



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

September 17, 2020

Brian M. Child

**REQUEST FOR FINAL ACTION – EVALUATION 2020-15729 – ORGANIZATIONAL  
EFFECTIVENESS – ENTERPRISE PLANNING**

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*

David P. Wheeler  
Assistant Inspector General  
(Audits and Evaluations)

JLM:KDS  
Attachment  
cc (Attachment):  
TVA Board of Directors  
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OIG File No. 2020-15729



Office of the Inspector General

## *Evaluation Report*

To the Vice President,  
Enterprise Planning

# **ORGANIZATIONAL EFFECTIVENESS – ENTERPRISE PLANNING**

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Auditor  
Jessica L. Monroe

Evaluation 2020-15729  
September 17, 2020

## **ABBREVIATIONS**

AA	Advanced Analytics
EF&FP	Enterprise Forecasting and Financial Planning
EP	Enterprise Planning
FY	Fiscal Year
PRM&A	Portfolio Risk Management and Analytics
RP&S	Resource Planning and Strategy
TVA	Tennessee Valley Authority

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- A. TVA VALUES AND LEADERSHIP COMPETENCIES
- B. MEMORANDUM DATED SEPTEMBER 11, 2020, FROM BRIAN M. CHILD  
TO DAVID P. WHEELER



## Evaluation 2020-15729 – Organizational Effectiveness – Enterprise Planning

### 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. Due to the importance of alignment between strategy, team engagement, and operational performance, the Office of the Inspector General is conducting organizational effectiveness evaluations of business units across the Tennessee Valley Authority (TVA). This evaluation focuses on Enterprise Planning (EP).

EP is an organization within TVA's Financial Services that is responsible for leading development of TVA's strategic plan, including long-range financial and resource plans, with the objective to meet the Valley's energy needs in the most effective way. As part of developing the strategic plan, EP facilitates collaboration across TVA and provides oversight of analysis and communications for enterprise-level strategic issues and initiatives. EP also plays a significant role in TVA's integrated planning which is an enterprise-wide effort focused on developing long range business plans. The objective of this evaluation was to identify factors that could impact EP's organizational effectiveness. Specifically, we identified behavioral and operational factors that affect organizational effectiveness.

#### What the OIG Found

During the course of our evaluation, we identified behaviors that positively affected EP. These included leadership actions, relationships with team members, recognition programs, and a positive ethical culture. We also identified a risk to operations that, although minimal, if left unaddressed, could hinder EP's effectiveness. This risk was related to effective collaboration with business partners. Based on our observations, we assessed EP's level of risk related to behaviors and operations and determined risk in both areas was low. Ratings are reflected in the table below:

	Low Risk	Medium Risk	High Risk
Behaviors	X		
Operations	X		



## Evaluation 2020-15729 – Organizational Effectiveness – Enterprise Planning

### EXECUTIVE SUMMARY

#### What the OIG Recommends

We recommend the Vice President, EP, address risks related to business partner relationships.

#### TVA Management's Comments

TVA management described actions to address our recommendation. See Appendix B for TVA management's complete response.

#### Auditor's Response

We agree with TVA management's actions.

## **BACKGROUND**

Organizational effectiveness, as defined in this evaluation, is the ability of an organization to achieve its mission and goals. Due to the importance of alignment between strategy, team engagement, and operational performance, the Office of the Inspector General is conducting organizational effectiveness evaluations of business units across the Tennessee Valley Authority (TVA). This evaluation focuses on Enterprise Planning (EP).

EP is an organization within TVA's Financial Services that is responsible for leading development of TVA's strategic plan, including long-range financial and resource plans, with the objective to meet the Valley's energy needs in the most effective way. As part of developing the strategic plan, EP facilitates collaboration across TVA and provides oversight of analysis and communications for enterprise-level strategic issues and initiatives. EP also plays a significant role in TVA's integrated planning which is an enterprise-wide effort focused on developing long range business plans. EP is comprised of four business units: (1) Enterprise Forecasting and Financial Planning (EF&FP), (2) Portfolio Risk Management and Analytics (PRM&A), (3) Resource Planning and Strategy (RP&S), and (4) Advanced Analytics (AA).

