit pay decisions for your GS-13s, -14s, and -15s,
5 will be one of the most sensitive new areas that you or
6 SES executives face.

7 Besides the purely monetary considerations involved,
8 there are ego problems involved. I just think about the
9 executive who gets no bonus, while a peer gets a \$10,000
10 bonus, and I think you can see how essential it is to have
11 a performance-related base for explaining that difference.

12 Performance appraisal system and good performance
13 data won't relieve you of having to explain those decisions,
14 but it will give you a basis for doing it.

15 The final one -- and probably the most important
16 one -- of the reasons for your personal involvement in the
17 design of your performance appraisal system for SES is
18 improved communication. It may be the most important.

19 Up and down the line, the assumption of most
20 generally accepted management theory is that creativity is
21 widespread throughout the working world, and most of us want
22 to contribute. Most of us want to do a good job. But most
23 of us need feedback about how we're doing.

24 The big complaint that one hears wandering around
25 the Federal Government is -- and you hear it from executives

1 just as frequently as you hear it from first-line
2 supervisors and workers -- is that they don't tell me how
3 I'm doing.

4 Now we have been in some places where it is
5 clear that people do tell folks how they are doing, and when
6 they find out how they are doing they wish they hadn't heard.
7 But it is a long-standing complaint, particularly among
8 executives, that they do not get performance feedback.

9 COMMISSIONER AHEARNE: Is it an equivalent concern
10 that they aren't sufficiently clearly told in the beginning
11 what's expected of them?

12 MR. WAKHAM: Quite so. And that's a companion
13 concern that we hear. "They don't tell me what I'm expected
14 to do, and they don't tell me how I'm doing."

15 The properly used --

16 MR. GOLDMAN: Would these top executives who are
17 going to have to be raters or reviewers and so on, can you,
18 having looked at the functional statements for the
19 organization -- one of the officer directors' type thing --
20 can you give them an idea of the difficulty involved in
21 trying to develop, say, "a" performance standard, or pull out
22 what is a critical element? Because this is the thing that
23 I think they're going to face, and have trouble facing.

24 MR. WAKHAM: I can try. There are several ways,
25 Pete, to break down the job -- an executive's job, or

1 anyone's job. You can break down a job in terms of: What
2 are the activities that you carry out? And that's what's
3 written in your position description, and we want you to do
4 this, we want you to do that, and do that, and do the full
5 thing.

6 Now when you do what you find yourself measuring
7 is how well does he do that thing? How well does he do
8 that thing? How well does he do that thing? And wondering,
9 sometimes, what does it all add up to? Because it's not
10 necessarily true that doing that, that, and that, in this
11 given year with the problems in the agency this year, will
12 add up to what we wanted it to add up to.

13 A way that I suggest that you might go is to think
14 in terms of breaking down the job into elements that
15 represent outputs that you expect from that person's
16 organization, and outputs that you expect from that person
17 individually. And of course those two things are in the law,
18 except it doesn't say "outputs," it says "elements or
19 factors" in the law.

20 Now my general suggestion is to think in terms
21 of those as being "outputs," that meaningful appraisal of
22 effectiveness starts with identification of major output
23 areas, or result areas, of the job in advance. An "output"
24 being something that is observable, and it's a measurable
25 result. It describes results that are measurable and

1 observable, and therefore documentable. It describes
2 results that are obtainable within the authority of the
3 position -- and that's a very important factor. And it --
4 the results are related to or derived from the overall
5 mission of the organization and it's compatible with and
6 supportive of results of other organizational components.

7 If you break down the jobs in those terms, you
8 still have lots of choices about how to break down the job,
9 because every executive is expected to produce scores of
10 different results, and is engaged in scores of different
11 activities.

12 (At 10:30 a.m., Commissioner Bradford left.)

13 MR. WAKHAM: And the number of so-called
14 "different elements" that you break the job down into, it's
15 entirely up to your agency. And if your agency doesn't set
16 up rules about how many they'll be, it will be entirely up
17 to you as the boss of that subordinate. But if you break
18 them down into 25, or 30, or 40 different elements, then it's
19 pretty clear that most of those elements won't be "make or
20 break" elements. Most of those things won't be things that
21 you would have to remove the person from the position for
22 if they couldn't do them.

