NAVEX GLOBAL®

2019
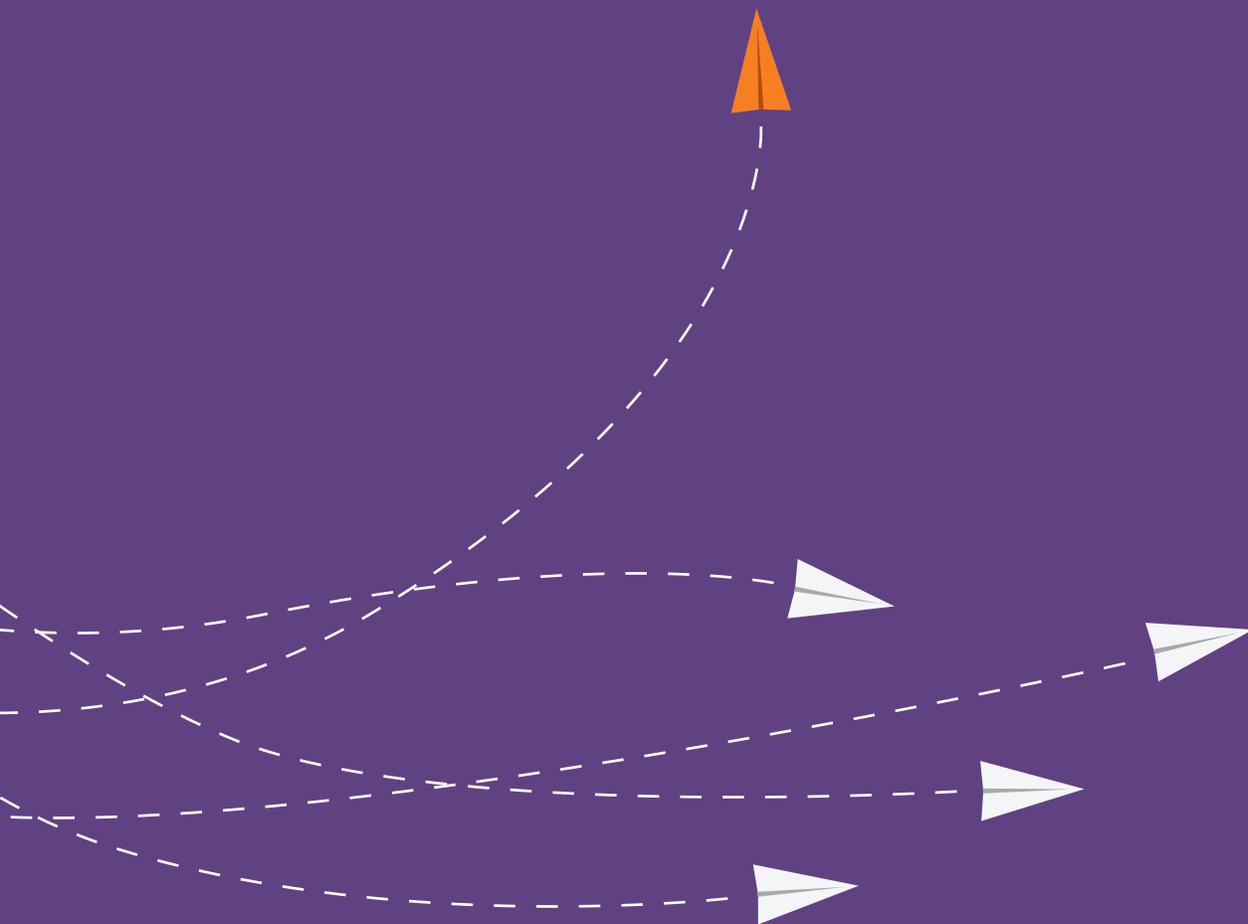
Policy & Procedure Management Top Market Trends & Analysis

Data & Insights for Maturing Programs

Policy & Procedure Management, Foundational to Agile Programs

Without a foundational policy and procedure management program, organizations are forced to start from scratch with each new and evolving risk.

