भारतीय मानक

Indian Standard

IS 19062 : 2024
ISO 37005 : 2024

संगठन का शासन — प्रभावी शासन के लिए संकेतक विकसित करना

Governance of Organizations — Developing Indicators for Effective Governance

ICS 03.100.02

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NATIONAL FOREWORD

This Indian Standard which is identical to ISO 37005 : 2024 ‘Governance of organizations — Developing indicators for effective governance’ issued by the International Organization for Standardization (ISO) was adopted by the Bureau of Indian Standards on the recommendation of the Publication and Social Responsibility Sectional Committee and approval of the Management and Systems Division Council.

The text of the ISO standard has been approved as suitable for publication as an Indian Standard without deviations. Certain conventions are, however, not identical to those used in Indian Standards. Attention is particularly drawn to the following:

a) Wherever the words ‘International Standard’ appear referring to this standard, they should be read as ‘Indian Standard’; and

b) Comma (,) has been used as a decimal marker while in Indian Standards, the current practice is to use a point (.) as the decimal marker.

In this adopted standard, references appear to certain International Standards for which Indian Standards also exist. The corresponding Indian Standards which are to be substituted in their respective places are listed below along with their degree of equivalence for the editions indicated:

International Standard	*Corresponding Indian Standard*	*Degree of Equivalence*
ISO 37000 : 2021 Governance of organizations — Guidance	IS/ISO 37000 : 2021 Governance of Organizations — Guidance	Identical

For the purpose of deciding whether a particular requirement of this standard is complied with, the final value, observed or calculated, expressing the result of a test or analysis, shall be rounded off in accordance with IS 2 : 2022 ‘Rules for rounding off numerical values (*second revision*)’. The number of significant places retained in the rounded off value should be the same as that of the specified value in this standard.

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Introduction

The purpose of indicators is to enable measurement that helps an organization to establish, implement, maintain, and improve an effective governance framework and the conditions and practices enabling the organization to fulfil its purpose. By following the guidance in this document organizations can realize the governance principles as set out in ISO 37000.

This document provides a means to assess how an organization’s governance framework contributes most effectively to the fulfilment of the organization's purpose. It covers:

— a taxonomy for the classification of different types of indicators;

— the context in which they are used, including the purpose of the organization and its appetite for risk given impacts on all stakeholders;

— the risk appetite and tolerance of the organization and stakeholders;

— the limitations of indicators;

— choosing or developing meaningful indicators.

The role of an organization’s governing body is to establish, implement and maintain the organizational governance framework, conditions and practices so that the organization can fulfil its purpose. In performing this role the governing body has to make decisions and choose between available options, as many times there will not be one solution. The indicators used will be part of the process to generate those options and part of the mechanism to guide the choice between options. Governing bodies should measure performance against objectives, which requires indicators. ISO 37000 helps to create cross-sector international consensus on the role and results of organizational governance. However, the organizational outcomes of organizational governance depend on the decisions made by governing bodies, the information used to support those decisions as well as their execution. These decisions mean making choices between the intended performance of alternative options for the same organizational purpose. A mechanism is required to compare these options, in order to choose the optimal one for the specific context.

There is always the possibility that the choice made between options does not represent the "best" choice or that the execution is not effective. Effective governance therefore requires an understanding of appropriate indicators in the context of that possibility and the risk appetite of the governing body. Effective consideration of indicators linked to organizational purpose, stakeholder issues, materiality and risk appetite/tolerance reduces the extent to which a governing body can make decisions without the full range of material information. It also enhances a dynamic monitoring approach.

Indicators are used and understood in various ways. Ultimately the governing body is seeking to achieve the organizational purpose in the way intended. If this is done well then over time the governing body would expect its organizational purpose and financial results to become aligned with sustainable development and well-being as it considers the principles in ISO 37000, including social responsibility and viability and performance over time. The pursuit of a purpose with consequences that detracts from ISO 37000 principles would neither be responsible nor viable.

Unless otherwise indicated, all "principles" in this document refer to the principles in ISO 37000.

Indian Standard

GOVERNANCE OF ORGANIZATIONS — DEVELOPING INDICATORS FOR EFFECTIVE GOVERNANCE

1 Scope

This document provides guidance to governing bodies on how to approach the development and use of indicators in their governing activities.

This document is primarily written for use by governing bodies, it is also written to be of relevance to a range of other stakeholders inside and outside of the organization to help them improve the quality of the information on which they assess and make decisions regarding the organization's governance.

It is applicable to all organizations regardless of type, size, location, structure or purpose. This document does not cover indicators of effective governance.

2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 37000:2021, *Governance of organizations — Guidance*

3 Terms and definitions

For the purposes of this document, the terms and definitions given in ISO 37000 and the following apply.

ISO and IEC maintain terminology databases for use in standardization at the following addresses:

— ISO Online browsing platform: available at https://www.iso.org/obp

— IEC Electropedia: available at https://www.electropedia.org/

3.1
indicator
measurable representation of the condition or status of governing body decisions, organizational actions or *activities* (3.4), and stakeholder expectations

Note 1 to entry: Indicators can be measured, calculated, and described.

3.2
input indicator
indicator (3.1) of all types of resources on which the organization depends, irrespective of how they have been sourced

Note 1 to entry: Examples of these resources include air, biodiversity, unpaid labour etc, including resources used across the supply chain.

3.3
output indicator
indicator (3.1) for measuring *activities* (3.4)

Note 1 to entry: Can be qualitative or quantitative.

3.4
activity
way in which resources are used

3.5
objective
result to be achieved

Note 1 to entry: An objective can be strategic, tactical or operational.

Note 2 to entry: An objective can be, for example, organization-wide or specific to a project, product or *process* (3.6).

