



Memorandum from the Office of the Inspector General

September 19, 2013

Katherine J. Black, LP 3A-C

**FINAL REPORT – EVALUATION 2013-14950 – REVIEW OF TVA’S SUCCESSION
PLANNING**

Attached is the subject final evaluation report for your review and action. Your written comments, which addressed your management decision and planned actions for four of the recommendations, have been incorporated in the report. For those four recommendations, please notify us when final actions are complete. Please advise us of your planned actions in response to the remaining recommendations within 60 days from the date from this report.

Information contained in this report may be subject to public disclosure. Please advise us of any sensitive information in this report that you recommend be withheld.

If you have any questions or wish to discuss our findings, please contact me at (865) 633-7450 or Gregory R. Stinson, Director, Evaluations, (865) 633-7367. We appreciate the courtesy and cooperation received from your staff during the audit.

Robert E. Martin

Robert E. Martin
Assistant Inspector General
(Audits and Evaluations)
ET 3C-K

KSL:FAJ

Attachment

cc (Attachment):

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OIG File No. 2013-14950



Office of the Inspector General

Evaluation Report

To the Senior Vice President,
Human Resources and
Communications

REVIEW OF TVA'S SUCCESSION PLANNING

Audit Team
Kristin S. Leach
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Evaluation 2013-14950
September 19, 2013

ABBREVIATIONS

ER	Employee Relations
ERC	Employee Relations Consultant
FY	Fiscal Year
HR	Human Resources
NPG	Nuclear Power Group
OIG	Office of the Inspector General
RN	Ready Now
SBU	Strategic Business Unit
SPP	Standard Programs and Processes
SWM	Strategic Workforce Management
TVA	Tennessee Valley Authority

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MEMORANDUM DATED AUGUST 30, 2013, FROM KATHERINE J. BLACK TO
ROBERT E. MARTIN



Evaluation 2013-14950 – Review of TVA’s Succession Planning

EXECUTIVE SUMMARY

Why the OIG Did This Evaluation

The Tennessee Valley Authority (TVA) has stated its future depends on effective succession planning and faces a potential workforce challenge due to retirement within the next 5 years. Also, TVA has identified a risk of senior leadership attrition that could leave a gap in key positions. This review was conducted as a follow-up to a previous OIG (Office of the Inspector General) review of TVA’s Succession Planning.ⁱ The objective of this review was to assess TVA’s succession planning.

What the OIG Found

Our review found TVA has made improvements to succession planning; however, areas for improvement still exist. In addition, we found TVA could strengthen some best practices.

TVA has made improvements to its succession planning process since our previous review in 2006. Improvements include the use of a Talent Grid, implementation of succession planning metrics, and a more accurate attrition prediction model.

While TVA has made progress in its succession planning process, we found, through interviews and review of documentation, areas for improvement still exist. Specifically, areas of improvement include: (1) the follow-up of action items identified in talent reviews including the development of organizational action plans; (2) cross-pollination of talent; (3) reduction of talent review preparation time; and (4) frequent revisions of the talent review and succession planning process, which have caused frustration among TVA management. Additionally, TVA is working to address areas of concern regarding populating the succession plans with realistic candidates.

As part of this review, we identified succession planning best practices and compared them to the processes TVA currently has in place. Of ten best practices identified, we found TVA could strengthen executive ownership, onboarding of succession candidates, and transparency of the succession planning process. In addition to these findings, all TVA managers who were interviewed expressed concerns with the use of forced distribution for the Talent Grid.

ⁱ Inspection 2006-5131 – Review of TVA’s Succession Planning.



