



## The Network – Delivers

### Credibility: Corporate Policies (And a bit on Procedures, too)

“How do we develop and implement policies?”

**P**olicies should guide employees with *what* needs to be done and *why* it must be done. (Procedures, on the other hand, show us how to perform a given task and why it is done in this manner.) In our societies, it is critical that policies clarify the reasons for their existence—otherwise, and let’s be realistic: folks just might not bother. Individuals—real people—need to understand the *honest* reasons why a given guideline was created, the need to fully comply with it, and the consequences of not complying with it. When this is accomplished, your chances of employee buy-in for policies will improve dramatically.

**Caution** – Frequently, corporate policies literally conflict with day-to-day operations. If following the policy (or procedure), is not a productive part of the job, or if it makes their job more difficult, your fellow personnel are very likely to bypass the policy in favor of what really works.

Based on discussions with hundreds of asset management professionals, we know that a key problem with policies is that, if they even exist, they are not enforced. This creates a couple major headaches. First, employees come to believe that policies are mere suggestions—not guidelines/expectations. After all, no one they know actually follows the policy and no one has been punished for not following them. Second, and this is important if you are audited, policies that are not enforced strongly suggest that you were aware of the potential problem and used the policy to give the appearance of control. This second issue can very easily backfire on you when the copyright holder produces your un-enforced policy as *Exhibit A* in your litigation hearing.

**Carefully draft policies** to explain what and why, and then enforce them intelligently. Keep policies as simple as possible. If the policies are so buried in legalese that your personnel cannot understand them, the policies are next to useless. Policies should be developed by a representative group of internal personnel so that their wording and thrust accurately reflect the culture of your company (more on this in a few seconds). In addition, this participative process will also build a core group of “believers”—those personnel who helped create the policy will nearly always discuss their rationale with other employees. You will have an instant internal policy sales force. When fellow employees discuss the policies that

they helped create, your personnel are substantially more likely to accept those documents as necessary—rather than “commands from on high.”

**Real World** – An East coast American company called in our team of specialists to conduct a mock software compliance enforcement review of their data center. Their Board wanted to know how the enterprise would fare. At the beginning of the three day audit process, we asked to see their policies and procedures. They “couldn’t find the manual.” In fact, we were finally presented with these critical documents less than half an hour before we were due to leave the site. The manual consisted of a four inch binder crammed full of single spaced 9 point Times New Roman text covering the front and back of each page. The entire package had been carefully translated out of English and into incomprehensible legalese by some dedicated (No doubt, wealthy) legal firm.

**Could this scenario be mirrored in your company?** Do you suppose that, for just an instant, any employee in this example could possibly comprehend or follow such a massive volume of commands (assuming that they could even find the manual)? Do not permit your policies to slip away from their bottom line purpose—guiding personnel—and into what appears to be their modern-day standard disguise—to enrich legal firms and to demonstrate that the company is (on paper, if not necessarily in fact) performing the due diligence required by law. Policies should be brief, to the point, understandable, realistic, enforced, and—above all—current.

**Policies are living documents.** This means that you should not create a policy, and then expect everyone to blindly follow it into infinity. Policies are meant to address very specific situations. They have specific goals to their existence. As your business changes and evolves, so should your policies. As external requirements evolve, so should your policies. If you expect policies (or procedures) to be genuinely effective, you have to ensure that the enterprise takes the time and effort to ensure that the policies start out, and remain, inside the realms of your unique needs.

**To help minimize empty policies,** we recommend that you create a formal multi-faceted group of “can do” employees tasked with creating and reviewing policies and/or procedures. This ongoing group, made up of people representing your unique range of business units, is tasked with ensuring that these vital documents are written in a comprehensible manner and that they are kept up to date through a formal periodic review & revision process. (We’ll even let you include a lawyer in the group—but only one—on the strict condition that you permit him or her to provide only nouns and verbs to the documents.)

**Your most difficult task**, and to a certain extent your most frequent one, is creating and managing a *reactive* policy or procedure. Most companies operate in a sort of Wild West fashion—everyone doing whatever it takes to get the job done—until some disaster (like a copyright enforcement audit) befalls them. Then, once the finger pointing eases off a little, someone reactively demands a policy or procedure “to ensure that this never happens again.” Keep in mind that this very common process requires you to literally stop a previously accepted (maybe even thoroughly tested) practice in its tracks and completely redirect the activity and the people involved. This, in terms of human change management, is a daunting task.

**Reality Check** – Normal people cannot just leap into a new behavior. Decades of research into human behavioral change will tell you that you have to make changes personal, easy, reasonable, and realistic before folks will even approach a new process (much less accept it). Also, and I will constantly bring this vital point to your attention: In our present societies, people do not take well to being ordered around—you have to create an environment that encourages them to voluntarily step out of their rut of long term comfort and into the new behavior. Finally, management needs to provide the support and leadership necessary to keep policies on course.

**At the end of the day** – Policies clearly state what needs to be accomplished and why it needs to be done. Procedures clearly state how it needs to be done and why it is done that way: “This is what we need to do and why we need to do it.” and “This is how we need to do the deed and why we do it this way.” Changing the way your fellow employees perform tasks and explaining why they must make the change are very substantial and advanced requirements of your job. Do not ignore the realities of human behavior modification. Do not get into the common habit of issuing gratuitous commands. Do not expect people to turn their behaviors on a dime. Being patient and helping them understand the process will always bring more positive results than force.

**Also, and always keep this in mind:** If the company disrespects an employee enough, for any reason, that employee can very easily become the one to cash in on the enforcement industry rewards programs by reporting non compliance.

**You are an easy audit target: As of August, 2007, two of the American enforcement groups are offering a \$1,000,000 reward to whistle-blowers.**

**I’m Alan Plastow.** Do you want us to follow up on these issues? Let us know. Speak up: Agree? Disagree? Tell us why. Have something to add? Send it in or post it. Want to discuss another subject? Let us know & we’ll look into it. Or, as always, feel free to simply kick back & observe.