

MITRATECH

5 CRITICAL STAGES OF POLICY MANAGEMENT

How to meet the rigorous standards of today's compliance environment.

WHITEPAPER

INTRODUCTION

The 5 Stages of Policy Management

The ever-increasing volume of regulatory and security demands can weigh heavy on an organization; specifically, the team deemed responsible to maintain compliance. As regulations and security demands swell, workload is compounded on the compliance team, costs continue to rise, and considering risk becomes a top priority. In most cases, the cost of penalties due to non-compliance pale in comparison to the effect of a damaged reputation in the public eye. The question needs to be asked if the business will recognize this trend and release adequate levels of budget to address and fully support the compliance function.

Since 2008, a sea of change in Director accountability has made individual Board Members responsible for the actions of their employees. Across the enterprise, the obligations of Compliance and Risk Officers have vastly increased.

One of the many responsibilities of a compliance team is to monitor new regulations and communicate them to the business. However, common methods to do so are often difficult to manage and fall short after the communication has occurred.

In relation to policies, the function of compliance is to:

- Get the right policies to the right people at the right time.
- Ensure employees read, understand and sign-up to key policies.
- Identify employees who have not adhered to a policy.
- Regularly review, assess and update policies.
- Provide senior management with detailed reports and a clear audit.

While policy management is usually in place, senior management often lacks visibility of policy understanding, acceptance, or compliance. The former method of corporate handbooks, ad hoc emails, shared databases, or intranets are no longer sufficient tools as the workload of the compliance function continues to grow. Solutions to this problem are limited and usually involve bringing in additional resources that typically fall into a low priority category as budgets are developed.

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Adopting a software solution specifically designed to handle these processes can fundamentally reduce the risks of non-compliance by demonstrating rigorous management processes to regulatory bodies, as well as driving down administrative costs and allowing the Compliance team to focus on core activities.

Drawing on our experiences in this area, we will explore the five critical stages of policy management to help organizations meet the rigorous standards demanded by today's environment.

Stage 1: Establishing Policy Requirements

Stage 2: Drafting Policy

Stage 3: Policy Communication

Stage 4: Testing Understanding and Affirming Acceptance

Stage 5: Auditing Policies



Why Create Policies in the First Place?

It is a fair question to ask: why should organizations have to divert precious resources away from key business areas and allocate them to the irritating overhead of creating and administering policies?

There are three fundamental reasons why organizations need corporate policies:

1. Create a defensible, proactive compliance management program.
2. Avoid costly litigation and reputational damage due to breaches of policy.
3. Reduce administrative effort and ongoing management costs.

We occupy a society where there is an ever-increasing range of requirements affecting the way in which an organization is obliged to conduct itself driven by the legislature, judicial, and regulatory bodies. Compliance is an increasingly important part of everyday business life as more and more aspects of an organization's conduct become "compliance issues."

Well-drafted and effectively deployed policies can have an extremely positive impact on culture. The biggest and most successful organizations are often characterized by a very clear and well-established culture – usually set by the business owners and refined over time. All employees are clear as to what is expected of them and the way in which they should conduct themselves. As organizations grow, policies play a key role in maintaining their culture. In a similar way that policies influence culture, a company's goals permeate throughout the organization.

Policies create the foundation to shape appropriate behavior to achieve those goals.

While the consequences of not being able to demonstrate the required level of compliance is sometimes purely financial, it would be unwise to underestimate the hidden costs of lost management time and negative publicity that can flow from a compliance failure. Similarly, while penalties for compliance failures have traditionally been a problem for the organization, there are an increasing range of situations where there is a tendency to look behind the corporate veil towards those with a stewardship of the organization. Well-drafted and communicated policies should also be viewed as a protector – both for the employer and the employee.

A policy should leave both parties in no doubt as to what their obligations and expected behaviors are which should dramatically reduce the likelihood of a compliance breach.



CURRENT METHODOLOGIES for Policy Creation and Deployment

Creating Policies

As we have already identified, organizations can use a wide range of policies to govern and shape employee behavior. As such, it is quite normal for a number of individuals with specific expertise within the company to play a part in creating policy. Fully researching the area and the legislative/regulatory requirements, however, can be a lengthy process.

Pro forma policies also exist, sometimes very inexpensively (such as on the internet). Yet the frequent downside with the acquisition of a policy in this way is that the document is sold subject to stringent terms and conditions making it clear that the policy is up-to-date only on the date of purchase and so the buyer is left with a requirement to keep the policy updated. Another disadvantage with these policies is that they can often be difficult to tailor to your own organization's needs.

A third option is to engage a third party professional such as a lawyer or consultant to assist with policy drafting (or at least review what has been produced in house). It can be argued that this gives additional peace of mind and may be a more efficient use of management time. This method also affords the organization the option to shift the onus for keeping the policy up-to-date to a third party. However, such expert advice usually comes at a price.