-2

1 MR. WACKHAM: Let me give you an example of a way a
2 managerial job can be broken down. I did look at some position
3 descriptions and some information about your organization, and
4 it appears to me that a natural breakdown here is to first
5 separate the managerial part of the job from the technical
6 job.

7 Secondly, with the technical part of the job, the
8 person is responsible for advice. For example, I don't know
9 whether he's here, but the director of the Division of Project
10 Management or the Office of Nuclear Regulatory Reactor
11 Regulation, he's one of those we looked at.

12 MR. GOSSICK: He's not here.

13 MR. WACKHAM: Well, we'll talk about his job.

14 (Whereupon, at 10:32 a.m., Chairman Hendrie left the
15 room.)

16 MR. GOSSICK: He's leaving this Friday, so he can't
17 remove any constraint from you.

18 (Laughter.)

19 MR. WACKHAM: Well, to me it looked like, well, that
20 job is broken down already. There are three divisions under
21 the Director of the Division of Project Management. That
22 job is -- one of those is quality assurance and operations;
23 one is standardization and advanced reactors; another one is
24 light water reactors.

25 I looked at first the light water reactors branches

1 and there's lots of information about what the people do who
 2 are in the light water reactor branches. But when you add it
 3 up, what comes out of there is formal reviews and recommenda-
 4 tions about a certain given area, recommendations on some
 5 specific things -- safety of operating reactors -- recommenda-
 6 tions on license amendment requests, recommendations on -- or
 7 license amendment applications, and recommendations with
 8 respect to safety reviews on construction permits, recommenda-
 9 tions on construction permit applications and operating permit
 10 applications.

s2-BU

11 That set of branches, it appears to me, is in the
 12 business of providing advice. Advice is not measurable or
 13 countable; you know, three advices are better than two advices,
 14 and five advices are better than one. But it is observable.
 15 It is observable, and scientists know what good science is,
 16 and people in your business know what good recommendations
 17 are. Judgments can be made on that with respect to both
 18 timeliness and quality of advice.

19 Out of the standardization and advanced reactors --
 20 I read it. It looks as if what comes out of there is policy
 21 development, program plans for standardization. And I'm not
 22 sure whether those are recommendations for program plans that
 23 the Commission would ultimately approve or whether those are
 24 issued directly from there. I just couldn't tell by my reading.
 25 And standard plant design recommendations. And also, there's

1 a branch that provides recommendations on advanced reactor
2 operating license applications. There too, it seems to me
3 that what we're talking about is again advice and recommenda-
4 tions, which is what I think most of the scientists that I
5 have related to, they are comfortable with having their
6 product reviewed by other knowledgeable and competent people.
7 And they are also comfortable with having to justify the
8 recommendations that they've prepared.

9 In the quality assurance and operations division,
10 I found much of the same thing; more advice and, however,
11 perhaps a little bit more relationship to the financial
12 qualifications and reviews. And some of their advice, I
13 understand, would take the form of pure testimony before the
14 Commission and informal papers on providing recommendations
15 on financial qualifications of applicants.

16 All of those, then, in that particular area seem
17 to me impossible to quantify and yet easy to observe by
18 qualified observers; hard to make judgments about what is good
19 and what is less good and what is superior and what is unsatis-
20 factory, but no harder to make judgments about that than it
21 has ever been. And we have always been in a situation of
22 making such judgments.

23 Assuming now the performance appraisal system will
24 provide us a formal mechanism for recording such judgments,
25 I see it as a natural outgrowth of probably what you are already

1 doing. The -- how shall I say it -- if we lay those technical
2 competencies aside and go to management, I think that there
3 are five or six things that you can do and I recommend you
4 might think about doing in breaking down the managerial part
5 of your job.

6 One, I note that almost everybody in this agency
7 has a lot of peer relationships. So I would tend to think
8 that it might be useful for you to think in terms of coworker
9 effectiveness. When you think of, what is the managerial
10 part of our job, one possible element that you might look at
11 is what has to come from me as an output to make my coworker,
12 or my peers effective.

13 Now, a way to get at that, of course, is to ask
14 those peers, what do you need from me, when do you need it,
15 and in what quality or condition must it be. Now, along that
16 same line, you could, for those of you who are executives,
17 say, if I'm going to think in terms of one element of my job
18 being coworker or peer effectiveness, couldn't you also say
19 that another element of my job is subordinate effectiveness.

20 (Whereupon, at 10:35 a.m., Commissioner Ahearne
21 left the room.)

