

What is Policy & Procedure Management?

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There are several reasons why every organization should have documented Policies & Procedures. However, simply issuing Policies & Procedures is not enough. To be effective, Policies & Procedures must be understandable, logically organized, accessible, and effectively communicated and distributed throughout the entire organization. These are the roles played by Policy & Procedure Management.

The Need for Policies & Procedures

Most large organizations have long ago come to the conclusion that they need a set of internal rules and regulations that govern employee actions and how they conduct business: How they sell their goods and services; how they hire and manage employees; how they deal with vendors; and how they pay accounts. These rules and regulations are commonly called Policies & Procedures.

The best practices, of all successful companies, include a complete set of Policies & Procedures. It just makes good business sense. However, there are other reasons companies need Policies & Procedures:

- Government regulation
- Legal and Investor requirements
- Protection against civil lawsuits
- Protection against criminal acts by employees

The Policy & Procedure Death Spiral

Most companies have experienced what I call the ***Policy & Procedure Death Spiral*** caused by ineffective Policy & Procedure Management:

1. Management puts off documenting Policies & Procedures because it is time consuming and costly
2. Employees do not read existing Policies & Procedures because they are outdated, difficult to find and inconsistent
3. Management does not take the time to update Policies & Procedures because employees do not read them
4. Employees operate without any clear, authorized, management approved Policies & Procedures

This negative cycle is the direct result of inadequate Policy & Procedure Management. Breaking this cycle is not just a matter of updating Policies & Procedures. They need to be available and efficiently communicated throughout the entire organization.

While this may appear to be straightforward, most organizations are discovering that their companies have been operating in spite of a significant lack of clear company policies.

Sarbanes-Oxley

Any discussion of Policies & Procedures must include a mention of Sarbanes-Oxley. This is the Act designed to strengthen corporate governance for publicly traded companies in the United States.

Companies quickly discovered that the cost of Sarbanes-Oxley compliance was significantly more than they expected. One of the main reasons was the initial effort necessary to understand all of the company's processes and the lack of a company infrastructure to document their Policies & Procedures. As every public company is now aware, proper Policy & Procedure documentation is no longer an option but a requirement.

Project and Process

To comply with Sarbanes-Oxley, many companies are going through the "fire drill" of either creating or updating their Policies and Procedures. This initial phase is a **project** with a clearly defined goal and timeframe.

However, to avoid the "fire drill" on a yearly basis, organizations must also have a **process**. Part of that process is the development of a Policy & Procedure Management team. Any organization, of even average complexity, will have changes that need to be documented and distributed. To accomplish this, on a timely basis, a dedicated staff is necessary. And if a company does not have an ongoing process in place, requiring a periodic review and signoff, then eventually all of their documentation will have to be redone.

The Policy & Procedure Management Process

Policy & Procedure Management can be thought of as 10 steps in a continuous Life Cycle:

1. Control who has the authority to issue Policies & Procedures – Senior Management should be the only ones authorized to issue policies. Responsibility for issuing specific Policies & Procedures, however, should be assigned to the appropriate senior manager.

2. Delegate responsibilities and empower – While only senior management should have the authority to issue policies, authoring those Policies & Procedures can be delegated to other employees. When managers do not delegate these responsibilities, the manager becomes the bottleneck and it becomes less likely that a set of quality Policies & Procedures, or any Policies & Procedures at all, will be completed.

3. Periodically review and update all Policies & Procedures – With the speed of change in today's business world, Policies & Procedures can have a very short shelf life before becoming outdated. A key element of effective Policy & Procedure Management is an ongoing commitment to periodically review and update all Policies & Procedures before they become outdated. Based on their content certain Policies & Procedures might be reviewed every six months, for example, with others being reviewed annually.

4. Make Policies & Procedures easy to read and understand – A policy might include valuable and important information, but if it is not easy to read it is unlikely that the reader will find what they are looking for. The longer the policy, the less useful it will be to the employee that need it. A shorter, more concise policy will better direct them to relevant information. However, documents can also be too short. A one-sentence description of a policy will likely be inadequate, but a one-sentence procedure buried in a 4-page detailed document will be difficult to find.

5. Track all Policy & Procedure Management changes when, why and by whom – Establishing a clear paper trail of Policy & Procedure changes is important when questions or disputes arise relating to compliance with certain policies. Effective Policy & Procedure Management requires the discipline to track all changes and record who made each change, why they made the change, and when.

6. Organize Policies & Procedures in a logical way – Organizing Policies & Procedures may seem simple but, in fact, most organizations do a poor job. Examples of poor organization schemes include:

- Alphabetically
- In order of issue date
- By policy number
- No method at all

Organizing Policies & Procedures logically adds value to those policies. A well-organized set of Policies & Procedures will be easier to search through. Organization also improves the overall management of policies, as gaps or inconsistencies between Policies & Procedures can be more easily identified.

7. Document and test employees' understanding of Policies & Procedures – There are typically only a few Policies & Procedures that companies force their employees to sign and acknowledge as read. These usually include an employee handbook, a sexual harassment policy, and a code of ethics. However, these Policies & Procedures represent a small fraction of the total Policies & Procedures that a company would expect its employees to follow. The more documentation an employer has for employee acknowledgement and compliance with policies, the better protected that employer is.

8. Communicate new Policies & Procedures and updates as they occur – New Policies & Procedures and updates should be communicated on a timely basis. In addition to ensuring that employees are operating with the most relevant information, timely communication of Policy & Procedure changes reinforces a company's culture of taking Policy & Procedure Management seriously. When policy changes are communicated in a timely manner, less time will be wasted addressing employee questions later on.

9. Provide easy access all Policies & Procedures – Clear, well-organized Policies & Procedures provide little benefit if employees cannot access them. The greater the difficulty in finding relevant policies, the less likely an employee will take the time to look. In this age of technology, one way to provide access is through the company's Intranet site. Without technology, hardcopy versions of Policies & Procedures can be provided, but for larger companies this can be a costly proposition. In this case a cost effective solution is to identify locations within the office space, plant floor, or distribution warehouse to store Policies & Procedures for easy access.

10. Ask for employee feedback – In some organizations a culture exists that Policies & Procedures are fixed and final, and not open to suggestion. However, while Policies & Procedures are in fact communicated down from management throughout the organization, no one is in a better position to assess the accuracy and completeness of those Policies & Procedures than the employees following them. A culture that does not readily accept employee comments will likely produce a substandard set of policies, far from perfect and potentially not even used.

In Conclusion

Most companies have never invested the time to adequately document and communicate their Policies & Procedures. The common belief has been that the cost required did not justify the benefit. For public companies, in particular, this belief has shifted substantially. In some cases, the benefit in this equation is not just a benefit, but also a requirement. Protecting a company does not require significant expenditures or monumental efforts. Effective Policy & Procedure Management is possible and achievable but does require the commitment of upper management.

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