

## SOE Board Talk

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SOE Board Talk is an SOEMU initiative to engage with SOE boards and share important information and developments on SOE reform.

Please feel free to comment and provide feedback on Board Talk and to share your director experiences.

This week we discuss broadly, what competencies make for an effective SOE director.

[Please contact SOEMU if there are any concerns or clarifications needed.](#)

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As indicated a director should assist the SOE to achieve its primary objectives. Thus, an RMI SOE director needs to have a proper understanding of, and competence to deal with, the current and emerging issues of the business and to effectively review and challenge the performance of management and exercise independent judgment.

A director should have business acumen and intellectual capacity, with the courage to contribute independently and the integrity to participate in collective accountability. A director needs to commit time to board meetings, but also to preparation and promoting the SOE and understanding of issues as required.

Some particular competencies and characteristics are detailed below. A board with diversity of personalities and backgrounds is likely to be most effective and to create an appropriate mix of complementary competences and characteristics.

SOE boards are encouraged to provide training and development opportunities for directors and to monitor board performance.

It is implicit in the law and the expectations of directors that they, at all times, retain an independence of thinking and capacity to act. In small countries, it is common that personal relationships, friendships, respect for authority and other customs, enable a person to be unduly influenced in important decisions. It is imperative, under the SOE Act 2015 that directors act in the best interest of the SOE without prejudice or influence.

Director competencies can be learned, and it is unrealistic to expect individuals to possess all competencies, especially at their first appointment.

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*The following table is drawn from several sources, but mostly extracted from the Ministry of Public Enterprises, Tonga, in their specifications of the qualities and attributes required of potential directors.*

Competency	Definition
<i>Operational Competencies</i>	
<b>Business Judgement</b>	The ability and intelligence to make sensible, astute business decisions and recommendations and to be able to identify where gaps may exist in management's analysis or recommendations.
<b>Wide Perspective</b>	The ability to see the wider picture and the implications and impact of issues in the broader sense.
<b>Organizational Health</b>	An awareness of the key contributors to organizational health and the impacts on the organization that may arise where unhealthy attitudes, systems and or processors exist. An awareness of "emotional intelligence" management techniques and how they might be applied within the SOE.
<b>Risk Awareness</b>	An understanding of the key organizational risks and the need to manage and mitigate those risks. Also, an appreciation of the need to undertake regular risk scans for both internal and external risks.
<b>Basic Financial Skills</b>	The ability to read a balance sheet, cash flow analysis and profit and loss statement etc.
<i>Strategic Competencies</i>	
<b>Organizational Awareness</b>	The ability to see the overall strengths and weaknesses of the SOE, the manner in which they manifest themselves, the key drivers and the impact of the board's decisions upon them. Also, an awareness of key technical influences that apply to the SOE and the environment within which it operates and how they might impact on the entity and its operation over time.
<b>Environmental Organizational Awareness</b>	An understanding of the SOE's position within the broader economy and commercial sector. Also, an awareness of how the SOE interacts with other key external stakeholders and of the role of the Minister as owner is important.
<b>Compatibility and prioritization</b>	The ability to ensure that strategies, budgets and business plans are compatible with the SOE's vision and mission and consistent with overall Government policy as set out in the relevant economic strategy and other policy documents. In monitoring the performance of the entity, the ability to identify and focus on those issues that are of significance to the SOE.
<b>Change Awareness</b>	The ability to be alert and responsive to the need for change, to encourage new initiatives and to implement new policies, structures and practices that enhance overall organizational health and performance and better alignment with the interests of the owner.