- EF&FP generates detailed analyses of TVA's operating environment, including forecasts of load<sup>1</sup> and revenue.<sup>2</sup> In addition, EF&FP establishes the long-range financial plan, which serves as the basis for the annual budget presented to the TVA Board of Directors, and calculates financial metrics such as debt levels. EF&FP also submits required reporting to governmental agencies.
- PRM&A develops the annual fuel and purchased power contracting plan,<sup>3</sup> annual distributed energy resource contracting plan,<sup>4</sup> and monthly fuel expense forecasts. PRM&A also develops a weekly risk report which communicates commodity and operational risks and provides governance and oversight for contracting and hedging activities. Additionally, PRM&A performs economic analysis and develops analytical tools and models to aid in decision-making.
- RP&S provides planning products and analysis to ensure TVA maintains adequate generating resources to reliably meet the future load at the lowest feasible cost. RP&S produces the Power Supply Plan, which is comprised of

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<sup>1</sup> The load forecast shows TVA's long-term energy and peak demand outlook for 20 plus years into the future and estimates TVA's regional growth in demand for electricity.

<sup>2</sup> The revenue forecast shows TVA's projected revenue expectations 20 plus years into the future.

<sup>3</sup> The fuel and purchased power contracting plan outlines the expected costs of coal, gas, and purchased power needed to serve TVA's fleet.

<sup>4</sup> The distributed energy resource contracting plan includes system impacts, program/product costs, and program/product benefits for energy efficiency, demand response, distributed generation, and electrification.

(1) the 20-year capacity plan<sup>5</sup> and (2) the long-term generation plan.<sup>6</sup> RP&S also develops shorter-term generation plans. In addition, RP&S develops the resource strategy to provide direction for TVA's resource decisions based on changing market conditions and associated risks. Finally, RP&S provides information and analyses used in outage scheduling and coordination for all generation types (except conventional hydro).

- AA provides data-driven decision support for EP and TVA. AA creates advanced analytical models and delivers tools to optimize, predict, or solve ad-hoc requests from TVA business units.

As of April 28, 2020, EP consisted of 58 individuals including the Vice President, 17 individuals in EF&FP, 20 individuals in PRM&A, 15 individuals in RP&S, 3 individuals in AA, and 2 individuals reporting directly to the Vice President.

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

The objective of this evaluation was to identify factors that could impact EP's organizational effectiveness. We assessed operations as of fiscal year (FY) 2019 and culture at the time of our interviews, which occurred between May 18, 2020, and May 22, 2020. To complete the evaluation, we:

- Reviewed (1) Financial Services' FY 2020 through FY 2022 business plan, (2) Financial Services' FY 2020 Risk Portfolio, and (3) internal documents provided by EP to gain an understanding of EP's initiatives and/or risks within EP.
- Reviewed TVA values and competencies (see Appendix A) for an understanding of cultural factors deemed important to TVA.
- Reviewed select TVA Standard Programs and Processes and other documentation to gain an understanding of processes.
- Examined FY 2017 through FY 2020 (as of April 2020) financial information to gain an understanding of expenditures used in support of the work environment.
- Conducted individual interviews with 58 individuals, including management, and analyzed the results to identify themes related to factors that could affect organizational effectiveness.
- Surveyed and/or interviewed a nonstatistical sample of 104 individuals from other TVA organizations that work with EP personnel and one individual

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<sup>5</sup> The capacity plan is TVA's resource portfolio plan to meet forecasted demand, which may include resource additions and retirements, in a low cost and reliable manner.

<sup>6</sup> The long-term generation plan is a 20 year plan for TVA's assets to reliably meet the energy needs within TVA's service area while still optimizing commitment and dispatch of resources to accommodate a least cost business model.

responsible for supporting EP. We analyzed results to identify factors affecting organizational effectiveness from a business partner perspective.

- Assessed the overall effectiveness of EP in behavioral and operational aspects based on TVA's Business Operating Model.

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

## **OBSERVATIONS**

During the course of our evaluation, we identified behaviors that had a positive impact on EP. These included leadership actions, relationships with team members, recognition programs, and a positive ethical culture. We also identified a risk to operations that, although minimal, if left unaddressed, could hinder EP's effectiveness. This risk was related to effective collaboration with business partners.