Note 3 to entry: Result in this document can refer to *output* (3.7), *organizational outcome* (3.8), or *impact* (3.9)

[SOURCE: ISO 37301:2021, 3.6 modified – Note 2 to entry has been modified, Note 3 to entry has been replaced and Note 4 to entry has been deleted]

3.6
process
set of interrelated or interacting *activities* (3.4) that uses or transforms inputs to deliver an intended result

Note 1 to entry: Result in this document can refer to *output* (3.7), *organizational outcomes* (3.8), or *impact* (3.9)

[SOURCE: ISO 9000:2015, 3.4.1 modified – Note 1 to entry has been modified, Notes 2 to 6 to entry have been deleted]

3.7
output
result of a *process* (3.6)

Note 1 to entry: This result can be intended or unintended

[SOURCE: ISO 9000:2015, 3.7.15, modified – Note 1 to entry has been modified]

3.8
organizational outcome
something, including aspects of *well-being* (3.14), that has the potential to change following a governing body's decisions

3.9
impact
positive or negative change in an *organizational outcome* (3.8) because of a governing body´s decision, execution and the consequences of those decisions

Note 1 to entry: Taking account of other causes of any change in those outcomes.

Note 2 to entry: The change in an outcome can be positive or negative depending on its relation to a threshold.

Note 3 to entry: There may be interim points between actions and impacts where measurement can support management towards achieving organizational purpose.

Note 4 to entry: If the change is in a *well-being* (3.14) outcome then this would be a well-being impact

3.10
impact valuation
measurement (3.11) of the relative importance of *impacts* (3.9)

3.11
measurement
process (3.6) to determine a value

Note 1 to entry: *Impact valuation* (3.10) is one type of measurement.

[SOURCE: ISO 37301:2021, 3.19, modified – Note 1 to entry has been added]

3.12
uncertainty
state, even partial, of deficiency of information related to understanding or knowledge

Note 1 to entry: In some cases, uncertainty can be related to the organization´s context as well as to its *objectives* (3.5).

Note 2 to entry: Uncertainty is the root source of risk, namely any kind of "deficiency of information" that matters in relation to objectives (and objectives, in turn, relate to all relevant interested parties´ needs and expectations).

[SOURCE: ISO 31073:2022, 3.1.3]

3.13
materiality assessment
identification of information that would influence the decisions of a governing body in the context of the principles in ISO 37000

3.14
well-being
positive state of being where people's needs are met, such that they have the capacity and opportunity to lead fulfilling lives

Note 1 to entry: Well-being is also referred to as a state of flourishing or a "good life".

Note 2 to entry: Well-being exists at the individual, household, country and global level and can be applied to people and nature, and to individuals and systems.

Note 3 to entry: Well-being can be achieved on varying timescales and to varying degrees.

Note 4 to entry: Sustainable development underpins the achievement of well-being at a point in time and for present and future generations.

3.15
performance
measurable result

Note 1 to entry: Performance can relate either to quantitative or qualitative findings.

[SOURCE: ISO 37301:2021, 3.11, modified – Note 2 to entry has been deleted]

3.16
effectiveness
extent to which planned *activities* (3.4) are realized and planned results are achieved

Note 1 to entry: Result in this document can refer to *output* (3.7), *organizational outcomes* (3.8), or *impact* (3.9).

[SOURCE: ISO 37301:2021, 3.13, modified – Note 1 to entry has been added]

4 Understanding indicators

4.1 General

Governing bodies are responsible for "the fulfilment of the purpose of the organization in an ethical, effective and responsible manner in line with stakeholder expectations" (ISO 37000:2021).

ISO 37000:2021, 4.1 sets this out as:

a) setting and committing to the organizational purpose and organizational values;

b) determining the organization's approach to value generation;

c) directing and engaging with strategy to generate value;

d) overseeing that the organization performs and behaves according to the expectations set by the governing body;

e) demonstrating accountability for this performance and behaviour.

Useful indicators provide a measure of performance in line with organizational purpose. Consequently, indicators are quantitative and qualitative conditions that can be described and measured or calculated.

4.2 Structure of indicators

Indicators are descriptive and qualitative or quantitative and are used to assess performance. Based on ISO 37000 principles, an indicator for effective governance should provide the assurance of responsibility, in a social, environmental and economic context, and provide the basis for accountability and assurance in accordance with governing body decisions, organizational action and stakeholder expectations by relevance. An indicator can be structured as shown in Figure 1:

QUANTITY OF A QUALITY / ATTRIBUTE BY CONTEXT

PER
- GOVERNING BODY DECISION
- ORGANISATIONAL ACTION
- STAKEHOLDER EXPECTATION

Figure 1 — Structure of an indicator

The structure of an indicator has multiple levels of description, according to the scope (see Figure 1). These levels can be articulated as follows:

a) A quantitative element OF a qualitative element;

b) A quantitative element OF a qualitative element BY or PER a specific principle of ISO 37000 over time;

c) A quantitative element OF a qualitative element BY context (social, environmental or economic) [or] PER accountability (governing body decisions, organizational action and stakeholder expectations by relevance);

d) A quantitative element OF a qualitative element BY context [and/or/not] PER accountability (where the accountability could also precede the context).

The minimum specification of an indicator includes "quantity OF a quality/attribute" and either PER or BY.

NOTE 1 BY and PER are interchangeable.

NOTE 2 Context is described in ISO 37000 as "the natural environment, social and economic system context".

EXAMPLE Cost of customer acquisition by market segment per customer channel.

The measure associated with an indicator linked to an organizational purpose provides a measure of an underlying condition and is always associated with some degree of uncertainty. The effect of this uncertainty is a risk. Uncertainty changes as new data become available.

4.3 Impact of indicators on decision making

Indicators allow the governing body to make comparisons to assist in making decisions including:

— comparisons of different options or actions in order to choose the one or the combination of options that contributes most to the organizational outcomes and to the fulfilment of the organizational purpose;

— the simple binary comparison of whether the decision has been executed or not;

— comparisons between actual and expected results to assess the effectiveness of the organization governance framework in achieving the fulfilment of the organization's purpose at the rate required.

