

Achieving 100% Compliance of Policies and Procedures

Apply Metrics and Measures to Achieve Continuous Process Improvement



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Introduction

I started writing policy and procedure books in 1983. Up to this time, I had worked in various positions on business processes, policies, and procedures. Being a researcher, I was frustrated with the lack of books in my career field. My mother had just written a book so I decided it was time to write my first book based on my current experiences. The first book was called “*Handbook of Business Policies and Procedures*.” This book focused on setting up a system of policies and procedures for printed manuals only.

I continued working in the policies and procedures field and greatly increased my experience through projects like ISO 9000 Quality Standards, Capability Maturity Model, Malcolm Baldrige Award, Six Sigma, or Value Engineering. Around 1997, I decided to rewrite my first book to include network and web formats. I did extensive research and added two chapters; the book was renamed *Establishing a System of Policies and Procedures*.

In 2000, I wrote this book. I had been working at a telecommunications company and our department set up a quality department that focused on measuring every process and procedure for a software engineering department. This job inspired me to write *Achieving 100% Compliance of Policies and Procedures*. This book uses a real life case study (based on a labor-intensive procedure from an earlier job) to show how a procedure is written, published, communicated, trained, and measured to make substantial improvements to publish a new procedure.

In 2001, I wrote *7 Steps to Better Written Policies and Procedures*. My readers had been pestering me to write an entire book on the writing format, a method of writing that has become central to any system of policies and procedures. This book is an extension of Chapter 4 from my first book *Establishing a System of Policies and Procedures*.

In 2002, I wrote *Best Practices in Policies and Procedures*, a book that focuses on an important element missing from my existing books, namely, a proven method for determining **content**, one of the most difficult tasks in the policies and procedures field.

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Although I have extensively researched all sources to ensure the accuracy and completeness of the information contained in this book, I assume no responsibility for errors, inaccuracies, omissions, or any other inconsistency. Any slights against people or organizations are unintentional.

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Stephen is a certified project manager (PMP) and is familiar with the needs of the project manager to document procedures and guidelines for projects. With his certification as a software engineer (CSQE), Stephen is competent in systems audits, Statistical Process Control (SPC), metrics, and the use of quality tools. He is also certified in records management (CRM) and forms management (CFC). He has received many company-sponsored "Certificates of Accomplishment." He has helped companies achieve Capability Maturity Model (CMM) maturity levels 2 and 3. He has set up numerous company programs that have included ISO 9000 Quality Standards, Total Quality Management, Value Engineering, Six Sigma, and Management skills.

Stephen has written many trade journal articles. His three most recent articles include, "How to Use Processes and Procedures in ISO 9000:2000 Certification" in The Quality Management Forum (Newsletter), Spring 2001; "Chart your Progress" in Qualityworld (Magazine), January 2001; and "Research: The Key to Quality Policies and Procedures" in Quality Progress (Journal), January 2000. Stephen is a skilled presenter, facilitator, and team leader. He has participated on hundreds of team projects.

"I love to write. This 'how-to' book explores the area of compliance and continuous improvement because these are two areas where procedures analysts typically overlook or put aside until they have time to work on them. I wrote this book to help procedures analysts understand the importance of measures, measurements, metrics, numbers, variation, achieving compliance, and doing continuous improvement activities."

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Preface

This book is about business processes, policies and procedures, and how they are measured and improved to ensure variation is minimized, quality is improved, cost is reduced, and customer satisfaction is increased. Plans and tools are provided to enable you to achieve, or work toward, 100% compliance of your business processes, policies, and procedures. Sample procedures and flow charts are used to help you understand how policies and procedures should be communicated, trained, published, measured, improved, and revised to take advantage of recommendations obtained through user/employee feedback responses, continuous improvement tools, audits, and focused streamlining efforts.

A major case study is used as an example in nearly every chapter to show how the principles and themes of this book are applied from the beginning of a procedure to the point where it is improved and published a second time. A Purchasing System was selected as the center of the case study for this book. Chapter 3, “*Focusing on a Case Study to Apply the Principles of this Book*” begins with an explanation of how and why a purchasing system was selected as a study topic for this book. A detailed flow chart and procedure are presented in the case study.

This case study is unique because it represents a real business process, flow chart, and procedure used in a company in California (Dataproducts Corporation, Woodland Hills, California). The principles of writing effective policies and procedures, communications, training, compliance, process improvement, and cost benefit analyses are applied to the case study. In Chapter 11, “*Conducting Profitable Continuous Improvement Activities*,” a new flow chart and revised procedure of the original case study are presented to reflect streamlining efforts and the results of statistical studies presented in this book. In Chapter 12, “*Saving \$1 Million with Cost Benefit Analyses*,” a cost benefit study is conducted that results in millions of dollars being saved by selecting the most economical, cost efficient, and productive solution to the case study presented in Chapter 3.

This book goes beyond other books that teach you to write and publish policies and procedures and go no further. I provide answers to important questions that procedures analysts often face when writing, coordinating, publishing, communicating, training, measuring, improving, and revising policies and procedures.

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The **questions** to ask yourself are:

1. What can we do to ensure senior management endorses the efforts of the Policies and Procedures Department?
2. How can we be certain that management has included continuous improvement efforts in the company vision and strategic goals?
3. What can we do to ensure our users are involved with the writing, coordinating, and publishing of policies and procedures?
4. How can we be certain our target audiences (i.e., users) are following (or complying with) our published policies and procedures?
5. What can we be doing to be certain that our published policies and procedures reach all individuals identified in the target audiences?
6. How can we improve our analysis and research efforts of policies and procedures to ensure they will have a high degree of effectiveness even before they are approved and published?
7. How do we know if our communication and training efforts are being effective?
8. How do we ensure information communicated to our target audiences during training is also assimilated within their work environment?
9. What can we do to ensure our employees receive mentoring or coaching following training?
10. How do we know whether our policies and procedures meet or exceed 100% of the requirements of the managers, process owners, subject matter experts, and users?
11. How do we communicate the value of measuring business processes, policies, and procedures to target audiences?