Evaluation 2013-14950 – Review of TVA’s Succession Planning

EXECUTIVE SUMMARY

What the OIG Recommends

We recommend the Senior Vice President, Human Resources and Communications:

- Work in conjunction with TVA organizations to improve follow-up actions by developing organizational action plans as stated in TVA-SPP-11.301, Succession Planning, Section 3.2.3.
- Evaluate options to incorporate cross-pollination of TVA organizations into the succession planning process, including a unified succession planning system that could also reduce talent review preparation.
- Determine if changes and initiatives to the talent review and succession planning process are working and intended results are achieved before additional changes are made.
- Complete and implement the Strategic Workforce Management, Standard Programs and Processes, including a unified definition for a mission critical position.
- Work with TVA management to develop a plan that promotes executive ownership of talent development.
- Consider developing formalized transition plans, similar to the Nuclear Power Group, in other organizations.
- Clarify the succession planning process by producing a high-level, TVA-wide communication that describes the talent review and succession planning process, and consider the merits of communicating performance and potential.

TVA Management’s Comments

TVA management agreed with the findings and recommendations in this report. See the Appendix for TVA’s complete response.

Auditor’s Response

The OIG concurs with TVA management’s comments.

BACKGROUND

In 2010, the Tennessee Valley Authority's (TVA) *TVA Today* article stated, "TVA's future depends on effective succession planning at all levels. Placing the right people in the right positions can be a challenge for any company, but when a company's workforce is as diverse and highly skilled as TVA's, it is even harder." According to TVA, 32 percent (or just over 4,000) of its 12,762 employees will be eligible to retire over the next 5 years. Succession Planning, as defined by TVA-SPP-11.301, is the process of reviewing current talent and future talent needs, identifying bench strength and gaps, and developing and executing development plans. This policy ". . . defines the talent management process which ensures sufficient talent is available for TVA to achieve its mission, have a competitive advantage, enhance corporate performance, and maximize the productivity of its talent pool." Succession Planning is a portion of the Workforce Development component of TVA's Strategic Workforce Management (SWM).¹ TVA has begun to implement SWM initiatives into business planning to better connect business strategies with workforce planning efforts, which will help identify leadership and talent needs across TVA.

Talent Management and Acquisition² has oversight of the implementation of talent identification and succession planning for TVA. According to TVA, continuity of leadership is important to the sustainability of its business. In order to achieve continuity, TVA conducts talent reviews to evaluate potential leaders and develop succession plans.

In conducting talent reviews, Employee Relations (ER)³ facilitates discussion among management using the Talent Grid, formerly known as the 9-Box Grid. Managers and Specialists are placed into the grid based on potential and performance. The corresponding Talent Grid placement⁴ is used to help calibrate candidate placement on the succession plan. Using the results of the Talent Grid, employees are identified on succession plans as Ready Now (RN), Ready Long-Term, or Deep Dive candidates.

¹ TVA's SWM is a process that analyzes the current workforce, determines future workforce needs, identifies staffing and skills gaps, mitigates staffing risks and knowledge loss, and leverages metrics associated with turnover and attrition to strategically align the organization's human capital with business goals and objectives.

² Talent Management and Acquisition was previously known as talent review and Succession Planning but was renamed during this review.

³ ER is an organization of human resource professionals who consult with management in progressive programs and initiatives including workforce management and staffing, leadership continuity, succession planning, performance management, compensation, employee recognition, learning and development, and labor relations; which enhance the work force strategies and improve efficiency, innovation, and competitiveness.

⁴ The Talent Grid placement is the employee's location in one of the nine boxes on the Talent Grid. The highest rating being Box 1, which is high potential, high performance and the lowest rating being Box 9, which is low potential, low performance.

According to TVA-SPP-11.301, Succession Planning:

- RN candidates currently possess the necessary qualifications and credentials to assume the responsibilities of the succession planning position immediately.
- Ready Long-Term candidates currently lack the necessary qualifications or credentials for immediately assuming the responsibilities of the succession planning position but possess the potential to obtain these requisites within 3 years.
- Deep Dives are candidates with high leadership potential who are more than 36 months from being ready now.

The policy also states that “. . . as positions identified on the succession plan become vacant, hiring managers and ER review the succession plan and determine if the position will be filled internally with a succession plan candidate.”

Currently, Strategic Business Units (SBU) and Business Units are required to conduct talent reviews and generate/revise succession plans semiannually, which include a mid-year and end-of-year review.