Indicators are required for information that is material to the comparisons that a governing body is making to improve the organization's effectiveness in meeting its purpose with the available resources. If comparisons are being made which include information that is not material, or do not include information that is material, there is a possibility that the comparison would lead to a suboptimal decision.

4.4 Stages in the development and use of indicators

Materiality assessment is a critical step before the selection and use of indicators. A materiality assessment is designed to reduce the possibility that suboptimal decisions are being made and increase the opportunity to generate insights that inform decisions relating to an organization´s purpose. The decisions to be made by a governing body in providing strategic direction as part of Principle 1 of ISO 37000:2021 include considering the risk landscape and the material impacts on the context and of the context on the organization. In addition, the information that is material depends on that purpose and is a judgement (ISO 37000:2021, 6.8.3.2.1). It may change over time.

Once the information that matters has been determined, suitable indicators can be selected to obtain relevant measurements. The measures associated with the indicators require a level of accuracy for effective monitoring and decision making.

Once indicators have been selected, measurement information can be collected. It is important that the measures associated with the indicator be under effective governance to ensure appropriate accuracy, completeness and repeatability - and should be verified before formalising use.

5 A taxonomy of types of indicators

5.1 Means to ends – inputs to impacts

The main taxonomy for considering indicators that can be used for the decisions in 7.1 is to categorise indicators against:

- Input indicator/means indicators.
    - Inputs.
- Activity indicators.
    - Outputs.
- Impact indicator/ends indicators.
    - Organizational outcomes (including well-being outcomes).
    - Impacts (including impact valuations).

See also structure of a theory of change as illustrated in Figure 3.

For any purpose it defines as its overarching objective, an organization should commit resources to activities in the expectation of progress against that purpose. The resources being committed are the inputs. These permit the development of activities to achieve the purpose in the way intended. A measure of the activities is the outputs. The core subjects that change, which can be both expected and unexpected (or intended and unintended) are the organizational outcomes. Changes in those outcomes are impacts. Changes in organizational outcomes may cause change in other organizational outcomes.

Where the intentions towards the natural environment, society and the organization's stakeholders are encoded in the organizational purpose, are in line with sustainable development; and the way this organizational purpose is intended to be achieved (for example as in Principle 11), reference to 'impacts' should, by extension, mean changes in aspects of well-being.

If the governing body has articulated an organizational purpose that is not aligned with achieving sustainable development, impacts may not help contribute to the well-being of current and future generations. The

decisions made to achieve the organizational purpose will affect what ultimate value is created and destroyed but the decisions should affect people's well-being irrespective of the quality of this purpose.

An organization that is considering sustainability in its decision-making should examine how its impacts lead to changes in aspects of well-being. The set of organizational outcomes that relate to aspects of well-being are termed 'well-being outcomes'.

When a governing body needs to make comparisons between options one or more of which is a future projection, the choice is informed by the expected impact valuation. The assessment of expected impact valuation can be implicit or transparent, informed by the decision maker or by those experiencing the impacts.

These expectations are implicit in, for example, Principle 10 on social responsibility requiring that decisions are in line with broader social expectations; Principle 11 on viability and performance over time requiring consideration of present and future generations; and Principle 6 on stakeholder engagement requiring an understanding of the expectations of those affected.

Once the organizational purpose has been determined and the indicators that should be used to assess that purpose selected, the organization defines a set of value generation objectives such that they fulfil each aspect of the organizational purpose in accordance with the organizational values, the natural environment, social and economic context.

For the decisions in 7.1, indicators from this taxonomy permit:

— measurement that informs decisions about which purpose to select and how to achieve it, on Principles 1, 2 and 3 for purpose, value generation and strategy;

— measurement of progress against purpose, strategy and the value generation model. They are part of the feedback loop to whether the organization's purpose is aligned with value and whether it has the right ends, means or method to achieve its purpose within a timescale.

5.2 Subjective or objective indicators

A further consideration of type of indicators is whether they are subjective or objective. Objective indicators are indicators that have been used in third party measurement where what is being measured can be confirmed by reference to an independent source, for example a person's income, or level of qualifications. Environmental and economic information can often be measured using objective indicators. Subjective indicators are focused on measuring perceptions, such as a person's sense of life satisfaction, or a person's confidence that they should get a job. Subjective indicators can involve a person reporting on outcomes that they experience.

A combination of objective and subjective indicators may be appropriate to reduce uncertainty to create the confidence that the change is happening and is accurately measured.

6 Using the taxonomy

6.1 General

Measurement provides information that may prompt decisions to increase the likelihood of achieving the organizational purpose. This taxonomy is designed to help taking appropriate levels of risk. One of the decisions of the governing body is to determine the approach to measurement and this should include decisions, which may be delegated, on:

— what to measure;

— what types of indicator are required;

— which indicators of a particular type to use.

6.2 Choosing an indicator

The main issue is the identification of a set of outputs, outcomes, impacts and impact valuations, that are relevant and significant. If this set is not complete (i.e. consistent with the requirement for information to be relevant and significant) information could be missing that would inform the decision or included that should not inform the decision. This would increase the possibility that a suboptimal decision could be made, irrespective of the choice of indicators and collection of data relating to those indicators. For example, if indicators of outputs are used for decisions which require information on impacts, the possibility that a suboptimal decision is made increases. This assessment starts with the activities and should cover consideration of the potential organizational outcomes that may change because of an activity.

NOTE The process for materiality assessment is not covered in the scope of this document.

6.3 What type of indicators

6.3.1 General

The taxonomy in Clause 5 reflects both time and causality and is a representation of reality designed to support decision making. Reality is complex, non-linear and reiterative. The inevitable simplification of reality into methods to support decision making recognises risk in those decisions.