22 MR. WACKHAM: Now, what has to come from me as an
23 individual executive to help my subordinates be more effective
24 in their jobs? There must be 15 or 20 different things that
25 you as an executive have to do or ought to do or want to do

1 with your subordinates to help them become more effective.
2 One might be that you have reached agreement with them on
3 what you expect of them and what they were willing to commit
4 to. That's one thing you might do to help them become more
5 effective. That is, operate a performance appraisal system
6 with them.

7 Secondly, you might counsel with them.

8 Thirdly, you coach them, if there's a difference
9 between coaching and counseling.

10 Fourthly, you make recommendations about their pay.

11 Fifth, you make recommendations about how to
12 reassign them and so on, all of these things that we're
13 talking about that one does.

14 But all of your relationships -- and of course, you
15 assign work to them. All of your relationships with your
16 subordinates are things that have to come from you, to help
17 them be more effective in their jobs. You can sort of group
18 under one major subordinate effectiveness area. Then you can
19 set objectives within them.

20 You can have several objectives: I will -- I will
21 reach performance agreements with all of my subordinates by
22 X date that satisfies both me and my boss and my subordinates.
23 I will do the -- I will counsel this person and that person
24 on this kind of problem by X date, and I'll make sure that
25 that's done.

1 You can set objectives on that if you lay it out that
2 way and probably submit that to your boss and get concurrence
3 that, yes, this is a major output area of mine, and yes, these
4 are reasonable objectives and it's fair for me to be held
5 accountable for those things.

6 A third one is -- let me group this one. I don't
7 know quite how to say this, but all of you have obviously so
8 many inter-relationships that I suspect it's a little hard to
9 keep the system going; that there are so many places where
10 things can fall between the cracks that all of you have, I
11 suspect, sort of system responsibilities, where you might
12 want to think in terms of the system responsibilities which
13 you have.

14 And a major output area, then, for all of you as
15 executives is what must I do to just keep the system going.
16 Now that includes, I think -- that could include, I think,
17 getting the blasted budget work done on time and in the right
18 format. It could include things as simple as that, but things
19 that, if you don't do it, the system breaks down. It could
20 include also the relationships with the contracting people
21 and doing all of that contracting right and in accordance
22 with law and so on. It could include relationships with a
23 dozen other places, and all those are outputs that are required
24 of you that you can set objectives on and should be held
25 accountable for.

1 But I think you probably wouldn't want to go through
2 your job and say, well, now, I have to relate to the contracting
3 people, so I have to make that an element of my job, and I
4 have to work with the personnel people, so I have to make that
5 an element.

6 All of those can be grouped in some reasonable way
7 to have to do with the system and keeping the system going
8 legally and ethically, fairly and so on.

9 Looking at the documents that I was provided, I also
10 got the impression that there is a lot of temporary assignments
11 and project work. Am I right?

12 MR. GOSSICK: Following Three Mile Island, you are
13 dead right.

14 (Laughter.)

15 Although that's not the only reason.

16 MR. WAKHAM: Well, I could have speculated that
17 about Three Mile Island for sure. But it is not unusual, even
18 in organizations as staid as the Office of Personnel Management
19 and the General Services Administration, that every manager
20 in the course of a year is going to get two, three, four, five,
21 six major special projects. And at the beginning of a period
22 of time that manager doesn't know what those special projects
23 are going to be, and the manager's boss doesn't know what
24 they're going to be. And there is no way they can say, well,
25 during the next appraisal period you are going to get this,

1 that and the other special project.

2 And yet, it is critical to that manager's performance
3 that when those special project assignments come up they are
4 done and they are done well. It may or may not have to do
5 with working with their own subordinates. It may have to do
6 with working someplace different and some job different. But
7 they wouldn't be special projects unless they were important.
8 And almost every manager gets them.

9 It seems to me that you could just say success in
10 special projects, and then whatever those special projects
11 turned out to be, just knowing in advance of the year that
12 you were going to get some of them and you make sure that
13 you are rating and appraising your subordinates with respect
14 to this assessment of special projects.

15 And a final one that I think is important -- I'm
16 sure there are others, but a final one I think is important
17 is what has to come from you as an executive to make you as
18 superiors effective. I think it's quite effective for you,
19 as superiors, to set up as a general category what you are
20 willing to be held accountable for, and what I will do and
21 what I will be held accountable for with respect to making
22 my superiors effective.

