



**Memorandum from the Office of the Inspector General**

September 26, 2017

Megan T. Flynn, LP 3A-C

**REQUEST FOR MANAGEMENT DECISION – EVALUATION 2016-15445-05 – HUMAN RESOURCES’ 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  
(Audits and Evaluations)  
ET 3C-K

ARR:BSC  
Attachment

cc (Attachment):

TVA Board of Directors  
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OIG File No. 2016-15445-05



Office of the Inspector General

# *Evaluation Report*

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To the Vice President,  
Human Resources

# **HUMAN RESOURCES' ORGANIZATIONAL EFFECTIVENESS**

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Evaluation Team  
Amy R. Rush  
Lindsay J. Denny

Evaluation 2016-15445-05  
September 26, 2017

## **ABBREVIATIONS**

CHRO	Chief Human Resources Office
EH	Employee Health
FY	Fiscal Year
HR	Human Resources
HRBP	Human Resources Business Partnerships
HRG	Human Resource Generalist
LR	Labor Relations
SPP	Standard Programs and Processes
TVA	Tennessee Valley Authority

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# Evaluation 2016-15445-05 – Human Resources’ 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 refinement<sup>i</sup> 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.” Human Resources (HR), an organization within CHRO, assists with workforce optimization, furthers fostering an engaged workforce, and builds capabilities through activities conducted by its departments. This evaluation assesses strengths and risks that could impact HR’s effectiveness.

### What the OIG Found

We identified strengths within HR related to (1) organizational alignment, (2) collaboration within departments, and (3) management support. However, we also identified risks related to (1) management responsibilities and behaviors, including (a) performance reviews, (b) providing opportunities for advancement, (c) training and resources, and (d) relationship issues with 3 managers; (2) execution of HR strategy and programs; (3) perceptions by some of unethical practices; and (4) potential for noninclusive behaviors that could negatively affect the ability of HR to contribute to the CHRO mission and to the success of TVA.

Based on our findings and using TVA’s Business Operating Model, we assessed HR’s level of risk in the areas of alignment, engagement, and execution. As shown in Table 1 on the following page, we determined alignment risk to be low because of the alignment of management and

<sup>i</sup> Refinement of the workforce includes activities such as reduction in force.



# Evaluation 2016-15445-05 – Human Resources’ Organizational Effectiveness

## EXECUTIVE SUMMARY

employee goals within the HR organization to the CHRO mission as well as the alignment of HR business unit responsibilities and initiatives to the CHRO and TVA mission. Engagement risk was rated high. While HR personnel cited collaboration and support from some management as strengths for the organization, there were also risks related to management responsibilities and behaviors, the perception of unethical practices, and inclusion within the organization. Specifically, a few individuals did not believe their management understood their work. There were also some individuals who believed differing opinions were not valued within the organization and/or had concerns about HR not following processes and procedures that business partners were expected to follow. Finally, we rated execution as high risk due to issues identified in the execution of the HR business model, implementation of medical case management, and administration of the grievance processes. HR is in the process of transitioning from a transactional organization to a strategic organization. This is a recent undertaking; therefore, risks related to execution of the model may decrease as management and employees continue to focus on implementation of the model.

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

Table 1

### What the OIG Recommends

We made recommendations to management related to management responsibilities and behaviors regarding performance reviews, provision of opportunities for advancement, training and resource concerns, and relationship issues with some managers. We also made recommendations related to the execution of HR strategy and programs, refinement of the medical case management process, adherence to the grievance process as well as communication and monitoring activities to address perceptions of unethical practices, and potential for noninclusive behaviors. Our detailed recommendations are listed in the body of this report.

### TVA Management’s Comments

TVA management stated they understood our recommendations and clarified HR roles and responsibilities in their response. We revised wording throughout the report as appropriate based on discussions held with TVA management. Please see Appendix B for TVA management’s response.

## **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 refinement<sup>1</sup> 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; Talent Acquisition and Diversity; Compensation and Benefits; and HR.<sup>2</sup> The HR organization, the focus of this report, assists with workforce optimization, furthers fostering an engaged

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<sup>1</sup> Refinement of the workforce includes activities such as reduction in force.

<sup>2</sup> Separate reports have been or will be completed for each of the five organizations within the CHRO:

- Evaluation Report 2016-15445-01, HR Business Office and Ombudsman, May 18, 2017.
- Evaluation Report 2016-15445-02, Learning, Growth, & Management, May 18, 2017.
- Evaluation Report 2016-15445-03, Talent Acquisition & Diversity, August 23, 2017.
- Evaluation Report 2016-15445-04, Compensation and Benefits, June 29, 2017.
- Evaluation Report 2016-15445-05, HR.

workforce, and builds capabilities through activities conducted by its departments. HR consists of the following three departments:

- The HR Business Partnerships (HRBP) department is responsible for developing and implementing HR business solutions for business units across TVA; consulting with and supporting management and employees on all HR and people-related issues; and providing governance tools and consultation to the HR community, managers, and employees. The department is mainly comprised of HR generalists (HRG) who serve as the primary point of contact for employees and managers requiring knowledge of HR administrative processes. The department also houses HR assistants whose responsibility is to support HR management and the HRGs through activities such as record maintenance, processing of HR applications and programs, report preparation, and data analysis.