An activity, following decisions made by the governing body for any aspect of the governance framework, can lead to many organizational outcomes and there is no definitive list. In addition, a change to an organizational outcome can lead to changes to other organizational outcomes (there is a chain of changes) and some changes have a feedback effect on others. An objectives hierarchy referred to in 6.1 would start with the organizational purpose and the related expected impacts and work backwards identifying mutually exclusive and preference independent impacts.

The approach in 7.1 starts from the inputs and the dependencies. Both perspectives should be considered. This is shown in Figure 2. Figure 2 shows that the activities lead to organizational outcomes and changes in those outcomes lead to other organizational outcomes. The relationships may be non-linear and may feedback on earlier outcomes (or other points in the model though these are not shown in the figure). In order to make choices between options some consistency in how far these effects are pursued should be required. The decision on how far to go is not determined by the level of causality since a) the outcomes where there is low causality may relate to the purpose and b) the organization should work with other organizations that contribute to a desired impact. This can be achieved by continuing the analysis until identified outcomes are mutually exclusive and are aspects of well-being. Figure 3 is included as a commonly used representation of the relationship between inputs and outcomes which would be an over-simplification for the purposes of a governing body's decision making.

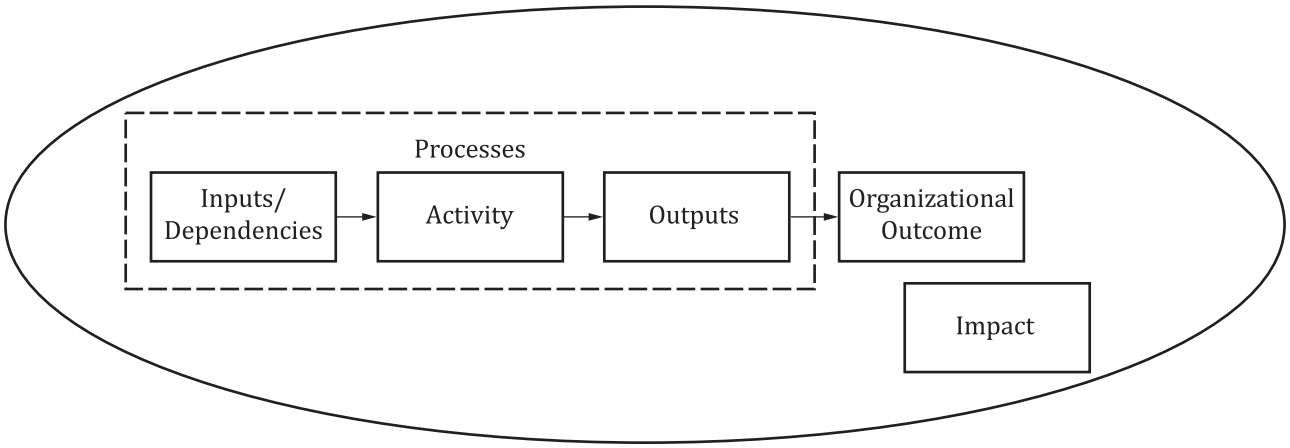
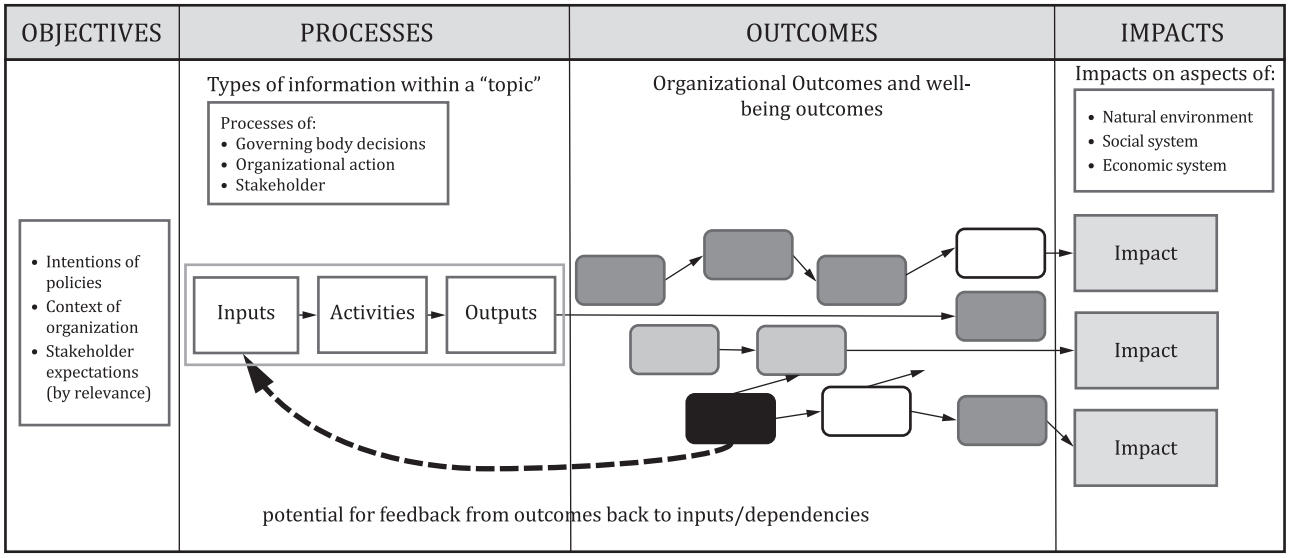


Figure 2 — Basic theory of change



Key

natural capital

social capital

human capital

well-being outcomes

illustrative potential feedback loop

Figure 3 — Theory of change recognizing complexity of relationships between outcomes

For decision making where a comparison is being made between options, options could include different sets of positive and negative organizational outcomes experienced by different people. Choosing the best option means comparing different sets of possible impacts. This requires a consistent approach to:

— deciding a set of organizational outcomes to be compared;

— reducing double counting in the set by including organizational outcomes that contribute to other outcomes in the same set;

— ensuring preference independence between impacts that are being compared.

