



Memorandum from the Office of the Inspector General

May 18, 2017

Sharon M. Best, LP 3A-C

**REQUEST FOR MANAGEMENT DECISION – EVALUATION 2016-15445-02 –
LEARNING, GROWTH, AND MANAGEMENT’S ORGANIZATIONAL EFFECTIVENESS**

Attached is the subject final report for your review and management decision. You are responsible for determining the necessary actions to take in response to our findings. Please advise us of your management decision within 60 days from the date of this report.

If you have any questions or wish to discuss our findings, please contact Amy R. Rush, Evaluations Manager, at (865) 633-7361 or Lisa H. Hammer, Director, Evaluations – Organizational Effectiveness, at (865) 633-7342. We appreciate the courtesy and cooperation received from your staff during the evaluation.

David P. Wheeler
Assistant Inspector General
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ARR:BSC

Attachment

cc (Attachment):

TVA Board of Directors
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Susan E. Collins, LP 6A-C
Robertson D. Dickens, WT 4D-K
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OIG File No. 2016-15445-02



Office of the Inspector General

Evaluation Report

To the Director, Learning,
Growth, and Management

LEARNING, GROWTH, AND MANAGEMENT'S ORGANIZATIONAL EFFECTIVENESS

Evaluation Team
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Evaluation 2016-15445-02
May 18, 2017

ABBREVIATIONS

CHRO	Chief Human Resources Office
FY	Fiscal Year
HR	Human Resources
L&OD	Leadership and Organizational Development
LG&M	Learning, Growth, and Management
LP&A	Leadership Programs and Assessments
TVA	Tennessee Valley Authority
WP&A	Workforce Planning and Analytics

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Evaluation 2016-15445-02 – Learning, Growth, and Management’s Organizational Effectiveness

EXECUTIVE SUMMARY

Why the OIG Did This Evaluation

Organizational effectiveness, as defined in this evaluation, is the ability of an organization to achieve its mission and goals. To achieve and sustain organizational effectiveness, there should be alignment between strategy, team engagement, and operational performance. Specifically, values and behaviors that drive good performance should be embedded throughout the organization’s business processes and exemplified by the individuals that manage and work in the organization. The Tennessee Valley Authority’s (TVA) 2017 3-year Enterprise Risk Profile recognized that ongoing workforce refinementⁱ might negatively affect the performance environment. Therefore, employee engagement is critical.

Due to the importance of alignment between strategy, team engagement, and operational performance, the Office of the Inspector General is conducting organizational effectiveness evaluations of business units across TVA. In support of TVA’s mission and performance risk mitigation efforts, TVA’s Chief Human Resources Office (CHRO) is responsible for “fostering an environment that enables all employees to contribute at optimum levels through connections to each other and to TVA’s mission.” Learning, Growth, and Management (LG&M), an organization within CHRO, assists in workforce optimization, fosters an engaged workforce, supports the building of capabilities, and leverages human resources technologies for employee efficiencies through activities conducted by its departments in support of the mission.

What the OIG Found

We identified strengths within LG&M related to (1) organizational alignment, (2) collaboration within the departments, (3) LG&M management support, and (4) positive relationships with other TVA organizations. However, we also identified employee engagement risks related to management communication and morale that, if left unaddressed, could stifle the maturity of LG&M programs and negatively affect the ability of LG&M to contribute to the CHRO mission. Specifically, some individuals mentioned (1) communication issues related to the perception of having unproductive meetings and the need for communicating through direct supervisors prior to communicating to other levels of management and (2) low morale due to potential workload fatigue, which affected employee development opportunities.

ⁱ Refinement of the workforce includes activities such as reduction in force.



Evaluation 2016-15445-02 – Learning, Growth, and Management’s Organizational Effectiveness

EXECUTIVE SUMMARY

Based on our findings and using TVA’s Business Operating Model, we assessed LG&M’s level of risk in the areas of alignment, engagement, and execution. As shown in Table 1, we determined alignment risk to be low because of the cascading and aligned goals of management and personnel within LG&M as well as the alignment of LG&M business unit responsibilities and initiatives. Furthermore, LG&M business unit responsibilities and initiatives supported the CHRO mission. Although there were engagement risks related to management communication and morale, we assessed engagement of the mission as low risk. Our interviews disclosed that LG&M personnel had support from their direct supervisors, which included holding employees accountable, providing the tools they need, and being receptive to differing opinions. Furthermore, management and employees cited collaboration within LG&M departments as a positive attribute. Finally, we rated execution as low risk due to the number of initiatives completed within fiscal year 2016 as well as the positive feedback received in relation to the first-line leadership training and positive comments obtained from Human Resources personnel.