12. How can we use statistics and quality tools to minimize variation of our published policies and procedures and get on the path toward achieving 100% compliance?
13. How can we be confident we have increased productivity, profits, sales, and customer satisfaction with our improvement efforts?
14. What can we do to help our organization become more receptive to learning and to sustaining change?
15. What can we do to help our company evolve into a “proactive” organization? How can we learn more about the culture of our organization and how we can influence the behavior of individuals?
16. What can procedures analysts do to become respected and recognized in his company, among his peers, and in his industry?
17. What can procedures analysts do to improve their skills and knowledge to help write effective policies and procedures and establish communication, training, compliance, auditing, and improvement plans?
18. What does the future hold for procedures analysts?

Publishing policies and procedures in any organization is not as easy as it may seem. While it may be simple to write policies and procedures, print them, and distribute them, it will have been a waste of time if users are just going to let these documents sit on a desk, in an in-basket, in a stock of papers, filed away in a manual, or deleted from an email or hard drive without ever being read!

Writing policies and procedures that are effective is more than just publishing documents that meet the requirements of management, process owners, and users. Writing policies and procedures that are easily understood and applied involves analyzing, writing, publishing, training, communicating, measuring, auditing, and continuously improving business processes and published policies and procedures.

ACHIEVING 100% COMPLIANCE IS AMBITIOUS!

The title of this book, “*Achieving 100% Compliance of Policies and Procedures*,” may seem ambitious to some readers but 100% compliance is achievable under the right circumstances. All organizations should have standards for acceptable compliance levels, the highest being companies who have achieved “Six Sigma” or 99.99966% compliance. These standards should be reflected in the organization’s mission and vision statements as a commitment of management to the policies and procedures infrastructure and the goals and objectives of the policies and procedures department.

A SHORT SUMMARY ABOUT SIX SIGMA

“Six Sigma” is the most powerful breakthrough management tool ever devised, promising increased market share, cost reductions, and dramatic improvements in bottom-line profitability for companies of any size. Six Sigma is a process that enables companies to increase profits dramatically by streamlining operations, improving quality, and eliminating defects or mistakes in everything a company does, from filling out purchase orders to manufacturing airplane engines. While operational quality programs have focused on detecting and correcting defects, Six Sigma encompasses something broader — it provides specific methods to re-create the process itself so that defects are never produced in the first place (Harry, 2000).

Most companies operate at a 3 to 4 Sigma Level that equates to 66,807 defects per million for Level 3 and 6210 defects per million for Level 4. The cost of defects is roughly 20 to 30% of revenues for 3 to 4 Sigma. With Six Sigma approaching, there are fewer than 1 defect per 3 million opportunities and the cost of quality drops to less than 1 percent of sales. Other organizations may accept lower margins of error. The focus is not so much on the number of defects per million opportunities as it is on a systematic road map to reduce variability in a process. Six Sigma focuses on the process that creates or eliminates defects rather than the defects themselves, though defects typically decrease as the process improves.

THE PROCESS TO “ACHIEVE 100% COMPLIANCE” IS THE TRUE GOAL

Most companies who have worked diligently to achieve 100% compliance or other admirable goal such as certification as an ISO Quality Standards company, a Maturity Level of 2 or greater in the Capability Maturity Model, the Malcolm Baldrige Award,

or Six Sigma will tell you that the process of trying to achieve these goals is most important. Focusing on the process to achieve difficult goals will yield many rewards like higher quality products and services, increased customer satisfaction, improved employee morale, improved business processes, policies and procedures, enhanced communication and training strategies, and a more integrated organizational infrastructure and culture. Even if you do not achieve your strategic goals, you should achieve high compliance levels by going through the processes and activities that are necessary to satisfy the stated goals of these programs. For instance, if Six Sigma is your goal and you achieve a compliance level of 90% and cannot just seem to get any higher, your organization will have experienced major changes and improvements that will only benefit your organization as you move forward. Your goal now is not to let your high compliance level slip, or go down.

GETTING TO 100% COMPLIANCE

How close you can get to 100% compliance, or how much variation (achieving 100% compliance means there is no variation) exists in your business processes or published policies and procedures, depends on the following four factors:

1. Nature of your Organization's Business. If your organization is in a business where any error is critical (e.g., nuclear facility, hospital, or airlines), then achieving a compliance range of 99.99966% (i.e., Six Sigma) to 100% should be your goal. If your organization's business is without life or death consequences, then achieving a comfort level of something less than 100% compliance might be satisfactory to management. These organizations can probably tolerate larger "margins of error" in their business processes and published policies and procedures. If lives are at stake, achieving the highest possible compliance is always the goal.
2. Organization's Vision and Mission. Depending on the organization's strategic goals, management may or may not wish to spend the time and money needed to achieve higher levels of compliance or goals like Six Sigma or ISO 9000 Quality Standards. Management may be satisfied with lesser compliance targets like 85% or even 75%. These figures equate to their comfort level. The procedures analyst should work closely with senior management to ensure the vision and mission statements reflect the

company's position on achieving compliance for business processes, policies, and procedures. Management's commitment is critical to the success to the efforts of the Policies and Procedures Department.

3. Content of Policies and Procedures. Depending on the subject matter of a policy or procedure, achieving a compliance level of 100% may not be possible. For instance, if a procedure describes how to process a single form, achieving 100% compliance may be possible because you can potentially control the size and behavior of an audience. If a procedure encompasses a large system, then achieving higher levels of compliance will be more difficult because the size and composition of an audience may not be known. When the total user population is unknown, collecting data for metrics and improvement programs will not be representative of the population.

