

BUSINESS **POLICIES** **&** **PROCEDURES** **HANDBOOK**

*How to Create Professional
Policy & Procedure Publications*

*What it takes to turn out well-
written & attractively designed
policies and procedures in
any size organization.*

Stephen Butler Page

STEPHEN BUTLER PAGE

Business Policies and Procedures Handbook

How to Create Professional
Policy and Procedure Publications



Prentice-Hall, Inc., Englewood Cliffs, New Jersey 07632

Library of Congress Cataloging in Publication Data

Page, Stephen Butler.

Business policies and procedures handbook.

"A Spectrum Book."

Bibliography: p.

Includes index.

1. Management—Handbooks, manuals, etc. I. Title.

HD30.33.P33 1983 658.4'012 83-13704

ISBN 0-13-107458-X

ISBN 0-13-107441-5 (pbk.)

© 1984 by Stephen Butler Page

All rights reserved. No part of this book may be reproduced in any form or by any means without permission in writing from the publisher.

A Spectrum Book. Printed in the United States of America.

10 9 8 7 6 5 4 3 2 1

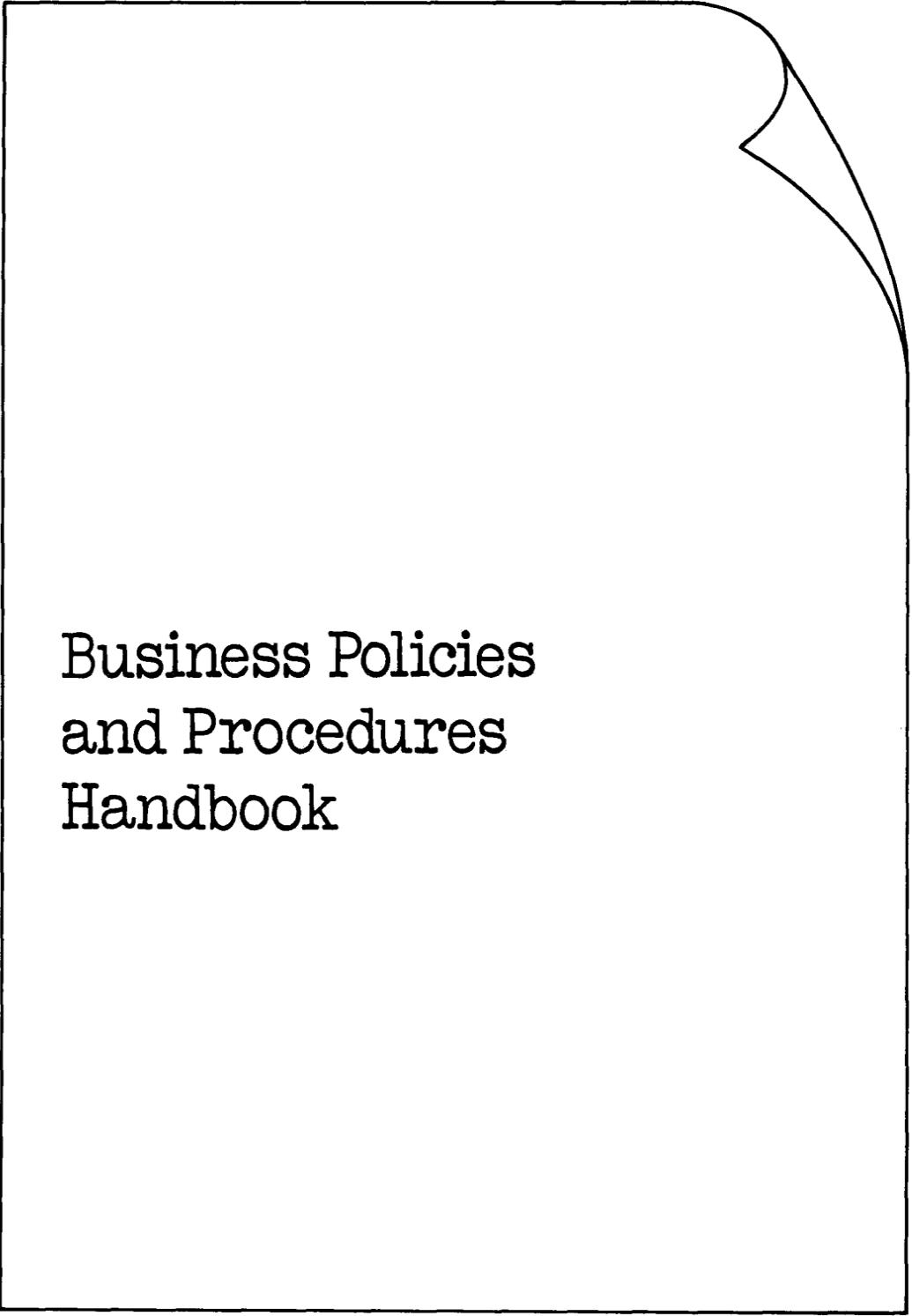
ISBN 0-13-107458-X

ISBN 0-13-107441-5 {PBK.}

Editorial/production supervision
and interior design by Eric Newman
Cover design © 1984 by Jeannette Jacobs
Manufacturing buyer: Cathie Lenard

This book is available at a special discount when ordered in
bulk quantities. Contact Prentice-Hall, Inc., General
Publishing Division, Special Sales, Englewood Cliffs, N.J. 07632.

Prentice-Hall International, Inc., *London*
Prentice-Hall of Australia Pty. Limited, *Sydney*
Prentice-Hall Canada Inc., *Toronto*
Prentice-Hall of India Private Limited, *New Delhi*
Prentice-Hall of Japan, Inc., *Tokyo*
Prentice-Hall of Southeast Asia Pte. Ltd., *Singapore*
Whitehall Books Limited, *Wellington, New Zealand*
Editora Prentice-Hall do Brasil Ltda., *Rio de Janeiro*



Business Policies
and Procedures
Handbook

Stephen Butler Page is manager of policies and procedures at Data Command Systems, a division of Litton International Development Corporation, in California. He has policy and procedure responsibilities for several Litton companies and affiliates, both domestic and foreign. He holds an MBA from UCLA and is an active member of the Association of Records Managers and Administrators (ARMA) and of the Business Forms Management Association (BFMA).

Preface