As stated in 5.1, when making choices between options it should also be necessary to compare the relative expectations of the impacts, both within an option and between options as well as different levels of inputs (including dependencies). The process of measuring relative importance is valuation.

Valuation can increase transparency of trade-offs between positive and negative impacts but will not resolve them. In some situations, it should be possible to refer to ethical or moral conventions or scientific research to determine whether a trade-off should be made by reference to a normative position. In others, the governing body should have to come to a conclusion based on the values developed as part of Principle 1 on purpose and Principle 2 value generation model. Other references in this document to ethical or moral conventions should be made by reference to a normative position.

Measurement is necessary but not sufficient for decision making. For example:

— to what extent should a decision be made which has negative impacts for some people;

— to what extent can positive impacts for some offset negative impacts for others;

— what is being done to reduce negatives and compensate for them.

Once this set has been identified, for example as in Figure 4, it should be possible to select the indicators required. Clause 8 considers this choice in the context of the principles of ISO 37000.

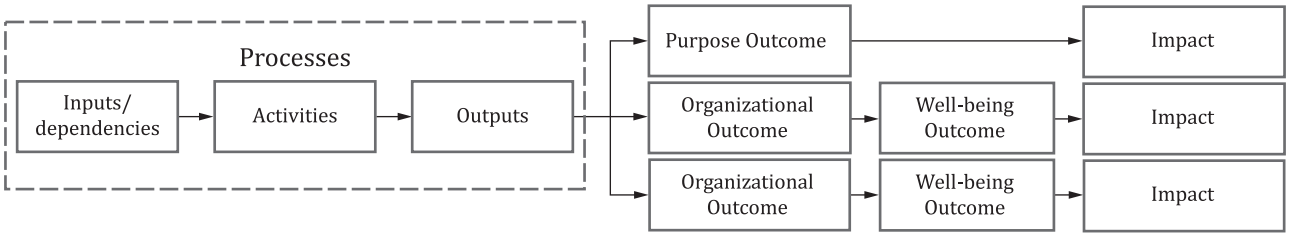


Figure 4 — A value chain

6.3.2 Indicators of impact

Indicators relating to impacts will not be required for all aspects of the governance framework and of decisions made by the governing body in establishing, operating and maintaining that framework. Where indicators of impact are required, a number of different types of indicator will be necessary covering the areas set out in Table 1.

Table 1 — Types of indicators required to measure impact

Stakeholders and characteristics	An indicator for the number of people with specific characteristics expected to experience the change
Baseline, organizational outcome threshold, change and duration	An indicator for measuring change in the organizational outcome at different points in time for the stakeholders' expected duration of the outcome
Thresholds and allocations	An indicator for the level of impact, including the organization's share of societal or environmental needs, above which the change is considered positive
Causation and attribution	Indicators depending on the approach used to assess causation and attribution. Causality is the contribution of one event, process, state, or object (a cause) to the production of another event, process, state, or object. Attribution is the assessment of the extent to which one event, process, state, or object (a cause) has contributed to the production of another event, process, state, or object.
Valuation	An indicator for the relative importance of the impacts
Risk appetites and tolerances	Indicators of the level of risk

6.4 Characteristics of an indicator

6.4.1 General

A commonly used set of requirements for indicators is that they should be SMART. SMART is an acronym but is used in different ways, for example to cover:

— Specific;

— Measurable;

— Attainable;

— Relevant;

— Timebound.

Alternatives, which include issues relating to the use of indicators rather than an indicator, include:

— Appropriate, attributable, assignable, agreed, action-oriented, ambitious, aligned with corporate goals;

— Realistic, reliable, resourced, results orientated, reasonable;

— Trackable, time-based, time-oriented, timely, testable.

In the context of governing bodies use of indicators for decision-making, the initial above list has been supplemented with two of these, timely and assurable.

6.4.2 Assurable

One aspect of the oversight principle relates to assurance. The level of assurance required should depend on the scale of the decision and its consequences for the organization and its stakeholders. Above a level determined by the governing body, independent and impartial assessment of the indicators should be required.

6.4.3 Timely

The information that should be collected using an indicator should be available in time for the decision or assessment to be made.

6.4.4 Comparisons

Whether being used for decision making or being used to assess effectiveness, indicators are being used to make comparisons. They should therefore allow for:

— trend analysis and forecasting to compare performance over time;

— comparisons between stakeholders by relevance;

— control strengths.

Selecting indicators to achieve an acceptable level of risk may require more than one indicator.

6.5 Risks arising from indicator selection and use

6.5.1 General

Principle 9 on risk in ISO 37000:2021, sets out the approach to governing risk and is consistent with ISO 31000:2018. Where a governing body is considering the implications of principles, for example Principle 10 on social responsibility and Principle 11 on viability and performance over time, the risk includes the uncertainty relating to consequences for people affected in the pursuit of an organizational purpose. The level of accuracy required in an indicator here should be set by reference to the governing body's risk appetite which should be set considering stakeholder's risk tolerance. ISO 37000 and ISO 31000 provide guidance on determining an acceptable level of risk.

6.5.2 Unintended consequences

Governing bodies should also be aware of the potential unintended consequences inherent in measurement. These arise from cognitive as well as technical issues but include:

— focusing on the indicator and not the objective (Goodhart's law states that when a measure becomes a target it ceases to be a good measure as performance is pursued irrespective of consequences);

— overfocusing on existing indicators and not being open to change where necessary;

— missing or not taking relevant contextual information into account alongside measurement;

— using indicators of something that can be measured rather than what needs to be measured;

— gaming measurement to inflate achievement;

— an indicator is just an indicator and should be interpreted.

