

February 6, 2017

**PLEASE RESPOND BY:
February 21, 2017**

COMSECY-17-0006

MEMORANDUM TO: Chairman Svinicki
Commissioner Baran
Commissioner Burns

FROM: Victor M. McCree */RA/*
Executive Director for Operations

SUBJECT: RE-EXAMINATION OF THE NEED FOR A U.S. NUCLEAR
REGULATORY COMMISSION LEADERSHIP MODEL

The purpose of this memorandum is to provide the Commission the staff's re-examination of the need for an U.S. Nuclear Regulatory Commission (NRC) leadership model in response to the June 8, 2015, Staff Requirements Memorandum (SRM) SRM-SECY-15-0015: Project Aim 2020 Report and Recommendations, Item I-3.a (Agencywide Document Access and Management System (ADAMS) Accession Number [ML15159A234](#)) and the staff's recommendation.

Staff recommendation I-3.a, stated the following:

Develop or adopt an explicit NRC leadership model (or leadership philosophy) that builds on the agency's existing culture (Principles of Good Regulation and Organizational Values) and supports agility, to include empowering employees by promoting personal responsibility and accountability along with creative thinking, innovation, and informed risk-taking in all of our activities. Refine the NRC Organizational Values to incorporate those values necessary to support organizational agility or clarify that they are already included under the existing values.

The Commission response to recommendation I-3.a, was as follows:

The Commission disapproved recommendation I-3.a, and does not support the development of a separate NRC leadership model or modifying the NRC Organizational Values. Rather than developing a separate NRC leadership model, the Commission believes that effective decision-making can be achieved by focusing on the Principles of Good Regulation and the Organizational Values and the Behavior Matters campaign. Specifically, the staff should focus attention on those characteristics of the Principles of Good Regulation and Organizational Values that support empowerment and feeling a sense of

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personal responsibility and accountability through creative thinking, innovation, and informed risk-taking in all of our activities. In addition, the staff should return to this concept and re-examine whether this concept is a separate undertaking or is an organizational outgrowth of progress on the other recommendations and report to the Commission on whether this concept is, in the staff's view, still needed and if so, what form it would take.

This memorandum reports to the Commission on the staff's reexamination of this concept and requests Commission approval to develop and implement an explicit NRC leadership model.

Discussion:

The central theme of Project Aim was the need for NRC to be more effective, efficient, and agile. As documented in the monthly Project Aim status reports, the agency has made significant progress implementing the specific strategies approved by the Commission. In addition, consistent with the SRM, the staff has reexamined the need for an NRC leadership model.

The staff's reexamination included an assessment of insights from the Behavior Matters Campaign, the 2015 Federal Employee Viewpoint Survey (FEVS), and the 2015 OIG Safety Culture and Climate Survey as well as a thorough literature review of organizational culture and leadership. The assessment revealed opportunities to enhance our performance in the area of employee engagement by clarifying expectations regarding decision-making, empowerment, and consensus. It also highlighted the need to improve our approaches to leverage employee creativity and facilitate informed risk-taking and innovation.

Several notable research organizations have extensively examined what makes high-performing, agile organizations. Gallup's (2013)¹ report finds that organizations in the upper quartile of employee engagement have significantly higher productivity (+21%), fewer safety incidents (-42%), and fewer quality defects (-41%) in their products, compared to organizations in the bottom quartile. Moreover, many of the same cultural characteristics that drive employee engagement also help drive agility. Among these characteristics are higher levels of employee empowerment, innovation, and receptiveness to new ideas and views. The CEB Corporate Leadership Council's (2014)² report finds that the hallmarks of agility are empowerment, innovation, and collaboration. The Institute for Corporate Productivity's (2014)³ report finds that organizations that embrace innovation, transparency, creativity, diversity, and collaboration are ten times more likely to be agile. The NRC's FEVS (2015)⁴ results also show that we need to

¹ Gallup, (2013), State of the American Workplace: Employee Engagement Insights for U.S. Business Leaders, Washington D.C., Gallup, Inc.