Policies and procedures are like a road map. The map at a glance shows the general direction in which to travel to reach some destination. The roads on the map provide the precise paths needed to reach a particular destination. If the correct roads are followed, the destination will be reached. In comparison, a policy points out the general direction to go; a procedure provides the methods to follow by which to accomplish the policy.

Few books have been written that deal specifically with policies and procedures. The books that do discuss this subject primarily present definitions of policies and procedures. The authors seem to make the assumption that the readers thoroughly understand the definitions and can make their own examples. The books generally provide interesting philosophy about policies and procedures, but that normally is the extent of it. The material presented is not specific enough for practical application.

It is the intention of this book to provide the guidelines for setting up a successful working system for the establishment and maintenance of a system of written policies and procedures for most kinds of businesses—from two-person partnerships to large conglomerates. The treatment is sufficiently broad to meet the requirements of students, analysts, and managers interested in this critical area of management responsibility. The reader is led from the research stages to the actual writing of the policies or the procedures, to their subsequent review and final approval, to their distribution and implementation, and finally to the revision of approved policies and procedures. A writing format is recommended as the basis for writing policies and procedures. This format, or one similar to it, is intended to be useful to most kinds of

business organizations. Technical appendixes have been included to serve the needs of readers with various objectives.

Writing this book has been a pleasure, a challenge, and a reward. I am forever indebted to my mother, Barbara Page, who, by the very nature of her writing a book, gave me the inspiration to write a book. In the preparation of my book, I owe my thanks and appreciation to the various persons who offered good recommendations for improvements and to the wealth of published material described in the bibliography.