The risk is that the governing body chooses an option that is sub optimal, i.e. another option would have been more effective. This risk is determined by a number of factors, including: use of indicators that do not adequately indicate a change in what is being measured; inaccurate measurement using selected indicators; and incomplete assessment of what should be measured. The governing body will need to consider an appropriate level of risk for its decisions consistent with Principle 9 on risk in ISO 37000:2021 and set out the approach to governing risk consistent with ISO 31000:2018. Where a governing body is considering the implications of principles, for example Principle 10 on social responsibility and Principle 11 on viability and performance over time, the risk includes the uncertainty relating to consequences for people affected in the pursuit of an organizational purpose. In this case the appropriate level of risk should be set by reference to the level of risk that is acceptable to stakeholders.

6.5.3 Lack of accountability

Where those experiencing the consequences of decisions cannot hold the organization to account, or only with difficulty, the organization might not make decisions reflecting that accountability (Principle 5). Therefore, there is an increased chance that the organization does not measure those consequences or does not use indicators that are relevant to decisions to change those consequences.

6.5.4 Non-alignment of purpose and sustainability

There is a potential difference between the impacts arising from pursuit of an organizational purpose (the ends) and the impacts arising from an organization's operations (which are then the means by which those ends are being met). These could be impacts relating to either ethical or moral conventions in Principle 10 on Social responsibility or Principle 11 on Viability and performance over time.

Where the organizational purpose does not relate to sustainability and the impact is assessed in relation to other organizational outcomes there could be risks when making decisions between options where there is a mix of two types of outcomes. This is shown in Figure 5.

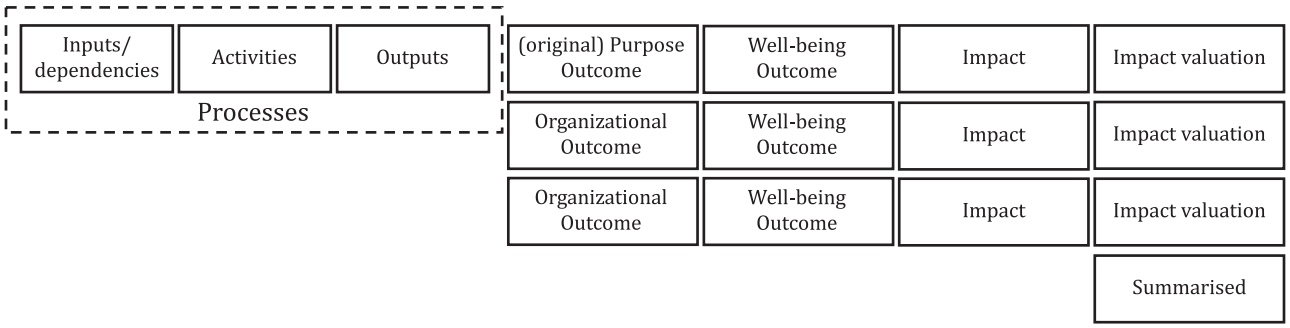


Figure 5 — Mixing types of organizational outcome as basis for selection of indicators

6.5.5 Selecting indicators to measure against purpose or to measure effectiveness

Where the results of an action can be predicted with a high degree of confidence, it would be possible to use indicators of the activity (outputs) rather than the impacts. This may be sufficient to argue that the activities contribute to the organization's purpose. However, this would not allow a choice to be made between options which had different activities with the same organizational outcomes. This is because the level of outputs does not indicate the level of impact (3.8). The option with the higher output may have a lower impact.

EXAMPLE In a training programme to increase skills, one option trains 20 people, the other trains 15. The number of people expected to gain the skills is 10 in option 1 but all 15 in option 2. The best option is option 2 but if the choice is made based on outputs, the first option would be chosen.

6.5.6 Indicators of the method used to achieve the organization's purpose

Indicators can also be used to measure the process being followed that is expected to contribute to meeting the purpose. Changes to processes should lead to changes to the impacts. Assessment of the effectiveness of methods depends on measurement of both process and impacts.

Where the results of an action can be predicted with a high degree of confidence, it would be possible to measure the outputs, using output indicators rather than measuring the impacts using impact indicators. This approach may be sufficient to indicate that the activities contribute to the organization's purpose but may not be sufficient to support a choice between different activities that the same organizational outcomes but have different changes in those outcomes and therefore which option will be most effective in contributing to the organizational purpose.

6.5.7 Too much information

The number of indicators now being used in different levels of governance and decision making can become overwhelming, could not necessarily be reflected in board reports and may become a barrier. One solution is to develop a process for aggregating changes in what has been measured, retaining the underlying detail if required. The value chain in Figure 2 provides a means of controlling the number of indicators for different levels of decision making and ensuring that the governing body can focus on decisions relating to purpose, strategy and value generation and related indicators.

7 Selection of indicators by governing bodies using ISO 37000:2021

7.1 General

Figure 6 shows the relationship between the value chain in Figure 2 and the principles of ISO 37000.