Users tend to pay more attention to policies and procedures that personally affect their well being like benefits or compensation policies and procedures. Compliance is more likely to be closer to 100% if the content affects the pocketbook of a user. More effort is required for communication and training when the target audiences cannot see a direct benefit.

4. Organization's Receptivity to Change. The receptivity of an organization to change is often overlooked by procedures analysts. Successful implementation of policies and procedures depends on the organization's culture and attitude toward change. With many businesses being "reactive" in their approach to business, their attitude is typically "resistance to change." Guidelines are presented in this book to assist the procedures analyst with activities necessary to reduce the organization's "resistance to change" mentality and put into place business processes and procedures to help the organization evolve into a "forward-thinking" or "proactive" organization. Refer to Chapter 13, "*Preparing an Organization to be Receptive to Change*," for further discussion on these topics.

► If 100% compliance becomes a reality, then the goal is to maintain that level! Often the excitement of reaching a goal quickly wanes and when measurements are taken a second time, the compliance percentage drops off. Unfortunately, this happens

frequently with those organizations that have achieved certification under ISO Quality Standards or the Capability Maturity Model (CMM). There is a strong momentum to achieve these victories the first time but it can become tedious and boring to keep up with the same level of effort to maintain the current status. The organization must find ways to keep the momentum flowing. The procedures analyst can play an important role by assisting senior management with these efforts. If the procedures analyst is not already involved, he can ask to be assigned to this company initiative.

RESISTANCE TO CHANGE MENTALITY

Procedures analysts and management often complain that **people resist change** and that it is difficult to implement a policies and procedures infrastructure. Unfortunately, these people rarely see themselves that way. Often, they see themselves as open and ready to accept new challenges and opportunities. From a systems viewpoint, it is often the organization's infrastructure, and not its people, which is rigid and inflexible, often leading to angry and frustrated employees. If people cannot approach problems, talk openly, or give opinions, then this prevailing attitude can cause withdrawal and people who do not care. The clearer the tie between what an organization is doing and their results, the more energy, commitment, and excitement they will generate during a change process. If the tie to results is fuzzy, the organization's strategic goals will eventually meet with resistance, apathy, or total ignorance. As a procedures analyst, your goal should be to start and end every effort at change with communication about performance improvement (refer to Chapter 4, "*Establishing a Communication Strategy*"). This message about performance improvement should include the importance of the change and how it impacts the bottom-line of the organization, i.e., profits, sales, revenues. The message could also include how the change affects productivity, quality, and even the employee's quality of life. This tie to results will ensure stronger commitment and participation when changes do occur.

When managers **misunderstand** what change requires, they issue edicts, make bold cuts, and provide new marching orders for people to follow. These managers believe that their actions will produce change. Very often, change is only superficial, temporary, or imagined. Real change requires dramatic, committed, and insightful leadership. Change is easier to accomplish when people are working with you to make it happen than when they are resisting change. Management must understand that it takes teamwork and working with employees to ensure any change is a smooth process. The procedures analyst knows this well: *He elicits the cooperation of employees, management, and*

sponsors early in the process of developing and coordinating business processes, policies, and procedures (refer to Chapter 2, “*Writing Effective Policies and Procedures*”). This early buy-in to the new or revised business processes, policies, or procedures will prove helpful in achieving compliance.

Leaders should focus on understanding the business processes that slow or diminish change. Encouraging people to try harder, to become more committed, and to be more passionate, does not have a lasting effect. Sustaining change requires understanding and reinforcing growth processes and addressing the limits that keep change from occurring. Change cannot happen abruptly — people do not like to be suddenly faced with change. Change has to be continuous, slow, incremental, and closely monitored. This new content cannot be perceived as a threat to their culture, or environment in any way. The ironic truth is that the faster and more thoughtlessly people jump at change, the more carelessly they treat its effects, and the less flexible they become.

Change happens to all of us and to our organizations as well. Most of the time, however, we manage as if change has not happened or does not matter. We keep doing the same things we did yesterday, and when changes occur that force deviations from what we expect, we try to force situations back into their old patterns again. We have a hard time admitting that change has happened and that it matters. If we acknowledge that change matters, it means we have to change the way we do things, or the way we think about things, which can be difficult.

Today, virtually every firm has an improvement process under way. The efforts vary in concept, direction, intensity, and reward, but they are focused on achieving better performance. Organizations are chasing lower costs, higher quality, better service, higher levels of customer satisfaction, lower inventories, shorter cycle times, or some combination of these elements of business.

The companies that succeed will be those that **anticipate change** and develop strategies in advance.

Change is inevitable as we are fast becoming a global marketplace. Technological change has continued to accelerate. Competition has increased and intensified. Companies now compete on global markets against global competitors. Customer expectations are rising. Attitudes and values are changing. Most importantly, our minds are changing, stretching

to comprehend and cope with the implications of a world economy undergoing truly revolutionary change. As organizations fight to become recognized in their industry and strive to become number one, competition grows more intense. Continual change is needed to stay even or get ahead of the competition. Organizations need to recognize that “continual change” is here to stay and management must persistently work toward building a new mind-set open to accepting change. Organizations need to think and redesign their business processes and the manner in which they carry out their business. Benefits of improved business processes, policies, and procedures have moved beyond operational and tactical effectiveness to strategic effectiveness and positioning.

The companies that succeed will be those that anticipate change and develop strategies in advance. This puts a premium on certain qualities of an organization like adaptability, flexibility, responsiveness, decisiveness, and speed. Organizations have no choice but to be anticipators and managers of change. Organizations can increase their flexibility and ability to anticipate change in a number of different ways. The development of effective core resources — financial, technological competencies, people, and so on strengthen the capacity of an organization to face new challenges. When executives talk about organizations, they frequently focus on the elements of organizational design, or the formal structures and systems that they develop to execute strategies. What has become clear is that organizational architecture can be a source of competitive advantage to the extent that it motivates, facilitates, or enables individuals and groups to interact more effectively with customers, work, and each other. The forces that are causing the rethinking of organizational architecture have become fairly evident: *Increasing competition, massive social and technological change, increasing government participation in economic affairs, and the evolution of global markets and thus global competition. Perhaps most important, the rate of change is increasing.* Organizations, therefore, need to increase their capacity to deal with uncertainty.