OBJECTIVE, SCOPE, AND METHODOLOGY

TVA has stated its future depends on effective succession planning and faces a potential workforce challenge due to retirement within the next 5 years. Also, TVA has identified a risk of senior leadership attrition that could leave a gap in key leadership positions. This review was conducted as a follow-up to a previous review: 2006-513I Review of TVA's Succession Planning. The objective of this review was to assess TVA's succession planning. The scope of this review included TVA's succession planning activities.

To achieve our objective, we:

- Identified and reviewed applicable policies and procedures to determine TVA's succession planning process.
- Interviewed applicable TVA personnel and management involved in TVA's succession planning process, including ER managers and consultants and TVA executives to gain an understanding of the talent review and succession planning process and obtain feedback from those involved in the process.
- Attended training provided by TVA Human Resources (HR) to gain an understanding of TVA's talent review and succession planning process including recent changes made to the talent review process.

- Identified succession planning best practices by reviewing articles, journals, and Web sites and compared them to TVA practices to determine if TVA has incorporated best practices in its succession planning process.
- Reviewed TVA's current succession planning metrics to determine what TVA is tracking along with the associated goals.
- Determined if progress has been made in areas identified in a previous audit of the succession planning process.

This review was performed in accordance with the Council of the Inspectors General for Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

FINDINGS AND RECOMMENDATIONS

Our review found TVA has made improvements to its succession planning process including the use of a Talent Grid, implementation of succession planning metrics, and a more accurate attrition prediction model. However, the following areas for improvement still exist:

- Follow-up of action items identified in talent reviews.
- Cross-pollination of talent.
- Reduction of talent review preparation time.
- Frequent revisions of the talent review and succession planning process have caused frustration among TVA management.
- Population of succession plans with realistic candidates.

As part of our review, we identified succession planning best practices and compared them to the processes TVA currently has in place. We found TVA could strengthen executive ownership, onboarding of succession candidates, and transparency of the succession planning process. In addition to these findings, all TVA managers interviewed expressed concerns with the use of forced distribution.

TVA HAS MADE IMPROVEMENTS TO SUCCESSION PLANNING

TVA has made improvements to its succession planning process since our previous review in 2006. Improvements include the use of a Talent Grid, implementation of succession planning metrics, and a more accurate attrition prediction model.

Implementation of Talent Grid

Since our last review, we found TVA has made progress in talent assessment by implementing the 9-Box. In 2013, the 9-Box was renamed the Talent Grid. The Talent Grid is a tool to help populate succession plans by assessing employee's performance and potential. The Talent Grid has recently undergone changes including: (1) updating Talent Grid definitions of performance and potential, (2) linking the Talent Grid to TVA Leadership Principles, (3) unlinking talent and performance reviews, and (4) requiring forced distribution.

Employee performance is assessed over the past 2 to 3 years. Additionally, performance is now tied to the TVA Leadership Principles. TVA Leadership Principles serve as the common understanding of what it means to be a leader at TVA. As it relates to the talent review process, *potential* is defined as "leading self, leading others, and leading TVA." It is rated based on the likelihood that an employee can and will grow into a successful leader either laterally at one or more levels above his/her current position or into a role with significantly expanded leadership responsibilities. In the past, Performance Improvement Plans were required for individuals placed in the bottom third of the 9-Box Grid. This is no longer a requirement. Currently, there is a focus to differentiate between talent reviews and performance reviews to reduce confusion. Performance reviews are for all employees and focus on the past to present. talent reviews are for formal leadership positions that focus on the future and help evaluate bench strength.

Succession Planning Metrics Are Now Being Tracked

Our review found that in 2011, TVA began using metrics to track succession planning at the executive level. Using metrics as an indicator of performance and tracking progress of a succession plan program is a best practice and can help determine if succession planning initiatives are achieving the intended results. TVA currently tracks the following metrics: (1) Succession Pipeline Depth and (2) Key Positions filled with Succession Planning Candidates.

