



The Benefits of Creating Effective Policies & Procedures

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Most businesses, regardless of their size, utilize policies and procedures as part of their organizational structure. The larger the organization, the more important policies and procedures (or P&Ps) tend to be. However, even small firms can benefit by creating well-defined P&Ps, communicating them throughout the organization, and taking steps to make sure they are consistently followed by all employees and stakeholders.

What Exactly are P&Ps?

The terms “policies” and “procedures” are often lumped together, but they’re really two separate things. A policy influences and sets the rules or direction of the company while guiding the decision-making process. It provides an established course of action toward business strategies and objectives. A procedure, meanwhile, is an established formal method of performing a task or series of tasks with a clear understanding of the action required to implement a policy.

Together, policies and procedures enable those who are responsible for completing processes and tasks to perform them consistently and successfully. If you want to grow your business and enable your employees to deliver consistently outstanding and high-value service, you will find tremendous value and benefits in creating and enabling well-defined policies and procedures.

P&Ps are important to companies for many different reasons. For example:

- They are the critical link between a company’s vision and its day-to-day operating environment, allowing management to guide operations without micromanaging.
- They help employees better understand their roles within the organization and what is expected of them in these roles.
- They can help ensure success in the areas of risk management, compliance and internal audit.
- They are useful in organizations that must adhere to strict standards of quality assurance like ISO and AS 9100 certification, OSHA regulations, etc.
- They are helpful in M&A transactions, making it easier for new management to turn around troubled companies.

They’re Worth the Cost

Some have suggested that creating policies and procedures is an unnecessary business cost and that P&Ps are a burden to maintain. However, nothing could be further from the truth. When considering the cost of creating P&Ps, you also have to consider the opportunity cost of *not* writing and maintaining P&Ps. This is sometimes referred to as the cost of poor quality, or COPQ. Several quality gurus have suggested that losses due to COPQ,

inefficiencies and waste can range from 15 percent to 40 percent of total revenue*. In addition to lost revenue due to COPQ, other negative impacts of not having well-defined P&Ps include:

1. More workplace accidents
2. Higher product failure rates
3. Costly overruns
4. Inconsistent job performance and product quality
5. Legal exposure

The fact is, creating and maintaining well-defined P&Ps can help your company meet a wide range of different challenges, such as:

1. Ensuring the consistency of your operating processes.
2. Improving internal controls.
3. Detecting and eliminating fraud.
4. Providing clear direction for individuals' and teams' responsibilities.
5. Ensuring regulatory compliance.

If you want to avoid these and other negative impacts and reap some of the many benefits discussed here, then it would be wise to create written policies and procedures, communicate them to your employees, and make it easy for employees to follow them. Meanwhile, if you already have existing P&Ps, take the time to review and revise them, as necessary, so they're relevant in your current operating environment. An outsourced CFO services provider can help you create and implement new P&Ps or reexamine existing P&Ps and make recommendations for updates and revisions.

Concluding Thoughts

Most businesses utilize policies and procedures as part of their organizational structure. P&Ps enable those who are responsible for completing processes and tasks to perform them consistently and successfully. Creating and maintaining well-defined P&Ps can help your company meet a wide range of different challenges. If you want to grow your business, you will find tremendous value and benefits in creating and enabling well-defined policies and procedures, or reexamining and revising existing P&Ps if you have them in place already.

*Source: What's the Difference Between Policies and Procedures? | Chris Anderson | Bizmanualz
www.bizmanualz.com/write-better-policies/whats-the-difference-between-policies-and-procedures.html*

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