

No. S-97-23

"We Cannot Hold Back the Future By Clinging to the Past"
Dr. Shirley Ann Jackson, Chairman
U.S. Nuclear Regulatory Commission

Talking Points for the NRC Management Development Conference
Omni Shoreham, Washington, DC
November 3, 1997, 8:30 a.m.

I. Introduction

Good morning to all of you. I am pleased to be addressing you this morning--in part because I believe that these meetings are valuable in helping us to take stock of the issues that are facing the NRC, and to assess our individual and collective progress in addressing these issues. But this meeting today, in my view, is especially important because it occurs at a crucial juncture in the evolution of NRC management--a time that I have characterized before as a paradigm shift--a transition that makes planning a way of life. Several days ago, at the NRC All Employees Meetings, you heard me emphasize how important I believe this transition to be, and today I intend to tailor that message to you as managers.

I want to spend a little time to talk with you about a few topics--four, in particular, under the headline "We Cannot Hold Back the Future by Clinging to the Past." Last Thursday at the All Employees meetings, I discussed change--what is changing for us, what is driving it, and therefore, why and how we need to change. I mentioned the new business environments of those we regulate, which dictate that we must change; the new elements being added to our mission; new opportunities to use new tools to become more effective in our regulation; and changing expectations of our various stakeholders, including the public, the Executive Branch, and the Congress.

At that time, I used as an example of how high the stakes are the "Year 2000" problem, and the degree of Congressional and Executive Branch interest in it. I stated that Federal agencies are being graded by the Congress on their progress in resolving problems found in information technology systems. What I did not mention was that agencies also are being graded on their strategic and performance plans, and are being put on notice by the Congress and the OMB that their planning and their follow-through on their planning in an "outcomes," goal-focused way will affect their budget treatment, and even their continued authorization--which brings us to where we are today.

To be honest with you--my initiation of Strategic Assessment and Rebaselining was not driven by the Government Performance and

Results Act (GPRA), or, at least, not exclusively or even primarily so, but rather because I knew when I arrived at the NRC that the "train of change" was coming down the track. I felt that we needed to step back, take stock of where we are, then move forward to position ourselves for change.

I will cover four topics today: the new Planning and Performance Management System, succession planning, the new Senior Executive Service (SES) performance appraisal process, and a topic that some of you have heard me discuss before--safety and compliance. Why "safety and compliance"? Because it undergirds our very being as a regulatory agency, and we should never lose sight in all that is ongoing of what we are really about as the U.S. Nuclear Regulatory Commission.

Before discussing these four topics, let me personalize planning for you. In the development of the FY 1999 budget, building off of the FY 1998 budget, but in as zero-based a way as possible, I asked the Executive Council to have the budget developed in a way which not only presented a baseline budget, but which also had budget scenarios which would have activities and programs prioritized, should we not receive the budget submitted to the OMB and the Congress. The scenarios were supposed to include impact statements for the activities and programs, should they be cut. This was done, although not as rigorously as it could have been. When, during the FY 1998 budget negotiations in the Congress, we were facing a potential \$10.8 million budget cut, the senior managers were again asked what they would lay on the line for budget cuts. There were a number of items--the elimination of the Severe Accident Research Program among them. I asked the senior managers in the Office of Research and the Executive Council if they were sure that this was what they would want. Even after further review, Severe Accident Research was given a low priority. Therefore, its elimination ended up in a letter I sent to our Congressional appropriators. Today, we face an \$7.5 million cut, actually \$8.5 million, not counting \$1.0 million appropriated for the DOE External Regulation pilot. To maintain credibility with the Congress, high on the list to be cut is Severe Accident Research--which now has some managers squirming and scrambling.

What are the lessons in all of this?

- ◆ Mean what you say. Stand by it.
- ◆ Do not offer up the Washington Monument, if you are not willing to live without the Washington Monument.
- ◆ Do not try to protect hidden programs by putting up the Washington Monument for a cut, thinking that you can protect the whole ball game behind it--you cannot.

- ◆ Think hard about what needs to be done to accomplish our mission, consistent with agency goals laid out by the Commission.
- ◆ Eliminate fat and sunset programs that have run their course--this allows us to take on new activities.
- ◆ Resource load the activities and programs appropriately.
- ◆ Plan the work and work the plan.

II. Planning and Performance Management System

- ◆ First three phases of Strategic Assessment and Rebaselining are completed.
- ◆ We should recognize this progress as a significant milestone, in establishing expectations and goals. The path to excellence now lies in implementation.
- ◆ Two elements are crucial to our success in implementing the Strategic Plan:
 - A strong commitment to the elements of the Strategic Plan itself;
 - A disciplined planning process that integrates planning, budgeting, and performance assessment.
- ◆ Management must be the catalyst in ensuring this discipline.
 - This process must become a way of thinking; the three elements I have named should almost be like a mantra in each manager's head: "planning, budgeting, performance assessment..."
- ◆ Commitment to the elements of the Strategic Plan will require involvement at all levels. As I said at the All Employees Meetings, the Strategic Plan should not be a "shelf document" for any employee, but a guide for how we manage, as an agency, in a manner that ensures results.
 - Therefore, I expect each manager to meet with their employees, to discuss the Strategic Plan and its linkage to their specific area or areas of work.
 - All employees should be encouraged to become part of the planning process, by providing feedback and suggestions on how to improve the plan.
 - A positive response to the Strategic Plan ultimately will be determined by the attitude and enthusiasm with

which managers communicate (and share) the strong Commission commitment to the Strategic Plan and to the importance of managing for results.

