



Memorandum from the Office of the Inspector General

June 13, 2018

Rebecca C. Tolene, WT 7B-K

FINAL REPORT – EVALUATION 2017-15514-01 – STRATEGY AND PERFORMANCE'S ORGANIZATIONAL EFFECTIVENESS

Attached is the subject final report for your review and information. No further action is needed at this time.

If you have any questions, please contact Jessica L. Monroe, Senior Auditor, at (865) 633-7338 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.

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Assistant Inspector General
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Attachment
cc (Attachment):

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Office of the Inspector General

Evaluation Report

To the Vice President,
Supply Chain

STRATEGY AND PERFORMANCE'S ORGANIZATIONAL EFFECTIVENESS

Evaluation Team
Jessica L. Monroe
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Evaluation 2017-15514-01
June 13, 2018

SYNOPSIS

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 the Tennessee Valley Authority (TVA). This evaluation focused on the Strategy and Performance (S&P) organization within Supply Chain. S&P's mission is to provide business and technical support to TVA's Supply Chain. As of October 2017, S&P had 17 employees, including 2 manager positions. This evaluation assessed strengths and risks that could affect S&P's organizational effectiveness.

In summary, we identified strengths related to (1) organizational alignment, (2) teamwork within departments, and (3) management support. We did not identify any significant risks. Based on our findings and using TVA's Business Operating Model, we assessed S&P's level of risk in the areas of alignment, engagement, and execution. As shown in the following table, we rated alignment risk as low due to the alignment of S&P's mission and initiatives with Supply Chain's and TVA's missions and the use of cascading goals. We rated engagement risk as low due to teamwork within departments and management support, including trust of upper management. Finally, while feedback regarding S&P was limited, we rated execution risk as low based on the positive feedback received from Sourcing¹ personnel.

	Low Risk	Medium Risk	High Risk
Alignment	X		
Engagement	X		
Execution	X		

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, 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. TVA's 2017 3-year Enterprise Risk Profile

¹ Sourcing is a department in Supply Chain that works with Materials Operations and Asset Management to provide inventory and services to TVA sites.

recognized ongoing workforce refinement² 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. The mission of TVA's Supply Chain is to "provide materials and services to strategic business units at lowest total cost of ownership and manage and optimize sourcing, procurement, freight, inventory, material distribution, and TVA fleet to ensure reliable operation." At the time we initiated our evaluation, TVA's Supply Chain consisted of (1) Sourcing, (2) Material Operations, (3) Asset Management, and (4) S&P.³ This evaluation focused on Supply Chain's S&P organization.

S&P's mission is to provide business and technical support to TVA's Supply Chain. S&P did not have metrics for fiscal year (FY) 2017; however, metrics were developed for FY2018 and included the (1) number of corrective actions closed on time, (2) percentage of continuous improvement projects complete based on scheduled milestones, (3) percentage of technical projects complete based on scheduled milestones, and (4) system usage metrics. As of October 2017, S&P had 17 employees, including 2 manager positions.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this evaluation was to identify strengths and risks that could impact S&P's organizational effectiveness. We assessed operations of S&P as of October 2017 and culture as of the date of our interviews occurring from October 2017 through December 2017. Concurrently, we conducted an evaluation focused on the Sourcing organization within Supply Chain. Those results will be included in a separate report (2017-15514). To complete the evaluation, we:

- Reviewed Supply Chain's FY2017 through FY2019 business plan to gain an understanding of organizational goals.
- Reviewed TVA values and competencies (see the Appendix) for understanding of cultural factors deemed important to TVA.
- Interviewed the two S&P managers to obtain their perceptions related to strengths and risks that could affect organizational effectiveness.
- Conducted interviews with 15 S&P employees and analyzed themes related to strengths and risks that could affect organizational effectiveness.
- Analyzed performance management documentation for all employees in S&P for alignment with department and organizational goals, where applicable.

² Refinement of the workforce includes activities such as reduction in force.

³ During our evaluation, Supply Chain underwent an organizational change in January 2018 and a leadership change in March 2018. As of March 12, 2018, Supply Chain is comprised of Sourcing, Material Operations, and Asset Management and Performance (which includes the S&P group).

- Reviewed results of TVA's 2015 Employee Engagement Survey and 2016 Pulse Survey to gain additional understanding of the S&P work environment.
- Assessed the overall effectiveness of S&P 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

During the course of our interviews and data analyses, we identified strengths that positively affected the day-to-day activities and performance of S&P employees. These strengths included (1) organizational alignment, (2) teamwork within departments, and (3) management support, which included trust in upper management. We did not identify any significant risks.

Organizational Alignment

We found S&P's organization initiatives and mission aligned with Supply Chain's and TVA's missions. In addition, based on review of performance documents, we noted that performance management goals aligned to S&P's and Supply Chain's missions and cascaded from the managers to the employees. While some individuals commented negatively when asked whether they had input into their performance management goals, many individuals felt they had input into those goals.

Teamwork

TVA's collaboration value encourages teamwork, effective partnerships, and diversity in order to achieve results. The majority of employees interviewed in S&P provided positive comments pertaining to teamwork within their departments. Specifically, some employees described their groups as working well together to accomplish the objectives and goals of S&P. Some S&P employees also indicated there was good communication and support for each other within their groups, and most S&P employees believed they worked well with other Supply Chain groups. As stated previously, we conducted an evaluation of Sourcing in conjunction with that of S&P. As part of that evaluation, we asked Sourcing personnel to provide feedback on other organizations within Supply Chain, which

included S&P. Of those who commented on S&P, the majority indicated there were no issues or had positive comments in relation to S&P.

Management Support

Many of the employees we interviewed indicated their direct management communicated well and understood the work they do. Many employees also responded favorably when asked about feedback and whether they felt comfortable offering differing opinions to their direct management thus indicating that direct management is trusted. Many individuals also responded positively when asked about providing a differing opinion to upper management. Of the employees we interviewed, many also indicated they had the tools and resources necessary to perform their jobs.

CONCLUSION

An effective S&P organization is essential for accomplishing Supply Chain's mission. Based on our findings and using TVA's Business Operating Model, we assessed S&P's level of risk in the areas of alignment, engagement, and execution. We determined alignment risk to be low due to the alignment of S&P's mission and initiatives with Supply Chain's and TVA's missions and the use of cascading goals. We also assessed engagement risk as low due to teamwork within departments and management support, including trust of upper management. Finally, while feedback regarding S&P was limited, we rated execution risk as low based on the positive feedback received from Sourcing personnel.

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