



Memorandum from the Office of the Inspector General

August 17, 2018

Rebecca C. Tolene, WT 7B-K
G. Allan Trotter, BR 5A-C

**REQUEST FOR FINAL ACTION – EVALUATION 2017-15514 – SOURCING'S
ORGANIZATIONAL EFFECTIVENESS**

Attached is the subject final report for your review and final action. Your written comments, which addressed your management decision and actions planned or taken, have been included in the report. Please notify us when final action is complete. In accordance with the Inspector General Act of 1978, as amended, the Office of the Inspector General is required to report to Congress semiannually regarding evaluations that remain unresolved after 6 months from the date of report issuance.

If you have any questions or wish to discuss our findings, 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.

David P. Wheeler
Assistant Inspector General
(Audits and Evaluations)
WT 2C-K

JLM:FAJ
Attachment
cc (Attachment):

TVA Board of Directors
Janet J. Brewer, WT 7C-K
Susan E. Collins, LP 6A-C
Robertson D. Dickens, WT 9C-K
Megan T. Flynn, LP 3A-C
Jennifer A. Johnson, BR 5A-C
William D. Johnson, WT 7B-K

Dwain K. Lanier, MR 6D-C
Justin C. Maierhofer, WT 7B-K
Jill M. Matthews, WT 2C-K
Michael D. Skaggs, WT 7B-K
Wilson Taylor III, WT 7D-K
OIG File No. 2017-15514



Office of the Inspector General

Evaluation Report

To the Vice President,
Supply Chain, and to
the Director, Sourcing

SOURCING'S ORGANIZATIONAL EFFECTIVENESS

Evaluation Team
Jessica L. Monroe
Andi R. McCarter

Evaluation 2017-15514
August 17, 2018

ABBREVIATIONS

| | |
|-------|--|
| BU | Business Unit |
| CM | Contract Manager |
| FY | Fiscal Year |
| PA | Procurement Agent |
| SCM | Senior Contract Manager |
| SMART | Specific, Measurable, Achievable, Relevant, and Time-Bound |
| SPP | Standard Programs and Processes |
| TVA | Tennessee Valley Authority |

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Evaluation 2017-15514 – Sourcing’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. This evaluation focused on the Sourcing organization within TVA’s Supply Chain. The objective of Sourcing is “to reduce TVA’s total cost of ownership by strategically identifying the best suppliers in the industry to provide products and services that meet TVA’s requirements.” As of October 2017, Sourcing had 84 employees, including management, and the management structure included 1 director, 3 senior managers, and 6 manager positions. This evaluation assessed strengths and risks that could affect Sourcing’s organizational effectiveness.

What the OIG Found

We identified strengths related to (1) teamwork, (2) direct management support for three of four departments, (3) perceptions of an ethical culture, and (4) customer support. However, we also identified issues that, if left unresolved, could increase the risk that Sourcing will be unable to effectively meet its objective in the future. These risks related to (1) alignment, (2) the selection process, (3) management behaviors, and (4) work management.

Based on our findings and using TVA’s Business Operating Model, we assessed Sourcing’s level of risk in the areas of alignment, engagement, and execution. As summarized in the table on the following page:

- Alignment risk was rated high based on a lack of vision/mission clarity for Sourcing and concerns related to individual goals, including the (1) appearance of conflicting objectives between Sourcing metrics and

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



Evaluation 2017-15514 – Sourcing’s Organizational Effectiveness

EXECUTIVE SUMMARY

Operations’ goals, (2) appropriateness of goals based on responsibilities, and (3) lack of follow-through related to continuous improvement suggestions.

- Engagement risk was rated medium for Sourcing based on selection process risks and behaviors displayed by 3 managers that were not in alignment with the TVA leadership competencies.
- Execution risk was rated medium. While customer support was noted as a strength, there were risks pertaining to work management including workload concerns as well as inefficient collaboration within Sourcing.

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

What the OIG Recommends

We made recommendations to management related to alignment risks including definition and communication of the organizational vision/mission, evaluation of metrics and employee goals for alignment and reasonableness, and communication related to continuous improvement suggestions. We also made recommendations related to communication pertaining to employee advancement, improvement of management leadership skills, and evaluation of staffing levels and collaboration efforts within Sourcing. Our detailed recommendations are listed in the body of this report.

TVA Management’s Comment

TVA management agreed with our recommendations and stated that actions have been taken or are being taken to improve organizational effectiveness in Sourcing. Please see Appendix B for management’s complete response.