	Low Risk	Medium Risk	High Risk
Alignment	x		
Engagement	x		
Execution	x		

Table 1

What the OIG Recommends

We recommend the Director, LG&M:

1. Address the communication issues identified in this report.
2. Explore opportunities for balancing workload and development opportunities in the future.

TVA Management’s Comments

TVA management informally responded to our report and stated they had no comments to add to the report.

BACKGROUND

Organizational effectiveness, as defined in this evaluation, is the ability of an organization to achieve its mission and goals. To achieve and sustain organizational effectiveness, there should be alignment between strategy, team engagement, and operational performance. Specifically, values and behaviors that drive good performance should be embedded throughout the organization's business processes and exemplified by the individuals that manage and work in the organization.

In recent years, the Tennessee Valley Authority (TVA) has faced internal and external economic pressures and implemented cost-cutting measures in an attempt to keep rates low and reliability high while continuing to fulfill its broader mission of environmental stewardship and economic development. In addition to recognizing operational risks related to those pressures, TVA's 2017 3-year Enterprise Risk Profile recognized that ongoing workforce refinement¹ might negatively affect the performance environment. Therefore, employee engagement is critical.

Due to the importance of alignment between strategy, team engagement, and operational performance, the Office of the Inspector General is conducting organizational effectiveness evaluations of business units across TVA. In support of TVA's mission and performance risk mitigation efforts, TVA's Chief Human Resources Office (CHRO) is responsible for "fostering an environment that enables all employees to contribute at optimum levels through connections to each other and to TVA's mission." Specifically, the CHRO's key initiatives for fiscal year (FY) 2017 are to:

- Optimize the workforce in order to support nonfuel Operations and Maintenance reductions.
- Foster a work environment where employees are fully engaged.
- Build individual, leadership, and organizational capabilities.
- Leverage human resources (HR) technology to enhance employee efficiencies.

The CHRO is comprised of five organizations, including: HR Business Office and Ombudsman; Learning, Growth, and Management (LG&M); Talent Acquisition and Diversity; Compensation and Benefits; and HR.² The LG&M organization, the focus of this report, assists with workforce optimization, furthers fostering of

¹ Refinement of the workforce includes activities such as reduction in force.

² Separate reports will be completed for each of the five organizations within the CHRO:

- Evaluation Report 2016-15445-01, HR Business Office and Ombudsman.
- Evaluation Report 2016-15445-02, LG&M.
- Evaluation Report 2016-15445-03, Talent Acquisition and Diversity.
- Evaluation Report 2016-15445-04, Compensation and Benefits.
- Evaluation Report 2016-15445-05, HR.

an engaged workforce, supports the building of capabilities, and leverages HR technologies for employee efficiencies through activities conducted by its departments. LG&M consists of the following three departments:

- The Leadership Programs and Assessments (LP&A) department is responsible for “delivering quality learning and development solutions in service to the business needs of the organization and in support of the TVA mission.” This includes having governance, oversight, and execution of development programs such as first-line supervisor development, middle manager training, Hi-Potential programs, and oversight of the leadership assessment process. In addition, the LP&A department offers various courses that pertain to TVA’s core and leadership competencies.³ These training courses include topics such as building a winning team, crucial conversations, critical thinking skills, and emotional intelligence.
- Leadership and Organizational Development (L&OD) is responsible for the growth and development of formal and informal TVA leaders with a focus primarily on the development of senior leadership within TVA. This includes activities such as the governance, oversight, and execution of the new leader integration program, governance⁴ and support for succession planning and talent review processes, and oversight for TVA’s leadership assessment process. L&OD has defined effectiveness outcomes from these activities that include improving key business performance metrics, performance of leaders and teams in current roles, and employee engagement.
- The Workforce Planning and Analytics (WP&A) department is responsible for providing data to TVA leaders in support of workforce decisions in the business planning process. WP&A provides self-service tools such as organization and people-related dashboards and charts and responds to data requests from TVA leaders. The department also has governance and oversight over the knowledge transfer and retention process, which includes identifying and retaining critical knowledge and skills contributing to TVA’s performance. In addition, WP&A is responsible for labor demand and organization modifications. This includes having oversight, execution, and support of the standard organization modification process designed to ensure that changes to the TVA organizational structure follow a consistent process of review, approval, and change management. For modifications, WP&A works with HR, Compensation and Benefits, Financial Operations and Performance, and the business unit requesting the change. In FY2016, WP&A executed 194 organizational modifications.

