

May 7, 1998

FOR: The Commissioners

FROM: L. Joseph Callan /s/  
Executive Director for Operations

SUBJECT: STAFF REQUIREMENTS - COMSECY-96-031 - (DSI-17) - STRATEGIC ASSESSMENT ISSUE PAPER: MANAGEMENT AND ORGANIZATION AND COMSECY-96-026 (DSI-15) - MANAGEMENT PHILOSOPHY

**PURPOSE:**

To provide the Commission criteria to be used in evaluating internal organizations to determine the most effective and efficient alignment for carrying out the agency's strategic plan.

**BACKGROUND:**

As part of Phase II of the Strategic Assessment and Rebaselining Initiative, the Steering Committee forwarded to the Commission two direction-setting issue papers: Management Philosophy (DSI-15) and Management and Organization (DSI-17). DSI-15 focused on internal programs and practices, suggesting ways of improving program assessment and oversight activities in order to reduce administrative and oversight burdens, identify and disseminate lessons learned and best practices, and establish decision-making authority and accountability at the most appropriate levels. DSI-17 discussed assessing and modifying, as appropriate, agency organizational structures in light of impending workload and work environment changes. The Commission determined that DSI-15 and DSI-17 presented internal strategic issues.

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Therefore, they were not included in the set of papers upon which the Commission issued preliminary views. The Commission did, however, request the staff to prepare criteria to be used in evaluating internal organizations to determine the most effective and efficient alignment for carrying out the agency's strategic plan. In preparing the criteria, the staff was directed to consider factors and options discussed in the DSI-15 and DSI-17, Commission decisions and guidance on other direction-setting issues --DSI-18 - Staffing and Core Capabilities in particular --and agency streamlining goals.

**DISCUSSION:**

In response to SRM COMSECY-96-031 and COMSECY-026, the staff has prepared sample criteria to be used in evaluating the effectiveness and efficiency of internal organizational alignments. The criteria have been developed in the context of related initiatives that are either currently under way or expected to be undertaken in the near future. Their application is viewed as an integral part of the organizational self-assessment and oversight activity described in the preliminary human resources action plan provided to the Commission in SECY-97-112.

On July 14, 1997, the Commission was informed that a review of the staff's initial thinking in this area indicated a need to integrate these approaches more carefully into ongoing work related to establishing a planning framework, regulatory excellence/effectiveness, and comprehensive program reviews. Our experience over the intervening months has reinforced this view. We have further refined our approach to planning and performance management and initiated activities to obtain outside expertise to support our planning and organizational assessment efforts. This activity will include the development and application of program and organization assessment techniques within the agency. This contractor will be asked to assist in organizational alignment issues.

The sample criteria developed by the staff are attached. Organizational alignment criteria along these lines can be integrated with, and supported by, contractor expertise and efforts to develop further agency planning and assessment techniques. We expect to conduct a number of assessments of program areas and support activities in FY 1999. As these assessments address organizational alignment as a major contributor to efficiency and effectiveness, these or similar criteria, benchmarks, and best practices will serve as valuable tools in developing optimum organizational alignments. Rather than focusing and reporting on the use of criteria, benchmarks and best practices themselves, we will gauge the value of their utilization in the context of the quality of the assessment outcomes.

**RESOURCE CONSIDERATIONS:**

Assessment activities employing organizational alignment criteria would be accomplished by in-house staff with some contractor assistance. Contractor support has been funded and obtained by the CFO.

**COORDINATION:**

This paper has been coordinated with Chief Information Officer. The Office of General Counsel has no legal objections. The Office of the Chief Financial Officer has reviewed this Commission paper for resource implications and has no objections.

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Executive Director for Operations

## Sample Criteria for Evaluating Internal Organizational Alignments

### Introduction

Addressing the effectiveness and efficiency of organizational alignments presupposes a common understanding of the purpose of the organization being evaluated. In NRC that purpose is articulated in the form of goals, objectives, outcomes, and outputs that contribute to the accomplishment of the agency's mission. At a high level, these goals, objectives and outcomes are described in the agency's strategic plan. Performance and operating plans extrapolated from the strategic plan spell out the functions, processes, and activities that lead to the accomplishment of outcomes at the organization level, which, in turn, achieve agency objectives, goals, and mission. The organization level in question may be the agency as a whole, an office or region, or an intermediate range, such as the offices reporting to a DEDO. The following discussion assumes that the organization level of interest is the office or region.

The practical focal point of both agency planning and organization activity is outcomes. The outcome is the effect of, and purpose for, the functions, processes, and activities of an organization. Internal organizational alignment provides the structure within which internal functions, processes, and activities occur. Evaluation of internal organizational alignment assumes, at least on a "what if" basis, that the functions, processes, and activities are to be performed in house, although the evaluation itself may result in a decision to reexamine the use of in-house resources.

Organizational alignment, then, is driven by function, and function is driven by output and outcome. Accordingly, criteria for evaluating organizational alignment come into play only after desired outcomes have been defined, and efficient and effective functions and processes to achieve the outcomes have been identified. The agency strategic and performance planning processes are defining desired outcomes. Assessment of the relevance, effectiveness, and efficiency of current functions and processes vis-a-vis desired outcomes is expected to flow from organizational self-assessment.

An organizational alignment is deemed to be successful if it meets the twin goals of effectiveness and efficiency. Although effectiveness and efficiency are almost inseparably linked in practice, criteria for evaluating them can be more clearly addressed if they are considered separately. An organizational alignment can be said to be effective if it contributes to the desired attributes or characteristics of outputs or outcomes. It is said to be efficient if it produces the desired output or outcome at the lowest attainable expenditure of dollar, time, and staff resources.

Criteria are expressed as attributes or qualities that an organization's outputs and outcomes should have. The outputs and outcomes should be derived from and support the strategic plan and the performance plan. Effectiveness and efficiency attributes are listed separately.

### Effectiveness Criteria

Attribute
Technical Accuracy: Organizational alignment promotes technically accurate outcomes by facilitating exercise of quality control interventions and corrective action early in processes.
Completeness: Organization alignment includes all the processes needed to realize the output product or service.
Consistency: Organizational alignment includes communication and oversight mechanisms that enable different actors, in potentially different locations, to produce similar responses in similar cases.
Accountability: Organizational alignment facilitates and verifies staff understanding of mission and priorities; matches decision-making authority to skill levels; clearly focuses individual/team accountability and recognition on outcomes.
Facilitates process improvement and quality control.
Flexibility: Organizational alignment facilitates rapid redeployment of resources to address changing client requirements or technology.
Synergism: Organizational alignment facilitates lateral communication with other organizations; facilitates transfer of learning/best practices into and out of the organization; supports a fact-based improvement process.
Symbolic Value: Organizational alignment conveys commitment to most important characteristics of outcomes or to overarching agency values.

### Efficiency Criteria

Attribute
Organizational alignment makes maximum use of available expertise.

Organizational alignment retains and motivates staff.

Organizational alignment sizes staff to mission objectives.

Organizational alignment minimizes overhead costs.

Organizational alignment contains salary costs, balances entry-level, journeyman, and "expert" staffing

Organizational alignment minimizes total output/outcome costs

Facilitates process improvement and quality control

Makes maximum use of information technology to enable organizational efficiency.

Organizational alignment reflects best practices in government and in the private sector.