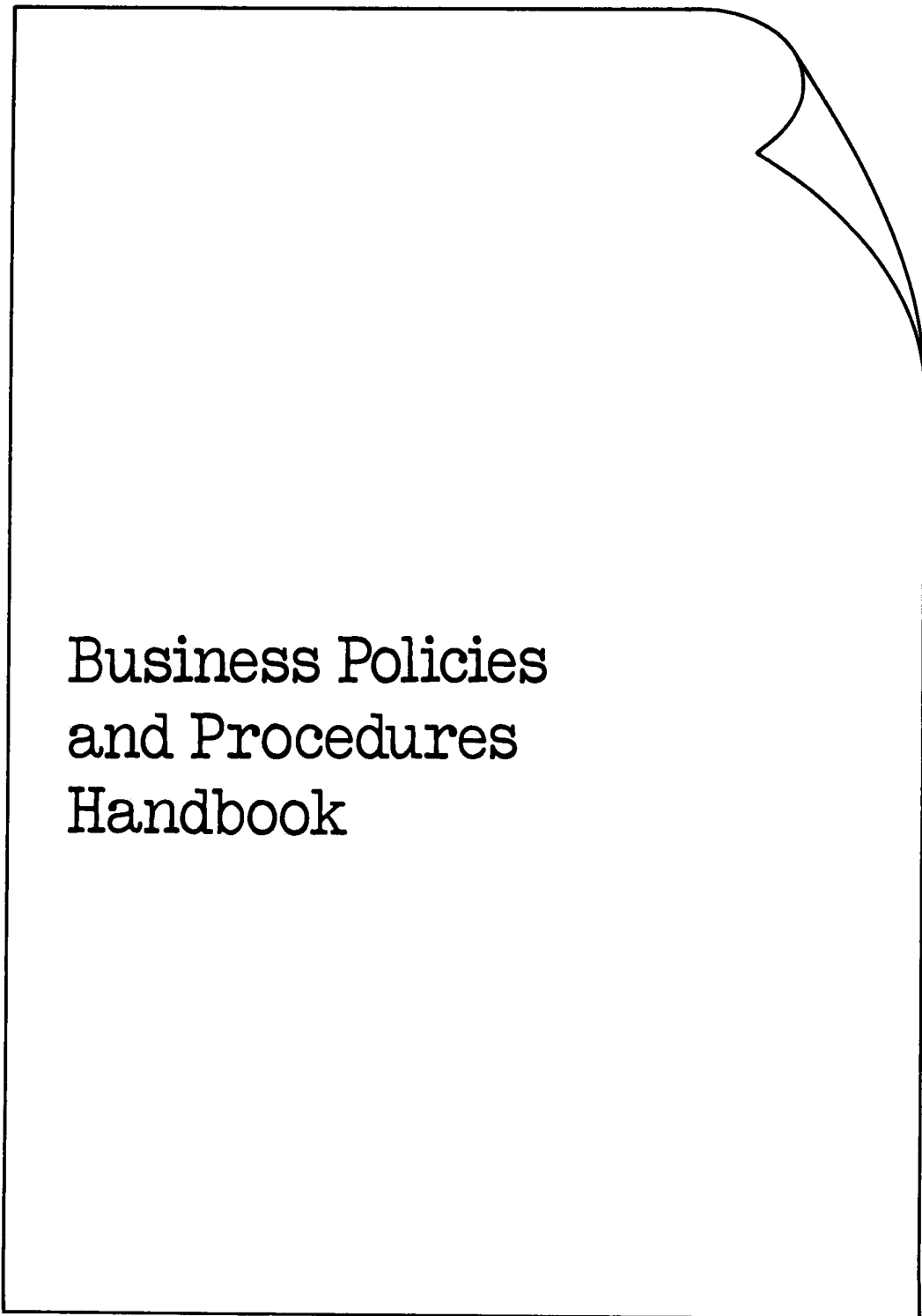
Various suggestions, cautions, and enlightening analyses came during a nonfiction-writing course taught in the extension program at the University of California at Los Angeles (UCLA) during the spring of 1982. I owe special thanks to the time and energy expended evaluating the front matter and selected chapters of the manuscript by the teacher, Ginger Harmon, and her students—Dorothy Baca, Cliff Gewecke, Diane Hilton, Joyce Larsen, Nancy Miller, Barbara Page, and Tom Robischon.

A very special note of gratitude is given to Ralph Lemons, the vice president of finance at Litton Data Command Systems, for providing an atmosphere of positive support. His optimism and encouragement kept my momentum going; his critical analysis and suggestions accounted for many improvements toward the accuracy and completeness of the final manuscript.

I am deeply indebted to John P. Schied, CFC, technical director of the National Business Forms Association and author of *The Business Forms Handbook*, for taking the time to review the chapter on forms management long before the book was published. His enthusiasm and timely suggestions accounted for many improvements toward the accuracy of this chapter.