LG&M programs are applicable to all TVA management and employees. However, for programs where LG&M has governance and oversight, including those related to performance management, succession planning, and employee engagement, there is reliance on HR for program execution. Specifically, HR

³ TVA defined core competencies for individual contributors and leaders and leadership competencies for first-line supervisors, senior managers, directors, and executives. See the Appendix for a list of competencies.

⁴ An LG&M program manager, outside of the L&OD department, owns the governance with support from L&OD personnel.

generalists serve in an advisory capacity to TVA business units and are responsible for providing program support and guidance.

As of September 8, 2016, LG&M contained 16 employees led by a Director. As of that date, the LP&A department was comprised of 1 Manager and 4 employees, L&OD was comprised of 1 Senior Manager and 4 employees, and WP&A was comprised of 1 Manager and 3 employees. LG&M also included a Management Assistant and a Senior Program Manager.

TVA had the Corporate Executive Board benchmark CHRO-related functions and the report, dated April 2015, indicated “medium” maturity for developing employees, one of the functions for which LG&M is primarily responsible.⁵ However, within that function, development of talent segments critical to reaching short- and long-term business objectives was measured as “low” maturity. Another function for which LG&M is responsible, managing talent analytics, which can assist with building a more engaged workforce and driving present and future business decisions, was also measured as “low” maturity. Furthermore, CHRO identified risks, as of FY2016, including failure to plan for and execute knowledge transfer and retention for critical roles and an insufficiently engaged workforce.

In an attempt to increase the maturity levels and mitigate identified risks, LG&M documentation indicated the organization achieved various initiatives in FY2016, including:

- Implementation of the knowledge transfer and retention process and tools.
- Establishment of a workforce planning governance framework.
- Implementation of the advanced leadership program.
- Design, piloting, and implementation of a middle manager development program.
- Improvement of the succession planning process.
- Creation of a strategy for leadership programs.
- Redesign and management of a standardized implementation of the Nuclear Deep Dive Program used to identify future candidates for employment.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this evaluation was to identify strengths and risks that could impact LG&M’s organizational effectiveness. We assessed operations of LG&M as of September 2016 and culture as of the date of our interviews occurring from November 2016 through February 2017. To complete the evaluation, we:

- Reviewed CHRO’s FY2017 through FY2019 business plan to gain an understanding of goals.

⁵ The Corporate Executive Board is a best practice insight and technology company. The benchmarking report covered 38 functional activities across seven CHRO-related objectives.

- Reviewed TVA values and competencies (see the Appendix) for understanding of cultural factors deemed important to TVA.
- Interviewed the LG&M Director and direct reports to obtain their perceptions related to strengths and risks that could affect organizational effectiveness.
- Conducted interviews with all 12 employees and analyzed the results to identify themes related to strengths and risks that could affect organizational effectiveness.
- Conducted interviews with a nonstatistical sample of 28 individuals from HR that work closely with LG&M and analyzed results to identify strengths and risks from a support service standpoint.
- Reviewed the First Line Development Program Report for FY2016 to assess feedback from individuals participating in the first-line leadership training.
- Analyzed performance management documentation for management and employees in LG&M for alignment with department and organizational goals, where applicable.
- Reviewed select TVA Standard Programs and Processes and guidelines and reviewed documentation pertaining to standard organization modifications to gain an understanding of processes and controls.
- Reviewed results of TVA's 2016 Pulse Survey as compared to the 2015 Employee Engagement Survey to gain additional understanding of the LG&M work environment.
- Assessed the overall effectiveness of LG&M in the following areas, as included in TVA's Business Operating Model:
 - Alignment – How well the organization coordinates the activities of its many components for the purpose of achieving its long-term objectives—this is grounded in an understanding of what the organization wants to achieve, and why.
 - Engagement – How the organization achieves the highest level of performance from its employees.
 - Execution – How well the organization achieves its objectives and mission.