Auditor’s Response

We agree with TVA management’s planned and completed actions.

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. TVA's 2017 3-year Enterprise Risk Profile recognized 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 (BU) 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 contained (1) Sourcing, (2) Material Operations, (3) Asset Management, and (4) Strategy and Performance. This evaluation focused on TVA's Supply Chain Sourcing organization, which is part of the Operations strategic BU.

The objective of Sourcing is to reduce TVA's total cost of ownership by strategically identifying the best suppliers in the industry to provide products and services that meet TVA's requirements. At the time of our evaluation, Sourcing was comprised of (1) Coal and Gas Generation Contracts, (2) Corporate Contracts, (3) Nuclear Contracts, and (4) Transmission, River Operations, and Generation Projects.² Individual contributors primarily included procurement agents (PA), contract managers (CM), and senior contract managers (SCM). PAs, CMs, and SCMs, acting as the sole agents of TVA, are authorized to execute or amend contracts and to provide formal contractual direction to contractors.

Sourcing had nine key metrics in fiscal year (FY) 2017, including a cost reduction metric and supplier diversity metrics such as diverse business utilization, small business utilization, and valley business spend. As of October 2017, Sourcing

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

² Supply Chain underwent an organizational change in January 2018 and a leadership change in March 2018. As of March 12, 2018, Sourcing includes Corporate Contracts, Generation Contracts (contains Nuclear and Coal and Gas), Supplier Diversity and Development, and Transmission, Hydro, and Generation Projects.

had 84 employees, including management, and the management structure included 1 director, 3 senior managers, and 6 manager positions.³

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this evaluation was to identify strengths and risks that could impact Supply Chain's Sourcing organizational effectiveness. We assessed operations of Sourcing as of October 2017 and culture as of the date of our interviews, which occurred from October 2017 through December 2017. Concurrently, we conducted an evaluation focused on the Strategy and Performance organization within Supply Chain; those results are issued in a separate report.⁴ 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 an understanding of cultural factors deemed important to TVA.
- Interviewed the Sourcing director, 3 senior managers, and 6 managers to obtain their perceptions related to strengths and risks that could affect organizational effectiveness.
- Conducted interviews with 72⁵ Sourcing employees and analyzed themes related to strengths and risks that could affect organizational effectiveness.
- Surveyed and/or conducted interviews with a nonstatistical sample of 52 individuals from other TVA organizations that work closely with Sourcing and analyzed results to identify strengths and risks from a customer service standpoint. The nonstatistical sample was selected based on information provided by Sourcing management and a review of organizational charts to identify customers.
- Analyzed performance management documentation for all employees in Sourcing for alignment with department and organizational goals, where applicable.
- Examined Sourcing metrics to determine characteristics measured within Sourcing.
- Reviewed select TVA Standard Programs and Processes (SPP) and guidelines to gain an understanding of processes.
- Reviewed results of TVA's 2015 Employee Engagement Survey and 2016 Pulse Survey to gain additional understanding of the work environment.
- Assessed headcount data for Sourcing for calendar years 2012 to 2017.

³ One senior manager position and one manager position were vacant during our review.

⁴ Evaluation 2017-15514-01, *Strategy and Performance's Organizational Effectiveness*, June 13, 2018.

⁵ We were unable to interview 2 employees. We included the executive management assistant reporting to Supply Chain's vice president in these interviews.

- Assessed the overall effectiveness of Sourcing 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 Sourcing related to (1) teamwork, (2) direct management support for three of four departments, (3) perceptions of an ethical culture, and (4) customer support. However, we also identified risks that could negatively affect the achievement of the mission. These risks related to (1) alignment, (2) the selection process, (3) management behaviors in one department, and (4) work management.

STRENGTHS

During the course of our interviews and data analyses, we identified strengths that positively affected the day-to-day activities of employees and performance. These strengths included (1) teamwork, (2) direct management support for three of four departments, (3) perceptions of an ethical culture, and (4) customer support.

Teamwork

TVA's collaboration value encourages teamwork, effective partnerships, and diversity in order to achieve results. The majority of Sourcing employees interviewed provided positive comments pertaining to teamwork within their departments. Specifically, many employees described their groups as working well together. Many employees also indicated there was good communication and support for each other within their groups.

Direct Management Support

Many of the employees we interviewed for the majority of the departments within Sourcing provided positive feedback related to support from direct management. Specifically, most employees in these departments 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.