23 So I have just about covered subordinates and peers
24 and I think superiors. Those may be harder to specify in
25 advance so that the boss knows exactly what they are. But I

1 think it's fair for you, in your meetings with your subordinates,
2 and for you when you're in your meetings with your superiors,
3 to have to address that question, particularly in an organiza-
4 tion that seems as fluid and uses project management to the
5 extent that I think NRC does.

6 There are others that you may wish to break out
7 separately. Obviously there are things -- you have one,
8 courtesy to the public. If you wish to break that out sepa-
9 rately or you wish to have that as something else, it's still
10 going to be important that it be in there somehow. Affirmative
11 action, whether it's a subpart of some other element or whether
12 it's a separate element all its own, it still has to be in
13 there somehow.

14 There are some of these -- and in yours, I'm not
15 sure how. I think it's something you want to take into account.
16 When you are setting up your job elements, obviously, you have
17 to be setting up job elements that you can measure or observe.
18 The question is, though, how many levels of performance can
19 there possibly be in some things. You know, we have to have
20 some levels of performance to distinguish a superior executive
21 from a fully successful executive, from a marginal successful
22 executive, for an unsuccessful one. And I think probably
23 you'll need to have at least those four levels in the perfor-
24 mance appraisal system.

25 But there are some of these factors that you will

ate '10

1 be assessing and that you will be assessed on, that it just
2 doesn't make sense, perhaps, to have all four levels. You
3 either do it or you don't do it.

4 I would suggest that you think about which ones of
5 those, which ones fall into that category, and sort of set
6 those off to the side and reach an agreement fairly early
7 with your subordinates that it's either done or not done, or
8 we don't know how to distinguish between superior and adequate,
9 but inadequate is -- well, if you set those off to the side
10 and don't spend too much time, I guess, trying to manufacture
11 differences that you won't be able to document, I think it
12 will be helpful to you as you go through the process.

13 I'm trying to think of other little pieces of it.
14 A critical element -- I want to say something about that, but
15 not terribly much, because critical element, as I understand
16 it and as we have defined it in policy, is whatever you define
17 it as.

18 Once you break that job into elements -- and I
19 recommend you break them down into output-oriented elements.
20 But once you break them down into elements, then you decide
21 what's critical. If this element of the job is so important
22 that we won't be able to tolerate someone who doesn't do it
23 satisfactorily in the job -- and that doesn't mean firing
24 people necessarily. It could mean redesigning the job or
25 it could mean transferring people and so on. It could mean

1 a lot of things besides firing people.

2 But if it's so important, then you wouldn't want a
3 person continuing if the job if they didn't do it satisfactorily.
4 Then that's a critical element.

5 If you end up with a very high-level executive and
6 you break the job down into three or four pieces, that's all
7 the elements you break the job down into, it's a pretty good
8 bet, I'd say, that all three or four of those are going to
9 be critical.

10 If you break the job down into 40 pieces, it's
11 highly unlikely that all 40 of those are going to be critical.

12 MR. GOLDMAN: Are you suggesting that in appraisals,
13 that you try to stick just to critical elements and not try
14 to go further than that?

15 MR. WAKHAM: The law requires you deal with critical
16 elements. But I suggest that for pay purposes and for bonus
17 purposes, you are certainly going to want to deal with more
18 than just critical elements, because critical elements is kind
19 of on the negative side -- what would you remove somebody for?

20 But the critical elements may not be the only thing
21 that distinguish between a superior and a fully successful
22 executive. Maybe those noncritical elements would be important,
23 too. So I really would suggest that you deal in terms of the
24 total job, instead of just bits and pieces of it. But the
25 critical ones are the ones you have to specify in advance.

1 This must be done. You can't keep the person in that job
2 structured just that way.

3 COMMISSIONER KENNEDY: You're not suggesting that
4 in appraising performance against critical elements, that it's
5 a go or no-go proposition only? In fact, I should think even
6 in the critical element question, there is a variation in how
7 well it is done. That it is done, yes; it's not done, out.
8 But if it's done, yes.

9 MR. WAKHAM: But there would be a variation above
10 that.

11 COMMISSIONER KENNEDY: Some people do it extra-
12 ordinarily well and some people do it in a sort of passing
13 grade.