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Deploying and Auditing Policy

Just as there are a number of alternatives when drafting policy, organizations have devised a wide range of techniques for deploying policies to employees. However, no matter how well a policy is drafted, compliance and enforcement ultimately fail without proper deployment methods in place. In most cases, companies spend countless hours drafting policies while neglecting the follow-through to ensure regulations are met with compliance.

In some organizations, policies are simply posted on a notice board. This method, however, does not create any sense that an organization is trying to actively reach employees and influence positive behavior – especially as most notice boards are infrequently read by staff. Other organizations have adopted the technology-based equivalent of posting a document on a notice board by posting on an intranet, which tend to receive as much attention by employees as physical notice boards.

A more traditional approach to policy deployment is to issue a new employee with a staff handbook containing a clause in their contract obliging them to read the information. Realistically, few people take the time to read a policy handbook carefully and they are rarely updated to reflect new policies. The staff handbook also makes it difficult to periodically reintroduce employees with policies allowing information to be forgotten over time.

Communicating Critical Policies

Within some organizations, certain policies will be viewed as absolutely critical. For those policies, paper copies are often circulated as there is a perception of guaranteed deployment. However, there is no way of knowing the degree to which policies are actually communicated and those issuing the policy are unable to discern whether it has in fact been read.

The logical extension of this process is to require the policy to be signed and returned to the issuing manager. This approach has the beginnings of effective policy management, but the management time associated with this methodology can be extremely high. A common complaint is that organizations find that policies returned by employees have hand written annotations and amendments added to them, undermining their value.

The final step is for an additional button to be included at the early stages of logging on to an application. Through this, the user agrees to abide by the relevant policy while using the application. In many cases, however, the user will automatically click the required button in order to gain entrance into the application. Once again, confirmation of policy receipt and understanding becomes unknown.

CURRENT METHODOLOGIES for Policy Creation and Deployment

All of these means of deployment have various advantages and disadvantages. The common advantage to most of the methodologies described above is that they require little management effort – the exception being the time consuming process of deploying hard copies for signature and return. However, the results match the effort; this does not reflect effective communication, and will not be sufficient for an organization that views policy compliance to be essential.

For an organization seeking to drive a positive culture or avoid compliance breaches, assessing the level of understanding of a policy among the workforce becomes a critical issue. None of the above methods of deployment can quantify comprehension, which leaves a rift between acknowledgements from individuals to the process required to comply.

We have looked at the issues around policy creation and deployment, and why they fail to meet today's compliance and regulatory requirements. Now we will review the five basic stages of policy management that form the backbone of a successful policy management program.

Stage 1

Establishing Requirements

- Researching relevant law, regulatory requirements, guidelines and best practice.
- Identifying the business's requirements.

Stage 2

Drafting Policy

- Creating legally sound statements in clearly understood rhetoric.

Stage 3

Policy Deployment

- Distributing policies rapidly and reliably around the organization.

Stage 4

Testing Understanding and Affirming Acceptance

- Ensuring employees understand policy and agree to abide by it.

Stage 5

Auditing Policy Penetration

- Auditing policy and providing management reports on compliance status.

THE 5 STAGES of Policy Management

Stage 1: Establishing Policy Requirements

Any policy document issued by an organization should be compatible with – and a reflection of – all applicable laws, regulatory requirements, and best practice. Information navigation is the key to success here. The Internet, trade publications, and third party professionals can assist in setting the parameters for what should and should not be in the policy. Regulatory bodies may also issue some kind of standard advice. It is important to establish a balance between any external requirements with the needs and culture of the organization itself.

The final decision as to what goes into a policy is a matter of commercial judgement, as in a policy that sets out to be too comprehensive is more likely to fail as a usable document.

Stage 2: Drafting Policy

Whoever is responsible for drafting a policy will have to take into account the fact that different organizations have different ways of expressing themselves – tone, language etc. The Policy creator should try and achieve consistency of style across a suite of policies. Above all else, the creators of policies should strive to use clearly understandable rhetoric at all times and shy from legal-speak or needless jargon.

Before a policy is initiated, the organization should consider whether a consultation process needs to be undergone either directly with those affected by the policy or via a staff consultative body.



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Stage 3: Policy Deployment

A process should be designed that includes being able to effectively send the right policy to the right people regardless of their location. Some policies will truly be applicable to all communities within an organization, but many more will apply to only some. If you have already organized the company into groups using Directory Services, the policy deployment system should be capable of integrating with it.

For some policies, a passive approach may be acceptable – such policies are usually those that deliver a benefit on the employee and where it is safe to assume the policy will be sought out. For other “mandatory” policies, i.e. those requiring something of the employee in behavioral terms, the deployment will need to be compelling and unavoidable.