### **BEHAVIORS HAVING A POSITIVE IMPACT ON EP**

According to the Society for Human Resource Management (SHRM),<sup>7</sup> employee engagement relates to the level of an employee's connection and commitment to the organization. In addition, SHRM specifies drivers of employee engagement, including commitment of leaders, trust in leadership, and positive relationships with supervisors. TVA, in its Business Operating Model, states that engagement is one component of effective execution. TVA has also developed competencies intended to define common characteristics that set the tone for how work is to be performed in the organization. Defined behaviors are associated with the competencies to provide guidance as to how employees can demonstrate their commitment to TVA values. Based on interviews with individuals within EP, we determined behavior-related risk was low due to interactions with leadership, relationships with team members, recognition programs, and a positive ethical culture.

#### **Leadership is a Positive Driver of Engagement**

TVA expects leaders to inspire trust and engagement by building a positive environment that motivates others to achieve and exceed organizational goals and aspirations. We asked individuals within EP about relationships with their first-line supervision, middle management, and upper management.

Most individuals commented positively when asked about communication with all levels of management. Some individuals described WebEx<sup>8</sup> lunch meetings that the Vice President organized to encourage communication while in mandatory

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<sup>7</sup> The SHRM is a membership organization for Human Resource professionals.

<sup>8</sup> WebEx is a video conferencing and communications tool by Cisco.

telework status.<sup>9</sup> Most employees also stated they trusted all levels of management, and most indicated they would feel comfortable having a different opinion than, or reporting concerns to, all levels of management. In addition, several individuals indicated that management encourages healthy debate and discussion of differing opinions. Further, many individuals commented favorably on all levels of management with regard to accountability. Responses from some individuals indicated that leadership is a positive driver of engagement within EP.

### **Positive Relationships with Team Members**

TVA is committed to fostering teamwork and expects employees to earn the trust of others through open, honest, and respectful words. Most employees in EP commented positively on interactions with others in their group and indicated they trusted their coworkers to do their jobs well. Many individuals noted interactions with others in their group and/or EP as a driver to positive morale. Some individuals commented positively on the expertise and/or abilities of team members, and several individuals indicated there is good knowledge sharing in EP.

### **Recognition Programs**

Most individuals responded positively when asked about rewards and recognition from all levels of management. Examples included monetary incentives, verbal or written praise, and celebrations for good work. Some individuals specifically commented on EP's EPitome awards, given by a peer to individuals exemplifying a TVA competency. In addition, individuals specifically commented positively about the Power Up program, which is used throughout Financial Services. The Power Up program allows employees and management to nominate coworkers in Financial Services or individuals in other TVA business units who demonstrate TVA values in helping TVA achieve its mission. When an employee receives a Power Up award, individuals in their management chain receive notification of the recognition. In addition, the Financial Services SharePoint contains detailed information on the latest Power Up nominations.

### **Positive Ethical Culture**

TVA expects employees to conduct business in accordance with the highest ethical standards. Ethical culture is defined in this evaluation as the "shared concept of right and wrong behavior in the workplace that reflects the true values of the organization and shapes the ethical decision making of its members."<sup>10</sup> When asked about the ethical culture, all individuals in EP answered positively. Several individuals indicated that individuals in EP are comfortable identifying errors or mistakes in their own work or that management sets an ethical tone that permeates throughout the organization. Having a positive ethical culture is especially relevant given EP's role in TVA's strategic and integrated planning and in providing governance and oversight.

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<sup>9</sup> At the time of our interviews, TVA was under mandatory telework status due to COVID-19.

<sup>10</sup> As defined in S.P. Robbins & T.A. Judge, *Organizational Behavior*, 18<sup>th</sup> edition, 2019.

## MINIMAL RISKS TO OPERATIONS

EP business units work together to create products and produce analyses, such as the power supply plan and long-range financial plan. As a result, positive interactions between EP business units are important to the successful execution of the work. Most individuals answered positively when asked about relationships within EP. Several individuals indicated EP's work was engaging, enjoyable, and/or impactful to TVA. Most individuals also indicated they have what they need to do their job. In addition to working with groups within EP, employees also collaborate with other TVA business units. While feedback from EP personnel and business partners pertaining to relationships was primarily positive, we identified a risk to operations that, although minimal, if left unaddressed, could hinder EP's effectiveness. This risk was related to effective collaboration with business partners.