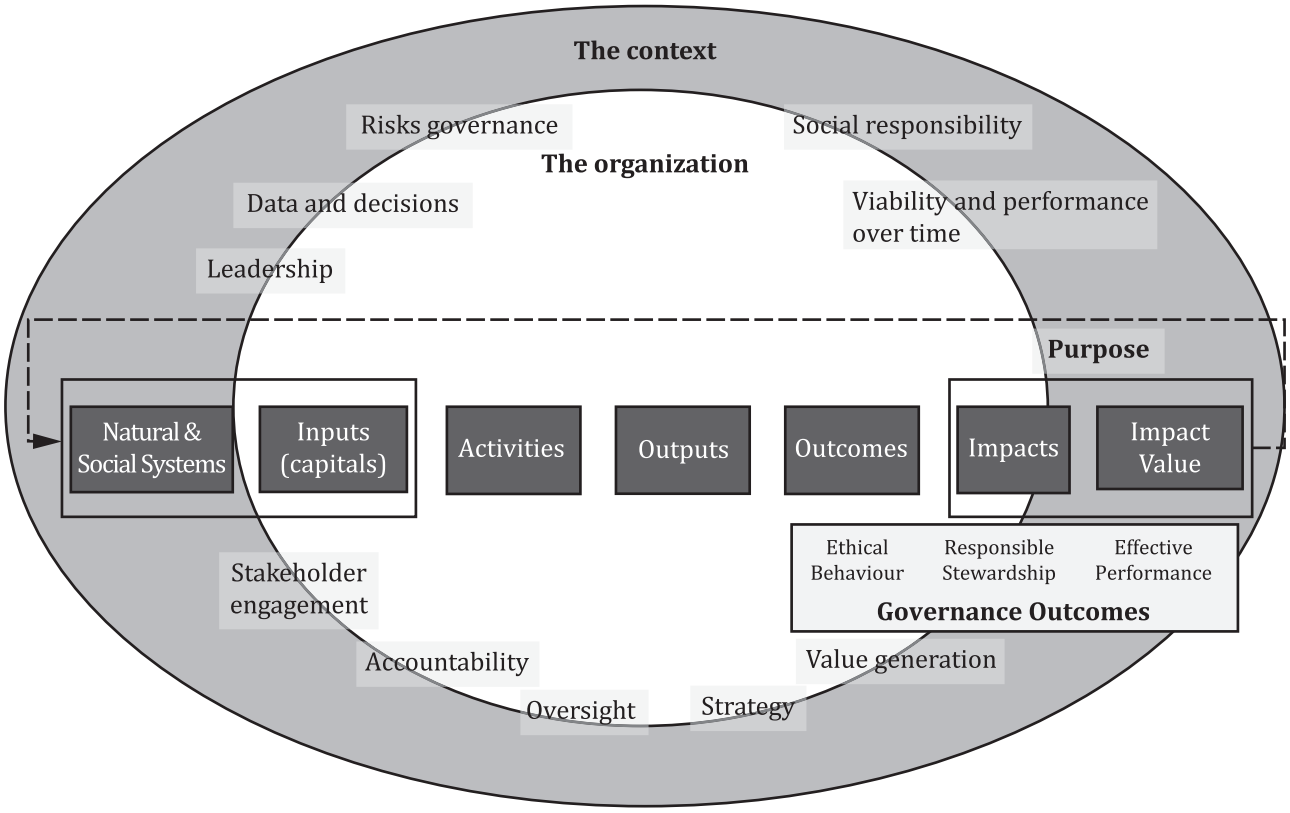


Figure 6 — Illustrating link between the theory of change and the integrated governance principles of ISO 37000

7.2 Aspects related to decision making

In the context of the types of decisions being made by the governing body in choosing between options, the principles in ISO 37000:2021 can be considered in three main groups:

— those relating to deciding what to do and when to do it by: Principles 1 on purpose, 2 on value generation and 3 on strategy;

— those related to whether this is working: Principles 4 on oversight, 5 on accountability, 6 on stakeholder engagement, 7 on leadership, 8 on data and decisions and 9 on risk governance;

— those referring to the systems within which the organization operates: Principles 10 on social responsibility and 11 on viability and performance over time.

ISO 37000 sets out key area of practices for each principle with guidelines related to specific processes or activities for each principle. For example, Principle 1 on purpose requires decisions to:

— define the organizational purpose;

— define the organizational values;

— commit to the purpose and values.

For example, in selecting one purpose over another, the governing body should require information to make a comparison. In comparing options for an organizational purpose, there will need to be a measure that would permit a comparison of the value under each option to inform the governing body's decision.

Table 2 suggests indicator types for the decisions in each principle.

Table 2 — Links between principles, decision sets and indicator type

Principle according ISO 37000:2021	Decision set	Indicator type
6.1 Purpose	6.1.3.2 Define the organizational purpose	Impact valuation
	6.1.3.3 Define the organizational values	Output
	6.1.3.4 Commit to purpose and values	Output
6.2 Value generation	6.2.3.2 Define value	Impact valuation and inputs
	6.2.3.3 Create value	Impact valuation and inputs
	6.2.3.4 Deliver value	Impact valuation and inputs
	6.2.3.5 Sustain value	Impact valuation and inputs
6.3 Strategy - strategic direction	6.3.3.1.1 Set strategic organizational outcomes	Impact valuation and inputs
	6.3.3.1.2 Establish governance policies	Output
6.3 Strategy – engage	6.3.3.2.1 Engage with strategic planning	Output
	6.3.3.2.2 Steer the strategy	Impact valuation
6.4 Oversight	6.4.3.2 Oversee performance	Impact valuation Inputs Lessons from activities (3.4), outputs (3.5) and impact (3.9)
	6.4.3.3 Obtain assurance	Impacts Inputs
6.5 Accountability	6.5.3.2 Demonstrate accountability	Impacts Inputs

Table 2 *(continued)*

Principle according ISO 37000:2021	Decision set	Indicator type
	6.5.3.3 Hold to account	Outputs
6.6 Stakeholder engagement	Determine approach to stakeholder engagement and response	Impacts Inputs
6.7 Leadership	6.7.3.2 Demonstrate effective leadership	Impacts
	6.7.3.3 Ensure ethical leadership	Output
	6.7.3.4 Reconcile dilemmas	Impact valuation
6.8 Data and decisions	6.8.3.2.1 Ensure effective decision-making within the governing body	Impact valuation Inputs
	6.8.3.2.2 Ensure effective decision-making throughout the organization	Impact valuation Inputs
	6.8.3.3 Recognize data as a strategic resource	Impact options Input options
	6.8.3.4 Ensure responsible data use	Outputs
6.9 Risk governance	6.9.3.2 Set the tone for the management of risk (3.11)	Impact valuation scenarios
	6.9.3.3 Practice effective risk (3.11) management	Impact valuation scenarios
	6.9.3.4 Oversee risk (3.11) management	Outputs
6.10 Social responsibility	a) ensure that the expectations of stakeholders are clearly understood; this includes continually engaging relevant stakeholders through an engagement process and a highly developed approach to accountability (see 6.5);	Impact valuation scenarios
	b) ensure that issues and opportunities affecting stakeholder expectations are identified and articulated (see 6.9);	Impact valuation
	c) ensure that the organizational purpose expresses the organization's approach to stakeholders;	Output
	d) engage with all relevant stakeholders when determining and reviewing the organizational values and promote the organizational values to stakeholders;	Output
	e) engage with all relevant stakeholders when establishing and reviewing governance policies;	Output
	f) steer the organization such that its decision-making and activities (3.4) are consistent with the organizational purpose, organizational values and governance policies, including considering how stakeholders can report a breach in behaviour (e.g. via whistleblowing);	Output