Succession Pipeline Depth measures the average number of employees currently ready for promotion for each role in the organization's succession planning program. Key Positions Filled with Succession Planning Candidates is the percentage of key positions filled with succession planning candidates. As of March 2013, TVA was meeting its stretch goal of 2.2 for Succession Pipeline Depth, which places it in the median quartile in the industry. The goal for Key Positions Filled with Succession Planning Candidates is 80 percent in fiscal year (FY) 2013. TVA met its goal of 75 percent in FY2012. However, as of March 2013, performance is lagging the 80 percent target for FY2013 with only 40 percent of positions filled by succession planning candidates. The 80 percent is a significant improvement over the first half of FY2006 when only 114 of 393 hires were pipeline hires.⁵ In addition to these metrics, the Senior Manager, Talent Management and Acquisition, tracks the number of gaps on the

⁵ This metric was based on TVA-wide hiring data for the first half of FY2006. However, for the purposes of this audit, pipeline hiring was reviewed only at the manager and specialist level.

succession plan, which is the number of key roles without an RN candidate. There are currently 14 executive positions that do not have an RN candidate, which puts TVA in the bottom quartile for RN candidates. TVA plans to mitigate this through the use of (1) talent reviews, including a detailed succession plan; (2) utilizing leadership development resources; (3) competitive compensation plans; and (4) position contracts. Additionally, TVA has begun to track diversity metrics to compare the makeup of the incumbent pool with the candidate pool. According to TVA management, diversity is a focus.

Improvement of Attrition and Retirement Data

We also found that progress has been made since the last Office of the Inspector General review regarding attrition and retirement data. Specifically, the attrition and retirement prediction model TVA currently uses is an improvement to the previous self-reported retirement data. TVA has taken steps to improve the prediction of attrition and retirement. According to TVA, the new prediction model, which has been in place for a year, has been 92 percent accurate on overall attrition. TVA is working on a probability table to help predict attrition and retirement at the individual level. Also, TVA evaluates the retention risk (“high,” “medium,” or “low”) of succession plan incumbents, based on factors, such as forecasted retirement, job satisfaction, TVA tenure, etc.

AREAS FOR IMPROVEMENT STILL EXIST

While TVA has made progress in its succession planning process, we found there are still areas for improvement. Specifically:

- Follow-up of action items identified in talent reviews.
- Cross-pollination of talent.
- Reduction of talent review preparation time.
- Frequent revisions of the talent review and succession planning process have caused frustration among TVA management.
- Population of succession plans with realistic candidates.

Follow-Up of Action Items Identified in Talent Reviews

During multiple interviews, we were informed that accountability and commitment to follow up on actions identified in the talent review process is a hard spot. During talent reviews, gaps are identified to determine what development opportunities or enhancements are needed. According to the Senior Manager, Talent Management and Acquisition, an Action Item Tracking spreadsheet has been developed for the use of Employee Relations Consultants (ERC) during talent reviews to hold TVA management accountable for leadership development. Additionally, HR hopes to use this to identify trends by SBU and Business Unit.

However, during our review of TVA policies and procedures related to succession planning, we noted TVA is not developing organizational action plans as outlined in TVA-SPP-11.301, Succession Planning, Section 3.2.3, which states:

Each organization will develop an organizational action plan to address critical and strategic succession planning issues for the organization. The action plan will include identification of critical gaps in bench strength and actions to mitigate the gap (i.e., external hiring, development initiatives such as rotational assignments, etc.).]

The Senior Manager, Talent Management and Acquisition, hopes the Action Item Tracking spreadsheet would be able to capture some aspects of the organizational action plan. Since all aspects of the organizational action plan may not be captured, developing documented organizational action plans could help ensure that actions are taken for gaps identified including organizational needs and development of high potential candidates. For example, there are currently 14 executive positions that do not have an RN candidate that could be reduced by developing organizational action plans. Additionally, developing documented organizational plans could help identify talent management trends TVA-wide and by organization.