14 MR. WAKHAM: Yes. I think you are quite right.
15 If they don't do it at least satisfactorily and if it's
16 critical, then you have a decision to make. Whether you
17 redesign the job, give that work to somebody else, or
18 whether you remove the person, whatever you do, you have a
19 decision to make.

20 Performance standard. A performance standard is
21 what it is. It's a yardstick. And you have a good performance
22 standard when it measures your job element, whatever that job
23 element is, in terms of quality and/or quantity and/or
24 timeliness, cost effectiveness, the effect obtained or
25 achieved, or the manner of the performance, the way it was

1 done and so on. And if it measures on as many of those as
2 possible -- I've been in some scientific agencies where people
3 are saying what they're trying to do is put a number on
4 everything. So you know, if I give advice three times then
5 I'm better than if I gave it only two times, which is -- they
6 recognize as patently absurd, but that's what they're hearing
7 someone say.

8 If you measure on those things that are reasonable
9 and possible, including: when it's appropriate, quantity;
10 when it's appropriate, quality; when it's appropriate, cost
11 effectiveness; and timeliness and the effect obtained, then
12 that will be enough. Those things are documentable and you
13 and the boss or you and your subordinates can agree to it.

14 But it makes no sense to think in terms of having
15 to measure how many times you gave advice.

16 Now, it does make some sense in this respect and I
17 think it's fair to do this. If I am the principal advisor
18 to X person, it's part of my role to recognize when that person
19 needs advice on my subject area. So whether I recognize the
20 situation when advice from me is warranted would be the
21 extent to which I do recognize such situations, would be an
22 appropriate thing to measure.

23 And if the organization has problems five times
24 during the year that can be traced back to my failure to
25 recognize that I should have advised, or the fact is advice

1 from me is needed and I didn't offer it, I think that my boss
2 has reasons to question whether my advice-giving function is
3 being carried out appropriately.

4 Secondly, if I am giving advice, if I constantly
5 give advice that nobody accepts, I think I have reason to
6 question whether my advice-giving function is being carried
7 out appropriately. The extent to which people accept my
8 recommendations can give me some clues.

9 Now, thirdly, there's another way to measure a
10 recommendation and advice-giving function, and that is the
11 extent to which, when they accept my recommendations, it
12 causes foulups. And if four or five times a year I do give
13 advice and it is accepted and it does cause foulups, I think
14 I'm getting some feedback. And that's an appropriate way for
15 me to measure my own advice-giving function. I think it's
16 kind of an appropriate way, too, for you to consider, and so
17 degrees of accomplishment can be estimated.

18 And by the way, you can't count how many major
19 foulups were directly due to my advice. And degrees of
20 accomplishment have to be -- if you have a good performance
21 standard, it will be useful to have two or three, if you can
22 get them, degrees of accomplishment -- what is outstanding,
23 what is fully satisfactory, what is minimal.

24 That's harder, I think, for you. But I think you're
25 going to need some of it to be able to distinguish between

1 the ranks that you want to award SES --

2 MR. SHAPAR: I think you're suggesting the number
3 of advices you use are not totally irrelevant. I think you
4 could make an argument that if you have an energetic manager,
5 and recognizing there are an infinite number of problems in
6 the agency, he's going to work harder and reach down to solve
7 problems, and therefore gives advice based on the problems he
8 works on. I think it's a measurement of energy, how do you
9 manage at that point.

10 MR. WAKHAM: I think it is a measure of energy, yes,
11 if the person is energetic. I can't help but agree. It's
12 just that if we apply a number to the advice-giving function
13 like the number of times a person gave advice, if we apply
14 that to the advice-giving function and say all managers here
15 have to be judged on that, I think what you get, you probably
16 get more unfairness. And this is purely a personal opinion.

17 First of all, it would be hard to count. You would
18 have to set up a very difficult computing system to count
19 how many times these managers gave advice and whether you're
20 going to count formal advice or informal advice, and so on.
21 So I wonder, you know, on a generalized basis whether it would
22 be valuable.

23 COMMISSIONER KENNEDY: See, what Howard is concerned
24 about, as one of our senior attorneys, is whether he's going
25 to be able to count the number of times he advises us, and

1 that would be very high.

2 (Laughter.)

3 Or whether he's going to count the number of times
4 we take that advice. That's going to be somewhat lower.

5 (Laughter.)

6 Or whether he's going to let us decide something
7 about the quality.

8 (Laughter.)

