

Getting Right with Policies and Procedures

It's surprising how few smaller companies use policies and procedures as part of their management infrastructure. Every organization needs a set of written guidelines to serve as a business compass to make sure that all the employees are rowing the corporate ship in the same direction. Policies and procedures are the strategic link between your objectives for the company and the day-to-day operations to achieve those objectives. A well-defined set of policies and procedures provide the roadmap your employees need to be independent and effective, so they understand their role in the organization and senior management doesn't have to closely watch every process.

Before implementing an effective policies and procedures initiative, it's important to understand why they are important and how policies and procedures differ.

1) Policies should identify the key activities that arise in day-to-day operations and provide a general strategy as to how to handle those activities. Consider policies a mini-mission statement; it contains a stated purpose, a target user, and some kind of effectiveness metric to measure if it's working. For example, if you have a retail operation and need a policy regarding inventory, then a) the purpose is to physically count goods in the warehouse to determine the accuracy of the general ledger; b) the user is the warehouse personnel responsible for the task; and c) the measurement is determined by the frequency and accuracy of the count.

2) Procedures are the means to actually accomplish the task outlined in the policy. A procedure should be defined as a series of steps the user can follow in a repetitive way to accomplish the specified end result. Once completed, there will be an established method of conducting business in such a way that the process can be taught through training, it can be audited, it can be improved by measuring performance, and it aids with compliance initiatives when required. In our warehouse example, the procedure defines specifically how goods are accounted for and recorded, and well-developed procedures can be used to assess whether there is too much or too little inventory, what impact that is having on operations, and how to modify stocking strategies.

There are a number of real benefits your organization will realize from well-crafted policies and procedures:

- Policies and procedures help employees understand the limitations and specifics of their job without resorting to trial and error.
- The workforce clearly understands their responsibilities both as individuals and as a team. It creates a focused objective that ultimately saves time and resources.
- Because the expectations are set in advance, managers can implement control by exception rather than trying to micromanage each phase of the work.
- Clearly written policies and procedures provide legal protection in the event of a dispute. If the policies and procedures are written so anyone can understand them then there is less room for argument.
- Well-crafted policies and procedures send a message that the company cares about its employees by helping them do their jobs more effectively, and providing guidelines for success.

Policies and procedures are not static and should change with the needs of the business. As they evolve, be sure to define the policies to meet strategic business objectives, and procedures to deliver the practical step-by-step instructions that will help your organization succeed.