Business news these days is replete with ethics and compliance (E&C) failures. Often, these result from people not understanding or following policies; in other instances, the policies themselves may not clearly communicate expected behaviors or the repercussions of breaches. In fact, most E&C failures at organizations are related to human mistakes or negligence that could have been prevented through proper policy and procedure management.

Corporate values and business practices often compete when policies and procedures are not operationalized into the fabric of the organization. We see this when an organization's leadership follows a different set of rules than its employees and stakeholders; when a sales team is implicitly encouraged to pursue a strategy that enriches the organization but violates customer trust; or when a third party vendor's corner cutting compromises cyber security protections. In these cases, the right and relevant policies are either not set and committed to, or they are not accessible and understood.

Alternatively, when an organization invests in an E&C program aligned with well-defined and universally applied policies and procedures, the results tend to be more positive and problems more easily addressed. When everyone – from leadership to hourly workers, board members to third party vendors, headquarters to the most remote offices – understands and attests to a single set of ideals, behaviors and ethics, the benefits extend beyond the agency of the organization

Market Trends & Analysis Show That Mature Programs Improve Performance

We are also seeing that organizations with mature policy and procedure management programs provide enterprise-wide guidance during routine times, and stability during volatile periods. Advanced compliance programs are able not only to address known issues, but to meet the challenges posed by new and unanticipated threats as well. For example, mature compliance programs were considerably more likely than their peers to have taken positive action in response to the #MeToo Movement, including opening dialog (55% vs. 31%), increasing training (44% vs 28%), and revising their policies (25% vs. 5%).

This is just one of the findings made by NAVEX Global's *2019 Definitive Corporate Compliance Benchmark Report* (the report). Published in June 2019, the report reflects a holistic approach to addressing key ethics and compliance concerns, highlighting critical E&C trends, topics and best practices. It offers data, findings and analysis of program approaches, as well as best practices related to individual E&C disciplines, including policy and procedure management.

2019 Definitive Corporate Compliance Benchmark Report

For the past four years, we have published separate annual reports on key ethics and compliance program disciplines, including hotline and incident management, third party risk management, E&C training and policy, and procedure management. This year, we have integrated data and analysis to inform a maturing market that has evolved beyond single-element approaches to solving critical ethics and compliance topics.

This document, derived from that larger report, is a targeted version of NAVEX Global's previous policy and procedure management benchmark reports. You can view the full 2019 Definitive Corporate Compliance Benchmark Report here.

## Up-to-Date Policy & Procedure Management Creates Risk Responsiveness

While organizations with strong policy and procedure management programs can address ongoing risk, they are also able to respond more quickly to emerging risk. With an up-to-date, well-maintained policy and procedure management program, organizations can be quick responders to continuously evolving regulatory and societal expectations. Without a foundational policy and procedure management program, organizations are forced to start from scratch with each new and evolving risk.

This requires ongoing proactive review of policies and procedures, rather than reactive evaluation forced by an incident or updated regulation.

Our survey data indicates that less than half of respondents' organizations review their policies for accuracy and relevance on a predetermined schedule. When an organization does not schedule policy review, untimely legislation or unexpected compliance failures will determine the schedule for them. The reality is that organizations in highly regulated industries or with multiple locations may see applicable national, state, or local legislation that requires adaptation on a near constant basis. Periodic review is a rational response, whether it's on a weekly, monthly or biannual basis.

Further, only 60% of respondents have documented guidelines for how they create and distribute new policies. A defined protocol for developing and distributing documents is essential to ensure timely employee updates in our fast-paced industry.