Special thanks are given to Mary Maurer, Pat Behne, Debby Stelle, and Jacqueline Niewiroski for their assistance. They were invaluable in helping me to complete the original manuscript in a timely manner.

Finally, I am deeply grateful for the patience and understanding of my wife and family during those long months and nights in which I was writing and rewriting the manuscript.



Business Policies and Procedures Handbook

Contents

Preface / xi

Introduction / 1

1.

An Introduction to the
Policies and Procedures Function / 5

2.

An Overview of Research Techniques / 19

3.

An Introduction to Forms Management / 31

4.

Writing Style: Selection of
Suitable Words and Sentences / 52

5.

Writing Format: Development of
a Systematic Method of Writing / 61

6.

Writing, Coordinating,
and Approving the Rough Draft / 77

7.

Dissemination of Approved
Policies and Procedures / 91

8.

Implementation of Approved
Policies and Procedures / 113

9.

Revision of Approved
Policies and Procedures / 133

Bibliography / 147

Appendix A: Internal Control
Policies and Procedures / 151

Appendix B: Sample Topics
for Policies and Procedures / 152

Appendix C: Flow Chart Symbols / 153

Appendix C (continued): Sample Flow Chart / 154–55

Appendix D: Sample Policy / 156

Appendix E: Sample Procedure /	159
Appendix F: Sample Accounting Chapter /	164
Appendix G: Form Sample— Policies and Procedures Coordination Comments /	167
Appendix H: Sample Policies and Procedures Numerical Index /	168
Appendix I: Sample Accounting Numerical Index by Chapter /	169
Appendix J: Sample Policies and Procedures Alphabetical Index /	170
Appendix K: Mailing List /	171
Appendix L: Form Sample— Manual Revision Notice /	172
Appendix M: Sample Revised Policy /	173
Appendix N: Form Sample— Manual Holder Assignment Log /	176
Appendix O: Bulletin /	177
Appendix P: Form Sample— Policies and Procedures Status /	178
Index /	179

Introduction

Policies and procedures play a significant role in a company environment in which employees (all company personnel) make decisions. Policies and procedures provide decision-makers with limits, alternatives, and general guidelines. Written policies and procedures can be important supportive aids when known to express the thinking of the chief executive officer and/or the president and to have his or her full support.

Policies and procedures should be in writing because they help to reduce the range of individual decisions and encourage management by exception; the manager only needs to give special attention to unusual problems, not covered by a specific policy or procedure.¹ As more and more policies and procedures are written to cover recurring situations, managers will begin to make decisions which will be consistent from one functional area to the next.

Understanding the definitions of policies and procedures is a prerequisite to using them properly. Grasping the relationship between a policy, a procedure, and a supplementary procedure is a major step toward managing and/or writing effective policies and procedures for an organization. The definitions are fairly universal whereas the examples presented for a policy, a procedure, or a supplementary procedure will vary extensively depending upon the type of business and its management structure. The main objective for including possible examples is to provide a point of comparison by which the reader may relate to his or her own company situations. Even though the examples may not be applicable to the reader's type of business, the lack

¹Dale Yoder, *Personnel Management and Industrial Relations*, p. 26.

of examples would only cause the reader to guess at the precise meaning of the stated definitions. It is paramount to the reader to begin making comparisons to his or her own company; this early analysis will make it easier to assimilate the methods and techniques presented in this book.

A policy may be defined as a *predetermined course of action established as a guide toward accepted business strategies and objectives*. The policy reflects an overall organizational attitude; it provides a long-range guide for action. An established policy sets limits which management is expected to follow. A policy does not tell a person exactly what to do, but it does point out the direction to go. A policy could apply to anyone who comes into contact with it, for example, employees, customers, suppliers, and visitors of an organization. Examples of policies are listed below:

1. To ensure every product carrying the company name operates well and performs according to specification.
2. To create a general awareness of our products and their benefits.
3. To ensure communication with customers through radio and television is being carried on with a tone of customer appeal, fairness, and a desire to help.
4. To guarantee all company products carry a warranty against defects in labor and in materials.
5. To ensure a consistency of pricing in all retail outlets.
6. To distribute products only to dealers who stock, promote, advertise, and service company products in a manner which the company deems to be in its best interest.
7. To provide customers with dependable service.
8. To adopt the attitude of having the most courteous personnel in the nation.
9. To recruit, interview, and select candidates without regard to age, race, nationality, sex, etc.
10. To maintain a system of policies and procedures as a tool for management.

