# International Standards Supporting Businesses

## Governance of Organizations (ISO 37000)

UKaid
from the British people

Commonwealth Standards Network

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| Challenges | Solutions |
| --- | --- |
| Over 90% of businesses globally are Small and Medium sized Enterprises (SMEs), they represent the majority of global employment and are an essential contributor to economic development in low and middle-income countries. However, some SMEs are not working at optimal levels of productivity, efficiency, safety, innovation, and compatibility and are therefore not gaining access to new markets and are not achieving their potential for growth and development. | International standards are primarily designed to address market needs, they are written for the benefit of users and their stakeholders and are applicable regardless of business size and location. They play an important role for SMEs by promoting productivity, efficiency, safety, supporting innovation, reducing costs, removing barriers to trade, and driving economic growth and development. |
| The systems by which organizations are directed and controlled is known as governance. Organizations of any size benefit from effective governance structures to help them define their direction and purpose.<br><br>Many SMEs do not have adequate governance systems in place. Poor governance systems can lead SMEs to have under-developed accountability, direction, strategy, purpose, and performance. In a competitive marketplace it can make the difference between success and failure. | SMEs can improve their governance by using established governance management systems.<br><br>ISO 37000 is the global benchmark for guidance on good organizational governance. As an international standard, ISO 37000 is applicable globally, regardless of the size of organizations that use it, it is a proven way for SMEs to address governance issues and improve their practices – which they and wider society benefit from. |
| International standards are sometimes regarded by SMEs as a burden because there is a poor understudying of the likely costs and effort as well as the benefits that can be achieved. | The Commonwealth Standards Network (CSN) works in partnership with National Standards Bodies (NSBs) throughout the Commonwealth to communicate the benefits that can be achieved by SMEs through the use of international standards. |

# Standards are agreed ways of doing things

## Standards

There are a huge range of subjects and activities covered by standards, such as: making a product, managing a process, delivering a service, or supplying materials. Standards are designed to make life simpler.

Like a good cookbook, standards are written by experts to help us complete processes in effective, tried and tested ways to achieve efficient, high-quality, repeatable outcomes that consistently meet expectations.

## International standards

While standards are sometimes only applicable to specific countries and stakeholders, international standards (e.g. ISO and IEC) are designed to be globally applicable and widely available.

Key features of international standards:

- International standards are written as voluntary documents to assist users meet global market needs.
- They provide a vital tool for reducing barriers to trade by assisting businesses speak a common technical language, enhancing trust in supply chains and giving consumers and businesses confidence that goods and services meet their expectations.
- Although they are written as voluntary documents, they can be used to demonstrate compliance with mandatory regulations and therefore relieve regulatory burdens.
- They provide globally recognised legitimacy through being collaboratively developed by experts via an open and transparent process of global public consultation and consensus building.
- They can be supported through Quality Infrastructure*.

Trading relationships are built on trust.

International standards have become the international language of trade by providing confidence in products and processes to regulators, business partners and consumers locally and globally. They ensure everyone gets what they expect.

# *Quality infrastructure

For standards to carry additional authority, they need to be correctly used in ways that give everyone involved a high level of confidence in the outcome. It is to enable that consistent rigour that the concept of National Quality Infrastructure (NQI) has emerged.

National Quality Infrastructures form a foundation for economic development and greater prosperity.

### Standardization

Agreed, repeatable ways of doing something. Can be used as a voluntary tool to demonstrate compliance with mandatory regulations.

### Conformity Assessment

Testing, verification, and certification processes for formal recognition that show the requirements of standards are being met.

### Accreditation

Formal recognition that organizations can perform conformity assessment.

### Metrology

Science of accurate measurement.

### Market Surveillance

Checking and ensuring compliance of regulations.

# International standards support SMEs

SMEs represent more than 90% of businesses and the majority of employment globally. They play an essential role in low and middle-income countries where they account for approximately 70% of jobs and contribute up to 40% of national income[1].

Businesses are more successful with effective processes in place, regardless of size, location, or sector. International standards provide globally recognised best practice for effective processes, this brings benefits to SMEs, including:

- Enhance confidence by demonstrating to business partners, regulators, staff, and customers that your products and services consistently and measurably meet expectations.
- Access to markets is improved locally, regionally, and internationally when stakeholders all use the same international standard.
- Resilience is improved by using processes to identify, analyse, and evaluate risks.
- Profitability and competitiveness are increased through efficiency and productivity improvements.

International standards provide business development opportunities to SMEs and help them reduce risks.

[1] https://www.worldbank.org/en/topic/smefinance

## Governance of Organizations

- All organizations benefit from effective structures and a defined direction and purpose.
- Organizations of all sizes and locations need to meet raising societal expectations.
- Good governance helps organizations effectively act in purpose driven ways that address environmental issues, sustainability, trust, accountability, ethics, and societal impacts while also improving business performance.
- Without good governance principles and structures in place there is greater risk of corruption. Corruption undermines the rule of law, democracy, and economic development.