Table 2 *(continued)*

Principle according ISO 37000:2021	Decision set	Indicator type
	NOTE Additional information to assist with whistleblowing is provided in ISO 37002.	
	g) measure performance against objectives related to socially responsible behaviour;	Impact valuation Inputs
	h) report the organization's social responsibility objectives clearly and transparently so that stakeholders can understand these objectives, how they are being met and what performance is being achieved against them, as well as provide the necessary evidence to support such claims;	Impact valuation Inputs
	i) assess how actions of individual members of the governing body influence social responsibility.	Impacts
6.11 Viability and performance over time	6.11.3.2 Articulate an integrated view of value generation	Impact valuation Inputs
	6.11.3.3 Assess system relationships	Impact valuation Inputs
	6.11.3.4 Govern for organizational viability over time	Output

7.3 Aspects related to strategy, partnership and collaborations

The choice of organizational purpose and its alignment with social responsibility and sustainability has implications for the scale and the collaborations and partnerships an organization should seek in order to be most effective. Whilst these could be assessed using output indicators, for example the number of collaborations or the extent to which partners use the same indicators, the effectiveness of those collaborations and partnerships should be assessed by reference to impact valuations.

7.4 Aspects related to organizational strategy and relevant indicators

One area in which indicators will be required is to support assessment of the effectiveness of the strategy and the related indicators as it relates to value generation and purpose. This needs to be considered from two perspectives: working backwards from the purpose to identify the impacts, the activities and the resources required for those activities; and working forwards from the activities to understand the potential strategic options and potential impacts of those activities, specifically as part of Principle 11 on viability and performance over time, the potential consequences for sustainability and on people's well-being. As the governing body compares these two perspectives it may need to consider changes, for example to its approach to value generation or specific activities but also to strategy or even purpose. Increasing alignment between these two perspectives should lead to a more consistent approach to determining indicators.

7.5 Selecting indicators

Indicators can only be selected once the governing body has determined what needs to be measured in the context of the governance framework and has also established an appropriate level of required certainty for measurement where one aspect of certainty is the extent to which a selected indicator is an indicator of what is being measured. There may be existing indicators. If not, the organization should either have to design its own indicator or accept using an indicator associated with a higher level of uncertainty.

Indicators from pre-existing measurement tools are one option for measuring change. These indicators should often have been developed through a significant amount of research and should usually have been

tested with different audiences. Some of these measurement tools should have been validated in various ways. Indicators would be selected based on the guidance above to check that the indicator provides the required level of certainty and therefore:

— should measure the part of the value chain relevant to the decision;

— has appropriate characteristics.

Bespoke indicators are developed specifically for the project being analysed, or for the study taking place. They may be influenced by other measurement tools but should be designed with the intention of reflecting the organizational outcomes identified in the qualitative research as closely as possible.

The choice between developing new indicators and using an existing indicator which provides less accurate measurement can be assessed. As stated in Table 2, measuring impact requires a number of indicators, for example indicators are not only required to measure the change in the organizational outcome but also to assess the counterfactual, in order to identify the change in the outcome caused by the action. There can be a trade-off between:

— a bespoke indicator with high accuracy in measuring the organizational outcome but where there is no counterfactual data using that outcome without conducting primary research resulting in a lower level of accuracy in measuring the impact;

— an indicator which is not as accurate a measure of change in the organizational outcome but where there is counterfactual data, resulting in a higher level of accuracy of the impact.

8 Using indicators

8.1 Choosing one option over others

Choices between options require comparison of:

— the expected performance against actual performance following the execution of the decision: guided by Clause 8 in identifying relevant type of indicators;

— the costs of activities intended to achieve the performance including lost opportunities: using indicators of inputs;

— the costs to the organizations of reversing the decision: using indicators of inputs;

— the consequences to other stakeholders of reversing the decision: using indicators of impacts.

8.2 Decisions following an assessment of performance

These decisions could result in changes relating to any of the Principles, from changes to organizational purpose through to changes in activities (operations), for example if performance is lower than expected then the implication is either change the purpose, the target, the activities or the inputs.

Monitoring and response decisions regarding organizational purpose, strategy and operations should be taking place on a dynamic basis in line with risk practices (as promoted in ISO 31000). In practice, it is expected that changes to the purpose should be less frequent than strategy changes and that strategy changes should be less frequent than operational changes. Both require the development of options and scenarios. Some options should be possible within existing organizational resources (inputs), others should require additional inputs.

9 Implementation

Indicators should form part of the implementation of a program to align with ISO 37000 and are considered as an integral part of both the decision-making and execution process which again is informed by the risk

management framework. Therefore, they should be reviewed to ensure that they remain adequate to the organization's purpose. This also requires:

— a consistent communication plan to all levels;

— consideration of all delegations and effectiveness of performance. These will depend on the size and complexity of the organization, but which can include:

  a) other organizations under the control of the organization;

  b) specific department, function or activities of the organization;

  c) personnel of the organization;

  d) employee level: covering individual employees or groups of employees.

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