HRGs are tasked with governance of the employee discipline process and oversight through review and consultation of compliance with HR-related policies, laws, and regulations. HRGs are accountable for assessing HR needs and driving solutions with regard to performance management, employee relations, compensation, talent development and training, workforce planning, and organizational design. Their duties consist of supporting management in these areas and serving as a facilitator to resolve conflicts between individuals with differing personalities.

- The Employee Health (EH) department is responsible for assessing the health status of each employee to determine their suitability to work safely and meet regulatory standards as a condition of TVA employment. This is accomplished by determining an employee's fitness for duty based on their health capacity as compared to their respective job functions. The department consists of medical professionals including a senior physician, nursing staff, and medical technicians tasked with providing medical consultation, conducting medical case management<sup>3</sup> activities, and maintaining medical information. The department also consists of persons responsible for non-nuclear fitness for duty<sup>4</sup> and workers' compensation. Oversight responsibilities of personnel within the department include serving as program administrator of medical case management, overseeing medical restrictions and leave trends, and conducting audits on EH programs to ensure compliance and consistency.
- The Labor Relations (LR) department has governance and oversight responsibilities for TVA's LR strategy, contract negotiations, dispute resolution, and relationships between the unions and TVA management. According to TVA documentation from 2016, approximately 65 percent of employees are represented by one of ten unions, and many of these employees are in

<sup>3</sup> According to TVA documentation, medical case management is defined as "a process to improve workforce availability and safety by allowing TVA's licensed medical professionals to manage employee medical absences for work and nonwork related incidents."

<sup>4</sup> Non-nuclear fitness for duty is a program that consists of activities for ensuring individuals are suitable to work safely. The program consists of activities such as alcohol and drug testing, psychological evaluations, and medical exams. Nuclear fitness for duty is within the Nuclear organization.

bargaining units<sup>5</sup> not typically unionized at other utilities. LR personnel are responsible for negotiating collective bargaining agreements and providing consultation, advice, and training to promote the effective administration of those agreements.

LR personnel are also responsible for oversight of dispute resolution through the grievance process. Grievances are differences of opinion between TVA and an employee or the union with regard to treatment of an employee, application of a policy, or the meaning or application of the collective bargaining agreement. When employees have a complaint, they are to meet face-to-face with their immediate supervisor to try to resolve the issue. If resolution cannot be achieved, the employee may file a written grievance and escalate the issue within the management chain. If no resolution has occurred and appeals within the management chain have been exhausted, then TVA's LR personnel hear the arguments of management and the employee to attempt to resolve the issue. Any issues not resolved before that point will go to arbitration. Depending on the agreement, there is a set time period for steps within the grievance process.

TVA utilized a self-assessment tool through the Corporate Executive Board<sup>6</sup> to benchmark CHRO-related functions, and the report, dated April 2015, indicated "high" maturity for partnering with the business, one of the functions for which HR is primarily responsible. However, TVA received a "low" maturity rating for managing existing employees, another HR responsibility. This rating included support functions such as management of (1) employee performance processes, (2) employee engagement activities, (3) mobility and career paths progression, (4) succession, (5) high-potential employee development, and (6) employee relations. While the overall maturity rating was "low," three of the functions—management of employee performance, succession, and employee relations—were rated as having "medium" maturity. The report noted that managing employee engagement was a high priority area for TVA. Furthermore, CHRO identified risks that, as of FY2016, included an insufficiently engaged workforce.

HR documentation indicated the organization achieved various initiatives in FY2016 related to HR, EH, and LR activities. FY2016 initiatives included:

- Implementation of medical case management.
- Identification and validation of physical capabilities and exposures for 2,600 positions.
- Partnering with the HR Business Office and Ombudsman to establish controls for effective management and use of a staff augmented workforce.

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<sup>5</sup> A bargaining unit is a group of employees with a clear and identifiable community of interests who, under United States law, are represented by a single labor union in collective bargaining and other dealings with management.

<sup>6</sup> The Corporate Executive Board is a best practice insight and technology company. The benchmarking report covered 38 functional activities across seven CHRO-related objectives.

- Program implementation of:
  - A CHRO developmental function that establishes a development position to address the talent pipeline/bench strength needs and provides developmental opportunities for the Compensation and Benefits, LR, and HR organizations.
  - An HRG playbook that identifies responsibilities and expectations for HRGs.
  - A benchbox program that provides a strategic approach for filling executive roles within TVA with top-level talent.
  - A discipline policy update that clarifies the use of progressive discipline and adds new sections or provisions regarding prior offenses, fitness for duty, critical and general safety offenses, and respectful workplace.
- Establishment of a framework to help leaders synthesize, intervene, and proactively address employee issues within the work environment before they become significant problems and to cultivate personal relationships with our workforce.
- Development of a bargaining unit decision relative to Nuclear unit supervisors.<sup>7</sup>
- Execution of a self-determination representation election for Nuclear security officers.<sup>8</sup>
- Refining HR's organizational optimization strategy across multiple operations business units.

