Key performance indicators for the Board’s technical activities

IFRS Advisory Council
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The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.
Overview of session

- Role of key performance indicators (KPIs)
- Applying the KPIs to the Board’s technical activities*
- Questions for discussion
- Appendix A - previous Advisory Council advice and staff progress

Objective is to obtain advice on:

- the areas of the Board’s technical work that will benefit from the use of KPIs
- the types of KPIs to be used
- the use and interpretation of KPI data

* Focus is on the Board’s technical activities. It excludes matters such as funding, financial and staff-related KPIs.
## Why consider KPIs now?

### Management
- Increased focus on:
  - Driving activity and tracking progress
  - Evidence-based decision making
  - Supporting performance evaluation

### Governance
- Recent governance requests – for example:
  - Trustees receive annual report from staff on whether consultative groups continue to serve their function and whether membership should remain the same. Trustees have suggested developing objective performance indicators.
  - Monitoring Board’s Work Plan includes focus on development of evaluation metrics and KPIs.

### Business Process & Technology
- Multi-year programme seeks to modernise internal systems and processes
- Creates opportunities for better tracking and reporting of KPIs

### Past advice
- Opportunity to build on past Advisory Council advice on KPIs
- See Appendix A for summary
Role of KPIs
Key performance indicators

• A KPI is a measurable value that demonstrates how effectively an organisation is achieving *key objectives*.

• Understanding organisational objectives is key to achieving them.

• KPIs are a form of communication.

• Succinct, clear and relevant information is much more likely to be understood and acted upon.

• Formulating KPIs should be an iterative process that involves feedback from different levels within the organisation.
## Types of KPIs

<table>
<thead>
<tr>
<th>KPI Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Process KPIs</strong></td>
<td>Measure the efficiency/productivity of a business process, eg time to complete a customer order</td>
</tr>
<tr>
<td><strong>Input KPIs</strong></td>
<td>Measure assets and resources, eg funding for training</td>
</tr>
<tr>
<td><strong>Output KPIs</strong></td>
<td>Measure the financial and non-financial results of business activities, eg net profit, number of new clients</td>
</tr>
<tr>
<td><strong>Leading KPIs</strong></td>
<td>Measure activities that have a significant impact on future performance</td>
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<tr>
<td><strong>Lagging KPIs</strong></td>
<td>Measure success/failure after an event</td>
</tr>
<tr>
<td><strong>Outcome KPIs</strong></td>
<td>Measure benefits of performance as an outcome of a business activity, eg employee satisfaction rate</td>
</tr>
<tr>
<td><strong>Qualitative KPIs</strong></td>
<td>Descriptive measure, eg an opinion</td>
</tr>
<tr>
<td><strong>Quantitative KPIs</strong></td>
<td>Measures results in numbers, eg revenue per employee</td>
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</table>
Applying KPIs to the Board’s technical activities
The Foundation’s key objectives

- To develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles

- To promote the use and rigorous application of those standards

- To take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings

- To promote and facilitate adoption of the IFRS Standards
Monitoring the Board’s technical activities

Possible areas to monitor with KPIs

Quality

- Relevance
- Benefits exceed costs
- Consistent adoption and application
- Understandability and accessibility
- Due process

Timeliness

Stakeholder engagement

Other?
## Existing quality KPIs

- The quality of the Board’s work is difficult to measure.
- Nonetheless, the following indicators provide insights into the quality of the Board’s work:

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Explanation</th>
<th>Limitations</th>
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<tbody>
<tr>
<td>Effect analyses – what are the likely costs and benefits of a change in financial reporting?</td>
<td>The extent to which a change improves financial reporting, in relation to the anticipated costs, provides some indication of quality</td>
<td>Difficult to measure costs and benefits</td>
</tr>
<tr>
<td>Post – implementation reviews (PIR) – is a Standard working as intended?</td>
<td>Significant changes to a Standard after a PIR may suggest the new requirements are not working as intended.</td>
<td>Changes may be unrelated to quality (eg due to the changes in the environment or new information).</td>
</tr>
<tr>
<td>Number of countries adopting IFRS Standards</td>
<td></td>
<td>To be discussed in separate Advisory Council session</td>
</tr>
<tr>
<td>Number of IC questions, Transition Resource Group questions and narrow-scope amendments by Standard</td>
<td>A large number of questions or maintenance projects on a Standard may indicate problems with the conceptual basis, understandability and/or operationality of a Standard.</td>
<td>Not all questions may be an indication of the quality of the Standard.</td>
</tr>
</tbody>
</table>

