

In June, I had the privilege of speaking to over 100 corporate attorneys and compliance officers in New York City at the Practising Law Institutes' "Corporate Compliance and Ethics Institute 2009." I had the coveted "just after lunch" spot on the program — in a very warm room on the first day of the conference. To make things worse, the topic I was asked to address was optimal design and implementation of corporate policies and procedures. To be honest, I had to make sure I was sufficiently caffeinated to avoid the embarrassment of nodding off during my own presentation.

## Corporate Policies, Procedures and Other Crimes Against Humanity

BY JAMES A. NORTZ

Before those in attendance settled in for their afternoon siesta, I used an audience polling system to find out what the authors of corporate America's policies and procedures thought about their own creations. The results of this impromptu survey confirmed my suspicions that most corporate policies and procedures were not only generally ineffective, but widely viewed — even by those who write and enforce them — as cruel and unusual punishment.

I began by asking the audience whether their company's policies and procedures were a vital part of their organization's compliance program. Ninety percent agreed that this was the case. However, the responses to the questions that followed indicated that, even in some of this country's best run companies, corporate policies and procedures are virtually impossible to find

and generally ineffective in influencing employee behavior. Let me share with you some of the highlights.

### Policy and Procedure Findability

Over 60 percent of respondents indicated that it would take somewhere between a day and "until hell freezes over" for their employees to find the policies and procedures that applied to them.

### Senior Management Engagement

Eighty-three percent said their senior managers have not read all the corporate policies and procedures that apply to them. Seventeen percent said their com-

pany's senior managers have likely never even bothered to look for them.

### Employee Understanding

Only one percent of all employees have read and understand three quarters or more of the policies and procedures that apply to them. Seventy-two percent of all employees have read no more than one in 10 of the policies and procedures that apply to them.

### Corporate Counsel Perceptions of Effectiveness

Twenty-nine percent of the corporate lawyers attending believe policies and procedures are a necessary evil — but believe they are evil. Forty-nine percent believe policies and procedures are not completely worthless in influencing employee behavior, but almost. Eleven percent believe someone desperately

needs to find a cure for corporate "policy diarrhea" — and fast.

Ten percent of those attending voted that they believed corporate policies and procedures "define my purpose in life. They complete me. Please give me more." Psychiatric assistance was offered to these rare birds.

### Policy and Procedure Impact on Daily Operations

Sixty-three percent of respondents indicated that if all their corporation's policies and procedures were to "suddenly disappear," no one would notice. Twenty-eight percent indicated that there would be "jubilation and rejoicing in most corporate locations."

### Cruel and Unusual Punishment

Perhaps most interesting was the response received regarding the way employees feel about reading corporate policies and procedures. Sixty percent of respondents voted that their employees would likely rather submit to a brief but unpleasant "enhanced interrogation technique" than read all of the policies and procedures that apply to them.

For those of us who have worked in corporate America for many years, these results come as no shock. We are painfully aware of the fact that, despite their central importance in corporate governance, most policy regimes are bloated and disorganized piles of largely ignored documents that have very little, if any, relevance to anyone in the corporation — including the senior management team. The question is what to do about it.

For those with the courage and ambition to tilt at this windmill, I recommend the following six steps be taken as a start:

- 1. Gather and kill them by the dozens.** Keep only those policies and procedures essential to run the business



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and show no mercy for those that don't make the grade. Those that don't survive will not be missed.

2. **Remove the idiotic “applies to all employees” clause.** The “applies to all employees” clause is demonstrably false, overbroad and causes much unnecessary misery. It must be replaced with a more precise and sensible applicability clause.
3. **Organize them in a manner that makes them easy to find.** It is vital that you design a system that will allow employees to find the policies that apply to them in 60 seconds or less. Work with your information technology colleagues to figure out a way that employees can go to a computer, type in their location, function (i.e., manufacturing, sales, accounting), indicate from a drop-down menu the kinds of activities they engage in, then

push a button and get a list of the corporate policies and procedures that apply to them. Of course, this will only yield meaningful results if you follow step two above.

4. **Close the barn door.** Don't let any more policies and procedures in unless they meet very strict criteria. This is the cure to policy diarrhea. You must ensure that no additional policies and procedures are added to the collection without high-level approval and a comprehensive implementation and maintenance plan.
5. **Translate them into all necessary languages and provide training.** If you have policies and procedures that are not worth translating into all the languages necessary for employees to read them, and are not worth the trouble of even a basic training program, you've either not defined applicability narrowly

enough or you've just identified another batch for the firing squad.

6. **Audit and monitor compliance.** Add a procedure to your routine compliance auditing and monitoring activities to determine whether the employees you interact with during audits — including those on the senior management team — know which policies and procedures apply to them, and whether they have read them.  
Having done this work before, I can tell you that it is a difficult and thankless task. However, if your company is like most, you may consider fixing your policies and procedures sooner rather than later so that, if for no other reason, you are no longer party to inflicting unnecessary pain on your colleagues. 

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