² CEB Corporate Leadership Council (2014), Driving Workforce Agility in the Public Sector Agile: Strategies for an Uncertain Environment, © 2014 CEB. All Rights reserved. GOV8102314SYN

³ Institute for Corporate Productivity, (2014), The Secret Formula for Organizational Agility – AnI4cp Report

⁴ U. S. Office of Personnel Management, (2015), Federal Employee Viewpoint Survey Results, Nuclear Regulatory Commission Agency Management report 2015, Washington D.C., U. S. Office of Personnel Management

improve in these areas. Additionally, according to the 2016 FEVS⁵ results 54% of NRC's employees feel personally empowered with respect to how they do their work; 62% are satisfied with their involvement in decisions affecting their work; and only 47% feel that innovation is rewarded. These scores are lower than the 2015 FEVS scores and suggest that the characteristics of agility and high performance can be further enhanced.

The staff's re-examination also showed that a leadership model is an inherent part of an organization's culture and affects how people think, how they view their leaders, and ultimately how they behave and make decisions. A leadership model can emerge implicitly within an organization through the actions and behaviors of people, usually compelled by their beliefs, assumptions, role models, and experience. Alternatively, an organization can explicitly define its leadership model, incorporating a set of clear values and principles to guide how people should carry out their work. The book *The Agility Factor: Building Adaptable Organizations for Superior Performance* (Worley et. al)⁶, states that the form leadership takes is especially important in achieving agility, and that a common philosophy of shared leadership at all levels of the organization is necessary. The book *The Human Organization: Its Management and Value* (Likert)⁷, correlates organizational performance to different "systems" of leadership and those organizations having the highest productivity were those organizations in which there is higher empowerment, more teamwork and collaboration, and employees participate in the decision-making. While an implicit leadership model, such as that which exists within NRC may have successes, over time an explicit model provides a more inclusive, reliable, durable and flexible leadership framework to drive improved and sustainable organizational performance.

On November 7, 2016, I held a Strategic Leadership Meeting (SLM) with all Office Directors and Regional Administrators. Among the major topics discussed during this meeting was the value of creating an explicit NRC leadership model. Prior to the SLM, we drafted a set of characteristics of a potential NRC leadership model using insights from the Behavior Matters Campaign, the recent FEVS and OIG SCCS, as well as our literature review. The seven characteristics shown below were considered to further improve NRC's effectiveness, efficiency, and agility:

- 1) Empowerment and Shared Leadership: Each supervisor is expected to give their employees the support, access to information, and discretion to perform work consistent with their assigned roles and responsibilities. Each employee is expected to display leadership and initiative while engaging others in a manner that supports the mission, and reflects the NRC Organizational Values, and Principles of Good Regulation.
- 2) Innovation and Risk Tolerance: All employees are encouraged to actively identify new ways of doing the work of the agency in a more effective, efficient, and agile manner. We embrace failures as learning opportunities that build organizational character, and despite the possibility of sometimes falling short of our goal, we persevere in seeking ways to improve.
- 3) Diversity in Thought: At NRC, decision-making is enhanced when it incorporates a variety of viewpoints. As a result, we cultivate a positive environment for the expression

⁵ U. S. Office of Personnel Management, (2016), Federal Employee Viewpoint Survey Results, Nuclear Regulatory Commission Agency Management report 2016, Washington D.C., U. S. Office of Personnel Management

⁶ Worley, C., Williams, T., Lawler, E. (2014), *The Agility Factor: Building Adaptable Organizations for Superior Performance*, San Francisco, Jossey-Bass

⁷ Likert, R., (1967), *The Human Organization: Its Management and Value*, McGraw-Hill

of diverse views, alternative approaches, critical thinking, collaborative problem solving, unbiased evaluations, and honest feedback.