9 I'm not going to comment about that.

10 MR. SHAPAR: I think the most difficult thing is to
11 distinguish the responsibility from the foulups.

12 (Laughter.)

13 COMMISSIONER KENNEDY: We understood that part of
14 this lecture very well.

15 MR. WAKHAM: With respect to the operating attorney,
16 I think a measure of timeliness may substitute, you know, how
17 many days of turnaround time on the average, may substitute
18 for a number, say, they gave advice this time or that time.
19 But with respect to the manager of attorneys, maybe we're
20 talking about something for operating attorneys and the
21 manager of the attorneys is going to be judged on how well
22 that manager helps his subordinates to be effective.

23 The last thing, the time frame, is a necessary part
24 of a performance standard. The assumption is that we're
25 talking about a year. But on some jobs you may decide to

1 talk about a longer time frame than that, or at least some
2 interim result with respect to very critical, long-term issues.
3 Some interim progress reports would be reflected in the
4 performance appraisal, rather than waiting for the ultimate
5 results of everything.

6 That's one that causes many scientists problems,
7 the researchers in NIH, and I think probably they have more
8 difficulties perceiving how they can use a performance appraisal
9 system perhaps than NRC. But the NIH researcher who does not
10 know whether the experiment will succeed or fail, and believes
11 he or she has succeeded or failed without regard to whether
12 the experiment succeeds or fails does -- and knows that they
13 are embarked on a long-range project that they are involved
14 in with a lot of other people, and they may or may not ever
15 be able to claim individual responsibility for discovering
16 the ultimate cure for different or special kinds of cancer --
17 yet they still believe they are doing good science, and they
18 can convince their peers that they are.

19 Those are the people who have the most difficulty
20 with putting a time frame on -- we're going to measure, we're
21 going to provide feedback to you on your performance on an
22 annual basis. It's an 11-year or 40-year problem.

23 Still and all, if you're going to measure, if you're
24 going to assess, there has to be a time frame around which
25 you assess. Now, how one assesses that researcher and whether

nte 18, .

1 it's in the judgment of his or her peers, which mostly it
2 turns out to be, and I think quite appropriately, or whether
3 it's on some other factors that that researcher and the
4 superior make up and agree to doesn't really matter. But the
5 time frame does matter, so that they both know what period of
6 time and what wet of outputs they're talking about. Because
7 the time frame needs to be specified before the period, and
8 then how many reviews and when they are likely to be, during
9 the period they're going to be, and the end of the period
10 needs not come as a surprise either to the reviewer or the
11 reviewee.

12 I've covered a lot of different things, some that
13 are relevant, I think, to just management in general, some
14 that you may find more or less relevant to NRC.

15 I want to comment, if I can, if you think my
16 comments would be helpful, in response to your questions or
17 your comments. Please let me do so.

18 MR. GOSSICK: Any questions?

19 (No response.)

20 MR. BLACK: I have just one. Does OPM have a
21 recommendation on the most effective way to begin the process?
22 Should it come from the top down? Or is there any particular
23 one way better than another?

24 MR. WAKHAM: Well, at OPM we're doing it from the
25 top down. Our requirements out to departments and agencies

1 are really top-down requirements. We require that your SES
2 performance appraisal system be done and in place long before
3 we require your merit pay performance appraisal system to be
4 in place.

5 Now, in your case, SES applies to you. But all other
6 agencies have to respond to both. But they have to get us the
7 SES one first. We do -- we are operating as if we believe
8 the top-down approach is right and the most appropriate
9 approach.

10 (Whereupon, at 11:00 a.m., Commissioner Bradford
11 entered the room.)

12 COMMISSIONER KENNEDY: Mr. Wakham, we appreciate
13 your coming, and also the time of your colleagues who came
14 with you. I can assure you that we have had a good beginning.
15 We are dedicated to getting this job done and done right,
16 because we know full well that without an effective initiation
17 of this program it's going to be a very complex and difficult
18 program to live with indeed. And if we do it right, we also
19 think that the are benefits to us and therefore to the
20 country are going to be substantial.

21 So we will be calling on you and your colleagues
22 frequently during the coming days.

23 MR. WAKHAM: Thank you. I hope we can be helpful.

24 COMMISSIONER KENNEDY: We appreciate it.

25 (Whereupon, at 11:03 a.m., the hearing was adjourned.)