HR's FY2017 initiatives focus on improvements in the flexibility and efficiency of the total workforce and active assessment and support of a safe and healthy workforce climate. Furthermore, HR has defined focus areas of (1) establishing and maintaining a proper balance between leadership consultation and employee advocacy, (2) aligning and prioritizing the workload with the CHRO vision and mission, (3) streamlining HR communications, and (4) enhancing leadership effectiveness through role clarity.

As of September 8, 2016, HR had 80 employees. As of that date, HRBP was comprised of 1 director, 2 senior managers, 2 managers, 3 site managers, and 30 employees; the EH department was comprised of 1 senior manager, 3 managers, and 28 employees; and the LR department was comprised of 1 director and 6 employees. Additionally, 2 employees reported directly to the HR Vice President.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objective of this evaluation was to identify strengths and risks that could impact HR's organizational effectiveness. We assessed operations of HR as of

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<sup>7</sup> According to TVA documentation dated June 2016, LR personnel reviewed and delivered an opinion on a union request to represent Nuclear unit supervisors.

<sup>8</sup> This initiative pertained to the unionization of Nuclear security officers.

May 2017 and culture as of the date of our interviews occurring from November 2016 through April 2017. To complete the evaluation, we:

- Reviewed CHRO's FY2017 through FY2019 business plan to gain an understanding of goals.
- Reviewed TVA values and competencies (see Appendix A) for understanding of cultural factors deemed important to TVA.
- Interviewed HR's Vice President and 7 direct reports, including an executive management assistant, as well as 7 other designated supervisory/management-level employees<sup>9</sup> to obtain their perceptions related to strengths and risks that could affect organizational effectiveness.
- Conducted interviews with 61 employees<sup>10</sup> and analyzed the results to identify themes related to strengths and risks that could affect organizational effectiveness.
- Surveyed and/or conducted interviews with a nonstatistical sample of approximately 100 individuals from other TVA organizations that work closely with HR and analyzed results to identify strengths and risks from a customer or support service standpoint.
- Reviewed performance management documentation for management and employees in the HRBP, EH, and LR organizations and analyzed the documentation for alignment with department and organizational goals, where applicable.
- Reviewed select TVA Standard Programs and Processes (SPP) and guidelines 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 HR work environment.
- Assessed the overall effectiveness of HR 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.

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<sup>9</sup> One of the supervisory/management-level employees was not included in our interviews because they were no longer in the HR organization.

<sup>10</sup> Three of the employees were not included in our interviews because they were no longer in the HR organization.

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 HR related to (1) organizational alignment, (2) collaboration within the departments, and (3) management support. However, we also identified risks related to (1) management responsibilities and behaviors, including (a) performance reviews, (b) providing opportunities for advancement, (c) training and resources, and (d) relationship issues with some managers; (2) execution of HR strategy and programs; (3) perceptions by some of unethical practices; and (4) potential for noninclusive behaviors that could negatively affect the ability of HR to contribute to the CHRO mission and to the success of TVA.

## **STRENGTHS**

During the course of our interviews and data analyses, we identified strengths that positively affected the day-to-day activities of HR employees and performance. These strengths included organizational alignment, collaboration within the departments, and management support.

### **Organizational Alignment**

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

### **Collaboration**

HR management and employees cited department teamwork as a positive attribute of HR. Specifically, employees indicated their departments learn from each other and lean on each other for support. Some employees stated they balance each other out and bring differing backgrounds and perspectives. In addition, management cited examples of teamwork, such as collaboration and open dialogue, as strengths of their teams.

### **Management Support**

HR employees identified management support from some managers within the organization as a positive. Most of these individuals stated these supervisors provide the tools they need, including training. In addition, most individuals believed these managers hold individuals accountable and are receptive to differing opinions.

## RISKS

During the course of our interviews and data analyses, we identified risks that could negatively impact the effectiveness of HR in achievement of its responsibilities and contribution to the CHRO and TVA mission. These risks were related to (1) management responsibilities and behaviors, including (a) performance reviews, (b) providing opportunities for advancement, (c) training and resources, and (d) relationship issues with 3 managers; (2) execution of HR strategy and programs; (3) perceptions by some of unethical practices; and (4) potential for noninclusive behaviors.

### Management Responsibilities and Behaviors

One of TVA's leadership competencies is inspiring trust and engagement, which includes functioning as "servant leaders," putting the needs of others ahead of their own advancement, engaging organizations in decision making and problem solving, and ensuring teams and individuals have the resources they need to learn, grow, be more autonomous, and more disposed to lead themselves. We identified risks related to management responsibilities and behaviors in the areas of (1) the performance review process, (2) providing opportunities for advancement, (3) training and resources, and (4) relationship issues with some managers.