Naturally, once a policy is set, it's subject to review and revision, depending on changes in requirements or within the organization itself. A centralized and automated policy management solution can help organizations stay on top of updating applicable policies and notifying their employees, vendors and leadership about the changes and what they mean to the company and its stakeholders. We see that the majority of respondents report that their employees are required to read and acknowledge policies on a set schedule.
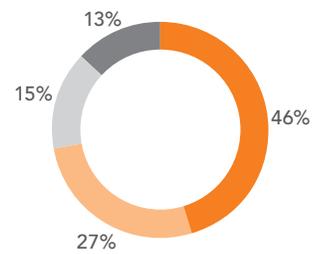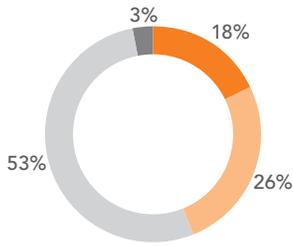

↑ **Figure 01:** Frequency of Reviewing Policies to Ensure Currency with Regulations

- 46% On a Set Schedule (e.g. Annually, Quarterly)
- 27% Proactively
- 15% Reactively
- 13% As Defined Within the Policy
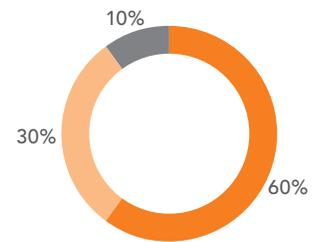
↑ **Figure 02:** Do You Have Documented Guidelines for How to Create and Distribute Policies?

- 60% Yes
- 30% No
- 10% Don't Know / Unsure

↑ Figure 03: How Often are Current Employees Required to Read and Acknowledge Policies?

- ● 18% Initially, After Hire
- ● 26% Occasionally
- ● 53% On a Set Schedule (e.g. Annually, Quarterly)
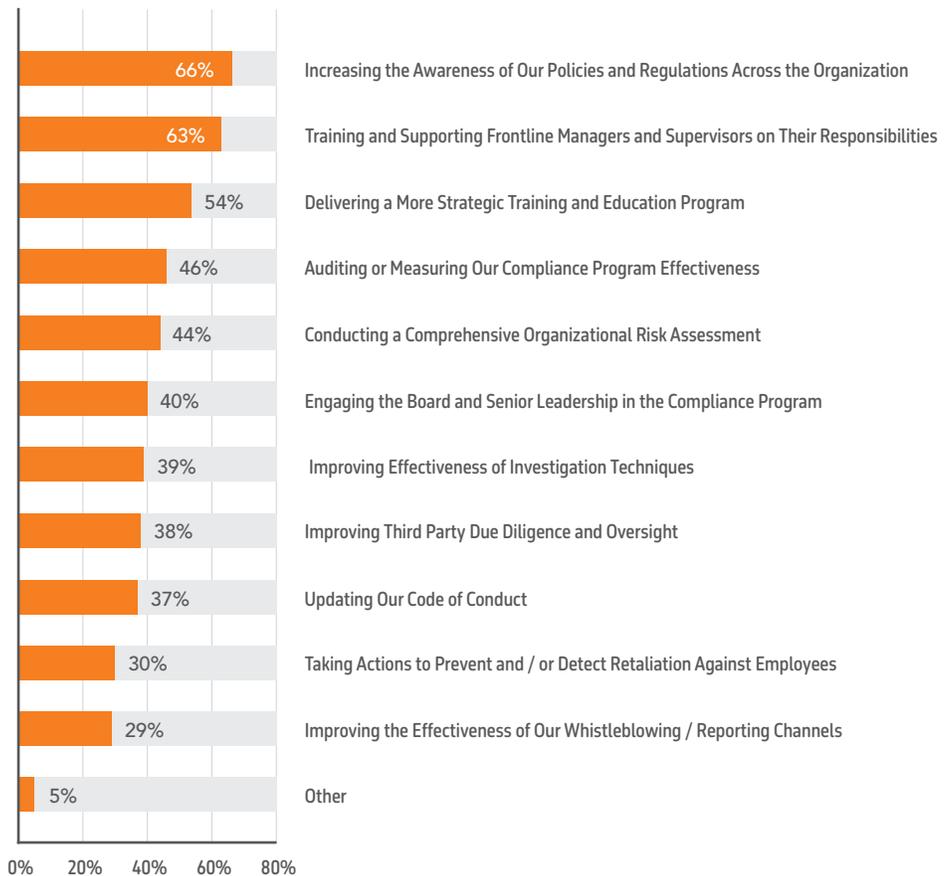- ● 3% We Don't Require Employees to Attest to Any Policies