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<i>Character Competencies</i>	
<b>Honesty and Accountability</b>	Truthfulness and trustworthiness, without compromise of moral principle, and willingness to act on and remain accountable for board performance.
<b>Commitment</b>	The energy, commitment and motivation for the time and contribution necessary to properly meet the board's requirements and to discharge its duties.
<b>Courage</b>	The strength of character and boldness to pursue what is right and correct, and to probe, penetrate and achieve full understanding, even in the face of adversity.
<b>Objectivity</b>	Independence from SOE management and any business or other relationship that could materially interfere with the exercise of independent judgement.
<b>Integrity</b>	High ethical standards and integrity in all personal and business dealings. To understand that the "ends" do not justify the "means".
<b>Common Sense</b>	Sound practical sense in everyday matters.
<b>Conflicts of Interest</b>	The awareness to be able to identify and declare any conflict of interest that may arise at any time. Also, the sensitivity to be alive to "perceptions" of a conflict, even where an actual conflict may not arise.
<i>Relationship Competencies</i>	
<b>Communication skills</b>	The ability to articulate opinions and reasoning and to make points clearly, logically and concisely, and participate in board discussions with courtesy, respect and a sense of humor. The ability to disagree without being disagreeable.
<b>No Surprises</b>	An awareness of the need to ensure that the Minister is not placed in a difficult situation through significant, controversial, or otherwise newsworthy information being made public without first providing the Minister with a briefing. Sensitivity to the broader political environment in which the SOE operates.
<b>Adaptability</b>	The ability to adopt a flexible approach in team interaction to ensure the team is strengthened and the best decisions are made.
<b>Listening</b>	The ability to listen impartially and not to be selective and to take on board and identify the key points in a discussion. Recognition that, as a member of a team, while it is important to make a contribution to board discussions, it is also important to hear the views of others.
<b>Teamwork</b>	The ability to work harmoniously within a group, to recognize and value the contributions of other board members in a manner that builds up the team and enhances team dynamics, and to support and accept majority board decisions <sup>1</sup> . Members should also look at ways to coach and mentor other board members.

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<i>Central Government Awareness</i>	
<b>Awareness of Interaction with Minister/Ministry</b>	A sensitivity of the fact that the entity is part of the wider state sector and has a role in delivering/ undertaking/ implementing/ developing Government policy, as determined from to time.
<b>Governance Structures</b>	An understanding of the roles and accountabilities of the Minister and board members as set out in the SOE Act, Companies Act (and other legislation) particularly in relation to the BP, Letter of Expectation and other core accountability documents.
<b>Commercial and Policy Imperatives</b>	An awareness of and an ability to manage the often-conflicting imperatives between commercial and public policy drivers. To possess an understanding of the need to adopt robust measurement mechanisms to ensure that the entity operates in an optimum manner in meeting its commercial goals.
<b>Code of Conduct</b>	An understanding of the SOE's code of conduct and how it impacts on the operation and behavior of the member, the SOE and the entity's management.
<i>Governance Competencies</i>	
<b>Member Awareness</b>	A general awareness of the regulatory, legal, fiduciary and ethical requirements affecting members of SOEs.
<b>Board Structure</b>	An understanding of the roles, processes and relationships of the board and its members.
<b>Management Practices</b>	An awareness of up to date business practices and techniques and how they might be utilized by the SOE.
<b>Owner/Board/Management</b>	An understanding of the different roles, responsibilities and areas of interest between the owner, the board and management and that good governance requires that each acts' in a manner that recognizes and respects the different roles and responsibilities of the other/s.
<b>Performance Appraisal</b>	An understanding of the key performance indicators of the company, its chief executive and of the board itself.
<i>Analytical Competencies and Sector Knowledge</i>	
<b>Financial Literacy</b>	An understanding of legal and accounting financial reporting standards and of accounting principles and practice. Also, the ability to analyze (rather than just understand) financial statements and statistical information such as balance sheets, profit and loss accounts, cash flow statements, and to understand the use of financial ratios and other indices for evaluating SOE performance, and to recognize their significance, quality and timeliness.
<i>Other Competencies</i>	
<b>Critical Faculty</b>	The ability to probe the facts, challenge assumptions, identify the advantages and disadvantages of proposals, provide counter-arguments and ensure discussions are penetrating and constructive.

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<b>Information Orientation</b>	The confidence to ask for information on matters of significance and relevance and ensure it is made available to enable informed judgements / assessments to be made.
<b>Marketing</b>	An understanding of marketing techniques and strategies.
<b>Information Technology</b>	An understanding of the use of systems for storing, retrieving, transferring, manipulating and processing information and how they might be used by, or impact upon the activities of, the SOE.
<b>Specialized Knowledge</b>	A specialized skill or competency that would be useful for the PE to have represented on the board, bearing in the mind the operational and strategic issues the entity will be dealing with in the future.
<b>Sector Knowledge</b>	May be different to “specialized knowledge” but focuses on a particular sector related skill or experience that needs to be represented on the particular board.

*(Note: A member will possess some of the stated competencies, but probably not all)*

Best wishes for this week in the boardroom

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