#### Performance Review Process

According to TVA documentation, 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 participative<sup>11</sup> and reasonable.<sup>12</sup> During our review of performance goals, we identified HR employee goals that did not comply with the goal-setting guidelines. Specifically, we identified some HR employee goals in (1) one department that were not specific or measurable and (2) another department that were identical from 1 year to the next with no established timeline for reaching the expected outcome or result.

Furthermore, several employees in one department indicated they were not given an opportunity to provide input into their performance goals. Some employees also indicated the goals given to them were not applicable to the work they perform. A few employees stated they felt their goals were not aligned to their responsibilities because their management does not understand what they do. The performance review and development process could become a "check-the-box" exercise when employees are not given the opportunity to be involved in the development of goals or when they are given goals that are not within their ability to achieve. In addition, employees may feel the work they do outside of their goals has no purpose and does not contribute to the mission of the organization.

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<sup>11</sup> Participative goals mean that both the manager and the employee should be involved in the development of goals to ensure understanding and commitment.

<sup>12</sup> 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.

### Providing Opportunities for Advancement

One concern raised by employees in HR was related to favoritism or the perception of favoritism in the selection process for positions within HR or promotions. This concern could be alleviated through increased communication and transparency around the selection process. Some employees indicated management has been making efforts to improve in this area. However, concerns still exist regarding clarification of how to progress from an HRG to senior HRG and the use of direct selections.

The HRG position previously was titled employee relations consultant, of which there were three levels. The career progression through the three employee relations consultant levels was clearly defined. In September 2014, the position title was changed to HRG and there are now two levels, HRG and senior HRG. Employees indicated there is no longer a clearly defined path or expectations for what it takes to become a senior HRG.

Some employees indicated that selections seem to be based on prior relationships or favoritism for certain factors, such as physical characteristics or location, which are discussed in detail later in this report. According to employees, management indicated promotion to a senior HRG position is dependent on the ability to be strategic, which according to HR position descriptions, is already a responsibility of HRGs. We reviewed HRG and senior HRG performance goals to identify differences in responsibilities and found the majority of the performance goals and measures for HRG and senior HRG are the same. We also noted there were inconsistencies in the workload with some HRGs supporting a higher number of business units than senior HRGs. While there is no guidance for assignment of business units to individuals, potential differences in the workload may prohibit an HRG from exhibiting their ability to be strategic.

The concerns around favoritism could be increased because of the use of direct selection to fill vacancies. According to TVA-SPP-11.2.0, Filling Vacant Positions, TVA may waive posting requirements and direct select management/specialist employees in certain pay grades and, with waivers, may direct select other positions as well. HR employees are expected to counsel business partners that too many direct selections gives the appearance of favoritism and that posted positions allow all interested, qualified individuals to apply. However, some HR employees have concerns about direct selections being used within HR, and some employees stated management could not identify the criteria used to make these selections. The jobs filled through direct selection between January 1, 2014, and April, 19, 2017, ranged from an HR assistant to a director position. While we did not verify whether all direct select positions were in accordance with policy, we note there is perception risk if reasons for direct selections are not communicated to employees or if direct selection is used too frequently.

### Training and Resources

Some individuals in two departments indicated they did not have necessary resources, including staffing and training. Specifically, some employees mentioned occasions where they needed additional staffing but were constrained by budget. In addition, some employees in one department holding certifications,

which require training or continuing education, indicated it is increasingly difficult to get approval due to budget constraints or have the time to take required continuing education training. Management stated that certifications had not lapsed and provided documentation showing that employees had been approved for required as well as nonrequired training classes. Some employees recognize that, in the current TVA atmosphere of cost cutting, there is a shift from employees attending conferences and training events to on-the-job training or free Webinars.

#### Relationship Issues with Some Managers

Our interviews identified 3 managers with whom employees have unresolved conflict and relationship issues. We discussed these relationship concerns with the Vice President, HR.

#### **Execution of HR Strategy and Programs**

As indicated previously, the HR organization is responsible for various people-related activities. We identified risks in the execution of some activities for which HR is responsible. Specifically, we identified execution risks associated with changes in the HR business model, implementation of medical case management, and administration of the grievance process.

#### HR Business Model Changes

To improve functions within the CHRO, including the HRBP function, CHRO management has implemented a “service delivery model.” The intent of this model, related to HRBP, is to transition from a transactional organization where HRGs complete day-to-day activities in support of the business unit to a strategic organization where HRGs, together with the business units, focus on a long-term strategy for the organization. While some HRBP management and employees viewed changes within the HR business model positively and expressed appreciation for the direction the organization is moving, only 38 percent of employees answered favorably in the 2016 Pulse Survey results when asked how much authority they feel they are provided to make decisions about how to do their jobs. While there may not be a direct correlation between the changes in the strategy and the survey results, responses could indicate that personnel feel limited in how they serve their customers. Changes in the strategy may increase execution risk related to business unit support, employee advocacy, and relationships with other CHRO personnel.