Perceptions of Ethical Culture

TVA's integrity value states that business is conducted according to the highest ethical standards, and TVA seeks to earn the trust of others through words and actions that are open, honest, and respectful. The majority of employees interviewed believe that the organization demonstrates an ethical culture. Supply Chain requires personnel to maintain the highest standards of professional behavior in all business practices and comply with TVA's Code of Conduct.⁶

Customer Support

As stated previously, Sourcing is responsible for identifying suppliers that meet TVA's requirements. Based on surveys and/or interviews with a sample of individuals from other TVA organizations, most of the individuals rated their experience with Sourcing personnel as positive. Furthermore, the majority of individuals in our sample also had positive comments pertaining to Sourcing products and services.

RISKS

We identified risks that could negatively impact the effectiveness of Sourcing in achievement of its responsibilities and mission. These risks were related to (1) alignment, (2) the selection process, (3) management behaviors in one department, and (4) work management.

Alignment Risks

While Sourcing's documented mission and key initiatives align with Supply Chain's and TVA's missions, interviews and review of performance management documentation indicated the existence of alignment risk within Sourcing. During our interviews, some employees raised concerns related to a lack of clarity in Supply Chain's vision and/or mission, and many expressed concerns related to individual goals.

As previously stated, Supply Chain's mission is to provide materials and services at the lowest total cost of ownership. Sourcing metrics for FY2017 included a measure for cost reduction but also included measures related to supplier diversity.⁷ Further, for FY2017, most employees had an individual cost savings goal to avoid cost or reduce costs and a supplier diversity goal to award a certain amount of contracts to diverse suppliers. Some employees indicated these goals conflicted in their daily work; as a result, employees were unsure which goal to prioritize. For example, when evaluating an individual contract, a few employees stated that using cost savings criteria may result in the selection of a different vendor than if supplier diversity criteria were used. These employees also stated that Sourcing management gave conflicting feedback on which goal to prioritize. Some employees also expressed concern that BU partners do not have a

⁶ TVA's Code of Conduct is a handbook for employees that contains eight statements supporting the values of trust, respect, and ethical conduct. The primary responsibility for maintaining an environment of ethical and legal behavior rests with individual employees.

⁷ This metric includes spend with minorities, women, veterans, service disabled veterans, and historically underutilized business zones/business vendors as a percentage of total applicable Supply Chain spend.

supplier diversity metric, which can cause pushback on vendor selection when Sourcing recommends a diverse vendor instead of the lowest cost vendor. This concern was echoed by some customers.

Many employees also stated that goals were provided by management with little or no input from employees, and a few employees described having goals they believed were not included in their job duties. According to TVA, performance goals should be specific, measurable, achievable, relevant, and time-bound (SMART). TVA documentation states that effective goals should clearly describe the expected outcome or result in a qualitative or quantitative manner and set a timeline for reaching the expected outcome or result. Additionally, TVA documentation provides elements of effective goals, including that goals should be participative⁸ and reasonable.⁹ We reviewed FY2017 performance documentation goals for all Sourcing personnel and determined that goals for employees were similar, if not exact, for employees within specific positions (i.e., CMs, PAs) regardless of the work performed by the individual employee. Further, some goals were not appropriate given job responsibilities, and several goals did not define specific metrics that can be objectively measured.

In addition, our review of performance management documentation revealed that all employees had goals related to identifying improvements in processes and projects designed to reduce costs or create process efficiencies. However, many employees stated process improvement ideas are not implemented, and employees do not receive any feedback from management to explain why. Some employees stated the same concerns and solutions have been shared with Sourcing management multiple times without any changes occurring. Additionally, some employees stated suggestions proposed by employees were denied by management but were implemented when the same suggestions were made by a consultant.

Establishing and communicating a clear mission and vision is fundamental to accomplishment of organizational goals; therefore, employees should understand the link between their individual work and the organizational mission. Lacking knowledge or understanding of the organizational mission could contribute to employees not understanding how their individual goals should be prioritized to support the mission and vision of Supply Chain. Furthermore, the creation of conflicting goals can create tension for employees in accomplishing daily duties and impact TVA's ability to accomplish enterprise-level goals. Lastly, employee input and providing feedback is important for increasing employee engagement. A lack of feedback can stifle employee input resulting in missed opportunities for improvements in efficiency and effectiveness.

⁸ Participative goals mean that both the manager and the employee should be involved in the development of goals to ensure understanding and commitment.

⁹ Reasonable goals are goals that are relevant to the individual's current scope of responsibilities and within the individual's means to achieve the desired outcome.