VALUE OF ORGANIZATIONS THAT ARE RECEPTIVE TO CHANGE

As organizations realize the value of creating a company that is receptive to change, changes that are made will have a higher chance of acceptance. As policies and procedures are written, published, communicated, trained, and deployed, they will be more readily accepted if the impact on the company’s culture is kept in mind. If the organization has been conditioned to learn and to accept change, the likelihood of better-than-average compliance will increase.

The **best change processes** are those that people invent for themselves.

The current approach to disseminating policies and procedures typically combines teaching with coercion, even though we would like to call it participative change. Self-initiated change based on real participation is something else entirely: *It is change from within*. This is why published policies and procedures do not always work. They are changed from outside: *It is somebody else's idea of how change should happen, or how change should feel*. If people are told to follow blindly simply because a policy or procedure has been approved, published, and distributed, this would be a mistake. Policies and procedures must be properly coordinated with process owners, users, and management before even thinking about publication and compliance reviews. People must be involved in the analysis and research phases when business processes are being studied to be truly participative. People usually do not oppose the content of proposed change, but it is the method by which the policies and procedures are disseminated, that tends to upset them. There have been many great business processes, policies, and procedures that failed at the onset because of an inadequate or nonexistent early coordination and deployment process that is unplanned.

This need for organizations to change should not be confused with actual change. Actual change takes real participation, emotion, and understanding. Change is more than training, slogans, creating a cross-functional team, or establishing a quality assurance department. Change is a new way of looking at the world. There is a big difference between a self-initiated change and change that comes at people from a training class, an email, or a voice mail message broadcast.

Continuous quality improvement is not a linear process, but a cyclical process for achieving optimal performance and customer satisfaction (Harry, 2000).

Written policies and procedures are the direct result of a change in one or more business processes. Whether the change is a new process being deployed, a change in technologies, a revised form, or a simple paragraph change, the same steps used to

create, publish, train, communicate, measure, report, and improve compliance of policies and procedures will be used. As this cycle continues and improvement activities are continuously implemented, the number of users complying with policies and procedures increases. Ideally, each incremental change will result in a higher compliance level. Continuous quality improvement is not a linear process, but a cyclical process for achieving optimal performance and customer satisfaction. Policies and procedures tell people that they need to change.

This book is based on the premise that the procedures analyst has written effective policies and procedures that can be measured and improved. Step-by-step guidelines are provided for writing effective policies and procedures for achieving 100% compliance and for ensuring continuous improvement profitability. Complete details for setting up a system of policies and procedures are contained in my earlier book, *“Establishing a System of Policies and Procedures.”* Both books, this one and my earlier book about setting up a system of policies and procedures, are necessary to develop the framework for the policies and procedures infrastructure as well as ensuring that efforts are directed to ensuring that published policies and procedures are accepted by all the users.

Each of the 14 chapters of this book focus on achieving 100% compliance of policies and procedures through the following four themes and principles:

1. **Writing effective and well-coordinated policies and procedures that can be measured.** If the policies and procedures are designed and coordinated correctly the first time, there is a high probability that the first time compliance is measured, the policies and procedures will be at a compliance level that is acceptable by management.
2. **Focusing on the cyclical nature of continuous quality improvement.** Conducting continuous improvement activities is another major goal of this book. There are a variety of reasons that policies and procedures change. The procedures analyst must be alert to these changes in order to provide updates to policies and procedures as quickly as possible to ensure managers can make timely and appropriate decisions.
3. **Providing ongoing communication and training strategies.** A central theme in this book is to methodically and repeatedly seek out improvements and to promote current policies and procedures. Instead of communicating and

training a topic only once, additional efforts need to be taken to ensure the topic is put before the users in the form of regular communications throughout the life cycle of the policy or procedure.

4. **Preparing an organization to be receptive to change.** The organization's culture and environment are often overlooked by procedures analysts and by strategic planners. The procedures analyst must develop a strong relationship with senior management to ensure they remain committed to the policies and procedures infrastructure. The procedures analyst must be closely involved with the culture, people, and environment of the organization to ensure that any change is positively received. Refer to Chapter 13, "*Preparing an Organization to be Receptive to Change*," for a complete discussion of this subject.

PLAN OF THE BOOK

This book is grouped into three parts for a total of 14 chapters: (1) Developing a Policies and Procedures Infrastructure; (2) Designing and Carrying out a Compliance Plan; and (3) Incorporating Improvements and Achieving Cost Savings. Each part builds on the previous one. First, the policies and procedures are written, implemented, communicated, and trained. A review plan is established that helps you to monitor external and internal changes that might affect the content of business processes, policies, and procedures. Next, the content of the policies and procedures is checked, measured, and audited. Quality tools and statistics are introduced to assist you develop metrics. And finally, profitable improvement activities are accomplished, and the cycle repeats itself. The cycle continues as policies and procedures are revised, published, communicated, trained, measured, and improved. Two chapters are added to this third part that focus on a "proactive" organization and the future of procedures analysts.

Each chapter contains relevant references. Flow charts, procedures, diagrams, tables, figures, and forms are placed along with the relevant text within each chapter. At the end of each chapter there are four important sections to assist you with learning the information within each chapter including (1) A checklist for change, (2) Applying what you have learned, (3) Achieve 100% compliance, and (4) References. At the end of the book, there are three appendices, a glossary of terms, and an index.