Given the dynamic legislative environment today, a yearly review of policies may be adequate for some organizations. Yet regulatory misalignment may represent significant risk to companies and their people; a standard annual review may not be enough. While it is challenging to increase the cadence of stakeholder review, especially when legislative activity is unpredictable, companies must balance the disruption of notifying and training employees (and getting attestation) on new requirements with the risk of noncompliance and its potential impact on the organization.

Critical Elements: Policy Management

Responsive and agile organizations must start with a strong program built on the foundation elements of effective policy and procedure management. This is supported by the report, as most organizations are prioritizing policy and procedure effectiveness elements over the next 12 months.

Over half (55%) of respondents said their policy and procedure management program was instrumental in preventing misconduct or ethical violations in the past three years. This is most likely why many have identified increasing policy and procedure awareness as the top compliance activity to be prioritized over the coming year.
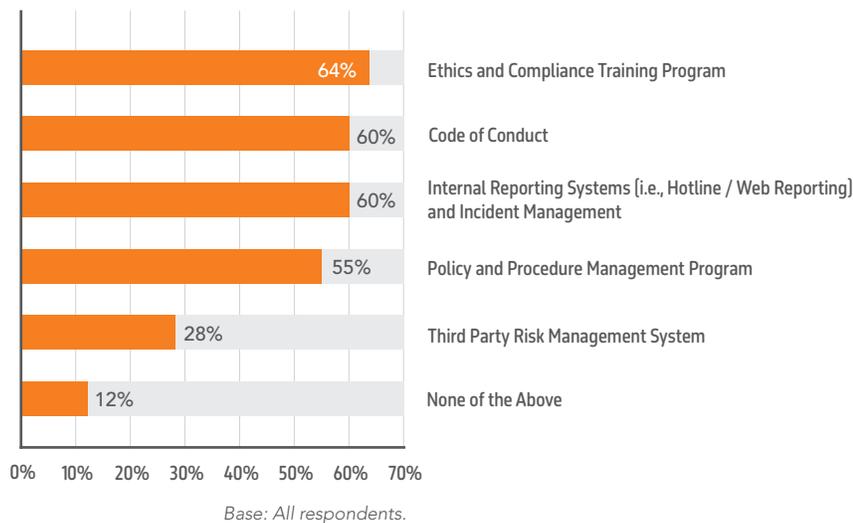
→ Figure 04: Which of the Following E&C Activities Will Your Organization Be Prioritizing Over the Next 12 Months?

66%	Increasing the Awareness of Our Policies and Regulations Across the Organization
63%	Training and Supporting Frontline Managers and Supervisors on Their Responsibilities
54%	Delivering a More Strategic Training and Education Program
46%	Auditing or Measuring Our Compliance Program Effectiveness
44%	Conducting a Comprehensive Organizational Risk Assessment
40%	Engaging the Board and Senior Leadership in the Compliance Program
39%	Improving Effectiveness of Investigation Techniques
38%	Improving Third Party Due Diligence and Oversight
37%	Updating Our Code of Conduct
30%	Taking Actions to Prevent and / or Detect Retaliation Against Employees
29%	Improving the Effectiveness of Our Whistleblowing / Reporting Channels
5%	Other

0%   20%   40%   60%   80%

Base: All respondents.

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Policy and procedure management is an essential component of an ethics and compliance program, regardless of program maturity. We often see organizations start their E&C program with a policy management solution. This allows teams to create, modify and distribute critical policies; drive employee attestation; and centralize version control, access, records and audit trails. From there, organizations can easily add complementary employee training solutions, hotline and incident management programs, or extend policies and risk management practices to their third parties.