Cross-Pollination of Talent

Another hard spot identified during our review was cross-pollination, which is the identification and placement of talent across organizations. Currently, SBUs store their succession plans and talent review information on different databases. Although cross-pollination has been identified as an issue, there is no formalized plan to address this concern. Having succession plans that could be accessed across the organization in a unified system could help address this issue. Additionally, cross-SBU discussions could help to share talent and identify where a candidate in one organization could be a potential candidate in another. While this may not be applicable for all organizations in TVA due to specialized skills and knowledge, cross-pollination could bring new perspectives and increase the number of candidates across organizations.

Reduction of Talent Review Preparation Time

The utilization of technology in succession planning can assure use of timely information and reduce time required to manage the process. An ER manager stated it would be helpful to be able to look up specific skills, qualifications, or employee location information. Additionally, ERCs stated that succession planning is a very manual and time-consuming process; ERCs manually gather and maintain information to prepare for talent reviews. According to the Senior Manager, Talent Management and Acquisition, there were plans to purchase the succession planning module in PeopleSoft as part of People Lifecycle United System, a new HR information system, which would help with succession planning analytics. However, funding for this module is not currently approved. Having a succession planning tool could assist in reducing the preparation time

for talent reviews by having a centralized database for which talent information could be accessed by appropriate personnel.

Frequent Revisions Have Caused Frustration Among Management

Although there have been improvements to the talent review and succession planning process over the years, the frequent changes have caused some frustration among TVA management. Specifically, the definitions of performance and potential have changed, and TVA now uses forced distribution within the Talent Grid. One TVA manager stated employees have said, “Why should I learn this if it’s going to change again?” Multiple ERCs stated consistency was a hard spot, and they would like to see the talent review process, including the Talent Grid and definitions, not change for some time.

Consistency of the talent review process could allow TVA management to understand, adapt, and utilize the implemented changes. Additionally, this will enable TVA HR to evaluate associated metrics to determine if (1) changes and initiatives are working, and (2) they are getting the intended results.

Population of Succession Plans With Realistic Candidates

During our review, we found there were instances in which succession plans included candidates who were qualified but unwilling or unable to move as required by the position. Some ERCs interviewed also expressed concern that an organization might populate succession plans with candidates to reduce gaps on the plans. This could lead to unqualified candidates on succession plans. For example, a former executive stated he did not agree with the individual selected as a candidate for his position because the candidate had never managed, had subordinates, or worked in any of the executive’s areas of responsibility. However, TVA HR anticipates the recent changes to the talent review process will create more realistic succession plans with more qualified candidates.

Realistic succession plans must also include key positions that cannot be easily replaced internally or externally. In some cases, these positions may be buried further in the organizations. TVA has identified its lack of an official definition for a *mission critical position* as a hard spot in its talent management initiatives but is taking steps to create one in the SWM SPP (Standard Programs and Processes) draft.

SOME BEST PRACTICES COULD BE STRENGTHENED

As part of this review, we identified ten succession planning best practices and compared them to the processes TVA currently has in place. We found TVA could strengthen executive ownership, onboarding of succession candidates, and transparency of the succession planning process. Table 1 on the following page includes identified best practices TVA has incorporated.

