

SOE Board Talk

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This week Board Talk completes commentary on general Performance Management for SOEs, before next week, focusing on Board performance measurement.

Please contact SOEMU if there are any concerns or clarifications needed.

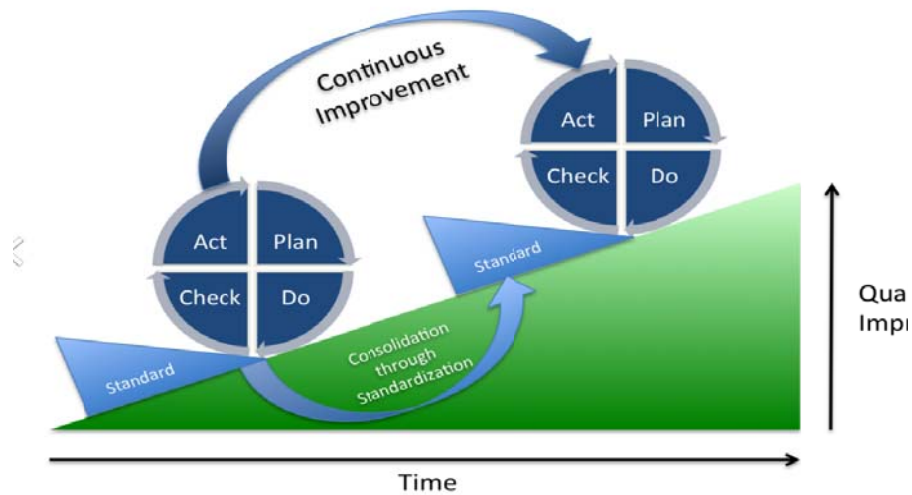
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continuing the theme of performance management systems:

It has been stated that the elements of a management system should fall within the generic PDCA cycle. PDCA (plan–do–check–act or plan–do–check–adjust) is an iterative four-step management method used in business for the control and continuous improvement of processes and products. Originated by Dr W. Edwards Deming it is widely used as an overarching benchmark to review and assess the effectiveness of management processes, very specifically in relation to quality control. It is useful to consider briefly here:

- **PLAN** - Establish the objectives and processes necessary to deliver results in accordance with the expected output (the target or goals). Quality standards must be maintained or improved as a component of achieving targets.
- **DO** - Implement the plan, execute the process, make the product. Collect data for charting and analysis in the following "CHECK" and "ACT" steps.
- **CHECK** - Study the actual results (measured and collected in "DO" above) and compare against the expected results (targets or goals from the "PLAN") to ascertain any differences. Look for variances in implementation from the plan and also look for the appropriateness and completeness of the plan to enable the execution, i.e., "Do".
- **ACT** - If the CHECK shows that the PLAN that was implemented in DO is an improvement to the prior standard (baseline), then that becomes the new standard (baseline) for how the organization should ACT going forward (new standards are enacted). If the CHECK shows that the PLAN that was implemented in DO is not an improvement, then the existing standard (baseline) will remain in place. In either case, if the CHECK showed something different than expected (whether better or worse), then there is some more learning to be done... and that will suggest potential future PDCA cycles.

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In regard to development of performance management systems the PDCA approach is particularly useful and can be more precisely expressed as follows:

- Leadership and Policy statements
 - Vision, Mission, Values, Principles
 - Safety, People, Resources, Information, Process Control, Environment etc.
 - Cross-functional and functional responsibilities
- Procedures (how to do it)
 - Manuals, booklets, forms, specifications, work instructions etc.
- Reviewing or auditing
 - Adequacy, compliance, encouragement
- Action
 - Revising, improving, deleting procedures
 - Adopting new, transferred or improved practices

In large organizations (and SOEs) this formal information flow can be executed at the organizational level - Policy, procedures, business plans – at the work group level - Policy, procedures, action plans – and at the individual level - Job Description, personal goals, procedures.

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The SOEMU Governance Manual provides a guideline/template for conducting a performance appraisal. MoF has specialist HR advisers and SOEMU is willing and able to assist SOEs to introduce and conduct effective PMS systems and appraisals in its on-going efforts to improve SOE performance.

Please contact Ywao at SOEMU if you need assistance in this area.

Good luck this week in the boardroom

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