

SOE Board Talk

Iakweaolep

SOE Board Talk is a sharing of ideas and views on the work of SOE boards with the aim of improving governance in RMI and at SOEs.

This week we continue Board Talk with discussion on the topic of Performance Management for SOEs.

Please contact SOEMU if there are any concerns or clarifications needed and to share your board experiences

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Competency-based Assessment

At the core of any formal appraisal system, is the capacity to support employees with structured training and development. This is not just formal courses and trips to attend technical courses and programs. It is mostly about internal agreement for on-the-job coaching, mentoring and training as required, as agreed between supervisor and employee and all with the aim of enhancing the employee's capacity and enabling him/her to keep up to date technically and in soft communication and management skills.

A guide to good practice¹ in competency-based assessment is provided below:

- **Identify competency standards** – either endorsed standards by a recognized institution, or unambiguous standards within the organization,
- **Decide how each unit of competency will be assessed** – some self-appraisal mechanisms may be used,
- **Decide on particular methods to gather evidence of competence** – hard skills may be easier to determine, than say soft skills of communication,
- **Establish appraiser credibility** – Appraisers should be suitably trained and demonstrate relevant experience and capability to carry out the assessment exercise. An appeals procedure should be established,
- **Communicate in clear, unequivocal detail what the system will be** – Ensure the system of assessment is fully understood and acknowledged by all concerned,
- **Establish a system of feedback and record-keeping** – Employees require prompt feedback on the assessment,
- **Monitor the assessment system** – Changes may be required to respond to weaknesses in the system itself and shifts in both organization and industry directions.

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In any assessment and appraisal process, efforts to eliminate bias and rating errors and to improve the objectivity, reliability and validity of the assessment should always be encouraged. Even when the assessment requires a simple 'yes' or 'no' answer, there are still elements of judgement from the supervisor, leading towards leniency or bias error.

One metaphor often adopted, and seemingly universally true, is that "once a measure becomes a target it ceases to be a good measure". In most elements of management there is a difference between monitoring and reporting performance indicators and performance measures. Ensure that when targets are achieved that standards are raised for continuous improvement.

In addition, performance measures should be aligned to overall corporate and departmental objectives, but without rigidity so as to encourage personal development and special interests aimed at the pursuit of individual growth and excellence as well as overall organizational objectives. Mostly, the attachment of incentives to achieving targets must be managed in the correct context, so that the targets accomplish the wider objectives and personal growth aims, without the probability of 'measure fixation' where targets are only achieved at the expense of wider benefits, in order to gain incentives on offer. Clearly flexibility in targets and measures is required in dynamic change environments because it is adaptation and fluidity, rather than rigidity, that will win out in the long run.

Measurement systems that are only used to monitor and report on satisfactory requirements rarely accomplish the overall improvements that are desirable. Much more proactive, personal understanding of individual needs and sharing of learning and growth opportunities are necessary for broader long-term gains from performance measurement systems.

Performance planning is a two-way dialogue between the manager and an employee:

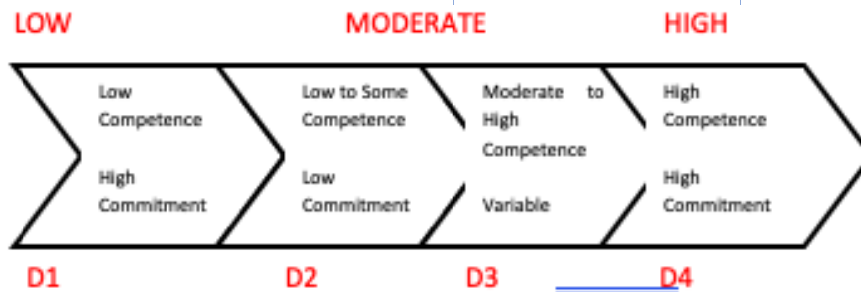
- Establish clear expectations around desired outcomes, key responsibilities and goals,
- Define what a good job looks like and how performance is tracked,
- Identify individual development needs,
- Spell out the amount and kind of direction and support the leader needs to provide the employee so that desired results are achieved, and goals accomplished, and
- Clarify actions.

A very useful model that can be used, or at least can contribute to the evolution of the manager/leader – employee relationship is that of Situational Leadership as developed by Ken Blanchard. He talks of a 'contract for Leadership style' and that once the core elements are understood an effective partnering for performance can be achieved.

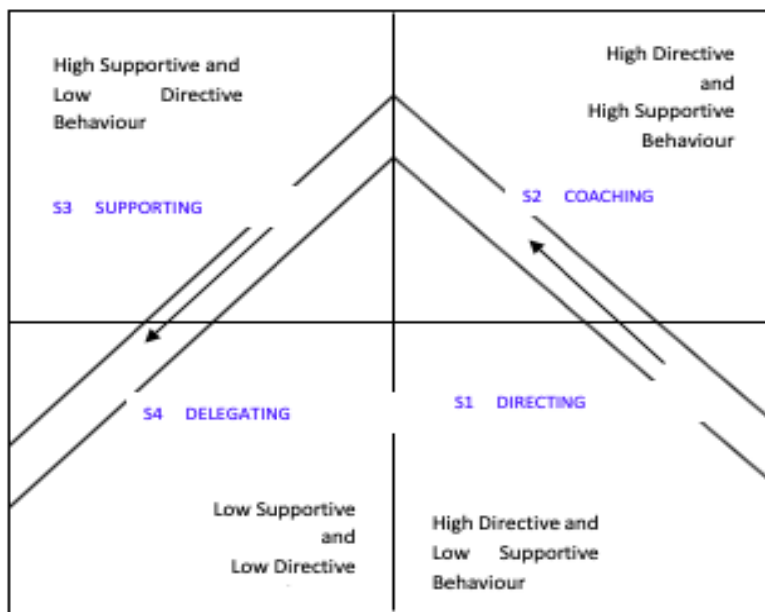
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This 'contract for leadership' is similar to other advocates of the 'partnering for performance' philosophy. The key point is that managers of people and organizational leaders have a role to play in the mentoring and supervising of subordinates; both to assist support staff in achievement as individuals, as well as in the pursuit of organizational objectives.

Blanchard's situational leadership model is useful in that it recognizes the roles of both the subordinate, in their development stage for specific tasks, as follows, while also acknowledging the changing role of the supervisor/leader, once the subordinate advances with experience within the task/role (second diagram).



Four Leadership Styles



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Generally, performance measures for individuals must relate to the capacity of the individual to influence the performance. They must relate to individual actions and decisions.

Next week we continue with the topic of PMS and its importance to SOE reform

Good luck this week in the boardroom

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¹ Australian Human Resource Institute