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

OBSERVATIONS

We identified strengths within LG&M related to (1) organizational alignment, (2) collaboration within the departments, (3) LG&M management support, and (4) positive relationships with other TVA organizations. However, we also identified employee engagement risks related to management communication, morale, and fatigue that, if left unaddressed, could stifle the maturity of LG&M

programs and negatively affect the ability of LG&M to contribute to the CHRO mission.

STRENGTHS

During the course of our interviews and data analyses, we identified strengths that positively affected the day-to-day activities of LG&M employees and performance. These strengths included (1) organizational alignment, (2) collaboration within the departments, (3) LG&M management support, and (4) positive relationships with other TVA organizations.

Organizational Alignment

Our review of performance management documentation for management and employees within LG&M revealed that performance goals were consistent with overarching LG&M goals. In addition, the majority of individuals felt they had input into their performance management goals and that goals aligned with the LG&M mission. We also confirmed that LG&M business unit responsibilities and initiatives supported the CHRO and TVA missions.

Collaboration

LG&M management and employees cited department teamwork as a positive attribute of LG&M. Some individuals stated that LG&M is comprised of individuals having diverse knowledge and skill sets, which contributes to collaboration within the departments. Some individuals also stated that LG&M personnel exhibit a high work ethic. In our opinion, collaboration and work ethic contributed to the achievement of the FY2016 initiatives previously mentioned.

Support From LG&M Management

The majority of individuals we interviewed believed their direct supervisors understand and support the work they do. These individuals stated that supervisors hold employees accountable, provide the tools they need including training, and are receptive to differing opinions. Furthermore, several employees noted there were actions taken in response to the 2015 Employee Engagement Survey, which could be an indication of LG&M management's receptiveness to differing opinions.⁶

Positive Relationships With Other TVA Organizations

As stated previously, LG&M personnel work with other CHRO departments such as Compensation and Benefits and HR as well as leadership and employees across TVA. We asked for feedback across the CHRO organization when interviewing HR personnel. We noted several individuals within the HR organization provided positive comments pertaining to job aids prepared by LG&M personnel, leadership development training, and a willingness to help. In addition, most LG&M personnel believed they worked well with other TVA organizations.

Because LG&M tracks feedback as it pertains to classes, we obtained feedback received for the First Line Supervisor training class occurring within FY2016. We

⁶ We did not ask individuals about actions taken in response to the 2016 Pulse Survey because survey results had not been rolled out to LG&M employees when we started this evaluation.

determined there were 155 individuals within seven organizations who took the first-line leadership training. The majority of individuals taking the training completed an evaluation where they rated program components. According to the feedback, individuals rated the effectiveness of the instructor and overall program as high. The majority of the feedback indicated the class was a good use of the individuals' time and was relevant to work life. In addition, the report reflected that individuals believed they learned something from the class, and they planned to use the content while on the job.

RISKS

According to Deloitte's *2017 Global Human Capital Trends* report, building the organization of the future is the number one challenge for 2017 with careers and learning rated as secondary in importance.⁷ Survey respondents not only identified these trends as the top two challenges for all industries, they were also identified as the top two affecting the energy industry.⁸ Another challenge included in the top ten reported by Deloitte was people analytics, referred to as workforce analytics by LG&M. These are of importance as the data can provide an understanding of talent and workforce factors that drive performance. LG&M programs and activities, as described previously, are vital to meeting these challenges on behalf of TVA.

To assist with meeting these challenges, it is essential that LG&M continue focusing its efforts on furthering maturity of the organization.⁹ To do this, it is important to have an engaged LG&M workforce that is able to meet the demands required to remain competitive in the future. Because the departments within LG&M are small, the likelihood that employee engagement could be negatively impacted is somewhat higher than in other organizations with larger departments. If the engagement level of even one individual drops, it could upset the dynamics of the entire department and negatively affect the achievement of the organizational mission. While the majority of individuals we interviewed believe LG&M management supports and understands the work they do, a small number of individuals noted there were communication issues within LG&M that could negatively affect trust and decrease employee engagement. These communication issues related to the perception of having unproductive meetings and the need for following the chain of command by communicating through direct supervisors prior to communicating to other levels of management.

Furthermore, a small number of individuals mentioned feeling that (1) morale within LG&M was low, and (2) fatigue was a risk primarily due to the workload.

⁷ Deloitte, a team of professionals that provide audit, consulting, risk management, and related services, has published global human capital trends for the past 5 years. The current report, dated 2017, includes input from approximately 10,000 business and HR leaders across 140 countries. The majority of respondents were from medium or large companies.