A case study presented in Chapter 3, "*Focusing on a Case Study to Apply the Principles*

of this Book,” is used throughout the book as the main example to explain the fundamentals of achieving 100% compliance. The case study and its components (a procedure and flow chart) are referenced in nearly every chapter. In Chapter 11, “*Conducting Profitable Continuous Improvement Activities,*” the case study is revised based on the recommendations presented in this book. In Chapter 12, “*Saving \$1 Million with Cost Benefit Analyses,*” time and cost studies are explained in detail to illustrate how major labor and material savings can be achieved through improvements. The book is structured so that each chapter builds on what you have learned in the preceding one. In Chapter 14, “*Looking to the Future,*” the procedures analyst is shown how to do an assessment of his career and of his skills and competencies as they relate policies and procedures’ disciplines.

PART ONE

Developing a Policies and Procedures Infrastructure

- CHAPTER 1.** Using a “Policies and Procedures Improvement Cycle” (PPIC) as the basis for achieving 100% compliance of business processes, and published policies and procedures. Deming’s Plan-Do-Check-Act (PDCA) Cycle is used as the basis for this cycle.
- CHAPTER 2.** Importance of writing effective and well-structured policies and procedures that can be measured and improved. A 40-step process is presented to show the steps needed to coordinate, design, write, and publish policies and procedures. A standard writing format is recommended for the structure of all policies and procedures with an organization. The concept of a baseline is addressed.
- CHAPTER 3.** A case study is presented that is used in nearly every chapter to illustrate the principles and themes of this book. A flow chart and procedure based on the case study are presented and become “working” examples for each chapter.
- CHAPTER 4.** Importance of establishing a continuous communication strategy that the procedures analyst can use when disseminating published policies and procedures. Examples are presented for designing and implementing continuous communications to ensure the audiences

are continually reminded to refer to and use the business processes and published policies and procedures. Twenty communication methods are presented and compared.

CHAPTER 5. Development of an effective training strategy for teaching users within target audiences. The difference between learning and training is discussed. The importance of mentoring and coaching employees is introduced as a necessary supplement to training to ensure learning takes place. Nine training methods and techniques are presented.

CHAPTER 6. Using a review and communication control plan to monitor new laws, tax changes, organizational changes, communication and training strategies as an effort to ensure procedures analysts keep current with company events, both internal and external.

PART TWO

Designing and Carrying out a Compliance Plan

CHAPTER 7. Development of a compliance plan to use checklists, check sheets, scatter diagrams, run charts, control charts, histograms, Pareto charts, and systems audits to measure the compliance and stability of business processes, policies, and procedures.

CHAPTER 8. Development of a “Self-Assessment Checklist” for audiences to “self-inspect” their work when doing business processes, policies, and procedures.

CHAPTER 9. Selecting and designing appropriate continuous improvement tools (also called “quality tools”) to measure business processes and published policies and procedures. Five examples of quality tools are used to illustrate the information presented in the case study. This information is used in Chapters 11 and 12 to show how improvements are actually made.

CHAPTER 10. Designing and doing systems audits to identify system failures and

operating deficiencies in business processes, policies and procedures. A questionnaire is presented that asks pertinent questions about the case study. These audits are also used to support the conclusions of the other compliance methods.

PART THREE

Incorporating Improvements and Achieving Cost Savings

- CHAPTER 11.** Findings from plans that were developed in earlier chapters are referenced and discussed to develop an improvement plan and establish a cross-functional team to study the results and responses from target audiences. Streamlining methods are presented that are used to make improvements to business processes and published policies and procedures. Solutions are reviewed and an idea is formed that results in the case study being re-engineered; a new flow chart and procedure are presented.
- CHAPTER 12.** Cost benefit analyses are used to show how significant cost savings can be achieved through improvements to policies and procedures. A cost comparison of the original procedure (i.e., in the case study) and the new, re-engineered, procedure is illustrated. The results of the cost comparison are explained with possible ways to use and present the information to management.
- CHAPTER 13.** Building a “proactive” organization to be receptive to change and continue to evolve. Guidelines for the procedures analyst for assisting senior management evolve toward or become a “proactive” organization are presented. Twelve ideal goals for a model “proactive” organization are presented as a starting point for management to establish a similar set of goals. The goals represent the minimum goals for senior management.
- CHAPTER 14.** Examining a career path for the procedures analyst. He is shown how to take an assessment of his core competencies and skills; he is also shown additional activities he could be doing to become the best procedures analyst in his company and industry.

AUDIENCE

This book is aimed at business professionals who are responsible for writing, coordinating, publishing, communicating, measuring, auditing, and improving policies and procedures for their department or organization. This book is useful to employees at any level including managers, supervisors, team leaders, team members, and areas responsible for administration, human resources, forms management, quality assurance, quality control, information technology, web technology, finance, accounting, auditing, documentation, or technical writing. Employee involvement could be in the form of analysis, research, writing, coordination, approvals, publication, communications, training, measurements and data collection, or cost benefit analyses. Employees may also be called to attend or participate in events that involve business processes, policies, and procedures including team meetings, department meetings, company meetings, interviews, surveys, quality reviews, presentations, and so on.

THE INFLUENCE OF “Establishing a System of Policies and Procedures”

This book on “Compliance and policies and procedures” would have been difficult to write without my first two books on the subject of setting up a system of policies and procedures. My first book, *“Business Policies and Procedures Handbook,”* addressed setting up a system of policies and procedures for printed manuals; it was written in 1984. My second book, *“Establishing a System of Policies and Procedures,”* written in 1998 replaced my first book. This second book includes sections on writing policies and procedures for a network and the Intranet — it is still current and provides the building blocks, or framework, for developing a policies and procedures infrastructure.

This third book is a continuation of the second book as it provides guidelines for achieving 100% compliance by minimizing variation, improving quality, and assuring business processes, policies, and procedures are cost effective. This book does **NOT** replace the second book. This third book is a “how-to” book for measuring business processes and published policies and procedures, ensuring variation is minimized, enhancing quality, reducing cycle time and cost, and achieving 100% compliance. Each chapter is based on practical, proven guidelines and examples from a "real life" case study to provide new insights and show you how to make better decisions.