- ◆ The CFO, Jesse Funches, will be discussing with you the new NRC Planning And Performance Management System, and why you are the key to its success.
 - We have performed some of the components of this planning process, to a certain extent, in developing agency plans and budgets; however, they have not been integrated fully into our day-to-day management and decision-making. They also have not been integrated fully among themselves.
 - Simply put: the goals and performance measures in the Strategic Plan are at a very high level, and some activities are not captured explicitly. As we continue to develop operating plans, to determine resource requirements, to delineate measures of success, and finally to assess our performance against those measures, the entire process should be predictable, and should be linked, agency-wide, to the foundation we have set with Strategic Assessment and Rebaselining, and the Strategic Plan.
 - This should become another "mantra" that is a way of thinking for every manager, and should become familiar to every employee--"goals, strategies, metrics"--which can be translated into a series of questions: "In this NRC functional area, what outcomes do I want to achieve?" "What methods must I employ to achieve those outcomes?" and "What milestones and endpoints will tell me that I have achieved success?"

III. Succession Planning

Some have lamented recent losses of senior managers:

- We cannot hold back the future by clinging to the past.
 - There is always change.
 - Today, more than at any other time, it is important to have an orientation to the future.
 - Today, we have an able group of senior managers who either possess or are developing that orientation and the requisite skills.
 - We need new managers to lead us into the next century and beyond.
 - We must develop the next generation of leaders.
- ◆ We must develop and ensure "bench strength".

- A cohort of replacements for incumbents in executive/managerial positions.
- Fully qualified.
- ◆ Requires assessment of agency needs.
- ◆ Role of recruitment.
- ◆ Requires assessment of knowledge, skills, abilities of existing staff.
- ◆ Individual development plans.
- ◆ Foundation--equal opportunity. Diverse workforce--recognize it, build on it--it is a strength.
- ◆ Foundation--honest feedback/honest performance appraisals.

IV. SES Manager Performance Appraisals

- ◆ Believe it or not, this way of thinking does not occur only at the staff and manager level. The Commission also has goals, strategies, and measures of success--and as Chairman, I do as well--specific, considered plans for accomplishing this cultural change.
- ◆ One such strategy is reflected in the revised SES elements and standards for FY 1998.
 - These changes were the result of significant consideration.
 - The overarching message should be that the Commission expects each senior manager to understand that his or her job is to lead, and to manage an effective organization.
 - It is not enough to have a list of completed tasks (outputs) if those tasks are not furthering the goals of your organization, and by careful linkage, the goals of the agency (outcomes).
- ◆ Senior managers must be held accountable for leading the organizations or groups for which they are responsible.
 - You must ensure that the managers and supervisors who report to you--regardless of whether they, or you, are or are not members of the SES--are also leading in this manner and with this mind-set.
 - Leadership can be effective only if individuals at all levels have the information they need to understand the big picture (in this case, as presented in the

Strategic Plan), as well as how their responsibilities fit within that picture.

- Senior executives must communicate both information and context effectively--within their organizations, within the NRC as a whole, and externally.
- ◆ The SES elements and standards have been revised to articulate more clearly Commission expectations, and to enable the appraisal process to focus on outcomes, or results--linked to agency goals.
- You must consider not only your personal workload and accomplishments, but also what your organization is accomplishing and how those accomplishments are attained. Therefore, organizational effectiveness will be part of your performance appraisal.
 - You must consider, on an ongoing basis, whether your staff has the necessary tools--training, information, and resources. Are there ways to work more efficiently? Are there activities that can be eliminated?
 - Answering these questions and addressing these considerations will lead to more active involvement by you, as managers, with your staff, a more up-to-the-moment awareness of progress and remaining challenges, and ultimately to organizational effectiveness and excellence.
- ◆ These changes to the SES elements and standards put into place a structure that will allow us to honestly assess your success at recognizing the internal and external factors that affect your organization; planning your organizational goals, strategies, and metrics; and making your organizational contribution to the NRC.

V. Safety and Compliance

- ◆ The Commission recently issued a paper providing guidance to the staff in the area of safety and compliance.
- Misconceptions sometimes have been present, and in some levels of the staff still may be present, in the sense of viewing NRC functions, such as inspection or rulemaking, as being either safety-oriented or compliance oriented.
 - As managers, you must take responsibility for correcting that misconception, in keeping with the guidance provided by the Commission. Safety and compliance are two sides of a coin, two ways of looking at the same issue. They are not--and should not be

viewed as being--alternative approaches, or ways of thinking that are at odds with one another.

- I want to emphasize that this paper is the result of Commission deliberation and consensus; while we may have some range of opinion on how to address various related issues, the paper represents the Commission view.
- ◆ I want to review with you certain elements of the Commission paper, but I also expect--for each manager, especially managers of technical or legal NRC functions--that you read and become intimately familiar with this guidance.