Starting with any particular element doesn't preclude investment in others, or a full program. But for ethics and compliance professionals seeking to create a visible, deep and direct impact on their organization, a policy and procedure management is a foundational performance driver. Moreover, optimized policy and procedure management delivers a rapid return on investment across and beyond your ethics and compliance program.

Base: All respondents.

Figure 05: Did Any of the Following Program Elements Help Prevent Misconduct or Ethical Violations in Your Organization in the Past Three Years?
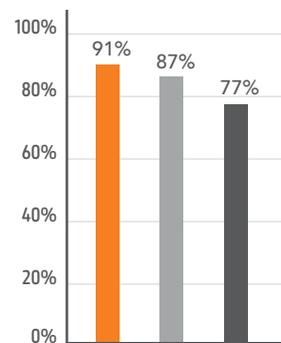
The Ultimate Policy: Code of Conduct

Policies are at the heart of an effective ethics and compliance program. They represent the belief system of the people within the organization, demonstrate a commitment to what matters, and are a means to bond stakeholders to the mission and values of the business. "Effective" is the operative word here, and has been emphasized most recently in the U.S. Department of Justice's updated *Evaluation of Corporate Compliance Programs* guidelines.

At the heart of an effective policy and procedure management program is the corporate code of conduct. As prescribed in the *U.S. Federal Sentencing Guidelines for Organizations*, all organizations should have a code of ethics that is regularly updated and accessible to employees. This code of ethics is an opportunity for an organization to define its values and expectations in terms of how its people and partners behave.

Figure 06: Does Your E&C Program Include the Following Elements

- 91% Code of Conduct
- 87% Policies and Procedures to Prohibit and Reduce Misconduct
- 77% Training Based on the Organization's Risks and Individual Roles

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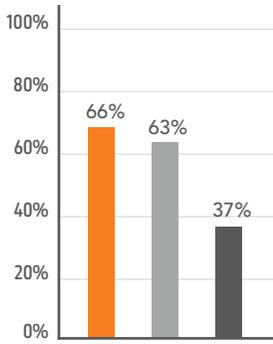
↑ Figure 07: Which of the Following E&C Activities Will Your Organization Be Prioritizing Over the Next 12 Months?

- 66% Increasing Awareness of Organization's Policies and Regulations
- 63% Training and Supporting Frontline Managers / Supervisors
- 37% Updating Our Code of Conduct

→ Figure 08: Reasons for Having an Automated Policy Management Solution
❶ 75% To Centralize Policies / Procedures
❷ 74% To Better Manage Policy / Procedural Documents
❸ 70% To Improve Employee Access to Policies / Procedures
❹ 60% To Reduce Risk
❺ 57% To Improve Accountability / Audit Trails
❻ 46% To Improve Collaboration Among Departments / Functional Areas
❼ 35% To Reduce Costs or Legal Fees
❽ 4% Don't Know

Our data shows that 91% of organizations surveyed have a code of conduct. Even more impressive is that all programs identified in the report as "Advanced" have a code, as well as 96% of large organizations.

A code of conduct is a singular asset that can unite an entire organization, no matter the size, location, culture, industry, regulatory environment or risks. Unfortunately, too many organizations have out of date, difficult to access or misaligned codes. While our data shows that most organizations have a code, many struggle to train and align their teams to their code and similarly critical policies.

Effective Policy Management Improves Your Program

Beyond a code of conduct, most organizations trust in hundreds or thousands of additional policies. In highly regulated industries, the accuracy and applicability of a policy or procedure can make the difference between a roadblock and a solution.

When not responding to emerging risk or societal events, effective policy and procedure management creates the guiding framework of your organization. It should inform all your other compliance program components.

For many practitioners, especially those building a program or looking for an approach which can deliver a measurable return, a policy management solution is the ideal initiative. Aligning policies and procedures to regulatory requirements, internal best practices, and codes of conduct help an organization realize its structural and operational value.