Selection Process

Many employees disclosed perceptions of management favoritism related to filling vacancies, and many also indicated that Sourcing management does not give all potential candidates a fair opportunity during the selection process. These employees felt that management was not objective in their assessment of candidates but had already selected an individual before giving all candidates fair consideration. Several employees further stated that management did not provide adequate feedback related to why they were not selected for a position after interviewing, and a few employees indicated there was a lack of clarity related to progression paths within Sourcing. Concerns with the selection process may contribute to low morale within the organization. According to Sourcing management, the organizational structure announced in January 2018 should create additional opportunities for advancement.

Management Behaviors

During our interviews, many employees described behaviors displayed by 3 managers in one department that were not in alignment with the TVA leadership competencies. We discussed the specifics of these issues with the appropriate Supply Chain management.

Work Management Concerns

Effective and efficient work management is critical to accomplishing Supply Chain's responsibilities, mission, and goals. We identified risks related to work management that could negatively impact Sourcing's achievement of its responsibilities. Specifically, we identified concerns with (1) workload and (2) ineffective collaboration.

Workload

Some Sourcing employees stated concerns about not having sufficient resources. For example, some employees explained additional work is redistributed to existing employees¹⁰ whenever someone leaves the group. Some employees noted the increased workload has resulted in less time to review contracts and purchase orders for compliance and cost savings. In addition, some employees expressed concerns about the ability to manage the current volume of work. This has also contributed to concerns with morale within the organization. Furthermore, while customer support was noted as a strength, some customers expressed concerns about the workload of Sourcing personnel. Having sufficient time to devote to contract compliance and purchase order reviews can increase savings opportunities for TVA; reduce the risk of fraud, waste, and abuse by vendors; and further improve relationships with customers.

¹⁰ Based on our review of Sourcing headcount data from FYs 2014 to 2017, Sourcing's headcount has decreased from 99 to 79 (20.2 percent), including the loss of 5 SCMs and 11 PAs.

Ineffective Collaboration

According to TVA-SPP-4.0, *Management of the Supply Chain Process*, TVA's success in Supply Chain management is dependent upon the joint efforts of Supply Chain personnel and individuals within other TVA BUs. Supply Chain personnel are responsible for activities such as (1) ensuring the procurement process is conducted in a timely and efficient manner and that TVA competition policies are upheld, (2) developing sourcing strategies in conjunction with TVA BUs, and (3) managing contracts. However, it is incumbent upon individuals in other TVA BUs to prepare plans for anticipated procurements, participate in the contract formation process, and prepare work scopes and specifications consistent with TVA policies. These responsibilities can be met through effective collaboration. TVA's collaboration value includes developing effective partnerships when working together to achieve results.

As stated previously, the majority of Sourcing personnel cited department teamwork as a positive attribute. However, several individuals across Sourcing stated the organization, overall, operates in silos resulting in a lack of cross-departmental collaboration and concerns with morale. Some individuals indicated CMs tend to collaborate with other CMs within their department but not across department boundaries. This is not consistent with the CM position description, which includes development and expansion of relationships within Supply Chain as a core responsibility of the position. Furthermore, Sourcing employees expressed concern with collaboration between other TVA organizations. Some Sourcing employees indicated other BUs do not understand Supply Chain's roles and responsibilities. Some customers indicated that education on Supply Chain processes and providing Sourcing contact names for associated responsibilities would be helpful.

Ineffective collaboration across departments within Sourcing could prevent the sharing of best practices and lessons learned that affect all of Sourcing. Additionally, because Sourcing depends on partnering effectively with BUs to accomplish its mission and to maintain the operations of TVA facilities, it is important that other BUs outside of Supply Chain understand roles, responsibilities, and processes to avoid potential violation of procedures. Educating BU partners on roles and responsibilities and providing clarity on processes and decisions could positively impact Sourcing's effectiveness. Additionally, continued ineffective collaboration could negatively affect the credibility of the organization and jeopardize the achievement of its mission.

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While Sourcing's headcount has decreased over the past few years, according to employees, Sourcing's workload has not decreased. Although additional staffing may not be possible, the current workload, coupled with the lack of collaboration within Sourcing, may prevent the identification of process improvements that could improve the efficiency of Sourcing.