⁸ Performance management tied with careers and learning for the second most important challenge in the energy industry.

⁹ As stated previously, LG&M activities were rated as having "medium" maturity for developing employees and "low" maturity for development of talent segments critical to reaching short- and long-term business objectives and managing talent analytics.

Even though employees appear to be engaged, based on the number of initiatives achieved in FY2016, a prolonged increase in the workload, along with the aforementioned communication issues, poses the risk of stress and fatigue within the departments and could negatively affect sustainability of employee engagement and inhibit addressing workforce challenges of the future. Some individuals within LG&M also noted that training opportunities exist, but some employees were not able to attend training sessions due to the increased workload. This also poses a risk of decreased employee engagement since engagement is not only driven by poor relationships with management but also by the lack of opportunities to work on meaningful assignments or to further growth.

According to documentation provided by LG&M management, the number of planned initiatives for FY2017 has decreased. The upcoming initiatives include: (1) development and implementation of an executive leadership development strategy, (2) design and implementation of a middle manager Hi-Potential program, and (3) delivery of an engagement survey. The decreased number of initiatives indicates recognition by management of the potential for fatigue that may lead to decreased engagement within LG&M.

CONCLUSION

As indicated previously, not only do departments within LG&M contribute to the mission of TVA but also to meeting future challenges and the mitigation of engagement risks that can negatively affect the performance environment. Specifically, training and development programs, for which LG&M is responsible, can address knowledge and skills gaps of the TVA workforce, offer growth opportunities for individuals, and enhance communication and relationships between management and employees. Furthermore, the provision of data pertaining to the workforce can enhance business planning processes and drive present and future business decisions.

To escalate the maturity of the CHRO function pertaining to workforce development programs and the management of talent analytics, LG&M undertook a number of initiatives in FY2016. While this increased workload served as a platform to highlight LG&M management support of employees and teamwork within the departments, it also posed a risk for fatigue and decreased employee engagement and sustainability within LG&M. LG&M management recognized this risk potential and took necessary actions to address it by reducing the number of initiatives for FY2017. Balancing the workload of the employees can provide opportunities to enhance LG&M employee knowledge and skills and focus on communication and morale issues that were potentially exacerbated by the increased workload.

Based on TVA's Business Operating Model, we evaluated the risk of three critical areas that could impact LG&M's effectiveness:

- Alignment risk is low based on the alignment of management and employee goals within the LG&M organization to the CHRO mission. In addition, the

majority of LG&M personnel stated they had input into their goals, and they believed they aligned with the CHRO mission and vision. We also confirmed that LG&M business unit responsibilities and initiatives supported the CHRO and TVA mission.

- Engagement risk is low. Although there were engagement risks related to management communication and morale, LG&M personnel indicated they had support from their direct supervisors. This included supervisors holding employees accountable, providing the tools they need, and being receptive to differing opinions. Furthermore, management and employees cited collaboration within LG&M departments as a positive attribute.
- Execution risk is low due to the number of initiatives completed within FY2016 as well as the positive feedback received in relation to the first-line leadership training and positive comments obtained from HR personnel.

RECOMMENDATIONS

We recommend the Director, LG&M:

1. Address the communication issues identified in this report.
2. Explore opportunities for balancing workload and development opportunities in the future.

TVA MANAGEMENT'S COMMENTS

TVA management informally responded to our report and stated they had no comments to add to the report.

TVA Values	
Safety	We share a professional and personal commitment to protect the safety of our employees, our contractors, our customers, and those in the communities that we serve.
Service	We are privileged to be able to make life better for the people of the Valley by creating value for our customers, employees, and other stakeholders. We do this by being a good steward of the resources that have been entrusted to us and a good neighbor in the communities in which we operate.
Integrity	We conduct our business according to the highest ethical standards and seek to earn the trust of others through words and actions that are open, honest, and respectful.
Accountability	We take personal responsibility for our actions, our decisions, and the effectiveness of our results, which must be achieved in alignment with our company values.
Collaboration	We are committed to fostering teamwork, developing effective partnerships, and valuing diversity as we work together to achieve results.

TVA Leadership Competencies

Accountability and Driving for Results
Continuous Improvement
Leveraging Diversity
Adaptability
Effective Communication
Leadership Courage
Vision, Innovation, and Strategic Execution
Business Acumen
Building Organizational Talent
Inspiring Trust and Engagement