Good governance helps organizations establish and achieve their purpose in effective and responsible ways that meet societal expectations and improve business performance.

## ISO 37000 'Governance of organizations – Guidance'

- ISO 37000 is the first international organizational governance standard. It has become the global benchmark for guidance on good organizational governance.
- The international standard is one of the most widely used international standards - it is used globally because of the benefits it provides to organizations of any size and location regardless of their business type or the maturity of their governance structures.
- Organizations do not need to be large to benefit from using ISO 37000.

Implementing ISO 37000 helps SMEs achieves their purpose and reduce risks.

ISO 37000 is a business opportunity for SMEs to consistently assess their governance and meet expectations.

- The standard provides a framework to help organizations improve governance systems that apply to them. It provides flexibility by highlighting processes that might need to be considered – but it does not specify exactly how to do them.

ISO 3700 is just as relevant for SMEs that only operate locally as it is for governments, charities, wider society, and large multinational businesses.

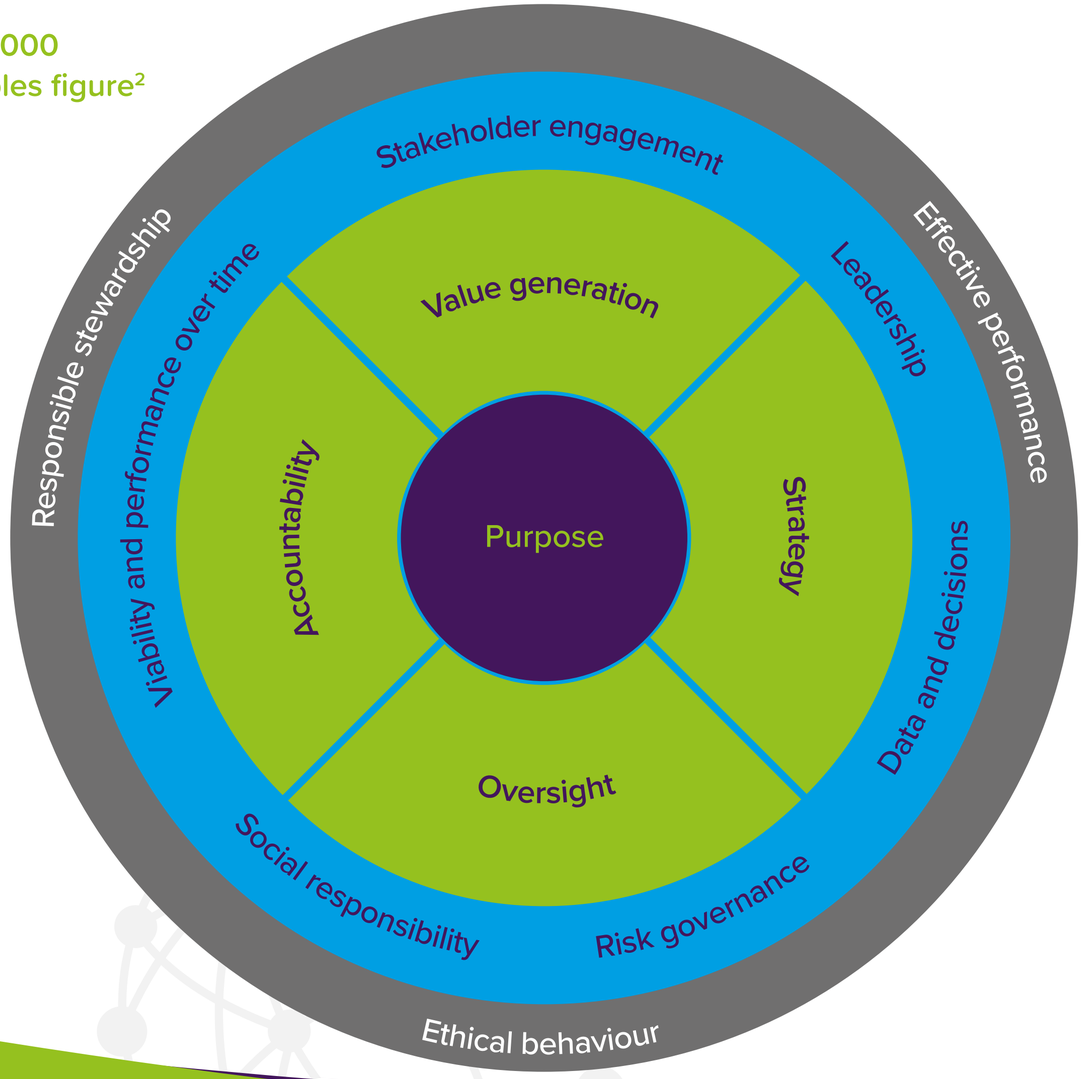
- Organizational governance international standards are written as voluntary documents – they can be used to help organizations meet voluntary requirements or to conform with mandatory laws and regulations.