CONCLUSION

An effective Sourcing department is essential for accomplishing Supply Chain's mission of providing materials and services at the lowest total cost of ownership. Collaboration between Sourcing and other TVA BUs is necessary to effectively manage TVA costs. While Sourcing has strengths in teamwork, direct management support in three of four departments, and perceptions of an ethical culture, failure to address risks related to alignment, the selection process, management behaviors, and work management as described above could impact the department's ability to accomplish its mission.

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

- Alignment risk was rated high based on a lack of vision/mission clarity for Sourcing and concerns related to individual goals, including the (1) appearance of conflicting objectives between Sourcing metrics and Operations' goals, (2) appropriateness of goals based on responsibilities, and (3) lack of follow-through related to continuous improvement suggestions.
- Engagement risk was rated medium for Sourcing based on selection process risks and behaviors displayed by 3 managers that were not in alignment with the TVA leadership competencies.
- Execution risk was rated medium. While customer support was noted as a strength, there were risks pertaining to work management including workload concerns as well as inefficient collaboration within Sourcing.

RECOMMENDATIONS

We recommend the Vice President, Supply Chain, and the Director, Sourcing:

1. Address the alignment risks identified in this report by (a) defining and communicating the vision/mission for Sourcing, (b) evaluating Sourcing metrics for alignment to Operations' goals, (c) ensuring all employees participate in establishing goals that are SMART and reasonable, and (d) ensuring follow-through for continuous improvement suggestions.

TVA Management's Comments – Management stated they have developed a unified Roadmap that clearly defines the mission and vision for the Supply Chain organization. This Roadmap will provide a long-term strategy and direction for the organization. The Roadmap will be driven by key continuous improvement initiatives, and performance against these initiatives will be tracked and reported to ensure completion. Management further stated that metrics have been enhanced to provide improved alignment and clarity to the overall mission and feedback has been solicited from employees. In addition, they stated goals will align with the metrics and the Roadmap to ensure line of sight with the organization's overall mission.

2. Improve communication and feedback related to employee advancement.

TVA Management's Comments – Management stated Supply Chain leadership attended the Managers Tools training class in May 2018 to improve communication and feedback through structured one-on-one meetings. They stated managers and employees will continue to discuss employee career aspirations and Individual Development Plans.

3. Identify ways to improve the applicable managers' leadership skills and ensure each manager is demonstrating TVA's values and competencies.

TVA Management's Comments – Management stated they are leveraging a range of tools and processes to improve leadership skills and ensure demonstration of TVA's values and competencies, including using recurring leadership meetings to discuss expectations and attending the Manager Tools training class. In addition, management stated they are soliciting feedback from business partners and employees to ensure leaders are meeting expectations as necessary. Management stated they are also coordinating rotational assignments and additional job duties to help grow leaders.

4. Evaluate current staffing levels to determine if they are sufficient to effectively manage the work assigned.

TVA Management's Comments – Management stated leadership is evaluating resources and workload to improve effectiveness and distribution of assignments. As part of the Roadmap, automation will be used to leverage technology to reduce redundant activities, where possible, and manage workload, allowing employees to focus on more strategic actions. In addition, management stated they are (1) shifting certain contracts and commodities across teams to improve efficiencies, (2) analyzing areas that have multiple contracts to better leverage and optimize the number of contracts, and (3) routinely monitoring purchase workload reports and requiring weekly reports from contracting officers in several areas.

5. Identify ways to increase collaboration within Sourcing.

TVA Management's Comments – Management stated they have taken a number of steps to increase collaboration within Sourcing and across the organization including: (1) monthly staff meetings of all Sourcing leaders, (2) a new monthly recurring "Senior Manager" meeting, (3) creation of a Request for Proposal Council peer-lead team, and (4) implementation of a monthly procurement agent huddle.

Please see Appendix B for management's complete response.

Auditor's Response – We agree with management's planned and completed actions.

| 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

August 8, 2018

David P. Wheeler, ET 3C-K

RESPONSE TO DRAFT EVALUATION – 2017-15514 – SOURCING'S ORGANIZATIONAL EFFECTIVENESS

Supply Chain leadership appreciates the opportunity to review and respond to the Draft Evaluation from the Office of Inspector General regarding Sourcing's organizational effectiveness.

Supply Chain agrees with the recommendations and provides the following comments for each finding:

1. Address the alignment risks identified in this report by (a) defining and communicating the vision/ mission for Sourcing, (b) evaluating Sourcing metrics for alignment to Operations' goals, (c) ensuring all employees participate in establishing goals that are SMART and reasonable, and (d) ensuring follow-through for continuous improvement suggestions.