Table 1: Best Practices TVA Has Implemented

Identified Succession Planning Best Practices	Identified TVA Practices
Aligns with company's strategic plan.	<ul style="list-style-type: none"> In TVA's Strategic Plan entitled "Delivering the Vision," one of the focus areas for organization health is to motivate and develop. This includes promoting excellence in business performance, leadership development, and talent management. Succession Planning is part of TVA's SWM. TVA has begun implementing SWM initiatives into business planning to better connect business strategies with workforce planning efforts, which will help identify leadership and talent needs across TVA.
Periodic review.	<ul style="list-style-type: none"> Succession plans are reviewed semiannually; quarterly for the Nuclear Power Group (NPG). Going forward, TVA HR has indicated it will conduct an on-going evaluation of its succession planning strategy.
Identify and develop competencies.	<ul style="list-style-type: none"> TVA has developed and stores job descriptions containing competencies and qualifications. Specifically, all key roles included on the executive succession plan during FY2013 have a job description.
Internal and external training and development.	<ul style="list-style-type: none"> TVA's Training, Development, and Organization Health group provide guidance on development planning and delivery competency development, mentoring/coaching, formal training (e.g., L-Map, Excel, Supervisor Academy, etc.), and informal training (e.g., online learning and on-the-job). Employees are expected to develop and maintain their skills. Supervisors provide support, feedback, and resources to support employee learning and development. Consistent with available resources and TVA goals, employees maintain and develop their skills through participation in leadership and technical training, on-the-job coaching, external training and conferences, rotational assignments, special projects, self-study, and other on- and off-the-job experiences. Additionally, a formal Individual Development Plan is required for some employee groups.
Use of a rating system.	<ul style="list-style-type: none"> TVA uses the Talent Grid to evaluate candidates based on performance and potential.
Efforts must be monitored and evaluated (e.g., metrics).	<ul style="list-style-type: none"> TVA has started to monitor its performance by capturing succession planning metrics.
Workforce analysis.	<ul style="list-style-type: none"> TVA captures current workforce demographics, attrition/retirement and diversity, and inclusion data as part of SWM. TVA participates in benchmark studies⁶ to determine how it is doing compared to others in the utility and nonutility industries.

⁶ TVA participates in the Corporate Leadership Council and PricewaterhouseCoopers Saratoga benchmarking studies.

While TVA has incorporated several best practices, the following are best practices that strengthening would benefit TVA's succession planning process: (1) executive ownership, (2) onboarding and transitioning successors, and (3) greater transparency.

Executive Ownership

Executive ownership was identified as a best practice, because buy-in of the succession planning process should be gained from all levels of management, starting with the Chief Executive Officer. Through interviews with ER personnel, we found executive ownership is more evident in some organizations than in others. Based on our observations, NPG exemplifies more executive ownership than other SBUs. The NPG conducts talent reviews and updates succession plans quarterly, strives to promote from within, offers rotational assignments, and has developed a deep dive program as a pipeline to the succession plan and job paths/career maps. A TVA manager and an ER manager both stated the Chief Nuclear Officer expects that managers prepare and follow through in regard to succession plans. Additionally, NPG currently has an internal hiring pipeline of 86 percent for FY2013. However, the Office of General Counsel has not had much interaction with ER during its succession planning process until recently. Interviews with ERCs from various organizations have stated executive ownership is an area for improvement. Additionally, a TVA executive stated the TVA executive team, at this point, does not own leadership development.

Succession planning will be more valuable if all executives own the process to identify future leaders in its organizations. Creating a culture that understands the value of succession planning and is committed to individual development starting at the top of the company could be beneficial to TVA.

Onboarding Successors

Another best practice identified was the process of onboarding successors, since providing transition support for newly appointed managers to ease them into their new assignments is a practice that increases the likelihood they are effective in a new position. TVA has an Onboarding SPP (TVA-SPP-11.2.5, Onboarding), published TVA-wide that outlines the external hiring process and the process for orientating new employees. TVA also publishes a *Manager's Guide to Onboarding* along with an executive transition guide. Additionally, TVA has developed job transition guides for individual contributors, managers, and executives. These guides provide resources and best practices on how to accelerate through challenges associated with transitioning to a new job. However, based on our search of the TVA Procedure Center and interviews with ERC's, there is no official internal onboarding process for leaders and managers by SBU, with the exception of the NPG. NPG-SPP-11.19, New and Transitioning Leaders, provides guidance, assistance, and reference for assisting the effective and efficient transitioning of leaders into new roles. While other TVA onboarding and transitioning guides focus on familiarization with TVA and its processes and procedures and resources and best practices for transitioning into a new role, this SPP provides detailed roles and responsibilities as well as guidance for the first