*Business Unit Support and Employee Advocacy* – Within the HRBP organization, an HRG may support anywhere from approximately 200 to 800 individuals including management and employees. Furthermore, some HRGs support as many as 6 business units at any given time, which could impede the effectiveness of that individual as it pertains to being strategic. According to TVA documentation, expectations of an HRG include maintaining an awareness of business partner goals and industry perspectives, actively participating in and contributing to business planning processes, and engaging regularly in business functional meetings. If HRGs are supporting multiple organizations across various disciplines, it could be difficult to manage these responsibilities successfully.

Switching the focus from transactional to strategic could positively or negatively affect relationships with the business units supported by HRGs. The effect on relationships should be reflected in feedback from business unit leadership provided as part of the performance management process. Because some business unit leadership may desire transactional rather than strategic support, HRG's may take actions viewed as positive by the business units they represent; however, there is a risk those actions could negatively impact an HRG's performance management review. According to a few HR personnel, there have been instances where HR management provided feedback that conflicted with feedback received from the business unit the HRG supported. This could create a dilemma for the HRG because of the mixed messaging received from business unit leadership and HR management.

We interviewed a nonstatistical sample of managers across TVA to obtain feedback related to HR and found that, while managers were generally positive about interactions with their respective HRGs, they noted that improvements could be made in HRBP related to responsiveness, communication, and/or prioritization of responsibilities. A few managers noted these issues could stem from HR personnel supporting multiple organizations and not having the time to be as responsive. Specifically, some discussed concerns with the timely receipt of information and the amount of HRG support provided to closing fossil plants. Not addressing these concerns could negatively affect the CHRO key FY2017 initiative related to workforce optimization.

Historically, TVA personnel have viewed HR personnel as being management support, which can impede the effectiveness of the HRG in the role of employee point of contact and advocate. Based on a nonstatistical sample of TVA employees, we determined most individuals do not know who the HRG is for their organization. While the names of HRGs and their associated organizations are posted on TVA's internal Web site, individuals may not know this information exists. Some employees interviewed mentioned having issues with the People Lifecycle Unified System<sup>13</sup> and desiring knowledge sharing of HR-related processes, such as medical case management. Furthermore, some TVA employees interviewed indicated there is no mechanism for providing feedback to HR; therefore, it could be difficult to determine whether HR is maintaining a proper balance between leadership consultation and employee advocacy, which is a FY2017 focus area. In addition, due to the HRG workload, HRGs may not have the availability to develop relationships with employees. If those relationships are not established, it could be difficult to foster a work environment where employees are fully engaged, which is one of the FY2017 CHRO initiatives.

*Relationships with Other CHRO Organizations* – When conducting interviews across the CHRO, we received comments from approximately 35 individuals specifically related to HRBP. The majority of these comments reflected role clarity issues and/or other issues related to communication and relationships with HRBP personnel. Feedback obtained from some TVA management also reflected inconsistencies in information provided by (1) personnel within HRBP

<sup>13</sup> People Lifecycle Unified System is TVA's HR system.

and (2) personnel within HRBP and other organizations within CHRO. Details of the relationship issues were provided to HR management.

### Medical Case Management

As stated previously, one of HR's FY2016 initiatives was the implementation of medical case management. Medical case management is a process used to monitor injured, ill, and/or out-of-work employees and the medical constraints associated with their treatment to facilitate a healthy return to work in the most efficient manner possible. However, according to TVA management, the primary purposes of medical case management are to address sick leave abuse and document medical restrictions.

HRBP's role with regard to medical case management is to consult with management on employee work restrictions and accommodations, partner with management to evaluate and trend sick leave, and ensure policy requirements are met. It is the responsibility of EH to implement medical case management, which applies to TVA's permanent and temporary employees. Medical case management activities carried out by EH personnel include:

- Emergent medical care as needed.
- Surveillance and monitoring exams.
- Addressing medical issues that could potentially impact the safe performance of the job tasks and functions.
- Addressing absences from work that exceed a specific number of continuous work hours requiring administratively acceptable evidence or medical certification.
- Responding to line management requests of acceptable evidence or medical certification for administrative purposes.
- Identification of medical constraints.

EH employees expressed concerns with various aspects of their medical case management responsibilities, including (1) addressing sick leave abuse, (2) increased workload requirements, and (3) administration of the disability accommodation review process.

1. **Concerns Over Sick Leave Abuse Responsibilities** – While TVA's Leader Handbook states supervisors may require an employee to present a physician's certificate or evidence of incapacitation for any sick leave absence, it also states that it is a supervisor's responsibility to ensure employees are not abusing leave. However, a few EH employees expressed concern that it is now their responsibility to ask for documentation as to why an individual was absent from work, even in instances where an absence was not related to the employee's health, instead of the individuals' supervisors. They felt having this responsibility shifts accountability away from management who is responsible for addressing sick leave abuse. As a result, it could be perceived that EH is doing management's job for them.