- 4) Receptivity to New Ideas and Thinking: Leaders and staff are open to a broad range of possible solutions to resolve problems or new ways of doing work. We recognize a key measure of our organizational agility is our ability to respond to and proactively change in a timely and effective manner.
- 5) Collaboration and Teamwork: Collaboration entails employees working together with others, including internal or external stakeholders, on a shared goal. It involves collective brainstorming, debating, and developing possible solutions to inform a decision. Collaboration results when team members share the recognition that the optimal solutions often come, not from a single individual, but through the team working together.
- 6) Participative Decision-Making: All employees have a role in the decision-making process, consistent with their assigned responsibilities. Decision-making at NRC entails gathering facts and soliciting diverse viewpoints of those involved in the process. The decision-maker(s) should consider as many viewpoints, as practical, and critically assess the merits of each position in order to make the most informed and sound decision. Once a decision is made by the person or organizational unit responsible, it should be explained and implemented accordingly. Leadership retains final decision-making authority and accountability.
- 7) Transparency: Information is readily shared with colleagues with relevant knowledge and responsibility to ensure the information necessary for effective empowerment, innovation, collaboration, and decision-making is available and accessible.

The Senior Leaders Meeting participants expressed support for creating an explicit NRC leadership model, although the discussion revealed differences in their perception of the current and desired future state of the characteristics, as well as the emphasis that should be placed on each to improve agency performance. This diversity in perspectives illustrates the various expectations surrounding these concepts, which can be attributed in part to the absence of an explicit NRC leadership model. Based on the discussion, the participants agreed that although the characteristic of Transparency is an important component to a Leadership Model, it is already sufficiently incorporated into the NRC Organizational Values and Principles of Good Regulation, and therefore does not need to be specifically incorporated into an NRC Leadership Model. They also agreed that the other six characteristics, if included in an explicit leadership model, would enhance organizational effectiveness, efficiency, and agility.

Relationship to Organizational Values and the Principles of Good Regulation:

Per the SRM, the staff assessed whether the characteristics of the NRC Organizational Values and the Principles of Good Regulation support empowerment and feeling a sense of personal responsibility and accountability through creative thinking, innovation, and informed risk taking in all our activities. While the importance of the Principles and Values is well established and they have served as effective guideposts for NRC's organizational culture and performance since they were established more than 20 years ago, they do not explicitly recognize the characteristics of empowerment, innovation, and informed risk-taking.

The staff believes that the six characteristics mentioned above would complement the agency's current culture and provide a more comprehensive organizational and philosophical framework. Anchored by the NRC Principles of Good Regulation and Organizational Values, an explicit

leadership model that incorporates these additional characteristics would provide a foundation to further improve and sustain the agency's effectiveness, efficiency, and agility.

Conclusion:

Based on the reexamination of the leadership model concept, the staff concludes that an explicit NRC leadership model focused on Empowerment & Shared Leadership, Innovation & Risk Tolerance, Participative Decision-Making, Diversity in Thought, Receptivity to New Ideas and Thinking, and Collaboration & Teamwork will improve NRC's effectiveness, efficiency and agility. When coupled with the NRC Principles of Good Regulation and Organizational Values, the resulting leadership model will further shape the NRC's culture by providing a more comprehensive set of behavioral expectations. These behaviors will enable NRC to become an even stronger regulator as we operate in an environment of increasing change and complexity.

The staff recommends that the Commission approve staff action to develop and implement an explicit NRC leadership model. Upon Commission approval, the staff will begin drafting a written statement regarding the desired leadership beliefs and fundamental behaviors that support the noted characteristics. Although constructing the leadership model is an important first step to realizing a comprehensive set of behavioral expectations, these behaviors will enable NRC to become an even stronger regulator as we operate in an environment of increasing change and complexity.

In developing the leadership model, the staff anticipates establishing a working group comprised of leaders from across the agency. This working group would also collaborate with representatives of National Treasury Employees Union. This group would be established upon a Commission decision to approve the development of an NRC leadership model.

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Conclusion:

Based on the reexamination of the leadership model concept, the staff concludes that an explicit NRC leadership model focused on Empowerment & Shared Leadership, Innovation & Risk Tolerance, Participative Decision-Making, Diversity in Thought, Receptivity to New Ideas and Thinking, and Collaboration & Teamwork will improve NRC's effectiveness, efficiency and agility. When coupled with the NRC Principles of Good Regulation and Organizational Values, the resulting leadership model will further shape the NRC's culture by providing a more comprehensive set of behavioral expectations. These behaviors will enable NRC to become an even stronger regulator as we operate in an environment of increasing change and complexity.

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