

SUMMARY OF LESSONS LEARNED

As directed in Staff Requirements Memorandum (SRM) SECY-15-0015 "Project AIM 2020 Report and Recommendations," the working group (WG) used in its evaluation the lessons learned from the Transforming Assets into Business Solutions (TABS) initiative including the National Treasury Employee Union (NTEU) observations, the Office of Nuclear Materials Safety and Safeguards (NMSS) and the Office of Federal and State Materials and Environmental Management Programs (FSME) merger, and existing Centers of Expertise (COEs). A brief summary of those lessons learned follows.

TABS

In response to Commission direction to reduce overhead, the agency created the TABS Task Force in 2010 to identify and recommend solutions for streamlining the U.S. Nuclear Regulatory Commission (NRC) business functions. The TABS efforts focused on centralization of corporate and office support functions in the following five general areas: (1) administrative services, (2) human capital, (3) financial management (including contract management), (4) information technology, and (5) information management.

Implementation of the TABS initiative resulted in 28 of 29 corporate functions being substantially centralized. Corporate offices continue to work to improve their processes and service levels, recognizing that centralization also requires an increased level of coordination with program offices. Although the TABS initiative achieved certain objectives, it also provides lessons that are applicable to the process for creating COEs. Throughout the TABS centralization efforts, the NRC partnered with the NTEU, particularly with respect to employee concerns. In fact, most of the lessons learned from TABS reflect concerns raised by the NTEU during the centralization effort. Details may be found in SECY-15-0008, "Report to the Commission on the Transforming Assets into Business Solutions Initiative," dated January 16, 2015 (Agencywide Document Accesses and Management System (ADAMS) Accession No. ML15016A203).

Recognizing TABS as a change management initiative, lessons learned recommended that in similar endeavors, the agency must:

- build a clear case for change;
- have adequate alignment between stakeholders;
- adequately resource, plan, and manage associated projects;
- communicate and set appropriate expectations; and
- effectively manage implementation efforts.

NMSS and FSME Merger

In accordance with the SRM for SECY-14-0036, "Proposed Merging of the Offices of Nuclear Material Safety and Safeguards and Federal and State Materials and Environmental Management Programs," the staff is currently developing a Commission paper to document the lessons learned from this merger. This paper is due to the Commission in December 2015. Initial feedback indicates that the merger of FSME with NMSS in 2014 was largely a success. Staff, management, and customers felt that overall the transition was smooth and that work products maintained their quality and timeliness. The merger resulted in greater progress

Enclosure

towards achieving the agency's goal of having a 10:1 staff-to-management ratio and more streamlined communication with stakeholders such as Agreement States. One significant lesson learned was that comprehensive communication and outreach was a key element to ensuring a successful merger. Integration of policies and processes as soon as practical in the merge process is critical to aligning the organizational roles and responsibilities. The importance of this integration varies based on the alignment of the existing (pre-merger) organizations and processes. For example, it is necessary to manage the merger process differently for an organization that performs a discrete function that is unique to the merged organization versus one that brings together staff that perform like functions and have identical roles and responsibilities.

Evaluation of Existing COEs: Allegations, Electrical Engineering, and Vendor Inspection

The staff evaluated existing COEs within the Offices of Nuclear Reactor Regulation (NRR) and New Reactors (NRO) that function to support both offices, specifically: Allegations (this COE also supports the Office of Nuclear Security and Incident Response (NSIR)), Electrical Engineering, and Vendor Inspection. In 2013, these limited scope COEs performed self-assessments against their charters and other applicable governing program guidance, including management directives, office instructions, and program plans. More specific results of these evaluations are discussed below.

The staff assessed the effectiveness of the NRR/NRO/NSIR allegations team 1 year after its implementation using the primary responsibilities identified in the allegations team charter (ADAMS Accession No. ML12045A102). The team's responsibilities included providing a centralized location for administering an effective program to manage allegations by expeditiously determining the validity and safety significance of allegations concerning NRC-regulated activities for NRR, NRO, and NSIR. The self-assessment (ADAMS Accession No. ML13182A235) found that after the first year of operation, the allegations team had fully implemented all responsibilities identified in the allegations charter. With the centralization of the allegations team within NRR, the team has consolidated efforts to process allegations for NRR, NRO, and NSIR while ensuring allegations were processed in accordance with the requirements in Management Directive 8.8, "Management of Allegations," and the Office of Enforcement Allegation Manual. The team has streamlined the allegations process and gained efficiencies through minimizing duplicative effort, creating a consistent process, and using best practices for the processing of allegations. Between fiscal year (FY) 2012 and FY 2014, the allegations team completed the review and processing of an increased volume of allegations in NRO without additional staffing due to the efficiencies gained from consolidating the functions of the team.