2. Concerns Over Increased Workload for EH Employees – According to EH personnel, some of the medical case management activities were already being performed by EH staff outside of a formal process. However, several EH employees indicated the process implemented in FY2016 had increased their workload due to additional administrative tasks associated with entering medical information into Medgate<sup>14</sup> as well as the increased time it takes to administer medical exams and the increase in the number of medical evaluations required. As a result, EH staff stated additional staffing resources were needed to cover the increased workload.
3. Concerns Over Accommodation Review Process – The EH department is also involved with TVA’s disability program. The accommodation review process, as discussed in TVA-SPP-11.520, Medical Case Management, is facilitated by line management and HRBP to identify appropriate accommodations when an employee cannot perform job tasks and essential functions of a job. Some EH personnel indicated a risk related to clarification and support of their role in identifying medical constraints and participating in the accommodation review process. More specifically, EH medical professionals indicated they often encounter dilemmas related to the performance of some medical case management duties because those actions may not be supported by their management or TVA business unit management.

While TVA-SPP-11.520 states employee constraints may be increased beyond the recommendation of the employee’s treating physician to ensure safety, it also states when differences of opinion are received between the employee’s physician and TVA medical personnel, TVA may obtain a third-party evaluation. Additionally, it states TVA reserves the right to make the final determination of an employee’s ability to safely perform the job tasks and essential functions of the job. Because there may be differing medical opinions, there is a risk that management may select the opinion that best serves their immediate purpose rather than selecting the opinion that protects TVA’s interests in the long term. For example, a manager may allow an employee to work who cannot safely perform the assigned job tasks, thereby putting other employees at risk of an injury or worse. Some EH personnel expressed concern that their opinion is often not valued in these situations.

In summary, the EH department is responsible for assessing the health status of each employee to determine their suitability to work safely and meet regulatory standards as a condition of TVA employment. The concerns expressed by EH employees regarding potential conflicts over sick leave abuse responsibilities, their increased workload, and the potential for management not valuing the opinion of the EH personnel responsible for assessing the health of the employee can negatively affect the achievement of this responsibility as well as the mission of the CHRO.

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<sup>14</sup> Medgate is the TVA medical and safety software utilized to track safety incidents and medical case management.

### Grievance Process

TVA managers are responsible for the daily administration of the union agreements, while the HRGs serve as support for the process. In situations where there is a difference of opinion between TVA and an employee or their union with regard to treatment of an employee, application of a policy, or the meaning or application of the collective bargaining agreement, a grievance may be filed. As stated previously, LR personnel are responsible for oversight of the dispute resolution step in the grievance process and will mediate the issue. The HRGs are responsible for presenting management's case to LR while the union is responsible for presenting the employee's case. If LR rules in favor of management during the dispute resolution, then the union or employee may request arbitration. An LR representative and an HRG will present management's case during arbitration.

Union agreements contain defined time periods for each step within the grievance process; however, those are not always followed. According to LR management, if unions do not comply with the contractual deadlines then TVA management can call an "untimely filing," and they are not required to hear the case. However, if TVA management does not respond timely, the union can appeal the grievance to the next level. According to LR personnel, reasons for not following the defined time periods may be legitimate. Such reasons are agreements between the union and TVA to hold the grievance in abeyance or the union deciding not to pursue the issue. However, according to LR personnel, there are actionable grievances that are not processed timely, which can cause frustrations. Because the majority of TVA employees are part of a unionized workforce, timely resolution of grievances could increase the potential for workforce optimization and fostering of an engaged workforce by improving relationships between management and union employees. Furthermore, timely resolution could reduce risks related to (1) forfeiting the benefits of having a written agreement since TVA and the union are agreeing to something different than what is written and (2) handling some grievances outside of the contractual time limits since this might allow a complainant, who is required to follow the process, to argue disparate treatment or illegal employment discrimination. By addressing the timeliness issues, the workload of LR employees could also decrease given that grievances may be remedied earlier in the process rather than escalated due to inattention by management. Earlier in this FY, HR management prepared a plan for (1) reduction of the grievance backlog and (2) handling of grievances. According to documentation provided by HR management, dated June 14, 2017, reduction efforts are underway.

### **Perceptions by Some of Unethical Practices**

Ethics, in the general sense, is defined as "moral principles that govern a person's behavior or the conducting of an activity."<sup>15</sup> Integrity is one of TVA's values that states, "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." While many HR personnel felt the organization

<sup>15</sup> Oxford Dictionaries – Dictionary, Thesaurus, & Grammar. (n.d.). Retrieved June 14, 2017, from <https://en.oxforddictionaries.com/>

was ethical, some HR managers and employees stated they did not feel HR had an ethical culture. These concerns were specifically related to HR not following the processes and procedures they expect their business partners to follow, with some comments directly related to the opportunities for advancement issue described above as well as the rotational development process.<sup>16</sup> In addition, a few HR employees indicated their organization should be setting the example for other organizations.