Build the framework, measure it, make improvements, achieve comprehension and compliance, and help your organization **evolve into a proactive organization!**

➤ This book is a **must-read** and is an **ADDITION** to my book, "*Establishing a System of Policies and Procedures*," that focuses on building a framework. This new book focuses on metrics, quality tools, audits, continuous improvements, communications, training, mentoring, and cost benefit analyses. These are areas often overlooked by procedures analysts. This book has been written to help the procedures analyst improve his core competencies and skills in these areas.

TERMS FREQUENTLY USED IN THIS BOOK (refer to Glossary of Terms)

Business Process. A process is a structured, measured set of activities designed to produce a specified output for a particular customer or market. A process places a strong emphasis on *how* work is done within an organization. A business process does not always result in a written policy or procedure. There are hundreds of "unwritten" business processes like contacting a computer help desk, using a FAX machine, contacting the benefits or payroll department for assistance, or making complaints to a healthcare provider, that have yet to be converted to procedures.

Policy. A policy is a general strategy or guideline and a predetermined course of action established as a guide toward accepted business strategies and objectives. Policies create expectations and guides for action. In most organizations, the policy document will provide the general guidelines for procedures and work instructions.

Procedure. A procedure is a plan of action for achieving a policy; it provides the instructions needed to carry out a policy statement. Procedures provide the means by which the actions (provided by a policy) can be carried out by management and by employees. A procedure is always the result of one or more business processes.

Continuous Improvement Tools (also quality tools). Continuous improvement tools refer to charts, diagrams, matrixes, presentation techniques, or other methods used to measure the compliance of policies and procedures. These tools help the procedures

analyst to begin or sustain any quality improvement effort.

Procedures Analyst. The term *procedures analyst* is used to represent that person or group of persons responsible either for coordinating the efforts needed to establish a policies and procedures infrastructure or for researching, writing, coordination, publishing, implementing, communications, training, doing compliance activities, auditing, and conducting continuous improvement activities. In some cases, the term, “Policies and Procedures Department,” will be used to refer to the functional area where the procedures analyst works.

He. The traditional, “He,” will be used because it is generally accepted in literature. Every attempt will be made to use gender-free terms, instead of a gender term. Rather than using, “He fills in the purchase requisition . . . ,” a sentence with a gender-free term could read, “Employees complete purchase requisitions . . . ” While I prefer, “He or She,” the traditional “He,” will be used instead.

Policies and Procedures Infrastructure. A framework that refers to a system of resources, people, facilities, documents, equipment, hardware, software, training, forms, reports, tools, and anything needed to ensure the successful operation of a policies and procedures system in an organization.

Compliance. Compliance is defined as conforming or adapting to a rule. From this definition, compliance is assumed to be 100% of an effort. Total compliance is defined as 100% of an activity; or when compliance is 100%, each individual identified in a target audience complies with an activity. Compliance can also be loosely defined as achieving a “comfort level,” or a stable process, within a predefined margin of error.

Variation. Variation is the extent to which things vary from one to the next. A primary goal of statistical process control (SPC) is to reduce variation in inputs, methods, and outputs. The measurement of variation is a critical component of control charts.

Target Audiences. Loosely defined as the users of a system. Users could be defined as employees, customers, suppliers, or any group which uses a process, policy, or procedure or is impacted by these documents. The word *target* is used because the term *audiences* could refer to one, two, or more groups of employees, or all employees. If users of a new purchasing system were only buyers within a Purchasing Department, then they would be considered a target audience. If a procedure can be used by all

employees, then a specific audience would not be targeted, rather the audience in the policy or procedure would be referred to as, “All employees affected.”

Life Cycle. Life cycle is a term used to describe how long a policy or procedure remains active and in use by audiences. The cycle extends from initiation to approval to publication to communication, training, measurement, improvement, revision, and so on, until the policy or procedure becomes obsolete. This means that the job of the procedures analyst does not stop after the policies and procedures are published and implemented. The procedures analyst must continue to monitor all business processes, policies, and procedures until they are permanently removed from the policies or procedures infrastructure.

ACKNOWLEDGMENTS

This book could never have been written without the experience I gained from the many multinational companies for which I have worked during the past 30 years, both in a full-time capacity and in a consulting role. I have held managerial and non-managerial positions and have been involved with all phases of researching, coordinating, writing, publishing, communicating, training, measuring, auditing, and improving business processes and policies and procedures. I also had the pleasure of helping other teams, departments, and divisions incorporate new or revised business processes and policies and procedures. As this experience of developing and designing policies and procedures infrastructures was repeated, my techniques became more refined. I have used this knowledge of policies and procedures in writing this book. In looking back at my career, I think that the varied assignments (e.g., projects, company initiatives, implementing new systems) I worked on helped me write this book. In addition to my policies and procedures experience, some of these projects included Total Quality Management (TQM), ISO 9000 Quality Standards, Capability Maturity Model (CMM), the Malcolm Baldrige Award, Six Sigma, Statistical Process Control (SPC), Value Engineering, Software Life Cycle, Quality Circles, and the study material used to achieve certification in one quality association, one records association, and one forms association.

The two jobs that contributed most to my career and to the writing of this book included a position of ten years as Policy Development Manager at Datatape, a division of Eastman Kodak, in Pasadena, California and a position as a Quality Analyst at Qwest Communications in Dublin, Ohio. I had excellent managers for both of these jobs. They permitted me to participate in various associations, attend seminars, read books to

improve my job skills, and transfer my knowledge to other employees and departments, through training and mentoring roles.

I wish to thank James Maxwell, Supplier Manager - Systems Purchasing, of Mettler Toledo, Inc., in Worthington, Ohio for his advice and expertise on purchasing matters. This company is the world's largest Marketer of weighing instruments of use in laboratory, industrial, and food retailing applications. James has more than 39 years of experience in the purchasing field. The case study selected for this book is about purchasing activities and James was gracious to help edit the two flow charts and two procedures in Chapters 3 and 11.