(see also slide 13)
Existing timeliness KPIs

- The timeliness of the Board’s work may be easier to measure, but the significance and meaning of the data may be limited.
- Nonetheless, the following indicators provide insights into the timeliness of the Board’s work:

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<th>Limitations (see also slide 13)</th>
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<tr>
<td>Overall progress on work plan</td>
<td>The Board establishes its priorities through its five-yearly agenda consultation.</td>
<td>Work plan priorities may take more than five years, so meaning may be limited.</td>
</tr>
<tr>
<td>Research and standard-setting</td>
<td>• Achieving deadlines – cumulative months without a missed external deadline overall, frequency of changes to a timetable and reasons by project (in process) • Progress – Variances from benchmark timetable and reasons by project (in process)</td>
<td>Timetables can be uncertain and not comparable due to size, nature and complexity of the project; available expertise and competing priorities. Timelines can significantly change as we respond to feedback.</td>
</tr>
<tr>
<td>Interpretations Committee</td>
<td>The number of submissions, backlog, percentage of questions on which a decision was taken at the first meeting and time to address a submission.</td>
<td>Submissions are standard-specific and comparisons across submissions are difficult.</td>
</tr>
</tbody>
</table>
Stakeholder engagement may be easier to measure, but the significance and meaning of the data may be limited. Nonetheless, the following indicators provide insights into the Board’s stakeholder engagement:

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<tr>
<td>Consultative group effectiveness</td>
<td>Consideration of objective in relation to organisational needs, number of meetings held, feedback sought, member attendance and participation, survey results</td>
<td>• Difficult to measure&lt;br&gt;• Data may not be objective</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>In process of improving systems to capture stakeholder engagement by <em>jurisdiction</em>, <em>stakeholder type</em> (eg investor, preparer, auditor, regulator, national standard-setter), <em>purpose</em> (eg relationship building, outreach, support of consistent application), <em>manner</em> (eg in person meeting, webcast) and <em>level of interaction</em> (one-way, two-way)</td>
<td>• Difficult to ensure completeness of data&lt;br&gt;• Difficult to capture and report</td>
</tr>
</tbody>
</table>
General limitations to our KPIs

Gathering quality data for KPIs can be time-consuming. Do the benefits outweigh the costs?

KPIs can be developed for most areas, but what do they mean? How should they be used?

What is ‘good’? Possible benchmarks include the following:

• Performance of similar standard-setting or regulatory organisations – challenge of comparability and availability of data
• Our own past performance (trends) – challenge of comparability in work from one period to the next
• Internal targets – challenge of comparability of projects, subjectivity of targets
Questions for discussion
Questions for discussion

1. Which areas of the Board’s technical work do you think should be monitored with KPIs?
   - Standard-setting quality
   - Timeliness
   - Stakeholder engagement
   - Other?

2. Which KPIs should be used to monitor these areas?

3. How should those KPIs be used and interpreted?
   - What does each KPI mean?
   - What is the benchmark? What is ‘good’?
   - What are the limitations of each KPI? How can those limitations be mitigated?
Appendix A – previous Advisory Council advice and staff progress
## Advisory Council Advice
Excerpts from AC Chair’s Report

The IFRS Foundation should focus on the quality of the standard setting process and outreach

Stakeholder surveys would be a valuable tool for assessing trends in external perceptions of the Foundation’s work

Important to keep the key performance indicators simple and focused

## IFRS Foundation Activities

- Effects analysis process improved
- IC process more active and more timely
- Reputation survey performed in 2017
- Plans to introduce a Brand Health Index for the Foundation
- Tracking of stakeholder engagement enhanced
- Consultative group surveys of meeting satisfaction (AC, CMAC, GPF and ASAF)