120 days for transitioning NPG leaders. Additionally, the SPP contains a list of NPG documentation the transitioning leader should be familiar with. During interviews with ERCs, we were informed that if a candidate is ready now and HR has done a proper job, the candidate should be ready to assume the position. Although ERC's indicated tools, such as supervisory tool kits, management workshops, and job shadowing are used to prepare succession candidates, they also indicated a formalized transition process would be helpful. Additionally, one ER manager mentioned sometimes an individual is "just thrown in" to their new position. Providing support (such as through a mentor and/or additional training) could assist employees with a more effective transition. A formalized transition plan by SBU, similar to what NPG has developed, could help ensure that all tools within TVA's disposal are used to help acclimate and prepare the new successor.

Transparency

Transparency, surrounding succession planning, was identified during our review as a best practice. Employees should be aware of a company's succession planning process and related policies. Through interviews with ER personnel and TVA executives, we found there are some issues surrounding the transparency of the succession planning process as well as the Talent Grid.

Communication with employees can be beneficial to help them understand their strengths, weaknesses, and any gaps they may have. TVA managers should have, with help from HR if needed, realistic conversations to let individuals know where they stand in regard to performance and potential. According to the Society of Human Resource Management,⁷ companies may fear transparency could create an "elitist mentality;" however, if handled with tact, it could improve the succession planning process. Additionally, the Society states that while there may be a short-term downside of attrition and dissatisfaction for some employees who have not been identified as top-talent, increased transparency allows those who may not be advancing to understand why.

Through interviews, it appears there is confusion among employees on how the succession planning process works. Although TVA has a succession planning SPP, communication about the succession planning process to employees could be improved. Outlining, at a high level how the talent review process works, including the Talent Grid and how that is used as a tool to place individuals on a succession plan, would help provide clarity to employees. Explaining the recent changes, including the differences between performance reviews and talent reviews, will help demystify the process and alleviate anxiety among employees.

Through interviews with TVA management, ERCs, and other TVA employees, concerns have been expressed about their Talent Grid placement. ER encourages TVA management to discuss an employee's potential but does not encourage managers to disclose Talent Grid numbers. According to the Senior Manager, Talent Management and Acquisition, the intention was never to

⁷ The Society of Human Resource Management is the world's largest association devoted to HR management.

disclose the Talent Grid or 9-Box number, but to use it to drive discussion. However, we found during our review, some TVA managers will disclose Talent Grid numbers if asked by an employee. One manager stated that it can be discouraging to employees if there is a “hidden number” they are not aware of that affects their career, but they are not able to know it. One employee hoped the idea of revealing Talent Grid numbers would be reevaluated so employees would know what needed to be improved on. The employee stated it was a “gaping hole for transparency” and felt it was hard having a conversation with an unknown number associated with an employee. Open communication of performance and potential could reduce anxiety and confusion among employees, related to Talent Grid ratings.

ADDITIONAL INFORMATION

TVA uses forced distribution (also known as forced ranking) in conjunction with the Talent Grid. According to TVA HR, this allows for better differentiation of succession planning candidates in terms of performance and potential and will force better discussion of these candidates. Past performance and potential will be evaluated independently to assess two different dimensions of a leader. Employees are considered relative to other employees on the Talent Grid. At the executive level, a pilot of forced distribution was conducted in 2012. According to TVA HR, pilot results included better conversations during the calibration of employees and better defined action items.

However, all TVA managers interviewed expressed concerns with the use of forced distribution. Reasons mentioned included difficulty (1) understanding the purpose of forced ranking into thirds and (2) of implementation due to a small pool of direct reports and the lack of commonality within direct reports’ job responsibilities. Specifically, one manager stated that he did not understand how a team of top performers could be distributed into thirds. Communicating the reasoning behind the use of force distribution and working with managers to address their difficulties could increase manager buy-in and increase effectiveness of the talent review process.

RECOMMENDATIONS

We recommend the Senior Vice President, HR and Communications:

- Work in conjunction with TVA organizations to improve follow-up actions by developing organizational action plans as stated in TVA-SPP-11.301, Succession Planning, Section 3.2.3.
- Evaluate options to incorporate cross-pollination of TVA organizations into the succession planning process including a unified succession planning system that could also reduce talent review preparation.