HRGs are expected to collaborate with business partners to provide effective guidance and oversight to maintain consistency with TVA programs and policies. However, we received feedback from some customers and support groups regarding HR pushing the boundaries of what is allowable based on regulations. A few attributed this to inexperience of newer HRGs. If the HR organization is not, or is perceived not to be, abiding by these programs, policies, and regulations, their credibility and the achievement of their goals within the HR organization and throughout TVA could be impacted.

### **Potential for Noninclusive Behaviors**

Inclusion, as defined by the Society for Human Resource Management,<sup>17</sup> is “the achievement of a work environment in which all individuals are treated fairly and respectfully, have equal access to opportunities and resources, and can contribute fully to the organization’s success.” TVA’s Employee Handbook states that “leveraging diversity, is a core competency at TVA, and is the responsibility of every employee at TVA to model appropriate behavior that fosters an inclusive environment.” Furthermore, HR documentation defines expected behaviors for HRGs as championing, modeling, and coaching leaders and employees on the value of different opinions, backgrounds, experiences, styles, and ways of working, which includes maintaining an all-inclusive perspective.

Some HR employees identified examples where differing opinions and/or styles were not valued within their organization by other employees and management. Examples included others not being receptive to their opinions, fear of retaliation when offering a differing opinion, and differences in treatment of individuals based on (1) the location of the employee, such as plant versus Corporate, or (2) the “right look,” such as personal style or manner of dress. Specifically, there were concerns raised regarding management’s expectations related to meeting and/or training attendance in Chattanooga, Tennessee, which individuals mentioned were sometimes unrealistic or not accommodating based on the locations and/or responsibilities of the employee. Concerns were also expressed that preferential treatment may be given to individuals in Corporate or that persons who support certain organizations or who exhibit certain physical

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<sup>16</sup> According to the procedure that governs temporary selections and rotational positions, rotational management development positions are temporary positions, lasting from 6 to 24 months, intended for candidates who have demonstrated high potential to gain experience in areas other than their permanent classification. If the rotational employee is not selected permanently into the position at the end date, the employee is returned to his or her original position.

<sup>17</sup> The Society for Human Resource Management is the world’s largest professional society with members in more than 165 countries. The organization has been the leading provider of resources for the needs and advancement of HR.

characteristics were more apt to be promoted, given high-profile projects, or assigned to Corporate versus the field. While there are expectations of employees to dress in a manner consistent with the professional nature of their duties, these concerns were outside of those related to professionalism. Because of the behaviors HRGs are expected to model for TVA leadership and employees, the above can create feelings of hypocrisy within the organization and limit engagement of HR employees, thereby potentially affecting other business units within TVA.

Additionally, there may be a disconnect among the departments housed within HR that could limit whether employees feel they can contribute fully to the organization's success. Historically, EH and LR have been housed in other organizations within TVA, and several individuals we interviewed from these departments reported concerns with the current location in HR and role clarity issues. While one of HR's FY2017 initiatives is to establish and maintain a proper balance between leadership consultation and employee advocacy, the historical perception, and one that may still hold true today, is that HR serves to support management. Since EH is housed within HR, this perception could impact EH personnel. Most EH personnel are medical professionals that stated patient care and the health of the employee are indicators of success for them. Recent changes have resulted in EH personnel focusing on administrative tasks, which may result in less time for patient care. These changes could negatively affect trust with employees and may restrict EH personnel from adequately carrying out the responsibilities for which they feel are indicators of success.

In addition, LR personnel, who are responsible for the dispute resolution process between management and union employees, may feel conflicted because they are to serve as an independent body when disputes arise between management and employees. Their counterparts in HRBP, the HRGs, are to present the case of management when these disputes arise. Because LR is housed in the same organization as HRBP, LR employees may feel their independence is compromised or perceptions exist that they are on the side of management.

Furthermore, conversations with individuals revealed that departments within HR are siloed. This could negatively affect achievement of HR's FY2017 initiatives related to alignment and prioritization of the workload and streamlined communications. While HR business unit responsibilities and initiatives align with the CHRO mission, we noted, as previously stated, that some HR employees felt their goals were not aligned to their responsibilities. Alignment of goals and responsibilities, as well as clarification of roles and responsibilities and respecting different opinions and styles, could help unify departments working within the organization.

## **CONCLUSION**

Historically, HR has been perceived by TVA employees as primarily supporting management rather than balancing the support of management and employees, as indicated by the maturity ratings stemming from the self-assessment tool

through the Corporate Executive Board. Recently, HR has undertaken a number of initiatives to transform the organization and has identified the balance between leadership consultation and employee advocacy as a FY2017 initiative. However, risks related to the execution of the transition strategy, including workload inequities, differing expectations, and imbalances between management support and employee advocacy, could impede the transition and negatively affect achievement of the CHRO FY2017 initiatives pertaining to workforce optimization and fostering of an engaged workforce. Not addressing risks related to execution of medical case management or the grievance process could further exacerbate the potential for achievement of the initiatives.