## Benefits for SMEs implementing ISO 37000 include:

- Process improvements with support to achieve strategic objectives.
- Increased organizational resilience.
- Reputational improvements with staff, customers, business partners and government.
- Improved quality of staff that can be recruited and retained.
- Demonstration of conformity: Improved assurance, compliance, and confidence.
- Compatibility: Using an international standard that is applicable for all businesses of all sizes in all locations creates efficiencies and opens access to new markets.
- Increased investor and creditor confidence.
- Increased engagement, transparency, accountability, value, and improved behaviour and conduct that meets or exceeds public expectations.
- Improved efficiency.
- Sustainable growth.
- Improved risk management.
- Alignment to the UN Sustainable Development Goals (SDGs), particularly SDG 1 on ending poverty, and SDG 8 'Decent work and economic growth'.

SMEs should always get more benefit from using ISO 37000 than the costs/effort they put in.

## ISO 37000 principles figure[2]




## ISO 37000 principles:

The standard provides guidance to governing bodies of organizations so they can improve their governance decision making.

What good governance looks like is described across eleven topics:

1. **Purpose:** Defining organizational purpose – the value the organization intends to create.
2. **Value Generation:** Elements required to fulfil purpose, defining value generation model.
3. **Strategy:** Creating a strategy in accordance with the value generation model.
4. **Accountability:** Gain legitimacy and trust by holding people to account.
5. **Oversight:** Ensuring that expectations are being met.
6. **Stakeholder engagement:** Engage with stakeholders to build relationships, determine and meet expectations.
7. **Leadership:** The governing should be ethical and effective.
8. **Data and decisions:** Using data as a resource for ethical, responsible, and effective decision making.
9. **Risk Governance:** Ensure risk is assessed and managed effectively.
10. **Social responsibility:** Contribute to sustainable development through transparent decision making that is aligned with societal expectations.
11. **Viability and performance over time:** Identify and assess resources required to remain viable over time while without compromising current and future generations.

Outcomes:

- Responsible stewardship
- Effective performance
- Ethical behaviour

[2] Adapted from ISO 37000:2021 www.iso.org/standard/65036.html

## Evidence that you conform with the standard:

- ISO 37000 is written as a tool to support businesses and their stakeholders. Its use is voluntary, though on occasion organizations may require their suppliers to adopt it and demonstrate conformity to it. This can be via self-declaration of conformity, or via external conformity assessment, either by an individual client, or by an independent conformity assessment (or "certification") body. Independent assessment provides stakeholders with enhanced confidence and can lead to:
  - Improved risk management
  - Improved compliance with requirements set out by customers and regulators
  - Enhanced trust.
- SMEs should check that the organization carrying out the conformity assessment is accredited by a reputable organization[3], this will help ensure the quality of the assessment and reduce the risk of the assessment not being recognised by stakeholders.

## Your ISO 37000 Journey

1. **Prepare:** Contact your National Standards Body (NSB), government departments, professional associations, ISO, or the CSN for more information on ISO 37000.
2. **Understand** Read the standard and build an understanding of how ISO 37000 sits within your existing activities, processes and objectives. Establish if any additional resources may be needed to implement requirements in your organization.
3. **Implement:**
   a. Engage top management.
   b. Identify how your business meets the requirements already and whether there are any areas that must be strengthened to implement effective governance.
   c. Train personnel (gap assessments and training programmes can usually be carried out by your NSB).
4. **Review** performance.
5. **Gain certification** via an accredited organization, this can usually be arranged through your NSB.

[3] https://iaf.nu/en/home/

## Get involved:

- For international standards to be globally applicable and widely used it is important that the views of a diverse set of stakeholders (e.g. SMEs, consumers, academics) are represented in their drafting and revision processes.
- ISO 37000 is developed and maintained by an by ISO Technical Committee[4] TC 309 with working groups consisting of experts from across the globe that are nominated by their NSB.
- Stakeholders that are interested in contributing to the development of international standards should contact their NSB, they generally manage National committees that 'mirror' the international committee to provide comments/ and formulate voting positions on the development of international standards.

[4] https://committee.iso.org/ISO_37000_Governance

## About the Commonwealth Standards Network (CSN)

The CSN is a collaborative network that supports trade, economic growth and prosperity throughout the Commonwealth by promoting increased awareness, development and use of international standards.

To find out more about the network please see **www.commonwealthstandards.net** or contact the CSN Senior Programme Manager, Ben Hedley **ben.hedley@bsigroup.com**

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