Response: Over the past several months, Supply Chain has developed a unified Roadmap that clearly defines the mission and vision for the entire Supply Chain organization. Through numerous iterations of idea collection and dialogue with employees, this Roadmap provides a long term strategy and direction for the organization. Key Continuous Improvement (CI) projects will drive success of the roadmap and performance against these CI projects will be tracked and reported to ensure completion. Metrics have been enhanced to provide improved alignment and clarity to the overall mission and feedback has been solicited from Supply Chain employees. Goals will align with the metrics and Roadmap to ensure line of sight with the organization's overall mission. The final Supply Chain Roadmap will be rolled out and communicated to the organization by September 30, 2018.

2. Improve communication and feedback related to employee advancement.

Response: The success of individual employee advancement is based on meaningful, collaborative discussions between leadership and team members. In May 2018, Supply Chain leadership attended the Managers Tools training class to improve communication and feedback through structured one-on-one meetings. Since each advancement opportunity is dependent on employee capability, experience and mutual engagement between manager and employee, managers and employees will continue to discuss employee career aspirations and Individual Development Plans. While the class for improving communication and feedback has been completed, this action will continue as an on-going process.

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3. Identify ways to improve the applicable managers' leadership skills and ensure each manager in demonstrating TVA's values and competencies.

Response: Sourcing is leveraging a range of tools and processes to improve leadership skills and to ensure demonstration of TVA's values and competencies. For example, Supply Chain is facilitating recurring leadership meetings that pull together all supervising managers to discuss expectations. Sourcing leadership team participated in a Manager Tools training class in May 2018 to improve communication and feedback through structured one-on-one meetings. Supply Chain is also soliciting feedback from business partners and employees (multi rater capabilities in PLUS, peer relationships, Employee Advisory Group, etc.) to ensure leaders are meeting expectations as necessary. In support of leader development, Sourcing is also actively coordinating rotational assignments and additional job duties to help grow our leaders. These recurring leadership meetings and performance management discussions will continue as an on-going process.

4. Evaluate current staffing levels to determine if they are sufficient to effectively manage the work assigned.

Response: Sourcing leadership is evaluating resources and workload to improve effectiveness and distribution of assignments. As part of Supply Chain's Roadmap, Automation has been identified as a key CI focus to help leverage technology to reduce redundant activities where possible in order to manage workload and allow employees to focus on more strategic actions. In addition, Sourcing is shifting certain contracts and commodities across teams to improve efficiency and groupings of contracts. The team is analyzing areas that have multiple contracts for similar services to better leverage and optimize the number of contracts. The team is routinely monitoring purchase workload reports for procurement agents and requiring weekly reports from contracting officers noting key projects, Request for Proposals (RFP), and other significant items requiring attention. Sourcing will continue to evaluate staffing levels and balance workload through improved efficiencies as an on-going process.

5. Identify ways to increase collaboration within Sourcing

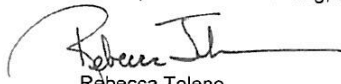
Response: Sourcing has taken a number of steps to increase collaboration both within Sourcing and across the organization. Sourcing monthly staff meetings now include all Sourcing leaders (prior structure was for senior manager level only) which has driven better collaboration and communication among each of the departments. A new monthly recurring "Senior Manager" meeting has also been established to help communication across all Supply Chain departments (Sourcing, Material Operations and Asset Management and Performance). Sourcing has also created an RFP Council which is a peer-led team that 1) helps review RFP documents across Sourcing departments and 2) provides lessons learned, guidance and insight from senior level contracting officers. Sourcing has also implemented a monthly procurement agent huddle to pull all procurement agents together (across departments) to openly discuss challenges, best practices, innovative solutions, etc. These improvements have been implemented during FY18.

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CONCLUSION

TVA concurs with each of the OIG's recommendations and will take the stated actions to achieve the OIG's recommendations.

We would like to thank Jessica L. Monroe, Lisa H. Hammer and the OIG staff for their professionalism in conducting this evaluation. If you have further questions please contact Allan Trotter, Director of Sourcing, at 423-751-2913.



Rebecca Tolene
Vice President, Supply Chain
BR 5A-C

GAT:SAE:LEC

cc: Susan E. Collins, LP 6A-C
Robertson D. Dickens, WT 9C-K
Megan T. Flynn, LP 3A-C
Dwain K. Lanier, MR 3K-C
Michael D. Skaggs, WT 7B-K
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TVA Board of Directors
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