The primary goal of a policy and procedure management solution is to create a centralized, single source of truth for the complex web of documents organizations must manage. The return on investment in terms of informed employees and accessibility efficiencies is not explicit; however, "reducing risk" and "improving accountability and audit trails" is. Best practices programs not only use that information to allocate budget for automated policy and procedure management solutions, but also hold their program accountable to consistently deliver on those goals.
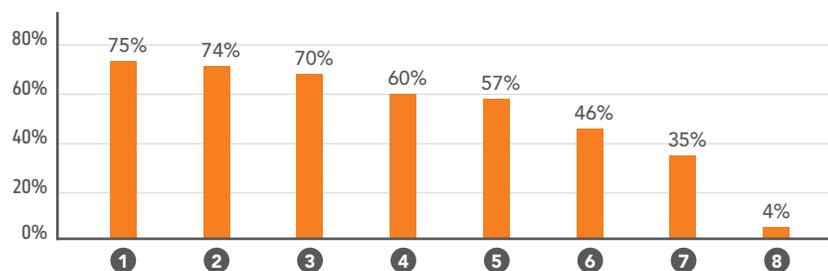
Best practices for policy and procedure management include standardizing, centralizing and automating the creation, review, distribution and recording of stakeholder attestation. This includes automating the review of legislative and regulatory changes, effectively responding to them, and seamlessly integrating them into company rules and education efforts.

Without an effective policy and procedure management program in place, organizations have to start from the beginning every time a new regulation or change in company status demands a unified approach for responding to risk. This involves updating and maintaining procedures to identify applicable regulatory changes, the policy changes required, the people and teams involved in maintaining alignment with the new expectations, and the timelines and processes for updating and confirming organizational compliance.

Survey data shows that 62% of respondent organizations maintain detailed records on policy development, revisions and distribution. Six percent keep no records at all, creating vulnerabilities to avoidable risks. No internal, external or governmental review would accept a complete lack of records. The costs of maintaining a policy management system are negligible compared to the cost of beginning anew for every new applicable regulation, as well as the potential cost of an audit failure.

Best Practice Policy & Procedure Management Delivers Results

Policy and procedure management solutions play a central role in any effective ethics and compliance approach. Delivering process efficiencies is an immediate value; yet in the longer term, the ability of an organization to present an effective policy creation, review, distribution and attestation solution for an internal or external audit – or enforcement action – is of significant consequence.

We know that a software-based and centralized approach delivers process and value measures beyond simple automation of key tasks. Yet, automation is key in helping organizations efficiently inventory, clean up and organize policies. An organization may have multiple teams managing local or national policy requirements, particularly when an organization has multiple offices in different jurisdictions. A centralized and automated approach allows for total visibility and realignment to ensure noncompliance risks are reduced.

As a toolbox that can define the elements and priorities of an effective ethics and compliance program, a policy and procedure management solution is the heart of a strong program – and a code of conduct that reflects the values of the organization is at the heart of any policy approach. Policy management not only allows organizations to account for and view applicable policies for any and all parts of the company, it also helps create a protective shield against emerging risks while enabling a quick response to unpredictable risks. Simply put, an organization is incomplete without a code of ethics and an effective policy and procedure management approach.
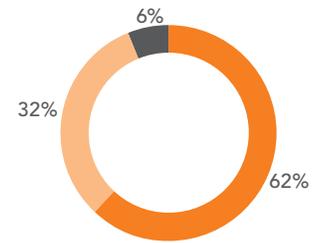
↑ Figure 09: Does Your Organization Keep Detailed Records Including Revisions, Approvals and Attestations, on Policies in Accordance with Your Records Management Policy?

- 62% Yes, On All Policies
- 32% We Keep Records On A Few Key Policies, But Not All Of Them
- 6% No, We Do Not Keep Records

When not responding to emerging risk or societal events, effective policy and procedure management create the guiding framework of your organization. It should inform all your other compliance program components.

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