- Determine if changes and initiatives to the talent review and succession planning process are working and intended results are achieved before additional changes are made.
- Complete and implement the SWM SPP, including a unified definition for a mission critical position.
- Work with TVA management to develop a plan that promotes executive ownership of talent development.
- Consider developing formalized transition plans, similar to NPG, in other organizations.
- Clarify the succession planning process by producing a high-level, TVA-wide communication that describes the talent review and succession planning process, and consider the merits of communicating performance and potential.

TVA Management's Comments – The Senior Vice President, HR, provided a written response to a draft of this report. TVA management agreed with the findings and recommendations in this report.

In response to the recommendations, management plans to (1) continue the evaluation of the succession plan process to evaluate the effectiveness of the tools and implementation; (2) incorporate a definition of mission critical positions in TVA-SPP-11.103; (3) review the transition plans used in NPG, and determine which elements are appropriate to use across TVA; and (4) evaluate the cost and benefits of communicating performance and potential as it relates to specific box placement on the Talent Grid. In addition, management is determining the appropriate actions to address the remaining recommendations.

See the Appendix for TVA's complete response.

Auditor's Response – The Office of the Inspector General concurs with TVA management's comments.

August 30, 2013

Robert E. Martin, ET 3C-K

RESPONSE TO REQUEST FOR COMMENTS - DRAFT EVALUATION 2013-14950 - REVIEW OF
TVA'S SUCCESSION PLANNING

The following provides our comments to recommendations presented in the Succession Planning report.

Recommendation Item 1:

Work in conjunction with TVA organizations to improve follow-up action items by developing organizational action plans as stated in TVA-SPP-11.301, Succession Planning, Section 3.2.3.

We agree that improvement is needed in action item follow up and the development of organizational action plans. We have implemented a tracking sheet to capture action items that are discussed in Talent Review meetings.

Recommendation Item 2:

Evaluate options to incorporate cross-pollination of TVA organizations into the succession planning process including a unified succession planning system that could also reduce talent review preparation.

We currently provide output from the Executive Talent Review to the Employee Relations Managers to help facilitate the identification of talent across SBU's. We agree that we should continue to evaluate ways to improve cross-pollination of talent and the cost and benefits of implementing a succession planning system.

Recommendation Item 3:

Determine if changes and initiatives to the talent review and succession planning process are working and intended results are achieved before additional changes are made.

We agree that ongoing evaluation of the process is needed to evaluate the effectiveness of the tools and implementation. Succession Pipeline Depth and Key Positions Filled are current metrics we use to aid in the evaluation.

Recommendation Item 4:

Complete and implement the Workforce Management SPP, including a unified definition for a mission critical position.

TVA-SPP-11.103, Workforce Management was implemented on June 11, 2013. It currently does not provide a definition for mission critical positions. We will incorporate one during the next revision.

Robert E. Martin
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Recommendation Item 5:

Work with TVA management to develop a plan that promotes executive ownership of talent development.

Executive ownership of the talent review process drives improved results. Currently each BU and SBU lead is asked to facilitate a Talent Review at least twice each year in which they identify positions in need of a succession plan. Their continued involvement in the succession planning process is imperative and we will work with management to strengthen the consistency in execution.

Recommendation Item 6:

Consider developing formalized transition plans, similar to NPG, in other organization.

We will review the transition plans used in NPG and determine which elements are appropriate to use across TVA.

Recommendation Item 7:

Clarify the succession planning process by producing a high-level, TVA-wide communication that describes the talent review and succession planning process, and consider the merits of communicating performance and potential.

We agree there is a need to increase awareness across TVA about the succession planning process and have already started facilitating meetings and communications around succession planning. We will evaluate the cost and benefits of communicating performance and potential as it relates to specific box placement on the Talent Grid.

If you have any questions, please contact Sharon Best at (423) 751-3732.



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