He spent many hours of his own time editing the procedures and he permitted me to conduct several interviews with him and his staff. He helped me find alternate solutions to the labor, intensive *Purchasing System* process selected for the first case study. The solution selected to significantly improve this *Purchasing System* was a *Purchase Card System*, i.e., second cast study. You will find that this solution is the correct choice after you read this book as the first case study is transformed into this choice in Chapter 11, "*Conducting Profitable Continuous Improvement Activities.*"

James provided the actual procedure used at Mettler Toledo for "Purchase Cards"(the primary exception was the dollar amount for the purchase cards: *Mettler Toledo used \$25,000 and I used \$500.00*). Most of the content of the Mettler Toledo "Purchase Card" procedure was incorporated into the *Purchase Card System* procedure referenced in Chapter 11, "*Conducting Profitable Continuous Improvement Activities.*"

I owe special thanks to my daughter, Lisa, for editing this book. She took time away from her busy schedule to read my book. She also assisted me with the design of the book cover.

I sincerely thank my wife and family for allowing me to spend countless days, nights, and weekends to write, publish, and advertise this book.

Part One

Developing a Policies and Procedures Infrastructure

Part One contains six chapters which start with an overview of continuous quality improvement and continue with guidelines for writing effective policies and procedures that can be measured. A case study is presented which will be used as a major example in most of the chapters in the book. Effective methods for communicating and training published policies and procedures are presented. The last chapter introduces a method by which the procedures analyst can monitor potential changes in an organization to anticipate changes to business processes, policies, and procedures.

Chapter 1

Introducing the Policies and Procedures Improvement Cycle

Continuous quality improvement is a major principle and theme of this book. Change is continuous, and as shown in Figure 1-1 below, the process to achieve continuous quality improvement is iterative, or repetitive. Achieving 100% compliance of policies and procedures does not happen the first time a policy or procedure is published; it takes a plan of action to coordinate the processes and activities necessary to set the stage for achieving the ambitious goal of achieving 100% compliance. Major changes are possible with re-engineering projects, but incremental changes are the norm. Ideally, each change is added to the previous change with the goal of improving the business process, policy, or procedure. This change process begins when a problem, issue, or concern is identified. The problem is analyzed and researched. The solution is selected and transformed into a draft policy or procedure that is coordinated, approved, published, and communicated. The published policy or procedure is measured and audited and the findings are reviewed, reported, and any improvements are incorporated in the business process, policy, or procedure.

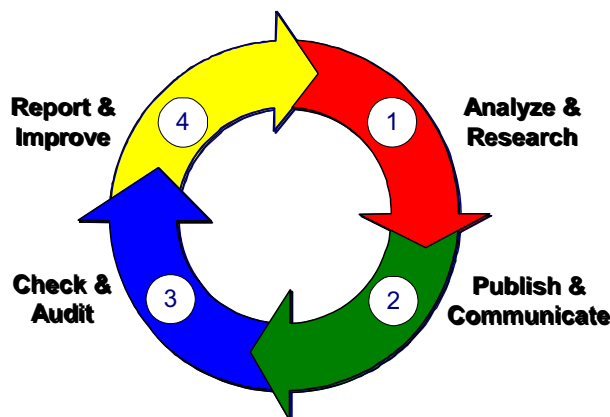


FIGURE 1-1: *Policies and Procedures Improvement Cycle (PPIC)*

This iterative process as illustrated in Figure 1-1 above, is referred to as the “Policies and Procedures Improvement Cycle” (PPIC). The PPIC is a four-phase process that takes you from Phase 1, “Analyze & Research,” through Phase 4, “Report & Improve” each time a change is considered. This cycle is the basis for this book and is founded on solid quality principles. The “Policies and Procedures Improvement Cycle” (PPIC) is tailored after quality expert, [Dr. W. Edwards Deming’s](#) “Plan-Do-Check-Act (PDCA)” Cycle. Both cycles have four phases, run clockwise, and are iterative. The PDCA Cycle was originally developed in the 1930s by quality expert, Walter Shewart. The cycle was later pioneered by Deming where the PDCA Cycle became known as the “Deming Wheel” as illustrated Figure 1-2.



Figure 1-2: *Deming Wheel*

The *Deming Wheel* was designed to be used in a team environment to tackle problems and find solutions. This cycle has traditionally been used as a systematic method for solving problems and improving business processes that can be repeated on different problems or opportunities. Deming emphasized that changing systems alone do not assure continuing improvements unless there is continuous training and education commitment to all employees. The PDCA problem-solving technique has been used by hundreds of thousands of companies when planning, implementing, checking compliance, and making improvements to problems, issues, or concerns.

The **PDCA Cycle** can be used by a team to find a solution to a problem. The PPIC can be used to turn a solution into a policy or procedure.

The PDCA Cycle was selected as the underlying framework for the PPIC because the phases are similar in content and goals. The primary difference is the resulting application of the cycle. The PDCA Cycle is used in team problem-solving sessions and the PPIC can be applied to any business process, policy, and procedure regardless of

size or complexity. Both the PDCA Cycle and the PPIC start from some kind of problem, issue, or concern. In Table 1-1, the four phases of both PDCA and PPIC are compared.

TABLE 1-1: *Phase Comparison of PDCA and PPIC*

PHASE	PDCA CYCLE	PPIC
1	PLAN	Analyze and Research
2	DO	Publish and Communicate
3	CHECK	Check and Audit
4	ACT	Report and Improve

Writing effective policies and procedures requires solid problem-solving skills. Problems are turned into solutions; solutions are transformed into policies and procedures; policies and procedures are published, communicated, trained, measured, and improved, and the process begins again, hence the cycle. The comparison of the two cycles becomes clear when you review the details of each cycle in Table 1-2.