[ATTACHMENT 1: COMMISSION SAFETY AND COMPLIANCE PAPER]

VI. Conclusion

In closing, I want to reiterate how important I believe it is for each of you to take ownership of the issues I have emphasized today. I understand in particular, that any "paradigm shift" like that involving the new Planning and Performance Management System is difficult. I know that many of you have come up through the ranks as technical managers--technical experts--and may find some of these ways of thinking unfamiliar. As you are well aware, I, too, come from a highly technical and scientific background--but I cannot and do not fulfill my responsibilities here just by virtue of that background, but also by drawing on various policy, executive managerial and strategic planning experience and skills that I have. Therefore, draw on your professional backgrounds, and marry them with managerial excellence in planning and resource management.

What may be appropriate here is a quote by Oliver Wendell Holmes, Sr.--the author, not the jurist. He said, and I quote: "I find the great thing in this world is not so much where we stand, as in what direction we are moving: To reach the port of heaven, we must sail sometimes with the wind and sometimes against it--but we must sail, and not drift, nor lie at anchor." I would encourage each of you to take that message to heart.

We cannot hold back the future by clinging to the past. We must learn from the past, but we must look forward and move forward. I fully believe that we will look back on this time as a pivotal change in our way of doing business. I also believe that, in hindsight, we will appreciate the effort associated with this change, because we will recognize clearly our own increased effectiveness and excellence. Thank you.

SAFETY AND COMPLIANCE

As commonly understood, safety means freedom from exposure to danger, or protection from harm. In a practical sense, an activity is deemed to be safe if the perceived risks are judged to be acceptable. The Atomic Energy Act of 1954, as amended, establishes "adequate protection" as the standard of safety on which NRC regulation is based. In the context of NRC regulation, safety means avoiding undue risk or, stated another way, providing reasonable assurance of adequate protection for the public in connection with the use of source, byproduct and special nuclear materials.

The definition of compliance is much simpler. Compliance simply means meeting applicable regulatory requirements.

What is the nexus between compliance and safety?

1. Safety is the fundamental regulatory objective, and compliance with NRC requirements plays a fundamental role in giving the NRC confidence that safety is being maintained. NRC requirements, including technical specifications, other license conditions, orders, and regulations, have been designed to ensure adequate protection--which corresponds to "no undue risk to public health and safety"--through acceptable design, construction, operation, maintenance, modification, and quality assurance measures. In the context of risk-informed regulation, compliance can play a very important role in ensuring that key assumptions used in underlying risk and engineering analyses remain valid.
2. Adequate protection is presumptively assured by compliance with NRC requirements. Circumstances may arise, however, where new information reveals, for example, that an unforeseen hazard exists or that there is a substantially greater potential for a known hazard to occur. In such situations, the NRC has the statutory authority to require licensee action above and beyond existing regulations to maintain the level of protection necessary to avoid undue risk to public health and safety.
3. The NRC has the authority to exercise discretion to permit continued operations--despite the existence of a noncompliance--where the noncompliance is not significant from a risk perspective and does not, in the particular circumstances, pose an undue risk to public health and safety. When non-compliances occur, the NRC must evaluate

the degree of risk posed by that non-compliance to determine if specific immediate action is required. Where needed to ensure adequate protection of public health and safety, the NRC may demand immediate licensee action, up to and including a shutdown. In addition, in determining the appropriate action to be taken, the NRC must evaluate the non-compliance both in terms of its direct safety and regulatory significance and by assessing whether it is part of a pattern of non-compliance (i.e., the degree of pervasiveness) that can lead to the determination that licensee control processes are no longer adequate to ensure protection of the public health and safety. Based on the NRC's evaluation, the appropriate action could include refraining from taking any action, taking specific enforcement action, issuing orders, or providing input to other regulatory actions or assessments, such as increased oversight (e.g., increased inspection).

4. Where requirements exist that the NRC concludes have no safety benefit, the NRC can and should take action, as appropriate, to modify or remove such requirements from the regulations or licenses. Requirements that are duplicative, unnecessary, or unnecessarily burdensome can actually have a negative safety impact. They also can tend to create an inappropriate NRC and licensee focus on "safety versus compliance" debates. As the Commission states in its Principles of Good Regulation, "There should be a clear nexus between regulations and agency goals and objectives, whether explicitly or implicitly stated."
5. Since some requirements are more important to safety than others, the Commission should use a risk-informed approach wherever possible when adding, removing, or modifying NRC regulations, as well as when applying NRC resources to the oversight of licensed activities (this includes enforcement). Based on the accumulation of operating experience and the increasing sophistication of risk analysis, the NRC should continue to refine its regulatory approach in a manner that enhances and reaffirms our fundamental safety objective.

These principles attempt to describe the nexus between compliance and safety. The misperception that compliance and safety are somehow incompatible or unrelated arises when the principles just outlined are not understood or are wrongly applied. When understood and applied correctly, the result should be a consistent, credible regulatory approach--as applied to licensing, inspection, enforcement, performance assessment processes, and rulemaking.