### **Risk to Effective Collaboration with Business Partners**

TVA is committed to developing effective partnerships to achieve results and creating value for stakeholders. When asked about interactions with business units outside of EP, several individuals in EP indicated there could be improvement in these interactions. Specifically, several individuals in EP described concerns with interactions with one specific business unit. We discussed these concerns with the Vice President of EP. In addition, a few individuals in EP described issues with business units providing information to EP. For example, EP sometimes has difficulty getting inputs needed for running certain models from some business units.

We surveyed and/or interviewed individuals from business units outside of EP to determine their opinions related to EP products and services, quality of feedback and communication, and timeliness. The majority of individuals from business units surveyed provided feedback indicating that EP was above average in these areas. However, when asked for an area where EP could improve, some business partners indicated the need for increased collaboration with EP. Examples included a desire for more partnership or engagement with EP and more detailed explanations of how the data they provide is used by EP. In addition, several individuals indicated a desire to learn more about the services or products provided by EP or clarity on the EP roles and responsibilities. Several individuals also expressed a desire for EP to provide more education to leadership and/or TVA about the work they perform.

For FY 2020, EP developed an initiative related to strengthening communications with its business partners. This initiative included a structured approach to increase the knowledge of products and processes with business partners, ensure collaboration with business partners on key deliverables, and providing a one-stop shop for EP materials and information. According to the Senior Program Manager, EP, as part of this initiative, EP managers will be paired with business partners to regularly gather feedback, beginning in July 2020.

## **CONCLUSION**

Through their role in the strategic plan, financial plans, and resource strategy, EP helps TVA keep rates as low as feasible and improve the quality of life for the people in the Valley. Products and analyses produced by EP impact both short-term and long-term decisions made by TVA. As such, having an organization with a highly engaged workforce that efficiently and effectively executes the work is important. Interviews with individuals revealed positive engagement in EP driven by leadership, interactions with team members, recognition programs, and an ethical culture. Individuals in EP responded positively when asked about relationships within and outside the organization and having the resources to complete the work. However, other comments revealed opportunities related to collaboration with EP business partners. While the risk to operations stemming from these comments is minimal, addressing this risk can aid EP in execution of their work and positively impact the accomplishment of TVA's mission.

## **RECOMMENDATIONS**

We recommend the Vice President, EP, continue with plans to improve relationships with business partners.

**TVA Management's Comments** – TVA management agreed with the recommendation and will continue to seek opportunities to engage and collaborate with their business partners as well as provide further explanations about our processes. TVA management will also continue the endeavors of the July 2020 communication initiative where managers are paired with business partners to regularly gather feedback.

**Auditor's Response** – We agree with TVA management's actions.

<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

September 11, 2020

David P. Wheeler, WT 2C-K

**RESPONSE TO REQUEST FOR COMMENTS – DRAFT EVALUATION 2020-15729 –  
ORGANIZATIONAL EFFECTIVENESS – ENTERPRISE PLANNING**

This is in response to the recommendation provided in your recent draft evaluation of organizational effectiveness within TVA's Enterprise Planning business unit.

Enterprise Planning management appreciates the efforts put forth by Lisa Hammer, Jessica Monroe, and the audit team to conduct this evaluation. Organizational effectiveness is very important to us. We are pleased by the recognition of positive drivers of engagement within Enterprise Planning that include leadership actions, relationships with team members, our recognition programs, and a positive ethical culture.

Although the risk identified pertaining to business partner relationships was noted as a minimal risk to our organization, we recognize the importance of these relationships to our ultimate success. We agree with the recommendation that we should continue our efforts to improve relationships with our business partners. Specifically, we will continue to seek opportunities to engage and collaborate with our business partners as well as provide further explanations about our processes. We will also continue the endeavors of our communication initiative that we launched in July 2020 where our managers are paired with business partners to regularly gather feedback.

Thank you for the opportunity to review and respond to the draft evaluation. Please let me know if you have any further questions.

*Brian M. Child*

Brian M. Child  
Vice President  
Enterprise Planning  
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OIG File No. 2020-15729