Stage 4: Testing Understanding and Affirming Acceptance

For sensitive policies, the organization needs to be in a position to track the penetration of the policy across the enterprise. Critical to this is the collection of evidence to prove that employees have signed their acceptance to abide by the policy. But, as some recent court cases have shown, an employee’s acceptance of a policy can still be brought into question if the employer is not able to demonstrate that the employee understood exactly what he had signed up to.

Stage four is therefore a twofold process. One of the most accurate ways to assess whether employees have fully understood a policy or not is to ask them questions on it. Obviously, it is not an effective use of time to hand out and mark written tests – but there are electronic alternatives which present questions on-screen and automatically score responses. In the event of failing to demonstrate policy comprehension, you need then to be able to determine appropriate steps – deny system access, alert the line manager and or point to training options.

Only once the organization has forced the employee to think about the policy should they then make any attempt to record the acceptance of it. Many of the deployment methodologies outlined earlier in this guide make some provision for recording acceptance, but the chosen method must make it clear to employees that they are making a legally-binding agreement, which will be recorded by their employer for future reference.



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Stage 5: Auditing and Reporting

Finally, those charged with deploying policies need to be in a position to readily generate reports on the deployment process. Boards and regulatory bodies with stringent requirements increasingly demand accurate, time-stamped information on policy deployment and acceptance.

On a macro level, management reports to show compliance at a glance are essential to those leading an organization – to what extent has policy been accepted and understood?

If not, by which groups? Which policies are proving hard to understand? What potential risks are highlighted? What trend is visible since the previous policy deployment?

Moving down to the micro level it may be an unfortunate necessity (e.g. disciplinary action) to be able to identify a particular individual to whom a policy has been deployed and ascertain whether and when they agreed to abide by the policy and exactly what was included in that agreement.



CONCLUSION and Next Steps

Corporate policies are no longer just a 'nice to have' culture-shaping tool for large businesses.

With the introduction of increasingly strict legislation and the attentions of industry watchdogs focusing in on compliance, policies are now essential for all organizations.

The five stages outlined in this guide have been developed by Mitratesh to help you develop a best practice approach to policy management – and are borne out of significant experience researching, creating and deploying policy.

Organizations that make a concerted effort to take policy management seriously will over time be able to audit the real value of their efforts. This will be both in terms of a discernible reduction in the risk exposure of the organizations and in the resources that need to be allocated to manage policies.

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About PolicyHub

A comprehensive and flexible solution, PolicyHub fundamentally reduces the risks of non-compliance. Giving control back to management, demonstrates rigorous processes to the regulator, and drives down administration costs.

PolicyHub simplifies the huge complexities of managing and communicating policies and procedures. While maximizing efficiency and cost savings.

Here's how PolicyHub streamlines each of the five steps we've described:

Stage 1: Establishing Policy Requirements

- Audit employee understanding of the regulatory environment.
- Retain data to feed into subsequent stages of the policy life cycle.

Stage 2: Drafting Policy

- Cut and paste or import policies from existing documents.
- Collaboratively draft and edit.
- Gain automatic version and tracking control.

Stage 3: Policy Employment

- Deliver a clear and consistent presentation of the right policies to the right people across the organization.
- Set automatic reminders to those employees who haven't signed up to policy documents.
- Specify different policies for different user groups.
- Provide individual policy libraries with access to up-to-date policies in each.
- Automatically present policies in local languages to staff whatever their location.

Stage: Testing Understanding and Affirming Acceptance

Ensure secure confirmation by staff that they agree to terms of the policy.

- Test understanding through randomized, multiple-choice questions (optional).
- Set automatic reaffirmation - periodically re-present policies to refresh / reinforce understanding.
- Respond to low scores or non-agreement, e.g. re-present policies and questionnaires, alert policy owner.

Stage 5: Auditing and Reporting

- Capture and display detailed data on effectiveness of policy deployment.
- Demonstrate acceptance and understanding of policies (by policy, groups, individuals, over configurable timescales etc).
- Provide audit trails, e.g. who received/agreed to which version of which policy on what date.
- Highlight ambiguous or poorly worded questions.



ABOUT MITRATECH

Making the case for investing in a legal management technology to an internal audience of legal, IT and business decision-makers can be long, challenging process. Which is why working with a knowledgeable, proven vendor is critical. You want a partner that provides technology with proven best practices to manage legal operations and control legal spend, one whose software is sophisticated yet easy to adopt and use, and doesn't require in-house resources to support and administer it.

For 30+ years, Mitratesch has been helping legal professionals leverage the most intuitive, adaptable and flexible platform and solutions available. TeamConnect is the most-awarded legal management platform in the industry and was recently ranked the most widely used system in the 2017 HBR Consulting Law Department Survey, receiving even more accolades in the 2017 MarketView™ Report on Enterprise Legal Management by Hyperion Research.

Our team would like to partner with you and empower the transformation of your legal operations, making Legal a hub of innovation and excellence for the entire organization. To discuss the benefits and ROI of legal management further contact us today.

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