Additionally, individuals within HR interface with TVA management and employees, and as previously stated, some employees believe their organization should set the example for other organizations. However, risks related to management responsibilities and behaviors and some perceptions related to ethics and inclusion could hinder the effectiveness of HR in their responsibilities, including those related to consultation and support of management and employees on HR issues, governance and oversight, and resolution of conflicts. These risks could also negatively affect the building of individual, leadership, and organizational capabilities, a CHRO FY2017 initiative.

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

- Alignment risk is low based on the alignment of management and employee goals within the HR organization to the CHRO mission. In addition, some HR personnel stated they had input into their goals, and they believed their goals aligned with the CHRO mission. We also confirmed that HR business unit responsibilities and initiatives supported the CHRO and TVA mission.
- Engagement risk is high. While HR personnel cited collaboration and support from some management as strengths for the organization, there were also risks related to management responsibilities and behaviors, perceptions by some of unethical practices, and inclusion within the organization. Specifically, a few individuals did not believe their management understood their work. There were also some individuals who believed differing opinions were not valued within the organization and/or had concerns about HR not following processes and procedures that business partners were expected to follow.
- Execution risk is high due to risks in the execution of the HR business model, implementation of medical case management, and administration of the grievance process. Because the transition of the organization from a transactional to strategic organization is a recent undertaking, risks related to execution of the model may decrease as management and employees continue to focus on implementation of the model.

## **RECOMMENDATIONS**

We recommend the Vice President, HR:

1. Address the performance management risks identified in this report to ensure all employees are given an opportunity to have participative and reasonable performance goals.
2. Increase communication around the selection process, including specifying the criteria for promotion to senior HRG and address differences in HRG and senior HRG expectations and responsibilities.
3. Address the concerns regarding training and resources to ensure employees have the necessary tools required to perform their responsibilities.
4. Identify ways to improve the applicable managers' leadership skills and ensure each manager is demonstrating TVA's values and competencies.
5. Address execution risks by:
  - a. Continuing to support the HRG transition to a more strategic role by communicating with TVA management regarding HRG expectations.
  - b. Implementing a feedback mechanism for employee feedback regarding HRG support.
  - c. Identifying areas in need of role clarity between HR and other CHRO business units and address expectations of each business unit's role.
  - d. Refining the medical case management process in order to reduce the amount of time spent on administrative tasks and clarifying the role EH plays in leave abuse.
  - e. Continuing with efforts to address the grievance backlog and work with TVA management to address grievances in accordance with collective bargaining agreements.
6. Address the ethical concerns and concerns pertaining to inclusion by:
  - a. Communicating guidelines around rotational management positions to aid in employee's understanding of the purpose of the process.
  - b. Monitoring direct selections and rotational positions to ensure HR is consistently following policies and procedures.
  - c. Continuing dialogue with employees to gather differing opinions and encourage employees to voice their differing opinions without fear and promote inclusive behaviors regardless of location, position, or personal style.

**TVA Management's Comments** – TVA management stated they understood our recommendations, and many had already been addressed or would be

addressed through the organizational redesign. In addition, management clarified HR roles and responsibilities in their response. We revised wording as appropriate based on discussions with TVA management. Please see Appendix B for TVA management's response.

<b>TVA Values</b>	
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



Tennessee Valley Authority, 1101 Market Street, Chattanooga, Tennessee 37402

September 18, 2017

David Wheeler  
Office of Inspector General  
400 W. Summit Hill Drive, ET 3C-K  
Knoxville, TN 37902

RESPONSE TO AUDIT 2016-15445-05 - HUMAN RESOURCES' ORGANIZATIONAL  
EFFECTIVENESS

Dear Mr. Wheeler,

Please accept the following comments in regards to the draft report. Our comments address supporting facts and recommendations.

**Business Unit Support and Employee Advocacy** (page 10 on draft report)

The effect on relationships should be reflected in feedback from business unit leadership provided as part of the performance management process. Because some business unit leadership may desire transactional rather than strategic support.

**Response:** Human Resources Generalists do receive feedback from line leadership through the multi-rater feature during the year end performance review process. While some business unit leadership may desire transactional versus strategic support the Human Resources Generalists' role and profession needs to continue to evolve with the business.

**Business Unit Support and Employee Advocacy** (page10 on draft report)

Historically, TVA personnel have viewed HR personnel as being management support, which can impede the effectiveness of the HRG in the role of employee point of contact and advocate.

**Response:** While over the past three years our organization has made significant improvements in our relationship and support of line leadership, we recognize the need for and have been working toward making the same progress with our employee population.

**Recommendations** (pages 17-18 on draft report)

**Response:** HR leadership understands recommendations provide by the Office of Inspector General and many already have been or will be remedied and/or addressed during the FY18-20 CHRO organizational redesign/evolution.



Megan T. Flynn  
Vice President  
Human Resources  
LP 3A-C