The responsibilities of the existing Electrical Engineering (EE) COE include licensing reviews, regulatory infrastructure activities, and regulatory support activities for new and operating reactors. The self-assessment (ADAMS Accession No. ML13112A702) found that after the first year of operation, the COE had fully implemented all responsibilities identified in the EE COE charter. However, the COE staff and its customers identified inefficiencies that resulted from using two different work planning tools and having two different sets of performance management meetings. Also, having a COE serving two different business lines presented challenges regarding the establishment of clear roles and responsibilities and common prioritization of work. The COE staff and its customers worked collaboratively to address these issues and the COE is now meeting the needs and expectations of its customers in both

business lines. In addition, the formation of the COE eliminated one supervisory position. Between FY 2012 and FY 2014, the EE COE completed the requested number of reviews and regulatory support activities each year.

The Vendor Inspection COE is responsible for executing the vendor inspection program for new and operating reactors, integrating vendor oversight efforts with the reactor oversight program, sharing information about the program with external stakeholders, participating in outreach activities, developing standard practices and techniques, and identifying weaknesses in the current vendor inspection process and developing or enhancing tools to address these weaknesses. The vendor inspection staff documented its assessment in "The Nuclear Regulatory Commission Vendor Inspection Center of Expertise Self-Assessment (ADAMS Accession No. ML13030A266)." They found that after the first year of operation, the COE had fully implemented four of the seven responsibilities and made progress on the remaining three. These remaining responsibilities were fully implemented by the end of FY 2013. The Vendor Inspection COE has continued to demonstrate its ability to meet the objectives and associated performance metrics in the Vendor Inspection Program Plan (ADAMS Accession No. ML15084A432). The formation of the COE eliminated one supervisory position and enhanced the efficiency of the Vendor Inspection Program. Between FY 2012 and FY 2014, the Vendor Inspection COE exceeded the target number of inspections in the congressional budget justification each year.

In addition to the above formal self-assessments, in 2015 NRR and NRO formed a joint working group for the purpose of developing guidance on whether and how to create a COE. As part of this effort, the working group interviewed members of several COEs and their customers to gather perspectives on lessons learned. The consensus of the joint working group was that COEs have in some cases improved organizational effectiveness and streamlined activities. The formation of COEs has eliminated duplicate programs in related offices, increased consistency, and ensured critical skills are cultivated and maintained through increased knowledge sharing between experts existing in the same organization.

However, the degree to which these benefits have been realized is dependent on the specific circumstances and organizations involved. A significant difference exists between the experiences of organizations with clear roles and responsibilities outlined in formal charters and agreed upon before initiation of the COE as compared to ad-hoc matrixed groups that were set up without these formal constructs. In some cases, challenges arose with work prioritization, work planning, application of different regulations and standards in the same technical area, and alignment between the COE and the management of the business lines it serves. These issues were amplified for organizations that did not come to an agreement on how they would handle these concerns before starting work. The consensus of the working group was that it is important to provide the necessary infrastructure for COEs to either avoid or diminish the effects of these problems. This includes charters, plans for work prioritization and communication, and consideration of the impact of a reorganization on the ability of the remaining organization to complete its work. Moreover, previous experience has indicated that the pros and cons of establishing a COE for a specific area need to be carefully evaluated and documented. In addition, sufficient preparation, transparent decision making, and well-defined processes, roles, and responsibilities are needed to successfully launch a COE.

In summary, the evaluation of existing COEs demonstrates that in cases where the agency has centralized functions with appropriate planning and infrastructure, the resulting organizations

have effectively implemented their missions and improved efficiency or capacity. The major benefits resulting from the creation of these COEs include increased productivity, improved technical consistency through the sharing of best practices, timely and higher quality technical input and products to affected business lines, enhanced processes and procedures, a streamlined management chain, consistent management direction, and enhanced knowledge management. Beyond these qualitative benefits and some reduction in the number of supervisors, significant resource savings have not been realized with most of the existing COEs to date. The WG found that implementing a COE organizational structure does not necessarily provide significant resource savings—the gains are mainly reflected as intrinsic savings including increased organizational effectiveness and agility.