A procedure may be defined as the *means by which a policy can be accomplished*. The procedure lays out the steps usually followed in performing a recurring type of work. It defines and outlines the rules, the regulations, the required methods, the timing involved, the place, and the personnel responsible for carrying out a policy. A great number of office procedures evolve as a result of a series of successive adjustments to problems. Procedures establish uniform methods for routine or repetitive matters. A procedure could apply to anyone who comes into contact with it, for example, employees, customers, suppliers, and visitors of an organization. Examples of procedures are listed below:

1. Guidelines for receiving goods into an organization.
2. Guidelines for obtaining advances for business trips.

3. Guidelines for processing escrow documentation.
4. Guidelines under which the employee seeks emergency aid while on company business.
5. An outline of the steps and documentation required when a sheriff subpoenas an employee while on the premises of a company.
6. Guidelines for the reproduction of classified or secret documents.
7. A step-by-step outline by which a customer may return a defective product to a retail outlet.
8. Guidelines for reimbursing employees for authorized local business travel.
9. Guidelines for renewing automobile insurance.
10. Guidelines for writing a new policy or a procedure.

There is often the need for procedures in a specific area or department. These may be labeled with many names: supplementary procedures, job instructions, standard operating procedures, operating procedures, departmental procedures, etc. This special kind of procedure has a limited scope and typically contains detailed instructions which are applicable to one particular area or department. It may be a procedure within a procedure within a procedure within a policy. Since the terminology for this type of procedure varies from company to company, the general term, *supplementary procedure*, will be used throughout this book. The same guidelines which apply to the procedure also apply to the supplementary procedure. Examples of supplementary procedures are listed below:

1. Inspection shipping requirements.
2. Instructions for returning a part for repair while under warranty.
3. Instructions for assembling a printed circuit board.
4. Troubleshooting guide for a garage-door opener.
5. Methods for repairing a videocassette recorder.
6. Instructions for keypunching accounting input documents.
7. Guidelines for establishing a numbering system for engineering documentation.
8. Instructions for tuning a motorcycle.
9. Instructions for calculating automobile insurance premiums.
10. Guidelines for closing out subcontracts.

Policies reflect the basic objectives of an organization; procedures provide guidelines for carrying out actions throughout the company. Policies and procedures facilitate the achievement of organizational goals and provide consistency and continuity in planning, strategy, and day-to-day management decisions. Policies and procedures establish the framework of guiding principles which facilitate delegation to lower levels and permit individual managers to select appropriate tactics or plans.² At each lower level, there are also policies that should

²Dale Yoder, *Personnel Management and Industrial Relations*, p. 26.

be supportive of the policies formulated at the next-higher organizational level and be supported by policies formulated at the next-lower organizational level. Managers at lower levels are called upon to provide back-up planning, organizing, and actual resources wherever needed.

The business organization must ensure that the content of its policies and procedures does not deliberately violate the various rules, regulations, and laws under which business entities operate. Antitrust laws, banking acts, fair labor standards, tax laws, meat inspection actions, consumer credit acts, employment acts, deceptive pricing acts, Medicare, Social Security, transportation laws, and tariff laws are among the various aspects of controls and regulations under which business is conducted. Total compliance to the rules, the regulations, the laws, and the local customs is often a factor in a company's existence in some countries, especially those operating in the Middle East.

The rules, the regulations, the laws, and the local customs will vary from city to city, from county to county, from state to state, and from country to country depending on the type of business that a company has proposed to operate. For example, a few industries, such as banking and insurance, are supervised by national or state regulatory bodies that place limits on prices, sales promotions, and the variety of services rendered; a construction firm will have some local rules and regulations that will be different from those governing the operations of a retail outlet, etc.

It seems that policies and procedures are powerful management tools, and that a business organization is more likely to be successful if held together by a well-developed system of policies and procedures. The need for policies and procedures and the selection of a department to control the policies and procedures function will be discussed in Chapter 1.

1.

An Introduction to the Policies and Procedures Function

The intention of this chapter is to introduce the policies and procedures function to the reader. The following issues are discussed: (1) the need for policies and procedures in a business organization; (2) the selection of a department to control the policies and procedures