TABLE 1-2: *Detailed Comparison of PDCA and PPIC*

PDCA	PPIC	
<p>PLAN Identify and Analyze Problem</p>	Analyze & Research	
	1	Identify the business processes that impact the problem and select one or more processes for analysis and research.
	2	Define the problem and develop objectives.
	3	List the steps in the processes as they now exist.
	4	Identify possible causes of the problems or issues.
	5	Collect and analyze data related to the problems or issues.
	6	Review current flow charts, or create new flow charts of the work flow.

	7	Verify or revise the original problem statement.
	8	Identify root causes of the problem using a cause-and-effect diagram or a Pareto analysis.

<p style="text-align: center;"><u>DO</u> Develop Solutions and Implement Plan</p>	Publish & Communicate	
	9	Set measurable goals for the problem solving effort.
	10	Establish a process for coordinating with and gaining the approval of senior management.
	11	Establish criteria for selecting a solution.
	12	Generate possible solutions that will address the root causes of the problem.
	13	Do cost benefit analyses of the possible solutions.
	14	Select a solution based on the results of the cost benefit analyses.
	15	Gain approval and support for the selected solution.
	16	Plan and implement the solution through published policies and procedures.
	17	Communicate and train the information contained in the published policies and procedures.

<p style="text-align: center;"><u>CHECK</u> Evaluate the Results</p>	Check & Audit	
	18	Design appropriate metrics to measure the compliance of published policies and procedures.
	19	Gather data from logs, forms, reports, and other documents used to implement and monitor published policies and procedures.

	20	Analyze the data using continuous improvement tools to analyze a business process before and after a solution is selected.
	21	Continuously monitor the performance of the business process after the improvement is in place.
	22	Check progress frequently with customers.
	23	Prepare findings in a formal report for submission to management.

Was your Goal achieved?

If Yes, go to the ACT (Report & Improve) phase

If No, return to the PLAN (Analyze & Research) phase

ACT Use Feedback to Improve and to Replan	Report & Improve	
	24	Conduct cost benefit analyses and prepare findings in a report.
	25	Submit reports to management and obtain approvals for incorporation of changes.
	26	Adopt a solution, implement changes to business processes, policies, or procedures, and execute communication and training strategies.
	27	Plan ongoing monitoring of the published policies and procedures and continue to look for incremental improvements.


PPIC: A GLOBAL USE OF PDCA

The four phases of the PPIC are a global use of the PDCA Cycle. In the “*PLAN*” (Analyze & Research) phase, the scope and objectives are defined. The new process (or revision of a current process) is thoroughly analyzed and researched and a Pareto analysis is used to prioritize the main solutions to the problem or new process. In the “*DO*” (Publish & Communicate) phase, the business processes are transformed into

published policies and procedures using a standardized writing format. The policies and procedures are communicated and trained as they are deployed. In the “*CHECK*” (Check & Audit) phase, data is gathered for self-assessment checklists, continuous improvement tools, and systems audits. In the “*ACT*” (Report & Improve) phase, the results of the “*CHECK*” phase are coordinated with policy and procedure teams that are focused on making improvements to current business processes, policies, and procedures. The approved changes are incorporated into the policies and procedures infrastructure as new or revised policies and procedures. The cycle continues clockwise to the first phase again. Both the PDCA Cycle and the PPIC are continuous processes and should be viewed as continuous or cyclical. For the PDCA Cycle, the team needs to set goals to measure success; otherwise, the team may feel like the problem is not being solved. For the PPIC, the process is truly iterative. Management must set strategic goals to improve business processes continuously, policies, and procedures for an organization to remain competitive. Each phase of the PPIC is listed and compared to chapter titles in Table 1-3 below.

TABLE 1-3: *Chapter Titles and PPIC Phases*

PPIC PHASE	CH.	CHAPTER TITLE
ANALYZE & RESEARCH	2	Writing Effective Policies and Procedures
	3	Focusing on a Case Study to Apply the Principles of this Book
PUBLISH & COMMUNICATE	4	Establishing a Communication Strategy
	5	Developing an Effective Training Strategy
CHECK & AUDIT	6	Creating a Review and Communication Control Plan
	7	Establishing a Compliance Plan
	8	Developing Self-Assessment Checklists
	9	Using Continuous Improvement Tools to Measure Compliance


	10	Conducting Systems Audits
 REPORT & IMPROVE	11	Conducting Profitable Continuous Improvement Activities
	12	Saving \$1 Million with Cost Benefit Analyses
	13	Preparing an Organization to be Receptive to Change
	14	Looking to the Future


The “Introduction” provided important information about achieving 100% compliance, change processes, resistance to change, and the value of an organization that is receptive to change. Each chapter in this book brings you one step closer to achieving 100% compliance to policies and procedures. You can think of each chapter topic as adding one building block to the strategic plan of achieving 100% compliance to published policies and procedures.


CHECKLIST FOR CHANGE:

The concept of a “Policies and Procedures Improvement Cycle” (PPIC) is introduced for the continuous improvement of business processes and published policies and procedures.

The “Plan-Do-Check-Act” (PDCA) Cycle is a problem solving technique that is generally used to resolve problems, issues, or concerns. The PDCA Cycle can also be used as the first step of the PPIC.

 The “Policies and Procedures Improvement Cycle” (PPIC) is a global use of the PDCA Cycle as it is applied to writing effective policies and procedures for a policies and procedures infrastructure. The PDCA Cycle can be viewed as the first phase of the PPIC, “Analyze & Research.”

 The PDCA Cycle can be viewed as a part of the “Analyze & Research” Phase of the PPIC. The PDCA Cycle helps to find solutions to problems, issues, or concerns. The PPIC applies the concepts of the PDCA Cycle on a much larger scale than was

 originally intended by quality experts’ Shewhart and Deming.